

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take you should consult your accountant, legal or professional adviser or financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.**

This document, which comprises a prospectus relating to CEIBA Investments Limited (the "**Company**") prepared in accordance with the Prospectus Rules, has been approved by the Financial Conduct Authority (the "**FCA**") and has been delivered to the FCA in accordance with Rule 3.2 of the Prospectus Rules. This document has been made available to the public as required by the Prospectus Rules.

Application will be made to the London Stock Exchange for all of the Existing Ordinary Shares and the Ordinary Shares to be issued in connection with the Initial Issue to be admitted to the Specialist Fund Segment of the Main Market. Application will be made for all of the Shares of the Company issued pursuant to each Subsequent Placing under the Placing Programme to be admitted to the Specialist Fund Segment of the Main Market. It is expected that Initial Admission of all of the Existing Ordinary Shares and the Ordinary Shares to be issued under the Initial Issue will become effective and that unconditional dealings will commence in the Ordinary Shares at 8.00 a.m. on 10 October 2018. It is expected that Admissions pursuant to Subsequent Placings under the Placing Programme will become effective and dealings will commence between 10 October 2018 and 16 September 2019. No application has been made or is currently intended to be made for the Shares to be admitted to listing or trading on any other stock exchange.

Securities admitted to the Specialist Fund Segment are not admitted to the Official List of the Financial Conduct Authority. Therefore, the Company has not been required to satisfy the eligibility criteria for admission to listing on the Official List and is not required to comply with the Listing Rules (save to the extent voluntarily adopted by the Company). The London Stock Exchange has not examined or approved the contents of this document.

The Specialist Fund Segment is intended for institutional, professional, professionally advised and knowledgeable investors who understand, or who have been advised of, the potential risk from investing in companies admitted to the Specialist Fund Segment.

The Company and each of the Directors, whose names appear on page 45 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Prospective investors should read the entire document and, in particular, the section headed "Risk Factors" on pages 18 to 34 of this document when considering an investment in the Company.**

**U.S. PERSONS ARE PROHIBITED FROM ACQUIRING SHARES IN THE INITIAL ISSUE OR IN ANY SUBSEQUENT PLACING.**

**NOTWITHSTANDING THAT THE SHARES ARE FREELY TRANSFERABLE PROSPECTIVE INVESTORS SHOULD NOTE THAT THE ARTICLES PROHIBIT U.S. PERSONS FROM HAVING AN INTEREST IN SHARES AND CONTAIN PROVISIONS WHICH FACILITATE THE DISENFRANCHISEMENT AND FORCED TRANSFER OF ANY SHARES IN WHICH U.S. PERSONS ARE INTERESTED.**

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# CEIBA INVESTMENTS LIMITED

*(a closed-ended investment company limited by shares incorporated under the laws of Guernsey with registered number 30083)*

**Initial Issue for a target issue of £100 million at an Issue Price of 119 pence per Ordinary Share**

**Placing Programme for Ordinary Shares and/or C Shares**

**Admission to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange**

**AIFM  
ABERDEEN FUND MANAGERS LIMITED**

**Investment Manager  
ABERDEEN ASSET INVESTMENTS LIMITED**

**Financial Adviser, Sole Global Coordinator and Bookrunner  
Nplus1 Singer Advisory LLP**

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Nplus1 Singer Advisory LLP ("**N+1 Singer**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no one else in relation to Initial Admission, the Initial Issue, the Placing Programme, the Admission of any Shares pursuant to Subsequent Placings and the other arrangements referred to in this document. N+1 Singer will not regard any other person (whether or not a recipient of this document) as its client in relation to Initial Admission, the Initial Issue, the Placing Programme, the Admission of any Shares pursuant to Subsequent Placings and the other arrangements referred to in this document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing any advice in relation to Initial Admission, the Initial Issue, the Placing Programme, the Admission of any Shares pursuant to Subsequent Placings, the contents of this document or any transaction or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on N+1 Singer by FSMA or the regulatory regime established thereunder, N+1 Singer does not make any representation express or implied in relation to, nor accepts any responsibility whatsoever for, the contents of the document or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, Initial Admission, the Initial Issue, the Placing Programme and/or the Admission of any Shares pursuant to Subsequent Placings. N+1 Singer (and its Affiliates) accordingly, to the fullest extent permissible by law, disclaims all and any responsibility or liability (save for any statutory liability) whether arising in tort, contract or otherwise which it might have in respect of the contents of the document or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, Initial Admission, the Initial Issue, the Placing Programme and/or the Admission of any Shares pursuant to Subsequent Placings.

The AIFM has notified the FCA in accordance with regulation 57 of the UK Alternative Investment Fund Managers Regulations 2013 and meets the conditions of regulation 57(4)(a) to (c) of the UK Alternative Investment Fund Managers Regulations 2013 in order to permit marketing of the Company and the Shares in the United Kingdom.

The Company is a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Schemes Rules 2015 as issued by the Commission. The Commission, in granting registration, has not reviewed this document but has relied upon the specific warranties provided by JTC Fund Solutions (Guernsey) Limited, the Company's designated administrator. The Commission takes no responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

The Offer for Subscription will remain open until 11.00 a.m. on 3 October 2018 and the Initial Placing will remain open until 11.00 a.m. on 3 October 2018. Persons wishing to participate in the Offer for Subscription should complete the Application Form set out in the Appendix to this document. To be valid, Application Forms must be completed and returned with the appropriate remittance, by post to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during business hours only), to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 11.00 a.m. on 3 October 2018.

Investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised by the Company, the AIFM, the Investment Manager or N+1 Singer. Without prejudice to the Company's obligations under the Prospectus Rules, neither the delivery of this document nor any subscription for, or purchase of, Ordinary Shares pursuant to the Initial Issue and/or the Placing Programme, under any circumstances, creates any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this document.

N+1 Singer and its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for the Company, the AIFM and the Investment Manager, for which they would have received customary fees. N+1 Singer and its affiliates may provide such services to the Company, the AIFM and the Investment Manager and any of its affiliates in the future.

Neither N+1 Singer nor any of its affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, N+1 Singer may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements in connection with which N+1 Singer may from time to time acquire, hold or dispose of shareholdings in the Company.

The contents of this document are not to be construed as legal, financial, business, investment or tax advice. Investors should consult their own legal adviser, financial adviser or tax adviser for legal, financial, business, investment or tax advice. Investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Shares. Investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, financial, business, investment, tax, or any other related matters concerning the Company and an investment therein. None of the Company, the AIFM, the Investment Manager or N+1 Singer or any of its representatives is making any representation to any offeree or purchaser of Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

## **Notice to U.S. and Other Overseas Investors**

The offer and sale of the Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or under the securities laws of any other state or jurisdiction of the United States or under the applicable securities laws of Canada, Australia, the Republic of South Africa, New Zealand or Japan. The Shares may not be offered, sold, delivered or distributed, directly or indirectly, in, into or within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). Subject to certain exceptions, the Shares may not be offered, sold, delivered or distributed directly or indirectly to any national, resident or citizen of Canada, Australia, the Republic of South Africa, New Zealand or Japan.

In addition, the Company has not been, and will not be, registered under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**") and, as such, investors will not be entitled to the benefits of the Investment Company Act. No offer, purchase, sale or transfer of the Shares may be made except under circumstances which will not result in the Company being required to register as an investment company under the Investment Company Act.

Further, the Company is not and does not plan to become a "**Person subject to U.S. jurisdiction**" as defined under the Cuban Asset Control Regulations ("**CACR**"), which are administered and enforced by the U.S. Treasury's Office of Foreign Assets Control ("**OFAC**"). Therefore, the restrictions and limitations imposed by the CACR to persons subject to U.S. jurisdiction do not apply to the Company.

This document may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Copies of this document will be available on the Company's website ([www.ceibalimited.co.uk](http://www.ceibalimited.co.uk)) and the National Storage Mechanism of the FCA at [www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm) and hard copies of the document can be obtained free of charge from the Administrator.

Dated: 17 September 2018

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## SUMMARY

**Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A—E (A.1—E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Some Elements are not required to be addressed which means there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “Not applicable”.**

### PART A – THE COMPANY

#### Section A – Introduction and warnings

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
A.1.	Warning	This summary should be read as an introduction to this document. Any decision to invest in Shares should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A.2.	Subsequent resale or final placement of securities through financial intermediaries	Not applicable.

#### Section B – Issuer

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>									
B.1.	Legal and commercial name	CEIBA Investments Limited									
B.2.	Domicile and legal form	The Company is a non-cellular company limited by shares incorporated in Guernsey on 10 October 1995 with registration number 30083 and operates under the Companies Law.									
B.5.	Group description	<p>The Company has the following directly and indirectly owned subsidiaries and interests in associated companies:</p> <table> <tr> <th><i>Name and form</i></th><th><i>Place of incorporation</i></th><th><i>Company's direct or indirect ownership percentage (%)</i></th></tr> <tr> <td>CEIBA Property Corporation Limited, a non-cellular company limited by shares</td><td>Guernsey</td><td>100</td></tr> <tr> <td>CEIBA Tourism B.V., a private company with limited liability (<i>Besloten Vennootschap met beperkte aansprakelijkheid</i>)</td><td>The Netherlands</td><td>100</td></tr> </table>	<i>Name and form</i>	<i>Place of incorporation</i>	<i>Company's direct or indirect ownership percentage (%)</i>	CEIBA Property Corporation Limited, a non-cellular company limited by shares	Guernsey	100	CEIBA Tourism B.V., a private company with limited liability ( <i>Besloten Vennootschap met beperkte aansprakelijkheid</i> )	The Netherlands	100
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		<i>U.S.\$'000 unless otherwise stated</i>	<i>As at 31 December 2017</i>	<i>As at 31 March 2017</i>	<i>As at 31 March 2016</i>	<i>As at 31 March 2015</i>
		<b>Net Asset Value attributable to the owners of the Company</b>	175,220	169,633	149,980	116,063
		<b>Net Asset Value per Ordinary Share attributable to the owners of the Company (U.S.\$)</b>	13.02	12.60	11.14	8.62
		<b>Total assets</b>	268,376	173,192	156,617	118,501
		<b>Net income</b>	5,419	26,581	37,760	15,315
		<b>Total comprehensive income</b>	5,617	26,638	37,909	15,159
		<b>Net income attributable to the owners of the Company</b>	5,459	26,595	37,768	15,326
		<b>Earnings per Ordinary Share (U.S.\$)</b>	0.41	1.98	2.81	1.14
		Save to the extent disclosed below, there has been no significant change in the Company's financial condition and operating results during or subsequent to the period from 31 March 2015 to 31 December 2017:				
		(a) on 8 November 2017, the Company increased its indirect interest in the Varadero Hotels from 13.875 per cent. to 35.7625 per cent.;				
		(b) on 8 November 2017, the Company entered into the Bridge Loan for a principal amount of €30 million;				
		(c) on the 10 April 2018, the Company paid a dividend of U.S.\$0.52 per Ordinary Share; and				
		(d) pursuant to an ECCM resolution dated 4 September 2018, the Cuban government approved the merger of MIRAMAR S.A. and Cuba-Canarias S.A. and extended the surface rights of the Hotel Assets to 2042.				
B.8.	Key pro forma financial information	Not applicable. No pro forma financial information about the Company is included in this document.				
B.9.	Profit forecast	Not applicable. No profit forecast or estimate is included in this document.				
B.10.	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The audit reports on the historical financial information contained in this document are not qualified.				
B.11.	Qualified working capital	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.				
B.34.	Investment policy	<p><b>Investment Objective</b></p> <p>The investment objective of the Company is to provide a regular level of income and substantial capital growth.</p> <p><b>Investment Policy</b></p> <p>The Company is a country fund with a primary focus on Cuban real estate assets.</p> <p>The Company will seek to deliver the investment objective primarily through investment in, and management of, a portfolio of Cuban real estate assets, with a focus on the tourism-related and commercial property sectors. Cuban real estate assets may also include infrastructure, industrial, retail, logistics, residential and mixed-use assets (including development projects).</p> <p>The Company may also invest in any type of financial instrument or credit facility secured by Cuba related cash flows.</p> <p>In addition, subject to the investment restrictions set out below, the Company may invest in other Cuba-related businesses, where such are considered by the Investment Manager to be complementary to the Company's core portfolio ("<b>Other Cuban Assets</b>"). Other Cuban Assets may include, but are not limited to, Cuba-related businesses in the construction or construction supply, logistics, energy, technology, and light or heavy industrial sectors.</p> <p>Investments may be made through equity, debt or a combination of both.</p>				

		<p>The Company will invest either directly or through holdings in special purpose vehicles, joint venture vehicles, partnerships, trusts or other structures. The Foreign Investment Act guarantees that the holders of interests in Cuban joint venture companies may transfer their interests, subject always to agreement between the parties and the approval of the Cuban government.</p> <p><i>Investment restrictions</i></p> <p>The following investment limits and restrictions will apply to the Company and its business which, where appropriate, will be measured at the time of investment and once the Company is fully invested:</p> <ul style="list-style-type: none"> <li>● the Company will not knowingly or intentionally use or benefit from confiscated property to which a claim is held by a Person subject to U.S. jurisdiction;</li> <li>● the Company may invest in Cuban and non-Cuban companies, joint ventures and other entities that earn all or a substantial part of their revenues from activities outside Cuba, although such investments will, in aggregate, be limited to less than 10 per cent. of the Gross Asset Value;</li> <li>● save for Monte Barreto, the Company's maximum exposure to any one asset will not exceed 30 per cent. of the Gross Asset Value;</li> <li>● no more than 20 per cent. of the Gross Asset Value will be invested in Other Cuban Assets; and</li> <li>● no more than 20 per cent. of the Gross Asset Value will be exposed to "greenfield" real estate development projects, being new-build construction projects carried out on undeveloped land.</li> </ul> <p>The Company will not be required to dispose of any asset or to rebalance the Portfolio as a result of a change in the respective valuations of its assets. The investment limits detailed above will apply to the Group as a whole on a look through basis, i.e. where assets are held through subsidiaries, SPVs, or equivalent holding vehicles, the Company will look through the holding vehicle to the underlying assets when applying the investment limits.</p> <p><i>Gearing</i></p> <p>Following the full repayment of the Bridge Loan shortly following Initial Admission, the Company will be debt-free, both at the holding company level and at the level of each underlying investment. 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 optimise 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.</p> <p>The Company does not anticipate using gearing for at least three years following Initial Admission, however, in the event that gearing becomes available in the future, the Board would establish gearing guidelines for the AIFM in order to maintain an appropriate level and structure of gearing. Under any such guidelines, aggregate borrowings would not be expected to exceed 20 per cent. of the Net Asset Value at the time of draw down.</p> <p><i>General</i></p> <p>In the event of a breach of the investment guidelines and restrictions set out above, the AIFM will inform the Board upon becoming aware of the same, and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the AIFM will look to resolve the breach with the agreement of the Board.</p> <p>Any material change to the Company's investment policy set out above will require the approval of Shareholders by way of an ordinary resolution at a general meeting. Non-material changes to the investment policy may be approved by the Board.</p>
B.35.	Borrowing limits	<p>Following the full repayment of the Bridge Loan shortly following Initial Admission, the Company will be debt-free, both at the holding company level and at the level of each underlying investment. 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 optimise 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.</p> <p>The Company does not anticipate using gearing for at least three years following Initial Admission, however, in the event that gearing becomes available in the future, the Board would establish gearing guidelines for the AIFM in order to maintain an appropriate level and structure of gearing. Under any such guidelines, aggregate borrowings would not be expected to exceed 20 per cent. of the Net Asset Value at the time of draw down.</p>

B.36.	Regulatory status	The Company is not authorised or regulated by the Financial Conduct Authority. The Company operates as a registered closed-ended investment scheme regulated by the Commission under the POI Law and the RCIS Rules.
B.37.	Typical investor	The Shares are only suitable for investors: (i) who understand the potential risk of capital loss; (ii) for whom an investment in the Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment portfolio. Investors in the Company are expected to be institutional investors, professional investors, high net worth investors and professionally advised and knowledgeable investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager or broker regarding investment in the Company. It should be remembered that the price of the Shares and the returns from them can go down as well as up and that investors may not receive, on a sale of Shares, the amount that they invested.
B.38.	Investment of 20 per cent. or more in single underlying asset or investment company	Based on the current structure of the Company's investments, it is expected that more than 20 per cent. of the Company's gross assets on Initial Admission will be invested in Monte Barreto. Please see Part B below of this "Summary" for additional information in relation to Monte Barreto.
B.39.	Investment of 40 per cent. or more in single underlying asset or investment company	Not applicable. The Company will not have any such investment on Initial Admission.
B.40.	Applicant's service providers	<p><b>The AIFM</b></p> <p>Under the terms of the Management Agreement, the Company has appointed Aberdeen Fund Managers Limited as the Company's alternative investment fund manager for the purposes of the AIFM Rules. The AIFM has delegated portfolio management to Aberdeen Asset Investments Limited as Investment Manager.</p> <p>Pursuant to the terms of the Management Agreement, the AIFM is responsible for portfolio and risk management on behalf of the Company and will carry out the on-going oversight functions and supervision and ensure compliance with the applicable requirements of the AIFM Rules.</p> <p>Pursuant to the terms of the Management Agreement, the AIFM is entitled, with effect from Initial Admission, to receive an annual management fee (the "<b>Annual Management Fee</b>") equivalent to 1.5 per cent. of Net Asset Value. The Annual Management Fee will be lowered by the (annual) running costs of CPC's Havana operations.</p> <p>The Annual Management Fee is payable quarterly in arrears, save for any period which is less than a full calendar quarter.</p> <p>In addition, the AIFM is entitled to reimbursement for all cost and expenses properly incurred by the AIFM and/or the Investment Manager in the performance of its duties under the Management Agreement.</p> <p>There are no performance, acquisition, exit or property management fees payable to the AIFM and/or the Investment Manager.</p> <p><b>Administrator and Company Secretary</b></p> <p>JTC Fund Solutions (Guernsey) Limited has been appointed as administrator and secretary to the Company pursuant to the Amended Administration Agreement. The Administrator provides day-to-day administration services to the Company and is also responsible for the Company's general administrative and secretarial functions such as the calculation of the Net Asset Value and the maintenance of the Company's accounting and statutory records.</p> <p>Under the terms of the Amended Administration Agreement, the Administrator is entitled to annual fees for the provision of company secretarial services and administrative and accounting services to the Company of £120,000 per annum payable monthly in arrears. In addition, the Administrator is entitled to certain other fees for ad hoc services rendered from time to time, including for the provision of company secretarial services and administrative and accounting services to any Guernsey subsidiary of the Company of £10,000 per annum per subsidiary payable monthly in arrears. The Administrator is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.</p> <p><b>Depository</b></p> <p>JTC Global AIFM Solutions Limited has been appointed as depository of the Company pursuant to the Depository Agreement. The Depository provides depository services to the Company and is responsible for setting up and maintaining cash accounts, ensuring the Company's cash flows are properly monitored, the safe-keeping of custody assets and the oversight and supervision of certain operational functions of the AIFM and the Company.</p>

		<p>Under the terms of the Depositary Agreement, the Depositary is entitled to a fee for the provision of depositary services of £30,000 per annum, which accrues daily and is payable monthly in arrears. In addition, the Depositary is entitled to certain other fees for ad hoc services rendered from time to time. The Depositary is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.</p> <p><b>Registrar</b></p> <p>Link Market Services (Guernsey) Limited has been appointed as registrar to the Company pursuant to the Registrar Agreement. The Registrar provides registration services, including maintaining and updating the register of members of the Company.</p> <p>Under the terms of the Registrar Agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of any VAT), subject to a minimum of £5,500 per annum payable monthly in arrears. In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time. The Registrar is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.</p> <p><b>Receiving Agent</b></p> <p>Link Market Services Limited has been appointed as receiving agent to the Company pursuant to the Receiving Agent Agreement. The Receiving Agent provides receiving agent services in connection with the Offer for Subscription.</p> <p>Under the terms of the Receiving Agent Agreement, the Receiving Agent shall be entitled to receive a fee in connection with the receiving agent services from the Company of not less than £14,850 (exclusive of any VAT). The Receiving Agent is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.</p> <p><b>Auditor</b></p> <p>The Company intends to appoint Ernst &amp; Young LLP as auditor of the Company. The Auditor will be entitled to an annual fee from the Company, which fee will be agreed with the Board each year in advance of the Auditor commencing audit work.</p>
B.41.	Regulatory status of AIFM, the investment manager and custodian	<p>The AIFM is authorised and regulated by the FCA (FCA registration number 121803) as a full-scope alternative investment fund manager for the purposes of the AIFM Rules.</p> <p>The Investment Manager is authorised and regulated by the FCA (FCA registration number 193707) to provide portfolio management functions.</p> <p>The Depositary is authorised and regulated by the GFSC.</p>
B.42.	Calculation of Net Asset Value	<p>The Net Asset Value of the Company (including the Net Asset Value per Ordinary Share and Net Asset Value per C Share (if relevant)) will be calculated and published on a quarterly basis by the Administrator, together with details of the Portfolio, based on the most recent valuations of the assets of the Company, calculated under IFRS. The Company's functional and reporting currency is U.S. Dollars. The Net Asset Value and the Net Asset Value per Ordinary Share and Net Asset Value per C Share (if relevant) will be presented in U.S. Dollars together with a Sterling conversion which will be based on an applicable U.S. Dollar/Sterling spot exchange rate, details of which will be disclosed in the relevant announcement. The Net Asset Value will be published through a Regulatory Information Service as soon as practicable after the end of the relevant quarter.</p> <p>As detailed in this document, the principal assets of the Company are equity investments in Cuban joint venture companies which are used as a means of investing in Cuban real estate assets as a foreign investor. The Company has adopted the following valuation methodology so as to provide an accurate valuation of its equity investments in these Cuban joint venture companies:</p> <ul style="list-style-type: none"> <li>● The Cuban joint venture companies in which the Company holds an equity interest will be valued by the AIFM every six months – at the Company's financial year end and half-year end – with such valuations being reviewed by the Board of the Company, Aberdeen Standard Investment's Property Valuation Committee and the auditors of the Company.</li> <li>● The fair value of the Company's equity investments in the Cuban joint venture companies will be determined by the AIFM on the basis of valuations of the underlying properties held by the Cuban joint venture companies prepared by an independent third party valuation adviser (that is a registered member of the Royal Institution of Chartered Surveyors), as may be appointed by the AIFM from time to time, in accordance with international valuation standards (RICS).</li> <li>● In line with market practice and international valuation standards (RICS), the valuation of each underlying property will be determined by the independent third party valuation adviser using a discounted cash flow model that discounts the future forecasted cash flows of the property, excluding any impact due to taxes.</li> </ul>

		<ul style="list-style-type: none"><li>● However, given the fact that the Cuban joint venture companies that hold the underlying properties have tax obligations in Cuba, it is necessary to take the impact of such tax obligations into account when valuing the equity investments of the Company in the Cuban joint venture companies. As part of the valuation service, the independent third party valuation adviser will provide the AIFM with both a pre-tax and a post-tax discount rate in respect of each property, and the AIFM, on the basis of the aforementioned discounted cash flow models for the underlying properties, will determine the projected after-tax cash flows of the Cuban joint venture companies and apply the corresponding post-tax discount rates provided by the independent third party valuation adviser to determine the fair values of the joint venture interests.</li><li>● In addition, the AIFM will make adjustments for any working capital in excess of operating requirements (primarily cash), held in the Cuban joint venture companies at the valuation date.</li><li>● Lastly, the AIFM will calculate the value of the Company's investments in the Cuban joint venture companies proportional to the interest held by the Group holding company that acts as the foreign shareholder in each case. The value of the Group holding company's interest shown in the financial statements may include other non-controlling interests which are classified separately within the equity of the Company's balance sheet.</li></ul> <p>If the Directors consider that any of the above bases of valuation are inappropriate in any particular case, or generally, they may adopt such other valuation procedures as they consider reasonable in the circumstances.</p> <p>The Directors may temporarily suspend the calculation, and publication, of the Net Asset Value during a period when, in the opinion of the Directors:</p> <ul style="list-style-type: none"><li>● there are political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, and disposal or valuation of investments of the Company or other transactions in the ordinary course of the Company's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated;</li><li>● there is a breakdown of the means of communication normally employed in determining the calculation of the Net Asset Value; or</li><li>● it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.</li></ul> <p>Any suspension in the calculation of the Net Asset Value will be notified through a Regulatory Information Service as soon as practicable after any such suspension occurs.</p>																																																		
B.43.	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.																																																		
B.44.	No financial statements have been made up	Not applicable. The Company has commenced operations and historical financial information is included within this document. Please see the key financial information at B.7.																																																		
B.45.	Portfolio	<p>The following table summarises the Company's principal investments as at the date of this document (with fair values shown as at 31 December 2017):</p> <table><tr><th><i>Investment</i></th><th><i>Economic interest of Company in foreign shareholder</i></th><th><i>Surface rights expiry</i></th><th><i>Fair value as at 31 December 2017 (U.S.\$ millions)</i></th><th><i>Percentage of Gross Asset Value (%)</i></th></tr><tr><td>The Miramar Trade Center</td><td>100<sup>(1)</sup></td><td>2046</td><td>77.7</td><td>36.2</td></tr><tr><td>Meliá Habana Hotel</td><td>65<sup>(2)</sup></td><td>2042</td><td>37.1</td><td>17.3</td></tr><tr><td>Meliá Las Américas Hotel</td><td>65<sup>(2)</sup></td><td>2042</td><td>17.3</td><td>8.1</td></tr><tr><td>Meliá Varadero Hotel</td><td>65<sup>(2)</sup></td><td>2042</td><td>17.6</td><td>8.2</td></tr><tr><td>Sol Palmeras Hotel</td><td>65<sup>(2)</sup></td><td>2042</td><td>16.3</td><td>7.6</td></tr><tr><td>The Meliá Trinidad Playa Hotel development project*</td><td>80<sup>(3)</sup></td><td>2048</td><td>3.0</td><td>1.4</td></tr><tr><td>The FINTUR finance facility</td><td>—</td><td>—</td><td>4.5</td><td>2.1</td></tr><tr><td>Cash and receivables</td><td>—</td><td>—</td><td>41.1</td><td>19.1</td></tr><tr><td><b>Total</b></td><td></td><td></td><td>214.6</td><td>100</td></tr></table> <p>* Following the completion of construction it is estimated that the Meliá Trinidad Playa Hotel will be the Company's third largest investment.</p> <p>(1) The Company owns 100 per cent. of CEIBA Property Corporation Ltd. which in turn owns 100 per cent. of CEIBA MTC Properties Inc. which in turn owns 49 per cent. of INMOBILIARIA MONTE BARRETO S.A. giving the Company an indirect 49 per cent. interest in INMOBILIARIA MONTE BARRETO S.A.</p>	<i>Investment</i>	<i>Economic interest of Company in foreign shareholder</i>	<i>Surface rights expiry</i>	<i>Fair value as at 31 December 2017 (U.S.\$ millions)</i>	<i>Percentage of Gross Asset Value (%)</i>	The Miramar Trade Center	100 <sup>(1)</sup>	2046	77.7	36.2	Meliá Habana Hotel	65 <sup>(2)</sup>	2042	37.1	17.3	Meliá Las Américas Hotel	65 <sup>(2)</sup>	2042	17.3	8.1	Meliá Varadero Hotel	65 <sup>(2)</sup>	2042	17.6	8.2	Sol Palmeras Hotel	65 <sup>(2)</sup>	2042	16.3	7.6	The Meliá Trinidad Playa Hotel development project*	80 <sup>(3)</sup>	2048	3.0	1.4	The FINTUR finance facility	—	—	4.5	2.1	Cash and receivables	—	—	41.1	19.1	<b>Total</b>			214.6	100
<i>Investment</i>	<i>Economic interest of Company in foreign shareholder</i>	<i>Surface rights expiry</i>	<i>Fair value as at 31 December 2017 (U.S.\$ millions)</i>	<i>Percentage of Gross Asset Value (%)</i>																																																
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		<p>(2) <i>The Company owns 100 per cent. of CEIBA Property Corporation Ltd. which in turn owns 100 per cent. of CEIBA Tourism B.V. which in turn owns 65 per cent. of HOMASI S.A. which in turn owns 50 per cent. of each of MIRAMAR S.A. and Cuba-Canarias S.A. giving the Company an indirect 32.5 per cent. interest in each of MIRAMAR S.A. and Cuba-Canarias S.A.</i></p> <p>(3) <i>The Company owns 100 per cent. of CEIBA Property Corporation Ltd. which in turn owns 100 per cent. of CEIBA Tourism B.V. which in turn owns 80 per cent. of Mosaico B.V., which in turn owns 100% of MOSAICO HOTELES S.A. which in turn owns 50 per cent. of TOSCUBA S.A. giving the Company an indirect 40 per cent. interest in TOSCUBA S.A.</i></p> <p>As at 31 December 2017, the Company had net assets of U.S.\$175 million, with no third party debt at the investment level.</p> <p><b>The Miramar Trade Center</b></p> <p>The Company holds an indirect 49 per cent. interest in Monte Barreto, which is the Cuban joint venture company for the Miramar Trade Center, a complex of six mixed-use office buildings in Havana with a net rentable area of approximately 56,000 square metres. The buildings are located at the core of the Miramar business district in Havana.</p> <p><b>The Hotel Assets</b></p> <p><i>The Meliá Habana Hotel and the Varadero Hotels</i></p> <p>The Company is the majority holder, with a 65 per cent. interest, in HOMASI S.A. which in turn holds a 50 per cent. interest in each of MIRAMAR S.A. and Cuba-Canarias S.A. the Cuban joint venture holding companies holding a portfolio of four operating hotels:</p> <ul style="list-style-type: none"> <li>● <i>Meliá Habana Hotel</i> – is a 397 room 5-star business hotel located on prime ocean-front property directly facing the Miramar Trade Center. The hotel is operated by Meliá Hotels International and is currently one of only a few 5-star hotels in Havana and one of only two business hotels.</li> <li>● <i>Meliá Las Americas Hotel (5-star), Meliá Varadero Hotel (5-star) and Sol Palmeras Hotel (4-star)</i> – three contiguous resort hotels located on prime beachfront property in Varadero with 1,437 rooms across the three hotels. The hotels are operated as all-inclusive resorts by Meliá Hotels International and are adjacent to the Varadero Golf Course, which is currently Cuba's only 18 hole golf course.</li> </ul> <p>The Shareholders of MIRAMAR S.A. and Cuba-Canarias S.A. are in the process of merging the two Cuban joint venture companies, with MIRAMAR S.A. remaining as the sole joint venture company that will own all four hotels and the property rights in relation to the properties on which the hotels have been constructed. The merger has been approved by the ECCM and it is anticipated will be completed shortly following Initial Admission.</p> <p><i>The Meliá Trinidad Playa Hotel development project</i></p> <p>The Company is also the majority holder, with an 80 per cent. interest, in MOSAICO HOTELES S.A. which in turn holds a 50 per cent. interest in TOSCUBA S.A. the Cuban joint venture holding company which owns a hotel development project for a beach resort hotel on a prime beachfront plot near the UNESCO world heritage sites of the "Valle de los Ingenios" and the neighbouring town of Trinidad.</p> <p>The Meliá Trinidad Playa Hotel, which is under development, will be a 400 room 4-star resort hotel and is inspired on the Paradisus (Meliá) Playa del Carmen La Perla hotel in Mexico. All necessary construction permits are in place and ground preparation works have been completed. Construction of the project is scheduled to start in Q4 2018 with the start-up of hotel operations expected in December 2020.</p> <p><b>The FINTUR finance facility</b></p> <p>Since 2002, the Company has arranged and participated in numerous secured finance facilities in favour of Casa Financiera FINTUR S.A., the financial house of Cuba's tourism sector. These facilities act as a medium term investment and treasury management tool. The facilities are fully secured by offshore tourism proceeds from numerous internationally-managed hotels and selected tour operators. The Company has a successful 15 year track record of participating in over €140 million of facilities with FINTUR with no defaults.</p> <p>The Company has a €4 million participation in the most recent facility executed in March 2016 (a €24 million four year facility with an 8 per cent. interest rate) which has started to amortise as of September 2017. The facility is current and in good standing. As at the date of this document the principal amount of €2.7 is outstanding under the Company's participation.</p>
B.46.	Net Asset Value	As at 31 December 2017, the Net Asset Value of the Company was U.S.\$175 million.

## Section C – Securities

Element	Disclosure Requirement	Disclosure
C.1.	Type and class of securities	<p>The shares being offered under the Initial Issue are Ordinary Shares of no par value in the capital of the Company.</p> <p>The Company also intends to issue Ordinary Shares and C Shares of no par value each pursuant to the Placing Programme.</p> <p>The ISIN of the Ordinary Shares is GG00BFMDJH11 and the SEDOL of the Ordinary Shares is BFMDJH1. The ticker for the Ordinary Shares is CBA.</p> <p>The ISIN of the C Shares is GG00BFMDJJ35 and the SEDOL of the C Shares is BFMDJJ3. The ticker for the C Shares is CBAC.</p>
C.2.	Currency	Sterling.
C.3.	Number of securities in issue	<p>As at the date of this document, the Company has 107,671,576 Existing Ordinary Shares in issue.</p> <p>The Existing Ordinary Shares and the Shares to be issued pursuant to the Initial Issue and the Placing Programme will have the rights set out in the Articles.</p> <p>There are no non-paid up shares in issue.</p>
C.4.	Description of the rights attaching to the securities	<p><b>Dividends</b></p> <p>The Directors may, from time to time, authorise dividends and distributions to be paid to the Shareholders in accordance with the procedure set out in the Companies Law and subject to any Shareholder's rights attaching to their shares. The declaration of the Directors as to the amount of the dividend or distribution available shall be final and conclusive.</p> <p><b>Voting rights</b></p> <p>Subject to any rights or restrictions attached to any shares, on a show of hands every holder of Ordinary Shares and C Shares (if any) present in person or by proxy and entitled to vote shall have one vote and on a poll every holder of Ordinary Shares and C Shares (if any) shall have one vote for each Ordinary Share or C Share held.</p> <p><b>Winding up</b></p> <p>On a winding-up or a return of capital by the Company, if there are C Shares in issue, the net assets of the Company attributable to the C Shares shall be divided <i>pro rata</i> among the holders of the C Shares. For so long as C Shares are in issue, and without prejudice to the Company's obligations under the Companies Law, the assets attributable to the C Shares shall, at all times, be separately identified and shall have allocated to them such proportion of the expenses or liabilities of the Company as the Directors fairly consider to be attributable to any C Shares in issue.</p> <p>The holders of Ordinary Shares shall be entitled to all of the Company's remaining net assets after taking into account any net assets attributable to any C Shares (if any) in issue.</p> <p><b>Variation of rights</b></p> <p>The consent of either the holders of Ordinary Shares or the holders of C Shares will be required for the variation of any rights attached to the relevant class of shares.</p>
C.5.	Restrictions on the free transferability of the securities	<p>Subject to compliance with applicable securities laws and regulations and the Articles there are no restrictions on the free transferability of the Shares.</p> <p><b>NOTWITHSTANDING THAT THE SHARES ARE FREELY TRANSFERABLE PROSPECTIVE INVESTORS SHOULD NOTE THAT THE ARTICLES PROHIBIT U.S. PERSONS FROM HAVING AN INTEREST IN SHARES AND CONTAIN PROVISIONS WHICH FACILITATE THE DISENFRANCHISEMENT AND FORCED TRANSFER OF ANY SHARES IN WHICH U.S. PERSONS ARE INTERESTED.</b></p>
C.6.	Admission	<p>Application will be made to the London Stock Exchange for: (i) the Existing Ordinary Shares; and (ii) the new Ordinary Shares to be issued pursuant to the Initial Issue, to be admitted to trading on the Specialist Fund Segment.</p> <p>Application will also be made to the London Stock Exchange for all of the Shares issued pursuant to the Placing Programme to be admitted to trading on the Specialist Fund Segment.</p> <p>It is expected that Initial Admission will become effective, and that dealings in the Ordinary Shares will commence at 8.00 a.m. on 10 October 2018.</p>

		<p>It is expected that any further Admissions under Subsequent Placings will become effective and dealings will commence between 10 October 2018 and 16 September 2019.</p> <p>All Shares to be issued pursuant to a Subsequent Placing under the Placing Programme will be issued conditionally upon the relevant Admission occurring.</p>
C.7.	Dividend policy	<p>Subject to compliance with the Companies Law, the Company intends to pay Sterling dividends on an annual basis and will seek to distribute 85 per cent. of net cash flows from operations.</p> <p>The Company is targeting:</p> <ul style="list-style-type: none"> <li>● an annual dividend yield of 4 per cent. (in U.S. Dollar terms); and</li> <li>● a total shareholder return of between 12.5 and 17.5 per cent. per annum (in U.S. Dollar terms),</li> </ul> <p>(the “<b>Target Returns</b>”).</p> <p><b><i>Investors should note that the Target Returns, including the declaration and payment frequency of dividends, are a target only and not a profit forecast. There may be a number of factors that adversely affect the Company’s ability to achieve the Target Returns. The Target Returns should not be seen as an indication of the Company’s expected or actual results or returns. Accordingly, investors should not place any reliance on these targets or assume that the Company will make any distributions at all in deciding whether to invest in the Ordinary Shares.</i></b></p>

## Section D – Risks

Element	Disclosure Requirement	Disclosure
D.1.	Key information on the key risks that are specific to the Company or its industry	<p>The key risk factors relating to the Company and its investment strategy are:</p> <p><b><i>Past performance cannot be relied upon as an indicator of future performance</i></b></p> <p>The past performance of the Company is not a guide to the future performance of the Company. Investor returns will be dependent on the Company successfully pursuing its investment policy. The success of the Company will depend, <i>inter alia</i>, on the Investment Manager’s ability to identify, acquire and realise investments in accordance with the Company’s investment policy. There can be no assurance that the Investment Manager will be able to do so or that the Company will be able to invest its assets on attractive terms or generate any investment returns for Shareholders or indeed avoid investment losses.</p> <p><b><i>The Company’s Target Returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the Target Returns</i></b></p> <p>The Company’s Target Returns set out in this document are targets only and are based on estimates and assumptions about a variety of factors all of which are beyond the Company’s control and which may adversely affect the Company’s ability to make its Target Returns. The Company may not be able to implement its investment policy and strategy in a manner that generates dividends in line with the Target Returns or the Company’s investment objective.</p> <p><b><i>The appraised value of the Company’s properties may not accurately reflect the current or future value of the Company’s assets</i></b></p> <p>The valuation of property is inherently subjective owing to the individual nature of each property and is based on a number of assumptions which may not turn out to be true, meaning that actual prices paid by the Company for its interests in the real estate assets in the Portfolio may not reflect the valuations of the properties. In particular, given the limited amount of third party transactions in the Cuban market, valuations of the properties in the Portfolio are principally based on discounted cash flows. To the extent valuations of the Company’s properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this may have a material adverse effect on the Company’s business, financial condition and results of operations.</p> <p><b><i>Risks relating to the Group’s Cuban operations</i></b></p> <p>The Company’s wholly-owned Guernsey subsidiary, CPC, has a licence to conduct business in Cuba through a local branch registration and the Key Fund Personnel who are not Cuban nationals are employed and/or contracted by CPC in relation to the services provided by them in Cuba. In addition, such Key Fund Personnel have been issued with Cuban work permits enabling them to undertake business activities in Cuba. In the event that either the branch registration of CPC and/or the work permits of the relevant Key Fund Personnel were to be revoked or not renewed this would have a material adverse effect on the ability of the Company to pursue its investment objective and investment policy and this may have a material adverse effect on the Company’s business, financial condition and results of operations.</p>

		<p><b><i>The Company is dependent on the services of the AIFM and the Investment Manager to execute its investment strategy or achieve its investment objective and the Target Returns</i></b></p> <p>The Company has entered into the Management Agreement, pursuant to the terms of which the Company has engaged the AIFM as the Company's alternative investment fund manager to provide discretionary portfolio and risk management services to the Company. The AIFM has delegated portfolio management to the Investment Manager. Consequently, the future ability of the Company to pursue successfully its investment policy may, among other things, depend on the ability of the AIFM and/or the Investment Manager to retain their respective existing staff and/or to recruit individuals of similar experience and calibre. The Company is also subject to the risk that the Management Agreement may be terminated and that no suitable replacement will be found to provide the same functions. If the Management Agreement is terminated and a suitable replacement service provider is not secured in a timely manner, the ability of the Company to execute its investment strategy or achieve its investment objective and the Target Returns may be adversely affected.</p> <p><b><i>Loss of Key Fund Personnel</i></b></p> <p>The Key Fund Personnel are employed and/or contracted to provide services to the Company in Cuba via CPC. The loss of the technical knowledge, management expertise and knowledge of the Company's operations of one or more of the Key Fund Personnel could result in a diversion of management resources and negatively affect the Company's ability to develop and pursue its growth strategy, which could adversely affect the Company's business, financial condition and results of operations.</p> <p><b><i>Risks arising from the Cuban political and economic environment</i></b></p> <p>Although reforms have been enacted which provide further opportunity to market participants and investors in Cuba, Cuba remains subject to a very high degree of control over economic matters by the Cuban government. Cuban government policies extensively regulate and impact business in the country and the ownership and operation of assets and properties, such as the hotel and office properties in which the Company is invested. Any changes in government policy may have a material adverse effect on the Company's business, financial condition and results of operations.</p> <p><b><i>Joint venture risks</i></b></p> <p>All of the Company's investments in Cuban real estate assets are made through Cuban joint venture companies in which Cuban government entities hold an equity interest. The Company does not exercise control over the joint ventures or the underlying assets. Any failure to adequately manage the risks associated with any joint venture, or the failure of an entity in which the Company has an interest, could have a material adverse effect on the Company's business, financial condition and results of operations.</p> <p><b><i>Currency risks</i></b></p> <p>The functional currency and the principal reporting currency of the Company is the U.S. Dollar. The Company is exposed to risk associated with currency fluctuations, particularly between Pounds Sterling, Euros, the U.S. Dollar, and potentially the Cuban Convertible Peso (CUC) or the Cuban Peso (CUP) and the Company does not intend to hedge currency risk.</p> <p><b><i>Liquidity of investments</i></b></p> <p>All direct investments in Cuban joint venture companies and other foreign investment vehicles are generally illiquid investments. Although the Company generally tries to structure its equity investments in Cuban joint venture companies so as to include a viable exit strategy, these factors may limit the ability of the Company to formulate and execute appropriate realisation strategies or to realise 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 Cuban government approval will be granted when requested by the Company.</p> <p><b><i>Dependence on tourism</i></b></p> <p>The Company holds significant interests in Cuban joint venture companies that own hotel properties, which are highly dependent on tourism in Cuba. The operations and results of these properties are subject to operating risks inherent to the tourism industry generally. A downturn in the tourism sector in Cuba could have a material adverse effect on the Company's business, financial condition and results of operations.</p> <p><b><i>U.S. government restrictions relating to Cuba</i></b></p> <p>The United States has maintained numerous long-standing sanctions and other legal limitations aimed at Cuba, including a comprehensive trade embargo and a variety of travel and other trade restrictions limiting the transactions that may be carried out between persons subject to U.S. jurisdiction and Cuba (collectively the "<b>U.S. Embargo</b>"), which have had and are likely to continue to have a negative impact on the Cuban economy and which may, as a result, also have a negative impact on the Company's business, financial condition and results of operations, as well as restricting the Company's access to capital and finance and limiting the extent to which third parties will deal or transact with the Company.</p> <p><b><i>Risks relating to property investments in Cuba</i></b></p> <p>The Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (the Helms–Burton Act) provides language requiring the president of the United States to take certain actions and</p>
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		<p>impose and maintain certain prohibitions in connection with dealings between Cuba and the United States. Title III of the Helms-Burton Act created a private right of action against non-U.S. entities allegedly “trafficking” in Cuban-owned property that the Cuban government confiscated after the Cuban revolution without compensating U.S. former owners. Given the broad definitions and terms of the Helms-Burton Act, there is no certain way for the Company to diligently verify whether or not a Helms-Burton action exists in respect to a particular property. Although the Company seeks to structure its operations in a manner that avoids infringement of U.S. regulations relating to Cuba, there can be no assurance that these regulations will not be interpreted or applied in a manner adverse to the Company. Any such application could have a material adverse effect on the Company’s business, financial condition and results of operations.</p> <p><b>Changes in the Company’s tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders</b></p> <p>Any change in the Company’s tax status, or in taxation legislation or practice (in particular in relation to any obligation to withhold tax in respect of payments to the Company or on portfolio investments) in either Guernsey, the United Kingdom, or any jurisdiction in which or through which the Company invests, or in the Company’s tax treatment, may affect the value of the investments held by the Company or the Company’s ability to pursue successfully and achieve its investment objective and investment policy, or alter the after tax returns to Shareholders. Statements in this document concerning the taxation of Shareholders are based upon current United Kingdom and Guernsey tax law and published practice, any aspect of which law and practice is, in principle, subject to change (potentially with retrospective effect) that may adversely affect the ability of the Company to pursue successfully its investment objective and investment policy and which may adversely affect the taxation of Shareholders.</p>
D.3.	Key information on the key risks that are specific to the Shares	<p>The key risk factors relating to the Shares are:</p> <p><b>The Ordinary Shares may trade at a discount to the Net Asset Value per Ordinary Share and Shareholders may be unable to realise their investments through the secondary market at the Net Asset Value per Ordinary Share</b></p> <p>The Ordinary Shares may trade at a discount to the Net Asset Value per Ordinary Share for a variety of reasons, including adverse market conditions, a deterioration in investors’ perceptions of the merits of the Company’s investment strategy and investment policy, an excess of supply over demand in the Ordinary Shares, and to the extent investors undervalue the activities of the Company and/or the AIFM and/or the Investment Manager.</p> <p><b>Prohibition on U.S. Persons holding Shares</b></p> <p>U.S. Persons are prohibited from acquiring Shares in the Initial Issue or in any Subsequent Placing. Notwithstanding that the Shares are freely transferable, prospective investors should note that the Articles prohibit U.S. Persons from having an interest in Shares and contain provisions which facilitate the forced transfer of any Shares in which U.S. Persons are interested.</p> <p><b>The Company may issue additional Shares that dilute existing Shareholders</b></p> <p>Subject to legal and regulatory requirements, the Company may issue additional Ordinary Shares. Any additional issuance by the Company, or the possibility of such issue, may cause the market price of the existing Ordinary Shares to decline. Furthermore, although Ordinary Shares may not be issued at a discount to the prevailing Net Asset Value per Ordinary Share (unless they are first offered <i>pro rata</i> to existing Shareholders, or the issuance is otherwise authorised by Shareholders), the relative voting percentages of existing holders of Ordinary Shares may be diluted by further issues of Ordinary Shares.</p> <p><b>The market price of the Shares may rise or fall rapidly</b></p> <p>General movements in local and international stock markets, prevailing and anticipated economic conditions and interest rates in, and investor sentiment towards, Cuba and general economic conditions may all affect the market price of the Shares. To optimise returns, Shareholders may need to hold the Shares for the long term and therefore the Shares are not suitable for short term investment.</p>

## Section E – Offer

Element	Disclosure Requirement	Disclosure
E.1.	Net proceeds and costs of the Issue	<p><b>The Initial Issue</b></p> <p>The Company is targeting an issue of up to £100 million at the Issue Price pursuant to the Initial Issue comprising of the Initial Placing and the Offer for Subscription, with the potential for the Directors to increase the size of the Initial Issue to a maximum of £150 million, subject to investor demand. The Issue Price represents the net asset value per Ordinary Share of the Company as at 31 December 2017 (i) reduced to take account of the amount of the dividend</p>

		<p>of U.S.\$0.52 per Ordinary Share paid on 10 April 2018; and (ii) adjusted to take account of the eight for one share split undertaken by the Company on 12 September 2018; with the resulting U.S. Dollar figure converted to Sterling at the applicable U.S. Dollar/Sterling exchange rate on 13 September 2018.</p> <p>The Minimum Gross Proceeds of the Initial Issue are £30 million.</p> <p>On the assumption that gross proceeds of £100 million are raised pursuant to the Initial Issue the net proceeds will be £96.1 million, however, the costs and expenses of the Initial Issue will be settled out of the cash payment to be paid to the Company by the AIFM following Initial Admission under the terms of the Framework Agreement.</p> <p><b>The Placing Programme</b></p> <p>The net proceeds of the Placing Programme are dependent, <i>inter alia</i>, on the level of subscriptions received and the price at which further Shares are issued and the costs of any Subsequent Placings. It is expected that the costs of issuing Ordinary Shares under the Placing Programme will be covered by issuing such Ordinary Shares at the Placing Programme Price.</p> <p>The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue of C Shares and will be borne by holders of C Shares only.</p>
E.2.a.	Reason for offer and use of proceeds	<p>The Initial Issue and the Placing Programme are intended to raise money for investment in accordance with the Company's investment policy.</p> <p>The Company's principal use of cash (including the proceeds of the Initial Issue) will be to:</p> <ul style="list-style-type: none"> <li>● repay the remaining amount outstanding under the Bridge Loan (as at 14 September 2018, the latest practicable date prior to the date of this document, the outstanding principal due under the Bridge Loan was €30 million);</li> <li>● fund the Group's investment in the construction of the Meliá Trinidad Playa Hotel (approximately U.S.\$40.5 million);</li> <li>● fund modernisation works to the Meliá Habana Hotel including the expansion of the hotel through the construction of an additional 168 rooms, a ballroom and conference centre (approximately U.S.\$32.4 million);</li> <li>● allow for the expedited implementation of capex investments in the Varadero Hotels (approximately U.S.\$14.1 million);</li> <li>● purchase further investments in line with the Company's investment objective and investment policy, including the proposed construction of a new hotel at Varadero, the cost of which is estimated to be between U.S.\$175 million and U.S.\$250 million; and</li> <li>● pay ongoing operational expenses and payment of dividends and other distributions to Shareholders in accordance with the Company's dividend policy.</li> </ul> <p>Aside from the Bridge Loan, as at the date of this document, the Company has no other outstanding debt.</p> <p>As at the date of this document, TOSCUBA S.A. has executed a construction contract in relation to the construction of the Meliá Trinidad Playa Hotel (neither the Company nor MOSAICO HOTELES S.A. is a party to this agreement). The financial commitment of the Company is primarily contained in the U.S.\$45 million construction finance facility, pursuant to which MOSAICO HOTELES S.A. has committed to lend Tranche A (U.S.\$22.5 million) and the Company has committed to subsequently lend Tranche B (U.S.\$22.5 million), although the Company may in the future seek to syndicate parts of Tranches A or B to other lenders. In the event that Initial Admission were not to occur (due to the Minimum Gross Proceeds not being raised or otherwise), then the Company would need to seek alternative ways of financing its commitments under this project, or to slow down the pace of the project so that the project can be financed out of existing operational cash flows from the Group's existing Hotel Assets and the Miramar Trade Center.</p>
E.3.	Terms and conditions of the offer	<p>N+1 Singer has agreed to use its reasonable endeavours to place Ordinary Shares with certain institutional investors pursuant to the Initial Placing at the Issue Price. The Company has agreed to make an offer of Ordinary Shares pursuant to the Offer for Subscription at the Issue Price.</p> <p>The Initial Issue is conditional, <i>inter alia</i>, on:</p> <ul style="list-style-type: none"> <li>● Initial Admission having become effective on or before 8.00 a.m. on 10 October 2018 or such later time and/or date as the Company, the AIFM and N+1 Singer may agree (being not later than 8.00 a.m. on 10 December 2018);</li> <li>● the Placing and Offer Agreement becoming wholly unconditional (save as to Initial Admission) and not having been terminated in accordance with its terms at any time prior to Initial Admission; and</li> <li>● the Minimum Gross Proceeds being raised.</li> </ul>

		<p>Shares which may be made available under the Placing Programme will be at the Placing Programme Price. The Placing Programme will open on 10 October 2018 and will close on 16 September 2019 (or any earlier date on which it is fully subscribed, as agreed between the Company and N+1 Singer).</p> <p>Each issue of Shares pursuant to a Subsequent Placing under the Placing Programme is conditional, <i>inter alia</i>, on, (i) Admission of the relevant Shares occurring by no later than 8.00 a.m. on such date as the Company, the AIFM and N+1 Singer may agree from time to time in relation to that Admission, not being later than 16 September 2019, (ii) a valid supplementary prospectus being published by the Company if such is required by the Prospectus Rules, and (iii) the Placing and Offer Agreement being wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to any subsequent Admission.</p>
E.4.	Material interests	There are no interests that are material to the Initial Issue other than those disclosed in B.6 above.
E.5.	Name of person selling securities and lock-up agreements	<p>No person or entity is offering to sell Ordinary Shares as part of the Initial Issue.</p> <p>Each Lock-in Party has agreed not to sell, transfer or otherwise dispose of any Lock-in Shares held by it during the period from Initial Admission and continuing up to and including the date 12 months after the date of Initial Admission (the "<b>Lock-in Period</b>"), subject to certain exceptions. In addition, each Lock-in Party has also agreed to be subject to customary orderly market restrictions until the second anniversary of Initial Admission.</p> <p>Existing Shareholders holding a further 10.2 per cent., in aggregate, of the Existing Ordinary Shares have also agreed to be subject to customary orderly market restrictions until the first anniversary of Initial Admission.</p>
E.6.	Dilution	<p>If 84.0 million new Ordinary Shares are issued pursuant to the Initial Issue, any Existing Shareholders who do not participate on a <i>pro rata</i> basis in the Initial Issue will experience a 43.8 per cent. dilution from the issue of such new Ordinary Shares.</p> <p>If 200 million Ordinary Shares were to be issued pursuant to Subsequent Placings, and assuming the Initial Issue had been subscribed as to 84.0 million Ordinary Shares, an Existing Shareholder (who did not participate on a <i>pro rata</i> basis in the Initial Issue) or a subscriber to the Initial Issue who did not participate in any of the Subsequent Placings on a <i>pro rata</i> basis, would suffer dilution of 72.5 per cent. in respect of their voting control in the Company immediately after the Initial Issue.</p>
E.7.	Expenses charged to the investor	Not applicable. No expenses will be charged by the Company to any investor who subscribes for Shares pursuant to the Initial Issue or in relation to a Subsequent Placing under the Placing Programme.

## PART B – MONTE BARRETO

### Section B – Monte Barreto

Element	Disclosure Requirement	Disclosure
B.1.	Legal and commercial name	INMOBILIARIA MONTE BARRETO S.A.
B.2.	Domicile and legal form	Monte Barreto is a private limited company ( <i>Sociedad Anónima</i> ) incorporated under the laws of Cuba. The incorporation of Monte Barreto was authorised by Resolution 2990 dated 28 February 1996 issued by the ECCM. 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 (the " <b>Monte Barreto Deed of Incorporation</b> "). Under the Monte Barreto Deed of Incorporation, Monte Barreto was incorporated for an initial term of 50 years, expiring in 2046.
B.3	Current operations and principal activities	Monte Barreto is the Cuban joint venture company that owns and operates the Miramar Trade Center.
B.4a	Significant recent trends affecting Monte Barreto and the industry in which it operates	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 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.

		Although the underlying land remains owned by the Cuban government, Monte Barreto owns each of the buildings it has erected. By notarial description of works dated 8 May 2009, the formal legal descriptions of the Jerusalem and Havana Buildings making up Phase I of the Miramar Trade Center were registered in the name of Monte Barreto at the land register of the City of Havana. By notarial description of works dated 11 December 2015, the formal legal descriptions of the Santiago de Cuba, Barcelona, Santa Clara and Beijing buildings making up Phase II of the Miramar Trade Center were registered in the name of Monte Barreto at the land register of the City of Havana.									
B.5.	Group description	As at the date of this document, Monte Barreto has no subsidiary undertakings.									
B.6.	Notifiable interests/ voting rights	Not applicable. No interest in Monte Barreto’s capital or voting rights is notifiable under Monte Barreto’s national law.  Monte Barreto has 100 registered shares of U.S.\$10,000 each in issue.  The shareholders in Monte Barreto are: <table><tr><td><i>Name of shareholder</i></td><td><i>Percentage interest in the issued share capital (%)</i></td></tr><tr><td>Inmobiliaria Lares S.A.</td><td>51</td></tr><tr><td>CEIBA MTC Properties Inc.(<sup>(1)</sup>)</td><td>49</td></tr></table> <i>(<sup>(1)</sup>) A wholly-owned subsidiary of the Company, incorporated in Panama.</i>				<i>Name of shareholder</i>	<i>Percentage interest in the issued share capital (%)</i>	Inmobiliaria Lares S.A.	51	CEIBA MTC Properties Inc.( <sup>(1)</sup> )	49
<i>Name of shareholder</i>	<i>Percentage interest in the issued share capital (%)</i>										
Inmobiliaria Lares S.A.	51										
CEIBA MTC Properties Inc.( <sup>(1)</sup> )	49										
B.7.	Key financial information	<i>U.S.\$'000 unless otherwise stated</i>	<i>As at 31 December 2017</i>	<i>As at 31 December 2016</i>	<i>As at 31 December 2015</i>						
		<b>Net Assets</b>	55,694	58,814	57,667						
		<b>Total assets</b>	62,458	64,579	65,544						
		<b>Operating profit</b>	15,408	14,653	12,054						
		<b>Profit for the year after tax</b>	11,509	12,443	10,298						
		<b>Total comprehensive income</b>	11,509	12,443	10,298						
		There has been no significant change in the financial condition or operating results of Monte Barreto since 31 December 2015.									
B.8.	Key pro forma financial information	Not applicable. No pro forma financial information about Monte Barreto is included in this document.									
B.9.	Profit forecast	Not applicable. No profit forecast or estimate relating to Monte Barreto is included in this document.									
B.10.	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The audit reports on the historical financial information contained in this document are not qualified.									

### Section C – Securities

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
C.3.	Number of securities in issue	See B.6 of this Part B.
C.7.	Dividend policy	Monte Barreto has been paying regular dividends to its shareholders since October 2009 in accordance with a dividend policy adopted by its board of directors and shareholders.

### Section D – Risks

<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
D.1.	Key information on the key risks that are specific to the Company or its industry	Please see section D of Part A of this "Summary" in relation to the risks relating to the Company, which apply equally to Monte Barreto.

## **RISK FACTORS**

Investment in the Company carries a high degree of risk, including but not limited to the risks in relation to the Company and the Shares referred to below. If any of the risks referred to in this document were to occur this could have a material adverse effect on the Company's business, financial position, results of operations, business prospects and returns to investors. If that were to occur, the trading price of the Shares and/or the respective Net Asset Values and/or the level of dividends or distributions (if any) received from the Shares could decline significantly and investors could lose all or part of their investment.

Prospective investors should note that the risks relating to the Company, its industry and the Shares summarised in the section of this document headed "Summary" are the risks that the Board believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

The risks referred to below are the risks which are considered to be material but are not the only risks relating to the Company and the Shares. There may be additional material risks that the Company and the Board do not currently consider to be material or of which the Company and the Board are not currently aware. Potential investors should review this document carefully and in its entirety and consult with their professional advisers before acquiring any Shares. Investors should note that the price of the Shares and the distributions (if any) paid in respect of them can go down as well as up.

FCA-authorised firms conducting designated investment business with retail customers under the COB Rules are reminded that securities admitted to trading on the Specialist Fund Segment will be securities that may have characteristics such as: (i) variable levels of secondary market liquidity; (ii) sophisticated corporate structures; (iii) highly leveraged structures; and (iv) sophisticated investment propositions with concentrated risks and are therefore intended for institutional, professional and highly knowledgeable investors.

### **RISKS RELATING TO THE COMPANY AND ITS INVESTMENT STRATEGY**

#### **The Company may not meet its investment objective**

The Company may not achieve its investment objective. Meeting the investment objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it can or will be met.

#### **The Company may not be able to implement its investment strategy**

The Company's operations are high-risk investments in a frontier market. The growth of the Company is dependent upon the ability of the Company to, (i) execute its existing investment strategy, (ii) identify existing and development opportunities for new investments, (iii) partner with the Cuban government in relation to joint ventures to expand on the Portfolio, and (iv) obtain capital for future investments. If the Company is unable to execute upon any of these factors, this may have a material adverse effect on the Company's business, financial condition and results of operations.

#### **Past performance cannot be relied upon as an indicator of future performance**

The past performance of the Company is not a guide to the future performance of the Company. Investor returns will be dependent on the Company pursuing successfully its investment policy. The success of the Company will depend, *inter alia*, on the Investment Manager's ability to identify, acquire and realise investments in accordance with the Company's investment policy. This, in turn, will depend on the ability of the Investment Manager to apply its investment processes in a way which is capable of identifying suitable investments and managing such investments. There can be no assurance that the Investment

Manager will be able to do so or that the Company will be able to invest its assets on attractive terms or generate any investment returns for Shareholders or indeed avoid investment losses.

**The Company's Target Returns are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of return may be materially lower than the Target Returns**

The Company's Target Returns set out in this document are targets only and are based on estimates and assumptions about a variety of factors including, without limitation, asset mix, value, performance of the Company's investments, changes in current market conditions, inflation rates, interest rates, currency exchange rates, government regulations or other policies, the worldwide economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances or the occurrence of risks described elsewhere in this document, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to make its Target Returns. The Company may not be able to implement its investment policy and strategy in a manner that generates dividends in line with the Target Returns or the Company's investment objective.

**Risks relating to the Group's Cuban operations**

The Company's wholly-owned Guernsey subsidiary, CPC, has a licence to conduct business in Cuba through a local branch registration and the Key Fund Personnel who are not Cuban nationals are employed and/or contracted by CPC in relation to the services provided by them in Cuba. In addition, such Key Fund Personnel have been issued with Cuban work permits enabling them to undertake business activities in Cuba. In the event that either the branch registration of CPC and/or the work permits of the relevant Key Fund Personnel were to be revoked or not renewed this would have a material adverse effect on the ability of the Company to pursue its investment objective and investment policy and this may have a material adverse effect on the performance of the Company's business, financial condition and results of operations.

**Loss of Key Fund Personnel**

The Key Fund Personnel are employed and/or contracted to provide services to the Company in Cuba via CPC. The Key Fund Personnel have significant experience in structuring, executing and implementing direct investment and finance transactions in Cuba and have been crucial to the growth and expansion of the business of the Company. The success of the investments of the Company in Cuba will rely heavily on the efforts and abilities of the Key Fund Personnel and their ability to perform their duties. The loss of the technical knowledge, management expertise and knowledge of the Company's operations of one or more of the Key Fund Personnel could result in a diversion of management resources and negatively affect the Company's ability to develop and pursue its growth strategy, which could have a material adverse effect on the Company's business, financial condition and results of operations.

**Reliance on service providers and other third parties**

The Company has no employees (although certain subsidiaries of the Company have employees in certain jurisdictions, including the Netherlands and Cuba) and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party service providers for its executive functions and for providing information to enable the Board to carry out its supervisory role. In particular, the AIFM, the Investment Manager, the Administrator and the Registrar will be performing services which are integral to the operation of the Company and providing the information required to enable the Board to make its decisions. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment or to provide information in a timely fashion and meeting the requisite standards could have a materially adverse effect on the Company's business, financial condition and results of operations.

**Joint venture risks**

All of the Company's investments in Cuban real estate assets are made through Cuban joint venture companies in which Cuban government entities hold an equity interest. The Company does not exercise control over the joint ventures or the underlying assets.

Holding investments through a Cuban joint venture company involves certain additional risks, including, but not limited to:

- the possibility that joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with those of the Company or that such partners may 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 there may be a deadlock on decision-making within the joint venture;
- 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 may be subject to rights of first refusal and always require prior approval of the Cuban government which can take time to obtain.

Any failure to adequately manage the risks associated with any joint venture, or the failure of an entity in which the Company has an interest, could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Holding company structure**

The Company's principal assets are its investments in its subsidiaries. Save for its holdings of Cuba related financial instruments, the Company does not directly have any ownership of any assets other than its ownership interests, through its subsidiaries, in the Cuban joint venture companies that own the underlying Cuban real estate assets. As such, the Company is primarily dependent on distributions and other payments from the Company's subsidiaries to fund its ongoing operations, to pay taxes and expenses and to pay dividends, if declared by the Board. Save for certain non-core income received from its Cuba related financial instruments, the Company does not have, and does not expect to have, any independent means of generating revenue or cash flow other than funds distributed by the Company's subsidiaries.

As all of the Company's interests in underlying assets are held through joint ventures with third parties, the Company is dependent on its joint venture partners for the distribution of cash generated by the Company's Cuban investment operations. There can be no assurance that the Company's investments will generate sufficient cash flow to distribute or otherwise pay funds, that the joint ventures will distribute those funds or that applicable legal and contractual restrictions, including negative covenants, will permit such distributions.

### **Currency risks**

The functional currency and the principal reporting currency of the Company is the U.S. Dollar. The Company is exposed to risks associated with currency fluctuations, particularly between Sterling, Euros, the U.S. Dollar, and potentially the Cuban Convertible Peso (CUC) or the Cuban Peso (CUP). The Company does not intend to hedge currency risk.

At present, the Cuban Convertible Peso is the single currency for all hard currency transactions carried out in Cuba. Its value is presently pegged to be equivalent to the U.S. Dollar. All Cuban state owned companies operate in Cuban Convertible Pesos and Cuban Pesos. Foreign companies and Cuban joint venture companies in which there is a foreign interest are presently not allowed to operate in Cuban Convertible Pesos, except in limited circumstances. The Cuban government has announced its intention to unify the Cuban Convertible Peso and the Cuban Peso and, although this unification is anticipated to happen in the near future, the manner in which it will be carried out and exact timing are currently unclear. The future effect of this currency unification on the Company's investment Portfolio, and the broader Cuban economy, is currently unknown.

Cuba has currency exchange controls that may result in significant delays occurring in the transfer of hard currency from Cuban to foreign bank accounts. 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.

### **Liquidity of investments**

All direct investments in Cuban joint venture companies and other foreign investment vehicles are generally illiquid investments. Significant legislative changes will be required before direct interests in the prevailing Cuban foreign investment vehicles can be held in a form that can be freely traded. In addition, although the 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 are subject to the agreement between the parties and the approval of the Cuban government, and will be subject to the prevailing Cuban regulations and government policies at that time. In many cases, transfers are subject to rights of pre-emption or refusal that limit the ability of the Company to transfer its interest.

Although the Company generally tries to structure its equity investments in Cuban joint venture companies so as to include a viable exit strategy, these factors may limit the ability of the Company to formulate and execute appropriate realisation strategies or to realise 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 Cuban government approval will be granted when requested by the Company.

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, further limiting the liquidity of the Company's interest in real property. This illiquidity may limit the ability of the Company to vary its Portfolio promptly in response to changing economic or investment conditions. If the Company or the Cuban 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.

### **Access to capital and global capital market conditions**

The commercial and tourism real estate sectors are very capital intensive, including for acquisitions, developments, redevelopments and refurbishments. 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. Historically the Company has relied on equity capital to fund its investments. There can be no assurance that capital will be available when needed or, if available, 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 have a material adverse effect on the Company's business, financial condition and results of operations, and decrease the amount of cash available for distribution to Shareholders.

### **Dependence on tourism**

The Company holds significant interests in Cuban joint venture companies that own hotel properties, which are highly dependent on tourism in Cuba. The operations and results of these properties are subject to operating risks inherent to the tourism industry generally. These risks include, among other things: the attractiveness of Cuba as a tourist destination as compared to other international destinations; changes in general, international, local and industry-specific economic and financial conditions; the cost and availability of air travel; seasonal variations in cash flow; U.S./Cuban travel restrictions; 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; and war, civil unrest, terrorism, international conflict and political instability. A downturn in the tourism sector in Cuba could have a material adverse effect on the Company's business, financial condition and results of operations.

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.

### **Competition**

The real property industry is subject to competition. In particular, the Company faces competition for quality real estate investment opportunities and the Hotel Assets face competition for tenants and for tourists.

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 Cuban joint venture companies in which it invests. Some of these competitors may be better capitalised and stronger financially. The existence of competition for tenants could have an adverse effect on the ability of the Company and the Cuban joint venture companies in which it invests to lease space in their properties and on the rents charged or concessions granted, and could adversely affect the revenues of the Company.

In particular, each of the Hotel Assets competes with other hotel properties in Cuba to attract guests, principally international tourists. 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 Hotel Assets. The Company also competes for employees.

The ability of the Hotel Assets to remain competitive and to attract and retain business and leisure travellers will depend on their success in distinguishing the quality, value, and efficiency of their lodging products and services from those offered by others. If the Hotel Assets are unable to compete successfully, this could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Lack of geographical diversity**

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, or in the Cuban economy generally, may have a material adverse effect on the Company's business, financial condition and results of operations.

### **Risks relating to insurance**

The Cuban 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 in the Cuban market. 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, such losses could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Any costs associated with potential investments that do not proceed to completion will affect the Company's performance**

The Company can incur certain third party costs associated with sourcing of suitable assets, including legal fees and the fees of other advisers. Whilst the Company will always seek to minimise any such costs, it can give no assurances as to the on-going level of these costs or that negotiations to acquire such assets will be successful; the greater number of these deals which do not reach completion, the greater impact of such costs on the Company's business, financial condition and results of operations.

### **The Investment Manager's acquisition due diligence may not identify all risks and liabilities**

Prior to entering into any agreement to acquire any investment, the Investment Manager, on behalf of the Company, will perform or procure the performance of due diligence on the proposed acquisition target. In so doing, it would typically rely in part on third parties to conduct a significant portion of this due diligence (such as surveyors' reports and legal reports on title and property valuations).

To the extent the Company, the Investment Manager or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, the Company may incur, directly or indirectly, unexpected liabilities, such as defects in title, an inability to obtain permits, or environmental, structural or operational defects requiring remediation. In addition, if there is a failure of due diligence, there may be a risk that investments are acquired which are not consistent with the Company's investment objective and investment policy, that investments are acquired that fail to perform in accordance with projections or that material defects or liabilities are not covered by insurance proceeds. This may, in turn, have a material adverse effect on the Company's business, financial condition and results of operations.

### **Counterparty credit risk**

To the extent that the Company has cash balances these may be held on deposit with banks or financial institutions. Returns on cash may be materially lower than those available on the Company's target investments and material cash balances may have a material adverse effect on the Company's business, financial condition and results of operations.

To the extent that the Company holds material cash balances it will be subject to the credit risk of the banks or financial institutions with which they are deposited. If any such bank, financial institution or counterparty were to become insolvent, or default on its obligations, the Company would be exposed to the potential loss of the sum deposited. This may have a material adverse effect on the Company's business, financial condition and results of operations.

## **RISK RELATING TO THE PORTFOLIO**

### **The appraised value of the Company's properties may not accurately reflect the current or future value of the Company's assets**

The valuation of property is inherently subjective owing to the individual nature of each property and is based on a number of assumptions which may not turn out to be true, meaning that actual prices paid by the Company for its interests in the real estate assets in the Portfolio may not reflect the valuations of the properties. In particular, given the limited amount of third party transactions in the Cuban market, valuations of the properties in the Portfolio are principally based on discounted cash flows.

In determining the value of properties, valuers are required to make assumptions in respect of matters including, but not limited to, the existence of willing buyers in uncertain market conditions, title, condition of structure and services, deleterious materials, plant and machinery and goodwill, environmental matters, statutory requirements and planning, expected future rental revenues from the property and other information. Such assumptions may prove to be inaccurate. Incorrect assumptions underlying the valuation reports could negatively affect the value of any property owned by Cuban joint venture companies in which the Company invests and thereby have a material adverse effect on the Company's business, financial condition and results of operations. There can also be no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable.

To the extent valuations of the Company's properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this may have a material adverse effect on the Company's business, financial condition and results of operations.

### **Risks incidental to the ownership and operation of real property**

Investment in real property is subject to normal course risks associated with the ownership and operation of real property, which risks may impact the value of the Company's real estate assets, its financial performance and the value of the Company as a whole. Real estate risks are applicable to both the

commercial real estate and tourism real estate segments of the Portfolio and include, without limitation: regular downturns and other trends in the general economy; the cyclical nature of the real estate industry; local conditions in Cuba; competition from other present and future properties in Cuba; changes in market rental rates and the ability to rent space on favourable 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; the availability of financing; hurricanes, earthquakes and other natural disasters, or civil disturbances or terrorist acts or acts of war; uninsured or uninsurable losses; energy and supply shortages; the attractiveness of properties to tenants and tourists (as the case may be); changes in regulation that affect the ownership and operation of real property in Cuba; and unpredictable changes to certain significant expenditures, including energy costs, property taxes, maintenance costs, insurance costs and related charges that must be made regardless of whether or not a property is producing sufficient income to service these expenses. As real estate, like many other types of long-term investments, experiences significant fluctuation in value, specific market conditions may result in occasional or permanent reductions in the value of the Portfolio. If the actual costs of maintaining or upgrading a property exceed the relevant estimates, or if latent defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if the Company is not permitted under applicable leases to raise the rents, the Company will incur additional and unexpected costs. If competing hotel or commercial properties of a similar type are built in the area where one of the Company's properties is located or similar hotel or commercial properties located in the vicinity of one of the Company's properties are substantially refurbished, the net operating income derived from, and the value of, one or more of the properties in which the Company is interested could be reduced. The occurrence of any of these factors may have a material adverse effect on the Company's business, financial condition and results of operations.

### **Risks relating to property development**

Property development, redevelopment or major renovation work are subject to a number of risks, including: (a) the potential that the Company or the Cuban joint venture companies in which it invests may fail to recover expenses already incurred if redevelopment opportunities are abandoned after commencement; (b) the potential that the Company may expend funds on, and devote management time to, projects which are not completed; (c) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (d) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the cash flow and liquidity of the Cuban joint venture companies in which the Company invests; (e) the cost and timely completion of construction (including risks beyond the Company's control, such as weather, labour conditions or material shortages); (f) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (g) the failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; (h) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (i) occupancy rates, room rates and rents of a completed project may not be sufficient to make the project profitable; and (j) the availability and pricing of financing to fund the Company's development and investment activities on favourable terms or at all. The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of development or redevelopment activities or the completion of such activities once undertaken. In addition, development and redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have a material adverse effect on the performance of the Company's business, financial condition and results of operations.

### **Risks relating to third-party hotel management**

All of the operating Hotel Assets in which the Company has an interest are managed by a third-party hotel operator. Hotel management contracts expire, and may be terminated or renegotiated, in the normal course of business. Although the Company has invested in properties that are managed by Meliá Hotels International, the dominant hotel operator in Cuba, which has an equity interest in such properties, there can be no assurance that the Cuban joint venture companies that own the Hotel Assets will be able to successfully maintain their relationship with Meliá Hotels International, or that the management efforts of Meliá Hotels International will be successful in the future. The loss of, or under performance by, a third party hotel operator, may have a material adverse effect on the Company's business, financial condition and results of operations.

### **There can be no assurance that surface rights will be extended**

The Group's Cuban real estate assets enjoy surface rights granted by the Cuban government for fixed terms and confer on the holder the right to use the property in question and erect constructions thereon but do not confer any right to sell or transfer the property. At present the Group's real estate assets are subject to surface rights expiring between 2042 and 2048. Although the extension of surface rights will be applied for, on the expiry of the relevant terms, there can be no assurance that such extensions will be granted. A failure to successfully obtain the extension of surface rights may have a material adverse effect on the Company's business, financial condition and results of operations.

### **Tenant risks**

In the case of commercial real estate assets, the income of the Company will be sensitive to the ability of key tenants of the underlying Cuban joint venture company 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 Cuban joint venture company 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 Cuban joint venture company than the existing lease and there may be a corresponding negative impact on the Company. 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 Cuban joint venture company and there may be a corresponding negative impact on the 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 a material adverse effect on the financial condition of the relevant Cuban joint venture company, and ultimately on the Company's business, financial condition and results of operations.

### **Risks relating to property investments in Cuba**

*The Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (the Helms–Burton Act)* provides language requiring the president of the United States to take certain actions and impose and maintain certain prohibitions in connection with dealings between Cuba and the United States. Title III of the Helms–Burton Act created a private right of action against non-U.S. entities allegedly “trafficking” in Cuban-owned property that the Cuban government confiscated after the Cuban revolution without compensating U.S. former owners. Given the broad definitions and terms of the Helms–Burton Act, there is no certain way for the Company to diligently verify whether or not a Helms–Burton action exists in respect to a particular property. In addition, the Company may be deemed to indirectly profit or benefit from certain activities carried out by other parties. Although successive U.S. presidents have suspended the application of the provisions of Title III since the Helms–Burton Act was first passed in 1996, and the Company carries out reasonable due diligence investigations in respect of each of its investments, in the event that the current Trump administration (or any future administration) 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.

The Helms–Burton Act also gives to the U.S. government the power to exclude certain foreign persons from the United States, and could apply to certain key officers, directors and/or managers of the Company if the U.S. authorities determined that the Company had “trafficked” in confiscated property and the Company failed to divest from such property or otherwise cease such activity.

Although the Company seeks to structure its operations in a manner that avoids infringement of U.S. regulations relating to Cuba, there can be no assurance that these regulations will not be interpreted or applied in a manner adverse to the Company. Any such application could have a material adverse effect on the Company's business, financial condition and results of operations.

## **Environmental and other regulatory liabilities**

As an owner of interests in Cuban real property, the Company, and the Cuban joint venture companies in which it invests, are subject to various Cuban laws relating to environmental matters. The Company acts at all times so as to seek to cause the Cuban joint venture companies in which it invests to comply at all times with such laws. These laws could hold such Cuban 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 Cuban joint venture companies as well as the ability of the Company to sell its investment therein 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. The Company 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 Cuban 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 Cuban 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 Cuban joint venture companies and of the Company.

The Cuban joint venture companies may also incur significant costs complying with other regulations. The properties are subject to various regulatory requirements, such as fire, health and safety requirements. In the event that the Cuban joint venture companies fail to comply with these requirements, they could incur fines or private damage awards. The Company believes that the Cuban 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 could affect cash flows may have a material adverse effect on the Company's business, financial condition and results of operations.

## **Extreme weather conditions and other disasters**

As a Caribbean island, Cuba is subject to certain extreme weather conditions, including, in particular being subject to seasonal hurricanes and the possibility of related flooding. Any severe weather incidents or other natural disasters could cause severe damage the Company's investment properties or negatively affect the desirability of these properties to tourists and other tenants. Accordingly, any severe weather events could have a material adverse effect on the Company's business, financial condition and results of operations. 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.

## **RISKS RELATING TO INVESTMENT IN CUBA AND THE U.S. EMBARGO**

### **Risks arising from the Cuban political and economic environment**

Although reforms have been enacted which provide further opportunities to investors in Cuba, Cuba remains subject to a very high degree of control over economic matters by the Cuban government. Cuban government policies extensively regulate and impact business in the country and the ownership and operation of assets and properties, such as the hotel and office properties in which the Company is invested. Social and political goals may profoundly affect the use of market mechanisms and modern management systems to economic ends. Restrictions on the operations of foreign companies and foreign investment vehicles in Cuba continue to exist and may in the future continue to exist or may be increased or expanded. Any changes in government policy may have a material adverse effect on the Company's business, financial condition and results of operations.

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 for 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, Russia, Canada, 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.

### **Cuban legal system**

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. The Foreign Investment Act is intended to provide basic protections for foreign investments in Cuba. However, the legislation lacks a detailed, comprehensive regulatory regime to provide consistent support and predictability.

Although the Cuban market has been liberalised 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 centralised and regulated and there can be no assurance that such liberalisation 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.

In general, Cuban foreign investment vehicles are subject to certain provisions of the Cuban Commercial Code, Civil Code and other general legislation. However, notwithstanding the protections granted at law, there can be no assurance that these rights will sufficiently protect the Company's investments in Cuba. The legal and regulatory system is in a formative stage and lacks an independent institutional history and regularly observed procedural safeguards, investing in Cuba may present a higher level of risk than other countries. 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. Any adverse change in law or application or interpretation of law that protects foreign investment in Cuba could have a material adverse effect on the performance of the Company's business, financial condition and results of operations.

### **U.S. government restrictions relating to Cuba**

The United States has maintained numerous long-standing sanctions and other legal limitations aimed at Cuba, including a comprehensive trade embargo and a variety of travel and other trade restrictions limiting the transactions that may be carried out between persons subject to U.S. jurisdiction and Cuba (collectively the "**U.S. Embargo**").

In December 2014, U.S. President Barack Obama announced that the United States would "chart a new course" for its Cuba policy. Over the next two years, the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and the U.S. Commerce Department's Bureau of Industry and Security ("**BIS**") eased certain aspects of the U.S. Embargo and made it easier for U.S. travellers to visit Cuba and relaxed certain financial and humanitarian controls. Following the inauguration of President Donald Trump in January 2017, his administration announced a review of all U.S. policies towards Cuba. In June 2017, the Trump administration announced a new policy towards Cuba which involves: (a) strictly enforcing U.S. law, especially as it restricts U.S. tourism to Cuba; (b) restricting funds from flowing to the Cuban military, security and intelligence services; and (c) taking steps to ensure that U.S. investment flows to the Cuban people, rather than to the Cuban government.

The policy of the Trump administration towards Cuba represents a partial reversal of the earlier measures aimed at easing sanctions that the Obama Administration initiated. However, the majority of the Obama administration's measures remain in force and have not been overturned. At present, it is not clear whether the Trump administration will adopt further policies aimed at undermining the Obama overtures towards Cuba and there can be no guarantee that the direction of future U.S. policy will continue to be towards the normalisation of relationships between the United States and Cuba. The Trump administration (or future administrations) may re-impose sanctions that have been relaxed and/or introduce new sanctions and this would be likely to have a negative impact on the Cuban economy and may also have a negative impact on the Company's business, financial condition and results of operations as well as restricting the Company's access to capital and finance and limiting the extent to which third parties will be willing to deal or transact with the Company.

## **Transfer risks and use of intermediaries**

The CACR, forming part of the U.S. Embargo, for many years provided 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 were prohibited if they were made by or on behalf of any Cuban national. In addition, there was 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 was “blocked” by operation of law.

As a result of these comprehensive, longstanding restrictions, U.S. banks, clearing houses and other financial intermediaries receiving unlicensed wire transfer instructions in which there was a Cuban interest, or any instrument in which there was a Cuban interest, were obligated to freeze the funds on their own books or block the instrument, regardless of the instruments’ or funds’ origin or destination. Similarly, persons subject to U.S. jurisdiction that were depositaries, custodians, or other intermediaries were obligated to block all shares, certificates and/or other securities that came into their possession where there was a Cuban interest. In practice, all U.S. banks, clearing houses and other financial institutions, as well as all depositaries, custodians and other financial intermediaries generally froze all funds, transfers, shares, certificates and/or other securities that had any relationship with, or mentioned, Cuba in any manner.

In addition, given the number and severity of penalties imposed upon foreign (non-U.S.) banks for failing to comply with applicable U.S. sanctions rules (mainly through the execution by such banks, in U.S. Dollars, of otherwise allowed transactions with Cuba), the majority of foreign (non-U.S.) banks also refused to deal with many Cuban transactions, notwithstanding that such transactions were not prohibited if there was no U.S. involvement.

During the Obama administration, many of the prohibitions and limitations dealing with banking transactions were removed from the CACR, which was amended to specifically allow for: (i) Persons subject to U.S. jurisdiction to engage in transactions in U.S. Dollars in Cuba or with Cuban nationals with respect to activity that is authorised pursuant to the CACR (e.g., payments in connection with authorised travel or authorised exports); (ii) the use of U.S. Dollars for transactions that are exempt from the prohibitions of, or not otherwise prohibited by, the CACR (e.g., transactions that do not involve Persons subject to U.S. jurisdiction nor U.S. financial institutions); and (iii) so-called “U-turn” transactions under which a U.S. bank may process transactions in which there is a Cuban interest, even in U.S. Dollars, provided that the transaction originates and terminates outside the United States and neither the originator nor the beneficiary is a person subject to U.S. jurisdiction. OFAC has clarified that foreign branches or subsidiaries of U.S. banking institutions may act as the originating or beneficiary banks for such U-turn transactions. The “U-turn” transaction rule was not overturned or removed in the recent amendments to the CACR by the Trump administration. Consequently, in the opinion of the Company, there are no longer any applicable U.S. prohibitions against the Company making bank transfers to, or from, Cuba, even if denominated and carried out in U.S. Dollars or through financial institutions located in the United States that serve as intermediary banks or where foreign branches or subsidiaries of U.S. banking institutions serve as originating or beneficiary banks. Further, so long as the Company’s transactions comply with the conditions and limitations applicable to the transactions described under items (i), (ii) and (iii) above, the securities, certificates and other financial instruments of the Company should no longer be subject to the risk of seizure by any U.S. bank or other financial institution.

However, most U.S. and international banks have been very slow to recognise and/or implement the changes described above and to modify their attitudes towards transactions with Cuba accordingly, and continue to place heavy restrictions upon dealings involving Cuba and to refuse to engage in U.S. Dollar transactions in which there is a Cuban component.

Consequently, banking and financial institutions and clearing houses, whether they are Persons subject to U.S. jurisdiction or not, may continue to refuse to give effect to payment instructions or currency transfers and may freeze or block or delay payments, funds, securities and/or certificates in their possession. The Company is aware of these factors and does not carry out international transfers in U.S. Dollars or through U.S. banks and generally acts so as to minimise their impact. However, there can be no assurance that funds of the Company will not erroneously be frozen by a bank, financial institution or clearing house in these circumstances or that the Company will not be adversely affected if for any reason any asset of the Company or any of its securities falls into the custody or control of any bank, financial institution or other

intermediary that decides for whatever reason to comply with the former CACR rules rather than the present CACR rules. The Trump administration (or future administrations) may reinstate CACR rules that have been repealed and/or introduce new rules and this would be likely to have a negative impact on the Cuban economy and may also have a negative impact on the business of the Company as well as restricting the Company's access to capital and finance and limiting the extent to which third parties will deal or transact with the Company.

### **2017 List of Restricted Entities and Sub-entities Associated with Cuba**

Under the amendments to the CACR that came into force on 9 November 2017, Persons subject to U.S. jurisdiction are prohibited from engaging in "direct financial transactions" with entities identified on a new *List of Restricted Entities and Sub-entities Associated with Cuba* published by the U.S. Department of State (the "**Cuba Restricted List**"). The purpose of the Cuba Restricted List is to identify Cuban entities and sub-entities that are under the control of, or act for, or on behalf of, the Cuban military, intelligence, or security services or personnel and with which direct financial transactions would disproportionately benefit such services or personnel at the expense of the Cuban people or private enterprise in Cuba ("**Restricted Entity**").

For purposes of this prohibition, a Person subject to U.S. jurisdiction engages in a "**direct financial transaction**" by acting, (a) as the originator on a transfer of funds (including a transaction by wire transfer, credit card, check, or payment of cash) whose ultimate beneficiary is a Restricted Entity, or (b) as the ultimate beneficiary on a transfer of funds whose originator is a Restricted Entity.

The Cuba Restricted List currently includes a total of 180 entities and sub-entities, such as holding companies hotels and various other entities. Subsidiaries of a Restricted Entity are not treated as restricted, unless so specified in the Cuba Restricted List. None of the Cuban joint venture companies, hotels or other assets in which the Company has an interest appear on the Cuba Restricted List so the impact of these new measures is expected to be minimal for the Company. The U.S. Department of State may update the Cuba Restricted List from time to time; therefore, there can be no assurance that the Cuba Restricted List will not be amended or expanded in the future to have a more significant impact on the activities of the Company. However, even if the Cuba Restricted List is expanded in the future to include any joint venture companies, hotels or other assets in which the Company has an interest, such potential change should not limit the ability of the Company to engage in business, including direct financial transactions, with such potential Restricted Entities because the Company is not a Person subject to U.S. jurisdiction and, therefore, is not subject to the restrictions and limitations imposed by the CACR. For this same reason, such potential change should have no impact on non-U.S. investors. Finally, assuming that no other prohibitions would limit Persons subject to U.S. jurisdiction from investing in the Company, any further revision or expansion of the Cuba Restricted List should have no impact on such potential U.S. investors because their investment in the Company would not be deemed a "direct financial transaction" with such potential Restricted Entities.

### **RISKS RELATING TO THE AIFM AND THE INVESTMENT MANAGER**

#### **The Company is dependent on the services of the AIFM and the Investment Manager to execute its investment strategy or achieve its investment objective and the Target Returns**

The Company has entered into the Management Agreement, pursuant to the terms of which the Company has engaged the AIFM as the Company's alternative investment fund manager to provide discretionary portfolio and risk management services to the Company. The AIFM has delegated portfolio management to the Investment Manager. Consequently, the future ability of the Company to pursue successfully its investment policy may, among other things, depend on the ability of the AIFM and/or the Investment Manager to retain their respective existing staff and/or to recruit individuals of similar experience and calibre.

Whilst the AIFM and the Investment Manager have each endeavoured to ensure that their respective key employees are suitably incentivised, the retention of key members of the teams cannot be guaranteed. Furthermore, in the event of a departure of a key employee of the AIFM or the Investment Manager there is no guarantee that the AIFM or the Investment Manager would be able to recruit a suitable replacement or that any delay in doing so would not adversely affect the performance of the Company. Events impacting

but not entirely within the AIFM's or the Investment Manager's control, such as their respective financial performance or changes to their internal policies and structures could in turn affect their ability to retain key employees.

The Company is also subject to the risk that the Management Agreement may be terminated and that no suitable replacement will be found to provide the same functions. If the Management Agreement is terminated and a suitable replacement service provider is not secured in a timely manner, the ability of the Company to execute its investment strategy or achieve its investment objective and the Target Returns may be adversely affected.

**The AIFM, the Investment Manager and their affiliates will allocate resources to activities in which the Company is not engaged, which could have a negative impact on the Company's ability to achieve its investment objective**

The AIFM, the Investment Manager and their affiliates are not required to commit all of their resources and/or time to the Company's affairs. Insofar as the AIFM and/or the Investment Manager devote resources and/or time to their responsibilities to other business interests, their ability to devote resources and attention to the Company's affairs will be limited. This could adversely affect the Company's ability to achieve its investment objective, which could have a material adverse effect on the performance of the Company's business, financial condition and results of operations.

**The AIFM, the Investment Manager and their affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company and may be subject to conflicts of interest in respect of its activities on behalf of the Company**

The AIFM, the Investment Manager and their affiliates are involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, the AIFM and the Investment Manager and their affiliates may manage funds other than the Company and may provide investment management, investment advisory or other services in relation to those funds or future funds which may have similar investment policies to that of the Company.

The AIFM, the Investment Manager and their affiliates may carry on investment activities for other accounts in which the Company has no interest. The AIFM, the Investment Manager and their affiliates may also provide management services to other clients, including other collective investment vehicles. The AIFM, the Investment Manager and their affiliates may give advice and recommend investments to other managed accounts or investment funds which may differ from advice given to, or investments recommended or bought for, the Company, even though their investment policies may be the same or similar.

## **RISKS RELATING TO THE SHARES**

**The Ordinary Shares may trade at a discount to the Net Asset Value per Ordinary Share and Shareholders may be unable to realise their investments through the secondary market at the Net Asset Value per Ordinary Share**

The Ordinary Shares may trade at a discount to the Net Asset Value per Ordinary Share for a variety of reasons, including adverse market conditions, a deterioration in investors' perceptions of the merits of the Company's investment strategy and investment policy, an excess of supply over demand in the Ordinary Shares, and to the extent investors undervalue the activities of the Company and/or the AIFM and/or the Investment Manager.

While the Directors may seek to mitigate any discount to the Net Asset Value per Ordinary Share through such discount management mechanisms as they consider appropriate, there can be no guarantee that they will do so or that such mechanisms will be successful.

**The Shares carry no rights of redemption or repurchase**

Shareholders have no right to have their Shares redeemed or repurchased by the Company at any time. While the Directors retain the right to effect repurchases of Shares in the manner described in the section headed "Premium/Discount Management" in Part 1 of this document, they are under no obligation to use

such powers at any time and Shareholders should not place any reliance on the willingness of the Directors to do so. Shareholders wishing to realise their investment in the Company will normally therefore be required to dispose of their Shares through the secondary market. Accordingly, Shareholders' ability to realise their investment at the Net Asset Value per Ordinary Share or Net Asset Value per C Share (as the case may be) or at all is dependent on the existence of a liquid market for the Shares.

### **Prohibition on U.S. Persons holding Shares**

U.S. Persons are prohibited from acquiring Shares in the Initial Issue or in any Subsequent Placing. Notwithstanding that the Shares are freely transferable, prospective investors should note that the Articles prohibit U.S. Persons from having an interest in Shares and contain provisions which facilitate the forced transfer of Shares in which any U.S. Persons are interested.

### **The Company may issue additional Shares that dilute existing Shareholders**

Subject to legal and regulatory requirements, the Company may issue additional Shares. Any additional issuances by the Company, or the possibility of such issue, may cause the market price of the existing Ordinary Shares to decline. Furthermore, although Ordinary Shares may not be issued at a discount to the prevailing Net Asset Value per Ordinary Share (unless they are first offered *pro rata* to existing Shareholders, or the issuance is otherwise authorised by Shareholders), the relative voting percentages of existing holders of Ordinary Shares may be diluted by further issues of Ordinary Shares.

### **The market price of the Shares may rise or fall rapidly**

General movement in local and international stock markets, prevailing and anticipated economic conditions and interest rates in, and investor sentiment towards, Cuba and general economic conditions may all affect the market price of the Shares. To optimise returns, Shareholders may need to hold the Ordinary Shares for the long term and therefore the Ordinary Shares are not suitable for short term investment.

### **Placing Programme Price**

Whilst any Ordinary Shares to be issued pursuant to the Placing Programme will be issued at a premium to, and never lower than, the applicable published Net Asset Value per Ordinary Share at the time of issuance, the Placing Programme Price for the Ordinary Shares may be less than the quoted market price for the Ordinary Shares. The Placing Programme Price will be calculated by reference to the latest applicable published unaudited Net Asset Value per Ordinary Share (cum income). Such Net Asset Value per Ordinary Share will be determined on the basis of the information available to the Company at the time and may be subject to subsequent revisions. Accordingly, there is a risk that, had such Placing Programme Price been calculated by reference to information that emerged after the calculation date, it could have been greater or lesser than the Placing Programme Price actually paid by the investors. If such Placing Programme Price should have been less than the Placing Programme Price actually paid, investors will have paid more than intended. If the Placing Programme Price should have been greater than the Placing Programme Price actually paid, investors will have paid less than intended and, in certain circumstances, the Net Asset Value per Ordinary Share of the existing Ordinary Shares may have been diluted.

### **Local laws or regulations may mean that the status of the Company and/or the Shares is uncertain or subject to change, which could adversely affect investors' ability to hold Shares**

For regulatory and tax purposes, the status and treatment of the Company and/or the Shares may be different in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Shares may be treated as units in a collective investment scheme. Furthermore, in certain jurisdictions, the regulatory and tax status of the Company and/or the Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or as a result of disclosures made by the Company. Changes in the status or treatment of the Company and/or the Shares for regulatory and/or tax purposes may have unforeseen effects on the ability of investors to hold Shares or the consequences to investors of doing so.

## **RISKS RELATING TO REGULATION, STRUCTURE AND TAXATION**

### **Changes in the Company's tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders**

Any change in the Company's tax status, or in taxation legislation or practice (in particular in relation to any obligation to withhold tax in respect of payments to the Company or on portfolio investments) in either Guernsey, the United Kingdom, or any jurisdiction in which or through which the Company invests, or in the Company's tax treatment, may affect the value of the investments held by the Company or the Company's ability to pursue successfully and achieve its investment objective and investment policy, or alter the after tax returns to Shareholders. Statements in this document concerning the taxation of Shareholders are based upon current United Kingdom and Guernsey tax law and published practice, any aspect of which law and practice is, in principle, subject to change (potentially with retrospective effect) that may adversely affect the ability of the Company to pursue successfully its investment objective and investment policy and which may adversely affect the taxation of Shareholders.

Statements in this document in particular take into account the United Kingdom offshore fund rules contained in Part 8 of the Taxation (International and Other Provisions) Act 2010. Should the Company or any class of shares issued by the Company be regarded as being subject to the offshore fund rules this may have adverse tax consequences for certain UK resident Shareholders.

In particular, the tax treatment of Shareholders on any return of cash to Shareholders will depend on the taxation legislation and practice in force at the relevant time. Tax law and practice can change frequently and there can be no guarantee that the discount control mechanisms set out in this document can be implemented in a way that is tax efficient for Shareholders.

Potential investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effect of an investment in the Company.

### **Individual Shareholders may have conflicting investment, tax and other interests with respect to their investments in the Company**

Shareholders are expected to include taxable and tax-exempt entities and persons or entities organised and residing in various jurisdictions, who may have conflicting investment, tax and other interests with respect to their investments in the Company. The conflicting interests of individual Shareholders may relate to or arise from, among other things, the nature of investments made by the Company, the structuring of the acquisition of investments, the timing of disposal of investments and the manner in which income and capital generated by the Company is distributed to Shareholders. The structuring of investments and distributions may result in different returns being realised by different Shareholders. As a consequence, conflicts of interest may arise in connection with decisions made by the Investment Manager which may be more beneficial for one investor than for another investor, especially with respect to investors' individual situations. In selecting and structuring investments appropriate for the Company and in determining the manner in which distributions shall be made to Shareholders, the Investment Manager and the Directors, respectively, will consider the investment and tax objectives of the Company and Shareholders as a whole, not the investment, tax or other objectives of any Shareholder individually, which may have a material adverse effect on the investment returns of individual Shareholders.

### **Overseas taxation**

The Company, its subsidiaries and associated companies may, as well as being subject to taxation in the jurisdictions in which they are tax resident, also be subject to taxation under the tax rules of other jurisdictions in which they invest, including by way of withholding of tax from interest and other income receipts. Although the Company will endeavour to minimise any such taxes this may affect the level of returns to Shareholders.

## **Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for Shareholders investing in the Company**

Changes in tax legislation or practice, whether in Guernsey or in jurisdictions in which the Company or its subsidiaries invest, could affect the value of the investments held by the Company and its subsidiaries, affect the Company's ability to provide returns to Shareholders, and affect the tax treatment for Shareholders of their investments in the Company (including rates of tax and availability of reliefs).

## **OECD consultations on changes in tax law**

Prospective investors should be aware that the Organisation for Economic Co-operation and Development ("OECD") published its Action Plan on Base Erosion and Profit Shifting ("BEPS") in 2013 and that a public consultation process has been undertaken, leading to the publication on 5 October 2015, of a number of Final Reports. BEPS aims to restructure the taxation scheme currently affecting multinational entities by, among other measures, restricting access to benefits otherwise available under certain double tax treaties. Depending on how BEPS is implemented, any changes to tax laws or double tax treaties based on recommendations made by the OECD in relation to BEPS may result in additional reporting and disclosure obligations for investors and/or additional tax being suffered by the Company which may adversely affect the value of the investments held by the Company and the market price of the Shares.

## **Alternative Investment Fund Managers Directive**

The AIFM Directive imposes a regime for EU managers of AIFs and in respect of marketing of AIFs in the EU. The AIFM Directive has been implemented in the UK by the AIFM Rules. The AIFM Directive requires that EU alternative investment fund managers of AIFs are authorised and regulated.

The Board has appointed, conditional on Initial Admission, the AIFM as the alternative investment fund manager of the Company. The AIFM is authorised and regulated by the FCA. If the AIFM ceases to act or becomes unable to act as the Company's alternative investment fund manager, then the Company must appoint another suitably authorised person as its alternative investment fund manager or the Company must be its own alternative investment fund manager. In order for the Company to be its own alternative investment fund manager it may be required to be authorised in Guernsey to act as an alternative investment fund manager. The Company is not currently authorised to act as an alternative investment fund manager and does not intend to apply for such authorisation to the extent that it is not required to do so. In the event that, and for so long as, the Company does not have an external alternative investment fund manager and is not permitted to act as an alternative investment fund manager in Guernsey then the Company may not be able to operate or, as a minimum, the ability of the Company to operate will be adversely affected to a significant extent.

The AIFM Directive only allows the marketing of non-EEA incorporated AIFs, such as the Company, by an alternative investment fund manager or its agent under national private placement regimes where EEA Member States choose to retain private placement regimes.

In the UK, this includes an obligation for the AIFM to notify the FCA that it is the person responsible for complying with the implementing provisions relating to the marketing of the Shares and that the AIFM will comply with the relevant requirements of the AIFM Directive. The FCA may suspend, or revoke, the AIFM's entitlement to market the Shares if it appears to the FCA that, amongst other things, one or more conditions confirmed in the FCA notification as being met are no longer satisfied.

Such marketing will also be subject to, amongst other things, (a) the requirement that appropriate cooperation agreements are in place between the supervisory authorities of the relevant EEA member states and the GFSC, and (b) compliance by the AIFM with certain aspects of the AIFM Directive. As at the date of this document, the GFSC had signed bilateral cooperation agreements with 27 securities regulators from the EU and the wider EEA. It is intended that, over time, a passport will be phased in to allow the marketing of non-EEA incorporated alternative investment funds, such as the Company, into the EEA and that national private placement regimes will be phased out. Both the adoption of such a passport and the phasing out of national private placement regimes are subject to certain criteria and are not certain. Consequently, there may be future restrictions on, and a material increase in the compliance costs involved in the active marketing of the Shares in the EEA, which in turn may have a negative effect on the marketing and liquidity generally of the Shares.

**U.S. securities laws**

The Shares have not been registered and will not be registered in the United States under the U.S. Securities Act or under other applicable securities law. The Company is not, and does not intend to become, registered as an investment company under the U.S. Investment Company Act and related rules and regulations.

## IMPORTANT INFORMATION

### GENERAL

No broker, dealer or other person has been authorised by the Company to issue any advertisement or to give any information or to make any representations in connection with the offering or sale of Shares other than those contained in this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Shares. Prospective investors must rely upon their own legal advisers, accountants and other financial advisers as to legal, tax, investment or any other related matters concerning the Company and an investment in the Shares.

This document should be read in its entirety before making any application for Shares. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

In connection with the Initial Placing, N+1 Singer or any of its affiliates acting as an investor for its or their own account(s) may subscribe for Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell, or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or related investments in connection with the Initial Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, N+1 Singer or any of its affiliates acting as an investor for its or their own account(s). N+1 Singer does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this document and the offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document is received are required to inform themselves about and to observe such restrictions.

### FOR THE ATTENTION OF UNITED STATES RESIDENTS

**U.S. PERSONS ARE PROHIBITED FROM ACQUIRING SHARES IN THE INITIAL ISSUE OR IN ANY SUBSEQUENT PLACING.**

**NOTWITHSTANDING THAT THE SHARES ARE FREELY TRANSFERABLE PROSPECTIVE INVESTORS SHOULD NOTE THAT THE ARTICLES PROHIBIT U.S. PERSONS FROM HAVING AN INTEREST IN SHARES AND CONTAIN PROVISIONS WHICH FACILITATE THE DISENFRANCHISEMENT AND FORCED TRANSFER OF ANY SHARES IN WHICH U.S. PERSONS ARE INTERESTED.**

### NOTICE TO SHAREHOLDERS REGARDING U.S. GOVERNMENT RESTRICTIONS RELATING TO CUBA

The government of the United States has maintained numerous long-standing sanctions and other legal limitations aimed at Cuba, including a comprehensive trade embargo and a variety of travel and other trade restrictions limiting the transactions that may be carried out between persons subject to U.S. jurisdiction and Cuba (collectively the “**U.S. Embargo**”), which have had and are likely to continue to have a negative impact on the Cuban economy and which may, as a result, also have a negative impact on the business of the Company, as well as its access to capital and finance and limiting the extent to which third parties will deal or transact with the Company.

Investors considering purchasing or holding Shares (whether in the Initial Issue, any Subsequent Placing, or in the secondary market) should take their own advice as to the applicability to them of the U.S. Embargo and should carefully read the “*Risks relating to the U.S. Embargo*” set out on page 26 of this document.

#### **FOR THE ATTENTION OF PROSPECTIVE INVESTORS IN CANADA, JAPAN, AUSTRALIA OR THE REPUBLIC OF SOUTH AFRICA**

The offer and sale of Shares has not been and will not be registered under the applicable securities laws of Canada, Japan, Australia or the Republic of South Africa (an “**Excluded Territory**”). Subject to certain exemptions, the Shares may not be offered to or sold within an Excluded Territory or to any national, resident or citizen of an Excluded Territory.

#### **NOTICE FOR RESIDENTS OF JERSEY**

This document does not purport to provide investment advice and shall not be construed as giving advice on the merits or suitability of the subscription or purchase of the Shares. This document is not subject to and has not received approval from either the Jersey Financial Services Commission or the Registrar of Companies in Jersey and no statement to the contrary, explicit or implicit, is authorised to be made in this regard. The Shares being offered may be offered or sold in Jersey only in compliance with the provisions of the Control of Borrowing (Jersey) Order 1958 (“**COBO**”).

#### **NOTICE FOR RESIDENTS OF THE ISLE OF MAN**

This document has not been approved or reviewed by the Isle of Man Financial Services Authority or any other governmental or regulatory authority in the Isle of Man. The Initial Placing is available, and may be made, in the Isle of Man and this document is being provided in connection with the Initial Placing and any Subsequent Placing in the Isle of Man only to persons: (a) licensed under the Isle of Man Financial Services Act 2008; or (b) falling within exclusion 2(r) of the Isle of Man Regulated Activities Order 2011 (as amended); or (c) whose ordinary business activities involve them in acquiring, holding, managing or disposing of shares or debentures (as principal or agent), for the purposes of their business.

#### **NOTICE FOR RESIDENTS OF SWITZERLAND**

The Company has not been licensed for distribution with the Swiss Financial Market Supervisory Authority (“**FINMA**”) as a foreign collective investment scheme pursuant to Article 120 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, as amended (“**CISA**”). Also, the Company has not appointed a Swiss paying agent and representative and therefore may not be distributed in Switzerland (as defined by Art. 3 para. 1 CISA). Accordingly, in Switzerland the Shares will only be offered and sold to prudentially regulated financial institutions pursuant to Article 10 para. 3 lit. a and b CISA; in addition, the Shares may be sold under the reverse solicitation-exemption pursuant to Article 3 para. 2 lit. a CISA. This document and any other offering material relating to the Shares may only be handed out within these restrictions. Investors in the Shares do not benefit from the specific investor protection provided by CISA and the supervision by the FINMA.

The Shares are not publicly offered within the meaning of article 652a or 1156 of the Swiss Code of Obligations. As a consequence, this document is not a prospectus within the meaning of these provisions and may therefore not comply with the information standards required thereunder. This document is not a listing prospectus according to article 27 et seq. of the Listing Rules of the SIX Swiss Exchange and may therefore not comply with the information standards required thereunder or under the listing rules of any other Swiss stock exchange.

#### **FOR THE ATTENTION OF PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA**

In relation to each Relevant Member State, no Shares have been offered or will be offered pursuant to the Initial Issue or the Placing Programme to the public in that Relevant Member State prior to the publication of a document in relation to the Shares which has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive,

except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a document pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Shares or to whom any offer is made under the Initial Placing or the Placing Programme will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and the amendments thereto, including Directive 2010/73/EU) (the “**2010 PD Amending Directive**”), to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

In addition, Shares will only be offered to the extent that the Shares: (i) are permitted to be marketed into the relevant EEA jurisdiction pursuant to the AIFM Directive (if and as implemented into local law); or (ii) can otherwise be lawfully offered or sold (including on the basis of an unsolicited request from a professional investor).

## INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**Directive 2014/65/EU**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing Directive 2014/65/EU; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that the Shares to be issued pursuant to the Initial Issue and any Subsequent Placing are: (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties, each as defined in Directive 2014/65/EU; and (ii) eligible for distribution through all distribution channels as are permitted by Directive 2014/65/EU (the “**Target Market Assessment**”).

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Initial Issue and any Subsequent Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, N+1 Singer will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Directive 2014/65/EU; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

## **DATA PROTECTION**

The information that a prospective investor in the Company provides in documents in relation to a subscription for Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual (“**personal data**”) will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) and/or the Administrator in compliance with: (a) all applicable data protection legislation and regulatory requirements; and (b) the Company’s (and, if applicable, any other third party delegate’s) Privacy Notice, a copy of which can be found on the Company’s website at [www.ceibalimited.co.uk](http://www.ceibalimited.co.uk). Without limitation to the foregoing, each prospective investor acknowledges that it has been informed that such information will be held and processed by the Company (or any third party, functionary, or agent appointed by the Company and notified under or otherwise in accordance with the Company’s Privacy Notice) and/or the Administrator for the purposes set out in the Privacy Notice, which shall include:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere; and
- to comply with the legal and regulatory obligations of the Company, the Administrator or any third party functionary or agent appointed by the Company.

In order to meet the purposes set out above, it will be necessary for the Company to disclose personal data as set out in the Privacy Notice, including to:

- other functionaries of, or advisers to, the Company (who have been notified under or otherwise in accordance with the Company’s Privacy Notice) to operate and/or administer the Company; and
- third party service providers, agents or functionaries located either within or outside of the EEA which are appointed by the Company or its agents to provide services.

The foregoing processing of personal data is required in order to perform the contract with the prospective investor to comply with the legal and regulatory obligations of the Company or otherwise is required for the legitimate interests of the Company.

If the Company (or any third party, functionary or agent appointed by the Company) and/or the Administrator discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will ensure that adequate safeguards are in place for the protection of such personal data, details of which shall be set out in the relevant Privacy Notice or otherwise notified from time to time.

Prospective investors are responsible for informing any third party individual to whom the personal data relates to the disclosure and use of such data in accordance with these provisions and the prospective investors shall provide a copy of all relevant Privacy Notices as appropriate that have been made available to it.

A data subject may in certain circumstances object to the processing of its personal data and such rights and the manner in which they can be exercised are set out in the Company’s Privacy Notice.

## **PRESENTATION OF FINANCIAL INFORMATION**

Certain financial and statistical information contained in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

## **PRESENTATION OF INDUSTRY, MARKET AND OTHER DATA**

Market, economic and industry data used throughout this document is sourced from various industry and other independent sources. The Company and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **CURRENCY PRESENTATION**

Unless otherwise indicated, all references in this document to “GBP”, “Sterling”, “£” or “p” are to the lawful currency of the UK; all references to the Cuban Convertible Peso and the Cuban Peso are to the lawful currency of Cuba; all references to “U.S.\$”, “U.S. Dollars” or “\$” are to the lawful currency of the United States and all references to “Euros” and “€” are to the lawful currency of the participating Member States of the European Union.

## **Calculation of the Issue Price**

The Issue Price represents the net asset value per Ordinary Share of the Company as at 31 December 2017 (i) reduced to take account of the amount of the dividend of U.S.\$0.52 per Ordinary Share paid on 10 April 2018, and (ii) adjusted to take account of the eight for one share split undertaken by the Company on 12 September 2018; with the resulting U.S. Dollar figure converted to Sterling at the applicable U.S. Dollar/Sterling exchange rate on 13 September 2018. Potential investors in the Initial Issue should note that foreign exchange rate fluctuations between the U.S. Dollar and Sterling occurring between the date of this document and Initial Admission may result in changes, which may be positive or negative, to the Company’s underlying net asset value on a U.S. Dollar basis.

## **WEBSITE**

The contents of the Company’s website, [www.ceibalimited.co.uk](http://www.ceibalimited.co.uk), do not form part of this document. Investors should base their decision whether or not to invest in the Shares on the contents of this document alone.

## **FORWARD LOOKING STATEMENTS**

This document contains forward looking statements, including, without limitation, statements containing the words “believes” “estimates” “anticipates” “expects” “intends” “may” “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the Prospectus Rules), the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based unless required to do so by law or any appropriate regulatory authority, including FSMA, the Prospectus Rules and the Disclosure Guidance and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 9 of Part 14 of this document.

## **GOVERNING LAW**

Unless otherwise stated, statements made in this document are based on the law and practice currently in force in England and Wales, Cuba and Guernsey.

## VOLUNTARY COMPLIANCE WITH THE LISTING RULES

The Listing Rules applicable to closed-ended investment companies which are listed on the premium listing segment of the Official List of the UKLA do not apply to the Company. The Company is subject to the LSE Admission Standards whilst traded on the Specialist Fund Segment. In addition, the Directors have resolved that, as a matter of best practice and good corporate governance, the Company will voluntarily comply with the following key provisions of the Listing Rules:

- the Company is not required to comply with the Listing Principles set out at Chapter 7 of the Listing Rules. Nonetheless, the Company will comply with these Listing Principles;
- the Company is not required to appoint a listing sponsor under Chapter 8 of the Listing Rules. It has appointed N+1 Singer as broker and financial adviser to guide the Company in understanding and meeting its responsibilities in connection with Initial Admission and also for compliance with Chapter 10 of the Listing Rules relating to significant transactions, with which the Company intends to voluntarily comply;
- the Company is not required to comply with the provisions of Chapter 9 of the Listing Rules regarding continuing obligations. The Company will comply with the following provisions of Chapter 9 of the Listing Rules: (i) Listing Rule 9.3 (Continuing obligations: holders); (ii) Listing Rule 9.5 (Transactions); (iii) Listing Rule 9.6.4 to Listing Rule 9.6.21 other than Listing Rule 9.6.19(2) and Listing Rule 9.6.19(3) (Notifications); (iv) Listing Rule 9.7A (Preliminary statement of annual results and statement of dividends); and (v) Listing Rule 9.8 (Annual financial report);
- the Company is not required to comply with the provisions of Chapter 11 of the Listing Rules regarding related party transactions. The Company will adopt a related party policy (in relation to which N+1 Singer, as financial adviser, will guide the Company) which shall apply to any transaction which it may enter into with any Director, the AIFM, the Investment Manager or any of their affiliates which would constitute a “related party transaction” as defined in, and to which would apply, Chapter 11 of the Listing Rules. In accordance with its related party policy, the Company shall not enter into any such related party transaction without first obtaining: (i) the approval of a majority of the Directors who are independent of the relevant related party; and (ii) a fairness opinion or third-party valuation (as appropriate) in respect of such related party transaction from an appropriately qualified independent adviser. In particular, (a) transactions or arrangements of the nature set out in Listing Rule 11.1.5(2) (i.e. co-investments or the joint provision of finance); or (b) issues of new securities in, or a sale of treasury shares of, the Company to “substantial shareholders” pursuant to an offer to the public or a placing, on materially similar terms to those applicable to other subscribers or purchasers under such offer or placing, shall not be considered “related party transactions”. This policy may only be modified with Shareholder approval;
- the Company is not required to comply with the provisions of Chapter 12 of the Listing Rules regarding the market repurchases by the Company of its Ordinary Shares. Nonetheless, the Company has adopted a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2;
- the Company is not required to comply with the provisions of Chapter 13 of the Listing Rules regarding the contents of circulars. The Company however will comply with the following provisions of Chapter 13 of the Listing Rules: (i) Listing Rule 13.3 (Contents of all circulars); (ii) Listing Rule 13.4 (Class 1 circulars); (iii) Listing Rule 13.5 (Financial information in Class 1 Circulars); (iv) Listing Rule 13.7 (Circulars about purchase of own equity shares); and (v) Listing Rule 13.8 (Other circulars); and
- the Company is not required to comply with the provisions of Chapter 15 of the Listing Rules (Closed-Ended Investment Funds: premium listing). Nonetheless, the Company will comply with the following provisions of Chapter 15 of the Listing Rules: (i) Listing Rule 15.4.2(2), Listing Rule 15.4.6 to Listing Rule 15.4.8 (save that the Company shall not be required to seek FCA approval in relation to any material change to its investment policy), Listing Rule 15.4.8 to Listing Rule 15.4.11 (Continuing obligations); (ii) Listing Rule 15.5.1 and Listing Rule 15.5.2 (Transactions); and (iii) Listing Rule 15.6.1 and 15.6.6 to 15.6.8 (Notifications and periodic financial information).

The Specialist Fund Segment is an EU regulated market.

**The Specialist Fund Segment securities are not admitted to the Official List. Therefore the Company has not been required to satisfy the eligibility criteria for admission to listing on the**

Official List and is not required to comply with the Listing Rules. The London Stock Exchange has not examined or approved the contents of this document.

It should be noted that the UK Listing Authority does not have the authority to monitor the Company's voluntary compliance with the Listing Rules applicable to closed-ended investment companies which are listed on the Specialist Fund Segment nor will it impose sanctions in respect of any failure of such compliance by the Company.

FCA-authorised firms conducting designated investment business with retail customers under the COB Rules are reminded that securities admitted to trading on the Specialist Fund Segment will be securities that may have characteristics such as: (i) variable levels of secondary market liquidity; (ii) sophisticated corporate structures; (iii) highly leveraged structures; and (iv) sophisticated investment propositions with concentrated risks and are therefore intended for institutional, professional and highly knowledgeable investors.

## **EXPECTED TIMETABLE**

### **Expected Initial Issue Timetable**

Initial Placing and Offer for Subscription opens	17 September 2018
Latest time and date for applications under the Offer for Subscription	11.00 a.m. on 3 October 2018
Latest time and date for receipt of commitments under the Initial Placing	11.00 a.m. on 3 October 2018
Announcement of the results of the Initial Issue	4 October 2018
Initial Admission and dealings in the Ordinary Shares in uncertificated form commence	8.00 a.m. on 10 October 2018
Crediting of CREST stock accounts in respect of Ordinary Shares issued pursuant to the Initial Issue	10 October 2018
Share certificates despatched in respect of Ordinary Shares issued pursuant to the Initial Issue	week commencing 15 October 2018 (or as soon as possible thereafter)

### **Expected Placing Programme Timetable**

Placing Programme opens	10 October 2018
Publication of Placing Programme Price in respect of each Subsequent Placing	on announcement of each Subsequent Placing pursuant to the Placing Programme
Admission and crediting of CREST stock accounts in respect of each Subsequent Placing	as soon as practicable following the issue of Shares pursuant to the Placing Programme
Share certificates despatched in respect of Shares issued pursuant to the Placing Programme	as soon as practicable following the issue of Shares pursuant to the Placing Programme
Placing Programme closes and last date for Shares to be admitted pursuant to the Placing Programme	16 September 2019

*The dates and times specified are subject to change subject to agreement between the Company and N+1 Singer. All references to times in this document are to London time unless otherwise stated.*

## INITIAL ISSUE AND PLACING PROGRAMME STATISTICS

### Initial Issue Statistics

Issue Price	119 pence
Target number of Ordinary Shares being issued	84.0 million
Target Initial Gross Proceeds	£100 million
Minimum net proceeds	£27.6 million
Estimated net proceeds of the Initial Issue*	£96.1 million
Estimated Net Asset Value per Ordinary Share at Initial Admission	119 pence
Total number of Ordinary Shares in issue following Initial Admission*	191,705,189
Maximum number of Ordinary Shares in issue following Initial Admission**	233,721,996

\* Assuming Initial Gross Proceeds of £100 million. The Company is targeting Initial Gross Proceeds of £100 million subject to a maximum of £150 million. The number of Ordinary Shares to be issued pursuant to the Initial Issue, and therefore the Initial Gross Proceeds, is not known as at the date of this document but will be notified by the Company via a Regulatory Information Service prior to Initial Admission. If the Initial Issue does not proceed, subscription monies received will be returned without interest at the risk of the applicant. The estimated net proceeds of the Initial Issue have been shown assuming that the expenses of the Initial Issue are applied solely against the Initial Gross Proceeds, however, the expenses of the Initial Issue will be payable by the Company out of its own funds (which will include the proceeds of the Initial Issue).

\*\* Assuming the maximum Initial Gross Proceeds of £150 million are raised, and therefore 126,050,420 new Ordinary Shares are issued.

### Placing Programme Statistics

Maximum size of the Placing Programme	300 million Ordinary Shares (less any Ordinary Shares issued pursuant to the Initial Issue) and/or 200 million C Shares
Placing Programme Price	in respect of: (a) Ordinary Shares, not less than the latest published Net Asset Value (cum-income) per Ordinary Share at the time of issue together with a premium intended to cover the costs and expenses of any Subsequent Placing (including, without limitation, any placing commissions), and (b) C Shares, 100 pence per C Share.*

\* Please refer to the paragraph headed "The Placing Programme Price" in Part 10 of this document for full details.

## DEALING CODES

The dealing codes for the Ordinary Shares are as follows:

ISIN	GG00BFMDJH11
SEDOL	BFMDJH1
Ticker	CBA

The dealing codes for the C Shares are as follows:

ISIN	GG00BFMDJJ35
SEDOL	BFMDJJ3
Ticker	CBAC

## DIRECTORS, MANAGEMENT AND ADVISERS

<b>Directors (all non-executive)</b>	<p>John Herring (<i>Chairman</i>)  Peter Cornell  Keith Corbin  Trevor Bowen  Colin Kingsnorth</p> <p>all of the registered office below:</p>
<b>Registered Office</b>	<p>Ground Floor  Dorey Court  Admiral Park  St Peter Port  Guernsey  GY1 2HT</p>
<b>AIFM</b>	<p>Aberdeen Fund Managers Limited  Bow Bells House  1 Bread Street  London  EC4M 9HH</p>
<b>Investment Manager</b>	<p>Aberdeen Asset Investments Limited  Bow Bells House  1 Bread Street  London  EC4M 9HH</p>
<b>Administrator and Company Secretary</b>	<p>JTC Fund Solutions (Guernsey) Limited  Ground Floor  Dorey Court  Admiral Park  St Peter Port  Guernsey  GY1 2HT</p>
<b>Financial Adviser, Sole Global Coordinator and Bookrunner</b>	<p>Nplus1 Singer Advisory LLP  1 Bartholomew Lane  London  EC2N 2AX</p>
<b>Solicitors to the Company (as to English law)</b>	<p>Gowling WLG (UK) LLP  4 More London Riverside  London  SE1 2AU</p>
<b>Advocates to the Company (as to Guernsey law)</b>	<p>Carey Olsen (Guernsey) LLP  Carey House  Les Banques  St. Peter Port  Guernsey  GY1 4BZ</p>
<b>Legal advisers to the Company (as to Cuban law)</b>	<p>Lex SA Servicios Jurídicos  Calle 1ra No 1001, esq 10  Havana  Cuba</p>

**Solicitors to the Financial  
Adviser, Sole Global  
Coordinator and Bookrunner**

Stephenson Harwood LLP  
1 Finsbury Circus  
London  
EC2M 7SH

**Reporting Accountants**

Ernst & Young LLP  
1 More London Riverside  
London  
SE1 2AF

**Registrar**

Link Market Services (Guernsey) Limited  
Mont Crevelt House  
Bulwer Avenue  
St. Sampson  
Guernsey  
GY2 4LH

**Receiving Agent**

Link Asset Services  
Corporate Actions  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Depository**

JTC Global AIFM Solutions Limited  
Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
GY1 2HT

**Independent Auditor**

Ernst & Young LLP  
Royal Chambers  
St. Julian's Avenue  
St. Peter Port  
Guernsey  
GY1 4AF

## PART 1

### INFORMATION ON THE GROUP

#### 1. INTRODUCTION AND COMPANY HISTORY

The Company was incorporated on 10 October 1995 in Guernsey as a closed-ended investment company with the sole purpose of investing in Cuba. The Company made its first Cuban investment in 1996 and its portfolio subsequently included interests in a variety of Cuban assets and businesses, including biotechnology ventures, mining, real estate, consumer/industrial ventures and trade finance. The Company was listed on the Irish Stock Exchange from 1996 to 2002.

In 2001, certain institutional and other investors acquired control of the Company. This led to the appointment in 2002 of a new external investment manager to manage the Company. The founders of this external manager included Sebastiaan A.C. Berger and Cameron Young, who both became involved in the business of the Company in 2002. Paul S. Austin subsequently joined the Company's management team in 2005.

Under this new external investment manager, the Company began to focus its investment activities on the Cuban real estate and tourism sectors, and disposed of its interests in non-complementary assets and businesses. In repositioning the business of the Company during this period, the Company developed a new investment strategy with the following principal elements:

- to acquire ownership interests in Cuban joint venture companies that owned high-quality Cuban commercial real estate and hotel assets;
- to pursue investments in development projects through the entering into of new joint ventures with the Cuban government or the acquisition of interests in existing joint ventures;
- to arrange secured financing for Cuban borrowers, primarily in the tourism sector;
- to establish a professional "on-the-ground" management team with experience of negotiating, completing and exiting investments in Cuba; and
- to commence paying a regular annual dividend to Shareholders.

In order to fund the Company's investment program, the Company completed five institutional capital raisings, raising total gross proceeds of €68,880,866. The Company's total equity has grown from approximately U.S.\$19 million in 2001 to U.S.\$175 million as at 31 December 2017. During this period the Company has also paid approximately U.S.\$80 million of cash dividends. The Company has produced an annualised Net Asset Value per Ordinary Share return over the last five years of 15.17 per cent. (in U.S. Dollars) and 19.48 per cent. (in Sterling).

The Company voluntarily delisted from the Irish Stock Exchange in 2002, and subsequently listed on the Channel Islands Stock Exchange (now known as The International Stock Exchange) from 2004 until the end of 2010. The Company voluntarily delisted from this exchange as part of an initiative to focus the Company on developing its portfolio of investments in Cuba with a view to eventually seeking a listing on a North American stock exchange or market. As part of this initiative, the Company internalised its management and terminated the investment management agreement with its former investment manager. Between 2013 to the date of Initial Admission, the Key Fund Personnel will have been employed and/or contracted directly by the Company in executive management positions. The Company also converted from a registered closed-ended fund registered with the Commission to an internally-managed investment company.

On 11 August 2017, the Company entered into an agreement with Aberdeen Fund Managers Limited (the **"Framework Agreement"**) pursuant to the terms of which the Company agreed to grant an external management agreement to Aberdeen Fund Managers Limited in consideration for a cash payment.

In accordance with the implementation of the Framework Agreement, the Company has entered into the Management Agreement, pursuant to the terms of which the Company has engaged Aberdeen Fund Managers Limited as the Company's alternative investment fund manager to provide portfolio and risk management services to the Company. The AIFM has delegated portfolio management to Aberdeen Asset

Investments Limited (the “**Investment Manager**”). Both the AIFM and the Investment Manager are wholly-owned subsidiaries of Standard Life Aberdeen plc, one of the UK’s largest fund management groups.

Further information on the Aberdeen Standard Investments Group, the Investment Manager and the Key Fund Personnel is set out in Part 7 of this document.

In preparation for Initial Admission, the Company has planned and largely carried out a significant reorganisation of its corporate structure and portfolio of investment assets in Cuba. The purpose of the reorganisation has been to, (i) simplify its corporate structure, (ii) increase its ownership interest in the Varadero Hotels, (iii) merge the external holding companies and Cuban joint venture companies holding the Meliá Habana Hotel and Varadero Hotels into a single, simplified structure holding renewed surface rights, and (iv) prepare for the repositioning, further development and expansion of the Meliá Habana Hotel and the Varadero Hotels. Certain steps for the reorganisation remain in process and have not been completed, including the migration of the Swiss holding vehicle MOSAICO HOTELES S.A. to Spain and the merger in Cuba of MIRAMAR S.A. and Cuba-Canarias S.A. It is expected that these final steps will be completed shortly after Initial Admission.

The Company is targeting Initial Gross Proceeds of £100 million by way of the Initial Issue. The Company may increase the size of the Initial Issue up to a maximum of £150 million if considered appropriate to satisfy investor demand.

The Minimum Gross Proceeds of the Initial Issue are £30 million.

Application will be made to the London Stock Exchange for all of the Existing Ordinary Shares and the new Ordinary Shares to be issued pursuant to the Initial Issue to be admitted to trading on the Specialist Fund Segment of the London Stock Exchange. It is expected that Initial Admission will become effective and dealings will commence on 10 October 2018.

## **2. WINDOW OF OPPORTUNITY**

The Company provides an opportunity for investors to gain exposure to Cuban commercial real estate, hotels and other assets during a window of opportunity which the Directors believe is likely to have a limited time horizon as relationships between Cuba and the international community, and particularly the U.S., continue to improve.

Since 2011, the Cuban government has implemented extensive social and economic reforms and initiatives aimed at modernising Cuba’s centrally controlled socialist economy as well as allowing private entrepreneurship in Cuba and encouraging foreign investment. These reforms and initiatives have gained further impetus as economic support to Cuba from historic allies such as Venezuela has begun to wane.

Key initiatives have included the European Union and Cuba signing their first political dialogue and co-operation agreement aimed at enhancing collaboration between Cuba and the European Union. In parallel to this Cuba has materially improved trading relations with significant international trading nations such as China and Japan.

Allied to the above reforms and initiatives, and possibly (given geographic proximity and historical ties) most significantly, the previously hostile relationship between the U.S. and Cuba has begun to improve.

The thawing of the relationship between the U.S. and Cuba began during the Obama administration and saw the restoration of diplomatic relations, the easing of travel restrictions, the removal of Cuba from the U.S.’s list of state sponsors of terrorism and the dismantling of many of the previous prohibitions on banking transfers involving U.S. Dollars. As a result of these steps, during the last years of the Obama administration there was a significant rise in U.S. travel to, and business transactions with, Cuba. The Trump administration has, to an extent, rowed back on previous reforms and initiated new measures that limit the ability of Persons subject to U.S. jurisdiction to do business in Cuba and specifically restrict transactions with entities associated with the Cuban military, intelligence and security services. However, notwithstanding the accompanying rhetoric, the Trump administration has not sought to repeal or alter the more significant measures implemented by the Obama administration. The Directors believe, particularly given the recent retirement of former President Raul Castro and the appointment of Miguel Diaz-Canel Bermudez as his replacement in the position of President of the Cuban Council of State, which has formally ended the Castro

family's dominance over the executive branch of the Cuban government (which has remained a headline issue for the U.S.), that the direction of travel is still positive.

The policies of the Trump administration have definitely affected U.S. travel to, and business with, Cuba, with the effect that for the immediate future Cuba as a foreign investment market will remain closed to U.S. investors. This, however, creates a window of opportunity for non-U.S. investors, such as the Company.

### **3. INVESTMENT OBJECTIVE, INVESTMENT POLICY AND INVESTMENT RESTRICTIONS**

#### **Investment Objective**

The investment objective of the Company is to provide a regular level of income and substantial capital growth.

#### **Investment Policy**

The Company is a country fund with a primary focus on Cuban real estate assets.

The Company will seek to deliver the investment objective primarily through investment in, and management of, a portfolio of Cuban real estate assets, with a focus on the tourism-related and commercial property sectors. Cuban real estate assets may also include infrastructure, industrial, retail, logistics, residential and mixed-use assets (including development projects).

The Company may also invest in any type of financial instrument or credit facility secured by Cuba related cash flows.

In addition, subject to the investment restrictions set out below, the Company may invest in other Cuba-related businesses, where such are considered by the Investment Manager to be complementary to the Company's core portfolio ("**Other Cuban Assets**"). Other Cuban Assets may include, but are not limited to, Cuba-related businesses in the construction or construction supply, logistics, energy, technology, and light or heavy industrial sectors.

Investments may be made through equity, debt or a combination of both.

The Company will invest either directly or through holdings in special purpose vehicles, joint venture vehicles, partnerships, trusts or other structures. The Foreign Investment Act guarantees that the holders of interests in Cuban joint venture companies may transfer their interests, subject always to agreement between the parties and the approval of the Cuban government.

#### **Investment restrictions**

The following investment limits and restrictions will apply to the Company and its business which, where appropriate, will be measured at the time of investment and once the Company is fully invested:

- the Company will not knowingly or intentionally use or benefit from confiscated property to which a claim is held by a Person subject to U.S. jurisdiction;
- the Company may invest in Cuban and non-Cuban companies, joint ventures and other entities that earn all or a substantial part of their revenues from activities outside Cuba, although such investments will, in aggregate, be limited to less than 10 per cent. of the Gross Asset Value;
- save for Monte Barreto, the Company's maximum exposure to any one asset will not exceed 30 per cent. of the Gross Asset Value;
- no more than 20 per cent. of the Gross Asset Value will be invested in Other Cuban Assets; and
- no more than 20 per cent. of the Gross Asset Value will be exposed to "greenfield" real estate development projects, being new-build construction projects carried out on undeveloped land.

The Company will not be required to dispose of any asset or to rebalance the Portfolio as a result of a change in the respective valuations of its assets. The investment limits detailed above will apply to the Group as a whole on a look through basis, i.e. where assets are held through subsidiaries, SPVs, or

equivalent holding vehicles, the Company will look through the holding vehicle to the underlying assets when applying the investment limits.

### **Gearing**

Following the full repayment of the Bridge Loan shortly following Initial Admission, the Company will be debt-free, both at the holding company level and at the level of each underlying investment. 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 optimise 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.

The Company does not anticipate using gearing for at least three years following Initial Admission, however, in the event that gearing becomes available in the future, the Board would establish gearing guidelines for the AIFM in order to maintain an appropriate level and structure of gearing. Under any such guidelines, aggregate borrowings would not be expected to exceed 20 per cent. of the Net Asset Value at the time of draw down.

### **General**

In the event of a breach of the investment guidelines and restrictions set out above, the AIFM will inform the Board upon becoming aware of the same, and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the AIFM will look to resolve the breach with the agreement of the Board.

Any material change to the Company's investment policy set out above will require the approval of Shareholders by way of an ordinary resolution at a general meeting. Non-material changes to the investment policy may be approved by the Board.

## **4. FUNCTIONAL AND PRESENTATION CURRENCY**

The functional currency of the Company and the presentation currency of its financial statements will be U.S. Dollars. However, the Company does not carry out international transfers in U.S. Dollars. Distributions made by the Company to shareholders will be in Sterling.

## **5. HEDGING POLICY**

The Company has no current intention to hedge any foreign exchange currency exposure to which it may be subject but the Board retains the ability to do so in the future if considered appropriate for efficient portfolio management purposes.

## **6. DIVIDEND POLICY**

Subject to compliance with the Companies Law, the Company intends to pay Sterling dividends on an annual basis and will seek to distribute 85 per cent. of net cash flows from operations.

The Company is targeting:

- an annual dividend yield of 4 per cent. (in U.S. Dollar terms); and
- a total shareholder return of between 12.5 and 17.5 per cent. per annum (in U.S. Dollar terms), (together the “**Target Returns**”).

***Investors should note that the Target Returns, including the declaration and payment frequency of dividends, are a target only and not a profit forecast. There may be a number of factors that adversely affect the Company's ability to achieve the Target Returns and there can be no assurance that the Target Returns will be met. The Target Returns should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should***

***not place any reliance on these targets or assume that the Company will make any distributions at all in deciding whether to invest in the Shares.***

## **7. INVESTMENT STRATEGY**

### **Maintain a 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 interests in the Miramar Trade Center and the Hotels Assets, 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. The Board 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**

The Company'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 existing Cuban joint venture companies 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**

The Company 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.

### **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 utilised for new acquisitions, investments in the development of new properties, upgrading of existing properties or the payment of dividends to Shareholders. 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. These development projects have the potential to create long-term capital growth for Shareholders.

The Company invests surplus funds in interest-bearing structured finance transactions and other financial instruments and commercial paper relating to Cuba, through the FINTUR finance facilities. 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 optimise the Company's capital structure**

Following the full repayment of the Bridge Loan which is expected shortly following Initial Admission, the Group will be debt-free, both at the holding company level and at the level of each underlying investment. 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 optimise 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.

## Be adaptable to changes in the Cuban market

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 maximising 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 and/or the U.S. Embargo, amongst others, would have a positive effect on the results and performance of the Company. The Directors and the Investment Manager will follow developments affecting these local conditions closely and will adapt the strategies of the Company to changing circumstances.

## 8. THE PORTFOLIO

During the last five years the annualised Net Asset Value per Ordinary Share total return for the Company was 15.17 per cent. (in U.S. Dollar terms) and 19.48 per cent. (in Sterling terms).

As at 31 December 2017, the audited Net Asset Value of the Company was U.S.\$175 million and the Net Asset Value per Ordinary Share was U.S.\$13.02 (calculated prior to the Company's share split).

The following table summarises the Company's interests in the principal investments as at the date of this document (with fair values shown as at 31 December 2017):

<i>Investment</i>	<i>Economic interest of Company in foreign shareholder (%)</i>	<i>Surface rights expiry</i>	<i>Fair value of the Company's interest as at 31 December 2017 (U.S.\$ millions)</i>	<i>Percentage of Gross Asset Value (%)</i>
Miramar Trade Center	100 <sup>(1)</sup>	2046	77.7	36.2
Meliá Habana Hotel	65 <sup>(2)</sup>	2042	37.1	17.3
Meliá Las Américas Hotel	65 <sup>(2)</sup>	2042	17.3	8.1
Meliá Varadero Hotel	65 <sup>(2)</sup>	2042	17.6	8.2
Sol Palmeras Hotel	65 <sup>(2)</sup>	2042	16.3	7.6
Meliá Trinidad Playa Hotel development project*	80 <sup>(3)</sup>	2048	3.0	1.4
The FINTUR finance facility			4.5	2.1
Cash and receivables			41.1	19.1
<b>Total</b>			<b>214.6</b>	<b>100</b>

\* Following the completion of construction it is estimated that the Meliá Trinidad Playa Hotel will be the Company's third largest investment.

(1) The Company owns 100 per cent. of CEIBA Property Corporation Ltd. which in turn owns 100 per cent. of CEIBA MTC Properties Inc. which in turn owns 49 per cent. of INMOBILIARIA MONTE BARRETO S.A. giving the Company an indirect 49 per cent. interest in INMOBILIARIA MONTE BARRETO S.A.

(2) The Company owns 100 per cent. of CEIBA Property Corporation Ltd. which in turn owns 100 per cent. of CEIBA Tourism B.V. which in turn owns 65 per cent. of HOMASI S.A. which in turn owns 50 per cent. of each of MIRAMAR S.A. and Cuba-Canarias S.A. giving the Company an indirect 32.5 per cent. interest in each of MIRAMAR S.A. and Cuba-Canarias S.A.

(3) The Company owns 100 per cent. of CEIBA Property Corporation Ltd. which in turn owns 100 per cent. of CEIBA Tourism B.V. which in turn owns 80 per cent. of Mosaico B.V. which in turn owns 100 per cent. of MOSAICO HOTELES S.A. which in turn owns 50 per cent. of TOSCUBA S.A. giving the Company an indirect 40 per cent. interest in TOSCUBA S.A.

As at 31 December 2017, the Company had net assets of U.S.\$175 million, with no third party debt at the investment level.

### The Miramar Trade Center

The Company holds an indirect 49 per cent. interest in Monte Barreto, which is the Cuban joint venture company for the Miramar Trade Center, a complex of six mixed-use office and retail buildings in Havana

with a net rentable area of approximately 56,000 square metres. The buildings are located at the core of the Miramar business district in Havana.

On Initial Admission, the Company will have in excess of 20 per cent. of Gross Asset Value invested in Monte Barreto. In accordance with the requirements of the Prospectus Rules, further details relating to Monte Barreto are disclosed in Parts 3, 12 and 15 of this document.

Set out in Part 8 of this document is the Valuation Report prepared by the Valuer which includes a valuation of the Miramar Trade Center.

## **The Hotel Assets**

### ***The Meliá Habana Hotel and the Varadero Hotels***

The Company is the majority holder, with a 65 per cent. interest, in HOMASI S.A. (a Spanish holding company), which in turn holds a 50 per cent. interest in each of MIRAMAR S.A. and Cuba-Canarias S.A., the Cuban joint venture companies holding a portfolio of four operating hotels:

- *Meliá Habana Hotel* – is a 397 room 5-star business hotel located on a prime ocean-front plot directly facing the Miramar Trade Center. The hotel is operated by Meliá Hotels International and is currently one of only a few 5-star hotels in Havana and one of only two business hotels; and
- *Meliá Las Americas Hotel (5-star), Meliá Varadero Hotel (5-star) and Sol Palmeras Hotel (4-star)* – are three contiguous beach resort hotels located on prime beachfront property in Varadero with 1,437 rooms across the three hotels. The hotels are operated as all-inclusive resorts by Meliá Hotels International and are adjacent to the Varadero Golf Course, which is currently Cuba's only 18 hole golf course.

Pursuant to an ECCM resolution dated 4 September 2018, the Cuban government has approved the merger of MIRAMAR and Cuba-Canarias S.A. The Shareholders of MIRAMAR S.A. and Cuba-Canarias S.A. are in the process of merging the two Cuban joint venture companies, with MIRAMAR S.A. remaining as the sole joint venture company that will own all four hotels and the property rights in relation to the properties on which the hotels have been constructed. It is expected that the merger in Cuba will be completed shortly following Initial Admission. The implementation of the merger will not affect the legal or economic rights of the Company in the joint venture company.

Set out in Part 8 of this document is the Valuation Report prepared by the Valuer which includes a valuation of the Hotel Assets (excluding the Meliá Trinidad Playa Hotel development project).

### ***The Meliá Trinidad Playa Hotel development project***

The Company is also the majority holder, with an 80 per cent. indirect interest, in MOSAICO HOTELES S.A. which in turn holds a 50 per cent. interest in TOSCUBA S.A., the Cuban joint venture company which holds a hotel development project for the construction of a beach resort hotel on a prime beachfront plot near the UNESCO world heritage sites of the “Valle de los Ingenios” and the neighbouring town of Trinidad.

The Meliá Trinidad Playa Hotel, which is under development, will be a 400 room 4-star resort hotel and is inspired on the Paradisus (Meliá) Playa del Carmen La Perla hotel in Mexico. All necessary construction permits are in place and ground preparation works have been completed. Construction of the project is scheduled to start in Q4 2018 with the start-up of hotel operations expected in December 2020.

### ***The Company's strategic alliance with Meliá Hotels International***

Since making its first investment in the Cuban tourism sector in 2009, the Company has developed a strategic alliance with Meliá Hotels International. Meliá Hotels International is an IBEX 35 and NASDAQ listed company, the largest hotel company in Spain, with 370 hotels in 43 countries worldwide. Since opening its first hotel in Cuba in 1990 (the Sol Palmeras Hotel, which is part of the Portfolio), Meliá Hotels International has become the leading international hotel operator in Cuba and the Spanish Caribbean, with 34 hotels under management in Cuba (representing 12,500 rooms). All of the operating Hotels Assets in which the Company has an interest are managed by Meliá Hotels International. It is also intended that the Meliá Trinidad Playa Hotel will be managed by Meliá Hotels International upon completion of construction. Meliá Hotels International is also the Company's equity co-investor in HOMASI S.A. and MOSAICO

HOTELES S.A. (through an affiliated company), thereby being a minority equity investor in the Hotel Assets. These are the only hotels in Cuba in which Meliá Hotels International has an ownership interest (in addition to a hotel management agreement).

Pursuant to a group reorganisation, which is in the process of implementation, the corporate structure of the Group is being significantly simplified. The foreign holding structure of the Hotel Assets is being consolidated into HOMASI S.A. and MOSAICO HOTELES S.A. in Spain and as part of this process Meliá Hotels International acquired an additional interest in the Meliá Habana Hotel at an effective price of U.S.\$350,000 per room while this hotel asset was, as at 31 December 2017, held by the Company at an effective value equal to U.S.\$277,000 per room. In addition, the necessary Cuban government authorisations have been received to extend the respective surface rights relating to the Meliá Habana Hotel and the Varadero Hotels to 2042 and to undertake the merger by absorption of MIRAMAR S.A. and Cuba-Canarias S.A., following the completion of which the Meliá Habana Hotel and the Varadero Hotels will be held in MIRAMAR S.A. as the surviving company.

### **The FINTUR finance facility**

Since 2002, the Company has arranged and participated in numerous secured finance facilities extended to Casa Financiera FINTUR S.A., the financial house of Cuba's tourism sector. These facilities act as a medium term investment and treasury management tool. The facilities are fully secured by offshore tourism proceeds from numerous internationally-managed hotels and selected tour operators. The Company has a successful 15 year track record of arranging and participating in over €140 million of facilities with FINTUR with no defaults.

The Company has a €4 million participation in the most recent FINTUR facility executed in March 2016 (a €24 million four year facility with an 8 per cent. interest rate) which has started to amortise as of September 2017. The facility is current and in good standing. As at the date of this document the principal amount of €2.7 million is presently outstanding under the Company's participation.

## **9. COMPETITIVE ADVANTAGES**

The Board considers that the Company has the following competitive advantages:

### **Focused, mature investment vehicle with long track-record of entering and exiting investments and distributing regular cash dividends to Shareholders**

The Company has been investing exclusively in Cuba since 1996. It does not have investments in any other country.

The Company is presently the largest foreign investment vehicle that is solely dedicated to investment in Cuba, with mature, income-producing assets, valued at U.S.\$175 million. Following repayment of the Bridge Loan from the proceeds of the Initial Issue after Initial Admission the Company will be completely debt-free.

The Company has entered and exited numerous investments in Cuba successfully and has distributed to Shareholders regular cash dividends from the operational profits of its investments since 2002. The investment strategy of the Company is to achieve a balanced combination of long-term capital growth through the development of new opportunities, together with the continued payment of regular cash dividends to Shareholders through the management of existing investments in high quality operating properties.

Having long-standing and extensive transactional experience in Cuba, the Company's management team has successfully executed numerous acquisitions, divestments and other transactions, including mergers/reorganisations such as the approved merger between MIRAMAR S.A. and Cuba-Canarias S.A. to be completed shortly following Initial Admission (that will result in the consolidation of the Meliá Habana Hotel and the Varadero Hotels into a single Cuban joint venture company) and the extension of the land rights at all of the Hotel Assets.

### **Unique opportunity to gain exposure to commercial and hotel real estate, tourism and other attractive foreign investment sectors in Cuba**

Cuba is the largest island in the Caribbean and has significant mineral and other natural resources, together with a healthy, educated population exceeding 11 million people. Although Cuba is a socialist country and has a developing economy, it has become a major Caribbean tourist destination that has experienced significant growth in recent years, despite historical tensions in its relations with the United States and travel restrictions applicable to U.S. citizens. Cuba is expected to experience significant economic and tourism growth as a result of continued positive relationships with Canada and the European Union, the present major sources of outbound tourists to the country. In addition, in the longer term, as the relationship between Cuba and the United States continues to evolve in a positive manner, the growth in the Cuban tourism sector is expected to accelerate further.

Foreign investment in Cuba has been very limited since 1960 following the imposition of U.S. sanctions, but the Company has been successful as the largest foreign holder of commercial real estate assets in Cuba and one of the leading foreign owners of hotel properties, as well as a regular lender providing structured finance to Cuba's tourism sector. The Company is currently the largest foreign holder of tourism and commercial real estate assets in Cuba, providing investors with a unique opportunity to gain exposure to the commercial real estate and tourism sectors in Cuba.

Although the focus of the Company is on the commercial real estate and hotel sectors, the Company may also invest in other strategic sectors of the developing Cuban economy where attractive opportunities are identified and particularly where such investments are complementary to the core real estate activities of the Company.

### **Landmark properties in Cuba**

The commercial and hotel properties in which the Company has an interest are landmark properties in the Cuban commercial and hotel real estate markets. The Cuban joint venture companies incorporated to develop the Miramar Trade Center and the Varadero Hotels were the first foreign investments of their kind to be approved by the Cuban government in respect of large-scale commercial and hotel developments, respectively. Similarly, the Meliá Habana Hotel was one of the first hotels in Havana to be aimed at the business traveller.

As the most important modern office complex in Cuba, strategically located at the centre of the Miramar business district in Havana, the Miramar Trade Center has limited competition in the Cuban commercial real estate market, in part due to the restrictions on foreign investment in Cuba and the lack of a free market for the purchase and sale of real estate. Occupancy rates at the Miramar Trade Center have typically ranged from 85 per cent. to 100 per cent. since start-up of operations.

The Meliá Habana Hotel is located directly facing the Miramar Trade Center, and is one of only a limited number of hotels in Havana aimed at the business segment of the hotel market. Similarly, the Varadero Hotels are significant properties in the Varadero tourism market, and are adjacent to the Varadero Golf Club, which is currently the only 18-hole golf course in Cuba. The Meliá Trinidad Playa Hotel, once constructed, will be the first large-scale new beach resort operated by an international hotel operator in the Trinidad area. Although each of the markets is very competitive, all of the Hotel Assets have excellent sites and a long-standing track record confirming their first-mover advantages.

### **Limited competition**

The Miramar Trade Center has very little competition in the international sub-segment of the Cuban commercial real estate market. As the most important modern office complex in Cuba, strategically located at the heart of the Miramar business district, the Miramar Trade Center has limited competition in the Cuban commercial real estate market.

### **Ability to participate in strategic lending activities**

The Company has structured and participated in numerous secured facilities to FINTUR since 2002, all of which have successfully been repaid with no defaults. In addition to the stability and security of the cash flows generated by these facilities, the Board believes that they place the Company in a strategic position

as a participant in the Cuban tourism sector, since their proceeds are used to fund new Cuban investments in the tourism sector and payments are made from international cash flows generated by the Cuban tourism industry.

### **Experience and track record of management team in Cuba**

The Company has put in place and trained a skilled team of Cuban professionals who operate from the representative office of CPC, the Company's principal subsidiary, in Havana. This skilled on-the-ground management team in Havana has strong local relationships, extensive knowledge of the country and its foreign investment markets, and a successful track record of negotiating, acquiring, implementing and exiting investments in Cuba, all on an arm's length commercial basis.

### **High barriers to entry**

The Board believes that the present legal regime and political climate in Cuba present very high barriers to entry for would-be competitors in the short and medium term. The Board believes that these high barriers to entry, coupled with the limited presence of foreign capital in Cuba, are a benefit to established investors such as the Company.

### **New investment opportunities**

In addition, the Company has a number of projects that are presently under consideration. These deployment opportunities form part of the Company's long-term growth strategy and include, amongst others, the expansion of the Meliá Habana Hotel, the construction of the Meliá Trinidad Playa Hotel and the repositioning and upgrade of the Varadero Hotels.

## **10. THE CUBAN INVESTMENT ENVIRONMENT**

Beginning in 2011, the Cuban government launched a profound program of social and economic reforms aimed at the modernisation of Cuba's socialist economic model, resulting in the adoption at the 2016 Communist Party Congress of new Economic and Social Policy Strategies for the period of 2016-2021 (the "**Strategies**") which provide a path to further reform. The Strategies are a follow-up to earlier 2011 Party Guidelines and underline the importance of allowing further private initiative and increased foreign investment in the Cuban economy. Although progressing slowly in a tightly-controlled manner, this reform process has already resulted in the adoption of a new foreign investment law, the development of a new, large-scale Special Development Zone in Mariel and a greater emphasis on the importance of foreign investment to reach the country's economic goals.

In parallel, former Cuban President Raúl Castro and former U.S. President Barack Obama together forged a new, friendlier and more productive bilateral relationship that resulted in reduced tension and a significant improvement in dealings between the two countries. Since announcing the new warming of relations in December 2014, important strides forward were carried out during the remaining years of the Obama administration, including the restoration of diplomatic relations between the countries and the re-opening of embassies, the significant easing of U.S. travel restrictions, the removal of Cuba from the U.S. list of state sponsors of terrorism, an increase in bilateral trade and the approval of the first significant U.S. investments in Cuba in many years.

Since the election of President Trump, the United States has stepped back from some of the positive initiatives launched in the closing years of the Obama Administration, including in particular the re-imposition of certain travel restrictions affecting U.S. travellers to Cuba and the publication of a new list of entities controlled by Cuban military intelligence and security interests (the Cuba Restricted list) with whom Persons subject to U.S. jurisdiction are prohibited from engaging in direct financial transactions. However, the majority of positive steps forward taken by the Obama Administration remain in force.

In addition, whether or not the remaining years of the Trump administration in the United States prove positive, negative or neutral for the U.S. relationship with Cuba, the Directors remain convinced that, in accordance with prevailing U.S. and Cuban popular sentiment, the long-term direction of future U.S. policy towards Cuba will trend towards greater opening and the further warming of relations, with a resulting increase in U.S. travel, business and investment transactions within the country, and that in the long term,

the interests of the Company will be best served in further advancing its investment portfolio in Cuba during the present period in which U.S. competition is minimal.

In the event that the U.S. Embargo was to be lifted, the Board believes that the Company would see the following positive benefits:

- without the U.S. Embargo restricting travel by Persons subject to U.S. jurisdiction to Cuba, U.S. travel to Cuba would likely increase, which could positively impact the occupancy and room rates for the Hotel Assets;
- without the U.S. Embargo in place, the possibilities for the Company to obtain bank finance at normal interest rates would likely increase (as U.S. and international banks and financial institutions enter the Cuban market);
- without the U.S. Embargo in place, discount rates that determine the present value of the Group's assets would likely decrease; and
- demand for the Shares may increase from U.S. investors.

In the face of the continued reduction of support for the Cuban economy from traditional allies, such as Venezuela, as well as continued efforts by the Cuban government to diversify its economic partnerships, it is expected that significant new foreign investment opportunities in Cuba will arise.

All foreign investments in Cuba require the approval of the Cuban government. Cuban law allows Cuban assets to be fully owned by foreign investors, although under present Cuban government policy, foreign direct investment in Cuban assets and businesses is generally approved only with the participation of a Cuban government entity as a shareholder or partner. As a result, direct foreign investments in Cuba are typically structured as joint ventures where a Cuban-incorporated company is used to hold the Cuban asset or business and the surface rights or other rights to use the associated land. All of the Company's significant investments consist of interests in Cuban joint venture companies.

The primary legal framework applicable to foreign investments in Cuba, including joint ventures, is set out in Law 118 of 2014 on Foreign Investment (the "**Foreign Investment Act**") and its regulations, along with certain provisions of the Cuban Commercial Code and the Civil Code. The Foreign Investment Act replaced the previous version of the law on Foreign Investment adopted in 1995.

In a typical Cuban joint venture, the ordinary shares of the joint venture company are owned by an entity connected with the Cuban government and one or more foreign shareholders, usually on a 50/50 or 51/49 per cent. ownership basis, with the Cuban government shareholder owning 50 per cent. or 51 per cent. of the equity or economic interest in the joint venture company. In the case of real estate or hotel assets, the buildings comprising the property are owned by the Cuban joint venture company, while the underlying land is owned by the Cuban government, which provides the Cuban joint venture company with surface or other rights to use the land.

The rights of joint venture parties are governed by both contract and Cuban statutory provisions. The management of Cuban joint ventures is typically supervised by a board of directors made up of members appointed by the Cuban government shareholder and by the foreign shareholder, with certain senior management positions sometimes filled by individuals designated by the foreign shareholder. The authorised term of a Cuban joint venture varies, with terms typically being in the range of 15 to 25 years. The initial term of a joint venture may be extended by agreement of the joint venture partners with the authorisation of the Cuban government.

The Foreign Investment Act protects foreign investments from expropriation by the Cuban government, except when warranted for reasons of public utility, in which case compensation must be paid to the foreign investor based on the commercial value of the Cuban assets or business. The Foreign Investment Act also allows for the repatriation of net profits, dividends and proceeds resulting from the sale of shares in a Cuban joint venture company or assets, free from taxes, withholdings and deductions.

Cuba has executed bilateral investment protection treaties with a number of countries. These treaties provide additional protections to investors originating in signatory countries. Cuba has executed investment protection treaties with over 62 countries, including the United Kingdom, Spain, Germany, Switzerland, France, The Netherlands, Austria and Panama. To the extent possible, the Company

structures its investments so as to benefit from bilateral investment protection treaties. All of the holding companies through which the Company holds its interests in Cuban joint venture companies are incorporated in countries with whom Cuba has executed an investment protection treaty.

## **11. MEETINGS, REPORTS AND ACCOUNTS**

The audited accounts of the Company are prepared on a U.S. Dollar denominated basis under IFRS. The Company's annual report and accounts are prepared up to 31 December each year. Copies of the report and accounts will be published by the end of April each year and copies sent to Shareholders. Shareholders will also receive an unaudited half-yearly report covering the six months to 30 June each year, which is expected to be published within the following three months.

The Company intends to hold its next annual general meeting before the end of 2018. Other general meetings may be convened from time to time by the Directors by sending notices to Shareholders. All general meetings of the Company will be held in Guernsey.

## **12. NET ASSET VALUE**

The Net Asset Value of the Company (including the Net Asset Value per Ordinary Share and Net Asset Value per C Share (if relevant)) will be calculated and published on a quarterly basis by the Administrator, together with details of the Portfolio, based on the most recent valuations of the assets of the Company, calculated under IFRS. The Company's functional and reporting currency is U.S. Dollars. The Net Asset Value and the Net Asset Value per Ordinary Share and Net Asset Value per C Share (if relevant)) will be presented in U.S. Dollars together with a Sterling conversion which will be based on an applicable U.S. Dollar/Sterling spot exchange rate, details of which will be disclosed in the relevant announcement. The Net Asset Value will be published through a Regulatory Information Service as soon as practicable after the end of the relevant quarter.

As detailed in this document, the principal assets of the Company are equity investments in Cuban joint venture companies which are used as a means of investing in Cuban real estate assets as a foreign investor. The Company has adopted the following valuation methodology so as to provide an accurate valuation of its equity investments in these Cuban joint venture companies:

- The Cuban joint venture companies in which the Company holds an equity interest will be valued by the AIFM every six months – at the Company's financial year end and half-year end – with such valuations being reviewed by the Board of the Company, Aberdeen Standard Investment's Property Valuation Committee and the auditors of the Company.
- The fair value of the Company's equity investments in the Cuban joint venture companies will be determined by the AIFM on the basis of valuations of the underlying properties held by the Cuban joint venture companies prepared by an independent third party valuation adviser (that is a registered member of the Royal Institution of Chartered Surveyors), as may be appointed by the AIFM from time to time, in accordance with international valuation standards (RICS).
- In line with market practice and international valuation standards (RICS), the valuation of each underlying property will be determined by the independent third party valuation adviser using a discounted cash flow model that discounts the future forecasted cash flows of the property, excluding any impact due to taxes.
- However, given the fact that the Cuban joint venture companies that hold the underlying properties have tax obligations in Cuba, it is necessary to take the impact of such tax obligations into account when valuing the equity investments of the Company in the Cuban joint venture companies. As part of the valuation service, the independent third party valuation adviser will provide the AIFM with both a pre-tax and a post-tax discount rate in respect of each property, and the AIFM, on the basis of the aforementioned discounted cash flow models for the underlying properties, will determine the projected after-tax cash flows of the Cuban joint venture companies and apply the corresponding post-tax discount rates provided by the independent third party valuation adviser to determine the fair values of the joint venture interests.
- In addition, the AIFM will make adjustments for any working capital in excess of operating requirements (primarily cash), held in the Cuban joint venture companies at the valuation date.

- Lastly, the AIFM will calculate the value of the Company's investments in the Cuban joint venture companies proportional to the interest held by the Group holding company that acts as the foreign shareholder in each case. The value of the Group holding company's interest shown in the financial statements may include other non-controlling interests which are classified separately within the equity of the Company's balance sheet.

The Net Asset Value will be published through a Regulatory Information Service as soon as practicable after the end of the relevant quarter.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case, or generally, they may adopt such other valuation procedures as they consider reasonable in the circumstances.

The Directors may temporarily suspend the calculation, and publication, of the Net Asset Value during a period when, in the opinion of the Directors:

- there are political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, and disposal or valuation of investments of the Company or other transactions in the ordinary course of the Company's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated;
- there is a breakdown of the means of communication normally employed in determining the calculation of the Net Asset Value; or
- it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.

Any suspension in the calculation of the Net Asset Value will be notified through a Regulatory Information Service as soon as practicable after any such suspension occurs.

### **13. CASH USES AND CASH MANAGEMENT ACTIVITIES**

The Company's principal use of cash (including the proceeds of the Initial Issue) will be to:

- repay the remaining amount outstanding under the Bridge Loan (as at 14 September 2018, the latest practicable date prior to the date of this document, the outstanding principal due under the Bridge Loan was €30 million);
- fund the Group's investment in the construction of the Meliá Trinidad Playa Hotel (approximately U.S.\$40.5 million);
- fund modernisation works to the Meliá Habana Hotel including the expansion of the hotel through the construction of an additional 168 rooms, a ballroom and a conference centre (approximately U.S.\$32.4 million);
- allow for the expedited implementation of capex investments in the Varadero Hotels (approximately U.S.\$14.1 million);
- purchase further investments in line with the Company's investment objective and investment policy, including the proposed construction of a new hotel at Varadero, the cost of which is estimated to be between U.S.\$175 million and U.S.\$250 million; and
- pay ongoing operational expenses and payment of dividends and other distributions to Shareholders in accordance with the Company's dividend policy.

Aside from the Bridge Loan, as at the date of this document, the Company has no other outstanding debt.

As at the date of this document, TOSCUBA S.A. has executed a construction contract in relation to the construction of the Meliá Trinidad Playa Hotel (neither the Company nor MOSAICO HOTELES S.A. is a party to this agreement). The financial commitment of the Company is primarily contained in the U.S.\$45 million construction finance facility, pursuant to which MOSAICO HOTELES S.A. has committed to lend Tranche A (U.S.\$22.5 million) and the Company has committed to subsequently lend Tranche B (U.S.\$22.5 million), although the Company may in the future seek to syndicate parts of Tranches A or B to other lenders. In the event that Initial Admission were not to occur (due to the Minimum Gross Proceeds not

being raised or otherwise), then the Company would need to seek alternative ways of financing its commitments under this project, or to slow down the pace of the project so that the project can be financed out of existing operational cash flows from the Group's existing Hotel Assets and the Miramar Trade Center.

The Company may from time to time have surplus cash (for example, following the disposal of an investment), which may be held in any currency. Pending reinvestment of such cash, it is expected that any surplus cash will be temporarily invested in cash or cash deposits or via FINTUR.

#### **14. PREMIUM/DISCOUNT MANAGEMENT**

The Investment Manager's investor relations team, in conjunction with the Company's corporate broker, will promote the Ordinary Shares through regular contact with both current and potential shareholders.

The Ordinary Shares will be supported by the Investment Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on the Aberdeen Standard Investments Group's website.

##### **Premium Management**

In the event that the Ordinary Shares trade at a premium to the Net Asset Value per Share, the Company may issue new Ordinary Shares.

The Directors have authority to issue up to 300 million Ordinary Shares pursuant to the Initial Issue and the Placing Programme.

If there is sufficient demand at any time during the period in which the Placing Programme is in effect, and if the Directors consider it appropriate to avoid the dilutive effect that the proceeds of an issue might otherwise have on the existing assets of the Company, the Company may seek to raise further funds through the issue of C Shares. The Directors have authority to issue up to 200 million C Shares pursuant to the Placing Programme. Any such issue would be subject to the admission of the C Shares to trading on the SFS. The rights conferred on the holders of C Shares or other classes of shares issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of the issue of the relevant shares) be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Shareholders' pre-emption rights over this unissued share capital have been disapplied so that the Directors will not be obliged to offer any new Shares under the Placing Programme to Shareholders *pro rata* to their existing holdings; this ensures that the Company retains full flexibility, following Initial Admission and for the duration of the Placing Programme, in issuing new Shares to investors. Unless authorised by Shareholders, no Ordinary Shares will be issued at a price less than the prevailing Net Asset Value per Ordinary Share at the time of their issue.

The Articles contain the C Share rights, full details of which are set out in paragraph 5.2.17 of Part 14 of this document.

Investors should note that the issuance of new Ordinary Shares is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of new Ordinary Shares that may be issued.

##### **Repurchase of Ordinary Shares**

The Directors will consider repurchasing Ordinary Shares in the market if they believe it to be in Shareholders' interests and as a means of correcting any imbalance between the supply of and demand for the Ordinary Shares.

Without prejudice to the foregoing, the Directors may, at their absolute discretion, use available cash to purchase Ordinary Shares in the market, subject to having been granted authority to do so, should the Ordinary Shares trade at a discount to the prevailing Net Asset Value per Ordinary Share (calculated daily

in accordance with the methodology set out above) of more than 10 per cent. The premium or discount on any given day is to be calculated by reference to the closing Ordinary Share price and the most recent published (cum income) Net Asset Value per Ordinary Share.

In exercising their powers to buy back Ordinary Shares, the Directors have complete discretion as to the timing, price and volume of Ordinary Shares so purchased. No expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions. The implementation of any Ordinary Share buyback programme and the timing, price and volume of Ordinary Shares purchased will be subject at all times to compliance with the Companies Law, the Articles, the relevant Listing Rules, (to which the Company has voluntarily committed to adhere) and all other applicable legal and regulatory requirements.

A resolution has been passed granting the Directors authority to repurchase up to 14.99 per cent. of the Company's issued ordinary share capital immediately following Initial Admission during the period expiring on the conclusion of the Company's next annual general meeting. Renewal of this buy-back authority will be sought at each annual general meeting of the Company or more frequently if required.

Purchases of Ordinary Shares will only be made through the market at prices (after allowing for costs) below the latest published Net Asset Value per Ordinary Share and otherwise in accordance with guidelines established from time-to-time by the Board. Under the current Listing Rules, (to which the Company has voluntarily committed to adhere) the maximum price which may be paid for an Ordinary Share must not be more than the higher of, (a) 5 per cent. above the average of the mid-market values of an Ordinary Share taken from the London Stock Exchange Daily Official List for five business days before the purchase is made; and (b) the higher of the last independent trade or the current independent bid for Ordinary Shares. The minimum price will be one penny in respect of the Ordinary Shares.

**Shareholders should note that the purchase of Ordinary Shares by the Company is at the absolute discretion of the Directors and is subject to the working capital requirements of the Company and the amount of cash available to the Company to fund such purchases. Accordingly, no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.**

### **Treasury Shares**

Any Ordinary Shares repurchased pursuant to the general buy-back authority may be held in treasury. The Companies Law allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. These shares may be subsequently cancelled or sold for cash. This would give the Company the ability to reissue Ordinary Shares quickly and cost efficiently, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

The Board intends only to authorise the sale of Ordinary Shares from treasury at prices at or above the latest published Net Asset Value per Ordinary Share (plus costs of the relevant sale). This should result in a positive overall effect for Shareholders if Ordinary Shares are bought back at a discount and then sold at a price at or above the Net Asset Value per Ordinary Share (plus costs of the relevant sale).

## **15. THE INITIAL ISSUE**

### **The Initial Issue**

The target size of the Initial Issue is £100 million with the potential for the Directors to increase the size of the Initial Issue up to a maximum of £150 million, subject to investor demand.

The Minimum Gross Proceeds of the Initial Issue are £30 million.

The total number of Ordinary Shares to be issued pursuant to the Initial Issue, and therefore the Initial Gross Proceeds, are not known as at the date of this document but will be notified by the Company via a Regulatory Information Service announcement prior to Initial Admission.

N+1 Singer has agreed to use its reasonable endeavours to procure Placees pursuant to the Initial Placing for Ordinary Shares at the Issue Price on the terms and subject to the conditions set out in the Placing and Offer Agreement and this document.

The Issue Price represents the net asset value per Ordinary Share of the Company as at 31 December 2017 adjusted to, (i) reduced to take account of the amount of the dividend of U.S.\$0.52 per Ordinary Share paid on 10 April 2018; and (ii) adjusted to take account of the eight for one share split undertaken by the Company on 12 September 2018; with the resulting U.S. Dollar figure converted to Sterling at the applicable U.S. Dollar/Sterling exchange rate on 13 September 2018.

The Company has agreed to make an offer of Ordinary Shares pursuant to the Offer for Subscription at the Issue Price, subject to the terms and conditions of the Offer for Subscription. These terms and conditions should be read carefully before an application is made. Investors should consult their independent financial adviser if they are in any doubt about the contents of this document or the acquisition of Ordinary Shares.

Further details about the Initial Issue are set out in Part 9 of this document.

### **The Placing Programme**

The Company has authority to issue up to in aggregate 300 million Ordinary Shares pursuant to the Initial Issue and the Placing Programme and up to 200 million C Shares pursuant to the Placing Programme.

Any C Shares issued pursuant to the Placing Programme will be issued at a fixed price of 100 pence per C Share. Ordinary Shares issued pursuant to the Placing Programme will be issued at a price calculated by reference to the estimated cum income Net Asset Value per Share together with a premium at least sufficient to cover the costs and expenses of the relevant Subsequent Placing pursuant to the Placing Programme (including without limitation, any placing commissions).

Shares issued under the Placing Programme may be issued under this document provided that it is updated by a supplementary prospectus (if required) under section 87G of FSMA.

Further details about the Placing Programme are set out in Part 10 of this document.

### **Lock-in Undertakings relating to Existing Ordinary Shares**

Each Lock-in Party has agreed not to sell, transfer or otherwise dispose of any Lock-in Shares held by it during the period from Initial Admission and continuing up to and including the date 12 months after the date of Initial Admission (the “**Lock-in Period**”), subject to certain exceptions. In addition, each Lock-in Party has also agreed to be subject to customary orderly market restrictions until the second anniversary of Initial Admission.

Existing Shareholders holding a further 10.2 per cent., in aggregate, of the Existing Ordinary Shares have also agreed to be subject to customary orderly market restrictions until the first anniversary of Initial Admission.

## **16. DISCLOSURE OBLIGATIONS**

The provisions of Chapter 5 of the Disclosure Guidance and Transparency Rules (as amended from time to time) (“**DTR 5**”) of the Financial Conduct Authority Handbook apply to the Company on the basis that the Company is a “non-UK issuer”, as such term is defined in DTR 5. As such, a person is required to notify the Company of the percentage of voting rights it holds as a holder of Ordinary Shares or holds or is deemed to hold through the direct or indirect holding of financial instruments falling within DTR 5 if, as a result of an acquisition or disposal of Shares (or financial instruments), the percentage of voting rights reaches, exceeds or falls below the relevant percentage thresholds being, in the case of a non-UK issuer, 5, 10, 15, 20, 25, 30, 50 and 75 per cent.

## **17. THE TAKEOVER CODE**

The Takeover Code applies to the Company.

Given the existence of the buyback powers described in the paragraphs above, there are certain considerations that Shareholders should be aware of with regard to the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, when any person or persons acting in concert already hold more than 30 per cent. but not more than 50 per cent. of the voting rights of such company, a general offer will normally be required if any further shares increasing that person's percentage of voting rights are acquired.

Under Rule 37 of the Takeover Code when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9 of the Takeover Code. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9 of the Takeover Code in these circumstances.

However, under note 2 to Rule 37 of the Takeover Code, where a shareholder has acquired shares at a time when he had reason to believe that a purchase by the company of its own voting shares would take place, then an obligation to make a mandatory bid under Rule 9 of the Takeover Code may arise.

The buyback powers could have implications under Rule 9 of the Takeover Code for Shareholders with significant shareholdings. Prior to the Board implementing any share buyback the Board will seek to identify any Shareholders who they are aware may be deemed to be acting in concert under note 1 of Rule 37 of the Takeover Code and will seek an appropriate waiver in accordance with note 2 of Rule 37. However, none of the Company, any of the Directors, the AIFM nor the Investment Manager will incur any liability to any Shareholder(s) if they fail to identify the possibility of a mandatory offer arising or, if having identified such a possibility, they fail to notify the relevant Shareholder(s) or if the relevant Shareholder(s) fail(s) to take appropriate action.

## **18. NON-MAINSTREAM POOLED INVESTMENTS AND MIFID II**

The Company and the Investment Manager note the rules of the FCA on the promotion of non-mainstream pooled investments, effective from 1 January 2014. The Investment Manager confirms that it will conduct the Company's affairs and intends to continue to conduct its affairs, so that the Shares will be "excluded securities" under the FCA's conduct of business sourcebook. This is on the basis that the Company, which is resident outside the EEA, would qualify for approval as an investment trust by the Commissioners for HMRC under sections 1158 and 1159 of the Corporation Tax Act 2010 if resident and listed in the United Kingdom. Therefore, the Shares will not amount to non-mainstream pooled investments. Accordingly, promotion of the Shares will not be subject to the FCA's restriction on promotion of non-mainstream pooled investments.

The Board has reviewed MiFID II and the ESMA guidance published thereto and has concluded that the Shares constitute a non-complex product for the purposes of MiFID II.

## **19. TAXATION**

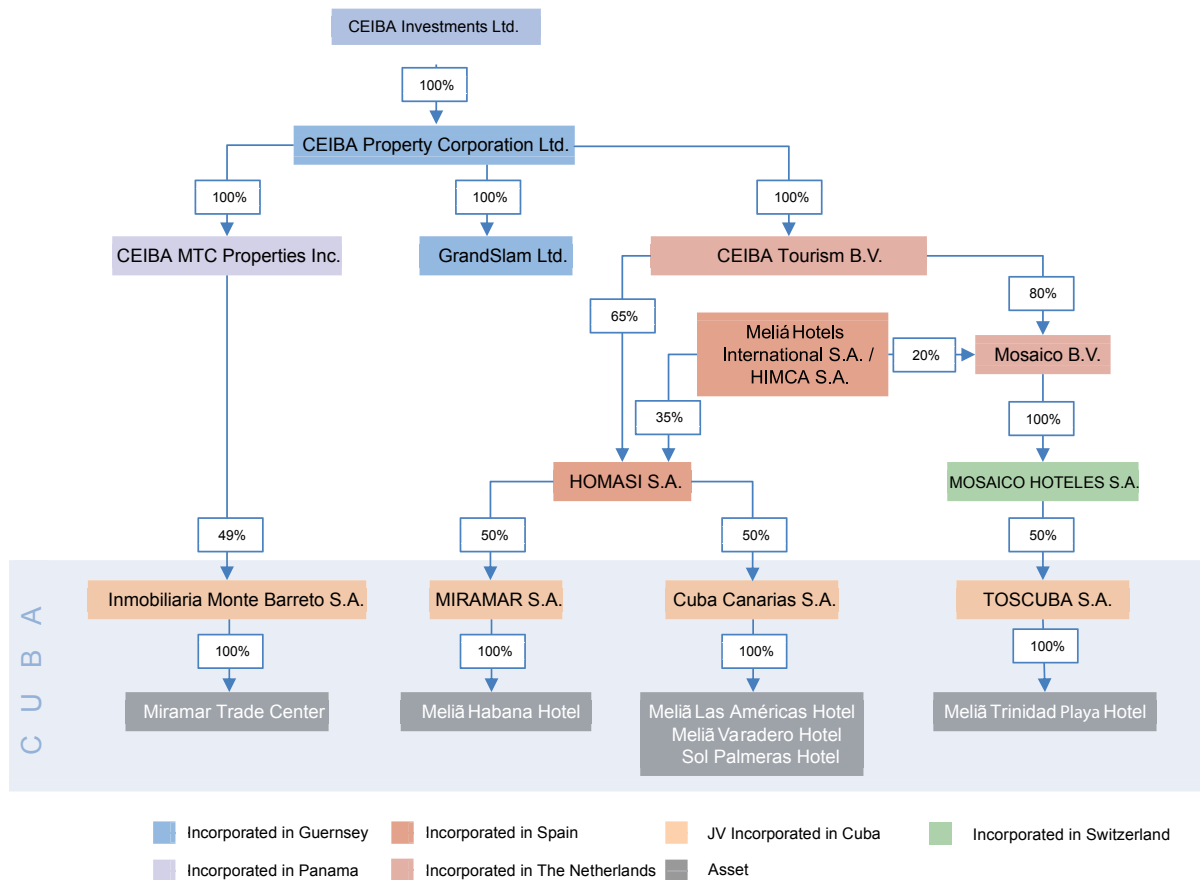
Potential investors are referred to Part 13 of this document for details of the taxation of the Company and Shareholders in Guernsey and the UK. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own professional advisers immediately.

## **20. RISK FACTORS**

The Company's performance is dependent on many factors and potential investors should read the whole of this document and in particular the section entitled "Risk Factors" on pages 18 to 34 of this document.

## PART 2

### GROUP STRUCTURE DIAGRAM



- 1 MOSAICO HOTELES S.A. is in the process of migrating from Switzerland to Spain.
- 2 Following completion of the migration of MOSAICO HOTELES S.A. from Switzerland to Spain, Mosaico B.V. will be removed from the Group. Following this reorganisation, the shares in MOSAICO HOTELES S.A. will be held 80 per cent. by CEIBA TOURISM B.V. and 20 per cent. by Meliá Hotels International S.A.
- 3 MIRAMAR S.A. and Cuba – Canarias S.A. are in the process of being merged in Cuba, with MIRAMAR S.A. to remain as the sole surviving joint venture company.

## PART 3

### THE PORTFOLIO

The following summarises the Company's principal investments as at the date of this document.

#### **The Miramar Trade Center**

The Company is the largest foreign investor in Cuba's commercial real estate sector through its 49 per cent. interest in the Miramar Trade Center, the only significant modern office complex in Havana. The interest of the Company in the Miramar Trade Center is held through INMOBILIARIA MONTE BARRETO S.A. ("**Monte Barreto**"), the Cuban joint venture company that owns and operates the Miramar Trade Center. The Company has a 49 per cent. ownership interest in Monte Barreto, with the remaining 51 per cent. ownership interest indirectly held by the Company's Cuban joint venture partner. Monte Barreto has been paying regular dividends to its shareholders since October 2009.

The Miramar Trade Center is a six building complex comprising 56,000 square metres of net rentable area that constitutes the core of the Miramar business district in Havana.

The Miramar Trade Center has very little competition in the modern segment of the Cuban office property market. It is currently one of only four modern commercial office complexes in Cuba (the others being the Lonja de Comercio, 12 y 1ra and Atlantico buildings in Havana), and is the largest in terms of net rentable area. The Board believes the Miramar Trade Center is currently the leading modern commercial office complex operating in Havana, and estimates that the complex represents approximately 70 per cent. of the total modern office space currently available in Havana.

The Miramar Trade Center appeals to international tenants requiring higher quality office space with reliable amenities such as air conditioning, internet access, cleaning and maintenance services and dependable back-up electricity generation, which are features that are not typical in the Cuban commercial real estate market. The principal office tenants include Cuban companies, foreign diplomatic and trade missions, representative and branch offices of major foreign companies, foreign non-governmental organisations and Cuban joint venture companies having foreign investors. The retail areas of the Miramar Trade Center are leased by Cuban retail companies and by foreign airlines, travel agencies and other entities.

The existing phases of the Miramar Trade Center (Phases I and II) were constructed between 1996 and 2007 as part of the original Miramar Trade Center master plan, which contemplated a total net rentable area of 150,000 square metres, or just under three times the total net rentable area of the existing phases. The construction of additional phases of the project is subject to obtaining required government approvals, including those relating to the acquisition of additional land rights and construction permits. At present, there is no agreement with the Company's Cuban joint venture partner regarding the development of additional phases of the Miramar Trade Center.

Selected financial metrics for Monte Barreto and the Miramar Trade Center are set out below:

	<i>31 December 2017</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
<b>Occupancy (%)</b>	99	97	87
<b>Average total monthly rate per square metre (US\$)*</b>	23.93	21.89	21.94
<b>Gross revenue (US\$)</b>	23,072,421	21,767,194	20,084,005
<b>EBITDA (US\$)</b>	16,920,708	16,125,086	13,559,883
<b>Net income after tax (US\$)</b>	11,508,795	12,442,552	10,297,709
<b>Percentage interest of the Group (%)</b>	49	49	49
<b>Group's share of net income after tax (US\$)</b>	5,639,310	6,096,850	5,045,877

\* Average monthly rent per square metre excludes a monthly service charge of US\$9.75 per square metre to cover operating expenses of the complex.

## **Management and strategy**

The management of Monte Barreto is headed by Enrique Rottenberg, who holds the positions of General Manager and Vice-Chairman of the board of directors of Monte Barreto and, as such, is the primary executive responsible for the day-to-day operations of the Miramar Trade Center. Sebastiaan A.C. Berger and Cameron Young also sit on the board of directors of Monte Barreto.

The leasing strategy of the Miramar Trade Center has been to maintain very short lease terms (typically one to two years) in order to facilitate the repositioning of tenants and the rapid resetting of rent levels as the commercial environment improves. Given the strong demand for office space in Havana and the absence of significant competition in the modern segment of the commercial real estate market, occupancy at the Miramar Trade Center has typically ranged from 85 per cent. to 100 per cent. since start-up of operations, with only a minor weakening of occupancy during 2012 to 2015. Occupancy of the Miramar Trade Center has been between 87 per cent. and 100 per cent. since 2015, and there is currently a substantial waiting list for space.

Efforts are being made to maintain and expand its position as a 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.

## **Historical financial information**

The annual reports and audited financial statements of Monte Barreto for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 are reproduced in sections A, B and C respectively of Part 21 of this document.

## **Tax**

Monte Barreto currently pays corporate tax on its net taxable income at the general rate of 15 per cent. as provided for under the Foreign Investment Act.

## **Valuation**

The Miramar Trade Center has been independently valued by the Valuer. The Valuation Report is set out in Part 8 of this document and values the Miramar Trade Center in aggregate at U.S.\$151.8 million as at 31 December 2017.

The Valuation Report sets out a description of the Miramar Trade Center and highlights material points which have been taken into account in the valuation of the property. The Company affirms that there have been no material changes in the valuation of the Miramar Trade Center between the date of the Valuation Report and the date of this document.

The fair value of the Company's interest in Monte Barreto has been valued by the Company at U.S.\$77.7 million as at 31 December 2017 representing an unleveraged net yield of 9.1 per cent.

## **The Hotel Assets**

The Company has joint venture interests in four operating hotel properties in Cuba, all managed and operated by Meliá Hotels International.

Following a recent restructuring, the Company now owns a 65 per cent. interest in HOMASI S.A. which in turn owns a 50 per cent. interest in MIRAMAR S.A. and Cuba-Canarias S.A., the Cuban joint venture companies that own the Meliá Habana Hotel in Havana and the three hotel properties in Varadero: the Meliá Las Americas Hotel, the Meliá Varadero Hotel and the Sol Palmeras Hotel (the "**Varadero Hotels**"), respectively. The other 50 per cent. interest in MIRAMAR S.A. and Cuba-Canarias S.A. is owned by the Company's Cuban joint venture partner. The balance of the share capital of HOMASI S.A. (being 35 per cent. of its share capital) is held by Meliá Hotels International. Via this structure the Company has an ultimate economic interest of 32.5 per cent. in the Hotel Assets. The Shareholders of MIRAMAR S.A.

and Cuba-Canarias S.A. are in the process of merging the two Cuban joint venture companies, with MIRAMAR S.A. remaining as the sole joint venture company that will own all four hotels and the property rights in relation to the properties on which the hotels have been constructed. The merger, together with the accompanying extension and granting of the surface rights for the four hotels to 2042, received the required Cuban government approval on 4 September 2018, and it is expected that it will be carried out and completed shortly following Initial Admission. Under the restructuring, the Cuban joint venture partner will contribute the extended surface rights to the joint venture with a deemed value of approximately U.S.\$28.4 million. HOMASI S.A. has agreed to make a capital contribution in cash to the joint venture of a matching amount. The majority of this contribution will be funded by the waiver of unpaid dividends due from MIRAMAR S.A. and Cuba-Canarias S.A. to HOMASI S.A. The remaining new cash contribution payable by the Company to the joint venture will be approximately U.S.\$4.0 million and will be paid from the net proceeds of the Initial Issue.

### ***The Meliá Habana Hotel***

The Meliá Habana Hotel is a 5-star business hotel located on prime ocean-front property in the Miramar business district of Havana, directly facing the Miramar Trade Center. The Meliá Habana Hotel has 397 rooms, including 16 suites, and is one of only a few 5-star hotels presently operating in Havana, and one of only two business hotels. The hotel also offers conference facilities, numerous meeting rooms, a business centre and three executive floors and is rated “Superior First Class” by OHG International. The majority of rooms have direct ocean views, and the site has extensive gardens and the largest swimming pool of all Cuban city hotels. The hotel has been managed by Meliá Hotels International since commencing operations in September 1998.

The shareholders of MIRAMAR S.A. have agreed to proceed with an extension of the Meliá Habana Hotel, which is expected to involve, amongst other things, upgrading the existing rooms and restaurants, the construction of a further 168 new rooms and the construction of a large modern ballroom and conference centre. The surface rights over the property have been extended to 31 December 2042.

The planning and permitting process has begun and the aggregate cost of the extension is expected to cost MIRAMAR S.A. approximately U.S.\$41 million, of which HOMASI S.A. will be expected to fund approximately U.S.\$6.6 million by way of a capital contribution, and finance a further amount of approximately U.S.\$28 million. This investment is scheduled to be carried out within the next three years with limited disruption to the existing operations of the hotel.

Selected financial metrics for the Meliá Habana Hotel are set out below:

	<i>31 December 2017</i>	<i>31 December 2016</i>	<i>31 December 2015</i>
<b>Number of rooms</b>	397	397	397
<b>Room occupancy (%)</b>	72.2	79.9	87.2
<b>Average daily rate per room (ADR) (US\$)</b>	227.83	222.42	127.34
<b>Revenue per available room (RevPAR) (US\$)</b>	164.38	177.78	111.04
<b>Gross revenue (US\$)</b>	28,593,951	31,040,747	21,838,442
<b>EBITDA (US\$)</b>	12,902,121	16,406,531	8,636,588
<b>Net income after tax (US\$)</b>	9,694,813	12,697,326	6,083,903
<b>Percentage interest of the Group (%)</b>	32.5	43	43
<b>Group's share of net income after tax (US\$)</b>	4,168,770*	5,459,850	2,616,078

\* The economic interest in the Meliá Habana Hotel was reduced at the end of 2017, but in the agreement relating thereto the parties agreed that the Group would be entitled to receive 43 per cent. of the results of the hotel operations during 2017.

### ***The Varadero Hotels***

The Varadero Hotels, together, operate 1,437 4 and 5-star hotel rooms, located on 24 hectares of prime beach-front property in Varadero, adjacent to the Varadero Golf Course, which is currently Cuba's only 18 hole golf course. As part of the government approval of the planned merger, new land rights over the properties were granted to 31 December 2042.

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 a few 5-star hotels in Varadero having a foreign ownership interest. It is located on 400 metres of beachfront and operates as an all-inclusive beach resort. The hotel has been managed by Meliá Hotels International since commencing operations in 1994.

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 seven suites, and is another one of only a few 5-star hotels in Varadero having a foreign ownership interest. It is located on 300 metres of beachfront and operates as an all-inclusive beach resort. The hotel has been managed by Meliá Hotels International since commencing operations in 1992.

The 4-star 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. It is located on 500 metres of beachfront and operates as an all-inclusive beach resort. The hotel has been managed by Meliá Hotels International since commencing operations in 1990.

The board of directors of MIRAMAR S.A. (which will own the Varadero Hotels following the merger) has agreed to proceed with a refurbishment and upgrade of the Varadero Hotels. Detailed plans for the upgrade and modernisation are in development. The Company estimates the works would cost approximately U.S.\$22 million and would have a target completion of three years.

In addition, the Company is currently considering the development and construction of a new hotel in Varadero to be located between the Sol Palmeras Hotel and the Meliá Varadero Hotel on land for which new surface rights have been granted (until 2042) pursuant to an ECCM resolution passed on 4 September 2018 approving the merger of MIRAMAR S.A. and Cuba-Canarias S.A.. The Company expects this project, which would add approximately 1,000 additional rooms, if implemented, would cost approximately U.S.\$175 million to U.S.\$250 million and would take three to five years to complete. The Company has as yet made no commitment to proceed with this development.

Selected financial metrics for the three Varadero Hotels are set out below:

	2017			2016			2015		
	Meliá Las Americas Hotel	Meliá Varadero Hotel	Sol Palmeras Hotel	Meliá Las Americas Hotel	Meliá Varadero Hotel	Sol Palmeras Hotel	Meliá Las Americas Hotel	Meliá Varadero Hotel	Sol Palmeras Hotel
<b>Number of rooms</b>	340	490	607	340	490	607	340	490	607
<b>Room occupancy (%)</b>	80.5	74.5	78.8	85.2	78.9	83.5	89.4	85.3	85.8
<b>Average daily rate per room (ADR) (U.S.\$)</b>	156.05	115.86	106.45	148.04	116.57	97.87	117.86	92.85	82.27
<b>Revenue per available room (RevPAR) (U.S.\$)</b>	125.67	86.26	83.78	126.14	91.92	81.73	105.38	79.18	70.55
<b>Gross revenue (U.S.\$)</b>	21,874,599	24,399,753	27,574,509	22,323,200	24,872,768	27,200,349	19,874,366	23,179,745	25,006,147
<b>EBITDA (U.S.\$)</b>	7,698,787	7,929,626	8,538,102	8,182,308	8,407,822	8,674,940	6,219,169	6,749,824	7,133,424
	Net income after tax (U.S.\$)	Percentage interest of the Group (%)	Group's share of net income after tax (U.S.\$)	Net income after tax (U.S.\$)	Percentage interest of the Group (%)	Group's share (U.S.\$)	Net income after tax (U.S.\$)	Percentage interest of the Group (%)	Group's share of net income after tax (U.S.\$)
Available for Distribution	16,150,507	32.5	5,775,825*	17,714,024	13.9	2,457,821	13,361,534	13.9	1,853,913

\* The economic interest in the Varadero Hotels was reduced at the end of 2017, but in the agreement related thereto the parties agreed that the Group would be entitled to receive 35.8 per cent. of the results of the hotel operations during 2017.

The income of MIRAMAR S.A. is not consolidated in the audited financial statements of the Company as the Company's interest in MIRAMAR S.A. is accounted for at fair value. Under this accounting treatment, dividends declared by MIRAMAR S.A. that are attributable to the Company are recorded as dividend income in the statement of comprehensive income of the Company in the period the right to receive payment is established.

## **Management**

All the operational Hotel Assets are managed externally by Meliá Hotels International. The hotel management contracts pursuant to which Meliá Hotels International manages the Meliá Habana Hotel and the Varadero Hotels expire in 2022. All management contracts are based on a five year management term in line with the standard Meliá Hotels International contract terms in Cuba. The Company expects that all Meliá Hotels International management contracts will be renewed in the ordinary course prior to their expiry.

In addition to the management contracts, Meliá Hotels International has minority equity interests in all the Company's current Hotel Assets.

### ***The Meliá Trinidad Playa Hotel development project***

The Company has an 80 per cent. indirect interest in MOSAICO HOTELES S.A. which in turn holds a 50 per cent. interest in TOSCUBA S.A.. TOSCUBA S.A. holds the surface rights relating to a 400 room 4-star hotel development project. The proposed hotel will occupy a prime 5.94 hectare beach-front plot at Playa Maria Aguilar, near the City of Trinidad, a UNESCO World Heritage Site located in central Cuba. Following completion, it is intended that the new hotel will also be managed by Meliá Hotels International and will be named the Meliá Trinidad Playa Hotel. Meliá Hotels International is a related company to the minority co-investor in MOSAICO HOTELES S.A.. As part of the reorganisation being carried out, it is intended that Meliá Hotels International will become the direct co-investor.

The Company believes that the City of Trinidad represents a significant opportunity due to its UNESCO World Heritage Site status, potentially leading to high tourist numbers, but with very limited accommodation options on offer. Approximately 475,000 tourists visited the Trinidad area in 2016. However, there are only seven hotels in the city and adjoining area, including only two 4-star hotels.

To date, TOSCUBA S.A. has invested approximately U.S.\$6.7 million (of which the Company has made capital contributions of U.S.\$3.6 million) in order to acquire surface rights over the property (up to 2048), develop architectural plans and drawings and complete ground preparation works. The overall project budget is approximately U.S.\$68 million. The Company has arranged, and will participate in, a U.S.\$45 million construction finance facility secured by the future income of the hotel and additional tourism cash flows.

All necessary construction permits are in place and ground preparation works have been completed. Construction of the project is scheduled to start in Q4 2018 with start-up of the hotel operations expected in December 2020.

The Company is targetting an unleveraged project return of 21.3 per cent. in respect of the Meliá Trinidad Playa Hotel development project.

## **Valuation**

The Hotel Assets (excluding the Meliá Trinidad Playa Hotel development project) have been independently valued by the Valuer. The Valuation Report is set out in Part 8 of this document and values the Hotel Assets, in aggregate, at U.S.\$267.5 million as at 31 December 2017.

The Valuation Report sets out a description of the Hotel Assets and highlights material points which have been taken into account in the valuations of such properties. The Company affirms that there have been no material changes in the valuation of the Hotel Assets between the date of the Valuation Report and the date of this document.

The fair value of the Company's interest in the Hotel Assets has been valued by the Company at U.S.\$88.3 million as at 31 December 2017.

### **The FINTUR finance facility**

Since 2002, the Company has arranged, and participated in, numerous secured finance facilities in favour of Casa Financiera FINTUR S.A., the financial house of Cuba's tourism sector. These facilities act as a medium term investment and treasury management tool. The facilities are fully secured by offshore tourism proceeds from numerous internationally-managed hotels and selected tour operators. The Company has

a successful 15 year track record of participating in over €140 million of facilities with FINTUR with no defaults.

The Company has a €4 million participation in the most recent facility executed in March 2016 (a €24 million four year facility with an 8 per cent. interest rate) which has started to amortise as of September 2017, and the facility is current and in good standing. As at the date hereof the principal amount of €2.7 is outstanding under the Company's participation.

## PART 4

### OVERVIEW OF CUBA

#### Overview

Cuba is the largest island in the Caribbean, having a total land area of approximately 110,000 square kilometres. The main island is approximately 1,250 kilometres in length and possesses the longest coastline of any country in the Caribbean. Mexico lies to the west of Cuba, with the Cayman Islands and Jamaica to the south, and Haiti and the Dominican Republic to the southeast.

The geography of Cuba is diverse, ranging from coastal wetlands to mountain peaks. Fertile plains occupy roughly two thirds of the land surface, and rugged hills and elevations are present in all regions of the country. As a sub-tropical country, Cuba has an average annual temperature of 25°C with little variation between January, the coolest month, and August, the warmest month, making it an ideal tourist destination.

Cuba's population is approximately 11 million. Cubans benefit from government-funded health care and education and have a literacy rate of over 99 per cent.. The Cuban workforce is approximately 5 million, a large percentage of which has post-secondary levels of education.

Cuba was ranked 65 out of 180 countries in the 2017 Transparency International Corruption Perception Index, and was therefore ahead of a number of Latin American countries including Brazil, Argentina, Bolivia, Mexico, Ecuador and Peru. In 2005, Cuba signed up to the United Nations Convention Against Corruption and in 2009 created a National Office of the General Comptroller and adopted various rules to prevent corruption. In addition, Cuba is a member of the Financial Task Force of Latin America, the purpose of which is to work towards developing and implementing a comprehensive global strategy to combat money laundering and terrorist financing.

Havana is also one of the most populated cities in the Caribbean, with 2.1 million inhabitants. Old Havana and the City of Trinidad, with their ancient squares and colonial palaces, are among the six sites in Cuba that have been declared UNESCO World Heritage Sites.

#### Infrastructure

Cuba's major transportation infrastructure includes eight major ports, 10 international airports, an extensive rail network and a central highway that runs over half the length of the island. Most of the transportation infrastructure, with the exception of the main international airports, is in need of investment and modernisation.

In response to disruptions in its electrical generation and distribution network in the mid-2000s, the Cuban government has made substantial investments in electricity infrastructure, including the purchase of smaller diesel-powered generators and the modernisation of the country's electricity network, which has greatly reduced the reliance on older and less efficient power generation facilities. Since 2007, electricity supply has been much more stable and the number of power outages has been greatly reduced as compared to preceding years.

#### Political system and government

Cuba is a one-party socialist state in which the functions of the state and the Communist Party are closely connected. Under the Cuban Constitution of 1976, the Communist Party is recognised as *"the superior guiding force of society and of the state, that organises and orients common efforts toward the high goals of the construction of socialism and the advancement toward communist society."* No other political parties are officially recognised. The general function of the Communist Party is to supervise and oversee the other formal branches of government, without itself having any direct executive, legislative or judicial role. Raúl Castro is the First Secretary of the Cuban Communist Party. He will hold that position until the next Party Congress, expected to be held in 2021.

The National Assembly of Popular Power (the **"National Assembly"**) is the legislative authority of the Cuban state. The National Assembly holds ordinary sessions twice a year (in July and December), and

extraordinary sessions whenever required by 33.3 per cent. of members. It is composed of approximately 600 members (*diputados*) elected for five year terms through direct vote by the Cuban population by secret ballot. Members of the National Assembly elect the President, Vice-President and Secretary of the National Assembly from amongst their midst. Currently, Juan Esteban Lazo Hernandez is the President of the National Assembly.

The Council of State is the executive body of the National Assembly, which carries out its functions and represents it between sessions. The duties of the Council of State consist of the execution of the resolutions adopted by the National Assembly, the representation of the Cuban state (nationally and internationally) and other duties stipulated by law. The Council of State is comprised of the President, the First Vice-President, Vice-Presidents and a Secretary. Members of the Council of State are elected by the National Assembly from within its membership. The President of the Council of State is the highest representative of the Cuban state and is commonly referred to as the President of Cuba. Although not legally required, in practice the President of the Council of State has always also held the position of President of the Council of Ministers.

The Council of Ministers is the highest body of the executive and administrative branch of the Cuban government. It is composed of the President, the First Vice-President, the Ministers and a Secretary. Members of the Council of Ministers (except the President) are nominated by the President of the Council of State and approved by the National Assembly.

During the period between 1959 and 2008, the Cuban government was led by Fidel Castro, who occupied various leadership positions through the years and was President of the Councils of State and Ministers from 1976 to 2008, at which time he stepped down due to illness and was replaced by his brother Raúl Castro. Raúl Castro occupied both positions from 2008 until 2018.

At present, the President of the Council of State and of the Council of Ministers is Miguel Diaz-Canel Bermudez, having been elected by the National Assembly on 19 April 2018.

### **Currency and Foreign Exchange Controls**

The national currency of Cuba is the non-convertible Cuban Peso ("**CUP**"). The majority of internal transactions involving the local population are carried out in this currency. Foreign parties are generally prohibited from engaging in transactions in CUP.

The Cuban Convertible Peso ("**CUC**") was created in 1994, simultaneously with the legalisation of the U.S. Dollar in Cuba, as a local means of payment for transactions authorised to be carried out in freely convertible currency. The CUC was, from its creation until April 2005, valued at par with the U.S. Dollar. Between April 2005 and March 2011, the CUC had a fixed exchange rate set by the Cuban Central Bank of 1 CUC = U.S.\$1.08. In March 2011, the CUC was devalued back to par with the U.S. Dollar in an effort to relieve pressure on foreign reserves and to increase hard currency income through the stimulation of family remittances and tourism. The exchange rate of the CUP to the CUC is fixed by the Cuban Central Bank at 24 CUP = 1 CUC.

The CUC is obligatory in all local transactions in Cuba authorised to be denominated in convertible currency. At present a very large number of local transactions are denominated and carried out in CUC. However, joint venture companies are generally required to carry out their operations in USD. Since 2006, the Cuban government has affirmed on numerous occasions that the unification of the CUP and the CUC is currently being studied. However, the date and the exchange rate for such unification are still unknown. At the session of the Cuban National Assembly held in December 2017, President Castro indicated that unification is an essential part of the economic reforms being carried out in the country and they cannot be delayed.

The Cuban government blocked currency transfers out of Cuba in 2008 from the local bank accounts of foreign entities in response to a major liquidity crisis resulting from a number of developments within Cuba and the general disruption caused by the worldwide economic crisis and recession. By the end of 2011, the Cuban government allowed the release of all blocked local funds in the bank accounts of foreign entities. However, foreign exchange controls remain in place to monitor and control Cuban hard currency outflows.

## **Economy**

### ***Early economic reforms***

Cuba's economy contracted sharply after 1991 following the disintegration of the former Soviet Union and the resulting withdrawal of subsidies and other support from the Soviet Union and other countries. In response, Cuba introduced a program of economic reforms in the mid-1990s. These reforms resulted in increased internal fiscal and monetary discipline, the adoption of a legal framework permitting foreign investment (including in particular Law 77 of 1995 on Foreign Investment), improvements to the Cuban banking system, the promotion of tourism as one of the leading engines of the economy and the gradual movement of Cuban accounting standards towards IFRS. It was during this period that Cuba began implementing its primary foreign investment strategy based on the incorporation of joint venture companies with Cuban government and foreign shareholders. A large number of significant joint ventures active in Cuba today were established during this time.

### ***Economic reform since 2008***

During his presidency from 2008 to 2018, Raúl Castro slowly but steadily moved the country towards political and economic reforms aimed at the modernisation and strengthening of Cuban socialism. Numerous prohibitions and restrictions on Cuban persons have been relaxed, with the result that Cubans gained access to new technologies, consumer electronics and other services. These include mobile phones, personal computers and tablets, small appliances, access to hotels and other tourism services previously reserved for foreign visitors.

New economic policies were announced at the Congress of the Communist Party of Cuba in 2011, the first Party Congress held in more than 13 years. These policies contemplated a thorough reorganisation of government and the modernisation of the Cuban economy, including numerous key reforms to the state sector of the economy and government, the management of state-owned businesses, the rise of low-level private enterprise and other non-state actors in the economy (such as cooperatives) and a renewed recognition of the importance of foreign investment for Cuba's future.

Key developments under this modernisation effort include the opening in 2014 of the new Port of Mariel and the Mariel Special Economic Development Zone, an initiative intended by the Cuban government to attract foreign investment, technological innovation and industrial concentration in a sustainable manner. Some of the projects approved for development in the Special Economic Development Zone take the form of businesses owned 100 per cent. by foreign owners, without a Cuban government partner. Other developments include the coming into force of a new Foreign Investment Act in July 2014 and progress towards the unification of Cuba's two currencies.

The Foreign Investment Act largely maintains the pre-existing framework for foreign investment in Cuba, while providing for a significant reduction in the corporate tax rate applicable to the majority of foreign investment vehicles (from 30 per cent. to 15 per cent.), as well as the reduction or elimination of numerous other payroll, employment and other taxes and charges on foreign investors. The Foreign Investment Act also provides for 100 per cent. foreign-owned Cuban companies, suggesting that such companies may be approved by the government in larger numbers in the future. According to announcements made at the time of adoption of the new law, Cuba hopes to attract between U.S.\$2.0 to U.S.\$2.5 billion per year in new foreign investment.

Partly driven by the changes to government policy towards foreign investment since 2011, there has been a significant opening of trade with, and increase in foreign investment from, a number of countries including Spain and other countries of the European Union as well as China.

The newly-appointed President Miguel Diaz-Canal has indicated that his government will continue to implement the economic reforms initiated under former president Raul Castro.

### ***Economic outlook***

The Cuban government announced that the Cuban economy grew by 1.6 per cent. in 2017. However, the Cuban government has projected 2.0 per cent. growth for 2018 and seems confident that the economic reforms and other changes being implemented will generate sustainable growth in the coming years. International observers note a number of headwinds expected to impact the Cuban economy in 2018, including reduced assistance from regional ally Venezuela, a more aggressive U.S. government policy towards Cuba and the continued economic impact of Hurricane Irma.

The Cuban tourism sector has shown steady strong growth in recent years, boosted by the normalisation efforts of the previous Obama administration in the United States. Tourist arrivals surpassed 4.7 million in 2017, representing strong growth of 16.2 per cent. over 2016, and it is expected that more than 5.0 million visitors will arrive in 2018. To accommodate continued growth in the sector, the Cuban government has announced plans to construct up to 20,000 new hotel rooms by 2020. As Cuba strives to attract significant new levels of foreign investment, the Company also believes that opportunities for new investment in other sectors, including commercial real estate, will arise.

### **Relationship with the United States**

The relationship with the United States remains of critical importance to Cuba, which has suffered as a result of the U.S. Embargo since the early 1960s.

In December 2014, presidents Barack Obama and Raúl Castro proclaimed a new era in U.S.-Cuban relations. Following months of secret negotiations, the presidents announced numerous measures aimed at the normalisation of relations between the two countries. Early actions included the exchange of prisoners and the initiation of discussions regarding the re-establishment of diplomatic relations, the opening of embassies in their respective capitals and numerous other initiatives in scientific, environmental and other areas where cooperative action could be advanced. Throughout the remaining years of the Obama administration, numerous further normalisation steps were taken, including the removal of Cuba from the U.S. list of state sponsors of terrorism, the formal re-establishment of diplomatic relations, the re-opening of embassies and the relaxation of U.S. travel restrictions.

The Obama measures referred to above resulted in significantly increased travel from the United States to Cuba and rising interest on the part of U.S. investors in Cuban investment projects. Between the December 2014 announcements and the end of the Obama administration, the Cuban tourism sector showed very strong growth generally, supported by rising arrivals from the United States as well as from other countries. Numerous high profile U.S. business visits took place during this period, resulting in the signing of the first U.S.-Cuba agreements in a number of industry sectors, including hotel management, telecommunications, pharmaceuticals and transport.

In January 2017, the new administration of President Donald Trump was inaugurated in the United States. As the new Cuba policy of his administration emerged over the course of the year, it became apparent that, as in other areas, the new administration would have, as a major concern, the reversal of policies adopted by the previous Obama administration. President Trump announced the core of his new Cuba policy in June 2017, and new rule changes were made in November 2017 bringing the new policies into effect. The principal new measures included the re-strengthening of licensing requirements on individual travel and measures aimed at preventing transactions with Cuban military intelligence or security entities (Restricted Entities). Otherwise, the core normalisation measures adopted by the Obama administration were left intact, although tensions between the two countries have been augmented by a variety of political and other matters.

The Company views the final years of the Obama administration as a demonstration of the strong potential of Cuba as a foreign investment market and a measure of how the market may react once again to renewed positive policies towards the island from the United States. In the meantime, the Company expects that U.S. travel to Cuba will be negatively impacted by the hardened U.S. policy of the Trump administration.

## PART 5

# OVERVIEW OF THE REAL ESTATE MARKET IN CUBA AND LEGAL FRAMEWORK FOR FOREIGN INVESTMENTS

## OVERVIEW OF THE REAL ESTATE MARKET IN CUBA

### Real estate in Cuba

At present, there is no free market for the purchase and sale of real estate in Cuba. Under the Cuban Constitution and the Civil Code, Cuba maintains a socialist land-holding system under which private ownership and other legal rights in respect of real property are recognised by law, but where the majority of land in the country is owned by the Cuban state.

Cuban nationals may own or hold other long term interests in their dwellings. The free purchase and sale of residential properties by Cuban nationals was fully legalised in November 2011 as part of the reforms initiated by the government of Raúl Castro since 2008, although the ownership of real estate by Cuban nationals is presently restricted to one principal residence and a second holiday dwelling that may be located on a beach or in the countryside.

Since 1960, foreign investment in Cuban real estate has been very limited. Foreign investment in real estate is permitted under a limited number of legal structures governed by the Foreign Investment Act, the primary legislation governing foreign investment in Cuba. Since the adoption of the prior Foreign Investment Act in 1995 (the “**1995 Foreign Investment Act**”), a small number of foreign investments have been approved by the Cuban government in respect of large-scale commercial and hotel properties, including the Miramar Trade Center, the Meliá Habana Hotel and the Varadero Hotels, as well as a number of other hotel properties. These foreign investments have primarily been made through the establishment of Cuban joint venture companies having both Cuban and foreign shareholders. The joint venture companies are generally granted surface rights or usufruct rights over the property for a defined period of time, at the expiry of which (in the absence of renewal) the joint venture companies must be liquidated. Once constructed, the buildings making up the project are owned by the Cuban joint venture company that has developed them, although the underlying land remains owned by the Cuban state.

In the residential segment, in the years immediately following the adoption of the 1995 Foreign Investment Act numerous Cuban joint venture companies were approved and incorporated for the purpose of constructing and operating residential projects in Havana and elsewhere in Cuba aimed at foreign tourists, and numerous residential projects were constructed in Havana. A number of the apartments constructed under these projects were sold to foreign persons during this period, although further development of these residential tourism projects was suspended in April 2000, and in most cases the Cuban shareholder in the joint venture company (in projects already underway) acquired all unsold units for the purpose of their commercialisation under rental agreements. Today, foreign persons may purchase the apartments originally sold to foreign persons prior to the suspension of the projects, but are otherwise presently prohibited from acquiring any ownership interest in existing residential properties in Cuba.

However, the Cuban government subsequently expressed an interest in restarting the development of large-scale residential tourism projects aimed at foreign buyers, and in 2012 new immigration legislation was adopted that created a new category of visa status for foreign owners or renters of tourism real estate properties (*residente inmobiliario*). This new status was created in order to establish a clear and fixed legal framework for the residency rights of foreign persons who will purchase or lease the new tourism properties that Cuba intends to develop in the coming years. More recently, with the adoption of the new Foreign Investment Act in 2014, the rights that foreign investors may potentially hold in property have been extended and clarified so as to permit the development of new residential tourism projects, and such rights now potentially include full ownership. This has had the result of reviving a number of long-standing development projects that have been given new impetus from the added legal protection afforded under the new rules, and thus far four new Cuban joint venture companies have been approved and incorporated for the purpose of developing large-scale integrated residential, hotel and golf resorts near Havana, Varadero and Pinar del Rio. Numerous other new projects are in various stages of negotiation between foreign investors and the Cuban government.

### ***The commercial real estate market***

In comparison with commercial real estate markets in North America and Western Europe, the commercial real estate market in Cuba is at a very early stage of development. The vast majority of commercial office space in Cuba consists of repurposed residential properties (both houses and apartments) and to some extent refurbished office buildings dating back to pre-revolutionary times. New construction of office properties has been extremely limited, in part because there is no free market for the purchase and sale of real estate in Cuba and because restrictions on foreign ownership have limited the presence of foreign capital and finance. Management divides the market for existing commercial office space in Cuba into two categories: the “local” segment and the “international” segment.

The local segment of the Cuban commercial real estate market refers to those properties aimed at Cuban, rather than foreign, tenants. In this segment, the buildings tend to be Cuban-owned and occupied, with leasing/occupancy arrangements in local currency. In this segment, Cuban ministries, government entities and state-owned businesses occupy Cuban government-owned space, where there is no foreign capital component, and such occupancy is generally not on an arms’ length commercial basis. The properties making up this segment include pre-revolutionary buildings originally designed as commercial or retail space, as well as numerous residential properties that have been converted to office use. This space is characterised by lower levels of maintenance and capital investment, and is generally not occupied by foreign tenants.

In contrast, the international segment of the Cuban commercial real estate market is made up of office space leased in hard currency.

In the opinion of the Board there are currently only four large-scale properties in Havana offering modern office space to international standards (taking into account levels of capital investment and maintenance, the provision of tenant services, back-up electricity generation, air conditioning, telecommunications, parking and other factors): the Miramar Trade Center, the Lonja de Comercio 12y1ra building and the Atlantico building. The Miramar Trade Center is significantly larger than any of the other relevant properties and forms the core of the Miramar business district in Havana.

### **Tourism Sector**

Cuba is a major tourist destination in the Caribbean. Since the country began developing its tourism industry as an accessible source of hard currency income in the aftermath of the collapse of European socialism in the mid-1990s, the sector has grown into one of the leading drivers of the Cuban economy. The country’s principal destinations are the beach resort of Varadero and the capital Havana, followed by resort and historical destinations such as Trinidad, Holguin, Cayo Coco, Cayo Santa Maria and Cayo Largo.

As the largest island in the Caribbean, with approximately 6,000 kilometres of coastline and more than 4,000 largely undeveloped islands and keys, located only 120 kilometres south of the United States and just over three hours from Toronto by air, Cuba has excellent natural tourism resources, with good potential for continued future growth. The country has numerous beautiful and increasingly popular resort destinations. In addition, with a highly educated population of 11 million and vibrant cultural, historical, architectural, music and art offerings across the island, especially in Havana, Cuba offers a wide variety of attractions beyond the sun and surf offerings of other Caribbean destinations.

Canada has long been the leading outbound source of tourists for Cuba, with over one million visitors in 2017, being approximately 24 per cent. of the total visitors.

Visitor arrivals to Cuba have increased steadily since 2014, ranging from approximately 3 million in 2014 to over 4.5 million in 2017. U.S. arrivals to the island also showed strong growth, ranging from 92,000 in 2014 to approximately 620,000 in 2017.

Canada, the United States, the UK, Germany, Spain, Mexico, Italy, Argentina and France remain the principal outbound markets towards Cuba.

Most hotels in Cuba are fully owned by Cuban government entities. The present total capacity is more than 69,000 hotel rooms, of which 63 per cent. are in the 4 and 5-star category. According to projections made public by the Cuban Ministry of Tourism, the country estimates total capacity will reach 85,000 rooms by

the year 2020. Of the total hotel capacity of 69,000 rooms, approximately 5,500 are owned by Cuban joint venture companies in which there is a foreign interest. In addition, there are now over 23,000 private sector rooms across the island.

At present, there are 21 foreign hotel operators managing 95 hotels in Cuba. The leading operators are Meliá Hotels International and Blue Diamond Hotels & Resorts, a subsidiary of the Canadian Sunwing Travel group. In June 2016, Starwood Hotels & Resorts began operating the Four Points Havana Hotel in Miramar, becoming the first U.S. hotel company to operate a Cuban hotel since 1959. Starwood Hotels & Resorts has also stated it intends to undertake the management of two other hotels located in Havana.

In conjunction with rising tourist arrivals, there is renewed foreign interest in investment projects in the tourism sector. With demand expected to continue its upward trend in the coming years, the Cuban government intends to construct up to 20,000 new hotel rooms by 2020, together with a variety of non-hotel support services and related infrastructure to meet the growing demand. The Ministry of Tourism has over 140 new projects for which it is seeking investment, including ambitious plans to develop new golf, hotel and marina projects throughout the island. Although many of these large-scale projects have been under development for a number of years, there appears to be a strong impetus to advance these deals in the improved investment climate resulting from the renewed Cuban interest in foreign investment and the growing market. A number of new projects have been agreed in the tourism sector, including the construction of a Sofitel hotel on the Malecon in Havana and the development of major integrated resorts near Havana, Pinar del Rio and Varadero.

Although U.S. travel for pure tourism purposes is still prohibited under present U.S. travel restrictions that provide for 12 categories of authorised U.S. travel, interest levels in the U.S. travel industry has risen dramatically since the December 2014 announcements. U.S. travel industry participants now include U.S. airlines, cruise ship operators, travel agencies and hotel management companies.

The tourism sector in Cuba is seasonal. The influx of travellers to Cuba is lower in the spring and summer seasons, compared to the fall and winter seasons, which decreases the demand for hotel and tourism services during these seasons.

## **LEGAL FRAMEWORK FOR FOREIGN INVESTMENT IN CUBA**

### **The Foreign Investment Act**

The primary legal framework applicable to foreign investments in Cuba is set out in the Foreign Investment Act and its complementary regulations. Other rules are contained in the Cuban Commercial Code and the Civil Code. The Foreign Investment Act provides basic investment protection and other general rules relevant to foreign investors and sets out the principal legal structures for the implementation of foreign investment projects in Cuba.

The Foreign Investment Act provides that foreign investments in Cuba enjoy full protection and security and may not be expropriated, except for reasons of public utility. In the event of expropriation for reasons of public utility, prior compensation based on the commercial value of the assets and payable in a freely convertible currency must be paid. In the event of a dispute over the amount payable to the foreign investor following the expropriation, sale or liquidation of investment assets, such dispute will be settled by an organisation having internationally-recognised expertise and prestige in business valuations that is authorised by the Ministry of Finance and Prices to operate in Cuba. The Foreign Investment Act also guarantees that net profits, dividends and proceeds resulting from the sale of shares in a Cuban joint venture or full foreign ownership company or of investment assets may be freely repatriated abroad (free from taxes, withholdings and deductions) in a freely convertible currency. In addition, the Foreign Investment Act provides that foreign investments are protected against third party claims made in accordance with Cuban law and the rulings of national courts. Claims of U.S. nationals resulting from expropriations that took place after 1959 and made pursuant to U.S. law do not fall under this category.

The Foreign Investment Act provides the following principal vehicles for foreign investment in Cuba:

- joint venture company;
- international economic association contract; and
- full foreign ownership company.

Joint venture companies and international economic association contracts are referred to in the Foreign Investment Act as “international economic associations”. Foreign companies that meet certain conditions may open a branch office in Cuba, although the activities of branch offices are generally restricted by law to sales intermediation and other limited activities carried out in the name, and for the benefit of, the foreign head office. A branch office may generally not carry out transactions directly and it is not an appropriate vehicle for most investment transactions in Cuba.

The most important and frequently used vehicle for significant foreign investments in Cuba is the joint venture company. A joint venture company is a company limited by shares (*sociedad anónima*) incorporated under Cuban law by at least one Cuban shareholder and one foreign shareholder. A joint venture company has limited liability and registered shares. The shareholders generally contribute sufficient capital/finance to the patrimony of the joint venture company to allow it to accomplish its social object in its own name. The majority of joint venture companies are incorporated on a 50/50 or 51/49 basis between Cuban and foreign companies, but other shareholdings are possible. The management of joint venture companies is usually supervised by a board of directors made up of members appointed by each of the shareholders in accordance with their shareholdings, and it is usually possible to agree that certain upper management positions will be filled by foreign persons designated by the foreign shareholder.

The Company holds all of its real estate assets through its interests in Cuban joint venture companies.

The second main vehicle for foreign investments under the Foreign Investment Act is the international economic association contract, which is an unincorporated partnership established by contract between two or more Cuban and foreign partners. An international economic association contract sets out the common goals and the respective rights and obligations of the contracting parties in connection with the joint activities to be undertaken, but does not have the effect of establishing a separate legal entity for the purpose of engaging in such joint activities and each party continues to act at all times in its own name. Each contracting party makes specific contributions to the joint activities as set out in the international economic association contract and remains owner of the assets contributed at all times. Such contributions generally determine the division of income/benefits resulting from the joint activities, although a somewhat different structure is used in certain risk-based extraction industries such as mining and petroleum exploration and production. Under an international economic association contract, it is possible to establish a joint bank account and an appropriate management structure, and the parties have a relatively wide degree of freedom to stipulate their respective rights and obligations in connection with the joint activities.

The third vehicle for foreign investments provided under the Foreign Investment Act is the full foreign ownership company, which is, (i) a company limited by shares (*sociedad anónima*) incorporated under Cuban law that is wholly-owned by a foreign investor, or (ii) a branch of the foreign company established and registered in Cuba in accordance with the applicable formalities. The foreign investor manages the company alone and is responsible for compliance with all of the obligations imposed by the governmental approval authorising its activities. This form of foreign investment was only authorised in exceptional cases in the past and so there have been few examples to date. However, it is apparent that the Cuban authorities intend to place more importance on this vehicle for foreign investments to be made in the new Special Development Zone of Mariel as well as in the renewable energy sphere, and a number have already been approved.

### **Surface and other land rights**

The surface right is a real right over land regulated by articles 218 to 225 of the Cuban Civil Code. It is the primary legal mechanism used to transfer rights in land for purposes of construction in Cuban real estate projects involving foreign capital. Only the Cuban government may grant surface rights over land for commercial purposes. Cuban individuals may not grant surface rights. Surface rights may be granted under gratuitous or onerous title and confer on the holder the right to use the property in question and to erect constructions thereon in accordance with the provisions of the legal instrument constituting and granting the surface rights. Surface rights are transferable unless otherwise stipulated by law or by the legal instrument constituting them. However, surface rights do not confer any right to sell or transfer the property. Surface rights may have a maximum term of 99 years. Upon expiry of surface rights, the land reverts to the owner (the Cuban government), together with all constructions erected thereon during the term and any extension thereof, subject to the payment by the owner of the land to the holder of the surface rights

of compensation for the value of the constructions being joined to the land and transferred, as provided under articles 179 and following of the Cuban Civil Code (dealing with accession).

Prior to 2010, the maximum term for surface rights was 50 years, which term could be renewed for half of the original term upon request of the parties and Cuban government approval. Decree Law 273 dated 19 July 2010 modified articles 221 and 222 of the Cuban Civil Code in order to extend the maximum term of surface rights from 50 years to 99 years. This change in law results from the stated intention of the Cuban government to approve the creation of numerous new joint venture companies in the tourism sector for the purpose of developing integrated large-scale golf, hotel and residential resorts, in the context of which residential properties could be sold to foreign persons for tourism purposes.

### **Registration of land rights**

Ownership and other real rights in land located in Cuba may be registered in different sections of the Land Register depending on who the owner is. Each of the state, residential, agricultural and foreign investment segments of the Cuban real estate market has a different section of the Land Register and registration regime.

Prior to 1998, there was no obligation, nor any legal procedure, to register real rights granted to joint venture companies over the land upon which their projects would be erected. In 1998, the Land Register was transferred to the authority of the Cuban Ministry of Justice and the registration of ownership and other real rights over the land became obligatory (although not constitutive of title). In 2003, the legal acts and instruments to be registered at the Land Register were further clarified, including ownership and other real rights over land, and registration procedures and terms were established.

In the case of foreign investments involving real estate, the ownership of the land must be registered by the Cuban State and other real rights (such as surface rights) granted to joint venture companies over the land to be developed must be registered by the relevant joint venture company at the appropriate Land Register (*Registro de la Propiedad*) in the municipality where the land is located. Registration in the Land Register, unlike in many foreign jurisdictions, has no constitutive effect on title, but it aims to serve the public purpose of publicity and protect third parties, although in practice the Land Register may not be freely consulted directly by foreign investors. Extracts of the Land Register may only be obtained by a foreign investor upon request to the appropriate authorities (acting through the intermediation of the relevant Cuban partner in the joint venture company), and a sufficient interest in the property in question must be demonstrated. In the case of hotel properties of joint venture companies, there is no legal requirement that the ownership of a hotel be registered at the relevant Land Register, but the property must be registered in the name of the owner on the National Register of Hotel Establishments, a system of registration that applies to both Cuban and joint venture hotels.

### **Investment protection and double taxation treaties**

Cuba has executed bilateral investment protection treaties with a number of countries. These treaties provide additional protections to investors originating in signatory countries. Cuba has executed investment protection treaties with over 62 countries, including Italy (1993), Spain (1994), the United Kingdom (1995), Germany (1996), Switzerland (1996), France (1997), The Netherlands (1999) and Austria (2000). All of the holding vehicles within which the Company holds its interest in Cuban joint venture companies are incorporated in countries with whom Cuba has executed an investment protection treaty.

Cuba has executed treaties for the avoidance of double taxation with nine countries, including Spain, Italy, Austria, Portugal, Russia, Barbados, China, Venezuela and Vietnam.

### **Approval of foreign investments**

All foreign investments in Cuba require Cuban Government approval by the Council of State or the Council of Ministers. In practice, such approval generally takes the form of a resolution of the Executive Committee of the Council of Ministers (“**ECCM**”). The ECCM resolution approving an investment must set out the term, social object, form of land use and other principal terms of the investment.

In the case of joint venture companies and international economic association contracts, the respective shareholdings/interests of the foreign and Cuban partners must be agreed between the parties and are

subject to the final approval of the ECCM. In most cases, the foreign participation will not exceed 50 per cent., although this does not necessarily mean that the foreign investor will not have the ability to control the investment, at least during the period necessary to recover its initial investment. In this regard, it is often possible to negotiate that the foreign partner will have the right to designate the general manager and senior financial and technical managers, at least during the period necessary to recover the initial investment, or to agree on other suitable arrangements to control the investment. In particular, it is usually the case that, as a matter of corporate governance, each of the principal governing bodies (shareholders meeting, board of directors and/or management board) will make decisions on a unanimous basis, thus significantly reducing the importance of actual shareholding or participation percentages, since each party effectively has a veto over all major decisions in these circumstances.

The authorised term of Cuban investment vehicles may vary, but in general, international economic association contracts are usually approved for terms ranging between 5-10 years and joint venture companies are usually approved for terms of 15-25 years, all calculated from the date of registration of the investment vehicle on the relevant commercial register. In the case of major commercial or hotel real estate projects, initial terms of 25 or 50 years are standard. The initial term of an investment vehicle may usually be extended by an additional period, subject to agreement between the parties and authorisation of the ECCM in the case of the foreign investment vehicles governed by the Foreign Investment Act. The initial term of incorporation of the investment vehicle and the extent of renewal rights should be stipulated in the relevant corporate documents or association agreement.

### **Tax and employment rules**

The Foreign Investment Act sets out special tax rules for foreign investment vehicles. Since adoption of the Foreign Investment Act in 2014, the general corporate tax rate payable by Cuban joint venture companies is 15 per cent., applicable after an eight year exemption following incorporation. In addition, under article 47 of the Foreign Investment Act, the Ministry of Finance and Prices may grant exemptions in respect of all applicable taxes. The granting of such exemptions will generally depend on the perceived benefits and size of the investment, the rate of recovery of capital, instructions given by the ECCM regarding priority sectors of the economy and the benefits that may result for the national economy.

Cuban employees of foreign investment vehicles must be contracted through a Cuban employment agency by way of a general labour supply contract. Individual employees are then hired by the employment agency by way of an individual employment contract and have no direct contractual link with the foreign investment vehicle. Under this system, the foreign investment vehicle pays the wages of its employees to the employment agency in hard currency, and the agency then pays the employees in local currency. Foreign persons may be hired directly by the foreign investment vehicle for certain upper management, administrative and technical positions and will not be subject to the general Cuban labour rules in force. Foreign investment vehicles may be authorised to create an incentive fund, charged to profits, for their Cuban employees, and special provisions may be included in the corporate documents in this respect. Separate employment rules are applicable in the Special Development Zone of Mariel.

### **Transfer of interests in foreign investment vehicles**

The direct sale, transfer or encumbrance of any interest in a Cuban foreign investment vehicle governed by the Foreign Investment Act requires the approval of both parties and the authorisation of the Council of State or the Council of Ministers. In the event of sale or transfer of a direct interest in a Cuban foreign investment vehicle governed by the Foreign Investment Act, the selling party is entitled to receive and repatriate the corresponding proceeds of sale in a freely convertible currency. The purchase price will be set, in the case of a joint venture company or an international economic association contract, by agreement between the parties, or, in the event no agreement can be reached, by an organisation with internationally-recognised expertise and prestige in business valuations that is authorised by the Ministry of Finances and Prices to operate in Cuba. In the case of a full foreign ownership company, the price will be set by agreement between the foreign investor and the Ministry of Foreign Trade and Investment.

### **Currencies**

In general, all activities and operations of foreign investment vehicles must be denominated and carried out in freely convertible currency and only in exceptional cases will a foreign investment vehicle be authorised

to make certain payments in local currency. Under the Foreign Investment Act, a joint venture company may open and operate bank accounts denominated in freely convertible currency in Cuba and abroad in which payments resulting from its operations and activities may be deposited. In order to open and operate the bank accounts mentioned above, the foreign investment vehicle must obtain written authorisation from the Cuban Central Bank.

### **Environmental license**

Depending upon the nature of the planned investment or activities to be carried out, an environmental impact assessment and a license from the Ministry of Science, Technology and the Environment may be necessary.

### **Dissolution and resolution of disputes**

The events that may lead to the dissolution and liquidation of a foreign investment vehicle, as well as the specific liquidation procedures, should be set out in the relevant incorporation documents of the vehicle. In the absence thereof, the rules set out in the Cuban Commercial Code will be applicable. According to article 7 of the Foreign Investment Act, the liquidation proceeds to be paid to the foreign investor in the event of liquidation of a joint venture company will be established by agreement between the parties, or, in the event no agreement is reached, by an organisation having internationally-recognised expertise and prestige in business valuations that is authorised by the Ministry of Finances and Prices to operate in Cuba. In the case of full foreign ownership companies, the liquidation proceeds must be agreed with the Ministry of Foreign Trade and Investment.

Article 60 of the Foreign Investment Act provides the parties with freedom to designate, in the corporate documents of the foreign investment vehicle, any forum for the resolution of disputes arising within the context of their joint activities. In practice, most association agreements and international economic association contracts contain international arbitration clauses, including International Chamber of Commerce (ICC) and United Nations Commission on International Trade Law (UNCITRAL) arbitration. The situation is less clear in the case of full foreign ownership companies, since the incorporation documents themselves are unilateral rather than bilateral documents. However, under the Foreign Investment Act, certain types of disputes involving foreign investment vehicles must be resolved before the Cuban courts, including in particular disputes relating to their termination or liquidation. Cuba is a party to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

### **Operations of Cuban joint venture companies**

#### **Corporate governance**

As separate corporate entities having distinct legal personality, Cuban joint venture companies generally follow the Spanish corporate governance traditions established in the Cuban Commercial Code. Each joint venture company is governed by a shareholder's meeting (*junta de accionistas*), a board of directors (*consejo de administración* or *junta directiva*) and a dedicated management team. The respective powers and responsibilities of each of these bodies is set out in the specific corporate by-laws of each joint venture company. Normally, both the foreign and Cuban partners are represented on each of these bodies in accordance with the corporate by-laws of the joint venture company.

#### **Capital contributions**

Under the Foreign Investment Act, contributions to the share capital of a joint venture company may consist of cash, machinery, equipment or other tangible goods, intellectual property or other intangible rights, as well as real estate, including surface rights, rights of usufruct or other limited rights in respect thereof. These contributions must be valued in freely convertible currency (usually U.S. Dollars), although the parties may freely agree on the manner of valuation. Intellectual property and other intangible rights may be valued by any method agreed between the parties. The initial capital contributions of the parties are agreed in the incorporation documents of the Cuban joint venture company. In most cases, the Cuban partner will make its capital contribution in kind (in projects involving real estate, the Cuban party usually contributes surface rights or other rights over the land on which the project will be developed, as well as any existing buildings or other constructions thereon, concessions/extraction/exclusivity rights and other non-cash items) and the foreign partner will make its capital contribution in cash. The foreign partner may

also contribute technology, equipment, intellectual property and know-how, and is often expected to provide or procure additional finance needed for development of the project as well as external markets. Although no minimum capital requirements are laid down by law, the Cuban government may refuse its consent for the establishment of an investment vehicle if it considers the amount of foreign capital to be insufficient. Following incorporation, further capital contributions (for instance for new projects and/or capital investment programmes) may be agreed upon by the corporate bodies of the Cuban joint venture company in order to ensure the proper development of the company.

## PART 6

### U.S. SANCTIONS ANALYSIS

#### THE U.S. EMBARGO

##### Introduction

Since 1961, the United States has maintained numerous long standing and other legal limitations aimed at Cuba, including a comprehensive trade embargo and a variety of travel and other trade restrictions limiting the transactions that may be carried out between Persons subject to U.S. jurisdiction and Cuba (collectively the **“U.S. Embargo”**). The principal legislation creating the U.S. Embargo includes the *Cuban Assets Control Regulations* of 1963 (**“CACR”**) adopted under the authority of the *Trading with the Enemy Act* of 1917 (the **“TWEA”**) and the *Cuban Democracy Act* of 1992 (the **“Torricelli Act”**).

The United States Government has also targeted non-U.S. foreign investors in Cuba with controversial extra-territorial measures designed to have a chilling effect on investments involving Cuban real estate. The legal instrument creating these extra-territorial measures is the *Cuban Liberty and Democratic Solidarity (Libertad) Act* of 1996 (the **“Helms–Burton Act”**).

The substance and evolution of the U.S. Embargo are described in greater detail below.

#### U.S. Embargo legislation

##### **Background on U.S. Embargo legislation**

Since 1961, as a result of numerous on-going disputes, including in particular the nationalisation without compensation of all U.S. assets in Cuba, the United States has maintained the U.S. Embargo. The U.S. Embargo generally prohibits all economic transactions between nationals of the two countries (subject to certain exceptions set forth in the form of general licenses included in the CACR, such as the sale of U.S. agricultural and medical products and certain travel-related transactions, or specific licenses issued by OFAC). As discussed in previous sections, the provisions of the CACR only applies to Persons subject the U.S. jurisdiction, and so has no direct application to the Company.

In addition, in direct response to the large-scale nationalisation of U.S. assets carried out by the Cuban government in the years following the 1959 Cuban Revolution, the United States adopted the *Cuban Claims Act* of 1964, which authorised the Foreign Claims Settlement Commission (the **“FCSC”**) to administer and adjudicate the nationalisation claims of Persons subject to U.S. jurisdiction whose claims towards Cuba arose on or after 1 January 1959. Between 1966 and 1972, the original period in which the Cuban Claims Programme of the FCSC was active, 5,911 claims were certified by the FCSC. Five further claims were certified by the FCSC in 2006, thereby bringing the present total of FCSC certified claims to 5,916. The claims certified by the FCSC were only those of persons who held U.S. nationality at the time of nationalisation and do not include claims that Cuban Americans and other persons falling under the definition of “U.S. National” (as set out in the Helms-Burton Act) may eventually have.

##### **General Considerations Regarding the CACR**

With the exception of certain authorised transactions, the CACR prohibits *Persons subject to U.S. jurisdiction* from engaging, directly or indirectly, in transactions with persons or entities in Cuba or *Cuban Nationals*.

Under the CACR, **“Persons subject to U.S. jurisdiction”** means (i) U.S. citizens, resident aliens, and entities organised under the laws of the United States, wherever located; (ii) any person or entity physically in the United States; and (iii) non-U.S. entities outside the United States that are *owned or controlled* by U.S. persons specified in item (i).

The CACR defines **“Cuban National”** to include an individual who is a citizen or resident of Cuba, or is domiciled in Cuba, including persons holding dual citizenship with other countries (excluding individuals holding U.S. and Cuban citizenship and certain other Cuban expatriates whom OFAC has removed from the designation). A company is considered a Cuban National and, therefore, a blocked entity, if it is

organised under the laws of Cuba, its principal place of business is in Cuba, or the company is *owned or controlled* by Cuban Nationals.

Separately, “**Owned and Controlled By**”, according to OFAC and the CACR, is an entity “owned” by a person or entity where such person or entity has a 50 per cent. or greater, direct or indirect, equity interest in the entity. There is no formal definition for “control” under the CACR. However, this term is defined in the OFAC’s Iranian Transactions and Sanctions Regulations (“ITSR”), and that definition is widely assumed to apply to all U.S. sanctions programs, including the CACR. Pursuant to the ITSR, an entity is “owned or controlled” by a person if the person: (i) holds a 50 per cent. or greater equity interest by vote or value in the entity; (ii) holds a majority of seats on the board of directors of the entity; or (iii) otherwise controls the actions, policies or personnel decisions of the entity.

Therefore, if Persons subject to U.S. jurisdiction would, (i) become shareholders of the Company with an aggregate percentage ownership that is equal to 50 per cent. or more, or (ii) hold a majority of seats on the board of directors of the Company or otherwise controls the actions, policies or personnel decisions of the Company, the Company would be considered a Person subject to U.S. jurisdiction under the CACR and, therefore, would be generally prohibited from engaging, *directly or indirectly*, in transactions with persons or entities in Cuba or with Cuban Nationals.

In connection with the “ownership and control” concept discussed above, an opinion letter was issued on 4 March 1994 by Richard Newcomb, who at such time was Director of OFAC (the “**1994 Opinion Letter**”). The 1994 Opinion Letter addressed the question of whether a U.S. person may invest in a third-country company that has commercial dealings with Cuba. The 1994 Opinion Letter stated that a U.S. company or individual may make a secondary market investment in a third country company doing business in Cuba provided that the investment does not result in control in fact of the company by the U.S. investor, and that a secondary market investment that falls short of a controlling interest is not prohibited. The 1994 Opinion Letter also stated that acquiring control of a company that has ongoing business dealings with Cuba would require a license from OFAC, and injecting capital into a company in a manner supporting its Cuban transactions is prohibited to persons subject to the jurisdiction of the United States, unless those transactions are authorised by OFAC or are exempt from regulation.

### **The Helms-Burton Act of 1996**

In contrast to the legislation creating the majority of the U.S. Embargo, the Helms-Burton Act, adopted in 1996 in response to an incident involving the attack and destruction of two civilian U.S. aircraft by the Cuban military, has clear extra-territorial effects and creates significant uncertainty for non-U.S. investors in Cuba.

The Helms-Burton Act goes much further than the balance of U.S. Embargo legislation by extending its application and creating civil liability in the United States on the part of non-U.S. persons engaging in activities involving properties located outside the United States. This extra-territorial application makes clear the political motivations of the Helms-Burton Act and has resulted in extensive domestic and international criticism.

Title III of the Helms-Burton Act, the application of which has been suspended by Presidents Clinton, Bush, Obama and Trump since enactment of the Act in 1996, gives to “U.S. Nationals” who own a “claim” to “confiscated” properties situated in Cuba a cause of action in U.S. federal courts against non-U.S. persons who knowingly and intentionally “traffic” in such properties.

Title IV of the Helms-Burton Act calls upon U.S. authorities to deny visas to, and to exclude from the United States, amongst others, the corporate officers, principals and shareholders of foreign companies (including their spouses and minor children) who were involved, after 12 March 1996 (the date of enactment of the Helms-Burton Act), in the “trafficking” of “confiscated” property in Cuba.

The clear legislative intent behind the Helms-Burton Act was the creation of uncertainty on the part of non-U.S. foreign investors wishing to invest in Cuba. The Act deters such investments by creating a fear of legal action from unknown quarters. Prior to its adoption, a spokesman for Jesse Helms, who was the principal sponsor of the legislation, confirmed that the legislation would create a “legal minefield”.

The uncertainty and legal jeopardy created by the Helms-Burton Act has been exacerbated by the fact that the Act greatly expands the number of potential claimants to include, within the definition of “U.S.

Nationals”, persons who did not hold U.S. nationality at the time of expropriation of the property concerned, making it virtually impossible for potential investors to determine whether any potential claims exist in respect of any given property.

A number of observers have argued that the provisions of Titles III and IV of the Helms-Burton Act violate the U.S. constitution, as well as a number of international law and trade obligations that are binding upon the United States, including NAFTA and WTO obligations. Canada, Mexico, the UK and the European Union have all adopted counter-legislation aimed at negating the effect of Title III of the Helms-Burton Act. It is likely that any litigation involving Title III of the Helms-Burton Act, should its suspension ever cease, would be lengthy and politically charged.

As already mentioned Title III of the Helms-Burton Act is not presently in force (its application has been suspended by all U.S. presidents for successive periods of six months since adoption of the Helms-Burton Act in 1996 – the most recent suspension came into effect on 1 August 2018), so no claims have ever been made before U.S. courts under its authority.

Title IV of the Helms-Burton Act is presently in force, and it has been threatened and used in certain rare instances, especially in the years immediately following adoption of the Act in 1996, to exclude the corporate officers of certain foreign investors in Cuba from the United States. No Title IV action has been threatened or taken by the U.S. Government in more than 15 years, and today only a single foreign investor is subjected to a Title IV order.

As a result of the potential risks arising from the extraterritorial provisions of the Helms-Burton Act, the Company has a policy of not knowingly investing in “confiscated property” within the meaning of the Act and consequently the Company has carried out, in respect of each investment made (and in addition to the regular title searches and other legal due diligence investigations relating to Cuban title to the properties invested in), appropriate investigations concerning potential Helms-Burton risk, to the extent as was reasonably possible in each case.

All of the Cuban joint venture companies in which the Company is invested that hold Cuban property interests have held such interests for more than 20 years. No claims or communications of any kind relating to any potential Helms-Burton claims have emerged.

International condemnation of the extra-territorial aspects of the Helms-Burton Act has been widespread. The EU (supported by Canada, Japan, Malaysia, Mexico and Thailand) instigated a complaint to the WTO alleging that the Helms-Burton Act was in breach of the WTO Agreement and the United States obligations under General Agreement on Tariffs and Trade. Many countries (including the UK and Canada) as well as the EU have, in response to the Helms-Burton Act, enacted legislation that specifically prohibit compliance with extra-territorial legislation such as the Helms-Burton Act.

### ***Evolution of U.S. Embargo legislation under the Obama and Trump administrations***

The CACR, which form part of the U.S. Embargo, for many years provided 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 were prohibited if they were made by or on behalf of any Cuban national. In addition, there was 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 was “blocked” by operation of law.

As a result of these comprehensive, longstanding restrictions, U.S. banks, clearing houses and other financial intermediaries receiving unlicensed wire transfer instructions in which there was a Cuban interest, or any instrument in which there was a Cuban interest, were obligated to freeze the funds on their own books or block the instrument, regardless of origin or destination. Similarly, Persons subject to U.S. jurisdiction that were depositaries, custodians, or other intermediaries were obligated to block all shares, certificates and/or other securities that came into their possession where there was a Cuban interest. In practice, all U.S. banks, clearing houses and other financial institutions, as well as all depositaries, custodians and other financial intermediaries generally froze all funds, transfers, shares, certificates and/or other securities that had any relationship with or mentioned Cuba in any manner.

In addition, given the number and severity of penalties imposed upon foreign (non-U.S.) banks for failing to comply with applicable U.S. sanctions rules (often through the execution by such banks, in U.S. Dollars, of otherwise allowed transactions with Cuba), the majority of foreign (non-U.S.) banks also refused to deal with many Cuban transactions, notwithstanding that such transactions were not prohibited if there was no U.S. involvement.

During the Obama administration, the majority of the CACR prohibitions dealing with banking transactions were removed from the CACR, which was amended to specifically allow for so-called “U-turn” transactions under which a U.S. bank may carry out transactions in which there is a Cuban interest, even in U.S. Dollars, provided that no Persons subject to U.S. jurisdiction is a party to such transactions as originator or beneficiary. The “U-turn” transaction rule was not overturned or removed in the recent amendments to the CACR by the Trump administration in its efforts to re-strengthen U.S. policy towards Cuba.

Consequently, in the opinion of the Company, there are no longer any applicable U.S. prohibitions against the Company making bank transfers to or from Cuba, even if denominated and carried out in U.S. Dollars or through a U.S. bank, and the securities, certificates and other financial instruments of the Company should no longer be subject to the risk of seizure by any U.S. bank or other financial institution.

However, most U.S. and international banks have been very slow to recognise the positive changes described above and to modify their attitudes towards transactions with Cuba accordingly, and continue to place heavy restrictions upon dealings involving Cuba and to refuse to engage in U.S. Dollar transactions in which there is a Cuban component.

The Company continues to maintain its long-standing policy of not carrying out any international bank transfers in U.S. Dollars or through U.S. banks or other intermediaries.

### **2017 List of Restricted Entities and Subentities Associated with Cuba**

Under the amendments to the CACR that came into force on 9 November 2017, Persons subject to U.S. jurisdiction are prohibited from engaging in “direct financial transactions” with entities identified on a new *List of Restricted Entities and Sub-entities Associated with Cuba* published by the U.S. Department of State (the “**Cuba Restricted List**”). The purpose of the Cuba Restricted List is to identify Cuban entities and sub-entities that are under the control of, or act for or on behalf of, the Cuban military, intelligence, or security services or personnel and with which direct financial transactions would disproportionately benefit such services or personnel at the expense of the Cuban people or private enterprise in Cuba (“**Restricted Entity**”).

For purposes of this prohibition, a Person subject to U.S. jurisdiction engages in a “**direct financial transaction**” by acting, (a) as the originator on a transfer of funds (including a transaction by wire transfer, credit card, check, or payment of cash) whose ultimate beneficiary is a Restricted Entity, or (b) as the ultimate beneficiary on a transfer of funds whose originator is a Restricted Entity.

The Cuba Restricted List currently includes a total of 180 entities and sub-entities, such as holding companies, hotels and various other entities. Subsidiaries of a Restricted Entity are not treated as restricted, unless so specified in the Cuba Restricted List. None of the Cuban joint venture companies, hotels or other assets in which the Company has an interest appear on the Cuba Restricted List so the impact of these new measures is expected to be minimal for the Company. The U.S. Department of State may update the Cuba Restricted List from time to time; therefore, there can be no assurance that the Cuba Restricted List will not be amended or expanded in the future to have a more significant impact on the activities of the Company. However, even if the Cuba Restricted List is expanded in the future to include any Cuban joint venture companies, hotels or other assets in which the Company has an interest, such potential change should not limit the ability of the Company to engage in business, including direct financial transactions, with such potential Restricted Entities because the Company is not a Person subject to U.S. jurisdiction and, therefore, is not subject to the restrictions and limitations imposed by the CACR. For this same reason, such potential change should have no impact on non-U.S. investors. Finally, assuming that no other prohibitions would limit Persons subject to U.S. jurisdiction from investing in the Company, any further revision or expansion of the Cuba Restricted List should have no impact on such potential U.S. investors because their investment in the Company would not be deemed a “direct financial transaction” with such potential Restricted Entities.

### **Summary Conclusions on effects of U.S. Embargo on the Company**

The Key Fund Personnel who will be responsible for the management of the Company have extensive knowledge of, and follow the development of, all U.S. measures aimed at Cuba, and are able to draw the following summary conclusions:

1. The Company is not a Person subject to U.S. jurisdiction and, consequently, is not directly subject to the application of the U.S. Embargo.
2. U.S. Persons are generally prohibited from, directly or indirectly, acquiring or holding Shares.
3. The Company continues to maintain a long-held policy of not carrying out any international bank transfers in U.S. Dollars, or transfers in other currencies through U.S. banks or other U.S. intermediaries, even though the CACR do not prohibit U.S. banks from executing, as intermediary banks, U.S. Dollar international bank transfers from the Company to any of its Cuban subsidiaries or from any of its Cuban subsidiaries to the Company ("U-turn" transactions).
4. Neither the Company nor any of the Cuban joint venture companies or Hotel Assets in which the Company has an interest is included or named on the Cuba Restricted List and no income is derived by the Company from any entity included on the Cuba Restricted List.
5. No notice of any potential Helms-Burton claim has ever been issued in respect of any of the real estate assets in which the Company has an interest.
6. Due diligence investigations carried out in respect of each of the real estate assets in which the Company has an interest did not reveal the existence of any potential Helms-Burton claim against such assets.
7. The applicability of Title III of the Helms-Burton Act has been suspended for successive six month periods by all U.S. presidents, whether Democratic or Republican, since original adoption of the Helms-Burton Act in 1996, and – given the controversial extra-territorial effect of Title III – there is no reason to believe that any U.S. president will cease suspending such applicability in the future.
8. Title IV of the Helms-Burton Act has been in force since 1996 and today only affects a single foreign investor in Cuba (not being the Company).
9. The Company has a policy of carrying out extensive due diligence investigations in order to avoid or minimise the risk that the Company "*traffics in confiscated property to which a claim is held by a U.S. Person*".

The United Kingdom and the European Union, as well as numerous other countries, have objected strongly to the extra-territorial nature of the Helms-Burton Act and other extra-territorial legislation of the United States, and have implemented measures that specifically prohibit compliance with extra-territorial legislation such as the Helms-Burton Act (particularly its Title III).

## PART 7

### DIRECTORS, MANAGEMENT AND ADMINISTRATION

#### 1. DIRECTORS

The Directors are responsible for the determination of the Company's investment objective and policy and have overall responsibility for the Company's activities including the review of investment activity and performance.

The Directors may delegate certain functions to other parties, such as the AIFM, the Administrator and the Registrar. In particular, responsibility for managing the assets comprised in the Portfolio has been delegated to the AIFM. With the consent of the Board, the AIFM has delegated portfolio management functions to Aberdeen Asset Investments Limited, another member of the Aberdeen Standard Investments Group.

The Directors will meet at least four times a year. The Directors (including the Chairman) are all non-executive directors and independent of the AIFM and the Investment Manager. The Directors may be contacted at the registered office of the Company.

The Directors are as follows:

##### **John Herring (aged 60) (Chairman)**

John qualified as a Chartered Accountant in 1982. In 1986, John joined the corporate finance department of Kleinwort Benson, where he was involved in the IPOs on the LSE for several companies. In 1996 he established his own private equity advisory business and joined the boards of a number of public and private companies including JD Wetherspoon plc where he became deputy chairman and served as a non-executive director for 14 years. He is currently the non-executive chairman of the Edinburgh Woollen Mill Group Limited. John acts as a Consultant to Northview Investment Fund Limited which currently owns 32,150,544 Ordinary Shares representing 29.86 per cent. of the existing issued share capital of the Company.

##### **Keith Corbin (aged 66) (Non-executive Director)**

Keith is a principal and executive chairman of Nerine International Holdings Limited, a network of trust and fiduciary services companies with operations in Guernsey, British Virgin Islands, Hong Kong, India, and Switzerland and serves as a director of a number of regulated financial services companies. He is also the senior independent non-executive director of HarbourVest Global Private Equity Limited, a FTSE 250 company. Keith is an Associate of Chartered Institute of Bankers (ACIB) and a Member of the Society of Trust and Estate Practitioners (STEP).

##### **Peter Cornell (aged 65) (Non-executive Director)**

Peter is a founding partner of Metric Capital, a pan-European special situations fund. He is a non-executive Director of F&C Commercial Property Trust Limited and a member of the International Advisory Board of the Madrid Business School. Previously he was Global Managing Partner of Clifford Chance until 2006. During his 36 year tenure with Clifford Chance his roles included managing partner for Spain and Continental Europe. He then became managing director of Terra Firma, a European private equity firm until 2011. Peter holds a BA (Hons) in Economics and History.

##### **Trevor Bowen (aged 69) (Non-executive Director)**

Trevor has over 30 years' experience spanning across a variety of industries. Trevor spent 11 years as a partner of KPMG and 17 years managing U2 and other artists. Trevor has acted as a non-executive director on a number of boards, most notably as a director on the board of Ulster Bank for nine years, which included six years as the Chairman of the Banks Audit committee. He is an Irish national and a Chartered Accountant.

**Colin Kingsnorth (aged 54) (Non-executive Director)**

Colin is a partner and director of Laxey Partners Limited, a UK-based active value investment firm focusing on closed-end funds and property investments. Colin previously worked for Robert Fleming Asset Management, headed the investment trust research at Olliff & Partners and managed the emerging markets fund of Buchanan Partners Limited. In 1995, Colin co-founded Regent Kingpin Capital Management. In 1997, he founded Laxey Partners Ltd with Andrew Pegge. Since then Laxey Partners Ltd has become a prominent active value investor focusing on closed-end funds and property investments. Colin holds a BSc in Economics and is a CFA. Laxey Partners Limited and Value Catalyst Fund Limited together currently own, in aggregate, 26,746,792 Ordinary Shares representing 24.84 per cent. of the issued share capital of the Company.

**2. THE AIFM AND THE INVESTMENT MANAGER**

The Company has engaged Aberdeen Fund Managers Limited as the Company's alternative investment fund manager to provide portfolio and risk management services to the Company. The AIFM has delegated portfolio management to Aberdeen Asset Investments Limited. Both the AIFM and the Investment Manager are each wholly owned subsidiaries of Standard Life Aberdeen plc. The Aberdeen Standard Investments Group is one of Europe's largest investment managers.

The Aberdeen Standard Investments Group manages 24 listed UK closed-ended investment companies. With over £9.5 billion of asset under management in closed-ended listed investment companies, the Aberdeen Standard Investments Group is one of the largest investment trust managers in the UK.

The Aberdeen Standard Investments Group is a globally renowned emerging markets fund manager with £44 billion in dedicated emerging markets mandates. In particular, the Aberdeen Standard Investments Group is the largest emerging market closed-ended fund manager in the world, with 35 listed closed-ended funds in the UK, the US and Canada with total assets under management of £13 billion. The Aberdeen Standard Investments Group has proven operational, risk and compliance oversight with extensive experience of operating and investing in emerging and frontier markets.

The experienced London based team within the Aberdeen Standard Investments Group who will be responsible for the management of the Portfolio includes:

**Sebastiaan A.C. Berger**

Sebastiaan is a Dutch trained lawyer who has been advising foreign investors in Cuba since 1996, first as founder of the Havana office of an international law firm, then as a founding partner of Berger, Young and Associates (1998). He has been the lead investment manager of the Company since 2001 and was appointed as CEO of the Company in 2010, following the previous internalisation of the Company's management. Sebastiaan will join the Investment Manager as an employee with effect from Initial Admission.

**Stephen Coltman**

Stephen is a Senior Investment Manager within the Alternative Investment Strategies division at Aberdeen Standard Investments. Stephen has extensive experience investing across both public and private markets and spent the majority of his formative years based in Latin America. This included a three year period in Cuba during the 1990s. Stephen holds an MS in Chemistry from Imperial College, London and is a CFA charterholder.

**Christian Pittard**

Christian is Group Head of Product Opportunities. Christian was previously a director of the Company from 2001 to 2005. Christian is qualified as a Chartered Accountant and a fellow of The Securities Institute by Diploma. He has experience in launching and servicing both closed and open-ended funds. Christian graduated with a BSc (Hons) Degree in Economics from Southampton University.

### **Pertti Vanhanen**

Pertti joined Aberdeen in 2000 and is Global Co-Head of Real Estate. Pertti was formerly also a member of the Group Management Board of Aberdeen Asset Management (before its merger with Standard Life plc). He has been involved in the strategic development of Aberdeen's global property products and processes and has been a key driver in the launch of several non-listed property funds.

### **Andrew Allen**

Andrew joined Aberdeen in 2011 and is Global Head of Investment Research of Real Estate and a member of the Global property management committee. He is primarily responsible for the implementation of property research and strategy. Andrew previously worked for Oriel Securities (now Stifel), and was a founding partner and head of research & strategy at Cordea Savills (now Savills Investment Management).

## **3. THE KEY FUND PERSONNEL**

In addition to the external management provided by the AIFM and the Investment Manager, the Company will continue to benefit from the services of its extensive on-the-ground team consisting of nine members and being one of the most experienced investment teams focused exclusively on investment in the Cuban market.

The Key Fund Personnel will continue to be employed, or their services engaged, by the Company's wholly-owned subsidiary CPC (which has a branch registration in Cuba) for the provision of the services of such individual team members in Cuba. Under the terms of the Management Agreement, the agreed Annual Management Fee payable by the Company to the AIFM will be lowered by the (annual) running costs of CPC's Havana operations. The Key Fund Personnel will follow the investment processes and governance practices of the Aberdeen Standard Investments Group in relation to the services provided by them to the Company.

In parallel to his employment contract with the Investment Manager, Sebastiaan A.C. Berger will continue to maintain an employment contract with CPC in connection with the advisory services provided by him to the Company in Cuba and an employment agreement with CEIBA Tourism B.V. in connection with services undertaken in The Netherlands.

The Key Fund Personnel who will continue to advise the Company in Cuba includes:

### **Cameron Young**

Cameron is a Canadian who has lived and worked in Havana since 1998. Following a number of years as a lawyer with Baker & McKenzie in Hungary, he co-founded Berger, Young and Associates, a leading international consulting firm focused on Cuba, in 1998. He originally joined the Company's management as a principal investment manager in 2002 and became Chief Operating Officer of the Company when management became internalised in 2010.

### **Paul S. Austin**

Paul is a Canadian Chartered Professional Accountant (CPA, CA) who has lived in Havana since 2001. He started his career with PricewaterhouseCoopers where he worked in Toronto, San Jose, California and Cuba. He originally joined the management of the Company in 2005 as Financial Controller and became Chief Financial Officer of the Company in May 2013.

### **Gilberto Perez**

Gilberto is a Cuban lawyer who heads the day-to-day operations and management of the Havana representative office of CPC. Before joining CPC, Gilberto worked for Corporacion Financiera Habana S.A., the first joint venture in Cuba's financial sector and Grupo B.M., an Israeli company that previously held the 49 per cent. interest in the capital of Monte Barreto that was acquired by the Group.

## **Enrique Rottenberg**

Enrique is a real estate developer who has successfully developed residential and commercial real estate projects in Israel, Spain and Cuba. He was the promoter and driving force behind the development of the Miramar Trade Center and originally joined the management of the Company in 2006 when it acquired its interest in Monte Barreto. He continues to act as General Manager of the Miramar Trade Center.

## **4. THE MANAGEMENT AGREEMENT**

Under the terms of the Management Agreement, the Company has appointed Aberdeen Fund Managers Limited as the Company's alternative investment fund manager. The AIFM has delegated portfolio management to Aberdeen Asset Investments Limited, another member of the Aberdeen Standard Investments Group, as Investment Manager.

Pursuant to the terms of the Management Agreement, the AIFM is responsible for portfolio and risk management on behalf of the Company and will carry out the on-going oversight functions and supervision and ensure compliance with the applicable requirements of the AIFM Rules.

Pursuant to the terms of the Management Agreement, the AIFM is entitled, with effect from Initial Admission, to receive an annual management fee (the "**Annual Management Fee**") equivalent to 1.5 per cent. of Net Asset Value. The Annual Management Fee payable by the Company to the AIFM will be lowered by the (annual) running costs of CPC's Havana operations.

The Annual Management Fee is payable in Sterling monthly in arrears, save for any period which is less than a full calendar month.

In addition, the AIFM is entitled to reimbursement for all cost and expenses properly incurred by the AIFM and/or the Investment Manager in the performance of its duties under the Management Agreement.

There are no performance, acquisition, exit or property management fees payable to the AIFM and/or the Investment Manager.

The initial term of the Management Agreement is five years commencing on the date of Initial Admission (the "**Initial Term**"). The Company may terminate the Management Agreement by giving the AIFM not less than six months' prior written notice such notice not to be effective prior to the end of the Initial Term. The AIFM may terminate the Management Agreement by giving the Company not less than six months prior written notice.

Further details of the Management Agreement are set out in paragraph 7.2 of Part 14 of this document.

## **5. CONFLICTS OF INTEREST**

The AIFM and the Investment Manager have functionally hierarchically separated the performance of their portfolio or risk management tasks from other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored and disclosed.

The AIFM, the Investment Manager and their affiliates are involved in other financial, investment or professional activities which may, directly or indirectly, on occasion give rise to conflicts of interest with the Company. In particular, the AIFM and the Investment Manager manage funds other than the Company and may provide investment management, investment advisory or other services in relation to these funds or future funds which may have similar investment policies to that of the Company.

The AIFM will treat all of the Company's investors fairly and will not allow any investor to obtain preferential treatment, unless such treatment is disclosed in this document. The AIFM and its affiliates may from time to time act for other clients or manage other funds, which may have similar investment objectives and policies to that of the Company. Circumstances may arise where investment opportunities will be available to the Company which are also suitable for one or more of such clients of the AIFM and its affiliates or such other funds. The Directors have satisfied themselves that the AIFM and its affiliates have procedures in place to address potential conflicts of interest and that, where a conflict arises, the AIFM and its affiliates will allocate the opportunity on a fair basis.

The Investment Manager has regard to its obligations, under delegation, under the Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients, when potential conflicts of interest arise. In the event of a conflict of interest arising, the Investment Manager will ensure that it is resolved fairly and in accordance with the COB Rules and in particular, that any transactions are effected on terms which are not materially less favourable to the Company than if the potential conflict had not existed. The COB Rules require the Investment Manager to ensure fair treatment of all its clients. The COB Rules also require that when an investment is made it should be allocated fairly amongst all of its clients for whom the investment is appropriate. In particular, the Investment Manager uses its reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Investment Manager which fall within the Company's investment objective and policy, on the best terms reasonably obtainable at the relevant time with the aim of ensuring that the principle of best execution is attained in accordance with the COB Rules.

Potential conflicts of interest relating to John Herring and Colin Kingsnorth in their roles as Directors of the Company are dealt with in "Corporate Governance" below.

## **6. OTHER ARRANGEMENTS**

### **6.1 Administrator and Company Secretary**

JTC Fund Solutions (Guernsey) Limited has been appointed as administrator and secretary to the Company pursuant to the Amended Administration Agreement (further details of which are set out in paragraph 7.3 of Part 14 of this document). The Administrator provides day-to-day administration services to the Company and is also responsible for the Company's general administrative and secretarial functions such as the calculation of the Net Asset Value and the maintenance of the Company's accounting and statutory records.

Under the terms of the Amended Administration Agreement, the Administrator is entitled to annual fees for the provision of company secretarial services and administrative and accounting services to the Company of £120,000 per annum payable monthly in arrears. In addition, the Administrator is entitled to certain other fees for ad hoc services rendered from time to time, including for the provision of company secretarial services and administrative and accounting services to any Guernsey subsidiary of the Company of £10,000 per annum per subsidiary payable monthly in arrears. The Administrator is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.

### **6.2 Depositary**

JTC Global AIFM Solutions Limited has been appointed as depositary of the Company pursuant to the Depositary Agreement (further details of which are set out in paragraph 7.6 of Part 14 of this document). The Depositary provides depositary services to the Company and is responsible for setting up and maintaining cash accounts, ensuring the Company's cash flows are properly monitored, the safe-keeping of custody assets and the oversight and supervision of certain operational functions of the AIFM and the Company.

Under the terms of the Depositary Agreement, the Depositary is entitled to a fee for the provision of depositary services of £30,000 per annum, which accrues daily and is payable monthly in arrears. In addition, the Depositary is entitled to certain other fees for ad hoc services rendered from time to time. The Depositary is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.

### **6.3 Registrar**

Link Market Services (Guernsey) Limited has been appointed as registrar to the Company pursuant to the Registrar Agreement (further details of which are set out in paragraph 7.4 of Part 14 of this document). The Registrar provides registration services, including maintaining and updating the register of members of the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of any VAT), subject to a minimum of £5,500 per annum payable monthly in arrears. In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time. The Registrar is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.

#### **6.4 Independent Auditor**

EY Caribbean Professional Services Limited has previously provided audit services to the Company. With effect from Initial Admission, the Company intends to appoint Ernst & Young LLP to act as auditor for the financial year ending 31 December 2018. The annual report and accounts will be prepared according to the accounting standards laid out under IFRS. The fees charged by the Independent Auditor depend on the services provided and on the time spent by the Independent Auditor on the affairs of the Company; there is therefore no maximum amount payable under the Independent Auditor's engagement letter.

### **7. FEES AND EXPENSES**

#### **7.1 Issue expenses – the Initial Issue**

The issue expenses of the Company are those that arise from, or are incidental to, the Initial Issue and Initial Admission. These expenses include the commissions payable under the Placing and Offer Agreement, Receiving Agent's fees, listing and admission fees, printing, legal and accounting fees and any other applicable expenses.

On the assumption that gross proceeds of £100 million are raised pursuant to the Initial Issue the net proceeds will be £96.1 million, however, the costs and expenses of the Initial Issue will be settled out of the cash payment to be paid to the Company by the AIFM following Initial Admission under the terms of the Framework Agreement.

#### **7.2 Issue expenses – the Placing Programme**

The issue expenses of the Company relating to the Placing Programme are those that arise from, or are incidental to, the issue of Shares issued pursuant to a Subsequent Placing. These include the fees payable in relation to each subsequent Admission, including listing fees, as well as the fees and commissions due under the Placing and Offer Agreement and any other applicable expenses in relation to the Placing Programme.

The issue expenses of a Subsequent Placing will be met by the Company from the proceeds of such Subsequent Placing.

#### **7.3 On-going annual expenses**

The Company's ongoing annual expenses are currently expected to amount to 2 per cent. of Net Asset Value per annum assuming a Net Asset Value on Initial Admission of £228.5 million.

### **8. CORPORATE GOVERNANCE**

The Company will voluntarily comply with the provisions of Chapter 9 of the Listing Rules regarding corporate governance. Chapter 9 of the Listing Rules requires that the Company must "comply or explain" against the UK Corporate Governance Code. In addition, the Disclosure Guidance and Transparency Rules require the Company to, (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management systems.

The Directors recognise the value of the UK Corporate Governance Code and have taken appropriate measures to ensure that the Company complies, so far as is possible given the Company's size and nature of business, and history with the UK Corporate Governance Code. The areas of non-compliance by the Company with the UK Corporate Governance Code are in respect of the provisions relating to:

- the independence of the chairman;
- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

The Board considers that John Herring, in his role as chairman of the Company is independent in character and judgement and brings a wealth of experience, particularly in relation to the Company and its investments, to the Board. Due to his historical connection with Northview Investment Fund Limited (the Company's largest shareholder), John is not considered fully independent for the purposes of the UK Corporate Governance Code. It is the intention of the Board that, within six months of Initial Admission, John will stand down from the Board and a fully independent chairman will be appointed.

The Board considers the provisions dealing with the role of the chief executive, executive directors' remuneration and the need for an internal audit function are not relevant to the position of the Company because on Initial Admission it will be an externally managed investment company and will have no employees at the Company level and therefore no requirement for a chief executive, and by reason of the size and composition of the Board.

#### **8.1 The Board and Board Committees**

The Chairman is John Herring and the Senior Independent Director is Peter Cornell.

The Board considers the majority of the Non-Executive Directors to be independent for the purposes of the UK Corporate Governance Code. As noted above, John Herring is not considered to be wholly independent for the purposes of the UK Corporate Governance Code. In addition, Colin Kingsnorth, as a representative of Laxey Partners, and the investment manager of Value Catalyst Fund, both being major shareholders in the Company, is also not considered independent for the purposes of the UK Corporate Governance Code.

A majority of the Board will at all times be independent of the AIFM and the Investment Manager.

The full Board will meet at least four times a year to consider general matters affecting the Company and otherwise as required. Committee meetings comprising any two or more Directors will meet on an ad hoc basis to consider transactional and related matters concerning the Company's business.

The Board has established an Audit Committee, a Management Engagement Committee and a Nomination Committee. These committees undertake specific activities through delegated authority from the Board. Terms of reference for each committee have been adopted and will be reviewed on a regular basis by the Board.

#### **8.2 Audit Committee**

The Audit Committee comprises Peter Cornell, Colin Kingsnorth, Keith Corbin and Trevor Bowen (who is Chairman and is considered to have recent and relevant financial experience). The Audit Committee meets at least twice a year. There are likely to be a number of regular attendees at meetings of the Audit Committee, including other members of the Board and the Company's external auditors.

The Audit Committee is responsible for ensuring that the financial performance of the Company is properly reported and monitored. The Audit Committee reviews the annual and interim accounts, the accounting policies of the Company and key areas of accounting judgment, management information statements, financial announcements, internal control systems, risk management and the continuing appointment of auditors. It also monitors the whistle blowing policy and procedures over fraud and bribery.

Due to its size, structure and the nature of its activities, the Company does not have an internal audit function. The Audit Committee will continue to keep this matter under review.

### **8.3 Management Engagement Committee**

The Management Engagement Committee comprises the full Board with John Herring as Chairman. The Management Engagement Committee will meet at least once a year or more often, if required. Its principal duties will be to consider the terms of appointment of the AIFM and it will annually review that appointment and the terms of the Management Agreement. The Management Engagement Committee will also review the terms of appointment of other key service providers to the Company.

### **8.4 Nomination Committee**

The Nomination Committee comprises Colin Kingsnorth, Trevor Bowen, Peter Cornell and Keith Corbin, who is Chairman. The Nomination Committee will meet at least once a year or more often if required. Its principal duties will be to advise the Board on succession planning, bearing in mind the balance of skills, knowledge and experience existing on the Board, and will make recommendations to the Board in this regard. The Nomination Committee advises the Board on its balance of relevant skills, experience and length of service of the Directors serving on the Board. All appointments to the Board will be made in a formal and transparent manner.

### **8.5 Directors' share dealings**

The Directors will comply with the share dealing code adopted by the Company (in compliance with the Market Abuse Regulation) in relation to their dealings in Shares. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors.

**PART 8**  
**VALUATION REPORT**

## CEIBA – CUBAN ASSETS VALUATION REPORT

- Hotel Meliá Habana, Havana, Cuba



- Hotel Meliá Las Americas, Varadero, Cuba



- Hotel Meliá Varadero, Varadero Cuba



- Hotel Sol Palmeras, Varadero, Cuba



- Miramar Trade Centre (MTC), Offices, Havana, Cuba



31 March 2018

## **CEIBA Investments LTD**

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Channel Islands

International Property Consultants  
Chartered Surveyors

Rua Artilharia Um, 79-6º Esq.,  
1250-038 Lisbon  
Portugal  
www.abacusproperty.pt  
PORTUGAL – ANGOLA – CUBA

31 March 2018

Dear Sirs,

### **PROPERTIES:**

- **The Hotel Meliá Havana located in Havana, Cuba (a 32.5 per cent. indirect interest in the Cuban joint venture company MIRAMAR S.A.);**
- **The Hotels Meliá Las Americas, Meliá Varadero and Sol Palmeras, all located in Varadero, Cuba (a 32.5 per cent. indirect interest in the Cuban joint venture company Cuba-Canarias S.A.);**
- **The Miramar Trade Center (MTC), Havana, Cuba (a 49 per cent. indirect interest in the Cuban joint venture company Inmobiliaria Monte Barreto S.A.);**

### **1.1 INSTRUCTIONS**

In accordance with the terms agreed with CEIBA Investments Ltd (the “Company” or “CEIBA”), we have undertaken the relevant work in order to provide a valuation and report in relation to the above-named properties. We have valued these assets annually since 2012.

This Valuation Report (“Report”) has been prepared for the purpose of inclusion in the Prospectus published in connection with the Placing and Offer for Subscription being conducted by the Company and the subsequent admission to trading on the Specialist Fund Segment of the London Stock Exchange’s main market for listed securities pursuant to EU Directive 2003/71/EC (the “Prospectus Directive”).

This valuation report is issued on the understanding that it will be used within the Prospectus and Abacus has given its consent for this purpose.

For our client’s convenience, this report may have been made available in electronic as well as hard copy format. As a result, multiple versions of the report may exist in different media. In the case of any discrepancy, the final signed hard copy should be regarded as definitive.

In accordance with our most recent instructions, this year we have inspected the subject properties in March 2018 in order to provide CEIBA with our annual opinion of the Fair Value.

We have been provided with all information requested to understand the last year’s financial performance upon which our opinion of value has been based.

The date of valuation is the 31 December 2017.

In addition, we confirm the following:

- that we have the knowledge, skills and ability to act on your behalf in respect of this instruction and confirm we are acting as an external valuers and as an independent experts;
- the properties were inspected by Jerry Harris MRICS and Dominique Bourdais during the week commencing 12 March 2018, and we have been informed that no material changes were made to the property between the 31 December 2017 and the inspection date;
- that we hold suitable Professional Indemnity Insurance cover on a per claim basis in respect of this instruction. Our liability to any one or more of the Addressees or any other party who otherwise becomes entitled to rely upon the Report under or in connection with this Valuation, shall be limited to the amount specified at the Terms of Engagement Letter;

- we do not consider that we have any conflict or potential conflict of interest with either the property or the client that may prevent us from providing you with our valuation and report as external valuers as defined within the “Red Book”, and we confirm that our relationship with the client is limited at present to the performance of these valuations;
- whilst the properties have been valued as assets, the value of the percentage ownership can be derived by simple mathematical calculation of the percentage ownership;
- our opinions of value have been prepared in U.S. dollars. Where this involves conversion from local currencies, we have adopted the exchange rate as at the date of this Valuation. Where the data collected during our fieldwork required conversion into the currency in which our projections and/or opinions of value are to be reported in, we have adopted an exchange rate prevalent with the timeframe to which that data relates.

## 1.2 CUBA ECONOMY BACKGROUND UPDATE

In the following paragraphs, we summarise the most recent events affecting the Cuba economy. The information is derived from various official sources and press articles.

### The Cuban Economy

The Cuban government continues to balance the need for loosening its socialist economic system against a desire for firm political control. In April 2011, the government held the first Cuban Communist Party Congress in almost 13 years, during which leaders approved a plan for wide-ranging economic changes. Since then, the government has slowly and incrementally implemented limited economic reforms, including allowing Cubans to buy electronic appliances and cell phones, stay in hotels, and buy and sell used cars. The government has cut state sector jobs as part of the reform process, and it has opened up some retail services to “self-employment,” leading to the rise of so-called “cuentapropistas” or entrepreneurs. Approximately 476,000 Cuban workers are currently registered as self-employed.

The Cuban regime has updated its economic model to include permitting the private ownership and sale of real estate and new vehicles, allowing private farmers to sell agricultural goods directly to hotels, allowing the creation of non-agricultural cooperatives, adopting a new foreign investment law, and launching a “Special Development Zone” around the Mariel port.

In November 2017, Cubans went to the polls to elect delegates to 168 municipal assemblies, the first step in an electoral process that terminates in April 2018 when the National Assembly, Cuba’s parliament, confirms the almost inevitable appointment of Miguel Diaz-Canel as Cuba’s new president. In 2013, when Raul Castro pledged not to seek a third term, he also imposed a two-term limit for all senior government and Communist Party leadership positions. That means the succession will replace not only Castro but almost all the remaining members of the “historical generation” who fought to overthrow Fulgencio Batista’s dictatorship in 1959.

The changing of the guard comes at a delicate political moment. Castro’s ambitious economic reform program, the “updating” of the economy, is still a work in progress and has yet to significantly raise the standard of living of most Cubans. Moreover, it is encountering resistance from state and party bureaucrats who are loath to lose control over the levers of economic power and the perks those provide.

The economy has also been struggling because of declining oil shipments from Venezuela, which sells oil to Cuba at subsidized prices, helping to ease Cuba’s chronic shortage of hard currency. The political and economic chaos engulfing Venezuela has caused oil production to decline, and shipments to Cuba are running 13 per cent. below last year and 37 per cent. below their peak in 2008. The resulting energy shortage has forced Cuba to impose drastic conservation measures and pushed the economy into a mild recession last year.

In September, Cuba’s economic woes were exacerbated when Hurricane Irma came ashore, inflicting significant damage as it tracked along the north coast before turning toward the Florida Keys. The storm hit some of Cuba’s most lucrative tourist resorts, cutting into the one sector of the economy that has enjoyed sustained growth in recent years. Most of the major hotels reopened for business quickly, but the storm did significant damage to the power grid, leaving large swaths of central Cuba in darkness.

The economy is not Cubans' only source of anxiety. With the election of Donald Trump, Havana's relations with Washington entered a period of uncertainty. Secretary of State Rex Tillerson's decision to withdraw nonessential staff from the U.S. embassy in Havana in the wake of mysterious health problems among nearly two dozen staff and family members, the expulsion of most Cuban diplomats from Washington, and the State Department's decision to issue a travel advisory warning to U.S. Citizens wishing to travel to Cuba, pushed relations to a low point not seen since December 2014, when then-President Barack Obama's normalization process began. The last quarter of 2017 hotel performance indicates that there has been a decline in U.S. business which is likely to continue into 2018. Airline crew business demand, however, remains strong.

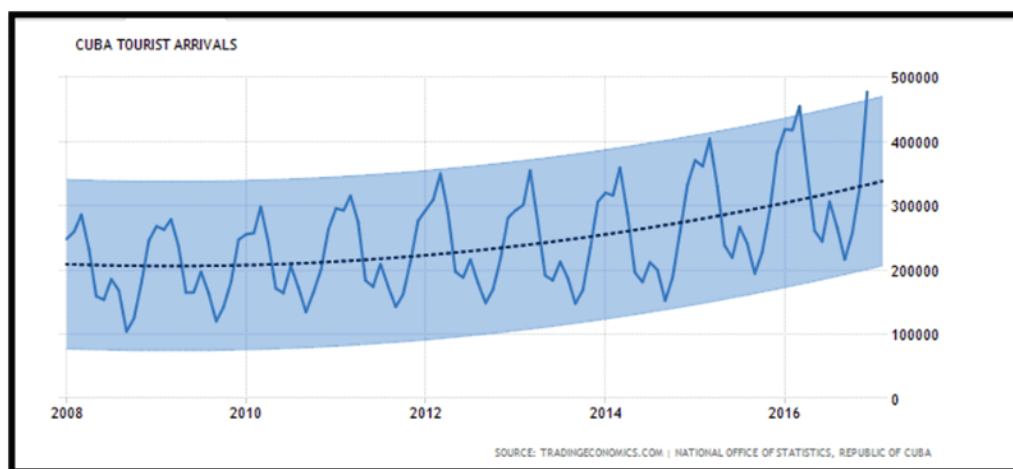
### Cuba Property Market Commentary

As expected, the 2016 softening of the U.S. position on Cuba and the measures implemented by the outgoing Obama administration led to a strong surge in the Cuban property markets. In the summer of 2016, direct flights to Cuba from various U.S. cities began. This brought in welcome additional demand for hotel accommodation, both from visitors and also airline crew. At the peak of this surge, the U.S. Department of Transport (DOT) was allowing in excess of 100 daily flights from U.S. cities to Cuba's International Airports. The number of flights from the U.S. has declined slightly during 2017 but we understand that this is normal attrition, after the initial rush to capitalise on the opportunity, of new services to Cuba. Hotels are reporting the volume of airline crew business as steady. For the Meliá Habana this represents 100 rooms every night (20 - 25 per cent. of demand). Approximately 13 per cent. of this is from the U.S., 65 per cent. from Europe and 14 per cent. from Canada. The balance is shared between South America and Cuba.

President Donald Trump's inauguration on 20 January 2017 marked the beginning of a rapid reversal of decisions made by his predecessor. As reported by CNN, in June 2017 he announced: "I am cancelling the last administration's completely one-sided deal with Cuba". Although Trump said he was "completely" cancelling Obama's Cuba policy, the change is reported to be a partial shift from Obama's policy. Diplomatic relations between the United States and Cuba are to remain open, as will the newly opened embassies in Washington and Havana. Trump said he is keeping the embassy open "in the hope that our countries can forge a much stronger and better path." As a result, local hoteliers report a decline in occupancy percentage and average room rate in the last quarter of 2017 which is likely to continue into some months of 2018.

Despite these tensions with the U.S., there seems to be a sustained increase in tourist visitation from the U.S. (in particular Cuban Americans and a steady flow of flights from the U.S. to Cuba, resulting in strong airline crew demand for hotel accommodation as previously mentioned.

The 4 million tourist arrivals in 2016 (an increase of 13 per cent. over the previous year) was the driving force behind the outstanding performance by the islands hotels.



Official figures to July 2017 report arrivals at 3 million and it is expected that by the end of 2017 the total number will exceed 5 million, a 25 per cent. increase on 2016. Hurricane Irma did cause extensive damage, flooding and power cuts for a few days. This has affected the performance of hotels in the last quarter of 2017. Since the high season is from October to April it is expected that the 2018 performance will also be

affected. There has been a decline in advance booking from Europe which represents 30 per cent. to 40 per cent. of hotel demand in Havana. It appears that some of the European markets have temporarily been “scared away” by the negative publicity around Hurricane Irma. Hoteliers expect partial recovery in the second half of 2018. It is important to note that despite the unusual severity of “Irma” Cuba was back to normal business within a matter of weeks.

Putting aside the double impact of the reduction in U.S. related demand and Hurricane Irma, Cuba is clearly at a point where hotels are now reaching overall occupancy levels well in excess of 75 per cent. and room rates are also rising strongly (double digit growth for the past two years). In many cases in both Havana and the resort strip of Varadero, the 4-5\*hotels are now reaching almost full occupancy all year round, and the question is therefore how much higher can room rates go? Any decline in performance in the last quarter of 2017 should be viewed as a temporary set-back. There is clear evidence that the market is under-supplied at the moment.

The Cuban hotel market is relatively immature by international standards. Historically, this lack of maturity was reflected in slow growth in new supply and very low average room rates due to a sluggish demand. The past 36 months have seen a complete turnaround in the market circumstances however, as explained above. There is now a stimulus in new hotel developments, and desperately needed new hotel supply is now beginning to materialise slowly.

Cuban resorts have also benefited from substantial performance growth albeit on a smaller scale than Havana. The growth has been curtailed by multiple factors as follows:

- Because resorts rely heavily on tour operators contract negotiations take place 12 to 18 months in advance. There is therefore no opportunity for immediate rate increases.
- Canada, which is the key source market, is very price sensitive.
- South American markets have declined strongly. However, this is compensated by a strong increase in demand from Europe and new demand from the Incentive and Conference (MICE) sector.
- The access to the U.S. market continues to be severely constrained.

There is clear evidence that throughout the island, the European market continues to grow strongly. The first half of 2018 is likely to show some decline in patronage from the European market due to the negative impact of Hurricane Irma but hoteliers expect some recovery in the second half of the year. The U.S. market, limited by a cap on flight numbers, is still a fraction of what it could be and represents a huge potential market if and when the stance of the U.S. administration becomes more favourable.

The Havana residential market is also now picking up steam, with significant demand coming from the tourism sector where private houses and apartments are being refurbished for holiday lettings. The shortage of hotel accommodation is fuelling growth in this sector. There is also a growing trend globally for tourists to seek more traditional and local accommodation instead of hotels. Cuban nationals are still the only people with the right to own houses but many are sourcing funding from relatives abroad and the price of apartments has risen perhaps 30 per cent. per year over the past couple of years.

The much-discussed resorts planned for certain locations in Cuba are still yet to begin construction but there are finally signs that some new developments are beginning, subject always to availability of building materials. The Iberostar Bella Vista Varadero formally opened in 2017 with 830 rooms. Work has also commenced on the redevelopment of the Hotel Internacional also in Varadero. The hotel was closed in 2015 for a complete rebuild and is due to be completed in 2019/20. In recent years, the viability of hotels outside Havana has been questionable, but demand and room rate growth are now stronger therefore providing much better returns for developers. We are aware that CEIBA has a project for a new 400 room up-market resort hotel in Trinidad. We were advised that the site has been cleared and that construction will start in 2018.

The outlook for Cuba’s business environment is uncertain over the next few years, as economic pressures mount and uncertainty over the Trump government continues. The gradual liberalisation of the island’s state-dominated economy as the scope for domestic private business and foreign-business involvement grows, seems to be likely. Cuba’s skilled workforce will remain the strongest aspect of its business environment. The gradual process of transferring activity away from the state will increase opportunities for private-sector activity. Weaknesses include the island’s dilapidated (albeit now improving) infrastructure and ongoing U.S. sanctions. For as long as the main U.S. restrictions on trade and finance remain in place, they

will continue to limit the scope for external trade. Foreign investment will be welcomed in a wider range of activities, but investors will remain closely monitored by the government.

There is little if any market information on the volume of office accommodation in Havana. We estimate that the current total stock of “modern” (i.e. purpose-built) office buildings in the city is approximately 100,000 m<sup>2</sup>, much of which is government offices and which does not form part of the active office market. The Miramar Trade Center (MTC) is the only significant modern office complex in Havana and represents over 50 per cent. of the market, but excluding government offices the Miramar Trade Center represents probably 90 per cent. of the market.

The principal competition to the Miramar Trade Center is the converted villa market between Miramar and Havana city, where the Cuban government (and some private owners) provide villa accommodation for embassies and NGO's. In many cases these villas are very run down and the tenant is faced with significant upgrading costs, but the rents are low and for long-term users such as embassies this is a viable option for accommodation.

The office market is currently in what would be considered a strong situation in international terms, with vacancy rates extremely low at perhaps 5 per cent. overall, with no new office construction underway and demand now apparently increasing strongly, and clearly in excess of supply.

### **1.3 SUMMARY OF THE PROPERTIES**

#### **Meliá Habana**

The Hotel Meliá Habana is located in the heart of Miramar, the new business centre of Havana in Cuba. It is right next to the Fifth Avenue, 10 minutes from the historic city centre, 15 minutes from the José Martí International Airport and five minutes from Havana's Congress and Convention Centre.

The 397-room five-star hotel opened in September 1998 and is managed by the Spanish hotel group Meliá Hotels International.

The hotel is one of a few business hotels in the capital city. It offers a comprehensive range of conference and meeting facilities. Approximately 40 per cent. of the hotel's demand was derived from the corporate and conference segments in 2017.

In 2015 and 2016, the guest profile changed significantly and the hotel enjoyed very strong growth in performance. The Revenue Per Available Room (RevPAR) in 2016 was up 60 per cent. compared to 2015 and 140 per cent. compared to 2010. In 2017 all hotels were affected by Hurricane Irma and the resulting flooding of Havana. The Meliá Habana RevPAR was down 7.5 per cent. Our analysis shows the entirety of this decline is related to Hurricane Irma in September.

We anticipate the first half of 2018 to be challenging for the hotel with some recovery by the last quarter of the year when the next high season starts. As previously mentioned, the “Trump factor” combined with the unusually strong impact of Hurricane Irma has affected the entire hotel market in Havana and not only the Meliá Habana.

#### **Meliá Las Americas**

The Hotel Meliá Las Americas is located in Varadero, a popular resort location some 140 kilometres East of Havana. Varadero is a long peninsula with sandy beaches and many hotels.

The 340-room five-star hotel opened in 1994 and is managed by the Spanish hotel group Meliá Hotels International.

The hotel is one of many on the Varadero peninsula. It is graded as a 5-star property and is one of the better-quality hotels in Varadero. It offers the traditional facilities of a quality resort hotel. The Varadero Golf Club (18 holes) is adjacent to the property although owned and operated independently. This is, at the moment, the only golf course in Cuba. Many hotel patrons play on the nearby golf course which is of good international standard.

The majority of hotel demand is derived from the tour operator segment (in excess of 85 per cent.). The remaining room nights originated from the corporate and conference segments.

### **Meliá Varadero**

The Hotel Meliá Varadero is located in Varadero.

The 490-room five-star hotel opened in 1992 and is managed by the Spanish hotel group Meliá Hotels International.

The hotel is one of many on the Varadero peninsula. It is graded as a 5-star property and is one of the better-quality hotels in Varadero. It offers the traditional facilities of a quality resort hotel, and the hotel demand is derived from the tour operator segment. The hotel operates on an all-inclusive basis.

### **Sol Palmeras**

The Hotel Sol Palmeras is located in Varadero.

The 604-room four-star hotel opened in 1990 and is managed by the Spanish hotel group Meliá Hotels International.

The hotel is one of many on the Varadero peninsula. It is graded as a 4-star property. It offers the traditional facilities of a quality resort hotel, and the hotel demand is derived from the tour operator segment. The hotel operates on an all-inclusive basis.

### **Miramar Trade Centre**

The MTC is located on the western perimeter of the city of Havana, approximately 8 kilometres from the city centre. Access to the city is via the 5<sup>a</sup> Avenida dual-carriageway that links to the Avenida Malecon running along the Havana seafront. The José Martí international airport lies approximately 15 kilometres to the south and is easily reached within 15 minutes by car.

The property is located within a clearly defined grid of 2 and 4 lane roads in the Miramar district, set back one block (500m) from the seafront, although the rocky coast has no useable beaches in this location. There is no underground subway system, and all transport is via roads. The property is well served by bus routes and taxis are plentiful.

The subject property comprises 6 office buildings in 2 phases:

Phase 1 completed in 1999, and comprises Edificios Jerusalem and Habana - These two office buildings adjoin each other, fronting onto the main 3ra Avenida dual carriageway, facing the seafront and the 5-star Meliá Habana hotel, and are almost identical. Each comprises 5 similar rectangular office floors above a ground floor with retail units, and extensive basement parking.

Phase 2 completed in 2008, and comprises 4 inter-connected office buildings above a common basement car park, namely Edificios Santa Clara, Beijing, Barcelona and Santiago de Cuba - They comprise 5-7 floors above ground linked at levels 1-5 thus providing potential to create very large floor areas on each level (up to 7,000m<sup>2</sup>).

All 6 buildings have been developed following the same style of architecture, layout and specification which we consider to be very efficient and flexible, and the overall quality of the office space provided is to a good international standard.

## **1.4 BASIS OF OUR VALUATIONS**

Our valuations have been carried out in accordance with the **RICS Valuation-Global Standards 2017 (Global Red Book or Red Book)** published with an effective date of 1 July 2017. This coincides with the effective date of the 2017 International Valuation Standards (IVS). This new edition replaces the January 2014 Global edition of the Red Book.

The definition of value to be adopted will be Fair Value as defined by the International Accounting Standards Board (IASB) and which is as follows:

**“The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date”**

In arriving at the reported valuation of a property comprising a fully equipped and operational trading entity our opinion of value has been arrived at in compliance with the RICS guidelines. In particular we have considered the following:

- 1 The legal interest in the land and buildings;
- 2 The trade inventory usually comprising all trade fixtures, fittings, furniture and equipment;
- 3 The market's perception of the trading potential, together with an assumed ability to obtain/renew existing licenses, consents, certificates and permits;
- 4 Consumables and stock in trade are normally excluded.

Our report and valuation in accordance with these requirements are set in this report.

## **1.5 VALUATION CONTEXT**

Properties such as the assets in which CEIBA has an interest usually change hands in the open market at a price related to their trading potential for that strictly limited use. Given the purpose-built nature of the properties, we consider that there is no alternative use value for them and that the Fair Value would be determined by reference to the property's use as hotels or offices in the case of the MTC.

The overall methodology we have adopted for our valuation is to reflect the trading projections in a Discounted Cashflow ('DCF') Model. This is the approach for properties of this nature, that we consider the market would use. It involves the capitalisation of the 10-year income stream discounted back to today's date. We have also used the replacement cost and comparable transactions methodologies in accordance with RICS requirements.

## **1.6 TENURE & BRANDING**

The Cuban joint venture companies have been granted surface rights in relation to land. Surface rights do not equate to freehold or leasehold title to land. The surface right is a real right over land regulated by articles 218 to 225 of the Cuban Civil Code. It is the primary legal mechanism used to transfer rights in land for purposes of construction in Cuban real estate projects involving foreign capital. Only the Cuban government may grant surface rights over land for commercial purposes. Surface rights may be granted under gratuitous or onerous title and confer on the holder the right to use the property in question and to erect constructions thereon in accordance with the provisions of the legal act granting the surface rights, but do not confer any right to sell or transfer the property. Upon expiry of surface rights, the land reverts to the owner (the Cuban government in the case of real estate projects involving foreign capital), together with all constructions erected thereon during the term and any extension thereof, subject to the payment by the owner of the land to the holder of the surface rights of compensation for the value of the constructions being joined to the land and transferred, as provided under articles 179 and following of the Cuban Civil Code (dealing with accession).

### **1.6.1 Title and ownership structure (Hotels)**

At present, the Cuban State holds the freehold land right related to all commercial and tourism real estate, developed by Cuban joint venture companies (having a foreign interest).

The Meliá Habana hotel was developed under a 50/50 joint venture agreement between the Cuban Government and a Spanish hotel development company HOMASI S.A., the joint venture company being MIRAMAR S.A. The hotel is still held by MIRAMAR S.A. Our client, CEIBA, has gradually acquired an economic interest in HOMASI S.A. beginning in March 2009. Prior to the transactions outlined below, CEIBA held an 86 per cent. economic interest in HOMASI, meaning a 43 per cent. interest in MIRAMAR S.A.

The three hotels in Varadero were developed under a 50/50 joint venture agreement between the Cuban Government and a Spanish hotel development company CIHSA S.A., the joint venture company being Cuba-Canarias S.A. During 2017, CEIBA purchased an additional 43.775 per cent.

economic interest in CIHSA from another shareholder which increased its total economic interest to 71.525 per cent. (35.7625 per cent. interest in the Varadero hotels). CIHSA and HOMASI S.A. were then merged into one company (HOMASI S.A.) which resulted in CEIBA holding a 78.416 per cent. interest in the new HOMASI S.A. and Meliá Hoteles International S.A. ("Meliá") holding the remaining 21.584 per cent. Subsequent to the merger, Meliá purchased from CEIBA 13.416 per cent. of the shares of the new HOMASI S.A. thus increasing its interest to 35 per cent. with CEIBA holding the remaining 65 per cent. interest (32.5 per cent. interest in Cuba-Cararias S.A.).

CEIBA has informed us that Cuba-Canarias S.A. (Varadero Hotels) and Miramar S.A. (Meliá Habana) are in the process of merging following which the Meliá Habana and the three Varadero Hotels will all be consolidated in MIRAMAR S.A. owned 50 per cent. by HOMASI S.A. The 50 per cent. ownership of HOMASI S.A. in MIRAMAR S.A. will be held 65 per cent. by CEIBA and 35 per cent. by Meliá which implies that CEIBA will have a 32.5 per cent. interest in MIRAMAR S.A. and Meliá a 17.5 per cent. interest.

CEIBA has also informed us that, as part this restructuring process they have successfully renegotiated the renewal of the surface rights as at 1 January 2018 for a further 25 years at a fixed one-off cost payable on signature of the new surface right agreement. Whilst the negotiations have not had the final approval from the government, we have been assured that this is only a formality and that the final approval should be granted very soon. Administrative procedures in Cuba are cumbersome and this situation is not unusual. We have therefore assumed that the process will be completed successfully shortly.

We note that as part of the transaction the Meliá hotel group has increased its stake to 35 per cent.. For the past 20 years hotel groups around the world have generally divested from asset ownership. Operators will sometimes consider a minor stake in an asset (5 per cent. to 10 per cent. of the equity) but only in a very strong, stable and well-established market, and more often, as a buy-in to get into a market they are interested in. Meliá's large stake demonstrates that as a manager of hotels they have high confidence in the Cuban market which is a reassuring stance.

## 1.6.2 Hotel Management Agreement

All the hotels are subject to a management agreement with Meliá. All these contracts expired on 31 December 2017 and we understand new contracts have been agreed for another five years (2018 – 2022). This is a standard length of contract in Cuba and the terms are negotiated with the government for all hotels in the country.

From this year there is no base fee (historically it was 3 per cent. of total revenue) and the terms are based only on a percentage of Adjusted Gross Operating Profit (AGOP).

We present below the terms for the Meliá Habana. For the other hotels, the tier structure is similar and varies in accordance to past performance.

### ***New Contract Terms***

Base management fee: None.

Incentive management fee: Based on Net Income Before Fixed Charges as follows

<i>Net Income (US\$000s)</i>		<i>Fee</i>	
<i>From</i>	<i>To</i>		
\$ –	\$ 8,500	12.0%	
\$ 8,501	\$ 15,000	18.0%	Of incremental NI only
\$ 15,000	And Above	24.0%	Of incremental NI only

Note that each tier fee per cent. is based on the incremental income only and not the total income. For example, if the income was to be U.S.\$15 million, the operator would get 12 per cent. of U.S.\$8.5 million +18 per cent. of U.S.\$6.5 million (15 million – 8.5 million = 6.5 million).

### Performance Clause

A performance clause was added to the contract allowing an early termination if minimum Net Income thresholds are not met.

	2018	2019	U.S.\$000's 2020	2021	2022
Threshold of Contract termination	\$14,339	\$14,503	\$14,636	\$14,783	\$14,919
Increase %		1.1%	0.9%	1.0%	0.9%

### 1.6.3 Title and Ownership Structure Miramar Trade Centre (MTC)

The MTC has been developed by a joint venture company called Inmobiliaria Monte Barreto S.A. (IMB) which is owned 51 per cent. by the Cuban Government and 49 per cent. by CEIBA.

The Cuban joint venture company IMB was incorporated on 7 March 1996 and is governed by its Deed of Incorporation, its Bylaws and the Government. IMB was incorporated for an initial term of 50 years from 1996 and simultaneously granted a 50-year surface right over the land upon which the property is built, expiring March 2046 (just over 28 years unexpired).

## 1.7 HISTORICAL TRADING PERFORMANCE

We summarise below the historical performance of the assets in 2017.

### 1.7.1 Hotels

	Meliá Habana	Meliá Las America	Meliá Varadero	Sol Palmeras	Total Hotels
Number of Rooms	397	340	490	604	1,831
Days Open	365	365	365	365	365
Roomnights Available	144,905	124,100	178,850	220,460	668,315
Roomnights Occupied	104,552	99,942	140,681	173,520	518,695
Room Occupancy %	72.2%	80.5%	74.5%	78.7%	77.6%
Average Room Rate U.S.\$	228	156	116	106	143
RevPAR U.S.\$	164.38	125.67	86.26	83.78	111.00
Total Revenue U.S.\$000s	28,594	21,875	24,400	27,575	102,443
Total Departmental Expenses U.S.\$000s	6,564	6,613	8,353	9,698	31,228
Departmental Income U.S.\$000s	22,030	15,261	16,047	17,877	71,215
Total Undistributed Expenses U.S.\$000s	6,069	5,348	5,904	6,873	24,194
Management Fee U.S.\$000s	831	1,045	1,193	1,347	4,416
Gross Operating Profit (GOP) U.S.\$000s	15,129	8,868	8,950	9,657	42,604
Total Fixed Charges U.S.\$000s	3,882	2,700	2,729	3,048	12,358
EBITDA U.S.\$000s	11,248	6,168	6,221	6,609	30,246

### 1.7.2 MTC

<i>MTC</i>	<i>31-12-2017</i>
<b>Income</b>	
Rent – offices/retail	16,464,575
Admin fee	6,478,216
Rent – parking	220,752
<b>Total Income</b>	<u>23,163,543</u>
<b>Running costs</b>	
Consumables	664,019
Fuel and oil	49,899
Energy	2,232,227
Salaries	36,000
Personal expenses	31,000
Services	2,523,039
Other	510,530
<b>Total Costs</b>	<u>6,046,714</u>
Net Operating Income	<u>17,116,829</u>

## 1.8 VALUATIONS

### Hotels

Our valuation relies mainly on the DCF approach. The net income is based upon the EBITDA in our ten-year profit and loss projections. For the hotels we have applied a discount rate of 15.0 per cent. There is currently strong demand from investors/operators in the Cuban hotel market. Whilst we believe it is reasonable to assume that both this demand for hotel assets and also the performance of the hotels themselves will probably continue strongly for several years to come, we consider it prudent to constrain this growth until the position of the Trump administration is made clear. Demand from tourism is likely to continue to grow strongly almost regardless of the evolution of the U.S. embargo situation, and “barriers to entry” to this market remain high for investors. Cuba is currently not very dependent on the U.S. market and hotels’ source of demand is diversified. Any potential negative change in position in the Trump administration is more likely to result in slower growth than decline in demand. We are of the opinion that these yields reflect investors’ sentiment and the uncertainty related to the future position of the Trump administration.

### MTC

Our valuation relies mainly on the DCF approach. The net income is based upon the EBITDA in our ten- year profit and loss projections and for the MTC we have applied a discount rate of 12.5 per cent. The property holds a dominant market position (in fact, a near monopoly) in the Havana office market, and is clearly the location of choice for international and diplomatic entities, as it provides not only good quality secure modern office space but also is regarded as the centre of the international business community in Havana. The property is leased under short and flexible leases, on the one hand positive for active asset management and applying rent increases when possible, on the other hand suggesting a low security of income, but this apparent risk is largely mitigated by the risk dilution over such a large range of tenants.

In order to capitalise on the high occupancy levels and the perceived demand, CEIBA management have been pursuing a policy of avoiding long leases and actively reducing lease terms to one year if possible, in order to be able to force rental increases on the tenants on an annual basis. It is evident that this strategy is proving successful in that in 2016 it was possible to increase by 9.75 per cent., with the average office/retail rent rising from U.S.\$ 22.23 to U.S.\$ 23.40. However, it is also clear that tenants will not accept such significant rises in costs every year, and progress has been much slower in 2017. We have assumed however that the building management will be able to push through rental increases for at least the next few years without affecting occupation rates too negatively.

Our valuation relies mainly on the DCF approach. The net income is based upon the EBITDA in our cashflow projections which in the case of the MTC run for the unexpired term of the surface right, being just over 28 years until March 2046, and in the case of the hotels run for a 10 year period.

The discount rate is obtained by using the Capital Asset Pricing Model (CAPM) where the Discount Rate  $(R) = R_f + \beta (R_m - R_f)$  where  $R_f$  is the risk-free rate,  $\beta$  or Beta is the expected volatility compared to other Cuban investments including commercial paper, and  $R_m$  is the Expected Market Return (so  $R_m - R_f$  is the Risk Premium over the risk free rate on Cuban investments). As the inputs to the CAPM assume a post-tax scenario, the Discount Rate  $(R)$  derived from the CAPM is a post-tax discount rate, and in order to derive an equivalent pre-tax discount rate for the purposes of the valuation of the property pre-tax net cashflow, we assume an average Cuban corporation tax rate of 20 per cent.. The post-tax discount rate derived from the CAPM for the valuation of the MTC was 10 per cent., and for the hotels 12 per cent..

### 1.8.1 **Discount Rate Justification**

The selection of a suitable discount rate to be applied to the property cashflow requires the valuer to decide what would be a suitable discount rate within a theoretical market situation. Our opinion of the discount rate to be applied is based on a combination of the following issues:

#### i) *Hotel market values and yields in oil economy locations*

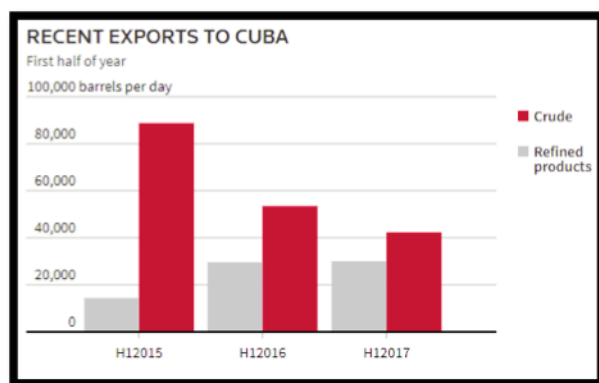
The U.S. Geological Survey estimates that Cuba may have reserves of as much as 4.6 billion barrels of technically recoverable crude oil, and drilling for these reserves began earnestly in 2012 but has now effectively ceased and without success. There are now considerable doubts that Cuba will be successful in reaching the much-needed resource. Should future exploration turn out to be fruitful, it could bring a radical change to the Cuban economy. In 2012, our valuation assumed that significant benefits would be derived from the discovery of viable new oil reserves in Cuba as it has been experienced in other countries. From 2013 we assumed such an event would be extremely unlikely and we applied a much higher discount factor. We continue to express doubt that such reserves will be found in the near future.

#### ii) *Reduced support from Venezuela and other countries*

Cuba has historically been highly dependent on Venezuela for oil but is now having to seek alternative partners following the Venezuelan economic collapse. In recent years deals have been reached with Algeria and Russia to cover the shortfall.

The current economic turmoil and political instability of Venezuela is of great concern for Cuba, which has historically received significant oil inflows each year in exchange for Cuban medical personnel, technology experts, political consultants and other “professionals.” The Venezuelan government has significantly reduced its oil exporting to the Caribbean including Cuba. The Venezuelan economy cannot afford to provide such subsidised oil in its current poor state.

The following chart illustrates the rapid decline in oil products exported to Cuba from Venezuela.



#### iii) *Internal reforms and development of international relations*

Perhaps as a result of its own concerns over stability of its deal with Venezuela, Cuba has been working to improve its international situation. The recent reforms to the economy and the publication of the relatively recent Foreign Investment Act are further steps towards the liberalisation of the economy and although no-one considers that the change to a market economy will be swift, most indications are that it is becoming much more likely over time.

As previously mentioned, the softening of the U.S. position on Cuba and the measures implemented by the outgoing Obama administration have led to a strong surge in the Cuban property markets. This has somewhat been tempered by President Trump's shift in policy towards Cuba, as previously mentioned. Whilst this change in policy has not yet had a severe impact on the renewed ties between Cuba and the U.S., there are concerns that the situation could change at any time. We continue to be concerned that an "actual" major policy reversal by the Trump Administration could slow this surge. We have therefore adopted a prudent approach to our forecast and our choice of discount rate.

iv) *Unique investment interest in Cuba*

Cuba has been an enigma for so many years as the country has maintained its economic and political direction despite several major economic and political disturbances around the world. Its unique combination of a Caribbean location, a strong and defined culture and exceptional education and literacy of its population, place it in a category of investment interest unlike almost any other country in the world. In all its potential future markets, such as tourism, natural resources, agriculture, branded products, medical and scientific innovation and so forth, it can be considered to have an upside potential second-to-none. The level of investment interest from the international community is evident, particularly in the property markets, where discount rates applied to hotel acquisitions have historically been very low, and the Cuban Diaspora itself is so economically strong that it is clear that increased openness from the Cuban government could open "floodgates" to economic and property investment. Whilst the process of lifting the U.S. embargo and completing the normalisation of relationships with the U.S. may still take some time, it seems likely to happen in the near future but maybe not whilst president Trump is in office.

v) *International returns on real estate*

The international market in real estate investment looks for a range of returns on capital from as low as 5/6 per cent. up to 20+ per cent., based on the mix of risk and leverage. As no direct leverage is possible in Cuba yet, investors would be looking for a higher level of return that would be the case where leverage was available, and for example we would estimate that an equity investor would expect a return of say 16-18 per cent. on any funds invested in acquiring similar rights in an emerging market. Given any purchase would probably be made with 100 per cent. equity, in theory the discount factor should therefore be 16-18 per cent. However, we consider that investors in such a perceived high-return market as Cuba would be certainly looking for a short/medium term capital gain, as opposed to a long-term income return, and would accept a significantly lower yield as a result.

## 1.8.2 **Valuation Certainty**

The RICS Valuation Standards (GN5) requires that where valuation uncertainty could have a material effect on the valuation the valuer has to draw this to the client's attention.

All opinions of value are subject to a degree of uncertainty and subjectivity. The RICS Appraisal and Valuation Manual requires a valuer to provide guidance on the level of uncertainty attached to any opinion of value that they provide.

Our valuation has been prepared in a period of market instability with significant changes taking place. Assuming eventual further progress in improvement of the relationship with the U.S., the expectations are that over the next decade Cuba will evolve as an investors' market, in particular in the tourism sector. However, in view of some uncertainty caused by the recent stance of the Trump administration on Cuba, we felt it was prudent to restrict future growth until the position is clarified. This prudent approach is also reflected in our choice of discount factor.

At the moment therefore, the lack of market activity and the resulting lack of market evidence mean that it is generally not possible to value with as high a degree of certainty as would be the case in a more stable market with a good level of market evidence. There are however clear signs that the Cuban hotel market is resilient to downturns. This is more than likely due to the shortage of hotel accommodation.

Cuba was severely affected by Hurricane Irma but hotels returned back to normal operation within a month. Havana hotels were more severely affected than Varadero hotels mainly due to severe flooding. This is yet another example of the country's resilience to adversity.

When valuing a hotel, the level of uncertainty attached to an opinion of value is directly related to the projections of income and expense. We have diligently prepared our projections of income and expense and consider that they are reasonable when compared to other hotels in the marketplace. In that regard, we consider the level of uncertainty attached to our opinion of value to be low.

It should be noted however, that the value of a hotel will rise and fall according to its actual and potential trading performance. Any material variation from the projections of income and expense, upon which our opinions of value are based, could thus have a material impact upon our opinions of value.

### 1.8.3 **Documentation Provided**

In order to carry out our valuation of this project, we requested certain information including the summary accounts for 2017 together with the budget for 2018 (we have had accounts since 2008 from previous valuation work). We have previously obtained floor plans, schedules of accommodation, historical and planned capital expenditure and so forth. Much of this information has been provided to us, which we have relied upon, and where presented in this report, we have noted the source.

In general terms, the information provided has been sufficient for the purposes of our valuation based on the assumptions set out below.

### 1.8.4 **Valuations**

#### *Special assumption:*

In order to determine the Fair Value of the four hotel assets as Operational Trading Entities considering that the corresponding surface rights are due to expire within the valuation period for the five assets, this valuation has been prepared on the Special Assumption that as part of a restructuring process explained above, we understand that CEIBA has successfully renegotiated the renewal of the surface rights for all four hotels as at 1 January 2018 for a further 25 years from that date, at the following costs:

- Meliá Habana: US\$6.6 million;
- Meliá Las Americas: US\$3.8 millions
- Meliá Varadero: US\$ 5.6 millions
- Meliá Las Palmeras: US\$ 12.3 millions

Whilst we understand the negotiations have not had the final approval from the government, we have been assured that this is only a formality and that the final approval should be granted very soon. Administrative procedures in Cuba are cumbersome and this situation is not unusual. We have therefore assumed that the process will be completed successfully shortly.

#### *Valuation*

Our opinion of the aggregate Fair Value of the 5 assets described above as at 31 December 2017 assuming that new 25-year surface right / usufruct rights for the four hotel properties have been granted as at 1 January 2018, at the costs given above, and assuming these are payable at the time of the renewal, is:

**U.S.\$ 419,300,000**

**(FOUR HUNDRED AND NINETEEN MILLION THREE HUNDRED THOUSAND DOLLARS)**

Note that the value is expressed after deduction of the cost of renewing the surface rights as at 1 January 2018.

It is important to note that we have based our valuation on the information provided to us. Should any of this information prove to be inaccurate we would have to revise our opinion of value.

Consolidation of 5 assets – 31 December 2017					
<i>HOTELS</i>	<i>01-Jan-18</i>				
	<i>Rooms</i>	<i>Cap</i>	<i>Disc</i>	<i>Value U.S.\$</i>	<i>Per Room</i>
<b>Havana</b>					
<b>Meliá Habana (1)</b>	397	13.0%	15.0%	110,000,000	277,000
<b>Varadero</b>					
Meliá Las Americas	340	13.0%	15.0%	53,100,000	156,000
Meliá Varadero (2)	490	13.0%	15.0%	54,100,000	110,000
Sol Palmeras (3)	604	13.0%	15.0%	50,300,000	83,000
<b>Total Varadero</b>	1,434			157,500,000	110,000
<b>All 4 Hotels</b>	1,831			267,500,000	146,000
 <i>MTC</i>			<i>01-Jan-18</i>		
		<i>Cap</i>	<i>Disc</i>	<i>Value US\$</i>	<i>Per m2</i>
<b>Miramar Trade Center m²</b>	56,668		12.5%	151,800,000	2,679
 <i>TOTAL ALL ASSETS</i>				<i>01-Jan-18</i>	
				419,300,000	

#### 1.8.5 General Assumptions

Our reports and this summary have been prepared on the basis of the following General Assumptions.

We have reviewed the necessary documentation and would comment that nothing was highlighted in these documents that would affect the values presented in this report or indicate that the following assumptions are not reasonable.

That the interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing contained in the title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them.

That we have been supplied with all information likely to have an effect on the value of the property, and that the information supplied to us and summarised in this report is both complete and correct.

That the buildings are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).

That the properties are not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).

That the buildings are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the buildings we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the properties and our reports do not constitute a building survey.

That the properties are connected or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage. It is important to note that energy prices can be increased substantially by the Cuban government. That in the construction or alteration of the buildings no use was made of any deleterious or hazardous materials or techniques, such as

high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.

That the properties have not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination. We will provide general comments without liability on the likelihood of land contamination, but we will not be commissioning an environmental audit.

#### **1.8.6 General Conditions**

Our valuations have been carried out on the basis of the following general conditions:

We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property.

Our valuations are exclusive of VAT (if applicable).

Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.

It has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant legislation.

#### **1.8.7 Confidentiality**

This Report has been prepared for inclusion in the Prospectus as described above. The contents of this Report may be used only for the specific purpose to which they refer. Before this Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, our written approval as to the form and context of such publication or disclosure must first be obtained.

For the avoidance of doubt such approval is required whether or not Abacus is referred to by name and whether or not the contents of our Report are combined with others.

This Report has been produced for the inclusion in the Prospectus and may not be reproduced or used in connection with any other purposes without our prior consent.

Yours faithfully,

For and on behalf of Abacus

**Jerry Harris MRICS**  
*Managing Director*

RICS Registered Valuer

## **PART 9**

### **THE INITIAL ISSUE**

#### **1. INTRODUCTION**

The Company is targeting an issue of up to £100 million pursuant to the Initial Issue comprising of the Initial Placing and the Offer for Subscription, with the potential for the Directors to increase the size of the Initial Issue to a maximum of £150 million, subject to investor demand. The Issue Price represents the net asset value per Ordinary Share of the Company as at 31 December 2017 (i) reduced to take account of the amount of the dividend of U.S.\$0.52 per Ordinary Share paid on 10 April 2018; and (ii) adjusted to take account of the eight for one share split undertaken by the Company on 12 September 2018; with the resulting U.S. Dollar figure converted to Sterling at the applicable U.S. Dollar/Sterling exchange rate on 13 September 2018.

The Minimum Gross Proceeds of the Initial Issue are £30 million.

In the event that the Initial Issue and the Placing Programme do not proceed, for whatever reason, any monies received under the Initial Issue will be returned to applicants either by cheque without interest (at the risk of the applicant), or direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn. The Minimum Gross Proceeds may only be changed through the production of a supplementary prospectus.

The total number of Ordinary Shares to be issued pursuant to the Initial Issue, and therefore the Initial Gross Proceeds, are not known as at the date of this document but will be notified by the Company via a Regulatory Information Service announcement and the Company's website prior to Initial Admission. The Initial Issue has not been underwritten.

Application will be made for the Ordinary Shares (issued and to be issued) to be admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. It is expected that Initial Admission will become effective and dealings in the Ordinary Shares will commence at 8.00 a.m. on 10 October 2018.

#### **2. THE INITIAL ISSUE**

##### **Overview**

The Initial Placing and Offer for Subscription will each be made at an Issue Price of 119 pence per Ordinary Share.

The Initial Placing and Offer for Subscription are conditional, *inter alia*, on: (i) Initial Admission having become effective on or before 8.00 a.m. on 10 October 2018 or such later time and/or date as the Company, the AIFM and N+1 Singer may agree (being not later than 8.00 a.m. on 10 December 2018); (ii) the Placing and Offer Agreement becoming wholly unconditional (save as to Initial Admission) and not having been terminated in accordance with its terms at any time prior to Initial Admission; and (iii) the Minimum Gross Proceeds being raised.

If 84.0 million new Ordinary Shares are issued pursuant to the Initial Issue, the Existing Shareholders will experience a 43.8 per cent. dilution from the issue of such new Ordinary Shares. In the event that the maximum number of Ordinary Shares are issued pursuant to the Initial Issue, the Existing Shareholders will experience a 53.9 per cent. dilution from the issue of such new Ordinary Shares.

##### **Initial Placing**

N+1 Singer has agreed to use its reasonable endeavours to procure subscribers pursuant to the Initial Placing on the terms and subject to the conditions set out in the Placing and Offer Agreement. Commitments under the Initial Placing must be received by 11.00 a.m. on 3 October 2018 (or such later date, not being later than 10 December 2018, as the Company, the AIFM and N+1 Singer may agree). If the Initial Placing is extended, the revised timetable will be notified to any investors who have placed orders. The terms and conditions of the Initial Placing are set out in Part 18 of this document.

## Offer for Subscription

The Company has agreed to make an offer of Ordinary Shares pursuant to the Offer for Subscription at the Issue Price, subject to the Terms and Conditions of Application as set out in Part 19 of this document. **The Terms and Conditions of Application should be read carefully before an application is made. Investors should consult their independent financial adviser if they are in any doubt about the contents of this document or the acquisition of Ordinary Shares.**

Application Forms accompanied by a cheque or banker's draft in Sterling made payable to LMS re: CEIBA Investments Limited – 2018 OFS application for the appropriate sum should be returned to the Receiving Agent by no later than 11.00 a.m. on 3 October 2018.

For applicants sending subscription monies by electronic bank transfer (CHAPs), payment must be made for value by 11.00 a.m. on 3 October 2018 directly into the bank account detailed below. The payment instruction must also include a unique reference comprising your name and a contact telephone number which should be entered in the reference field on the payment instruction, for example, MJ SMITH 01234 567 8910

Bank	:	Lloyds Bank
Sort Code	:	30-80-12
A/C No	:	17291360
A/C Name	:	LMS re: CEIBA Investments Limited OFS CHAPs A/C

The Receiving Agent cannot take responsibility for correctly identifying payments without a unique reference nor where a payment has been received but without an accompanying application form.

If you choose to settle your application within CREST, that is DVP, you or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment at the Issue Price per Ordinary Share using the following CREST matching criteria set out below:

Trade date	:	8 October 2018
Settlement date	:	10 October 2018
Company	:	CEIBA Investments Limited
Security description	:	Ordinary Shares of no par value
SEDOL	:	BFMDJH1
ISIN	:	GG00BFMDJH11

Applicants wishing to settle DVP will still need to complete and submit a valid Application Form to be received by no later than 11.00 a.m. on 3 October 2018 (being the closing date). You should tick the relevant box in section 1A of the Application Form.

Applicants will also need to ensure that their settlement instructions are input to Link Asset Services' Participant account (RA06) by no later than 11.00 a.m. on 9 October 2018.

Applicants can confirm their final allotment of shares by contacting the helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer for Subscription nor give any financial, legal or tax advice.

Note: Link will not take any action until a valid DEL message has been alleged to the Participant account by the applicant/custodian.

No acknowledgement of receipt or input will be provided.

Applicants should also ensure that their agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to their usual daily trading and settlement requirements.

In the event of late/non-settlement, the Company reserves the right to deliver shares outside of CREST in certificated form provided that payment has been made in terms satisfactory to the Company and all other conditions of the Offer for Subscription have been satisfied.

**If you require a share certificate you should not use this facility.**

If the Offer for Subscription is extended, the revised timetable will be notified to any investors who have placed orders.

Subject to their statutory right of withdrawal pursuant to section 87(Q)(4) of FSMA in the event of the publication of a supplementary prospectus, applicants in the Offer for Subscription may not withdraw their applications for Ordinary Shares.

**Lock-in Undertakings relating to Existing Ordinary Shares**

Each Lock-in Shareholder has agreed not to sell, transfer or otherwise dispose of any Lock-in Shares held by it during the period from Initial Admission and continuing up to and including the date 12 months after the date of Initial Admission (the “**Lock-in Period**”), subject to certain exceptions. In addition, each of the Lock-in Shareholders has also agreed to be subject to customary orderly market restrictions until the second anniversary of Initial Admission.

Existing Shareholders holding a further 10.2 per cent., in aggregate, of the Existing Ordinary Shares have also agreed to be subject to customary orderly market restrictions until the first anniversary of Initial Admission.

**3. BASIS OF ALLOCATION UNDER THE INITIAL ISSUE**

In the event of the Initial Issue being oversubscribed, the Initial Placing and Offer for Subscription are subject to scaling back at the absolute discretion of the Company, in consultation with N+1 Singer and the AIFM. The Offer for Subscription may be scaled back in favour of the Initial Placing and the Initial Placing may be scaled back in favour of the Offer for Subscription at the Directors’ discretion (in consultation with N+1 Singer and the AIFM). The Directors have the discretion (in consultation with N+1 Singer and the AIFM) to determine the basis of allocation within and between the Offer for Subscription and the Initial Placing. No assurance can be given that applications made under either the Initial Placing or the Offer for Subscription will be met in full or in part or at all.

The Company (acting through N+1 Singer in respect of the Initial Placing and the Receiving Agent in respect of the Offer for Subscription) will notify investors of the number of Ordinary Shares in respect of which their application has been successful and the results of the Initial Issue will be announced by the Company on or around 4 October 2018 via a Regulatory Information Service announcement.

**4. REASONS FOR THE INITIAL ISSUE AND USE OF PROCEEDS**

The Initial Issue is intended to raise money for investment in accordance with the Company’s investment policy.

The Company’s principal use of cash (including the proceeds of the Initial Issue) will be to:

- repay the remaining amount outstanding under the Bridge Loan (as at 14 September 2018, being the latest practicable date prior to the date of this document, the outstanding principal due under the Bridge Loan was €30 million);
- fund the Group’s investment in the construction of the Meliá Trinidad Playa Hotel (approximately U.S.\$40.5 million);
- fund modernisation works to the Meliá Habana Hotel including the expansion of the hotel through the construction of an additional 168 rooms, a ballroom and a conference centre (approximately U.S.\$32.4 million);
- allow for the expedited implementation of capex investments in the Varadero Hotels (approximately U.S.\$14.1 million);
- purchase further investments in line with the Company’s investment objective and investment policy, including the proposed construction of a new hotel at Varadero, the cost of which is estimated to be between U.S.\$175 million and U.S.\$250 million; and
- pay ongoing operational expenses and payment of dividends and other distributions to Shareholders in accordance with the Company’s dividend policy.

Aside from the Bridge Loan, as at the date of this document, the Company has no other outstanding debt.

As at the date of this document, TOSCUBA S.A. has executed a construction contract in relation to the construction of the Meliá Trinidad Playa Hotel (neither the Company nor MOSAICO HOTELES S.A. is a party to this agreement). The financial commitment of the Company is primarily contained in the U.S.\$45 million construction finance facility, pursuant to which MOSAICO HOTELES S.A. has committed to lend Tranche A (U.S.\$22.5 million) and the Company has committed to subsequently lend Tranche B (U.S.\$22.5 million), although the Company may in the future seek to syndicate parts of Tranches A or B to other lenders. In the event that Initial Admission were not to occur (due to the Minimum Gross Proceeds not being raised or otherwise), then the Company would need to seek alternative ways of financing its commitments under this project, or to slow down the pace of the project so that the project can be financed out of existing operational cash flows from the Group's existing Hotel Assets and the Miramar Trade Center.

## **5. THE PLACING AND OFFER AGREEMENT**

The Placing and Offer Agreement contains provisions entitling N+1 Singer to terminate the Initial Issue (and the arrangements associated with it) at any time prior to Initial Admission in certain circumstances. If this right is exercised, the Initial Issue and these arrangements will lapse and any monies received in respect of the Initial Issue will be returned to each applicant without interest at the applicant's risk.

The Placing and Offer Agreement provides for N+1 Singer to be paid commissions by the Company in respect of the Ordinary Shares to be issued pursuant to the Initial Issue. Under the Placing and Offer Agreement, N+1 Singer is entitled at its discretion and out of its own resources at any time to rebate to some or all investors, or to other parties, part or all of its fees relating to the Initial Issue. N+1 Singer is also entitled under the Placing and Offer Agreement to retain agents and may pay commission in respect of the Initial Issue to any or all of those agents out of its own resources.

Further details of the terms of the Placing and Offer Agreement are set out in paragraph 7.1 of Part 14 of this document.

## **6. INITIAL ADMISSION**

Application will be made for the Existing Ordinary Shares, and the Ordinary Shares to be issued pursuant to the Initial Issue, to be admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. It is expected that Initial Admission will become effective, and that dealings in the Ordinary Shares will commence, at 8.00 a.m. on 10 October 2018.

The ISIN of the Ordinary Shares is GG00BFMDJH11 and the SEDOL is BFMDJH1.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share.

## **7. SETTLEMENT**

Payment for the Ordinary Shares applied for under the Offer for Subscription should be made in accordance with the instructions contained in the Application Form set out at the end of this document. Payment for the Ordinary Shares to be acquired under the Initial Placing should be made in accordance with settlement instructions provided to investors by N+1 Singer. To the extent that any application or subscription for Ordinary Shares is rejected in whole or part, monies will be returned to the relevant Placee or applicant at its risk without interest.

An investor applying for Ordinary Shares in the Initial Issue may receive Ordinary Shares in certificated or uncertificated form. The Ordinary Shares are in registered form. No temporary documents of title will be issued. Dealings in Ordinary Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned. It is expected that CREST accounts will be credited on 10 October 2018 in respect of Ordinary Shares issued in uncertificated form and definitive share certificates in respect of

Ordinary Shares held in certificated form will be despatched by post after the week commencing 15 October 2018, at the Shareholder's own risk.

## **8. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Initial Admission. Accordingly, settlement of transactions in the Ordinary Shares following Initial Admission may take place within the CREST system if any Shareholder so wishes.

## **9. ISA, SSAS AND SIPP**

The Ordinary Shares will, on Initial Admission, be "qualifying investments" for the stocks and shares component of an ISA (subject to applicable subscription limits) provided that they have been acquired by purchase in the market (which, for these purposes, will include any Ordinary Shares acquired directly under the Offer for Subscription but not any Ordinary Shares acquired directly under the Initial Placing).

Save where Ordinary Shares are being acquired using available funds in an existing ISA, an investment in Ordinary Shares by means of an ISA is subject to the usual annual subscription limits applicable to new investments into an ISA. The Ordinary Shares will be permissible assets for SIPP and SSAS.

The Board will use its reasonable endeavours to manage the affairs of the Company so as to enable this status to be maintained.

## **10. OVERSEAS PERSONS**

The attention of potential investors who are Overseas Persons is drawn to the paragraphs below.

The offer of Ordinary Shares under the Initial Issue to Overseas Persons may be affected by the laws of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to obtain Ordinary Shares under the Initial Issue. It is the responsibility of all Overseas Persons receiving this document and/or wishing to subscribe for Ordinary Shares under the Initial Issue to satisfy themselves as to full observance of the laws of the relevant territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.

### **U.S. PERSONS ARE PROHIBITED FROM ACQUIRING ORDINARY SHARES IN THE INITIAL ISSUE.**

### **NOTWITHSTANDING THAT THE ORDINARY SHARES ARE FREELY TRANSFERABLE PROSPECTIVE INVESTORS SHOULD NOTE THAT THE ARTICLES PROHIBIT U.S. PERSONS FROM HAVING AN INTEREST IN ORDINARY SHARES AND CONTAIN PROVISIONS WHICH FACILITATE THE DISENFRANCHISEMENT AND FORCED TRANSFER OF ANY ORDINARY SHARES IN WHICH U.S. PERSONS ARE INTERESTED.**

Persons (including, without limitation, nominees and trustees) receiving this document may not distribute or send it to any U.S. Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that the Company has not, and will not be, registered under the U.S. Investment Company Act and the offer, issue and sale of the Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Ordinary Shares are only being offered and sold outside the United States to non-U.S. Persons in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation S thereunder. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred

or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. Person.

The Company reserves the right to treat as invalid any agreement to subscribe for Ordinary Shares under the Initial Issue if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## **11. TYPICAL INVESTOR**

The Shares are only suitable for investors: (i) who understand the potential risk of capital loss; (ii) for whom an investment in the Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment portfolio. Investors in the Company are expected to be institutional investors, professional investors, high net worth investors and professionally advised and knowledgeable investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager or broker regarding investment in the Company. It should be remembered that the price of the Shares and the returns from them can go down as well as up and that investors may not receive, on a sale of Shares, the amount that they invested.

## **PART 10**

### **THE PLACING PROGRAMME**

#### **1. INTRODUCTION**

The Company has authority to issue up to in aggregate 300 million Ordinary Shares pursuant to the Initial Issue and the Placing Programme and up to 200 million C Shares pursuant to the Placing Programme. Ordinary Shares and/or C Shares may be issued pursuant to the Placing Programme.

The Placing Programme is flexible and may have a number of closing dates in order to provide the Company with the ability to issue Shares over a period of time. The Placing Programme is intended to satisfy market demand for Shares and to raise further money after the Initial Issue to increase the size of the Company and invest in accordance with the Company's investment policy.

The terms and conditions of the Placing Programme are set out in Part 18 of this document.

#### **2. BACKGROUND TO, AND REASONS FOR, THE PLACING PROGRAMME**

The Company will have the flexibility to issue Shares on a non-pre-emptive basis where there appears to be reasonable demand for Shares in the market, for example if the Ordinary Shares trade at a premium to the Net Asset Value per Ordinary Share. It is expected that the Board will issue C Shares, rather than Ordinary Shares, in circumstances where there is substantial investor demand such that an issue of Ordinary Shares would have the potential to exert "cash drag" on the performance of the existing Ordinary Shares. The assets representing the net proceeds of an issue of C Shares would be accounted for as a separate pool, and the C Shares would bear a proportionate share of the Company's costs and expenses, until such pool is substantially invested in accordance with the Company's investment policy, following which the C Shares would be converted into Ordinary Shares based on the respective Net Asset Value per Ordinary Share and the Net Asset Value per C Share. The rights attaching to C Shares, including the rights as to Conversion, are described in paragraph 5.2.17 of Part 14 of this document.

In utilising its discretion under the Placing Programme, the Directors intend to take into account relevant factors, including the desirability of limiting the premium to the Net Asset Value per Ordinary Share at which the Ordinary Shares trade in order to ensure that Shareholders and new investors who acquire Ordinary Shares are not disadvantaged by being required to acquire additional Ordinary Shares at a high premium to the Net Asset Value per Ordinary Share.

#### **3. BENEFITS OF THE PLACING PROGRAMME**

The Directors believe that the issue of Shares pursuant to the Placing Programme should yield the following principal benefits:

- giving the Company the ability to issue Shares, so as to better manage the premium at which the Ordinary Shares may trade relative to the Net Asset Value per Ordinary Share;
- enhancing the Net Asset Value per Ordinary Share of existing Ordinary Shares through new issuance of Ordinary Shares at a premium to the prevailing estimated cum-income Net Asset Value per Ordinary Share;
- growing the Company, thereby spreading operating costs over a larger capital base which should reduce the total charges;
- further diversifying the Portfolio by making additional investments; and
- improving liquidity in the market for the Ordinary Shares.

The Directors will consider the potential impact of any Subsequent Placings under the Placing Programme on the payment of dividends to Shareholders and intend to ensure that it will not result in any material dilution of the dividends per Ordinary Share that the Company may be able to pay.

#### **4. THE PLACING PROGRAMME**

The Placing Programme will open on 10 October 2018 and will close on 16 September 2019 (or any earlier date on which it is fully subscribed, or otherwise at the discretion of the Directors).

The issuance of Shares under the Placing Programme is at the discretion of the Directors. Issuances may take place at any time prior to the final closing date of 16 September 2019 (or any earlier date on which it is fully subscribed). An announcement of each Subsequent Placing under the Placing Programme will be released through a Regulatory Information Service, including details of the number of Shares to be issued and the Placing Programme Price for the issuance.

There is no minimum subscription. The Placing Programme is not being underwritten and, as at the date of this document, the actual number of Shares to be issued under the Placing Programme is not known. The maximum number of Shares available under the Placing Programme should not be taken as an indication of the number of Shares finally to be issued.

The net proceeds of any Subsequent Placing under the Placing Programme are dependent, *inter alia*, on, the level of subscriptions received; and the price at which such Ordinary Shares are issued and the costs of the Subsequent Placing. It is expected that the costs of issuing Ordinary Shares under the Placing Programme will be covered by issuing such Ordinary Shares at the Placing Programme Price. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue of C Shares and will be borne by holders of C Shares only.

#### **5. SCALING BACK**

In the event of oversubscription of a Subsequent Placing, applications under the relevant Subsequent Placing will be scaled back at the absolute discretion of the Company (in consultation with N+1 Singer and the AIFM).

#### **6. THE PLACING AND OFFER AGREEMENT**

Under the Placing and Offer Agreement, N+1 Singer has undertaken, as agent for the Company, to use its reasonable endeavours to procure subscribers under the Placing Programme for Shares at the Placing Programme Price. Details of the Placing and Offer Agreement are set out in paragraph 7.1 of Part 14 of this document.

Each issue of Shares pursuant to a Subsequent Placing under the Placing Programme is conditional, *inter alia*, on (i) Admission of the relevant Shares occurring by no later than 8.00 a.m. on such date as the Company, the AIFM and N+1 Singer may agree from time to time in relation to that Admission, not being later than 16 September 2019; (ii) a valid supplementary prospectus being published by the Company if such is required by the Prospectus Rules, and (iii) the Placing and Offer Agreement being wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to any subsequent Admission.

In circumstances in which the conditions to a Subsequent Placing are not fully met, the relevant issue of Shares pursuant to the Placing Programme will not take place.

#### **7. THE PLACING PROGRAMME PRICE**

The minimum price at which Ordinary Shares will be issued pursuant to the Placing Programme, which will be in Sterling, will be calculated by reference to the estimated cum-income Net Asset Value per Ordinary Share of each existing Ordinary Share together with a premium intended to cover the costs and expenses of any Subsequent Placing (including, without limitation, any placing commissions). Fractions of Ordinary Shares will not be issued.

The issue price of any C Shares issued pursuant to the Placing Programme will be 100 pence per C Share.

The Placing Programme Price will be announced through a Regulatory Information Service as soon as practicable in conjunction with each Subsequent Placing.

## **8. VOTING DILUTION**

If 200 million Shares were to be issued pursuant to Subsequent Placings, and assuming the Initial Issue had been subscribed as to 84.0 million Ordinary Shares, an Existing Shareholder (who did not participate on a *pro rata* basis in the Initial Issue) or a subscriber to the Initial Issue who did not participate in any of the Subsequent Placings on a *pro rata* basis, would suffer dilution of 72.5 per cent. in respect of their voting control in the Company immediately after the Initial Issue.

## **9. USE OF PROCEEDS**

The Directors intend to use the net proceeds of any Subsequent Placing under the Placing Programme to acquire investments in accordance with the Company's investment objective and investment policy.

## **10. ADMISSION AND SETTLEMENT**

The Placing Programme may have a number of closing dates in order to provide the Company with the ability to issue Shares over the duration of the Placing Programme. Shares may be issued under the Placing Programme from the date of this document until 16 September 2019.

Application will be made to the London Stock Exchange for all of the Shares issued pursuant to the Placing Programme to be admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange. It is expected that any Admissions pursuant to Subsequent Placings will become effective and dealings will commence between 10 October 2018 and 16 September 2019. All Shares issued pursuant to the Placing Programme will be issued conditionally upon such Admission occurring.

In the event that there are any significant changes affecting any of the matters described in this document or where any significant new matters have arisen after the publication of this document and prior to Admission of any Shares issued pursuant to the Placing Programme, the Company will publish a supplementary prospectus under section 87G of FSMA. Any supplementary prospectus published will give details of the significant change(s) or the significant new matter(s).

Shares will be issued in registered form and may be held in either certificated or uncertificated form. In the case of Shares to be issued in uncertificated form pursuant to a Subsequent Placing, these will be transferred to successful applicants through the CREST system.

It is anticipated that dealings in the Shares will commence approximately three Business Days after their issuance. Dealing in advance of the crediting of the relevant stock account shall be at the risk of the person concerned. Whilst it is expected that all Shares issued pursuant to the Placing Programme will be issued in uncertificated form, if any Shares are issued in certificated form it is expected that share certificates will be despatched approximately one week following Admission of the Shares, at the Shareholder's own risk.

The ISIN number of the Ordinary Shares is GG00BFMDJH11 and the SEDOL code is BFMDJH1.

The ISIN number of the C Shares is GG00BFMDJJ35 and the SEDOL code is BFMDJJ3.

Any Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issuance of the relevant Ordinary Shares).

## **11. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Shares under the CREST system. The Company shall apply for the Shares offered under the Placing Programme to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following a subsequent Admission may take place within the CREST system if any holder of such Shares so wishes.

## **12. OVERSEAS PERSONS**

The attention of potential investors who are Overseas Persons is drawn to the paragraphs below.

The offer of Shares under the Placing Programme to Overseas Persons may be affected by the laws of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to obtain Shares under the Placing Programme. It is the responsibility of all Overseas Persons receiving this document and/or wishing to subscribe for Shares under the Placing Programme to satisfy themselves as to full observance of the laws of the relevant territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.

### **U.S. PERSONS ARE PROHIBITED FROM ACQUIRING SHARES IN ANY SUBSEQUENT PLACING.**

**NOTWITHSTANDING THAT THE SHARES ARE FREELY TRANSFERABLE PROSPECTIVE INVESTORS SHOULD NOTE THAT THE ARTICLES PROHIBIT U.S. PERSONS FROM HAVING AN INTEREST IN SHARES AND CONTAIN PROVISIONS WHICH FACILITATE THE DISENFRANCHISEMENT AND FORCED TRANSFER OF ANY SHARES IN WHICH ANY U.S. PERSONS ARE INTERESTED.**

Persons (including, without limitation, nominees and trustees) receiving this document may not distribute or send it to any U.S. Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that the Company has not, and will not be, registered under the U.S. Investment Company Act and the offer, issue and sale of the Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Shares are only being offered and sold outside the United States to non-U.S. Persons in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation S thereunder. The Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. Person.

The Company reserves the right to treat as invalid any agreement to subscribe for Shares under the Placing Programme if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## **13. TYPICAL INVESTOR**

The Shares are only suitable for investors: (i) who understand the potential risk of capital loss; (ii) for whom an investment in the Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment portfolio. Investors in the Company are expected to be institutional investors, professional investors, high net worth investors and professionally advised and knowledgeable investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager or broker regarding investment in the Company. It should be remembered that the price of the Shares and the returns from them can go down as well as up and that investors may not receive, on a sale of Shares, the amount that they invested.

## PART 11

### FINANCIAL AND OTHER INFORMATION RELATING TO THE COMPANY

On 11 December 2017, the Company changed its financial year end from 31 March to 31 December. The annual reports and audited financial statements of the Company for the nine month financial period to 31 December 2017 and for the financial years ended 31 March 2016 and 31 March 2015 are reproduced in sections A, B and C respectively of Part 20 of this document. Comparative financial information for the period to 31 March 2017 is included in the audited financial statements of the Company for the nine month financial period to 31 December 2017.

Where the annual reports and audited financial statements of the Company, as reproduced in Part 20 of this document, make reference to other documents, such other documents are not incorporated into and do not form part of this document.

*Contained in the annual reports is a discussion of the Company's results of operations and financial condition for the nine month financial period to 31 December 2017 and for the financial years ended 31 March 2016 and 31 March 2015 which have all been prepared in accordance with IFRS. Prospective investors should read the following discussion, together with the whole of this document, including the Risk Factors, and the annual reports and financial statements of the Company as reproduced in Part 20 of this document and should not just rely on the key or summarised information contained in this Part 11. Save for the financial statements as reproduced in Part 20 of this document none of the information in this document has been audited.*

#### Accounting policies

The financial statements of the Company have been prepared in accordance with IFRS. IFRS comprises standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee as at each relevant accounting period.

#### Selected financial information

The tables below set out the Company's selected financial information for the periods indicated, as reported in accordance with IFRS. The consolidated financial information for the Company as of the end of, and for, each of the nine month financial period to 31 December 2017 (including the comparative figures for the period to 31 March 2017) and for the financial years ended 31 March 2017, 31 March 2016 and 31 March 2015 has been extracted without material adjustment from the financial statements reproduced in Part 20 of this document. The Company believes that this information summarises the financial condition and operating results over the relevant period.

	As at 31 December 2017	As at 31 March 2017	As at 31 March 2016	As at 31 March 2015
<i>U.S.\$'000 otherwise stated</i>				
<b>Net Asset Value attributable to the owners of the Company</b>	175,220	169,633	149,980	116,063
<b>Net Asset Value per Ordinary Share attributable to the owners of the Company (U.S.\$)</b>	13.02	12.60	11.14	8.62
<b>Total assets</b>	268,376	173,192	156,617	118,501
<b>Net income</b>	5,419	26,581	37,760	15,315
<b>Total comprehensive income</b>	5,617	26,638	37,909	15,159
<b>Net income attributable to the owners of the Company</b>	5,459	26,595	37,768	15,326
<b>Earnings per Ordinary Share (U.S.\$)</b>	0.41	1.98	2.81	1.14

## Operating and financial review

*This Part 11 should be read in conjunction with the financial statements reproduced in Part 20 of this document. Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 11 is extracted from the financial information reproduced in Part 20 of this document.*

*The following review contains forward-looking statements that are based on assumptions about future business developments and that involve risks and uncertainties. The actual results of the Company could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those discussed below and elsewhere in this document, especially in the sections entitled “Risk Factors” and “Information regarding forward-looking statements”.*

*The following discussion and analysis should be read in conjunction with the financial information of the Company as of, and for, the nine months ended 31 December 2017 and the years ended 31 March 2017, 31 March 2016 and 31 March 2015, as well as the related notes, included elsewhere in this document (the “Periods under Review”). In December 2017 the Company changed its financial year-end from 31 March to 31 December.*

*References in this section to “December 2017” are to the nine-month period ended 31 December 2017 and to “March 2017”, “March 2016” and “March 2015” are to the respective financial years ended on 31 March 2017, 31 March 2016 and 31 March 2015, respectively.*

## Overview of the business of the Company

The Company was incorporated on 10 October 1995 in Guernsey as a closed-ended investment company with the sole purpose of investing in Cuba.

The principal activities of the Company today are, (i) the holding of indirect interests in Cuban real estate assets, with a focus on commercial and hotel properties, through the holding of shares in Cuban joint venture companies that own the underlying real estate assets, and (ii) the arrangement of, and participation in, Cuban secured finance transactions in which the Company acts as a lender to Cuban borrowers, primarily in the tourism sector. All joint venture investments in Cuba involve a Cuban state-owned shareholder as well as a foreign shareholder. The Cuban joint venture companies in which the Company participates own mature operating real estate assets and/or development projects.

Through these activities, the Company seeks to provide to its Shareholders a regular and attractive level of income return together with the potential for long term income and capital growth.

## Investments of the Company

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

	31 Dec 2017 U.S.\$	31 Mar 2017 U.S.\$	31 Mar 2016 U.S.\$	31 Mar 2015 U.S.\$
<b>Commercial Property Investments</b>				
INMOBILIARIA MONTE BARRETO S.A.	77,708,907	80,961,787	76,917,742	69,349,635
<b>Hotel Property Investments</b>				
MIRAMAR S.A. <sup>1</sup>	57,014,708	59,131,372	45,888,232	21,168,150
Cuba-Canarias S.A./CIHSA <sup>2</sup>	78,750,010	19,469,763	19,418,377	19,579,156
	135,764,718	78,601,135	65,306,609	40,747,306
<b>Hotel Development Project Investments</b>				
TOSCUBA S.A.	3,612,412	3,205,688	3,104,707	3,054,707
<b>Other Investments</b>				
Womy Equipment Rental B.V	–	780,343	–	–
Caricel Inc.	–	225,000	225,000	225,000
	–	1,005,343	225,000	225,000
<b>Total Investments</b>	<u>217,086,037</u>	<u>163,773,953</u>	<u>145,554,058</u>	<u>113,376,648</u>

- 1 At 31 March 2017, 31 March 2016 and 31 March 2015 the figures in the table above represent the Company's economic interest of 43 per cent. in the Cuban joint venture company MIRAMAR S.A. which is held through the consolidated holding company HOMASI S.A. ("**HOMASI**"). As a result of a series of transactions carried out in late 2017, at 31 December 2017, HOMASI's full 50 per cent. interest in MIRAMAR S.A. (including non-controlling interests representing 35 per cent. of the value above) is shown in the table.
- 2 At 31 March 2017, 31 March 2016 and 31 March 2015 the figures in the table above represent the Company's economic interest of 27.75 per cent. of Corporación Interinsular Hispana S.A. ("**CIHSA**"), the holding company of the Cuban joint venture company Cuba-Canarias S.A. Through a series of transactions carried out in late 2017, the Company obtained a majority interest in CIHSA, which was subsequently merged with HOMASI (with HOMASI remaining as the surviving entity). As a result, at 31 December 2017 HOMASI's full 50 per cent. interest in Cuba-Canarias S.A. (including non-controlling interests representing 35 per cent. of the value above) is shown in the table.

The principal income of the Company is composed of the following categories:

- Dividends declared by the joint venture companies in which the Company has an interest
- Fair-value adjustments to the holding values of the interests in the joint venture companies held by the Company
- Interest income from participations in secured finance transactions

### **Performance Measurement**

The key indicators by which the Company measures its economic performance include:

- Total income
- Net income
- Total net assets ("**NAV**")
- Net asset value per share ("**NAV/Share**")

In addition to the above measures, the Company also regularly monitors key indicators of the joint venture companies and their underlying real estate assets.

In the case of commercial properties, other key indicators include:

- Occupancy levels
- Average monthly rate per square meter ("**AMR**")
- Earnings before interest, tax, depreciation and amortisation ("**EBITDA**")
- Net income after tax

In the case of hotel properties, other key indicators include:

- Occupancy levels
- Average Daily Rate per room ("**ADR**")
- Revenue per available room ("**RevPAR**")
- Earnings before interest, tax, depreciation and amortisation ("**EBITDA**")
- Net income after tax

The Company monitors the financial performance of the Cuban joint venture companies owning the commercial and hotel properties using these key indicators with the objective, using its ability to affect the management decisions of the Cuban joint venture companies through representation on their corporate bodies, of generating reliable and growing cash flow for the Cuban joint venture companies, which in turn will be reflected in reliable and growing dividend streams in favour of the Company. The above 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 standardised 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 Company is defined as all income earned by the Company, including dividend income, fair-value adjustments to holding values and interest income, as well as any other income that the Company may earn in the course of its operations.

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 relevant 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.

**NAV**

Total net assets are calculated as all assets of the Company less liabilities attributable to the shareholders (excluding assets and liabilities attributable to non-controlling interests).

**NAV/Share**

NAV/Share is calculated as NAV divided by the total number of outstanding Shares of the Company.

**AMR**

In the case of commercial properties, average monthly rate per square meter is calculated as total rental income for the period divided by the number 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.

**RevPAR**

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 the monitoring and analysis of the economic performance indicators described above in connection with the direct income of the Company as well as of the interests of the Company in the commercial and hotel properties, the following are considered to be important internal drivers of current and anticipated financial performance:

- the ability to maximise dividend streams from the Cuban joint venture companies in which the Company has an interest by ensuring that all available retained earnings are distributed to shareholders to the greatest extent possible (subject to agreed reinvestment policies in each case);
- the proper valuation of all underlying real estate assets by independent third party valuers to ensure that all assumptions relating to present and future performance of such assets are accurate and properly reflect the value of an investment in such assets;
- the ability to increase rental rates of the commercial properties and room rates of the hotel properties as market conditions permit;
- the occupancy levels of the commercial properties and the hotel properties; and
- the reduction in operating costs at all levels, including the Company, its intermediary subsidiaries and the Cuban joint venture companies, through the elimination of unnecessary expenses, the optimisation of corporate structures and the upgrading of electrical and other equipment (air conditioning, etc.) at the property level.

In addition to the above, the following are considered to be key external performance drivers:

- the international price of oil and its relation to the price of electricity in the Cuban market;
- the pricing and popularity of competing properties and similar regional tourist destinations such as the Dominican Republic and Mexico;
- foreign exchange rates which can affect the level of hotel room rates for Canadian, European and U.S. travellers;
- the availability of debt and equity 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 expansion, renovation and upgrade of hotel properties, as well as other new projects to be developed by the Company;
- construction and development costs in Cuba;
- the general improvement of the Cuban economy, the attitude of the Cuban government towards foreign investment, economic reform, modernisation of the economy and preferred sectors for future development, and other changes in local market conditions; and
- the state of relations between the United States and Cuba.

### **Operating Results**

The general business strategy of the Company is to remain in, and expand upon, its present position as the dominant foreign investor in Cuba's commercial and hotel real estate sectors through the addition and development of new properties within the Cuban joint ventures in which it already has an interest, whether by acquisition or new construction.

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, (ii) fair value adjustments to the holding value of its equity investments in Cuban joint venture companies, and (iii) interest income from participations in secured finance transactions.

### **Dividend Income**

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

	<i>31 December 2017 U.S.\$</i>	<i>31 March 2017 U.S.\$</i>	<i>31 March 2016 U.S.\$</i>	<i>31 March 2015 U.S.\$</i>
<i>For the period ended</i>				
<b>Commercial Property Investments</b>				
INMOBILIARIA MONTE BARRETO S.A.	5,003,341	7,676,948	4,530,003	4,897,304
<b>Hotel Property Investments</b>				
MIRAMAR S.A.	2,799,066	4,950,000	1,875,000	1,625,000
CIHSA	628,850	490,686	1,654,976	1,178,701
	<u>3,427,916</u>	<u>5,440,686</u>	<u>3,529,976</u>	<u>2,803,701</u>
<b>Other Investments</b>				
Caricel Inc.	<u>—</u>	<u>22,000</u>	<u>23,000</u>	<u>54,752</u>
<b>Total dividend income</b>	<u><u>8,431,257</u></u>	<u><u>13,139,634</u></u>	<u><u>8,082,979</u></u>	<u><u>7,755,757</u></u>

The dividend income of the Company relating to MIRAMAR S.A. and CIHSA in the above table include dividends from the Company's equity interests as well as payments received under participation agreements. The dividends and participation agreement payments distributed by CIHSA represent dividends it received from Cuba-Canarias S.A., net of operating expenses. In December 2017, CIHSA was merged into HOMASI S.A., with HOMASI S.A. remaining as the surviving entity. In parallel, all participation agreements were converted to equity of HOMASI S.A.. Subsequent to December 2017, the dividend income of the hotels presented in the financial statements represents the dividends applicable to the 50 per cent. foreign interest in the Cuban joint venture companies held by HOMASI S.A.. As such, this

dividend income presented will include income applicable to the 35 per cent. non-controlling interest in HOMASI S.A..

Dividend income of MIRAMAR S.A. for the year ended March 2016 compared to March 2015 increased by a modest 15 per cent. due to the better results of the underlying Meliá Habana Hotel as a result of an increase in tourism interest following the loosening of travel restrictions for U.S. travellers in December 2014. For the year ended March 2017, dividend income from MIRAMAR S.A. increased dramatically in direct relation to the large increase in U.S. tourists and tourism to Cuba in general as a result of the further warming of relations and the visit of President Obama to Cuba in March 2016. Dividends received from MIRAMAR S.A. for the nine months ended 31 December 2017 were lower in part due to the shorter time frame as well as a decrease in revenues of MIRAMAR S.A. following the re-tightening of U.S. travel restrictions by President Trump and the resulting reduction of U.S. tourists.

Dividend income of CIHSA for the year ended March 2016 compared to March 2015 was higher due to the better results of the underlying hotels in Varadero. Following expiry of the land rights for the Sol Palmeras Hotel, the first of the three hotels to be constructed, negotiations began between the shareholders of Cuba-Canarias S.A. to extend the joint venture term of incorporation and related land rights. It was decided that during this time the majority of net income would be retained within Cuba-Canarias S.A. pending the outcome of the negotiations. As a result, the dividend income received from CIHSA was lower for the year ended March 2017 and the nine months ended December 2017. It is anticipated that the undistributed net income of Cuba-Canarias S.A. as of 31 December 2017 will be reinvested as capital.

Dividend income of Monte Barreto for the years ended March 2016 and 2017 was consistent. There was an increase in dividend income for the year ended March 2017 as a result of higher net income of Monte Barreto due to an increase in rents imposed upon the majority of tenants during the period. The decline in dividend income for the nine months ended December 2017 is due to the shorter fiscal period.

### 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 changes in fair value of equity investments in the period of the change. During the nine-month period ended December 2017, the Company recognised an increase in the fair value of equity investments of U.S.\$4,575 compared to an increase of U.S.\$17,338,571 at March 2017, U.S.\$32,127,410 at March 2016, and U.S.\$10,936,797 at March 2015. 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, and current working capital.

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

	31 December 2017 U.S.\$	31 March 2017 U.S.\$	31 March 2016 U.S.\$	31 March 2015 U.S.\$
<i>For the period ended</i>				
<b>Commercial Property Investments</b>				
INMOBILIARIA MONTE BARRETO S.A.	(3,252,880)	4,044,045	7,568,107	9,759,127
<b>Hotel Property Investments</b>				
MIRAMAR S.A.	(12,281,820)	13,243,140	24,720,082	1,294,132
Cuba-Canarias S.A./CIHSA	15,539,275	51,386	(160,779)	(116,462)
	3,257,455	13,294,526	24,559,303	1,177,670
<b>Total fair value adjustments</b>	<b>4,575</b>	<b>17,338,571</b>	<b>32,127,410</b>	<b>10,936,797</b>

The large increases in the fair value of MIRAMAR S.A. for the years ended March 2017 and March 2016 are due to the increased income of the underlying Meliá Habana Hotel as a result of an increase in tourism to Havana following the loosening of travel restrictions for U.S. travellers after December 2014 and the visit of President Obama to Cuba in 2016. The decrease in the fair value of MIRAMAR S.A. for the nine months

ended at December 2017 is due to a decrease in revenues which occurred following the partial re-tightening of U.S. travel restrictions by President Trump and the resulting reduction in U.S. tourist arrivals to Havana in the latter part of 2017.

The fair value of CIHSA for the years ended March 2017, March 2016 and March 2015 has remained fairly consistent due to the consistent results of the Varadero hotels. The increase in fair value of Cuba-Canarias S.A. at 31 December 2017 is primarily the result of a decision to decrease the applicable discount rate used in the discounted cash flow model. The decrease in the discount rate, as determined by the independent valuers is a result of the continued stability of the income of the Varadero Hotels.

The fair value of Monte Barreto for the years ended March 2017, March 2016 and March 2015 has increased steadily in line with the Miramar Trade Center reaching full occupancy and a steady increase in rental rates. The downward adjustment to the fair value at 31 December 2017 was due an unforeseen pause in the increase in rental rates of existing tenants during 2017. The management of Monte Barreto plans to re-implement rent increases going forward.

### **Interest Income**

Interest income totalled U.S.\$279,080 for the nine months ended December 2017 compared to U.S.\$255,316 at March 2017. Interest income was derived primarily from a €4,000,000 participation of the Company in a €24,000,000 loan facility extended by the Company and another lender entered into in July 2016, as well as interest earned on bank deposits. Interest income for the year ended March 2016 and March 2015 was primarily related to interest earned on bank deposits and was not significant.

### **Travel agency commissions**

Travel agency commissions are related to incomes earned by GrandSlam Limited, which operates as a travel agency in Havana. The travel agency commissions have been consistent during the period and are not significant to the overall results of the Company.

### **Risks**

In addition to the other information contained in this Operating and Financial Review, the following factors should be carefully considered in evaluating the performance of the Company.

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 liberalised 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 centralised and regulated and there can be no assurance that such liberalisation 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. 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. 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. Moreover, the U.S. travel restrictions imposed on U.S. citizens largely deprives the Cuban tourism industry of its most important natural source of tourists located just 150 kilometres to the north.

### ***Cuban legal system***

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

In general, Cuban law derives from a variety of revolutionary and pre-revolutionary legislative instruments, and Cuban foreign investment vehicles are subject to certain provisions of the Cuban Commercial Code, Civil Code and other general legislation, but the legal rights of foreign investors may not be enforceable in Cuba to the same extent as they would be in fully developed industrialised 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 be held in a form that can be freely traded. In addition, although Cuba's Foreign Investment Act confirms that foreign investors have the right to transfer their interest in a Cuban foreign investment vehicle to the Cuban government or to a third party, all such transfers will be subject to the agreement of the Cuban partner in such vehicle and the prior approval of the Cuban government, and will be subject to the prevailing Cuban regulations and government policies at that time. In many cases, the Cuban partner or the Cuban government has a right of pre-emption in respect of direct and indirect transfers of interests in Cuban foreign investment vehicles.

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

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

***Achievement of business strategy and competition***

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

***Dependence on key officers***

The managers of the Company have significant experience in structuring, executing and implementing direct investment and finance transactions in Cuba, and in managing Cuban assets. The success of the investment strategy of the Company in Cuba will largely depend on the efforts and abilities of these managers, and of the principal managers of the subsidiaries of the Company, and their ability to perform their duties. There can be no assurance that these key managers will remain with the Company or that adequate replacement personnel with Cuba-relevant experience may be recruited in the event of departure.

***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.

**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 favourable 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 Cuban 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 Cuban 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 Cuban 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 Cuban 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 Cuban 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 Cuban 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 authorisations, 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 Cuban joint venture companies in which it has invested. Some of these competitors may be better capitalised and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on the ability of the Company and the Cuban 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 Cuban 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, the Company has limited exposure to interest rate fluctuations. However, external debt may be contracted in the future, in which case such fluctuations might 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 Cuban joint venture companies it has invested in are subject to various Cuban laws relating to environmental matters. The Company acts at all times so as to cause the joint venture companies in which it has invested to comply fully with such laws. These laws could hold the joint venture companies liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in their properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the financial position of the Cuban 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. The Company 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 Cuban joint venture companies may also incur significant costs in complying with other regulations. The properties are subject to various regulatory requirements, such as fire, health and safety requirements.

In the event that the Cuban 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 travellers 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 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 Cuban 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.

## Capitalisation and indebtedness of the Company

The indebtedness information set out below has been extracted without material adjustment from the Company's unaudited management accounts as at 30 June 2018. The capitalisation information set out below has been extracted without material adjustment from the Company's audited financial statements for the financial year ended 31 December 2017. This information is presented under IFRS and the accounting policies of the Company as adopted in the financial statements for the period ended 31 December 2017.

	<i>As at 30 June 2018</i>
	<i>U.S.\$ 000</i>
<i>Gross Indebtedness</i>	
<b>Total current debt</b>	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
	<hr/>
<b>Total current debt</b>	—
	<hr/>
<b>Total non-current debt</b>	
Guaranteed	—
Secured	34,688
Unguaranteed/unsecured	—
	<hr/>
<b>Total non-current debt</b>	34,688
	<hr/>

	<i>As at</i>
	<i>31 December 2017</i>
	<i>U.S.\$ 000</i>
<i>Capitalisation</i>	
<b>Equity attributable to the shareholders of the Company</b>	
Share capital	19,014
Share premium	49,658
Special reserve held for distribution	22,620
Revaluation surplus	248
Retained earnings	83,576
Accumulated other comprehensive income	104
	<hr/>
<b>Total capitalisation</b>	175,220
	<hr/>

As at the date of this document, there has been no material change to the capitalisation of the Company since 31 December 2017.

	<i>As at 30 June 2018</i>
	<i>U.S.\$ 000</i>
<i>Net liquidity</i>	
Cash	25,431
Cash equivalents	—
Trading securities	—
<b>Liquidity</b>	
Current bank debt	—
Other current financial debt	—
<b>Current financial indebtedness</b>	
Non-current bank loan	—
Non-current financial indebtedness	(34,688)
	<hr/>
<b>Net financial liquidity</b>	(9,257)
	<hr/>

## Reports and accounts

The Company's annual reports and audited financial statements are prepared up to 31 December each year. Copies of the annual reports and audited consolidated financial statements are sent to Shareholders within four months of the year end date. Shareholders also receive an unaudited interim report covering the six months to 30 June each year, which is dispatched within three months of that date each year.

## PART 12

### FINANCIAL AND OTHER INFORMATION RELATING TO MONTE BARRETO

The annual reports and audited financial statements of Monte Barreto for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 are reproduced in sections A, B and C respectively of Part 21 of this document.

Where the annual reports and audited financial statements of Monte Barreto as reproduced in Part 21 of this document make reference to other documents, such other documents are not incorporated into, and do not form part of, this document.

*Contained in the annual reports is a discussion of Monte Barreto's results of operations and financial condition for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 which have all been prepared in accordance with IFRS. Prospective investors should read the following discussion, together with the whole of this document, including the Risk Factors, and the annual reports and financial statements of Monte Barreto as reproduced in Part 21 of this document and should not just rely on the key or summarised information contained in this Part 12. Save for the financial statements as reproduced in Part 21 of this document none of the information in this document has been audited.*

#### Accounting policies

The financial statements of Monte Barreto have been prepared in accordance with IFRS. IFRS comprises standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee as at each relevant accounting period.

#### Selected financial information

The tables below set out Monte Barreto's selected financial information for the periods indicated, as reported in accordance with IFRS. The financial information for Monte Barreto as of the end of, and for each of, the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015 has been extracted without material adjustment from the financial statements reproduced in Part 21 of this document. The Company believes that this information summarises the financial condition and operating results for Monte Barreto over the relevant period.

	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
<i>U.S.\$'000 otherwise stated</i>			
<b>Net Assets</b>	55,694	58,814	57,667
<b>Total assets</b>	62,458	64,579	65,544
<b>Operating profit</b>	15,408	14,653	12,054
<b>Profit for the year after tax</b>	11,509	12,443	10,298
<b>Total comprehensive income</b>	11,509	12,443	10,298

*This Part 12 should be read in conjunction with the financial statements reproduced in Part 21 of this document. Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 12 is extracted from the financial information reproduced in Part 21 of this document.*

*The following review contains forward-looking statements regarding Monte Barreto that are based on assumptions about future business developments and that involve risks and uncertainties. The actual results of Monte Barreto could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those discussed below and elsewhere in this document, especially in the sections entitled "Risk Factors" and "Information regarding forward-looking statements".*

*The following discussion and analysis should be read in conjunction with the financial information of Monte Barreto for the years ended 31 December 2017, 31 December 2016 and 31 December 2015, as well as the related notes, included elsewhere in this document (the “**Periods under Review**”).*

*References in this section to “December 2017”, “December 2016” and “December 2015” are to the respective financial years ended on 31 December 2017, 31 December 2016 and 31 December 2015, respectively.*

### **Overview of the business of Monte Barreto**

Monte Barreto was incorporated as a Cuban joint venture company on 7 March 1996 for a period of 50 years for the purpose of constructing and subsequently operating the Miramar Trade Center (the “**Miramar Trade Center**”), a six-building mixed use office and retail complex located in the Miramar business district of Havana, Cuba.

As a Cuban joint venture company, the shares of Monte Barreto are held as to 51 per cent. by Inmobiliaria Lares S.A., a Cuban state-owned company, and as to 49 per cent. by CEIBA MTC Properties Inc., a wholly owned subsidiary of the Company.

The principal activity of Monte Barreto is to own and operate the 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 Havana business district. To date, six buildings have been completed, representing approximately 56,000 square metres of net rentable area. 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 organisations and Cuban joint venture companies having foreign shareholders.

The principal income of Monte Barreto is composed of the following categories of income:

- rental income
- administration fees
- tenant improvements
- parking income

### **Performance Measurement**

The key indicators by which Monte Barreto measures its economic performance include:

- total income
- earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”)
- net income after tax
- occupancy levels
- average monthly rate per square metre (“**AMR**”)

The above information is produced by the management of Monte Barreto and may not be calculated in accordance with IFRS or have any standardised 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 Monte Barreto is defined as all income earned, including rental income, administration fees, tenant improvements and parking income.

### **AMR**

Average monthly rate per square metre is calculated as total rental income for the period divided by the number of square metres occupied on a monthly basis.

### **Key Performance Drivers**

In addition to the monitoring and analysis of the economic performance indicators described above in connection with the direct income of the Company as well as of the interests of the Company in the commercial and hotel properties, the following are considered to be important internal drivers of current and anticipated financial performance:

- the ability to increase rental rates of the Miramar Trade Center as market conditions permit;
- the occupancy levels of the Miramar Trade Center; and
- the reduction in operating costs through the upgrading of electrical and other equipment (air conditioning, etc.) at the property level.

In addition to the above, the following are considered to be key external performance drivers:

- the international price of oil and its relation to the price of electricity in the Cuban market;
- the availability of competing commercial real estate space in the city of Havana;
- the availability of debt at a cost and on terms conducive to the goals of Monte Barreto;
- the general improvement of the Cuban economy, the attitude of the Cuban government towards foreign investment, economic reform and modernisation of the economy and preferred sectors for future development, and other changes in local market conditions; and
- the state of relations between the United States and Cuba.

### **General Strategy**

The general strategy of Monte Barreto is to maintain and possibly expand its position as the leading commercial real estate company operating in the international segment of Cuba's real estate market through the continued improvement of operations at the Miramar Trade Center as well as the possible addition of new properties, whether by acquisition or new construction.

The primary focus of Monte Barreto in the coming years will be to continue its ongoing efforts to maintain and maximise the efficiency of operations to the greatest extent possible and to increase rents on a gradual basis as market conditions permit. This will be accomplished by seeking to reach an optimal tenant mix between Cuban entities (i.e. state-owned companies) and tenants having a foreign interest (foreign representative and branch offices, diplomatic missions and Cuban joint venture companies). The Company will also consider the possibility of obtaining leverage for the project in the future should the terms of such leverage be attractive.

The following table shows key metrics and financial information for Monte Barreto.

<i>For the year ended</i>	<i>31 Dec 2017</i>	<i>31 Dec 2016</i>	<i>31 Dec 2015</i>
	<i>U.S.\$</i>	<i>U.S.\$</i>	<i>U.S.\$</i>
<b>Operating revenues</b>			
Rental income	17,454,962	16,196,402	14,900,677
Administration fees	5,273,260	5,160,146	4,762,518
Tenant Improvements	130,672	203,942	227,045
Parking	213,526	206,704	193,765
<b>Total operating revenues</b>	<b>23,072,420</b>	<b>21,767,194</b>	<b>20,084,005</b>
<b>Operating expenses</b>			
Personnel costs	(1,354,089)	(1,087,885)	(1,094,332)
Depreciation and amortisation	(1,527,500)	(1,465,187)	(1,444,536)
Administration services	(4,783,329)	(4,449,957)	(5,491,497)
Provisions	–	(111,565)	–
<b>Total operating expenses</b>	<b>(7,664,918)</b>	<b>(7,114,594)</b>	<b>(8,030,365)</b>
Other income and (expenses)	(14,294)	7,299	61,707
<b>Net income before tax</b>	<b>15,393,208</b>	<b>14,659,899</b>	<b>12,115,347</b>
Income tax expense	(3,884,413)	(2,217,347)	(1,817,638)
<b>Net income after tax</b>	<b>11,508,795</b>	<b>12,442,552</b>	<b>10,297,709</b>
<b>EBITDA</b>	<b>16,920,708</b>	<b>16,125,086</b>	<b>13,559,883</b>
<b>Occupancy (%)</b>	<b>99</b>	<b>99</b>	<b>87</b>
<b>AMR</b>	<b>23.93</b>	<b>21.89</b>	<b>21.94</b>

### Discussion of Operating Results

Rental income increased steadily from 2015 to 2017 as a direct result of an increase in rental rates of all existing tenants by 10 per cent. over the course of 2016.

Personnel costs in 2017 increased by 24.5 per cent. compared to 2016 as a result of renewed contracts with the employment agency that supplies Cuban labour.

Approximately 50 per cent. of administration services is related to the cost of electricity. The decrease in the administration services from 2015 to 2016 is primarily related to a U.S.\$910,411 decrease in the cost of electricity in 2016 compared to the prior year. This decrease was due to lower electricity rates, as a result of lower oil prices, as well as the installation of new air conditioning equipment with lower energy consumption. There was a further decrease in electricity cost in 2017 of U.S.\$136,473 due to the installation of more energy efficient equipment, however it was offset by higher repairs and maintenance costs related to the refurbishment of elevators and the outdoor plaza area, with the net effect being an increase in administrative services expenses in 2017 compared to 2016.

### Taxes

Monte Barreto is subject to a 15 per cent. corporate tax rate on its net income. In 2017, there was a one-time charge for deferred taxes of U.S.\$1,575,000 related to estimated retained earnings to be distributed in the future.

### Risks

In addition to the other information contained in this Operating and Financial Review, the following factors should be carefully considered in evaluating the performance of Monte Barreto.

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

## **General Risks**

### ***Political and economic factors***

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. Embargo has had, and is expected to continue to have, a significant adverse effect on the Cuban economy and Monte Barreto. The restrictions imposed by the U.S. 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.

### ***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 be 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.

The fact that Monte Barreto is a Cuban joint venture company where the Cuban and foreign shareholders 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 Monte Barreto to make key decisions affecting operations.

### ***Achievement of business strategy and competition***

It is the belief of the management of Monte Barreto, that Monte Barreto will be able to achieve significant shareholder value through its business strategy of owning and operating commercial real estate properties in Cuba and that there are presently no significant competitors for this strategy in Cuba. However, Monte Barreto is operating in high risk activities in an emerging market. No assurance may be given that Monte Barreto will be successful in achieving its business strategy as set out herein. Adverse changes or developments in economic, political, competitive or regulatory conditions and many other factors may negatively impact Monte Barreto's ability to achieve its objective.

### ***Dependence on key officers***

The managers of Monte Barreto have significant experience in managing Cuban real estate assets. The success of the investment strategy of Monte Barreto will largely depend on the efforts and abilities of these managers and their ability to perform their duties. There can be no assurance that these key managers will remain with Monte Barreto or that adequate replacement personnel with relevant experience may be recruited in the event of departure.

### ***Lack of geographical diversity in asset base***

All of the revenues of Monte Barreto are derived from assets located in the city of Havana. A prolonged downturn or other deterioration of economic or other conditions in the primary local commercial real estate market segment in which Monte Barreto operates, or in the Cuban economy generally, may negatively impact the performance of Monte Barreto, which would not be compensated by better performing assets located in other places.

## **Real Estate Risks**

### ***Risks incidental to the ownership and operation of real properties***

The economic performance of Monte Barreto, 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 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***

Monte Barreto is a Cuban joint venture company that owns commercial real estate assets. Holding real estate assets through Cuban 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 each other or take actions that may be contrary to the agreed business strategy or objectives; 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 one or the other of the shareholders 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 Cuban joint venture company, expose or subject the Cuban joint venture 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 and the Cuban joint venture partner.

### ***Tenant risks***

The income of Monte Barreto will be sensitive to the ability of key tenants of the Miramar Trade Center 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 Monte Barreto could be adversely affected. 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 Monte Barreto 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 Monte Barreto. 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 Monte Barreto.

### ***Access to capital and global capital market conditions***

The commercial real estate sector is very capital intensive. Monte Barreto may require access to capital to fund its obligations, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that capital will be available when needed or on favourable terms and Monte Barreto may be impacted by continued concerns and uncertainty in global capital markets. Failure by Monte Barreto to access required capital could adversely affect its 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 owned by Monte Barreto. Such illiquidity may tend to limit the ability of Monte Barreto to vary its portfolio promptly in response to changing economic or investment conditions. If Monte Barreto were to be required to liquidate its real property investments, the resulting proceeds may be significantly less than the aggregate carrying value.

### ***Acquisition and development risk***

An element of Monte Barreto's business strategy is to increase the number of commercial properties 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. If Monte Barreto 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 Monte Barreto. Representations and warranties given by third parties to Monte Barreto 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 Monte Barreto 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.

Monte Barreto 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 authorisations, 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 commercial real estate investment market, other developers, managers and owners of properties may compete with Monte Barreto. Some of these competitors may be better capitalised and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on the ability of Monte Barreto to lease space in its properties and on the rents charged or concessions granted, and could adversely affect the revenues of the company.

### ***General uninsured losses***

Monte Barreto carries 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 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, Monte Barreto 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, Monte Barreto has limited exposure to interest rate fluctuations. However, debt may be contracted in the future, in which case such fluctuations might subsequently have an impact on the earnings of Monte Barreto.

***Environmental and other regulatory liabilities***

Monte Barreto and the Miramar Trade Center are subject to various Cuban laws relating to environmental matters. Monte Barreto acts at all times so as to comply fully with such laws. These laws could hold the company 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 Monte Barreto as well as its ability to sell its investment in the Miramar Trade Center or to borrow using the Miramar Trade Center as collateral, and could potentially also result in claims or other proceedings. Monte Barreto is not aware of any material non-compliance with environmental laws at the Miramar Trade Center, which was a green-field development. The Company is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection the Miramar Trade Center, or any material pending or threatened claims relating to environmental conditions.

Environmental laws and regulations can change rapidly and Monte Barreto 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 Monte Barreto.

Monte Barreto may also incur significant costs complying with other regulations. The Miramar Trade Center is subject to various regulatory requirements, such as fire, health and safety requirements. In the event that Monte Barreto fails to comply with these requirements, it could incur fines or private damage awards. Monte Barreto believes that the Miramar Trade Center is 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.

## **PART 13**

### **TAXATION**

**The information below, which relates only to Guernsey and United Kingdom taxation, is for general information purposes only and is a summary of the advice received by the Board from the Company's advisers so far as applicable to the Company and to persons who are resident in Guernsey and the United Kingdom for taxation purposes and who hold Shares as an investment. It is not intended to be a comprehensive summary of all technical aspects of the structure, or tax law and practice in Guernsey and the United Kingdom. It is not intended to constitute legal or tax advice to Shareholders.**

**The information below is based on current Guernsey and United Kingdom tax law and published practice which is, in principle, subject to any change (potentially with retrospective effect). Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Shares in connection with their employment may be taxed differently and are not considered. The tax consequences for each Shareholder of investing in the Company may depend on the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject.**

**If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.**

#### **GUERNSEY TAXATION**

##### **The Company**

The Company is applying for and expects to be granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended by the Director of Income Tax in Guernsey for the current year. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £1,200, provided the Company qualifies for exemption under the applicable legislation. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

As an exempt company, the Company is and will be treated as if it were not resident in Guernsey for the purposes of liability to Guernsey income tax. The exemption from income tax and the treatment of the Company as if it were not resident in Guernsey for the purposes of Guernsey income tax would be effective from the date the exemption is granted and will apply for the year of charge in which the exemption is granted.

Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising or accruing in Guernsey, other than from a relevant bank deposit, other exempt bodies or shares in Guernsey companies. It is not anticipated that such Guernsey source taxable income will arise in this case.

In the absence of tax exempt status, the Company would be Guernsey tax resident and taxable at the Guernsey standard rate of company income tax, which is currently zero per cent.

##### **Taxation of Shareholders**

Distributions by the Company to Shareholders who are not resident in Guernsey for tax purposes can be paid to such Shareholders, either directly or indirectly, without the withholding of Guernsey tax and without giving rise to any other liability to Guernsey income tax.

Shareholders who are individuals resident for tax purposes in Guernsey (which includes Alderney and Herm) will incur Guernsey income tax at the applicable rate on a distribution paid to them by the Company. So long as the Company has been granted tax exemption the Company will only be required to provide the Director of Income Tax such particulars relating to any distribution paid to Guernsey resident Shareholders as the Director of Income Tax may require, including the names and addresses of the Guernsey resident Shareholders, the gross amount of any distribution paid and the date of the payment.

### **Capital Taxes and Stamp Duty**

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for registration fees and ad valorem duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey (which required presentation of such a grant). No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of Ordinary Shares in the Company.

### **Anti-Avoidance**

Guernsey has a wide-ranging anti-avoidance provision. This provision targets transactions where the effect of the transaction or series of transactions is the avoidance, reduction or deferral of a tax liability. At his discretion, the Director of Income Tax will make such adjustments to the tax liability to counteract the effect of the avoidance, reduction or deferral of the tax liability.

### **FATCA – United States-Guernsey Intergovernmental Agreement**

On 13 December 2013 the Chief Minister of Guernsey signed an intergovernmental agreement with the United States (“**U.S.-Guernsey IGA**”) regarding the implementation of FATCA. Under FATCA and legislation enacted in Guernsey to implement the U.S.-Guernsey IGA, certain disclosure requirements will be imposed in respect of certain Shareholders who are, or are entities that are controlled by one or more natural persons who are, residents or citizens of the United States, unless a relevant exemption applies. Certain due diligence obligations will also be imposed. Where applicable, information that will need to be disclosed will include certain information about Shareholders, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company. The Company will be required to report this information each year in the prescribed format and manner as per local guidance.

Under the terms of the U.S.-Guernsey IGA, Guernsey resident financial institutions that comply with the requirements of Guernsey’s domestic legislation to report certain information to the Guernsey tax authorities will be treated as compliant with FATCA and, as a result, should not be subject to FATCA withholding on payments they receive and should not be required to withhold under FATCA on payments they make. If the Company does not comply with these obligations, it may be subject to a FATCA deduction on certain payments to it of U.S. source income (including interest and dividends) and (from 1 January 2019) proceeds from the sale of property that could give rise to U.S. source interest or dividends and (from the later of 1 January 2019 or the date of publication of certain final regulations) a portion of non-US source payments from certain non-US financial institutions to the extent attributable to US source payments. The U.S.-Guernsey IGA is implemented through Guernsey’s domestic legislation in accordance with local guidance that is published in draft form.

Under the U.S.-Guernsey IGA, securities that are “regularly traded” on an established securities market are not considered financial accounts and are not subject to reporting. For these purposes, Shares will be considered “regularly traded” if there is a meaningful volume of trading with respect to the Shares on an ongoing basis. Notwithstanding the foregoing, a Share will not be considered “regularly traded” and will be considered a financial account if the Shareholder is not a financial institution acting as an intermediary. Such Shareholders will be required to provide information to the Company to allow it to satisfy its obligations under FATCA, although it is expected that whilst a Share is held in uncertificated form through CREST, the holder of that Share will likely be a financial institution acting as an intermediary. Shareholders that own Shares through a financial intermediary may be required to provide information to such financial intermediary in order to allow the financial intermediary to satisfy its obligations under FATCA.

## CRS

On 13 February 2014, the OECD released the CRS designed to create a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. On 29 October 2014, fifty-one jurisdictions signed the multilateral competent authority agreement ("**Multilateral Agreement**") that activates this automatic exchange of FATCA-like information in line with the CRS. Since then further jurisdictions have signed the Multilateral Agreement and in total over 100 jurisdictions have committed to adopting the CRS. Many of these jurisdictions have now adopted the CRS with effect from either 1 January 2016 or 1 January 2017. Guernsey adopted the CRS with effect from 1 January 2016.

Under the CRS and legislation enacted in Guernsey to implement the CRS, certain disclosure requirements will be imposed in respect of certain Shareholders who are, or are entities that are controlled by one or more natural persons who are, residents of any of the jurisdictions that have also adopted the CRS, unless a relevant exemption applies. Certain due diligence obligations will also be imposed. Where applicable, information that would need to be disclosed will include certain information about Shareholders, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company. The Company will be required to report this information each year in the prescribed format and manner as per local guidance. The CRS is implemented through Guernsey's domestic legislation in accordance with guidance that is supplemented by guidance issued by the OECD.

Under the CRS, there is currently no reporting exemption for securities that are "regularly traded" on an established securities market, although it is expected that whilst a Share is held in uncertificated form through CREST, the holder of that Share will likely be a financial institution acting as an intermediary. Shareholders that own the Shares through a financial intermediary may be required to provide information to such financial intermediary in order to allow the financial intermediary to satisfy its obligations under the CRS.

### **All prospective investors should consult with their own tax advisers regarding the possible implications of FATCA, the CRS and any other similar legislation and/or regulations on their investment in the Company.**

If the Company fails to comply with any due diligence and/or reporting requirements under Guernsey legislation implementing the U.S.-Guernsey IGA and/or the CRS then the Company could be subject to (in the case of the U.S.-Guernsey IGA) U.S. withholding tax on certain U.S. source payments, and (in all cases) the imposition of financial penalties introduced pursuant to the relevant implementing regulations in Guernsey. Whilst the Company will seek to satisfy its obligations under the U.S.-Guernsey IGA and the CRS and associated implementing legislation in Guernsey to avoid the imposition of any financial penalties under Guernsey law, the ability of the Company to satisfy such obligations will depend on receiving relevant information and/or documentation about each Shareholder and the direct and indirect beneficial owners of the Shareholders (if any). There can be no assurance that the Company will be able to satisfy such obligations.

## **Request for Information**

The Company reserves the right to request from any Shareholder or potential investor such information as the Company deems necessary to comply with FATCA, any agreement with the U.S. Internal Revenue Service in relation to FATCA from time to time in force, or any obligation arising under the implementation of any applicable regime, including the CRS, relating to the FATCA and the automatic exchange of information with any relevant competent authority.

## **UNITED KINGDOM TAXATION**

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident (and in the case of individual Shareholders domiciled) for UK tax purposes in (and only in) the UK, who hold their Shares as an investment, and who are the absolute beneficial owners of both their Shares and any

dividends paid on them (for these purposes, such Shareholders being in the case of an individual, a **“UK Individual Shareholder”** and in the case of a Shareholder within the charge to UK corporation tax, a **“UK Corporate Shareholder”**).

## **The Company**

### ***Tax residence***

The Directors intend to conduct the management and control of the affairs of the Company in such a way that it should not be resident in the UK for UK tax purposes. Additionally, for so long as the Company is an “AIF” within the meaning given in regulation 3 of the Alternative Investment Fund Management Regulations 2013 and is authorised or registered in Guernsey or has its registered office in Guernsey, then in accordance with section 363A of the Taxation (International and Other Provisions) Act 2010, the Company should not be regarded as resident in the UK for direct tax purposes (i.e. income tax, corporation tax and capital gains tax).

Accordingly, on the basis that the Company is not resident in the UK and provided that the Company does not carry on a trade in the UK (whether or not through a branch, agency or permanent establishment situated therein), the Company will not be subject to corporation tax, nor will it be subject to income tax other than on any UK source income.

## **Shareholders**

### ***Taxation of chargeable gains***

A disposal of Shares by a Shareholder who is resident in the UK for UK tax purposes or who is not so resident but carries on business in the UK through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the Shareholder’s circumstances and subject to any available exemption or relief.

For UK Individual Shareholders, capital gains tax at the rate of 10 per cent. (for basic rate taxpayers) or 20 per cent. (for higher or additional rate taxpayers) will be payable on any gain. UK Individual Shareholders may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which for the 2018-19 tax year exempts the first £11,700 of gains from tax) depending on their circumstances.

For UK Corporate Shareholders any gain will be within the charge to corporation tax at a rate of 19 per cent.

### ***Taxation of dividend income – UK Individual Shareholders***

UK Individual Shareholders will be liable to income tax in respect of dividends or other income distributions of the Company. A UK Individual Shareholder will generally benefit from an allowance in the form of an exemption from tax for the first £2,000 of dividend income received in the relevant tax year (the **“Dividend Allowance”**). Any dividends above the Dividend Allowance will be taxable at 7.5 per cent. (to the extent it falls within an individual’s basic rate band), 32.5 per cent. (to the extent it falls within an individual’s higher rate band) or 38.1 per cent. (to the extent it falls within an individual’s additional rate band) for the 2018-19 tax year. Dividend income of individuals in tax exempt arrangements such as ISAs should be exempt.

### ***Taxation of dividend income – UK Corporate Shareholders***

Unless the recipient is a **“small company”** (as to which see below), UK Corporate Shareholders will not be subject to corporation tax on dividends paid by the Company on the Shares so long as the dividends fall within an exempt class and certain conditions are met. Although it is likely that dividends paid by the Company on the Shares would qualify for exemption from corporation tax, it should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules. Dividends that are not exempt will be subject to corporation tax, currently at the rate of 19 per cent.

UK Corporate Shareholders which are **“small companies”** (as that term is defined in section 931S of the Corporation Tax Act 2009) will be liable to corporation tax (currently at the rate of 19 per cent.) on dividends paid by the Company on the Shares as the Company is not resident in a **“qualifying territory”** for the purposes of the legislation contained in the Corporation Tax Act 2009.

### ***Withholding tax***

The Company will not be required to withhold UK tax at source from any dividends or redemption proceeds payable to Shareholders.

### ***Stamp duty and Stamp Duty Reserve Tax (“SDRT”)***

No UK stamp duty or SDRT will arise on the issue of Shares.

No UK stamp duty will be payable on a transfer of Shares, provided that no instruments effecting or evidencing the transfer (or matters or things done in relation to the transfer) are executed in the UK and no matters or actions relating to the transfer are performed in the UK.

Provided that the Shares are not registered in any register kept in the UK by or on behalf of the Company and that the Shares are not paired with shares issued by a company incorporated in the UK, any agreement to transfer the Shares will not be subject to UK SDRT.

### ***Individual Savings Accounts (“ISAs”) and Small Self-Administered Schemes (“SSASs”)/Self-Invested Personal Pensions (“SIPPs”)***

Shares acquired pursuant to the Placing will not be eligible to be held in an ISA. Shares acquired pursuant to the Offer for Subscription and in the secondary market should be eligible for inclusion in an ISA, subject to the applicable subscription limits. Investors resident in the UK who are considering acquiring Shares pursuant to the Offer for Subscription and/or in the secondary market are recommended to consult their own tax and/or investment advisers in relation to the eligibility of the Shares for ISAs and SSAS/SIPPs.

The annual ISA investment allowance is £20,000 for the 2018-2019 tax year.

### ***Other United Kingdom tax considerations***

#### ***UK Offshore Fund Rules***

The Directors have been advised that the Company should not be, and the Shares should not be shares in, an “offshore fund” for the purposes of UK taxation, although the Company does not make any commitment to investors that it will not be treated as an offshore fund.

#### ***Controlled Foreign Companies***

If the Company is controlled by UK residents such that it would be a “**Controlled Foreign Company**” for UK tax purposes, UK Corporate Shareholders having an interest in the Company, such that 25 per cent. or more of the Company’s profits for an accounting period could be apportioned to them, may be liable to corporation tax in respect of their share of the Company’s profits in accordance with the provisions of Part 9A of the Taxation (International and Other Provisions) Act 2010.

#### ***Transfer of assets abroad***

The attention of UK Individual Shareholders is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled outside the UK and may render them liable to income tax in respect of undistributed income of the Company.

#### ***Attribution of Gains to Persons Resident in the United Kingdom***

If the Company would be a “**close company**” for UK tax purposes if resident in the UK, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 25 per cent. of the Ordinary Shares.

#### ***Transactions in securities***

The attention of Shareholders is drawn to the provisions of (in the case of UK Individual Shareholders) Chapter 1 of Part 13 of the Income Tax Act 2007 and (in the case of UK Corporate Shareholders) Part 15

of the Corporation Tax Act 2010, which give powers to HMRC to cancel tax advantages derived from certain transactions in securities.

**If any Shareholder is in doubt as to their taxation position, they are strongly recommended to consult an independent professional adviser without delay.**

## PART 14

### GENERAL INFORMATION ON THE COMPANY

#### 1. THE COMPANY

- 1.1 The Company was incorporated in Guernsey as a non-cellular company limited by shares on 10 October 1995 under registration number 30083 with the name Beta Gran Caribe Fund Limited. On 9 November 1995, the Company changed its name to Beta Gran Caribe Limited. On 8 November 2002, the Company changed its name to CEIBA Finance Limited. On 12 January 2007, the Company changed its name to CEIBA Investments Limited.
- 1.2 The principal place of business and the registered office of the Company is Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT with telephone number 01481 702400. The Company is domiciled in Guernsey.
- 1.3 The Company is a Registered Closed-ended Collective Scheme pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the Registered Collective Investment Schemes Rules 2015 issued by the Commission. The Company operates under the Companies Law and ordinances and regulations made thereunder.
- 1.4 The Company is neither regulated nor authorised by the FCA. As at the date of this document, the Company is regulated by the Commission as a Registered Closed-ended Collective Investment Scheme. Once the Ordinary Shares are admitted to trading on the Specialist Fund Segment, the Company and Shareholders will be subject to the Prospectus Rules, the Disclosure Guidance and Transparency Rules and MAR.
- 1.5 The Company's accounting period will end on 31 December of each year. The annual report and financial statements of the Company will be prepared in U.S. Dollars according to IFRS and in accordance with the requirements of the Companies Law.
- 1.6 The principal holding and operating subsidiary of the Company is CPC which holds a licence issued by the Cuban Chamber of Commerce to operate a representative office in Cuba located at the Miramar Trade Center. As at 14 September 2018 (being the latest practicable date prior to the publication of this document) CPC had eight employees based in Cuba.
- 1.7 Details of the Company's interests in real property are contained in Part 3 of this document.

#### 2. SUBSIDIARIES AND INTERESTS IN ASSOCIATED COMPANIES

The Company has the following subsidiaries and interests in associated companies:

<i>Name and form</i>	<i>Place of incorporation</i>	<i>Company's direct or indirect ownership percentage (%)</i>
CEIBA Property Corporation Limited, a non-cellular company limited by shares	Guernsey	100
CEIBA Tourism B.V., a private company with limited liability ( <i>Besloten Vennootschap met beperkte aansprakelijkheid</i> )	The Netherlands	100

<i>Name and form</i>	<i>Place of incorporation</i>	<i>Company's direct or indirect ownership percentage (%)</i>
CEIBA MTC Properties Inc., a private limited company	Panama	100
GrandSlam Limited, a non-cellular company limited by shares	Guernsey	100
Mosaico B.V., a private company with limited liability ( <i>Besloten Vennootschap met beperkte aansprakelijkheid</i> ) <sup>(5)</sup>	The Netherlands	80
MOSAICO HOTELES S.A., a private limited company ( <i>Société Anonyme</i> ) <sup>(4)</sup>	Switzerland	80
HOMASI S.A., a private limited company ( <i>Sociedad Anónima</i> )	Spain	65
MIRAMAR S.A., a private limited company ( <i>Sociedad Anónima</i> )	Cuba	32.5 <sup>(1)</sup>
Cuba-Canarias S.A., a private limited company ( <i>Sociedad Anónima</i> )	Cuba	32.5 <sup>(2)</sup>
TOSCUBA S.A., a private limited company ( <i>Sociedad Anónima</i> )	Cuba	40 <sup>(3)</sup>
INMOBILIARIA MONTE BARRETO S.A., a private limited company ( <i>Sociedad Anónima</i> )	Cuba	49

(1) HOMASI S.A. holds a 50 per cent. equity interest in MIRAMAR S.A.

(2) HOMASI S.A. holds a 50 per cent. equity interest in Cuba-Canarias S.A. The merger of MIRAMAR S.A. and Cuba-Canarias S.A. has been duly approved by the Cuban government and it is expected that such merger will be completed shortly following Initial Admission. The merger is a merger by absorption and following its implementation MIRAMAR S.A. will be the surviving company.

(3) MOSAICO HOTELES S.A. holds a 50 per cent. equity interest in TOSCUBA S.A.

(4) MOSAICO HOTELES S.A. is in the process of migrating its place of incorporation from Switzerland to Spain.

(5) Following completion of the migration of MOSAICO HOTELES S.A. from Switzerland to Spain, Mosaico B.V. will be removed from the Group. The 80 per cent. interest in MOSAICO HOTELES S.A. will be transferred to CEIBA TOURISM B.V.

### **3. SHARE CAPITAL**

3.1 The Company may issue an unlimited number of shares, including shares of no par value or shares with a par value. Shares may be issued as shares in such currencies as the Directors may determine in accordance with the Articles and the Companies Law and the price per share at which shares of each class shall first be offered to subscribers shall be fixed by the Board.

- 3.2 The Company's issued share capital, all of which is fully paid: (i) as at the date of this document, and (ii) as it will be immediately following Initial Admission (assuming 84.0 million Ordinary Shares are issued pursuant to the Initial Issue) is as follows:

	<i>Number</i>
(i) As at the date of this document	107,671,576
(ii) Immediately following Initial Admission	191,671,576

- 3.3 The following changes in the share capital of the Company have taken place between 1 April 2016 and the date of this document:

3.3.1 as at 1 April 2016 there were 13,458,947 ordinary shares fully paid in issue and total voting rights of 13,458,947 ordinary shares;

3.3.2 on 12 September 2018, each prior ordinary share was sub-divided into eight new Ordinary Shares;

3.3.3 accordingly as at 14 September 2018 (being the latest practicable date prior to the publication of this document), the number of Ordinary Shares in issue and the total voting rights in the Company are 107,671,576.

- 3.4 By way of a written resolution passed by the requisite majority of the Shareholders with effect from 12 September 2018, the following resolutions were passed in relation to the share capital of the Company:

3.4.1 That in accordance with Article 17.1 of the Articles, each existing ordinary share of no par value in the Company be divided into eight ordinary shares of no par value in the Company ("**Ordinary Shares**") having the rights and subject to the restrictions set out in the Articles.

3.4.2 That in accordance with Article 6.7 of the Articles, the Directors be and are empowered to issue, to grant rights to subscribe for, to convert and to make offers or agreements to issue equity securities (as defined in Article 6.1 of the Articles) for cash as if the pre-emption rights contained in Article 6.2 of the Articles in respect of such equity securities did not apply to any such issue, provided that this power shall be limited to:

3.4.2.1 the issue of up to 300 million Ordinary Shares pursuant to the proposed placing, offer for subscription and placing programme of Ordinary Shares on the terms and subject to the conditions set out in this document (the "**Issue**");

3.4.2.2 otherwise than pursuant to the authority described in paragraph 3.4.2.1 above, (i) the issue of such number of Ordinary Shares as is equal to up to 20 per cent. of the number of Ordinary Shares in issue immediately following Initial Admission;

3.4.2.3 the issue of up to 200 million C Shares having the rights and subject to the restrictions set out in the Articles;

3.4.2.4 the sale of such number of treasury shares as is equal to the number of Ordinary Shares held in treasury at any time following the Issue,

and such authority will, unless previously revoked or varied, expire at the conclusion of the annual general meeting of the Company to be held in 2019, save that the Company may, before such expiry, make an offer or agreement which would or might require Ordinary Shares or C Shares convertible into Ordinary Shares to be issued after such expiry and the Directors may issue equity securities in pursuance of any such offer or agreement as if this power had not expired.

3.4.3 That the Company be authorised in accordance with section 315 of the Companies Law to make one or more market acquisitions (as defined in the Law) of its own Ordinary Shares either for cancellation or to hold as treasury shares for future resale or transfer provided that:

3.4.3.1 the maximum number of Ordinary Shares authorised to be purchased is a number up to 14.99 per cent. of the aggregate number of Ordinary Shares in issue immediately following Initial Admission;

3.4.3.2 the minimum price which may be paid for an Ordinary Share is U.S.\$0.01;

- 3.4.3.3 the maximum price which may be paid for an Ordinary Share must not be more than the higher of (i) an amount equal to 105 per cent. of the average of the mid-market values of an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made; and (ii) the higher of the price of the last independent trade or the highest current independent bid for Ordinary Shares on the London Stock Exchange at the time the purchase is carried out; and
  - 3.4.3.4 such authority shall expire on the earlier of the conclusion of the first annual general meeting of the Company and the date 18 months after the date on which this resolution is passed.
- 3.5 The Company is permitted to fund the payment for purchases of Ordinary Shares in any manner permitted by the Companies Law and the Directors must reasonably believe that the Company meets the solvency tests prescribed by the Companies Law before making such purchases.
- 3.6 Save as disclosed in this paragraph 3, as at the date of this document:
  - 3.6.1 no Ordinary Shares were held by, or on behalf of, any member of the Group;
  - 3.6.2 no Ordinary Shares have been issued otherwise than as fully paid;
  - 3.6.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;
  - 3.6.4 the Company has given no undertaking to increase its share capital; and
  - 3.6.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.
- 3.7 In accordance with the power granted to the Directors by the Articles, it is expected that the Ordinary Shares to be issued pursuant to the Initial Issue will be issued (conditionally upon Initial Admission) pursuant to a resolution of the Board to be passed shortly before Initial Admission in accordance with the Companies Law.
- 3.8 All of the Ordinary Shares will be in registered form and will be eligible for settlement in CREST. Temporary documents of title will not be issued.

#### **4. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS**

- 4.1 No Director has any interests (beneficial or non-beneficial) in the share or loan capital of the Company as at 14 September 2018 (being the latest practicable date prior to the publication of this document).
- 4.2 No Director has a service contract with the Company, nor are any such contracts proposed, each Director having been appointed pursuant to a letter of appointment. Colin Kingsnorth was appointed as a Director on 10 October 2001. John Herring was appointed as a Director 12 November 2009 and was appointed Chairman of the Company 25 June 2012. Each of Trevor Bowen, Peter Cornell and Keith Corbin were appointed as Directors on 18 June 2018. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The Directors are subject to retirement by rotation in accordance with the Articles. Subject to the Articles, the Directors' appointments may be terminated by either party giving the other one month's prior written notice. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for 12 months or more; (iii) written request of the other Directors; and (iv) a resolution of the Shareholders.
- 4.3 Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. Save for the Chairman, the initial fees will be £35,000 for each Director per annum. The Chairman's initial fee will be £40,000 per annum. The Chairman of the Audit Committee will receive an additional £5,000 per annum. The Directors are also entitled to out-of-pocket expenses incurred in the proper performance of their duties.

- 4.4 The aggregate fees of the Directors in respect of the financial year ended 31 December 2017 was U.S.\$56,031. A summary of the amount of fees paid by the Company to each Director is set out below. No benefits in kind were granted to the Directors.

<i>Director</i>	<i>Fees paid (£)</i>
John Herring	24,529.50
Peter Cornell*	—
Keith Corbin*	—
Trevor Bowen*	—
Colin Kingsnorth	10,548.00

\* Appointed post period end.

- 4.5 No amount has been set aside or accrued by the Company to provide pensions, retirement or other similar benefits.
- 4.6 None of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or that has been effected by the Company since 1 January 2015.
- 4.7 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 4.8 Over the five years preceding the date of this document, the Directors hold or have held the following directorships (apart from their directorships of the Company) or memberships of administrative, management or supervisory bodies and/or partnerships:

<i>Name</i>	<i>Current</i>	<i>Previous</i>
John Herring	Edinburgh Woollen Mill Limited (The) Austin Reed Limited Peacocks Stores Limited The Edinburgh Woollen Mill (Group) Limited Sky Border Logistics Limited EWM (TOPCO) Limited Proquip Holdings Limited Jaeger Retail Limited Highfield School (Liphook) Limited J D Wetherspoon PLC Proquip Limited EWM Dormant Limited EWM (Financial Services) Limited Proquip IP Limited DuvetCo Limited Migration Solutions Ltd Border I.P. Limited Migration Solutions Holdings Limited Days Department Stores Limited Jane Norman International Limited EWM Holdings Limited Happy Child International The Gibson Group (Scotland) Limited Jendes Advisors Limited	Jane Norman Limited HP Advisors Limited

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Peter Cornell	Augusta Securities Limited F&C Commercial Property Holdings Limited F&C Commercial Property Trust Limited FCPT Holdings Limited James Grant Topco Limited Leonardo Crawley Limited Metric Capital Partners (Guernsey) Limited Metric Capital Partners (Guernsey) GP Limited Metric Capital Partners (Guernsey) GP II Limited Metric Capital Partners Holdco Limited Metric Capital Partners Manco Limited Metric Capital Partners (Netherlands) BV Metric Capital Partners (Spain) S.L. Paginas Amarillas Prime Four Limited Schroders (C.I) Limited SCP Estate Limited SCP Estate Holdings Limited Winchester Burma Limited Breedon Group PLC	Arthur J. Nash Limited F&C Commercial Property Finance Limited
Keith Corbin	Allendale Group (PTC) Limited Amherst Resources Limited Amplus PTC Limited Blue Sapphire Limited Braye Limited Brook Holdings Limited Brookland Enterprise Limited Canonbury Investments Limited CEIBA Investments Limited Cert Corsham Limited Cert International Limited Cert Rotherham Limited Colthurst Limited Cossie Limited Dermott (PTC) Limited Dofco Limited Falcon Company Limited Ferman Investment Holdings Limited Forsyth Services (PTC) Limited Gems Secretaries Limited Gems Trustees Limited Greyherst Limited Harbourvest Global Private Equity Limited Heath Holdings Limited Heritage Projects (Guernsey) Limited Kerogen Shale Limited Lincoln Trust Company Limited Lore Nominees Limited Minho Company (PTC) Limited Moberlyn Company Limited Nelson Investment Services Limited	3W Power Holdings SA Collent Property Limited Diaval Limited Diniz Limited Edulis Limited Glycera Limited Harbourvest Structured Solutions II GP Limited Larem Trustees Limited Nerine Nominees (New Zealand) Limited Treasure Isle Investments Limited

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Keith Corbin (continued)	Nerine Advisory Services India Private Limited Nerine Corporate Services Limited Nerine Fiduciaries (Hong Kong) Limited Nerine Fund Administrators Limited Nerine International Holdings Limited Nerine Trust Company (BVI) Limited Nerine Trust Company (Hong Kong) Limited Nerine Trust Company Limited Nerine Trustee Company Private Limited NFG Management Limited Octavian International Limited Oil Shale Developments Limited Portobello Overseas Corp. Quatrieme Limited Strand Holdings Limited Tarrasa (PTC) Limited Temple Trust Limited Wisteria Investment Management Ltd.	
Trevor Bowen	Cavalli Investments ICAV Kennedy Wilson Europe Limited Kennedy Wilson Ireland, Limited KW Investment Funds ICAV KW Real Estate ICAV Amphitheatre Ireland Limited Celtic Heartbeat Limited Crownway Entertainment Limited Love Supreme Festival Limited Neapolitan Live Events Limited Nocturne Live Events Limited Run Angel Limited The Corn Exchange Theatre Company Limited	KW Real Estate IV Limited KW Rockbrook Real Estate Limited KWF Alliance Limited KWF Brooklawn Real Estate Limited KWF SS Britton Limited KWF SS Real Estate Limited Ardmore Studios International Limited Ardmore Studios Limited Brenwell Limited Dublin Rock Radio Limited Grand Canal Theatre Company Limited Mother Records Limited Point Presentations Limited Principle Management Inc Principle Management Limited Sam Tours Inc Streamarker
Colin Kingsnorth	Celba International Management Limited Celba Investments Limited LAXC Limited Laxey Group Limited Laxey Partners (GP) Limited Laxey Partners (UK) Limited Laxey Partners Ltd Laxey Worldwide Limited RDIR (IOM) Limited Spazio Investments NV The Laxey Investment Trust Limited Z Rooms Ltd The Healthcare Learning Company Limited Cove Program Managers Limited Greenwhitestar UK plc New Inn Property Limited	DouglasBay Capital plc The Value Catalyst Fund Leaf Limited LP Value Limited LACMA Limited LACV Limited Laxey Investors Limited Laxey Partners GP (2) Limited Laxey Partners GP (3) Limited

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Colin Kingsnorth (continued)	HLC Group Limited CPD SA Challange Eighteen spółka z ograniczoną odpowiedzialnością Imes Poland spółka z ograniczoną odpowiedzialnością Gaston Investments spółka z ograniczoną odpowiedzialnością	

4.9 The Directors in the five years before the date of this document:

4.9.1 do not have any convictions in relation to fraudulent offences;

4.9.2 have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and

4.9.3 do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

4.10 Save as disclosed in this paragraph 4.10, as at the date of this document, none of the Directors have any conflict of interest or potential conflict of interest between any duties to the Company and their private interests and/or other duties. Due to his historical connection with Northview Investment Fund Limited (the Company's largest shareholder), John Herring is not considered fully independent for the purposes of the UK Corporate Governance Code. In addition, Colin Kingsnorth, as a representative of Laxey Partners, and the investment manager of Value Catalyst Fund, both being major shareholders in the Company, is also not considered independent for the purposes of the UK Corporate Governance Code.

4.11 The Company maintains directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

4.12 Other than as set out in the table below, as at 14 September 2018 (being the latest practicable date prior to the publication of this document), the Company was not aware of any person who was directly or indirectly interested in five per cent. or more of the Company's share capital:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital (%)</i>
Northview Investment Fund Ltd	32,150,544	29.86
The Value Catalyst Fund Ltd	13,676,064	12.70
Laxey Partners Limited	13,070,728	12.14

4.13 All Shareholders have the same voting rights in respect of the share capital of the Company.

4.14 The Company and the Directors are not aware of any person who as at 14 September 2018 (being the latest practicable date prior to the publication of this document), directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor are they aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## 5. THE MEMORANDUM AND ARTICLES

5.1 The Memorandum provides that the Company's objects are unrestricted and it shall therefore have the full power and authority to carry out any object not prohibited by the Companies Law or any other applicable laws.

5.2 The Articles, which were adopted by written resolution on 12 September 2018, contain provisions, among others, to the following effect:

**5.2.1 Dividends and other distributions**

5.2.1.1 The Directors may from time to time authorise dividends and distributions to be paid to Shareholders in accordance with the requirements set out in the Companies Law and subject to any Shareholder's rights attaching to their shares.

5.2.1.2 Subject to the rights of any Ordinary Shares which may be issued with special rights or privileges, the Ordinary Shares carry the right to receive all income of the Company attributable to the Ordinary Shares, and to participate in any distribution of such income made by the Company, such income shall be divided *pari passu* among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them.

5.2.1.3 All unclaimed dividends and distributions may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed on the earlier of:

5.2.1.3.1 a period of six years after the date when it first became due for payment; and

5.2.1.3.2 the date on which the Company is wound-up, shall be forfeited and shall revert to the Company without the necessity for any declaration or other action on the part of the Company.

**5.2.2 Voting**

5.2.2.1 Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares, holders of Ordinary Shares shall have the right to receive notice of and to attend and vote at general meetings of the Company.

5.2.2.2 Each Shareholder being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of each Ordinary Share held by him.

5.2.2.3 Notwithstanding any other provisions of the Articles, where required by the Listing Rules, a vote must be decided by resolution of the holders of the Company's shares that have been admitted to a Premium Listing. In addition, where the Listing Rules require that a particular resolution must in addition be approved by the independent shareholders (as such term is defined in the Listing Rules) only independent shareholders who hold the Company's shares that have been admitted to a premium listing can vote on such separate resolution.

**5.2.3 Capital**

5.2.3.1 As to a winding-up of the Company or other return of capital (other than by way of a repurchase or redemption of Ordinary Shares in accordance with the provisions of the Articles and the Companies Law), the surplus assets of the Company attributable to the Ordinary Shares remaining after payment of all creditors shall, subject to the rights of any Ordinary Shares that may be issued with special rights or privileges, be divided amongst the holders of Ordinary Shares *pari passu* among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them.

**5.2.4 Pre-emption rights**

5.2.4.1 There are no provisions of Guernsey law which confer rights of pre-emption in respect of the issue of the Ordinary Shares. However, the Articles provide that the Company is not permitted to issue (for cash) equity securities (being Ordinary Shares or rights to subscribe for, or convert securities into, Ordinary Shares) or sell (for cash) any Ordinary Shares held in treasury, unless it shall first have offered to issue to each

existing holder of Ordinary Shares on the same or more favourable terms a proportion of those Ordinary Shares the aggregate value of which (at the proposed issue price) is as nearly as practicable equal to the proportion of the Ordinary Shares held by such Shareholder. These pre-emption rights may be excluded and disapplied or modified by extraordinary resolution of the Shareholders. Further, the pre-emption rights shall not apply to a particular issue of equity securities if these are, or are to be, wholly or partly paid otherwise than in cash or the issue of bonus shares.

#### 5.2.5 Variation of rights

5.2.5.1 Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated:

5.2.5.1.1 with the consent in writing of the holders of not less than 75 per cent. in value of the issued shares of that class (excluding any shares held as treasury shares); or

5.2.5.1.2 with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

5.2.5.2 The necessary quorum at any separate class meeting shall be two persons present holding or representing by proxy at least one-third of the voting rights of the issued shares of that class (excluding any shares held as treasury shares) (provided that if any such meeting is adjourned for lack of a quorum, the quorum at the reconvened meeting shall be one person present holding shares of that class or his proxy) provided always that where the class has only one member, that member shall constitute the necessary quorum and any holder of shares of the class in question may demand a poll.

5.2.5.3 The rights conferred upon the holders of any shares or class of shares issued with preferred, deferred or other rights shall (unless otherwise expressly provided by the conditions of issue of such shares) be deemed not to be varied by:

5.2.5.3.1 the creation or issue of further shares ranking *pari passu* therewith; or

5.2.5.3.2 the purchase or redemption by the Company of any of its shares (or the holding of such shares as treasury shares).

#### 5.2.6 Disclosure of interests in Ordinary Shares

5.2.6.1 The Directors shall have power by notice in writing (a “**Disclosure Notice**”) to require a Shareholder to disclose to the Company the identity of any person other than the Shareholder (an interested party) who has any interest (whether direct or indirect) in the Ordinary Shares held by the Shareholder and the nature of such interest or has been so interested at any time during the three years immediately preceding the date on which the Disclosure Notice is issued. Any such Disclosure Notice shall require any information in response to such Disclosure Notice to be given in writing to the Company within 28 days of the date of service (or 14 days if the Ordinary Shares concerned represent 0.25 per cent. or more of the number of Ordinary Shares in issue of the class of Ordinary Shares concerned).

5.2.6.2 If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the Ordinary Shares concerned represent 0.25 per cent. or more in number of the issued Ordinary Shares of the relevant class), or such other reasonable period as the Directors may determine, the Directors in their absolute discretion may serve a direction notice on the member (a “**Direction Notice**”). The Direction Notice may direct that in respect of the Ordinary Shares in respect of which the default has occurred (the “**Default Shares**”) and any other Ordinary Shares held by the member shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. in number of the class of Ordinary Shares concerned, the Direction Notice may additionally direct that dividends on such Default

Shares will be retained by the Company (without interest) and that no transfer of the Default Shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

- 5.2.6.3 The Directors may be required to exercise their power to require disclosure of interested parties on a requisition of Shareholders holding not less than 1/10th of the total voting rights attaching to the Ordinary Shares in issue at the relevant time.
- 5.2.6.4 In addition to the rights referred to above, the Board may serve notice on any Shareholder requiring that Shareholder to promptly provide the Company with any information, representations, certificates or forms relating to such Shareholder (or its direct or indirect owners or account holders) that the Board determines from time to time are necessary or appropriate for the Company to:
  - 5.2.6.4.1 satisfy any account or payee identification, documentation or other diligence requirements and any reporting requirements imposed under automatic exchange of information rules such as legislation implementing FATCA and the CRS ("**AEOI Rules**");
  - 5.2.6.4.2 avoid or reduce any tax otherwise imposed by any AEOI Rules (including any withholding upon any payments to such Shareholder by the Company);
- 5.2.6.5 prevent a non-exempt prohibited transaction under ERISA or Section 4975 of the U.S. Code or prevent the Company from becoming subject to laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the U.S. Code; or
- 5.2.6.6 determine whether or not the Shareholder is a Non-Qualified Holder (see paragraph 5.2.7.3.6 below).

## 5.2.7 **Transfer of Shares**

- 5.2.7.1 Subject to the Articles (and the restrictions on transfer contained therein), a Shareholder may transfer all or any of his Ordinary Shares in any manner which is permitted by the Companies Law or in any other manner which is from time to time approved by the Board.
- 5.2.7.2 A transfer of a certificated Ordinary Share shall be in the usual common form or in any other form approved by the Board. An instrument of transfer of a certificated Ordinary Share shall be signed by or on behalf of the transferor and, unless the Ordinary Share is fully paid, by or on behalf of the transferee.
- 5.2.7.3 The Articles provide that the Board has power to implement such arrangements as it may, in its absolute discretion, think fit in order for any class of Ordinary Shares to be admitted to settlement by means of an uncertificated system. If the Board implements any such arrangements, any provision of the Articles will not apply or have effect to the extent that it is in any respect inconsistent with:
  - 5.2.7.3.1 the holding of shares of the relevant class in uncertificated form;
  - 5.2.7.3.2 the transfer of title to shares of the relevant class by means of the relevant uncertificated system; or
  - 5.2.7.3.3 the Uncertificated Securities (Guernsey) Regulations 2009 (as amended from time to time) ("**Regulations**") or the rules applicable to the relevant uncertificated system ("**Rules**").
- 5.2.7.4 Where any class of Ordinary Shares is, for the time being, admitted to settlement by means of an uncertificated system such securities may be issued in uncertificated form in accordance with and subject to the Regulations and the Rules. Unless the Board otherwise determines, shares held by the same holder or joint holders in certificated form and uncertificated form will be treated as separate holdings. Ordinary Shares may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject to the Regulations and the

Rules. Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the relevant uncertificated system.

- 5.2.7.5 The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any share in certificated form or uncertificated form subject to the Articles which is not fully paid or on which the Company has a lien provided that this would not prevent dealings in the shares from taking place on an open and proper basis on the London Stock Exchange.
- 5.2.7.6 In addition, the Board may decline to transfer, convert or register a transfer of any share in certificated form or (to the extent permitted by the Regulations or the Rules) uncertificated form: (a) if it is in respect of more than one class of shares; (b) if it is in favour of more than four joint transferees; (c) if applicable, if it is delivered for registration to the registered office of the Company or such other place as the Board may decide, not accompanied by the certificate for the shares to which it relates and such other evidence of title as the Board may reasonably require; or (d) the transfer is in favour of any Non-Qualified Holder. For these purposes, a **"Non-Qualified Holder"** includes any U.S. Person and any other person that is within a category of persons that the Board, in its sole discretion decides is a category of persons that should be treated as Non-Qualified Holders, provided always that whilst shares are admitted to listing on the Official List and/or admitted to trading on the London Stock Exchange's main market for listed securities, any such decision of the Board shall not restrict the free transferability of shares and shall be announced by the Company by way of RIS. "Non-Qualified Holder" also includes a person whose ownership of shares may (a) cause the Company's assets to be deemed "plan assets" for the purposes of regulations relating to ERISA or the U.S. Code, cause the Company to be required to register as an "investment company" under the U.S. Investment Company Act (including because the holder of the shares is not a "qualified purchaser" as defined in the U.S. Investment Company Act) or to lose an exemption or status thereunder to which it might otherwise be entitled, cause the Company to register under the U.S. Exchange Act, the U.S. Securities Act or any similar legislation, (d) cause the Company not to be considered a "foreign private issuer" as such term is defined in rule 36-4(c) under the U.S. Exchange Act, (e) result in a person holding Ordinary Shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time, cause the Company to be a "controlled foreign corporation" for the purposes of the U.S. Code, cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the U.S. Code, (h) cause a pecuniary or tax disadvantage to the Company or any Shareholder, or (i) result in any Ordinary Shares being owned, directly or indirectly, by any person who is deemed to be a Non-Qualified Holder in accordance with the Articles.
- 5.2.7.7 If any shares are owned directly, indirectly or beneficially by a person believed by the Board to be a Non-Qualified Holder, the Board may give notice to such person requiring him either:
- (A) to provide the Board within 30 days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Non-Qualified Holder; or
  - (B) to sell or transfer his Ordinary Shares to a person who is not a Non-Qualified Holder within 30 days and within such 30 days to provide the Board with satisfactory evidence of such sale or transfer and pending such sale or transfer, the Board may suspend the exercise of any voting or consent rights and rights to receive notice of or attend any meeting of the Company and any rights to receive dividends or other distributions with respect to such shares. Where condition (A) or (B) is not satisfied within 30 days after the serving of the notice, the person will be deemed, upon the expiration of such 30 days, to have forfeited his shares. If the Board in its absolute discretion so determines, the Company may dispose of the shares at the best price reasonably obtainable and pay the net proceeds of such disposal to the former holder.

### **5.2.8 General meetings**

- 5.2.8.1 The first general meeting (being an annual general meeting) of the Company shall be held within such time as may be required by the Companies Law and thereafter general meetings (which are annual general meetings) shall be held at least once in each calendar year and in any event, no more than 15 months since the last annual general meeting. All general meetings (other than annual general meetings) shall be called extraordinary general meetings. Extraordinary general meetings and annual general meetings shall be held in Guernsey or such other place as may be determined by the Board from time to time.
- 5.2.8.2 The notice must specify the date, time and place of any general meeting and the text of any proposed special and ordinary resolution. Any general meeting shall be called by at least 14 clear days' notice. A general meeting may be deemed to have been duly called by shorter notice if it is so agreed by all the members entitled to attend and vote thereat. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the proceedings at the meeting.
- 5.2.8.3 The Shareholders may require the Board to call an extraordinary general meeting in accordance with the Companies Law.

### **5.2.9 Restrictions on voting**

- 5.2.9.1 Unless the Board otherwise decides, no member shall be entitled to vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy, in respect of any share held by him unless all calls and other sums presently payable by him in respect of that share have been paid. No member of the Company shall, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such shares has failed to comply with a Disclosure Notice (see paragraph 5.2.6 above) within 14 days, in a case where the shares in question represent at least 0.25 per cent. of their class, or within 28 days, in any other case, from the date of such Disclosure Notice. These restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

### **5.2.10 Appointment, retirement and disqualification of Directors**

- 5.2.10.1 Unless otherwise determined by the Shareholders by ordinary resolution, the number of Directors shall not be less than two and there shall be no maximum number.
- 5.2.10.2 A Director need not be a Shareholder. A Director who is not a Shareholder shall nevertheless be entitled to attend and speak at Shareholders' meetings.
- 5.2.10.3 Subject to the Articles, Directors may be appointed by the Board (either to fill a vacancy or as an additional Director). No person other than a Director retiring at a general meeting shall, unless recommended by the Directors, be eligible for election by the Company to the office of Director unless not less than seven and not more than 42 clear days before the date appointed for the meeting there shall have been left at the Company's registered office (or, if an electronic address has been specified by the Company for such purposes, sent to the Company's electronic address) notice in writing signed by a Shareholder who is duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election together with notice in writing signed by that person of his willingness to be elected and containing a declaration that he is not ineligible to be a Director in accordance with the Companies Law.

- 5.2.10.4 No person shall be or become incapable of being appointed a Director, and no Director shall be required to vacate that office, by reason only of the fact that he has attained the age of 70 years. No U.S. Person is entitled to be appointed as Director.
- 5.2.10.5 Subject to the Articles, at each annual general meeting of the Company all Directors will retire from office and each Director may offer himself for election or re-election by the Shareholders.
- 5.2.10.6 A Director who retires at an annual general meeting may, if willing to continue to act, be elected or re-elected at that meeting. If he is elected or re-elected he is treated as continuing in office throughout. If he is not elected or re-elected, he shall remain in office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to elect or re-elect the Director is put to the meeting and lost.
- 5.2.10.7 The office of a Director shall be vacated:
- 5.2.10.7.1 if he (not being a person holding for a fixed term an executive office subject to termination if he ceases from any cause to be a Director) resigns his office by giving written notice signed by him sent to or deposited at the Company's registered office;
  - 5.2.10.7.2 if he dies;
  - 5.2.10.7.3 if he shall have absented himself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of 12 months and the Board resolves that his office shall be vacated;
  - 5.2.10.7.4 if he becomes bankrupt or makes any arrangements or composition with his creditors generally;
  - 5.2.10.7.5 if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under the provisions of any law or enactment;
  - 5.2.10.7.6 if he is requested to resign by written notice of all his co-Directors (being not less than two in number);
  - 5.2.10.7.7 if the Company by ordinary resolution shall declare that he shall cease to be a Director;
  - 5.2.10.7.8 if he becomes a U.S. Person; or
  - 5.2.10.7.9 if he becomes ineligible to be a Director in accordance with the Companies Law.
- 5.2.10.8 Any Director may, by notice in writing, appoint any other person (subject to the provisions in paragraph 5.2.10.9 below), who is willing to act as his alternate and may remove his alternate from that office.
- 5.2.10.9 Each alternate Director shall be eligible to be a Director under the Companies Law and shall sign a written consent to act. Every appointment or removal of an alternate Director shall be by notice in writing signed by the appointor and served upon the Company.

#### **5.2.11 Proceedings of the Board**

- 5.2.11.1 The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed shall be two. Subject to the Articles, a meeting of the Board at which a quorum is present shall be competent to exercise all the powers and discretion exercisable by the Board.

5.2.11.2 The Board may elect one of their number as chairman. If no chairman is elected or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.

5.2.11.3 Questions arising at any meeting shall be determined by a majority of votes.

5.2.11.4 The Board may delegate any of its powers to committees consisting of one or more Directors as they think fit. Any committee so formed shall be governed by any regulations that may be imposed on it by the Board and (subject to such regulations) by the provisions of the Articles that apply to meetings of the Board.

#### **5.2.12 Remuneration of Directors**

5.2.12.1 The Directors shall be entitled to receive fees for their services, such sums not to exceed in aggregate £500,000 in any financial year (or such sum as the Company shall from time to time determine). The Directors may be paid all reasonable travelling, hotel and other out of pocket expenses properly incurred by them in attending board or committee meetings or general meetings, and all reasonable expenses properly incurred by them seeking independent professional advice on any matter that concerns them in the furtherance of their duties as a Director.

#### **5.2.13 Interests of Directors**

5.2.13.1 Subject to and in accordance with the Companies Law, a Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose that fact to the Directors (including the nature and extent of that interest).

5.2.13.2 Subject to the provisions of the Companies Law, and provided that he has disclosed to the Directors the nature and extent of any interests of his, a Director notwithstanding his office:

5.2.13.2.1 may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to the tenure of office and otherwise as the Directors may determine;

5.2.13.2.2 may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

5.2.13.2.3 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, a shareholder of or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;

5.2.13.2.4 shall not, by reason of his office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit;

5.2.13.2.5 may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as though he were not a Director of the Company; and

5.2.13.2.6 may be counted in the quorum present at any meeting in relation to any resolution in respect of which he has declared an interest (and he may vote thereon).

#### 5.2.14 **Winding-up**

5.2.14.1 If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Companies Law, divide the whole or any part of the assets of the Company among the members entitled to the same in specie and the liquidator may for that purpose value any assets as he or they deem fair and determine how the division shall be carried out as between the members or different classes of members and, with the like sanction, may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he or they may determine, but no member shall be compelled to accept any assets upon which there is a liability.

5.2.14.2 Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company, the liquidator may, with the sanction of an ordinary resolution, receive in compensation shares, policies or other like interests for distribution or may enter into any other arrangements whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.

#### 5.2.15 **Borrowing powers**

5.2.15.1 The Directors may exercise all of the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property (present or future) or assets or uncalled capital and to issue debentures and other securities whether outright, or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### 5.2.16 **Suspension of determination of the Net Asset Value per Ordinary Share**

5.2.16.1 The Board may at any time temporarily suspend the calculation of the Net Asset Value and Net Asset Value per Ordinary Share and the issuance of any shares in such class during:

5.2.16.1.1 any period when any of the principal markets or stock exchanges on which a substantial part of the Company's investments are traded are closed, otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended;

5.2.16.1.2 any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, disposal or valuation of a substantial part of the investments of the Company is not reasonably practicable without this being seriously detrimental to the interests of the Shareholders or if, in the opinion of the Directors, the Net Asset Value and/or Net Asset Value per Ordinary Share of the relevant class cannot be fairly calculated; or

5.2.16.1.3 any breakdown in the means of communication normally employed in determining the value of the Company's investments or when for any reason the current prices on any market of a substantial part of the Company's investments cannot be promptly and accurately ascertained.

5.2.16.2 Any suspension will be notified to Shareholders by way of an RIS announcement.

#### 5.2.17 **C Shares**

5.2.17.1 The Articles give the Directors the ability to issue a class or tranche of C Shares. The rights and restrictions attaching to the C Shares and the New Ordinary Shares arising on their conversion are summarised below.

5.2.17.2 The following definitions apply for the purposes of this paragraph 5.2.17 only;

5.2.17.2.1 "**Ordinary Share Surplus**" means the net assets of the Company attributable to each class of Ordinary Shares (as determined by the Directors) at the date of winding up or other return of capital;

5.2.17.2.2 “**Back Stop Date**” such date as determined by the Directors and set out in the Specified Conversion Criteria;

5.2.17.2.3 “**C Share Surplus**” means in relation to any class or tranche of C Shares, the net assets of the Company attributable to that class or tranche of C Shares (as determined by the Directors) at the date of winding up or other distribution or return of capital);

5.2.17.2.4 “**Calculation Time**” means the earliest of the:

- (A) close of business on the last Business Day prior to the day on which Force Majeure Circumstances have arisen or the Directors resolve that they are in contemplation;
- (B) the close of business on such date as the Directors may decide is necessary to enable the Company to comply with its obligations in respect of the Conversion of that class or tranche of C Shares;
- (C) the close of business on the Back Stop Date for the relevant class or tranche of C Shares; and
- (D) the close of business on such date as the Directors may determine, provided that the Directors shall, in their discretion, have resolved that the Early Investment Condition of the relevant class or tranche of C Shares has been satisfied and that the relevant class or tranche of C Shares shall be converted;

5.2.17.2.5 “**Conversion**” means in relation to any class or tranche of C Shares, conversion of that class or tranche of C Shares in accordance with the Articles;

5.2.17.2.6 “**Conversion Ratio**” means, in relation to each class or tranche of C Shares, A divided by B calculated to four decimal places (with 0.00005 being rounded upwards) where:

$$A = \frac{C - D}{E}$$

and

$$B = \frac{F - G}{H}$$

Where:

Where:

**C** is the aggregate value of all assets and investments of the Company attributable to the relevant class or tranche of C Shares (as determined by the Directors) at the relevant Calculation Time calculated in accordance with the valuation policy adopted by the Directors from time to time;

**D** is the amount which (to the extent not otherwise deducted in the calculation of C) in the Directors’ opinion fairly reflects at the relevant Calculation Time the amount of the liabilities and expenses of the Company attributable to the C Shares of the relevant class or tranche (as determined by the Directors);

**E** is the number of the C Shares of the relevant class or tranche in issue as at the relevant Calculation Time;

**F** is the aggregate value of all assets and investments attributable to the Ordinary Shares (as determined by the Directors) at the relevant Calculation Time calculated in accordance with the valuation policy adopted by the Directors from time to time;

**G** is the amount which (to the extent not otherwise deducted in the calculation of F) in the Directors' opinion, fairly reflects at the relevant Calculation Time the amount of the liabilities and expenses of the Company attributable to the Ordinary Shares; and

**H** is the number of Ordinary Shares in issue as at the relevant Calculation Time;

Provided always that:

- (a) the Directors shall be entitled to make such adjustments to the value or amount of A or B as they believe to be appropriate having regard to, among other things, the assets of the Company immediately prior to the Issue Date or the Calculation Time or to the reasons for the issue of the C Shares of the relevant class or tranche;
- (b) in relation to any class or tranche of C Shares, the Directors may, as part of the terms of issue of such class or tranche, amend the definition of Conversion Ratio in relation to that class or tranche; and
- (c) where valuations are to be made as at the Calculation Time and the Calculation Time is not a Business Day, the Directors shall apply the provisions of this definition as if the Calculation Time were the preceding Business Day;

5.2.17.2.7 **"Conversion Time"** means a time following the Calculation Time, being the opening of business in London on such Business Day as may be selected by the Directors and falling not more than 20 Business Days after the Calculation Time;

5.2.17.2.8 **"Early Investment Condition"** any such condition specified in the Specified Conversion Criteria;

5.2.17.2.9 **"Force Majeure Circumstances"** in relation to any class or tranche of C Shares:

- (A) any political or economic circumstances or actual or anticipated changes in fiscal or other legislation which, in the opinion of the Directors, renders Conversion necessary or desirable;
- (B) the issue of any proceedings challenging, or seeking to challenge the power of the Company or its Directors to issue the C Shares of that class or tranche with the rights proposed to be attached to them or to the persons to whom they are, or the terms on which they are, proposed to be issued; or
- (C) the convening of any general meeting of the Company at which a resolution is to be proposed to wind up the Company;

5.2.17.2.10 **"Issue Date"** in relation to any class or tranche of C Shares, the date on which the admission of the C Shares of a particular class or tranche first becomes effective or such other date as the Directors may determine;

5.2.17.2.11 **"New Ordinary Shares"** means the new Ordinary Shares arising upon the Conversion of the C Shares in accordance with the Articles; and

5.2.17.2.12 **"Specified Conversion Criteria"** in respect of any issue of C Shares, such criteria as determined by the Directors announced by the Company through a RIS, setting out, among other matters, the Back Stop Date and the Early Investment Condition.

- 5.2.17.3 The Directors are authorised, pursuant to the Articles, to issue C Shares of such classes and tranches as they may determine and with C Shares of each such class or tranche being convertible into New Ordinary Shares.
- 5.2.17.4 The Directors shall, on the issue of each class or tranche of C Shares, be entitled to effect any amendments to the definition of Conversion Ratio attributable to each class or tranche.
- 5.2.17.5 The holders of the C Shares and the New Ordinary Shares shall, subject to the provisions of the Articles, have the following rights:
- 5.2.17.5.1 Issues of C Shares: Subject to the Law, the Directors shall be authorised to issue C Shares (in one or more classes) on such terms as they determine provided that such terms are consistent with provisions contained in this paragraph. The Directors shall, on the issue of each class or tranche of C Shares, determine the Calculation Time and Conversion Time together with any amendments to the definition of "Conversion Ratio" attributable to each such class or tranche. Each class or tranche of C Shares, if in issue at the same time, shall be deemed to be a separate class of shares. The Directors may, if they so decide, designate each class or tranche of C Shares in such manner as they see fit in order that each class or tranche of C Shares can be identified;
- 5.2.17.5.2 Dividends and pari passu ranking of C Shares and New Ordinary Shares: The holders of C Share(s) of a class or tranche shall be entitled to receive, and participate in, any dividends declared only insofar as such dividend is attributed, at the sole discretion of the Directors, to the C Share Surplus of that class or tranche. If any dividend is declared after the issue of any class or tranche of C Shares and prior to the Conversion of that class or tranche, the holders of Ordinary Shares shall be entitled to receive and participate in such dividend only insofar as such dividend is not attributed, at the sole discretion of the Directors, to the C Share Surplus of the relevant class or tranche of C Shares. The New 2017 Ordinary Shares shall rank in full for all dividends and other distributions declared, made or paid after the Conversion Time and otherwise *pari passu* with the Ordinary Shares in issue at the Conversion Time;
- 5.2.17.5.3 Rights as to capital: The capital and assets of the Company shall, on a winding up or on a return of capital prior, in each case, to Conversion be applied as follows:
- (A) the Ordinary Share Surplus shall be divided amongst the holders of Ordinary Shares of the relevant class *pro rata* to their holdings of Ordinary Shares in such class as if the Ordinary Share Surplus comprised the assets of the Company available for distribution; or
- (B) the C Share Surplus attributable to each class or tranche of C Shares shall be divided amongst the holders of such class or tranche *pro rata* according to their holdings of the C Shares of that class or tranche;
- 5.2.17.5.4 Voting and transfer: The C Shares shall carry the right to receive notice of, and to attend or vote at, any general meeting of the Company in the same manner as the Ordinary Shares (notwithstanding any difference in the respective Net Asset Values of the C Shares and Ordinary Shares). The C Shares shall be transferable in the same manner as the Ordinary Shares;
- 5.2.17.5.5 Redemption: The C Shares are issued on terms that each class or tranche of C Shares shall be redeemable by the Company in accordance with the terms set out in the Articles. At any time prior to Conversion, the

Company may, at its discretion, redeem all or any of the C Shares then in issue by agreement with any holder(s) thereof in accordance with such procedures as the Directors may determine (subject to the facilities and procedures of CREST) and in consideration of the payment of such redemption price as may be agreed between the Company and the relevant holders of C Share(s);

5.2.17.5.6 *Class consents and variation of rights*: Without prejudice to the generality of the Articles, for so long as any C Shares are in issue, until Conversion of all such C Shares it shall be a special right attaching both to the existing Ordinary Shares and to the C Shares as separate classes that save that with the sanction or consent of such holders given in accordance with the Articles that:

- (A) no alteration shall be made to the Articles of the Company; and
- (B) no resolution of the Company shall be passed to wind up the Company.

For the avoidance of doubt but subject to the rights or privileges attached to any other class of shares, the previous sanction of an extraordinary resolution of the holders of Ordinary Shares and/or C Shares shall not be required in respect of:

- (A) the issue of further Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares; or
- (B) the sale of any shares held as treasury shares or the purchase of any shares by the Company (whether or not such shares are to be held as treasury shares);

5.2.17.5.7 *Conversion*: In relation to each class or tranche of C Shares, the C Shares shall be converted into New Ordinary Shares at the Conversion Time in accordance with the following provisions. The Directors shall procure that:

- (A) within twenty Business Days after the Calculation Time, the Company (or its delegate) shall calculate the Conversion Ratio as at the Calculation Time and the number of New Ordinary Shares to which each holder of C Shares of that class or tranche shall be entitled on Conversion; and
- (B) the Company's auditor may, if the Directors consider it appropriate, be requested to certify that such calculations;
  - a. have been performed in accordance with the Articles; and
  - b. are arithmetically accurate,

whereupon, subject to the proviso in the definition of Conversion Ratio in the Articles, such calculations shall become final and binding on the Company and all Shareholders.

5.2.17.5.8 The Directors shall procure that, as soon as practicable following such certification, an announcement is made to a Regulatory Information Service, advising holders of C Share(s) of that class or tranche, of the Conversion Time, the Conversion Ratio and the aggregate number of New Ordinary Shares to which holders of C Share(s) of that class or tranche are entitled on Conversion.

5.2.17.5.9 Conversion shall take place at the Conversion Time. On Conversion:

- (A) each issued C Share of the relevant class or tranche shall automatically convert into such number of New Ordinary Shares as shall be necessary to ensure that, upon Conversion being

completed, the aggregate number of C Shares which are converted into New Ordinary Shares equals the aggregate number of C Shares of that class or tranche in issue at the Calculation Time multiplied by the Conversion Ratio (rounded down to the nearest whole New Ordinary Share);

- (B) the New Ordinary Shares arising upon Conversion shall be divided amongst the former holders of C Share(s) *pro rata* according to their respective former holdings of C Shares of the relevant class or tranche (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to New Ordinary Shares, including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company) and for such purposes any Director is authorised as agent on behalf of the former holders of C Share(s), in the case of a share in certificated form, to execute any stock transfer form and to do any other act or thing as may be required to give effect to the same including, in the case of a share in uncertificated form, the giving of directions to or on behalf of the former holders of any C Shares who shall be bound by them; and
- (C) any certificates relating to the C Shares of the relevant class or tranche shall be cancelled and the Company shall issue to each such former holder of C Shares new certificates in respect of the New Ordinary Shares which have arisen upon Conversion unless such former holder of any C Shares.

## 6. CITY CODE ON TAKEOVERS AND MERGERS

### 6.1 Mandatory bid

The City Code applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interests in the shares by the acquirer or its concert parties during the previous 12 months.

### 6.2 Compulsory acquisition

In order for a takeover offer to satisfy the requirements of Part XVIII of the Companies Law, the prospective purchaser must prepare a scheme or contract (in this paragraph, the “**offer**”) relating to the acquisition of the shares and make the offer to some or all of the shareholders. If, within a period of four months following the making of the offer, the offer has been accepted by shareholders holding 90 per cent. in value of the shares affected by the offer, the purchaser may within a period of two months immediately after the last day on which the offer can be accepted, give notice to any shareholder explaining to whom the offer was made but who has not accepted the offer (in this paragraph the “**dissenting shareholders**”) that it desires to acquire his shares on the same terms (a “**notice to acquire**”). A dissenting shareholder may, within one month after the date of a notice to acquire, apply to the Royal Court of Guernsey to cancel that notice. Unless, prior to the end of that one month period the Royal Court of Guernsey has cancelled that notice to acquire, or granted an order preventing the transferee from enforcing the notice to acquire, the transferee may acquire the shares belonging to the dissenting shareholders by paying the consideration chosen by the relevant dissenting shareholder, which it will hold on trust for the dissenting shareholders.

## 7. MATERIAL CONTRACTS OF THE COMPANY

The following are all of the contracts, not being contracts entered into in the ordinary course of business that have been entered into by the Company or any member of the Group within the two years immediately preceding the date of this document or which are expected to be entered into prior to Initial Admission and which are, or may be, material and which contain any provision under which the Company or any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document:

### 7.1 Placing and Offer Agreement

The Placing and Offer Agreement dated 17 September 2018 between the Company, the AIFM, the Directors and N+1 Singer, pursuant to which, subject to certain conditions, N+1 Singer has agreed to use reasonable endeavours to procure subscribers for Ordinary Shares pursuant to the Initial Placing at the Issue Price and to use reasonable endeavours to procure subscribers under the Placing Programme for Shares at the Placing Programme Price.

The Placing and Offer Agreement may be terminated by N+1 Singer in certain customary circumstances. The Company has appointed N+1 Singer as financial adviser and bookrunner to the Company in connection with the Initial Issue and the Placing Programme.

The obligation of the Company to issue the Ordinary Shares and the obligation of N+1 Singer to use its reasonable endeavours to procure subscribers for Ordinary Shares pursuant to the Initial Placing is conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) Initial Admission having become effective on or before 8.00 a.m. on 10 October 2018 (or such later time and/or date as the Company, the AIFM and N+1 Singer may agree (not being later than 8.00 a.m. on 10 December 2018); (ii) the Placing and Offer Agreement becoming wholly unconditional (save as to Initial Admission) and not having been terminated in accordance with its terms at any time prior to Initial Admission; and (iii) the Minimum Gross Proceeds being raised.

Each issue of Shares pursuant to a Subsequent Placing under the Placing Programme is conditional, *inter alia*, on (i) Admission of the relevant Shares occurring by no later than 8.00 a.m. on such date as the Company, the AIFM and N+1 Singer may agree from time to time in relation to that Admission, not being later than 16 September 2019; (ii) a valid supplementary prospectus being published by the Company if such is required by the Prospectus Rules and (iii) the Placing and Offer Agreement being wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms prior to any subsequent Admission.

The Directors, the Company and the AIFM have given warranties to N+1 Singer concerning, *inter alia*, the accuracy of the information contained in this document. The Company and the AIFM have also given indemnities to N+1 Singer and its associates. The warranties given by the Directors, the Company and the AIFM and the indemnities given by the Company and the AIFM (as the case may be) are standard for an agreement of this nature. N+1 Singer's liability under the Placing and Offer Agreement is limited.

The Placing and Offer Agreement is governed by the laws of England and Wales.

### 7.2 Management Agreement

The Management Agreement dated 31 May 2018 between the Company and the AIFM, pursuant to which the AIFM is appointed to act as alternative investment fund manager of the Company with responsibility for portfolio management and risk management of the Company's investments. Under the terms of the Management Agreement, the AIFM may delegate portfolio management functions to the Investment Manager.

Under the terms of the Management Agreement, the AIFM is entitled to the Annual Management Fee together with reimbursement of all reasonable costs and expenses incurred by it and the Investment Manager in the performance of its duties. Details of the Annual Management Fee are set out in Part 7 of this document.

The initial term of the Management Agreement is five years commencing on Initial Admission (the "**Initial Term**"). The Company may terminate the Management Agreement by giving the AIFM not less than six months' prior written notice such notice not to be effective prior to the end of the Initial Term.

The AIFM may terminate the Management Agreement by giving the Company not less than six months' prior written notice. The Management Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency or material and continuing breach.

The Company has given an indemnity in favour of the AIFM, its associates and delegates in respect of the AIFM's potential losses in carrying on its responsibilities under the Management Agreement. The AIFM's liability under the Management Agreement is limited.

The Management Agreement is governed by the laws of England and Wales.

### 7.3 **Amended Administration Agreement**

The Amended Administration Agreement is an agreement dated 17 September 2018 between the Company and the Administrator whereby the Administrator has been appointed as administrator and secretary to the Company. The Administrator provides day-to-day administration services to the Company and is also responsible for the Company's general administrative and secretarial functions such as the calculation of the Net Asset Value and the maintenance of the Company's accounting and statutory records.

Under the terms of the Amended Administration Agreement, the Administrator is entitled to annual fees for the provision of company secretarial services and administrative and accounting services to the Company of £120,000 per annum payable monthly in arrears. In addition, the Administrator is entitled to certain other fees for ad hoc services rendered from time to time, including for the provision of company secretarial services and administrative and accounting services to any Guernsey subsidiary of the Company of £10,000 per annum per subsidiary payable monthly in arrears. The Administrator is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.

The Amended Administration Agreement may be terminated by the Company giving to the Administrator not less than six months' notice in writing expiring at any time after 31 July 2021 or the Administrator giving to the Company not less than six months' notice in writing expiring at any time. The Amended Administration Agreement may also be terminated by the Company forthwith if the Administrator ceases to be qualified to act as an administrator. In addition, either the Company or the Administrator may terminate the Amended Administration Agreement forthwith by written notice in specified circumstances relating to material breach of the agreement by the other party or in specified circumstances relating to the insolvency of the other party. The Administrator's appointment as secretary to the Company ipso facto terminates upon the termination of its appointment as administrator.

The Amended Administration Agreement contains customary representations and warranties from the Company and the Administrator in favour of the other party. The Amended Administration Agreement also contains customary indemnities from the Company in favour of the Administrator and its directors, officers and employees. The Administrator's liability under the Amended Administration Agreement is limited.

The Amended Administration Agreement is governed by the laws of Guernsey.

### 7.4 **Depositary Agreement**

The Depositary Agreement is an agreement dated 17 September 2018 between the Company, the AIFM and the Depositary whereby the Depositary has been appointed as depositary of the Company.

The Depositary provides depositary services to the Company and is responsible for setting up and maintaining cash accounts, ensuring the Company's cash flows are properly monitored, the safe-keeping of custody assets and the oversight and supervision of certain operational functions of the AIFM and the Company.

Under the terms of the Depositary Agreement, the Depositary is entitled to a fee for the provision of depositary services of £30,000 per annum, which accrues daily and is payable monthly in arrears. In addition, the Depositary is entitled to certain other fees for ad hoc services rendered from time to time. The Depositary is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.

The Depositary Agreement contains customary warranties, representations and undertakings from the Company and the AIFM in favour of the Depositary and customary representations and warranties from the Depositary in favour of the Company and the AIFM. The Depositary Agreement also contains customary indemnities from the Company in favour of the Depositary and its officers, agents and employees. Each party's liability under the Depositary Agreement is limited.

The Depositary Agreement may be terminated by the Depositary or the Company by not less than three months' written notice. The Depositary Agreement may also be terminated by the Company by written notice in certain other circumstances, including but not limited to, in specified circumstances relating to the insolvency of the Depositary, if the Depositary ceases to be qualified to be appointed as a depositary under applicable laws, in specified circumstances relating to material breach of the agreement by the Depositary, if the AIFM is directed to do so by the FCA or if the Depositary is subject to any material pending or threatened litigation or any matter which may reasonably be believed to bring the Company or the AIFM into disrepute. In addition, the Depositary Agreement may also be terminated by the Depositary by written notice in certain other circumstances, including but not limited to, in specified circumstances relating to the insolvency of the Company, if the AIFM ceases to be the alternative investment fund manager of the Company without the consent of the Depositary, in specified circumstances relating to material breach of the agreement by the Company or, where applicable, the AIFM or if the Company or the AIFM or any principal or affiliate of the Company is or becomes subject to any investigation or proceeding of any regulatory body in any applicable jurisdiction or any other event occurs in relation to the Company or the AIFM or their principals or affiliates where the Depositary in its reasonable opinion determines that its continued provision of all or any services pursuant to the agreement could reasonably be expected to have a material adverse effect on the business or reputation of the Depositary.

The Depositary Agreement is governed by the laws of Guernsey.

## **7.5 Registrar Agreement**

The Registrar Agreement is an agreement dated 17 September 2018 between the Company and the Registrar pursuant to which the Registrar has been appointed as registrar to the Company. The Registrar provides registration services, including maintaining and updating the register of members of the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of any VAT), subject to a minimum of £5,500 per annum payable monthly in arrears. In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time. The Registrar is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.

The Registrar Agreement contains customary representations and warranties from the Company and the Registrar in favour of the other party. The Registrar Agreement also contains customary indemnities from the Company in favour of the Registrar, its affiliates and their directors, officers, employees and agents. The Registrar and its affiliates and their directors, officers employees and agents' liability under the Registrar Agreement is limited.

The Registrar Agreement is for an initial period of 3 years, at the expiry of which the agreement shall automatically renew for successive periods of 12 months, unless or until terminated by either party or at the end of such initial period, provided written notice is given to the other party at least 6 months prior to the end of such initial period or at the end of any successive 12 month period, provided written notice is given to the other party at least 6 months prior to the end of such successive 12 month period. Either party may terminate the Registrar Agreement by service of 3 months' written notice should the parties not reach an agreement regarding any increase of the fees pursuant to the terms of the agreement, upon service of written notice in specified circumstances relating to material breach of the agreement by the other party or upon service of written notice in specified circumstances relating to the insolvency of the other party.

The Registrar's Agreement is governed by the laws of Guernsey.

## 7.6 **Receiving Agent Agreement**

The Receiving Agent Agreement is an agreement dated 17 September 2018 between the Company and the Receiving Agent pursuant to which the Receiving Agent has been appointed as receiving agent to the Company. The Receiving Agent provides receiving agent services in connection with the Offer for Subscription.

Under the terms of the Receiving Agent Agreement, the Receiving Agent shall be entitled to receive a fee in connection with the receiving agent services from the Company. The Receiving Agent is also entitled to reimbursement in respect of all reasonable out of pocket expenses properly incurred by it in the performance of the services.

The Receiving Agent Agreement contains customary representations and warranties from the Company and the Receiving Agent in favour of the other party. The Receiving Agent Agreement also contains customary indemnities from the Company in favour of the Receiving Agent, its affiliates and their directors, officers, employees and agents. The Receiving Agent, and its affiliates and their directors, officers employees and agents' liability under the Receiving Agent Agreement is limited.

The Receiving Agent Agreement may be terminated by either party upon service of written notice in specified circumstances relating to material breach of the agreement by the other party or upon service of written notice in specified circumstances relating to the insolvency of the other party.

The Receiving Agent Agreement is governed by the laws of England.

## 7.7 **The Lock-in Agreements**

Individual Lock-in Agreements each dated 17 September 2018 entered into between each Lock-in Party, the Company and N+1 Singer pursuant to the terms of which each Lock-in Party has undertaken to the Company and N+1 Singer not, without the prior written consent of the Company and N+1 Singer, to dispose of any of the Lock-in Shares held respectively by them or their respective associates at Initial Admission for a period of twelve months following Initial Admission, and to be subject to customary orderly market restrictions until the second anniversary of Initial Admission. The Lock-in Agreements are subject to customary exceptions.

The Lock-in Agreements are governed by the laws of England and Wales.

## 7.8 **The Framework Agreement**

The Framework Agreement dated 11 August 2017 entered into between the Company and the AIFM pursuant to the terms of which the granting by the Company to the AIFM of the right to manage the Portfolio for a minimum of five years shall be conditional on the payment by the AIFM to the Company of consideration in the amount of U.S.\$5 million (the "**Consideration**"). Where the Consideration has been paid, in the event that the Management Agreement is terminated (for whatever reason or by whichever party) at any point up until the fifth anniversary of Initial Admission, the Company shall repay to the AIFM a relevant proportion of the Consideration. If the Management Agreement was terminated on the first anniversary of Initial Admission, the Company would repay to the AIFM U.S.\$4 million, whilst if the Management Agreement was terminated on the fourth anniversary of Initial Admission the Company would repay to the AIFM U.S.\$1 million.

The Company has given certain warranties to the AIFM with the aggregate liability of the Company to the AIFM for all claims under the warranties capped at the amount of the Consideration actually paid and not returned to the AIFM.

The agreement is governed by the laws of England and Wales.

## 7.9 **Bridge Loan Agreement and Security Interest Agreement**

The Bridge Loan Agreement dated 8 November 2017 (as amended by way of an Amendment to Bridge Facility and Security Interest Agreement dated 3 April 2018 and an amendment dated 30 July 2018) between the Company and Northview Investment Fund Ltd ("**Northview**"), pursuant to the terms of which Northview extended to the Company a loan facility in the principal amount of €30,000,000. The term of the facility expires on 1 April 2020 (the "**Term**"). The purpose of the facility

was to finance the acquisition by the Company of shares in Corporacion Interinsular Hispana S.A. which owned a 50 per cent. interest in the Cuban joint venture company owning the Varadero Hotels (as part of a subsequent corporate restructuring, Corporacion Interinsular Hispana S.A. was merged with HOMASI S.A. in Spain, so the 50 per cent. interest in the Cuban joint venture company owning the Varadero Hotels is presently owned by HOMASI S.A.). The interest rate under the facility during the Term is a flat annual rate of 12 per cent. which accrues daily. The Company will repay the principal amount of the loan and all accrued interest and other charges at the end of the Term. The parties intend that the repayment of any outstanding amount under the facility will be made from the proceeds of the Initial Issue. In the event that (i) the Initial Issue is delayed for any reason and is not completed prior to the date upon which the Term would otherwise have expired, or (ii) the net proceeds of the Initial Issue are insufficient to repay all outstanding amounts under the Bridge Loan, then the principal amount outstanding at that time will be repaid as soon as practicable thereafter, from the first income or proceeds received by the Company, or its subsidiary companies from any source and provided always the Company shall not be obliged to make any repayments under the Bridge Loan if in doing so it would not have sufficient working capital (as determined by the Board, acting reasonably, for its committed requirements and operations). The Company has provided representations, warranties and undertakings to Northview which are standard for a facility of this type, including a covenant not to make any distribution of dividends or other payments to Shareholders for so long as there is any amount outstanding under the facility, except with the prior written consent of Northview.

As security for the facility the Company and Northview entered into a Security Interest Agreement dated 8 November 2017 pursuant to the terms of which the Company granted a share pledge and security interest over its shares in CPC.

The Bridge Loan Agreement and the Security Interest Agreement are both governed by Guernsey law.

#### 7.10 **Monte Barreto Deed of Incorporation**

Through the ownership of its shareholding in Monte Barreto, CEIBA MTC Properties Inc. (the Company's wholly-owned subsidiary) is subject to the terms of the Monte Barreto Deed of Incorporation. The Monte Barreto Deed of Incorporation forms part of the constitutional documents for Monte Barreto and, *inter alia*, sets out the joint venture terms governing the rights of the shareholders in Monte Barreto.

The incorporation of Monte Barreto was authorised by Resolution 2990 dated 28 February 1996 issued by the ECCM. 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 (the "**Monte Barreto Deed of Incorporation**"). The parties to the Monte Barreto Deed of Incorporation are Inmobiliaria Lares S.A. and CEIBA MTC Properties Inc. Under the Monte Barreto Deed of Incorporation, Monte Barreto was incorporated for an initial term of 50 years, expiring in 2046.

The approved social object of Monte Barreto includes the construction, preservation, rehabilitation, promotion and management of office buildings, retail premises, parking facilities and other related areas that may be leased to natural persons who are not residents of Cuba, foreign legal persons and Cuban entities. The retail premises may be leased solely to entities that are legally authorised to conduct retail business activities.

Under the terms of the Monte Barreto Deed of Incorporation, all decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders. The representatives of the Cuban government shareholder on the board of directors of Monte Barreto (acting together) and the representatives of the foreign shareholder on the board of directors of Monte Barreto (acting together) each have an effective veto over all decisions of the board of directors. Day-to-day operations of Monte Barreto are the responsibility of the General Manager (appointed by the foreign shareholder) and the Assistant General Manager (appointed by the Cuban shareholder) of Monte Barreto.

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 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.

In the event that a party receives and intends to accept an offer for the purchase of its shares in Monte Barreto, the other party shall have a pre-emptive right to purchase same, subject to unanimous resolution adopted by the parties. The purchase of shares in Monte Barreto by a foreign party shall become effective only after the relevant Cuban government approval has been issued.

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 the 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 specialised valuation entity, and in such case the remaining term of the surface rights, if any, will be included in such valuation.

Under Cuban law and the Monte Barreto Deed of Incorporation, upon the liquidation of Monte Barreto, ownership of the buildings making up the Miramar Trade Center will revert to the Cuban government, as owner of the underlying land. Under the Monte Barreto Deed of Incorporation, upon liquidation, the constructions owned by Monte Barreto will be valued by an independent valuator and such value will be included in the final net assets of Monte Barreto to be distributed to shareholders in accordance with shareholdings, following the payment of all outstanding liabilities. The method of valuation of the constructions is not stated. According to the original government resolution authorising the incorporation of Monte Barreto, upon transfer of the constructions to the Cuban government at expiry of the term, no payment will be made to the either shareholder.

Disputes arising between the parties under the Monte Barreto Deed of Incorporation that cannot be resolved through amicable negotiations must be submitted for obligatory arbitration to the Arbitration Court of Madrid, in accordance with the UNCITRAL procedural rules, applying Cuban substantive law.

#### 7.11 **MIRAMAR S.A. Deed of Incorporation.**

The incorporation of MIRAMAR S.A. was authorised by Resolution 2676 dated 3 June 1993 issued by the ECCM. The incorporation and operations of MIRAMAR S.A. are governed by a deed of incorporation, including an association agreement and corporate by-laws, dated 22 October 1993 (the “**Miramar Deed of Incorporation**”). The parties to the Miramar Deed of Incorporation are Cubanacán S.A. and HOMASI S.A. Under the Miramar Deed of Incorporation, MIRAMAR S.A. 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.

The social object of MIRAMAR S.A. is, (a) the construction and operation of a hotel complex, of 4-5 star category, to be located on the land east of the Comodoro hotel, Playa, in the city of Havana, with related service and recreational facilities; and (b) the carrying out, inside and outside the national territory, of all commercial and other activities necessary or useful for the purposes set out in the preceding paragraphs, and generally to carry on any other licit business related to international tourism.

Under the terms of the Miramar Deed of Incorporation, all decisions at shareholder and board of director meetings require the unanimous agreement of the Cuban and foreign shareholders or directors.

MIRAMAR S.A. 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 S.A. 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 S.A. 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 S.A., 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 balance sheet to be prepared by liquidators appointed by the shareholders. For the 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. In the case of liquidation at the request of the foreign shareholder prior to expiry of the initial term or any renewal thereof, the valuation will be made according to book value.

Consequently, under Cuban law and the Miramar Deed of Incorporation, upon the liquidation of MIRAMAR S.A. following expiry of the initial term or any renewal thereof, ownership of the Meliá Habana Hotel will revert to the Cuban government, as owner of the underlying land, subject to the payment of due compensation to MIRAMAR S.A. for the commercial value thereof, as established by agreement between the parties (or by an independent valuator in the case of disagreement). Upon the liquidation of MIRAMAR S.A. at the request of the foreign shareholder prior to expiry of the initial term or any renewal, then the amount of compensation will be determined by the book value of the Meliá Habana Hotel. In both cases, such compensation will then be included in the final balance sheet of net assets of MIRAMAR S.A. to be distributed to shareholders in accordance with shareholdings, following the payment of all outstanding liabilities.

By a resolution passed on 4 September 2018, the ECCM has approved the extension of the term of incorporation of MIRAMAR S.A., as well as the extension of the term of the surface rights granted over the land upon which the Meliá Habana Hotel is constructed, to 2042. The ECCM has also approved the merger between MIRAMAR S.A. and Cuba-Canarias S.A., with MIRAMAR S.A. to continue as the sole surviving joint venture company. The Miramar Deed of Incorporation will be amended shortly after Initial Admission in order to integrate these changes.

#### 7.12 **Cuba-Canarias S.A. Deed of Incorporation.**

The incorporation of Cuba-Canarias S.A. was authorised by Resolution 2218 dated 10 March 1988 issued by the ECCM. The incorporation and operations of Cuba-Canarias S.A. are governed by a deed of incorporation, including an association agreement and corporate by-laws, dated 28 November 1987 (the “**Cuba-Canarias Deed of Incorporation**”). The original parties to the Cuba-Canarias Deed of Incorporation were Cubanacán S.A. and CIHSA. At present, following the merger of HOMASI S.A. and CIHSA in December 2017, the parties to the Cuba-Canarias Deed of Incorporation are Cubanacán S.A. and HOMASI S.A.. Under the Cuba-Canarias Deed of Incorporation and its authorising resolution, the term of incorporation of Cuba-Canarias S.A. corresponds to the term of the land rights granted. Consequently, Cuba-Canarias S.A. was incorporated for an initial term of 25 years from the start-up of operations of each hotel.

The social object of Cuba-Canarias S.A. includes, (a) the preparation and development of real estate projects generally, as well as the preparation of urban plans for integrated developments to be located at Playa Santa Lucia, Cayo Coco and Varadero, (b) the execution, for its own account or for others, of tourism infrastructure works and constructions for purposes of operating hotel, non-hotel and commercial installations and facilities located in the areas mentioned in the preceding object, (c) the operation and management of any type of hotel, non-hotel, commercial or other tourism facilities located in the aforementioned locations, (d) the promotion of investments and the raising of capital for tourism developments, and (e) the carrying out of any other business activity that is useful or necessary in connection with the above.

Under the terms of the Cuba-Canarias Deed of Incorporation, all decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders. Decisions of the board of directors are made on the basis of simple majority votes of directors present, provided that at least half of the members of the board are present.

Cuba-Canarias S.A. 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 Cuba-Canarias S.A. 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 five years to a maximum extension of 25 years. The usufruct rights relating to the three Varadero Hotels will therefore expire on staggered dates corresponding in each case to the date that falls 25 years following the start-up of operations of each hotel. The usufruct rights of the Sol Palmeras Hotel expired in May 2015 and the usufruct rights of the Meliá Varadero Hotel expired in December 2017. The usufruct rights of the Meliá Las Americas Hotel will expire in 2019.

Under the Cuba-Canarias Deed of Incorporation, Cuba-Canarias S.A. 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 Cuba-Canarias S.A., 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 three such firms chosen by the Chamber of Commerce of Geneva.

By a resolution passed on 4 September 2018, the ECCM has approved, (a) the merger between MIRAMAR S.A. and Cuba-Canarias S.A., with MIRAMAR S.A. to continue as the sole surviving joint venture company, and (b) the granting of new surface rights over the land upon which the Varadero Hotels are constructed in favour of MIRAMAR S.A. until 2042. A deed of merger will therefore be executed shortly after Initial Admission for the purpose of transferring ownership of the Varadero Hotels to MIRAMAR S.A., following which Cuba-Canarias S.A. will be liquidated.

#### 7.13 **TOSCUBA Deed of Incorporation**

The incorporation of TOSCUBA S.A. was authorised by Resolution 3295 dated 18 May 1998 issued by the ECCM. The incorporation and operations of TOSCUBA S.A. were originally governed by a deed of incorporation, including an association agreement and corporate by-laws, dated 18 May 1898, as amended by a new association agreement and corporate by-laws dated 19 February 2007 (collectively the **"TosCuba Deed of Incorporation"**). The parties to the TosCuba Deed of Incorporation are Cubanacán S.A. and MOSAICO HOTELES S.A. Under the TosCuba Deed of Incorporation, TOSCUBA S.A. was incorporated for an initial term of 25 years, which was subsequently extended to 50 years, expiring in 2048.

The social object of TOSCUBA S.A. is the construction and operation of a 4-star hotel, together with all related hotel and non-hotel activities, on the Maria Aguilar area of the Ancon Peninsula, Trinidad, Santi Spiritus Province.

Under the terms of the TosCuba Deed of Incorporation, decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders. Decisions at board meetings are taken by majority, provided that at least 50 per cent. of the directors appointed by each party are present.

TOSCUBA S.A. has been granted surface rights over the land upon which the Meliá Trinidad Playa Hotel will be constructed for an initial term of 50 years, ending in 2048. The TOSCUBA S.A. 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 TosCuba Deed of Incorporation, TOSCUBA S.A. may be liquidated in the following circumstances: (i) expiry of its term of incorporation, (ii) expiry of the surface rights without any extension being granted, (iii) impossibility of carrying out its social object for reasons internal to the joint venture company, (iv) mutual agreement between the shareholders, (v) bankruptcy of the joint venture company, (vi) failure by one of the shareholders to pay, within the required time periods, for shares subscribed for, and (vii) the suspension of payments or bankruptcy of one of the shareholders. In the event of the liquidation of TOSCUBA S.A., 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 balance sheet to be prepared by liquidators appointed by the shareholders.

Disputes arising under the TosCuba Deed of Incorporation will be resolved by arbitration tribunal of three arbitrators formed in accordance with the procedural rules of the International Chamber of Commerce in Paris.

#### 7.14 **Shareholders Agreement relating to MOSAICO B.V.**

As part of the transaction documents pursuant to which Hoteles Internacionales de MCA S.A. (“HIMCA” – a holding company related to Meliá Hotels International S.A.) took a 20 per cent. interest in MOSAICO B.V., thereby taking a 20 per cent. interest in MOSAICO HOTELES S.A., the foreign shareholder in TOSCUBA S.A., CEIBA Tourism B.V. and HIMCA executed a shareholders agreement (the “**Mosaico Shareholder Agreement**”) in order to regulate their relations as shareholders of MOSAICO B.V. and to confirm their undertakings in relation to the TosCuba hotel development project.

The principal agreements contained in the Mosaico Shareholder Agreement include, (i) the minimum conditions necessary for validation of the project (minimum profitability to be confirmed by formal feasibility study, construction terms in accordance with international standards, agreed financial terms and hotel management contract to be executed with GESMESOL S.A.), (ii) the undertaking of the parties to fund their relative proportional share of the investment commitment of MOSAICO HOTELES S.A. as foreign shareholder of TOSCUBA S.A. (U.S.\$30,000,000, together with any cost overruns), and (iii) management of the hotel following construction. The Mosaico Shareholder Agreement also contains standard provisions dealing with corporate governance and decision-making procedures of the company, termination rights, deadlock procedures, mutual rights of first refusal, tag-along and drag-along, etc.

The Mosaico Shareholder Agreement is governed by the laws of the Netherlands.

#### 7.15 **Construction Finance Agreement**

On 30 April 2018, the Company and MOSAICO HOTELES S.A. entered into a construction finance agreement (the “**Construction Facility**”) with TOSCUBA S.A. for the purpose of extending to TOSCUBA S.A. part of the funding necessary for the construction of the Meliá Trinidad Playa Hotel. The Construction Facility is in the maximum principal amount of U.S.\$45,000,000, divided into two separate tranches of U.S.\$22,500,000 each. Tranche A will be extended by MOSAICO HOTELES S.A. and Tranche B will be extended by the Company. The Company has the right to syndicate Tranche B of the Construction Facility to other lenders. The Company will act as the agent for the lenders under both tranches of the Construction Facility.

The principal terms of the Construction Facility include, (i) a grace period for principal and interest during the construction period of the hotel (expected to be completed by 31 December 2020), (ii) upon expiry of the grace period, accumulated interest will be repaid, followed by a repayment period of eight years during which blended payments of principal and interest will be made, (iii) interest will accrue on amounts outstanding under the Construction Facility at the rate of 8 per cent. (with a default interest rate of 9 per cent. in the case of default). The first disbursement under the Construction Facility is expected to be made in November 2018. Repayment of the Construction Facility is secured by an assignment in favour of the lenders of all of the future income of the Meliá Trinidad Playa Hotel following start-up of operations. In addition, Tranche B of the Construction Facility is also secured by a guarantee provided by Cubanacán S.A., Corporación de Turismo y Comercio Internacional (the Cuban shareholder of TOSCUBA S.A.) as well as by an assignment in favour of the Company (in its capacity as Tranche B lender) of all international tourism proceeds generated by the Meliá Santiago de Cuba Hotel.

#### 7.16 **The FINTUR Facility Agreement**

In March 2016, the Company arranged and executed the most recent facility in favour of FINTUR, a €24,000,000 4 year syndicated facility agreement (the “**FINTUR Facility Agreement**”), of which the participation of the Company was the principal amount of €4,000,000. The FINTUR facility was disbursed to the borrower in July 2016 and has a fixed interest rate of 8.00 per cent. per annum. Repayments began on a quarterly basis in September 2017, with the final payment falling due in June 2020.

The FINTUR facility is secured by Euro-denominated off-shore tourism proceeds payable to FINTUR by Meliá Hotels International, the operator of the three hotels granted as security for the repayment

of the FINTUR facility. These tourism proceeds flow through a secured facility account in the name of FINTUR located outside Cuba at a Spanish bank. Actual tourism proceeds flowing through the facility account must at all times exceed the required security ratio set out in the facility documents.

The FINTUR Facility Agreement and related security documents are governed by Spanish law and refer disputes between the parties to ICC arbitration to be carried out in Paris, with the exception of the pledge over bank account agreement, which refers disputes between the parties to the relevant Spanish court.

## 8. LITIGATION

There have been no governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened, nor of any such proceedings having been pending or threatened at any time preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company.

## 9. WORKING CAPITAL

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

## 10. NO SIGNIFICANT CHANGE

Save as set out below there has been no significant change in the financial or trading position of the Group since 31 December 2017:

- (a) on 10 April 2018, the Company paid a dividend of U.S.\$0.52 per Ordinary Share; and
- (b) pursuant to an ECCM resolution dated 4 September 2018, the Cuban government approved the merger of MIRAMAR S.A. and Cuba-Canarias S.A. and extended the surface rights of the Hotel Assets to 2042.

## 11. GENERAL

11.1 No application is being made for the Shares to be dealt with in or on any stock exchange or investment exchange other than the Specialist Fund Segment of the Main Market of the London Stock Exchange.

11.2 N+1 Singer has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

11.3 Aberdeen Fund Managers Limited was incorporated in England and Wales as a limited company on 7 November 1962 under the Companies Act (registration number 740118). The AIFM is regulated by the FCA (FCA registration number 121803). The registered office of the AIFM is Bow Bells House, 1 Bread Street, London EC4M 9HH (tel. +44 02074636000). The AIFM has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

11.4 Aberdeen Asset Investments Limited was incorporated in England and Wales as a limited company on 6 March 1964 under the Companies Act (registration number 00794936). The Investment Manager is regulated by the FCA (FCA registration number 193707). The registered office of the Investment Manager is Bow Bells House, 1 Bread Street, London, EC4M 9HH (tel. +44 02074636000). The Investment Manager has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear. Where a statement in this document is expressly stated to be based on the belief of the Investment Manager (an “**Investment Manager Belief Statement**”), the Investment Manager accepts responsibility for such Investment Manager Belief Statements for the purposes of Prospectus Rule 5.5.3(f). To the best of the knowledge and belief of the Investment Manager (who has taken all reasonable care to ensure that such is the case), the Investment Manager Belief Statements are in accordance with the facts and do not omit anything likely to affect the import of such Investment Manager Belief Statements.

11.5 Abacus has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears and has authorised the contents of the Valuation Report for the purposes of Prospectus Rule 5.5.3R(2)(f). Abacus accepts responsibility for the Valuation Report. To the best of the knowledge and belief of Abacus (who has taken all reasonable care to ensure that such is the case), the information contained in the Valuation Report is in accordance with the facts and contains no omission likely to affect the import of such information. Abacus was incorporated in Portugal under Portuguese Companies Code, as enacted by Decree-Law 262/86 of 2 September 1986, as amended on 7 December 1999 as a private limited company (with Tax n° 504772791). Abacus's registered office is situated at Rua Artilharia Um, 79-6°Esq., 1250-038 Lisbon Portugal (telephone number (+351) 213 170 577).

11.6 Where third party information has been referenced in this document, the source of that third party information has been disclosed. All information in this document that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

11.7 Prior to the Initial Admission, EY, Caribbean Professional Services Limited of Ground Floor, One Welches, Welches, St Tomas BB22025, Barbados, have been the auditor for the Company. With effect from Initial Admission, the Company intends to appoint Ernst & Young LLP to act as its auditor for the financial year ending 31 December 2018. Ernst & Young LLP is a member of the Institute of Chartered Accountants in England and Wales.

11.8 The principal bankers to the Company are Banco Sabadell, The Leadenhall Building, 122 Leadenhall St, London EC3V 4AB.

11.9 JTC Global AIFM Solutions Limited, whose registered office is located at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT, acts as the Company's depositary. The Depositary is a limited company, incorporated in Guernsey with registration number 62964 on 9 January 2017 and its telephone number is 01481 702400. The Depositary maintains its registered office and principal place of business in Guernsey. The Depositary is authorised and regulated by the Commission.

The Depositary is not involved, directly or indirectly, with the business affairs, organisation, sponsorship or management of the Company and is not responsible for the preparation of this document and accepts no responsibility for any information contained in this document.

The Depositary will not hold the Company's property assets in custody. Title to such property assets will be recorded in the relevant Cuban land registry records as being held by the relevant Cuban joint venture company.

The Depositary's asset ownership and verification duties with respect to non-custodial assets of the Company apply on a look-through basis to underlying assets held by financial or legal structures established by the Company or by the Investment Manager acting on behalf of the Company for the purpose of investing in the underlying assets and which are controlled directly or indirectly by the Company or the Investment Manager acting on behalf of the Company.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

12.1 Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until 17 September 2019:

12.1.1 the Memorandum and Articles of the Company;

12.1.2 the Monte Barreto Deed of Incorporation;

12.1.3 the audited financial statements for the Company for the nine month period ended 31 December 2017 and the financial years ended 31 March 2017, 31 March 2016 and 31 March 2015;

12.1.4 the audited financial statements for Monte Barreto for the financial years ended 31 December 2017, 31 December 2016 and 31 December 2015;

12.1.5 the Valuation Report;

## PART 15

### GENERAL INFORMATION ON MONTE BARRETO

#### 1. MONTE BARRETO

1.1 Monte Barreto is a private limited company (*Sociedad Anónima*) incorporated under the laws of Cuba. The incorporation of Monte Barreto was authorised by Resolution 2990 dated 28 February 1996 issued by the ECCM. 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 (the “**Monte Barreto Deed of Incorporation**”). The parties to the Monte Barreto Deed of Incorporation are Inmobiliaria Lares S.A. and CEIBA MTC Properties Inc. Under the Monte Barreto Deed of Incorporation, Monte Barreto was incorporated for an initial term of 50 years, expiring in 2046.

1.2 The directors of Monte Barreto are:

<i>Name</i>	<i>Position</i>
Nivia Fernández Fleites	<i>Chair</i>
Enrique Rottenberg	<i>Vice Chair</i>
Sebastiaan A. C. Berger	<i>Director</i>
Sergio Dyzenchauz	<i>Director</i>
Cameron Young	<i>Director</i>
Omar Carralero	<i>Director</i>
Yaniris Duque Estrada	<i>Director</i>
David Díaz Morfi	<i>Director</i>

1.3 The principal place of business and registered office of Monte Barreto are located at the Miramar Trade Center, Edificio Jerusalén, 3ra Avenida esquina 80, Miramar, Playa, Havana, Cuba with telephone number +53(7)204 4437. This is also the business address of the directors of Monte Barreto.

1.4 Monte Barreto is domiciled in Cuba and has no subsidiaries.

1.5 As at 14 September 2018 (being the latest practicable date prior to the publication of this document) Monte Barreto had 137 employees based in Cuba. Details of Monte Barreto’s interest in real property are contained in Part 3 of this document.

1.6 The auditor of Monte Barreto is EY Caribbean Professional Services Limited of Ground Floor, One Welches, Welches, St Tomas BB22025. EY Caribbean Professional Services Limited is not a member of any professional body. In their capacity as auditor EY Caribbean Professional Services Limited are responsible for auditing and expressing an opinion on the financial statements of Monte Barreto in accordance with applicable law and auditing standards.

1.7 The annual report and accounts of Monte Barreto are prepared according to IFRS.

1.8 Day-to-day operations of Monte Barreto are the responsibility of the General Manager of Monte Barreto, Enrique Rottenberg and the Cuban Vice-General Manager, Omar Carralero.

#### 2. SHARE CAPITAL

2.1 The authorised capital of Monte Barreto is U.S.\$1,000,000 divided into 100 registered shares of U.S.\$10,000 each.

2.2 Monte Barreto’s issued share capital, all of which is fully paid as at the date of this document, is 100 shares of U.S.\$10,000 each.

2.3 There have been no changes in the issued share capital of Monte Barreto between 1 January 2015 and the date of this document.

2.4 Save as disclosed in this paragraph 2, as at the date of this document:

2.4.1 no shares were held by, or on behalf of, Monte Barreto;

2.4.2 no shares have been issued otherwise than as fully paid;

2.4.3 Monte Barreto had no outstanding convertible securities, exchangeable securities or securities with warrants;

2.4.4 Monte Barreto has given no undertaking to increase its share capital; and

2.4.5 no capital of Monte Barreto is under option or is agreed, conditionally or unconditionally, to be put under option.

### 3. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

3.1 No director of Monte Barreto has any interest (beneficial or non-beneficial) in the share or loan capital of Monte Barreto as at the date of this document.

3.2 None of the directors of Monte Barreto has an employment contract or letter of appointment with the company.

3.3 The directors of Monte Barreto are not entitled to receive any fee nor do they have any service contract with Monte Barreto. No fees or benefits in kind were granted to the directors in respect of the financial year ended 31 December 2017.

3.4 No amount has been set aside or accrued by Monte Barreto to provide pensions, retirement or other similar benefits.

3.5 None of the directors of Monte Barreto has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of Monte Barreto or that has been effected by Monte Barreto since 1 January 2015.

3.6 No loan has been granted to, nor any guarantee provided for the benefit of, any director by Monte Barreto.

3.7 Over the five years preceding the date of this document, the directors of Monte Barreto hold or have held the following directorships (apart from their directorships of Monte Barreto) or memberships of administrative, management or supervisory bodies and/or partnerships:

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Nivia Fernández Fleites	–	–
Enrique Rottenberg	CEIBA Property Corporation Limited CEIBA MTC Properties Inc. Inmobiliaria Monte Barreto S.A. HOMASI S.A. Acropolis Ltd. Enrique Rottenberg Ltd.	CEIBA Investments Limited CEIBA Tourism B.V. Mosaico Hoteles S.A. Industrias Antillanas Limited CEIBA Finance Corporation Limited
Sebastiaan A. C. Berger	CEIBA Property Corporation Limited CEIBA MTC Properties Inc. Inmobiliaria Monte Barreto S.A. CEIBA Tourism B.V. HOMASI S.A. MIRAMAR S.A. Cuba-Canarias S.A. Mosaico B.V. Mosaico Hoteles S.A. TOSCUBA S.A.	CEIBA Investments Limited Corporación Interinsular Hispania S.A. Stichting Administratiekantoor Rotables Finance CEIBA Finance Corporation Limited CEIBA Publications Limited WOMY Equipment Leasing B.V.

<i>Name</i>	<i>Current</i>	<i>Previous</i>
Sebastiaan A. C. Berger (continued)	GrandSlam Limited 4K Keys Limited Berger, Young & Associates Ltd. BY Capital Limited BY Holdings Limited Antilles Industries Limited Industrias Antillanas Limited Intercan Inc. Caricel Inc. Caricel Investments Inc. Productos Sanitarios S.A. Adelante Exotic Debt Fund Limited	Stichting tot Exploitatie van het landgoed Osen TEGULA B.V. Adelante Exotics Fund Management Limited
Sergio Dyzenchauz	–	–
Cameron Young	CEIBA Property Corporation Limited CEIBA MTC Properties Inc. Inmobiliaria Monte Barreto S.A. HOMASI S.A. Mosaico Hoteles S.A. GrandSlam Limited Berger, Young & Associates Ltd. BY Capital Limited BY Holdings Limited Antilles Industries Limited Industrias Antillanas Limited Caricel Investments Inc. Caricel Inc. Productos Sanitarios S.A. CAYO Matena Limited	CEIBA Tourism B.V. Corporación Interinsular Hispania S.A. CEIBA Finance Corporation Limited CEIBA Publications Limited
Omar Carralero	–	–
Yaniris Duque Estrada	–	–
David Díaz Morfi	–	–

3.8 The directors in the five years before the date of this document:

3.8.1 do not have any convictions in relation to fraudulent offences;

3.8.2 have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and

3.8.3 do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

3.9 As at the date of this document, none of the directors has any conflict of interest or potential conflict of interest between any duties to Monte Barreto and his private interests and/or other duties.

3.10 Other than as set out in the table below, as at the date of this document, no person is directly or indirectly interested in three per cent. or more of Monte Barreto's issued share capital:

<i>Name</i>	<i>Number of shares</i>	<i>Percentage of issued share capital (%)</i>
Inmobiliaria Lares S.A.	51	51
CEIBA MTC Properties Inc.	49	49

3.11 Monte Barreto is governed by its shareholders and managed and represented by its board of directors. By resolution of the board of directors, managers may be appointed. The shareholder meeting is the supreme body of Monte Barreto. Its decisions are binding on the shareholders, the board of directors and the managers. The resolutions of the shareholders are adopted by unanimous vote and numbered consecutively each year. Monte Barreto is managed and represented by its board of directors which is made up of eight members designated by the shareholder meeting. Four members are appointed from nominees submitted by the Cuban shareholders and four members are appointed from nominees submitted by the foreign shareholders. The resolutions of the board of directors are adopted by positive vote of at least 75 per cent. of the total number of directors in attendance at a meeting, provided that two members of each party are present. In the event of failure to reach agreement, the chairman may refer the matter in question to the shareholder meeting for resolution.

3.12 All shareholders have the same voting rights in respect of the share capital of Monte Barreto.

3.13 Save as disclosed in this Part 15, the Directors are not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over Monte Barreto, nor are they aware of any arrangements, the operation of which may at a subsequent date result in a change of control of Monte Barreto.

#### **4. MONTE BARRETO DEED OF INCORPORATION**

4.1 The Monte Barreto Deed of Incorporation provides that Monte Barreto's corporate object includes the construction, preservation, rehabilitation, promotion and management of office buildings, retail premises, parking facilities and other related areas that will be leased to non-Cuban resident natural persons, foreign legal persons and Cuban entities. The retail premises may be leased solely to entities that are legally authorized to conduct retail business activities.

4.2 The Monte Barreto Deed of Incorporation contains provisions, among others, to the following effect:

##### **4.2.1 Dividends and other distributions**

4.2.1.1 Under the terms of the Monte Barreto Deed of Incorporation, in respect of each fiscal year management is under an obligation to prepare an annual balance sheet, a year-end statement of profit and loss, notes to the financial statements, a recommendation for profit distribution to shareholders and a proposal for reserves to be set aside. The year-end financial statements must be audited by an independent and authorised audit firm as appointed by shareholder resolution.

4.2.1.2 Profits available for distribution consist of the cash available after the deduction of principal and interest costs, taxes, expenses, amortisations and statutory reserves, as well as any optional reserve funds approved by shareholders, and other obligations, all in accordance with the laws in effect in Cuba.

4.2.1.3 Each of Monte Barreto's shareholders is entitled to participate in the profits distributed by the company in proportion to its subscribed and paid up equity contribution and in accordance with the balance sheet prepared by the company in relation to each fiscal year-end. The amount, terms and form of payment of these dividends are determined by resolution of the shareholders.

##### **4.2.2 Voting**

4.2.2.1 Under the terms of the Monte Barreto Deed of Incorporation, all decisions of shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders. All resolutions of the shareholders are binding on the shareholders, the board of directors and any managers as appointed in accordance with the Monte Barreto Deed of Incorporation.

4.2.2.2 Each share in the share capital of the company represents one vote and carries equal rights and obligations.

#### **4.2.3 Capital**

- 4.2.3.1 Monte Barreto's issued share capital, all of which is fully paid as at the date of this document, comprises U.S.\$1,000,000 and is made up of 100 shares of a single class each with a par value of U.S.\$10,000. The company's issued share capital may be increased or decreased by resolution of the Monte Barreto shareholders.
- 4.2.3.2 Under the terms of the Monte Barreto Deed of Incorporation, 51 per cent. of the total issued share capital in Monte Barreto is held by the Cuban shareholder and the remaining 49 per cent. is held by the foreign party.

#### **4.2.4 Pre-emption rights**

- 4.2.4.1 Under the terms of the Monte Barreto Deed of Incorporation, where Monte Barreto's shareholders resolve to increase the company's issued share capital, such shareholders shall have a preferred right to purchase any new resulting shares in proportion to the number of shares in the company then held by that shareholder.

#### **4.2.5 Variation of rights**

- 4.2.5.1 Though there are no provisions in the Monte Barreto Deed of Incorporation that allow for the variation of shareholder rights directly, the shareholders are authorised to approve any matter not covered by the constitutional documents which includes the full or partial amendment of those documents. As a result the rights of shareholders may be varied by resolution of the shareholders.

#### **4.2.6 Transfer of Shares**

- 4.2.6.1 Monte Barreto's shareholders may, at any time and by resolution, sell or transfer their shares either fully or in part to the State or to a third party subject to prior governmental approval. The transferring shareholder must submit its request in writing to the board of directors who must in turn call a special meeting of the shareholders. The sale of shares is made at a price agreed by the shareholders in that meeting or at the price set by an internationally reputed business valuation firm authorised to operate in Cuba.

#### **4.2.7 General meetings**

- 4.2.7.1 A shareholder meeting may be ordinary or special. Ordinary meetings are held once per year in the first quarter. A special meeting is a meeting held on a date other than the date of an ordinary meeting.
- 4.2.7.2 Ordinary meetings may be called by the chairman or vice chairman of the board of directors. Special meetings may be called by the chairman or any shareholder.
- 4.2.7.3 Notice of each ordinary or special meeting must be given to each shareholder 30 days prior to the date of the meeting. An ordinary or special meeting may be held without prior notice provided that all shareholders are in attendance and unanimously accept the meeting agenda.
- 4.2.7.4 For a shareholder meeting to be valid, there must be a statutory quorum made up of all shareholders, either in person or by a duly authorised proxy. In the absence of such statutory quorum, a second notice of meeting shall be given within fifteen days after the date on which the original meeting was to take place and the meeting shall be held within thirty days of the date of this second notice. In the case of repeated failure to reach a quorum, a third notice of meeting shall be given on the same terms as the second notice. The meeting called under this third notice shall be deemed valid with the number of shareholders present, and resolutions adopted at such meeting shall be obligatory for the absent shareholder.

#### **4.2.8 Appointment, retirement and disqualification of Directors**

- 4.2.8.1 The board of directors consists of eight members as appointed by the shareholders in accordance with the Monte Barreto Deed of Incorporation. Four members are appointed from nominees submitted by the Cuban shareholder and four members are appointed from nominees submitted by the foreign shareholder. The number of board members may be increased or decreased by shareholder resolution.
- 4.2.8.2 The shareholders appoint as chairman a candidate recommended by the Cuban shareholder and as vice chairman a candidate recommended by the foreign shareholder.
- 4.2.8.3 The tenure of each member of the board of directors is two years. A board member may be re-elected to the board of directors or revoked or removed from the board of directors in each case by resolution of the shareholders.

#### **4.2.9 Proceedings of the Board**

- 4.2.9.1 Monte Barreto is managed and represented by the board of directors. Under the terms of the Monte Barreto Deed of Incorporation, the board of directors shall hold one annual ordinary meeting in anticipation of the annual regular meeting of the shareholders. Subsequently, the board of directors shall meet quarterly or as frequently as the chairman deems is necessary or on request from any of its members.
- 4.2.9.2 Notice of the meeting with agenda attached, must be delivered in person or by courier or fax transmittal thirty days prior to the date set for the meeting. If an urgent meeting is necessary, notice shall be transmitted by fax together with agenda. That meeting may be held as soon as all members required by the statutory quorum are in attendance.
- 4.2.9.3 The statutory quorum for a board meeting is at least two directors appointed from the candidates recommended by the Cuban shareholder and two directors appointed from the candidates recommended by the foreign shareholder and in any case shall include the chairman or the vice chairman. The board meeting shall be constituted as valid provided that this statutory quorum and the Secretary are present and provided that evidence of the notice served to the absent directors is available.
- 4.2.9.4 Resolutions of the board of directors require the approval of at least 75 per cent. of the total number of directors in attendance of the meeting, provided that two of each of the shareholders' nominated members are present. In the case of failure to reach any agreement, the chairman may refer the matter in question to the shareholders for resolution.
- 4.2.9.5 The representatives of the Cuban government shareholder on the board of directors of Monte Barreto (acting together) and the representatives of the foreign shareholder on the board of directors of Monte Barreto (acting together) each have an effective veto over all decisions of the board of directors.

#### **4.2.10 Remuneration of Directors**

- 4.2.10.1 The Parties agree that the Directors, including the Chairman and Vice Chairman, shall not have the right to receive personal compensation for their services in such capacities.

#### **4.2.11 Winding-up**

- 4.2.11.1 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.

4.2.11.2 Under Cuban law and the Monte Barreto Deed of Incorporation, upon the liquidation of Monte Barreto, ownership of the buildings making up the Miramar Trade Center will revert to the Cuban government, as owner of the underlying land. Under the Monte Barreto Deed of Incorporation, upon liquidation, the constructions owned by Monte Barreto will be valued by an independent valuator and such value will then be included in the final net assets of Monte Barreto to be distributed to shareholders in accordance with shareholdings, following the payment of all outstanding liabilities. The method of valuation of the constructions is not stated. According to the original government resolution authorising the incorporation of Monte Barreto, upon transfer of the constructions to the Cuban government at the expiry of the term, no payment will be made to either shareholder.

#### **4.2.12 Borrowing powers**

4.2.12.1 Under the Monte Barreto Deed of Incorporation, the company's board of directors is authorised to exercise powers of disposal or encumbrance of corporate assets for amounts less than U.S.\$1,000,000 with transactions above this amount subject to approval by shareholders.

4.2.12.2 Subject to the above, the company's board of directors are authorised to swap and/or pledge any assets, issue endorsements, authorize indebtedness with or without security and approve commercial and banking transactions that involve financial liabilities for Monte Barreto.

#### **4.2.13 Disputes/arbitration**

4.2.13.1 Any dispute that arises between the shareholders and Monte Barreto, or between the shareholders, shall, irrespective of its nature, be settled through amicable negotiations. In case of failure to reach agreement within sixty days, the dispute shall be referred to the Court of Arbitration of the Madrid Chamber of Commerce in Spain for its resolution in accordance with the terms and conditions defined by UNCITRAL and the application of Cuban laws as the governing legislation. The arbitral award shall be binding on the parties.

### **5. MATERIAL CONTRACTS OF MONTE BARRETO**

Monte Barreto has not entered into any contracts, other than contracts in the ordinary course of business, within the two years immediately preceding the date of this document or which are expected to be entered into prior to Initial Admission and which are, or may be, material or which have been entered into at any time by Monte Barreto and which contain any provision under which Monte Barreto has any obligation or entitlement which is, or may be, material to Monte Barreto as at the date of this document.

### **6. LITIGATION**

There have been no governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened, nor of any such proceedings having been pending or threatened at any time preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of Monte Barreto.

### **7. NO SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of Monte Barreto since 31 December 2017.

## PART 16

### Alternative Investment Fund Managers Directive

#### Article 23 Disclosures

#### CEIBA Investments Limited

#### (the “Company”)

This document contains the information required to be made available to investors in the Company before they invest, pursuant to Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers (the “**AIFM Directive**”) and UK implementing measures (the Alternative Investment Fund Managers Regulations No.1773/2013, and consequential amendments to the FCA Handbook).

The table below sets out information required to be disclosed pursuant to the AIFM Directive and related national implementing measures.

This document contains solely that information that Aberdeen Fund Managers Limited (as the alternative investment fund manager of the Company) (the “**AIFM**”) is required to make available to investors pursuant to the AIFM Directive and should not be relied upon as the basis for any investment decision.

<i>DISCLOSURE REQUIREMENT</i>	<i>DISCLOSURE OR LOCATION OF RELEVANT DISCLOSURE</i>
(a) a description of the investment strategy and objectives of the Company;	Information on the investment strategy and objectives of the Company are outlined in paragraphs 3 and 7 of Part 1 of this document.
(b) if the Company is a feeder fund, information on where the master fund is established;	N/a
(c) if the Company is a fund of funds, information on where the underlying funds are established;	N/a
(d) a description of the types of assets in which the Company may invest;	The type of assets in which the Company may invest are outlined in Part 1 of this document under the heading “Investment Strategy”.
(e) the investment techniques that the Company, or the AIFM on behalf of the Company, may employ and all associated risks;	<p>The investment techniques to be used by the Company are described in Part 1 of this document.</p> <p>The section entitled “Risk Factors” (pages 18 to 34 inclusive) of this document provides an overview of the risks involved in investing in the Company.</p>
(f) any applicable investment restrictions;	The investment restrictions applicable to the Company are set out in Part 1 of this document.
(g) the circumstances in which the Company may use leverage;	The circumstances in which the Company may use leverage and the restrictions on the use of leverage are described in Part I of this document under the heading “Gearing”.
(h) the types and sources of leverage permitted and the associated risks;	<p>The types and sources of leverage permitted are described in Part 1 of this document under the heading “Borrowings and gearing”.</p> <p>Certain risks associated with the Company’s use of leverage are described in the “Risk Factors” section of this document.</p>
(i) the maximum level of leverage which the AIFM is entitled to employ on behalf of the Company;	The AIFM Directive prescribes two methods of measuring and expressing leverage (as opposed to gearing) and requires disclosure of the maximum amount of ‘leverage’ the Company

might be subject to. The definition of leverage is wider than that of gearing and includes exposures that are not considered to be gearing.

Without prejudice to the foregoing (in compliance with the investment policy concerning gearing), the Company has set a maximum leverage limit of 120 per cent. on both a “commitment basis” and on a “gross” basis.

The Company may make use of hedging as described in Part 1 of this document under the heading “Hedging policy”.

(j) any collateral and asset reuse arrangements;

N/a

(2) a description of the procedures by which the Company may change its investment strategy or investment policy, or both;

No material change will be made to the investment policy and investment restrictions without the approval of Shareholders by ordinary resolution. Any change to the investment policy or investment restrictions which does not amount to a material change to the investment policy may be made by the Company without the approval of Shareholders.

(3) a description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information on jurisdiction, the applicable law and the existence absence of any legal instruments providing for the recognition and enforcement of judgments in the territory where the Company is established;

The Company is a company limited by shares, incorporated in Guernsey. While investors acquire an interest in the Company on subscribing for or purchasing Shares, the Company is the sole legal and/or beneficial owner of its investments. Consequently, Shareholders have no direct legal or beneficial interest in those investments. The liability of Shareholders for the debts and other obligations of the Company is limited to the amount unpaid, if any, on the shares held by them.

Shareholders’ rights in respect of their investment in the Company are governed by the Articles and the Companies Law. Under Guernsey law, the following types of claim may in certain circumstances be brought against a company by its shareholders: contractual claims under its articles of incorporation; claims in misrepresentation in respect of statements made in its prospectus and other marketing documents; unfair prejudice claims; and derivative actions. In the event that a Shareholder considers that it may have a claim against the Company in connection with such investment in the Company, such Shareholder should consult its own legal advisers.

### **Jurisdiction and applicable law**

As noted above, Shareholders’ rights are governed principally by the Articles and the Companies Law. By subscribing for Shares, investors agree to be bound by the Articles which are governed by, and construed in accordance with, the laws of Guernsey.

### **Recognition and enforcement of foreign judgments**

Subject to the provisions and requirements of Guernsey’s reciprocal enforcement legislation, the Royal Court in Guernsey will recognise as a valid judgment and, without review of its substance, enforce any final and conclusive judgment obtained against the Company in the superior courts of a defined list of jurisdictions. The requirements of such reciprocal enforcement legislation include that the relevant judgment be given by a superior court of competent jurisdiction and that it be: (i) final and conclusive as between the parties thereto; and (ii) in respect of a sum of money not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty. The relevant legislation provides further that the registration of any such judgment may be set aside

if, *inter alia*, the Royal Court is satisfied that: (i) the judgment is not a judgment to which reciprocal enforcement legislation applies or was registered in contravention of such reciprocal enforcement legislation; (ii) relevant superior courts have no jurisdiction in the circumstances of the case or the judgment debtor, being the defendant in the proceedings in the original court, did not receive notice of proceedings in the original court in sufficient time to enable him to defend the proceedings and did not appear; (iii) the judgment was obtained by fraud; (iv) enforcement would be contrary to public policy in Guernsey; or (v) the rights under the judgment are not vested in the person by whom the application for registration was made. The Royal Court would recognise as a valid judgment any final and conclusive judgment obtained in certain other jurisdictions against the Company and would give a judgment based thereon without reconsideration of the merits, assuming proper service of process and assumption of jurisdiction in accordance with the laws such jurisdictions if: (i) the judgment was for a fixed or ascertainable sum of money; (ii) the judgment was not obtained by fraud or in a manner opposed to the principles of natural justice; (iii) the judgment was not obtained in proceedings of a penal or taxation character; and (iv) recognition of the judgment is not contrary to public policy as applied by the Royal Court.

(4) the identity of the AIFM, the Company's depositary, the auditor and any other service providers and a description of their duties and the investors' rights;

***The AIFM:***

Pursuant to the Management Agreement, the Company has appointed Aberdeen Fund Managers Limited to act as the Company's AIFM. The AIFM will maintain responsibility for implementing appropriate portfolio and risk management standards and procedures for the Company and will also carry out the on-going oversight functions and ensure compliance with the applicable requirements of the AIFM Rules.

Further details of the Management Agreement are set out in Part 14 of this document.

***The Investment Manager:***

The AIFM has delegated portfolio management to Aberdeen Asset Investments Limited as Investment Manager, another member of the Aberdeen Standard Investments Group.

***Administrator and Company Secretary:***

JTC Fund Solutions (Guernsey) Limited has been appointed as administrator and secretary to the Company pursuant to the Amended Administration Agreement.

The Administrator provides day-to-day administration services to the Company and is also responsible for the Company's general administrative and secretarial functions such as the calculation of the Net Asset Value and the maintenance of the Company's accounting and statutory records.

***Registrar:***

Link Market Services (Guernsey) Limited has been appointed as registrar to the Company pursuant to the Registrar Agreement.

The Registrar provides registration services, including maintaining and updating the register of members of the Company.

***Depositary:***

JTC Global AIFM Solutions Limited has been appointed as depositary of the Company pursuant to the Depositary Agreement.

The Depositary provides depositary services to the Company and is responsible for setting up and maintaining cash accounts, ensuring the Company's cash flows are properly monitored, the safe-keeping of custody assets and the oversight and supervision of certain operational functions of the AIFM and the Company.

**Independent Auditor:**

EY Caribbean Professional Services Limited has previously provided audit services to the Company. With effect from Initial Admission, the Company intends to appoint Ernst & Young LLP to act as auditor for the financial year ending 31 December 2018. The auditor's principal responsibilities are to audit and express an opinion on the financial statements of the Company in accordance with applicable law and auditing standards. The annual report and accounts are prepared according to accounting standards laid out under IFRS.

**Investors' Rights**

The Company is reliant on the performance of third party service providers, including the AIFM, the Administrator, the Depositary, the Auditors and the Registrar.

Without prejudice to any potential right of action in tort that a Shareholder may have to bring a claim against a service provider, each Shareholder's contractual relationship in respect of its investment in Shares is with the Company only. Accordingly, no Shareholder will have any contractual claim against any service provider with respect to such service provider's default.

In the event that a Shareholder considers that it may have a claim against a third party service provider in connection with such Shareholder's investment in the Company, such Shareholder should consult its own legal advisers.

(5) a description of how the AIFM complies with the requirements of Article 9(7) of the AIFM Directive;

The AIFM has effective internal operational risk management policies and procedures in order to appropriately identify, measure, manage and monitor operational risks, including professional liability risks, to which it is or could reasonably be exposed. These policies and procedures are subject to regular review and the operational risk management activities are performed independently as part of the risk management policy.

The management of operational risk, through the risk and control self-assessment process, is aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses. All risks and events are facilitated via the internal risk management system, which provides a platform to facilitate the convergence of governance, risk and compliance.

The AIFM is required to cover professional liability risks, such as the risk of loss of documents evidencing title of assets to the Company, and complies with such requirement by maintaining an amount of its own funds in accordance with the AIFM Directive.

(6) a description of:

(a) any management function delegated by the AIFM;

The AIFM has delegated portfolio management to Aberdeen Asset Investments Limited.

(b) any safe-keeping function delegated by the depositary;

N/a

(c) the identity of each delegate appointed in accordance with FUND 3.10 (Delegation);

(d) any conflicts of interest that may arise from such delegations;

The AIFM has delegated portfolio management to Aberdeen Asset Investments Limited.

The AIFM and the Investment Manager may, in their absolute discretion, effect transactions in which they or any of their affiliated companies has, directly or indirectly, a material interest, or a relationship of any description with another party which may involve a potential conflict with the duty to the Company. The AIFM and the Investment Manager will ensure that such transactions are effected on terms which are not materially less favourable to the Company than if the potential conflict had not existed. Full policy information is available on Standard Life Aberdeen plc: [http://www.aberdeen-asset.co/static\\_files/documents/288816fc-dbdb-446c-811a-da51f8846310/1/55081-cd-asi-conflicts-of-interest-policy-21122017-final---for-web.pdf](http://www.aberdeen-asset.co/static_files/documents/288816fc-dbdb-446c-811a-da51f8846310/1/55081-cd-asi-conflicts-of-interest-policy-21122017-final---for-web.pdf).

The AIFM, the Investment Manager and their affiliates are involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, the AIFM and the Investment Manager manage funds other than the Company and may provide investment management, investment advisory or other services in relation to those funds or future funds which may have similar investment policies to that of the Company.

The AIFM, the Investment Manager and their affiliates may carry on investment activities for other accounts in which the Company has no interest. The AIFM, the Investment Manager and their affiliates may also provide management services to other clients, including other collective investment vehicles. The AIFM, the Investment Manager and their affiliates may give advice and recommend securities to other managed accounts or investment funds which may differ from advice given to, or investments recommended or bought for, the Company, even though their investment policies may be the same or similar.

(7) a description of the Company's valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing any hard-to-value assets, in accordance with Article 19 of the AIFM Directive;

A description of the Company's valuation procedures is outlined in paragraph 12 of Part 1 of this document.

(8) a description of the Company's liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors;

The Company is a closed-end listed investment company and, as such, Shareholders in the Company have no right to redeem their Shares.

Liquidity risk is therefore the risk that a position held by the Company cannot be realised at a reasonable value sufficiently quickly to meet the obligations of the Company as they fall due.

In managing the Company's assets therefore the AIFM seeks to ensure that the Company holds at all times sufficient assets to enable it to discharge its payment obligations.

(9) a description of all fees, charges and expenses, and the maximum amounts directly or indirectly borne by investors;

Assuming the Initial Issue raises gross proceeds of £100 million, the costs and expenses (including irrecoverable VAT) of, and incidental to, the Initial Issue payable by the Company are estimated to be £3.9 million.

The fees and expenses payable to the AIFM are described in paragraph 4 of Part 7.

	<p>There are no commissions, fees or expenses to be charged to investors by the Company under the Initial Issue.</p> <p>Fees, charges and expenses following Initial Admission are outlined in paragraph 7 of Part 7 of this document.</p>
(10) a description of how the AIFM ensures a fair treatment of investors;	<p>The Directors of the Company have certain statutory duties with which they must comply. These include a duty upon each Director to act in the way he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.</p> <p>The Company has decided to voluntarily comply with certain Listing Rules and Principles that are applicable to closed-ended investment companies with a premium listing on the Official List of the UK Listing Authority. In particular, Premium Listing Principles 3 and 5, with which the Company has decided to comply, provide for fair treatment of Shareholders.</p> <p>The AIFM maintains a conflicts of interest policy to avoid and manage any conflicts of interest that may arise between the AIFM (and its affiliates) and the Company.</p> <p>No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors.</p> <p>The Shares of each class rank <i>pari passu</i>.</p>
(11) whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of:	N/a
(a) that preferential treatment;	N/a
(b) the type of investors who obtain such preferential treatment; and	N/a
(c) where relevant, their legal or economic links with the Company;	N/a
(12) the procedure and conditions for the issue and sale of units or shares;	<p>The terms and conditions under which investors can subscribe for Shares under the Initial Placing and under Subsequent Placings are set out in Part 18 of this document.</p> <p>The terms and conditions and application form to subscribe for Ordinary Shares under the Offer for Subscription are set out in Part 19 and the Appendix of this document.</p>
(13) the latest net asset value of the Company or the latest market price of the unit or share of the Company, in accordance with Article 19 of the AIFM Directive;	<p>As at 31 December 2017, the unaudited estimated Net Asset Value per Ordinary Share was U.S.\$13.02 (calculated prior to the Company's share split).</p> <p>When published, Net Asset Value announcements can be found on the Company's website: <a href="http://www.ceibalimited.co.uk">www.ceibalimited.co.uk</a>.</p>
(14) the latest annual report, in line with Article 22 of the AIFM Directive;	<p>The Company has not yet published an annual report in line with Article 22 of the AIFM Directive.</p> <p>When published, annual reports can be found on the Company's website: <a href="http://www.ceibalimited.co.uk">www.ceibalimited.co.uk</a>.</p>
(15) where available, the historical performance of the Company;	<p>The Company has published its audited financial statement for the period ended 31 December 2017.</p> <p>When published, annual and interim financial statements can be found on the Company's website: <a href="http://www.ceibalimited.co.uk">www.ceibalimited.co.uk</a>.</p>

(16)	N/a
(a) the identity of the prime brokerage firm;	
(b) a description of any material arrangements of the Company with its prime brokerage firm and the way any conflicts of interest are managed;	N/a
(c) the provision in the contract with the depositary on the possibility of transfer and reuse of Company assets; and	N/a
(d) information about any transfer of liability to the prime brokerage firm that may exist; and	N/a
(17) a description of how and when the information required under paragraphs 4 and 5 of Article 23 of the AIFM Directive will be disclosed.	<p>In order to meet the requirements of paragraphs 4 and 5 of Article 23 of the AIFM Directive, the Company intends to disclose annually in the Company's annual report (or in such manner as the AIFM and the Board consider appropriate):</p> <p>(1) the percentage of the Company's assets that are subject to special arrangements arising from their illiquid nature if applicable;</p> <p>(2) any new arrangements for managing the liquidity of the Company; and</p> <p>(3) the current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks.</p> <p>Information will also be provided to investors regarding any changes to:</p> <p>(a) the maximum level of leverage that the AIFM may employ on behalf of the Company;</p> <p>(b) any right of reuse of collateral or any guarantee granted under the leveraging arrangement; and</p> <p>(c) the total amount of leverage employed by the Company.</p>

## PART 17

### DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>Aberdeen Standard Investments Group</b>	any group company associated with Aberdeen Fund Managers Limited
<b>Administrator</b>	JTC Fund Solutions (Guernsey) Limited
<b>Admission</b>	admission of any Shares issued pursuant to the Initial Issue or any Subsequent Placing (as the context may require) to trading on the SFS becoming effective in accordance with the LSE Admission Standards
<b>Affiliate</b>	an affiliate of, or a person affiliated with, a specific person; a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified
<b>AIF</b>	an alternative investment fund
<b>AIFM</b>	Aberdeen Fund Managers Limited
<b>AIFM Directive</b>	the Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers
<b>AIFM Rules</b>	the AIFM Directive and all applicable rules and regulations implementing the AIFM Directive in the UK, including without limitation the AIFM Regulations and all relevant provisions of the FCA handbook
<b>AIFM Regulations</b>	the Alternative Investment Fund Managers Regulations 2013 of the United Kingdom (SI 2013/1773)
<b>alternative investment fund manager</b>	an alternative investment fund manager within the meaning of the AIFM Directive
<b>Amended Administration Agreement</b>	the agreement between the Company and the Administrator, a summary of which is set out in paragraph 7.3 of Part 14 of this document
<b>Annual Management Fee</b>	has the meaning set out in paragraph 4 of Part 7 of this document
<b>Application Form</b>	the application form attached to this document for use in connection with the Offer for Subscription
<b>Articles</b>	the articles of incorporation of the Company
<b>Audit Committee</b>	the audit committee of the Board
<b>BIS</b>	the U.S. Commerce Department's Bureau of Industry and Security
<b>Bridge Loan</b>	the bridge loan in the principal amount of €30 million extended to the Company by Northview Investment Fund Limited on 8 November 2017

<b>Bridge Loan Agreement</b>	the agreement between the Company and Northview Investment Fund Limited, a summary of which is set out in paragraph 7.9 of Part 14 of this document
<b>Business Day</b>	any day which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in the City of London and Guernsey
<b>Capital gains tax</b> or <b>CGT</b>	UK taxation of capital gains or corporation tax on chargeable gains, as the context may require
<b>certificated</b> or <b>in certificated form</b>	not in uncertificated form
<b>CACR</b>	the U.S. Cuban Assets Control Regulations
<b>CIHSA</b>	Corporación Interinsular Hispana S.A.
<b>City Code</b>	the City Code on Takeovers and Mergers
<b>Civil Code</b>	the Cuban Civil Code of 1987
<b>COB Rules</b>	the FCA Conduct of Business Rules applicable to firms with investment business customers
<b>Companies Law</b>	the Companies (Guernsey) Law, 2008, as amended
<b>Company</b>	CEIBA Investments Limited
<b>Conversion</b>	the conversion of C Shares into Ordinary Shares in accordance with the Articles and as described in paragraph 5.2.17 of Part 14 of this document
<b>CPC</b>	CEIBA Property Corporation Limited, the Company's wholly-owned Guernsey subsidiary
<b>CREST</b>	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
<b>CRS</b>	the OECD's Common Reporting Standard
<b>C Share</b>	C shares of no par value each in the capital of the Company and " <b>C Share</b> " shall be construed accordingly
<b>Cuban Commercial Code</b>	the Cuban Commercial Code of 1886 (as amended)
<b>Cuban Convertible Peso</b> or <b>CUC</b>	the Cuban Convertible Peso, the lawful currency of Cuba for use in local hard currency transactions
<b>Cuban Pesos</b> or <b>CUP</b>	the Cuban Peso, the lawful currency of Cuba for use in local non-convertible transactions

<b>Data Protection Legislation</b>	(i) prior to 25 May 2018, the UK Data Protection Act 1998 and the Data Protection Directive (95/46/EC) or the Data Protection (Bailiwick of Guernsey) Law, 2001 (as amended) as applicable; and (ii) after 25 May 2018, EU Regulation 2016/679 (“ <b>GDPR</b> ”) or any equivalent or similar legislation implemented in the UK following Brexit or, in the case of Guernsey, the Data Protection (Bailiwick of Guernsey) Law, 2001 or any successor legislation which amends, varies, supersedes or replaces the same
<b>Depository</b>	JTC Global AIFM Solutions Limited
<b>Depository Agreement</b>	the agreement between the Company, the AIFM and the Depository, a summary of which is set out in paragraph 7.6 of Part 14 of this document
<b>Directors or Board</b>	the directors from time to time of the Company and “ <b>Director</b> ” is to be construed accordingly
<b>Disclosure Guidance and Transparency Rules</b>	the disclosure guidance and transparency rules made by the Financial Conduct Authority under section 73A of FSMA
<b>ECCM</b>	the Executive Committee of the Council of Ministers of Cuba
<b>EEA</b>	the states which comprise the European Economic Area
<b>ERISA</b>	the U.S. Employee Retirement Income Security Act of 1974, as amended
<b>Euro</b>	the single European currency unit adopted by certain members of the EU
<b>Euroclear</b>	Euroclear UK & Ireland Limited, being the operator of CREST
<b>European Union or EU</b>	the European Union first established by the treaty made at Maastricht on 7 February 1992
<b>Excluded Territory</b>	Australia, Canada, Japan and the Republic of South Africa
<b>Existing Ordinary Shares</b>	the 107,671,576 existing Ordinary Shares currently in issue as at the date of this document
<b>Existing Shareholders</b>	holders of Existing Ordinary Shares
<b>FATCA</b>	the U.S. Foreign Account Tax Compliance Act of 2010, as amended
<b>FCA</b>	the Financial Conduct Authority or any successor authority
<b>FCA Handbook</b>	the FCA handbook of rules and guidance as amended from time to time
<b>FINTUR</b>	Casa Financiera FINTUR S.A.
<b>FINTUR Facility Agreement</b>	the agreement between the Company and FINTUR providing for the €24,000,000 facility in favour of FINTUR, a summary of which is set out in paragraph 7.16 of Part 14 of this document
<b>Foreign Investment Act</b>	Cuban law no 118 of 29 March 2014 on Foreign Investment or Cuban law no. 77 of 5 September 1995 on foreign investment, as applicable

<b>Framework Agreement</b>	the agreement between the Company and the AIFM dated 11 August 2017 setting out certain commercial terms between the parties
<b>FSMA</b>	the Financial Services and Markets Act 2000 and any statutory modification or re-enactment thereof for the time being in force
<b>GDP</b>	gross domestic product
<b>GFSC or Commission</b>	the Guernsey Financial Services Commission
<b>Gross Asset Value</b>	the aggregate value of the total assets of the Company as determined in accordance with the accounting principles adopted by the Company from time-to-time
<b>Group</b>	the Company and its subsidiaries
<b>Guernsey</b>	the island of Guernsey
<b>Guernsey AML Requirements</b>	the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (as amended), ordinances, rules and regulations made thereunder, and the GFSCs Handbook for Financial Services Business on Countering Financial Crime and Terrorist Financing (as amended) supplemented and/or replaced from time to time.
<b>Helms Burton Act</b>	The U.S. Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>Hotel Assets</b>	the Meliá Habana Hotel, the Meliá Las Américas Hotel, the Meliá Varadero Hotel, the Sol Palmeras Hotel and the Meliá Trinidad Playa Hotel (under development)
<b>IFRS</b>	international financial reporting standards as endorsed by the European Union
<b>IGAs</b>	intergovernmental agreements
<b>Initial Admission</b>	admission of the Existing Ordinary Shares and the Ordinary Shares to be issued pursuant to the Initial Issue to trading on the SFS becoming effective in accordance with the LSE Admission Standards
<b>Initial Issue</b>	the issue of Ordinary Shares pursuant to the Initial Placing and the Offer for Subscription
<b>Initial Gross Proceeds</b>	the gross proceeds of the Initial Issue
<b>Initial Placing</b>	the conditional placing of Ordinary Shares by N+1 Singer at the Issue Price as described in this document and forming part of the Initial Issue
<b>Investment Manager</b>	Aberdeen Asset Investments Limited
<b>ISA</b>	UK individual savings account
<b>Issue Price</b>	119 pence per Ordinary Share
<b>ITA</b>	the Income Tax Act 2007 and any statutory modification or re-enactment thereof for the time being in force

<b>Key Fund Personnel</b>	the key personnel employed, or whose services are engaged, by CPC being Cameron Young, Paul S. Austin, Gilberto Perez, Enrique Rottenberg and, where the context requires Sebastiaan A.C. Berger
<b>LIBOR</b>	London Interbank Offered Rate
<b>Listing Rules</b>	the listing rules made by the FCA under section 73A of FSMA
<b>Lock-in Agreements</b>	the lock-in agreements each dated 17 September 2018 entered into between each Lock-in Party, the Company and N+1 Singer a summary of which agreements is set out in paragraph 7.7 of Part 14 of this document
<b>Lock-in Party</b>	each of, (i) Northview Investment Fund Limited, (ii) Value Catalyst Fund Limited, (iii) Laxey Partners Limited, (iv) Sebastiaan Berger, (v) Cameron Young (and his controlled companies) and (vi) Paul S. Austin
<b>Lock-in Period</b>	the period commencing on Initial Admission and expiring 12 months thereafter
<b>Lock-in Shares</b>	with respect to any Lock-in Party, the Ordinary Shares held by such Lock-in Party on Initial Admission
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>LSE Admission Standards</b>	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the SFS
<b>Management Agreement</b>	the management agreement between the Company and the AIFM, a summary of which is set out in paragraph 7.2 of Part 14 of this document
<b>Management Engagement Committee</b>	the management engagement committee of the Board
<b>Market Abuse Regulation or MAR</b>	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
<b>Meliá Habana Hotel</b>	the Meliá Habana Hotel located in Havana, Cuba
<b>Meliá Hotels International</b>	Meliá Hotels International S.A.
<b>Meliá Las Américas Hotel</b>	the Meliá Las Américas Hotel located in Varadero, Cuba
<b>Meliá Trinidad Playa Hotel</b>	the Meliá Trinidad Playa Hotel (under development) in Trinidad, Cuba
<b>Meliá Varadero Hotel</b>	the Meliá Varadero Hotel located in Varadero, Cuba
<b>member account ID</b>	the identification code or number attached to any member account in CREST
<b>Member State or EEA State</b>	any member state of the European Economic Area
<b>Minimum Gross Proceeds</b>	the minimum gross proceeds of the Initial Issue, being £30 million
<b>Minimum Net Proceeds</b>	the minimum net proceeds of the Initial Issue, being £27.6 million
<b>Miramar Trade Center</b>	a six building office complex in Havana owned by Monte Barreto

<b>Money Laundering Regulations</b>	the UK Money Laundering Regulations, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended, and in Guernsey the Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations, 2007, as amended
<b>Monte Barreto</b>	INMOBILIARIA MONTE BARRETO S.A.
<b>Monte Barreto Deed of Incorporation</b>	the deed of incorporation relating to Monte Barreto, including an association agreement and corporate by-laws, dated 7 March 1996
<b>N+1 Singer</b>	Nplus1 Singer Advisory LLP
<b>Net Asset Value</b>	the value, as at any date, of the assets of the Company after deduction of all liabilities determined in accordance with the accounting policies adopted by the Company from time-to-time
<b>Net Asset Value per C Share</b>	at any time the Net Asset Value attributable to the C Shares divided by the number of C Shares in issue (other than C Shares held in treasury) at the date of calculation
<b>Net Asset Value per Ordinary Share</b>	at any time the Net Asset Value attributable to the Ordinary Shares divided by the number of Ordinary Shares in issue (other than Ordinary Shares held in treasury) at the date of calculation
<b>OECD</b>	the Organisation for Economic Co-operation and Development
<b>OFAC</b>	the U.S. Treasury Department's Office of Foreign Assets Control
<b>Offer for Subscription</b>	the offer for subscription of Ordinary Shares at the Issue Price on the terms set out in this document
<b>Official List</b>	the official list maintained by the UKLA pursuant to Part VI of FSMA
<b>Ordinary Shares</b>	ordinary shares of no par value each in the capital of the Company and " <b>Ordinary Share</b> " shall be construed accordingly
<b>Overseas Persons</b>	a potential investor who is not resident in, or who is not a citizen of, the UK
<b>Person subject to U.S. jurisdiction</b>	means (i) U.S. citizens, resident aliens, and entities organised under the laws of the United States, wherever located; (ii) any person or entity physically in the United States; and (iii) non-U.S. entities outside the United States that are <i>owned or controlled</i> by U.S. persons specified in item (i)
<b>Placees</b>	any person who agrees to subscribe for the Ordinary Shares pursuant to the Initial Placing and/or any Subsequent Placing
<b>Placing and Offer Agreement</b>	the conditional placing, offer and placing programme agreement between the Company, the AIFM, the Directors and N+1 Singer, a summary of which is set out in paragraph 7.1 of Part 14 of this document
<b>Placing Programme</b>	the proposed programme of Subsequent Placings of Shares as described in this document
<b>Placing Programme Price</b>	the price at which Shares will be issued pursuant to a Subsequent Placing under the Placing Programme to Placees, as set out in Part 10 of this document

<b>POI Law</b>	the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended
<b>Portfolio</b>	the Company's investments from time to time
<b>Prospectus Directive</b>	the EU Prospectus Directive 2003/71/EC
<b>Prospectus Rules</b>	the prospectus rules made by the FCA under section 73A of FSMA
<b>Privacy Notice</b>	the privacy notice in relation to data protection which is available on the Company's website at <a href="http://www.ceibalimited.co.uk">www.ceibalimited.co.uk</a>
<b>RCIS Rules</b>	the Registered Collective Investment Scheme Rules 2015
<b>Registrar</b>	Link Market Services (Guernsey) Limited
<b>Registrar Agreement</b>	the agreement between the Company and the Registrar, a summary of which is set out in paragraph 7.4 of Part 14 of this document
<b>Receiving Agent</b>	Link Asset Services
<b>Receiving Agent Agreement</b>	the agreement between the Company and the Receiving Agent, a summary of which is set out in paragraph 7.5 of Part 14 of this document
<b>Register</b>	the register of members of the Company
<b>Regulation S</b>	Regulation S promulgated under the U.S. Securities Act
<b>Regulatory Information Service or RIS</b>	a service authorised by the UKLA to release regulatory announcements to the London Stock Exchange
<b>Relevant Member State</b>	a member state of the European Economic Area which has implemented the Prospectus Directive
<b>SEDOL</b>	the Stock Exchange Daily Official List
<b>SFS or Specialist Fund Segment</b>	the Specialist Fund Segment of the Main Market of the London Stock Exchange
<b>Shareholder</b>	a holder of Ordinary Shares or C Shares, as the case may be
<b>Shares</b>	Ordinary Shares and/or C Shares (as the context may require)
<b>SIPP</b>	a self-invested personal pension as defined in Regulation 3 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 of the UK
<b>Sol Palmeras Hotel</b>	the Sol Palmeras Hotel located in Varadero, Cuba
<b>SSAS</b>	a small self-administered scheme as defined in Regulation 2 of the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-Administered Schemes) Regulations 1991 of the UK
<b>Sterling or £ or pence</b>	the lawful currency of the United Kingdom
<b>Subsequent Placing</b>	any placing of Shares pursuant to the Placing Programme described in this document
<b>Target Returns</b>	has the meaning given in paragraph 6 of Part 1 of this document

<b>Terms and Conditions of Application</b>	the terms and conditions to which subscriptions under the Offer for Subscription are subject as set out in Part 19 of this document
<b>Title III</b>	Title III of the Helms-Burton Act
<b>TWEA</b>	The United States Trading with the Enemy Act of 1917
<b>UK Corporate Governance Code</b>	the UK Corporate Governance Code as published by the Financial Reporting Council from time-to-time
<b>UKLA or UK Listing Authority</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>United States of America, United States or U.S.</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>U.S. Code</b>	U.S. Internal Revenue Code of 1986
<b>U.S. Dollars, USD, U.S.\$, dollars and cents</b>	the lawful currency of the United States of America
<b>U.S. Embargo</b>	together the U.S. sanctions and other legal limitations aimed at Cuba, including a comprehensive trade embargo and a variety of travel and other trade restrictions limiting the transactions that may be carried out between Persons subject to U.S. jurisdiction and Cuba
<b>U.S. Exchange Act</b>	U.S. Securities Exchange Act of 1934, as amended
<b>U.S. Investment Company Act</b>	U.S. Investment Company Act of 1940, as amended
<b>U.S. Person</b>	<p>(i) any individual, wherever located, who is a citizen or resident of the United States;</p> <p>(ii) any corporation, partnership, association or other organisation organised under the laws of the United States or of any state, territory, possession, or district of the United States;</p> <p>(iii) any partnership, corporation, association or other organisation wherever organised, incorporated or doing business that is owned or controlled by persons specified in (i) or (ii) above;</p> <p>(iv) any person within the United States, including any person actually within the United States, and any partnership, association, corporation, or other organisation, wherever organised or doing business, owned or controlled by any United States resident, any person actually within the United States, or any corporation organised under the laws of the United States, or any other state, territory, possession, or district of the United States;</p> <p>(v) any partnership or corporation if (a) organised or incorporated under the laws of any foreign jurisdiction and (b) formed by a U.S. Person principally for the purpose of participating in transactions prohibited under the TWEA and the CACR; or</p> <p>(vi) any other person that is within a category of persons that the Board, in its sole discretion decides is a category of persons that should be treated as a U.S. Person, provided always that whilst</p>

shares are admitted to listing on the Official List and/or admitted to trading on the London Stock Exchange's main market for listed securities, any such decision of the Board referred to in this clause (vi) shall not restrict the free transferability of shares and shall be announced by the Company by way of RIS

**U.S. Securities Act**

U.S. Securities Act of 1933, as amended

**Valuation Report**

the valuation report prepared by the Valuer in relation to the Miramar Trade Center and the Hotel Assets, as set out at Part 8 of this document

**Valuer or Abacus**

Arlington Consulting – Consultadora Inmobiliaria, Limitada (trading as Abacus Consulting)

**Varadero Hotels**

together the Meliá Las Americas Hotel, the Meliá Varadero Hotel and the Sol Palmeras Hotel

**VAT**

value added tax

## PART 18

### TERMS AND CONDITIONS OF INITIAL PLACING AND PLACING PROGRAMME

#### 1. INTRODUCTION

- 1.1 Each Placee which confirms its agreement (whether orally or in writing) to N+1 Singer to acquire Shares pursuant to the Initial Placing and/or any Subsequent Placing under the Placing Programme will be bound by these terms and conditions and will be deemed to have accepted them.
- 1.2 N+1 Singer may require any Placee procured by it to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as N+1 Singer (in its absolute discretion) sees fit and may require any such Placee to execute a separate placing letter (a “**Placing Letter**”). The terms of this Part 18 will, where applicable, be deemed to be incorporated into such Placing Letters.

#### 2. AGREEMENT TO SUBSCRIBE FOR SHARES

Conditionally upon:

- 2.1 in the case of the Initial Placing, Initial Admission occurring and becoming effective by 8.00 a.m. on 10 October 2018 or such later time and/or date as the Company, the AIFM and N+1 Singer may agree (not being later than 8.00 a.m. on 10 December 2018) and in the case of any Subsequent Placing, Admission of the relevant Shares occurring by no later than 8.00 a.m. on such date as the Company, the AIFM and N+1 Singer may agree from time to time in relation to that Admission, not being later than 16 September 2019;
- 2.2 the Placing and Offer Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms at any time prior to Admission;
- 2.3 a valid supplementary prospectus being published by the Company when required;
- 2.4 in the case of the Initial Placing, the Minimum Gross Proceeds being raised; and
- 2.5 N+1 Singer confirming to Placees their allocation of Shares,

each Placee agreeing to become a member of the Company and agrees to subscribe for those Shares allocated to it by N+1 Singer at the Issue Price in the case of the Initial Placing and at the applicable Placing Programme Price in the case of any Subsequent Placing.

To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

#### 3. PAYMENT FOR SHARES

Each Placee must pay the applicable Issue Price or the Placing Programme Price (as the case may be) for the Shares issued to the Placee in the manner and by such time as directed by N+1 Singer. If any Placee fails to pay as so directed and/or by the time required by N+1 Singer, the relevant Placee shall be deemed hereby to have appointed N+1 Singer or any nominee of N+1 Singer as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Shares allocated to the Placee in respect of which payment shall not have been made as directed, and to indemnify N+1 Singer and its affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales.

A sale of all or any of such Shares shall not release the relevant Placee from the obligation to make such payment for relevant Shares to the extent that N+1 Singer or its nominee has failed to sell such Shares at a consideration which, after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, exceeds the applicable Issue Price or Placing Programme Price (as the case may be).

#### **4. REPRESENTATIONS AND WARRANTIES**

By agreeing to subscribe for Shares under the Initial Placing and/or any Subsequent Placing under the Placing Programme, each Placee that enters into a commitment with N+1 Singer to subscribe for Shares will (for itself and any person(s) procured by it to subscribe for Shares and any nominee(s) for any such person(s)) be deemed to represent and warrant to N+1 Singer, the Registrar, the Company and their respective officers, agents and employees that:

- 4.1 it is not a U.S. Person, is not located within the United States and is not acquiring the Shares for the account or benefit of a U.S. Person;
- 4.2 it is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- 4.3 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Shares into or within the United States or to any U.S. Persons, nor will it do any of the foregoing;
- 4.4 it is relying solely on this document and any supplementary prospectus issued by the Company prior to the relevant Admission and not on any other information given, or representation or statement made at any time, by any person concerning the Company and/or the Initial Placing and/or any Subsequent Placing. It agrees that none of the Company, N+1 Singer, nor the Registrar nor any of their respective officers, agents or employees will have any liability for any other information, representation or statement made or purported to be made by them or on its or their behalf in connection with the Company and/or the Initial Placing and/or any Subsequent Placing and irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- 4.5 if the laws of any territory or jurisdiction outside England and Wales are applicable to its agreement to subscribe for Shares under the Initial Placing and/or any Subsequent Placing, it has complied with all such laws, obtained all governmental and other consents, licences and authorisations which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the breach, whether by itself, the Company, N+1 Singer, the Registrar or any of their respective directors, officers, agents or employees of the regulatory or legal requirements, directly or indirectly, of any other territory or jurisdiction in connection with the Initial Placing and/or any Subsequent Placing;
- 4.6 it has carefully read and understands this document in its entirety and acknowledges that it is acquiring Shares on the terms and subject to the conditions set out in this Part 18 and the Articles as in force at the date of Initial Admission in the case of the Initial Issue or the relevant date of Admission in the case of any Subsequent Placing and agrees that in accepting a participation in the Initial Placing and/or any Subsequent Placing it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for the Shares;
- 4.7 it has not relied on N+1 Singer or any person affiliated with N+1 Singer in connection with any investigation of the accuracy or completeness of any information contained in this document or any supplementary prospectus published by the Company prior to Initial Admission or the relevant Admission (as the case may be);
- 4.8 it acknowledges that the content of this document and any supplementary prospectus published by the Company prior to Initial Admission or the relevant Admission (as the case may be) is exclusively the responsibility of the Company, and the Directors and neither N+1 Singer nor any person acting on its behalf nor any of its respective affiliates is responsible for or shall have any liability for any information, representation or statement contained in this document or any supplementary prospectus published by the Company prior to Initial Admission or the relevant Admission (as the case may be) or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Initial Placing and/or any Subsequent Placing based on any information, representation or statement contained in this document or any supplementary prospectus published by the Company prior to Initial Admission or the relevant Admission (as the case may be) or otherwise;
- 4.9 it acknowledges that no person is authorised in connection with the Initial Placing and/or any Subsequent Placing to give any information or make any representation other than as contained in this document and any supplementary prospectus published by the Company prior to the Initial

Admission or the relevant Admission (as the case may be) and, if given or made, any information or representation must not be relied upon as having been authorised by N+1 Singer or the Company;

- 4.10 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- 4.11 it acknowledges that the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons;
- 4.12 it accepts that none of the Shares have been or will be registered under the laws of any Excluded Territory. Accordingly, the Shares may not be offered, sold or delivered, directly or indirectly, within any Excluded Territory unless an exemption from any registration requirement is available;
- 4.13 it acknowledges that the Company has not registered under the U.S. Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, to ensure that the Company is not and will not be required to register under the U.S. Investment Company Act;
- 4.14 if in the future it decides to offer, sell, transfer, assign, pledge or otherwise dispose of the Shares or any beneficial interest therein, it will do so only in an “offshore transaction” complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by prearrangement or otherwise; or to the Company or a subsidiary thereof;
- 4.15 if it is a resident in the European Economic Area (other than the United Kingdom), it is, (a) a “qualified investor” within the meaning of the law in the Relevant Member State implementing Article 2(1)(c)(i), (ii) or (iii) of the Prospectus Directive (as amended), and (b) if that Relevant Member State has implemented the AIFM Directive, that it is a person to whom the Shares may be lawfully marketed under the AIFM Directive or under the applicable implementing legislation (if any) of that Relevant Member State;
- 4.16 in the case of any Shares acquired in the Initial Placing and/or any Subsequent Placing by an investor as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive: (i) the Shares acquired by it in the Initial Placing and/or any Subsequent Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State (other than the United Kingdom) other than “qualified investors”, as that term is defined in the Prospectus Directive (as amended), or in circumstances in which the prior consent of N+1 Singer has been given to the offer or resale; or (ii) where Shares have been acquired by it on behalf of persons in any Relevant Member State (other than the United Kingdom) other than “qualified investors”, the offer of those Shares to it is not treated under the Prospectus Directive (as amended) as having been made to such persons;
- 4.17 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Initial Placing and/or any Subsequent Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Shares pursuant to the Initial Placing and/or any Subsequent Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other legal requirements;
- 4.18 it is capable of being categorised as a person who is a “professional client” or an “eligible counterparty” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook; and
- 4.19 if it is acting as a “distributor” (for the purposes of the MiFID II Product Governance Requirements):
  - 4.19.1 it acknowledges that the Target Market Assessment undertaken by the AIFM and N+1 Singer does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares, and

each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels;

- 4.19.2 notwithstanding any Target Market Assessment undertaken by the AIFM and N+1 Singer, it confirms that it has satisfied itself as to the appropriate knowledge, experience, financial situation, risk tolerance and objectives and needs of the investors to whom it plans to distribute the Shares and that it has considered the compatibility of the risk/reward profile of such Shares with the end target market;
- 4.20 it acknowledges that the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.
- 4.21 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Shares and it is not acting on a non-discretionary basis for any such person;
- 4.22 if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to subscribe for Shares under the Initial Placing or the relevant Subsequent Placing, as applicable, and will not be any such person on the date any such relevant Initial Placing or Subsequent Placing commitment is accepted;
- 4.23 it acknowledges that neither N+1 Singer nor any of its respective affiliates nor any person acting on its behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Initial Placing and/or any Subsequent Placing or providing any advice in relation to the Initial Placing and/or any Subsequent Placing, that participation in the Initial Placing and/or any Subsequent Placing is on the basis that it is not and will not be a client of N+1 Singer or any of its affiliates and that N+1 Singer and any of its respective affiliates do not have any duties or responsibilities to a Placee for providing protections afforded to its clients or for providing advice in relation to the Initial Placing and/or any Subsequent Placing nor in respect of any representations, warranties, undertakings or indemnities contained in the Placing and Offer Agreement;
- 4.24 it acknowledges that where it is subscribing for Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing by each such account: (i) to subscribe for the Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Initial Placing and/or any Subsequent Placing in the form provided by N+1 Singer. It agrees that the provisions of this paragraph shall survive any resale of the Shares by or on behalf of any such account;
- 4.25 it irrevocably appoints any Director of the Company and any director of N+1 Singer to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Shares for which it has given a commitment under the Initial Placing and/or the relevant Subsequent Placing, in the event of the failure of it to do so;
- 4.26 it accepts that if the Initial Placing and/or the relevant Subsequent Placing does not proceed or the conditions to the Placing and Offer Agreement are not satisfied or the Shares for which valid applications are received and accepted are not admitted to trading on the Specialist Fund Segment of the Main Market for any reason whatsoever then neither N+1 Singer nor the Company nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives shall have any liability whatsoever to it or any other person;
- 4.27 in connection with its participation in the Initial Placing and/or any Subsequent Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering ("**Money Laundering Legislation**") and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (Council Directive No. 91/308/EEC) (the "**Money Laundering Directive**"); or (iii) acting in

the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;

- 4.28 it acknowledges that due to anti-money laundering requirements, N+1 Singer, the Company and/or their agents may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, N+1 Singer, the Company and/or their agents may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and will indemnify N+1 Singer, the Company and/or their agents against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been required has not been provided by it or has not been provided on a timely basis;
- 4.29 N+1 Singer and the Company are entitled to exercise any of their rights under the Placing and Offer Agreement or any other right in their absolute discretion without any liability whatsoever to them (or any agent acting on their behalf);
- 4.30 the representations, undertakings and warranties given by it are irrevocable. It acknowledges that N+1 Singer and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or agreements made or deemed to have been made by its subscription of the Shares are no longer accurate, it shall promptly notify N+1 Singer and the Company;
- 4.31 where it or any person acting on behalf of it is dealing with N+1 Singer any money held in an account with N+1 Singer on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require N+1 Singer to segregate such money, as that money will be held by N+1 Singer under a banking relationship and not as trustee;
- 4.32 any of its clients, whether or not identified to N+1 Singer, will remain its sole responsibility and will not become clients of N+1 Singer or, for the purposes of the rules of the FCA or for the purposes of any statutory or regulatory provision;
- 4.33 it accepts that the allocation of Shares shall be determined by the Directors in their absolute discretion (after consultation with N+1 Singer) and that such persons may scale back any placing commitments in respect of the Initial Placing and/or any Subsequent Placing for this purpose on such basis as the Directors may determine; and
- 4.34 time shall be of the essence as regard its obligations to settle payment for the Shares and to comply with their other obligations under the Initial Placing or the relevant Subsequent Placing.

## **5. SUPPLY AND DISCLOSURE OF INFORMATION**

- 5.1 If N+1 Singer, the Registrar or the Company or any of their agents request any information about a Placee's agreement to purchase Shares under the Initial Placing and/or any Subsequent Placing, such Placee must promptly disclose it to them.
- 5.2 Each Placee acknowledges and understands the Company is required to comply with FATCA, the CRS and any similar legislation and that the Company will follow the extensive reporting and/or withholding requirements of FATCA, the CRS and any similar legislation. The Placee agrees to promptly furnish any information and documents which the Company may from time to time request, including but not limited to information required under FATCA, the CRS and any similar legislation.

## **6. DATA PROTECTION**

- 6.1 Each prospective investor acknowledges and agrees that it has read the Privacy Notice.
- 6.2 For the purposes of this section, the Privacy Statement and other sections of this document, "data controller", "data processor", "data subject", "personal data", "processing", "sensitive personal data" and "special category data" shall have the meanings attributed to them in the Data Protection Legislation and the term "process" shall be construed accordingly.

- 6.3 Information provided by it to the Company or the Registrar will be stored both on the Company Secretary's and the Registrar's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection Legislation the Company and the Registrar are each required to specify the purposes for which they will hold personal data.
- 6.4 Each of the Company and its service providers shall:
- (a) be responsible for and control any Personal Data which it processes in relation to investors or arising out of the matters described in this document;
  - (b) comply with any Data Protection Legislation applicable to the collection and processing of the personal data; and
  - (c) take appropriate technical and organisational measures against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, the personal data.
- 6.5 Where personal data is shared by the Placee with the Company or its agents pursuant to this document, the Placee shall ensure that there is no prohibition or restriction which would:
- (a) prevent or restrict it from disclosing or transferring the personal data to the relevant recipient;
  - (b) prevent or restrict the Company or its agents from disclosing or transferring the personal data to relevant third parties, and any of its (or their) employees, agents, delegates and subcontractors (including to jurisdictions outside of the EEA and including the USA), in order to provide the services or services ancillary thereto; or
  - (c) prevent or restrict the Company and any of its (or their), employees, agents, delegates and subcontractors, from processing the personal data as specified in the Privacy Notice and/or in this document.
- 6.6 If the Placee passes Personal Data of any of its or its Affiliates' employees, representatives, beneficial owners, agents and subcontractors to the Company or its agents, the Placee warrants that it has provided adequate notice to such employees, representatives, beneficial owners, agents and subcontractors including the detail set out in this paragraph 6 and the Privacy Notice and as required by Data Protection Legislation relating to the processing by the Company or its agents as applicable of such personal data and to the transfer of such personal data outside the EEA.
- 6.7 If the Placee passes personal data of any of its shareholders, investors or clients to the Company, the Placee warrants that it will provide the Privacy Notice or equivalent wording to such shareholders, investors or clients.
- 6.8 The investor will also ensure that it has obtained any necessary consents from any of its or its Affiliates', representatives, employees, beneficial owners, agents or subcontractors in order for the Receiving Agent to carry out AML Checks (as defined in the Privacy Notice).
- 6.9 In providing the Company, the Registrar and N+1 Singer with information each Placee hereby represents and warrants to the Company, the Registrar and N+1 Singer that it has obtained any necessary consents of any data subject whose data it has provided to the Company and the Registrar and their respective associates holding and using their personal data as set out in the Privacy Notice (including, where required, the explicit consent of the data subjects for the processing of any sensitive personal data as set out in the Privacy Notice) and will make the Privacy Notice, for which the Company and the Registrar will process the data, available to all data subjects whose personal data may be shared by it for this purpose.
- 6.10 The Company and the Registrar are each data controllers for the purpose of the Data Protection Legislation and the parties all agree and acknowledge that none of the Company or the Registrar is or shall be a data processor for any of the others or a joint data controller with any of the others and they will each comply with their obligations under the Data Protection Legislation and the Placee will do nothing that puts the Company or the Registrar in breach of their respective obligations. The

Company Secretary is a data processor for the purpose of the Data Protection Legislation and the parties all agree and acknowledge this.

## **7. MISCELLANEOUS**

- 7.1 The rights and remedies of N+1 Singer, the Registrar, the Company, the Board and their respective affiliates under the terms and conditions set out in this Part 18 are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 7.2 On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally to N+1 Singer the jurisdiction in which its funds are managed or owned. All documents will be sent at the Placee's risk. They may be sent by post to such Placee at an address notified to N+1 Singer.
- 7.3 Each Placee agrees to be bound by the Articles (as amended from time to time) once the Shares that the Placee has agreed to subscribe pursuant to the Initial Placing and/or any Subsequent Placing have been acquired by the Placee. The contract to subscribe for Shares under the Initial Placing and/or any Subsequent Placing and the appointments and authorities mentioned in this document will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of N+1 Singer, the Registrar and the Company each Placee irrevocably submits to the exclusive jurisdiction of the courts of England and Wales waives any objection to proceedings in any such courts on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against a Placee in any other jurisdiction.
- 7.4 In the case of a joint agreement to purchase Shares under the Initial Placing and/or any Subsequent Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 7.5 N+1 Singer and the Company expressly reserve the right to modify the terms of the Initial Placing and/or any Subsequent Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined.
- 7.6 The Initial Placing and each Subsequent Placing is subject to the satisfaction of the conditions relating to the Initial Placing or Subsequent Placing, as applicable, contained in the Placing and Offer Agreement and the Placing and Offer Agreement not having been terminated prior to Admission of the relevant Shares.

## PART 19

### TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION

#### 1. INTRODUCTION

Ordinary Shares are available under the Offer for Subscription at a price of 119 pence per Ordinary Share.

Applications must be made on the Application Form attached at the end of this document or otherwise published by the Company.

If you wish your Ordinary Shares to be issued in certificated form, in addition to completing and returning the Application Form to Link Asset Services, you will also need to complete and return with the Application Form a tax residency self-certification form ("**FATCA/CRS Form**"). The FATCA/CRS Form will be sent to a potential investor on request. Further copies of this form and the relevant form for joint holdings or corporate entity holdings can be requested from Link on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside of the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

#### 2. EFFECT OF APPLICATION

Applications under the Offer for Subscription must be for Ordinary Shares with a minimum subscription amount of £1,000. Multiple applications will be accepted.

#### 3. OFFER TO ACQUIRE ORDINARY SHARES

By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:

- 3.1 offer to subscribe for such number of Ordinary Shares at 119 pence per Ordinary Share as may be purchased by the subscription amount specified in Box 1 on your Application Form (being a minimum of 1,000 Ordinary Shares); or such smaller number for which such application is accepted, on the terms, and subject to the conditions, set out in this document, including these Terms and Conditions of Application and the Articles;
- 3.2 agree that, in consideration of the Company agreeing that it will not, prior to the date of Initial Admission, offer for subscription any Ordinary Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked (subject to any legal right to withdraw your application which arises as a result of the publication of a supplementary prospectus) and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by, the Receiving Agent of your Application Form;
- 3.3 undertake to pay the subscription amount specified in Box 1 on your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a share certificate for the Ordinary Shares applied for in certificated form or be entitled to commence dealing in Ordinary Shares applied for in uncertificated form or to enjoy or receive any rights in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Receiving Agent, the Company and N+1 Singer against all costs, damages, losses, expenses and liabilities arising out of, or in connection

with, the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) avoid the agreement to issue the Ordinary Shares and may issue them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund by way of a cheque in your favour at your risk, for an amount equal to the proceeds of the remittance which accompanied your Application Form, without interest);

- 3.4 agree, that where on your Application Form a request is made for Ordinary Shares to be deposited into a CREST account (a “**CREST Account**”), (i) the Receiving Agent may in its absolute discretion amend the Application Form so that such Ordinary Shares may be issued in certificated form registered in the name(s) of the holder(s) specified in your Application Form (and recognise that the Receiving Agent will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST Account or in receiving your remittance in cleared funds) and (ii) the Receiving Agent, the Company or N+1 Singer may authorise your financial adviser or whoever he or she may direct to send a document of title for or credit your CREST Account in respect of the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address set out on your Application Form;
- 3.5 agree, in respect of applications for Ordinary Shares in certificated form (or where the Receiving Agent exercises its discretion pursuant to paragraph 3.4 above to issue Ordinary Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled or pursuant to paragraph 3.4 above (and any monies returnable to you) may be retained by the Receiving Agent:
- (a) pending clearance of your remittance;
  - (b) pending investigation of any suspected breach of the warranties contained in paragraphs 7.2, 7.6, 7.13, 7.14 or 7.15 below or any other suspected breach of these Terms and Conditions of Application; or
  - (c) pending any verification of identity which is, or which the Receiving Agent considers may be, required for the purpose of the Money Laundering Regulations and any other regulations applicable thereto,
- and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- 3.6 agree, on the request of the Receiving Agent to disclose promptly in writing to them such information as the Receiving Agent may request in connection with your application and authorise the Receiving Agent to disclose any information relating to your application which they may consider appropriate;
- 3.7 agree that if evidence of identity satisfactory to the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Receiving Agent) following a request therefor, the Receiving Agent or the Company may terminate the agreement with you to issue Ordinary Shares and, in such case, the Ordinary Shares which would otherwise have been issued to you may be re-issued or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned by a cheque drawn on a branch of a UK clearing bank to the bank account name from which they were first received, at your risk and without interest of any proceeds of the payment accompanying the application at your risk or direct to the bank account of the bank or building society on which the relevant cheque or banker's draft was drawn;
- 3.8 agree that you are not applying on behalf of a person engaged in money laundering;
- 3.9 undertake to ensure that, in the case of an application signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
- 3.10 undertake to pay interest at the rate described in paragraph 4 below if the remittance accompanying your Application Form is not honoured on first presentation;
- 3.11 authorise the Receiving Agent to procure that there be sent to you definitive certificates in respect of the number of Ordinary Shares for which your application is accepted or if you have completed

section 2B on your Application Form, but subject to paragraph 3.4 above, to deliver the number of Ordinary Shares for which your application is accepted into CREST, and/or to return any monies returnable without payment of interest (at the applicant's risk) either as a cheque by first class post to the address completed in Section 2A on the Application Form or return funds direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn;

3.12 confirm that you have read and complied with paragraph 9 below;

3.13 agree that all subscription cheques and payments will be processed through a bank account (the **"Acceptance Account"**) in the name of LMS re: CEIBA Investments Limited – 2018 OFS Application opened by the Receiving Agent;

3.14 agree that your Application Form is addressed to the Company and the Receiving Agent;

3.15 agree that your application must be for a whole number of Ordinary Shares and the number of Ordinary Shares issued to you will be rounded down to the nearest whole number;

3.16 acknowledge that the offer to the public of Ordinary Shares is being made only in the United Kingdom and represent that you are a United Kingdom resident (unless you are able to provide such evidence as the Company may, in its absolute discretion, require that you are entitled to apply for Ordinary Shares); and

3.17 agree that any application may be rejected in whole or in part at the sole discretion of the Company.

#### **4. ACCEPTANCE OF YOUR OFFER**

The Receiving Agent may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) by notifying the London Stock Exchange through a Regulatory Information Service of the basis of allocation (in which case the acceptance will be on that basis).

The basis of allocation will be determined by the Company in consultation with N+1 Singer and the Receiving Agent. The right is reserved notwithstanding the basis as so determined to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these Terms and Conditions of Application.

The Receiving Agent will present all cheques and banker's drafts for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants' payments.

The Receiving Agent may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the payment accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Receiving Agent to be the interest on the amount of the payment from the date on which all payments in cleared funds are due to be received until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Receiving Agent plus 4 per cent. per annum. The right is also reserved to reject in whole or in part, or to scale down or limit, any application.

Except as provided below, payments may be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society that is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or that has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of an individual Applicant where they have sole or joint title to the funds, should be made payable to LMS re: CEIBA Investments Limited – 2018 OFS Application. Third party cheques may not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by

stamping/endorsing the cheque or banker's draft to that effect. The account name should be the same as that shown on the Application Form.

For applicants sending subscription monies by electronic bank transfer (CHAPs), payment must be made for value by 11.00 a.m. on 3 October 2018 directly into the bank account detailed below. The payment instruction must also include a unique reference comprising your name and a contact telephone number which should be entered in the reference field on the payment instruction, for example, MJ SMITH 01234 567 8910

Bank:	Lloyds Bank
Sort Code:	30-80-12
A/C No:	17291360
A/C Name:	LMS re: CEIBA Investments Limited OFS CHAPs A/C

The Receiving Agent cannot take responsibility for correctly identifying payments without a unique reference nor where a payment has been received but without an accompanying application form.

If you choose to settle your application within CREST, that is DVP, you or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment at the Issue Price per Ordinary Share using the following CREST matching criteria set out below:

Trade date:	8 October 2018
Settlement date:	10 October 2018
Company:	CEIBA Investments Limited
Security description:	Ordinary Shares of no par value
SEDOL:	BFMDJH1
ISIN:	GG00BFMDJH11

Applicants wishing to settle DVP will still need to complete and submit a valid Application Form to be received by no later than 11.00 a.m. on 3 October 2018 (being the closing date). You should tick the relevant box in section 1A of the Application Form.

Applicants will also need to ensure that their settlement instructions are input to Link Asset Services' Participant account (RA06) by no later than 11.00 a.m. on 9 October 2018.

Applicants can confirm their final allotment of shares by contacting the helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer for Subscription nor give any financial, legal or tax advice.

Note: Link Asset Services will not take any action until a valid DEL message has been alleged to the Participant account by the applicant/custodian.

No acknowledgement of receipt or input will be provided.

Applicants should also ensure that their agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to their usual daily trading and settlement requirements.

In the event of late/non-settlement, the Company reserves the right to deliver shares outside of CREST in certificated form provided that payment has been made in terms satisfactory to the Company and all other conditions of the Offer for Subscription have been satisfied."

**If you require a share certificate you should not use this facility.**

## **5. CONDITIONS**

The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon:

- (a) Initial Admission occurring by 8.00 a.m. (London time) on 10 October 2018 or such later time or date as the Company and N+1 Singer may agree (being not later than 8.00 a.m. on 10 December 2018);
- (b) the Placing and Offer Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before Initial Admission; and
- (c) the Minimum Gross Proceeds being raised.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

## **6. RETURN OF APPLICATION MONIES**

Where application monies have been banked and/or received, if any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest (at the applicants' risk) either by first class post as a cheque to the address set out on the Application Form or returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

## **7. WARRANTIES**

By completing an Application Form, you:

- 7.1 undertake and warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- 7.2 warrant, if the laws of any territory or jurisdiction outside the UK are applicable to your application, that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company, N+1 Singer or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside of the UK in connection with the Offer for Subscription in respect of your application;
- 7.3 confirm that (save for advice received from your financial adviser (if any)) in making an application you are not relying on any information or representations in relation to the Company other than those contained in this document (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;
- 7.4 agree that, having had the opportunity to read this document and the Key Information Document each in its entirety, you shall be deemed to have had notice of all information and representations contained in this document and the Key Information Document;
- 7.5 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the AIFM, the Investment Manager, N+1 Singer or the Receiving Agent;
- 7.6 warrant that you are not under the age of 18 on the date of your application;

- 7.7 agree that all documents and monies sent by post to, by, from or on behalf of the Company or the Receiving Agent, will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint holders, the address of the first named holder) as set out in your Application Form;
- 7.8 confirm that you have reviewed the restrictions contained in paragraph 9 below and warrant that you (and any person on whose behalf you apply) comply with the provisions therein;
- 7.9 agree that, in respect of those Ordinary Shares for which your Application Form has been received and processed and not rejected, acceptance of your Application Form shall be constituted by the Company instructing the Registrar to enter your name on the Register;
- 7.10 agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with the laws of England and Wales and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- 7.11 irrevocably authorise the Company, N+1 Singer or the Receiving Agent or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your name and authorise any representatives of the Company and/or N+1 Singer and/or the Receiving Agent to execute any documents required therefor and to enter your name on the Register;
- 7.12 agree to promptly provide the Company with any information and documents which it, N+1 Singer or the Receiving Agent may request in connection with your application or to comply with any other relevant legislation (as the same may be amended from time-to-time) including without limitation satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations and any information required in relation to FATCA or the CRS, and you acknowledge and understand that the Company is required to comply with FATCA and the CRS and that the Company will follow the extensive reporting and/or withholding requirements of FATCA and the CRS;
- 7.13 warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, the AIFM, the Investment Manager, N+1 Singer or the Receiving Agent acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or your application;
- 7.14 represent and warrant to the Company that; (i) you are not a U.S. Person, are not located within the United States and are not acquiring the Ordinary Shares for the account or benefit of a U.S. Person; (ii) you are acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S; (iii) you understand and acknowledge that the Ordinary Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, into or within the United States or to, or for the account or benefit of, U.S. Persons; and (iv) you understand and acknowledge that the Company has not registered and will not register as an investment company under the U.S. Investment Company Act;
- 7.15 represent and warrant to the Company that if in the future you decide to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, you will do so only (i) in an offshore transaction complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise, or (ii) to the Company or a subsidiary thereof. You understand and acknowledge that any sale, transfer, assignment, pledge or other disposal made other than in compliance with the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- 7.16 agree that N+1 Singer and the Receiving Agent are acting for the Company in connection with the Offer for Subscription and for no-one else and that they will not treat you as their customer by virtue

of such application being accepted or owe you any duties or responsibilities concerning the price of the Ordinary Shares or concerning the suitability of the Ordinary Shares for you or be responsible to you for the protections afforded to their customers;

7.17 warrant that you are not subscribing for the Ordinary Shares using a loan which would not have been given to you or any associate or not given to you on such favourable terms, if you had not been proposing to subscribe for the Ordinary Shares;

7.18 warrant that the information contained in the Application Form is true and accurate;

7.19 agree that if you request that Ordinary Shares are issued to you on a date other than Initial Admission and such Ordinary Shares are not issued on such date that the Company and its agents and Directors will have no liability to you arising from the issue of such Ordinary Shares on a different date;

7.20 confirm that you have read the Privacy Notice and acknowledge that (as applicable):

(d) your personal information will be used, processed, disclosed and/or otherwise transferred in accordance with those provisions and for the purposes referenced therein (in the case of individual investors); or

(e) you have provided adequate notice of the Privacy Notice and/or equivalent wording and/or further detail as may be required by Data Protection Legislation to any individual investors from whom you collect personal data (or from whom personal data is received) in relation to this document (or shall procure that such notice is effected) and that you have obtained such consents as are required by applicable Data Protection Legislation; and

7.21 undertake to fully indemnify the Company, immediately on demand, and keep it fully and effectively indemnified against all costs, claims, demands, expenses (including legal costs and disbursements on a full indemnity basis), losses (including indirect losses and loss of profits, business and reputation), actions, proceedings and liabilities of whatsoever nature arising from or incurred by the Company in connection with any failure by you to comply with the requirements set out in the Privacy Notice and/or applicable Data Protection Legislation in respect of its processing of personal data.

## 8. MONEY LAUNDERING

You agree that, in order to ensure compliance with the Money Laundering Regulations, the Proceeds of Crime Act 2002 and any other applicable regulations, the Receiving Agent may at its absolute discretion undertake electronic searches for the purpose of verifying your identity (the “**holder(s)**”) or may otherwise require verification of the holder(s) identity as the applicant lodging an Application Form and further may request from you and you will assist in providing identification of:

8.1 the owner(s) and/or controller(s) (the “**payor**”) of any bank account not in the name of the holder(s) on which is drawn a payment by way of banker’s draft or cheque; or

8.2 where it appears to the Receiving Agent that a holder or the payor is acting on behalf of some other person or persons.

Failure to provide the necessary evidence of identity may result in your application being rejected or delays in the despatch of documents or CREST accounts being credited. You acknowledge that the Company and the Receiving Agent shall be held harmless and indemnified against any loss arising as a result of a failure or delay to process your application for Shares if such information and documentation as has been requested by the Receiving Agent has not been provided by you or if the requirements of the Privacy Notice (or equivalent information as may be agreed or required) has not been communicated to relevant individuals. You confirm that the information and documentation supplied by you is correct.

Without prejudice to the generality of this paragraph 8.2, verification of the identity of holders and payors will be required if the value of the Ordinary Shares applied for, whether in one or more applications considered to be connected, exceeds £10,000. If, in such circumstances, you use a building society cheque or banker’s draft you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being

debited on the reverse of the cheque or banker's draft and adds its stamp. If, in such circumstances, the person whose account is being debited is not a holder you will be required to provide for both the holder and the payor an original or a copy of that person's passport or driving licence certified by a solicitor and an original or certified copy of the following no more than 3 months old, a gas, electricity, water or telephone (not mobile) bill, a recent bank statement or a council tax bill, in their name and showing their current address (which originals will be returned by post at the addressees' risk) together with a signed declaration as to the relationship between the payor and you the holder.

For the purpose of the Money Laundering Regulations a person making an application for Ordinary Shares will not be considered as forming a business relationship with the Company or the Receiving Agent but will be considered as effecting a one-off transaction with either the Company or with the Receiving Agent.

The person(s) submitting an application for Ordinary Shares will ordinarily be considered to be acting as principal in the transaction unless the Receiving Agent determines otherwise, whereupon you may be required to provide the necessary evidence of identity of the underlying beneficial owner(s).

If the amount being subscribed exceeds £10,000 you should endeavour to have the declaration contained in section 5 of the Application Form signed by an appropriate firm as described in that section. If you cannot have that declaration signed and the amount being subscribed exceeds £10,000 then you must provide with the Application Form the identity documentation detailed in section 6 of the Application Form for each underlying beneficial owner.

## **9. NON-UNITED KINGDOM INVESTORS**

The Offer for Subscription is only being made in the United Kingdom. If you receive a copy of this document or an Application Form in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the UK and wish to make an application for Ordinary Shares under the Offer for Subscription, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

None of the Ordinary Shares have been or will be registered under the laws of any member state of the EEA (other than the United Kingdom), Canada, Japan, Australia, the Republic of South Africa or under the U.S. Securities Act or with any securities regulatory authority of any state or other political subdivision of the United States, any member state of the EEA (other than the United Kingdom), Canada, Japan, Australia or the Republic of South Africa. If you subscribe for Ordinary Shares you will, unless the Company and the Receiving Agent agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a U.S. Person or a resident of any member state of the EEA (other than the United Kingdom), Canada, Japan, Australia, the Republic of South Africa or a corporation, partnership or other entity organised under the laws of any member state of the EEA (other than the United Kingdom), the U.S. or Canada (or any political subdivision of either) or Japan or Australia or the Republic of South Africa and that you are not subscribing for such Ordinary Shares for the account of any U.S. Person or resident of any member state of the EEA (other than the United Kingdom), Canada, Japan, Australia or the Republic of South Africa and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares in or into any member state of the EEA (other than the United Kingdom), the United States, Canada, Japan, Australia or the Republic of South Africa or to any U.S. Person or person resident in Canada, any member state of the EEA (other than the United Kingdom), Japan, Australia or the Republic of South Africa. No application will be accepted if it shows the applicant, payor or a holder having an address other than in the United Kingdom.

## **10. DATA PROTECTION LEGISLATION**

Pursuant to applicable Data Protection Legislation the Company, the Registrar and/or the Administrator, may hold personal data relating to past and present Shareholders.

Such personal data held is used by the Registrar to maintain the Register and mailing lists and this may include sharing such data with third parties when, (a) effecting the payment of dividends and other distributions to Shareholders, and (b) filing returns of Shareholders and their respective transactions in Ordinary Shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.

By becoming registered as a holder of Ordinary Shares a person becomes a data subject and is deemed to have consented to the processing by the Company, the Registrar or the Administrator of any personal data relating to them in the manner described above.

## **11. MISCELLANEOUS**

To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer for Subscription.

The rights and remedies of the Company, the AIFM, the Investment Manager, N+1 Singer and the Receiving Agent under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.

The Company reserves the right to extend the closing time and/or date of the Offer for Subscription from 11.00 a.m. on 3 October 2018. In that event, the new closing time and/or date will be notified to applicants.

The Company may terminate the Offer for Subscription in its absolute discretion at any time prior to Initial Admission. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned as indicated without interest.

You agree that N+1 Singer and the Receiving Agent are acting for the Company in connection with the Issue and for no-one else, and that neither N+1 Singer nor the Receiving Agent will treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of the Ordinary Shares or concerning the suitability of the Ordinary Shares for you or otherwise in relation to the Initial Issue or for providing the protections afforded to their customers.

Save where the context requires otherwise, terms used in these Terms and Conditions of Application bear the same meaning as where used in the document.

**PART 20**

**HISTORICAL FINANCIAL INFORMATION FOR THE COMPANY**

**PART A**

**AUDITED FINANCIAL STATEMENTS FOR THE COMPANY  
FOR THE NINE MONTH PERIOD ENDED 31 DECEMBER 2017**

**CEIBA INVESTMENTS LIMITED**

Consolidated Financial Statements

**At 31 December 2017**

## COMPANY INFORMATION AND MANAGEMENT

### REGISTERED OFFICE

CEIBA Investments Limited  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
Channel Islands  
GY1 2HT

### EXECUTIVES

Sebastiaan A.C. Berger (*Chief Executive Officer*)  
Cameron Young (*Chief Operating Officer*)  
Paul S. Austin (*Chief Financial Officer*)

### REGISTRAR

Ansons Registrars Limited  
Anson Place  
Mill Court  
La Charrotterie  
St Peter Port  
Guernsey  
Channel Islands  
GY1 1EJ

### LEGAL ADVISERS

Carey Olsen  
PO Box 98  
Carey House  
Les Banques  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4BZ

### BOARD OF DIRECTORS

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

### ADMINISTRATOR, CUSTODIAN AND SECRETARY

JTC Fund Solutions (Guernsey) Limited  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
Channel Islands  
GY1 2HT

### INDEPENDENT AUDITORS

Ernst & Young  
Caribbean Professional Services Limited  
Ground Floor, One Welches  
Welches, St Tomas BB22025  
Barbados

### ISIN CODE (ORDINARY SHARES)

GG00B5491D76

### REGISTRATION NUMBER

30083

## **DIRECTORS' REPORT**

The Directors present their consolidated financial statements for the nine months ended 31 December 2017.

### **ACTIVITIES**

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

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

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

### **PERFORMANCE AND RESULTS**

The income of the Company consists primarily of changes in the fair value of equity investments and dividend income. Changes in the fair value of equity investments resulted in an increase in value of US\$4,575 (31 March 2017: US\$17,338,571). Dividend income earned by the Company from its commercial and tourism real estate investments was US\$8,431,257 (31 March 2017: US\$13,139,634) (see note 8).

The net income attributable to the shareholders for the nine months ended 31 December 2017 amounted to US\$5,458,602 (twelve months ended 31 March 2017: US\$26,595,328). There was no charge for taxation.

### **DIVIDENDS**

There were no dividends declared during the nine months ended 31 December 2017. Dividends declared of the year ended 31 March 2017 were US\$7,000,000 or US\$0.5201 per share.

### **DIRECTORS AND THEIR INTERESTS**

Except as stated in note 14 to the consolidated financial statements, no Director has had an interest in any transaction which, during the reporting period, was carried out by the Company, or any interest, direct or indirect, in the promotion of the Company or in any assets which have been acquired or disposed of or leased to the Company or are proposed to be acquired, disposed of by or leased to the Company. The names of the Directors and their interests in the share capital of the Company as at 31 December 2017 are shown in note 14.

## **AUDITORS**

The appointment of EY Caribbean Professional Services Limited as the Company's auditors was approved at the Annual General Meeting of the Company held on 27 December 2017.

The consolidated financial statements were approved by the Board of Directors on 15 June 2018 and signed on its behalf:

Sebastiaan A.C. Berger  
*Director*

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 nine months ended on 31 December 2017, which presents a true and fair view of the state of affairs of the Company and of the income or loss for the period then ended. In preparing these consolidated financial statements, the Directors are required to:

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

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

## INDEPENDENT AUDITORS' REPORT



### **Caribbean Professional Services Limited**

Ground Floor, One Welches  
Welches, St Tomas BB22025  
Barbados

### **To the Shareholders of CEIBA INVESTMENTS LIMITED**

#### **Opinion**

We have audited the consolidated financial statements of CEIBA INVESTMENTS LIMITED (the Company), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present a true and fair view, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the Companies (Guernsey) Law, 2008.

#### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

### **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.

19 June 2018

### **Caribbean Professional Services Limited**

An affiliate firm of Ernst & Young Global

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	31 December 2017 US\$	31 March 2017 US\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	11,630,102	2,154,710
Accounts receivable and accrued income	5	34,587,361	2,437,758
Loans and lending facilities	6	1,890,547	979,631
<b>Total current assets</b>		<u>48,108,010</u>	<u>5,572,099</u>
<b>Non-current assets</b>			
Accounts receivable and accrued income	5	98,850	31,890
Loans and lending facilities	6	2,587,065	3,295,121
Equity investments	8	217,086,037	163,773,953
Property, plant and equipment	9	495,670	519,056
<b>Total non-current assets</b>		<u>220,267,622</u>	<u>167,620,020</u>
<b>Total assets</b>		<u><u>268,375,632</u></u>	<u><u>173,192,119</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	10	3,443,064	2,899,732
Short-term borrowings	11	35,820,895	–
<b>Total current liabilities</b>		<u>39,263,959</u>	<u>2,899,732</u>
<b>Total liabilities</b>		<u>39,263,959</u>	<u>2,899,732</u>
<b>Equity</b>			
Share capital	12	19,014,379	19,014,379
Share premium	12	49,657,630	49,657,630
Special reserve held for distribution		22,620,289	22,620,289
Revaluation surplus		248,199	248,199
Retained earnings		83,575,787	78,117,185
Accumulated other comprehensive income (loss)		103,867	(24,878)
<b>Equity attributable to the shareholders of the parent</b>		<u>175,220,151</u>	<u>169,632,804</u>
Non-controlling interest	12	53,891,522	659,583
<b>Total equity</b>		<u>229,111,673</u>	<u>170,292,387</u>
<b>Total liabilities and equity</b>		<u><u>268,375,632</u></u>	<u><u>173,192,119</u></u>

See accompanying notes 1 to 20, which are an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger  
Director

John Herring  
Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2017

	Note	9 months 31 December 2017 US\$	12 months 31 March 2017 US\$
<b>Income</b>			
Change in fair value of equity investments	8	4,575	17,338,571
Dividend income	8	8,431,257	13,139,634
Interest income		279,080	255,316
Gain on sale of investments	7	218,300	–
Travel agency commissions		132,742	205,845
		<u>9,065,954</u>	<u>30,939,366</u>
<b>Expenses</b>			
Change in fair value of financial liabilities	11	(446,276)	–
Management costs	14	(1,027,290)	(1,527,795)
Other staff costs		(237,867)	(301,458)
Travel		(235,114)	(265,879)
Participation agreement payments to 3rd parties	8	(369,575)	(694,590)
Operational costs		(158,333)	(234,580)
Legal expenses		(391,244)	(213,479)
Administration fees and expenses		(297,743)	(254,662)
Interest expense		(877,789)	–
Audit fees		(258,525)	(304,948)
Miscellaneous expenses		(81,088)	(62,766)
Director fees and expenses	14	(56,031)	(71,607)
Depreciation	9	(33,917)	(46,728)
		<u>(4,470,792)</u>	<u>(3,978,492)</u>
Foreign exchange gain (loss)		<u>823,384</u>	<u>(380,109)</u>
<b>Net income before taxation</b>		<u>5,418,546</u>	<u>26,580,765</u>
Income taxes	3.8	–	–
<b>Net income for the period</b>		<u>5,418,546</u>	<u>26,580,765</u>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
Exchange differences of translation of foreign operations		<u>198,069</u>	<u>57,510</u>
<b>Total comprehensive income</b>		<u><u>5,616,615</u></u>	<u><u>26,638,275</u></u>
<b>Net income for the period attributable to:</b>			
Shareholders of the parent		5,458,602	26,595,328
Non-controlling interest		(40,056)	(14,563)
<b>Total comprehensive income attributable to:</b>			
Shareholders of the parent		5,587,347	26,652,838
Non-controlling interest		29,268	(14,563)
Basic and diluted earnings per share	15	0.41	1.98

See accompanying notes 1 to 20, which are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 31 December 2017

		9 months 31 December 2017 US\$	12 months 31 March 2017 US\$
	Note		
<b>Operating activities</b>			
Net income for the period		5,418,546	26,580,765
<i>Items not effecting cash:</i>			
Depreciation	9	33,917	46,728
Change in fair value of equity investments	8	(4,575)	(17,338,571)
Change in fair value of financial liabilities	11	446,276	–
Gain on sale of investment	7	(218,300)	–
Foreign exchange gain		(823,384)	–
		<u>4,852,480</u>	<u>9,288,922</u>
Decrease (increase) in accounts receivable and accrued income		2,007,320	(2,019,626)
(Decrease) increase in accounts payable and accrued expenses		<u>(1,684,355)</u>	<u>937,116</u>
<b>Net cash flows from operating activities</b>		<u>5,175,445</u>	<u>8,206,412</u>
<b>Investing activities</b>			
Acquisition of subsidiary (net of cash)		(32,887,180)	–
Purchase of equity investments	8	(406,724)	(881,324)
Disposal of equity investments	7,8	1,189,993	–
Purchase of property, plant & equipment	9	(10,531)	(49,968)
Loans and lending facilities disbursed		–	(4,274,752)
Loans and lending facilities recovered		298,500	–
<b>Net cash flows from investing activities</b>		<u>(31,815,942)</u>	<u>(5,206,044)</u>
<b>Financing activities</b>			
Short-term borrowings	11	35,374,619	–
Payment of cash dividends		–	(11,000,000)
Contribution received from non-controlling interest		221,177	–
<b>Net cash flows from financing activities</b>		<u>35,595,796</u>	<u>(11,000,000)</u>
<b>Change in cash and cash equivalents</b>		<u>8,955,299</u>	<u>(7,999,632)</u>
Cash and cash equivalents at beginning of the period		2,154,710	10,154,342
Foreign exchange on cash		520,093	–
<b>Cash and cash equivalents at end of the period</b>		<u><u>11,630,102</u></u>	<u><u>2,154,710</u></u>
Dividends received		10,584,761	10,986,130
Interest received		187,538	255,316
Interest paid		(877,789)	–

See accompanying notes 1 to 20, which are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	9 months 31 December 2017 US\$	12 months 31 March 2017 US\$
<b>Share capital</b>		
Initial balance	19,014,379	19,014,379
Final balance	19,014,379	19,014,379
<b>Share premium</b>		
Initial balance	49,657,630	49,657,630
Final balance	49,657,630	49,657,630
<b>Special reserve held for distribution</b>		
Initial balance	22,620,289	29,620,289
Dividends	–	(7,000,000)
Final balance	22,620,289	22,620,289
<b>Revaluation surplus</b>		
Initial balance	248,199	248,199
Final balance	248,199	248,199
<b>Retained earnings</b>		
Initial balance	78,117,185	51,521,857
Net income for the period attributable to shareholders of the parent	5,458,602	26,595,328
Final balance	83,575,787	78,117,185
<b>Accumulated other comprehensive income (loss)</b>		
Initial balance	(24,878)	(82,388)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	128,745	57,510
Final balance	103,867	(24,878)
<b>Equity attributable to the shareholders of the parent</b>	175,220,151	169,632,804
<b>Non-controlling interest</b>		
Initial balance	659,583	674,146
Non-controlling interest generated during period	53,202,671	–
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	69,324	–
Net loss for the period attributable to non-controlling interest	(40,056)	(14,563)
Final balance	53,891,522	659,583
<b>Total equity</b>	229,111,673	170,292,387

See accompanying notes 1 to 20, which are an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

### 1. Corporate information

These consolidated financial statements for the nine months ended 31 December 2017 include the accounts of CEIBA Investments Limited and its subsidiaries, which are collectively referred to as the “Company” or “CEIBA”. These consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 15 June 2018.

CEIBA, through its subsidiaries, is an international venture investment company that was incorporated in 1995 in Guernsey, Channel Islands as a Registered Closed Ended Collective Investment Scheme for the purpose of investing in Cuba. On 1 May 2013, the status of the Company changed to an unregulated investment company rather than a regulated investment fund. The registered office of the Company is located at Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands GY1 2HT.

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

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

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

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

### 2. Basis of preparation

#### 2.1 *Statement of compliance and basis of measurement*

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments and certain property, plant and equipment as disclosed in note 3.12 which are measured at fair value through the statement of comprehensive income, in accordance with International Financial Reporting Standards (“IFRS”) as prescribed by the International Accounting Standards Board (“IASB”).

#### 2.2 *Functional and presentation currency*

These consolidated financial statements are presented in United States Dollars (“US\$”), which is the Company’s functional currency. The majority of the Company’s income, equity investments and transactions are denominated in US\$, with the exception of HOMASI, whose functional currency is the Euro; and Mosaico Hoteles, whose functional currency is the Swiss Franc.

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

#### 2.3 *Use of estimates and judgments*

The preparation of the Company’s consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets

and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

#### *Management judgements*

The key management judgements made by Management in relation to the financial statements are:

- (a) That the Company is not an Investment Entity (refer note 3.16);
- (b) That the Company is a Venture Capital Organisation (refer note 3.17).

#### *Management estimates – valuation of equity investments*

Significant areas requiring the use of estimates include 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 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 8).

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

### **2.4 Reportable operating segments**

An operating 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.

### **2.5 Equity investments**

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

Equity investments of the Company are recorded at fair value in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), on the basis of the exception provided for per IAS 28. 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.

### **2.6 Change in accounting period**

On 11 December 2017, the Board of Directors resolved to change the financial year end of the Company to 31 December from 31 March; in order to harmonize the Company's accounting period with the joint venture companies of its equity investments. As a consequence, the current financial year end as at 31 December 2017 is a special nine month period with comparative figures of the twelve month period ended 31 March 2017.

## 2.7 **Changes in accounting policies**

### *Standards and interpretations applicable this period*

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

During the fiscal year beginning on April 1, 2017 the Company applied the following standard applicable for reporting periods beginning on or after 1 January 2017:

*Amendment to IAS 7: These amendments require entities to provide disclosures about changes in liabilities arising from financing activities.*

The remaining new standards or changes to pre-existing standards, compulsorily applicable to fiscal years beginning on April 1, 2017, have no impact on the Company's financial statements given that they involve equity components, types of transactions, special situations, activity sectors, or information elements foreign to the nature, characteristics and operations of the Company. In addition, the Company has refrained from applying in advance any standard, interpretation or amendment, which, having already been issued, is not yet mandatory.

### *Standards and interpretations issued by the IASB, but not compulsorily applicable this period:*

At the date of issuance of these financial statements, the following three standards with potential impact on the Company had been published by the IASB:

- *IFRS 9 Financial Instruments*: IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" (and all previous versions of IFRS 9), collecting all three phases of the financial instruments project: Classification and measurement, Impairment and Hedge accounting. IFRS 9 is mandatory for annual reporting periods beginning on or after 1 January 2018. Except for hedge accounting, application with retrospective effect is required, but no change to comparative information is needed.
- *IFRS 15 Revenue from Contracts with Customers*: IFRS 15 establishes a new accounting base according to a five-step model framework by which revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This new standard will repeal all other standards existing at present concerning the revenue recognition, and will be effective as of 1 January 2018. The standard will be implemented retrospectively (fully or partially) in its first year.
- *IFRS 16 Leases*: IFRS 16 involves significant changes for lessees, who in most cases will have to recognize an asset for the right to use and a liability for the present value of future leases in their statement of financial position. There are few changes for lessors compared to the current IAS 17, which is replaced by IFRS 16. (Full or partial) application with retrospective effect for reporting periods beginning on or after 1 January 2019 is required.

As mentioned above, earlier application of IFRS 9, 15 and 16 is permitted; however the Company has not chosen to implement them now and will apply them at the indicated mandatory dates. In any case, these standards have a considerable degree of complexity and the Company has not completed studying them. Therefore, it is not possible to determine at this time their impact, if any, on the Company's financial statements.

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

## **3. Summary of significant accounting policies**

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

### **3.1 Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Company is exposed, or has

rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control. The Company has direct and indirect interests in Cuban joint venture companies that are not consolidated in the consolidated financial statements, but are accounted for in accordance with IAS 28. As a result of applying the fair value exception to equity accounting, 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 (see note 3.16). The Company had direct and indirect equity interests in the following entities as at 31 December 2017 and 31 March 2017:

<i>Entity Name</i>	<i>Country of Incorporation</i>	<i>Equity interest held by the Company or holding entity</i>	
		<i>31 December 2017</i>	<i>31 March 2017</i>
1. CEIBA Property Corporation Limited (a) (i)	Guernsey	100%	100%
1.1. GrandSlam Limited (a) (ii)	Guernsey	100%	100%
1.2. Antilles Property Limited (a) (iv)	Guernsey	100%	100%
1.3. CEIBA MTC Properties Inc.(a) (iii)	Panama	100%	100%
1.3.1 Inmobiliaria Monte Barreto S.A. (b) (v)	Cuba	49%	49%
1.4. CEIBA Tourism B.V. (a) (vi)	Netherlands	100%	100%
1.4.1. Corporación Interinsular Hispana S.A. (c) (iii)	Spain	–	15%
1.4.1.1. Cuba Canarias S.A. (e) (vii)	Cuba	–	50%
1.4.2. HOMASI S.A. (a) (iii)	Spain	65%	100%
1.4.2.1. Miramar S.A. (b) (viii)	Cuba	50%	50%
1.4.2.2. Cuba Canarias S.A. (e) (vii)	Cuba	50%	–
1.4.3. Mosaico B.V. (a) (iii)	Netherlands	80%	80%
1.4.3.1. Mosaico Hoteles S.A. (a) (iii)	Switzerland	100%	100%
1.4.3.1.1. TosCuba S.A. (b) (ix)	Cuba	50%	50%
2. Industrias Antillanas Limited (a) (iii)	Guernsey	–	100%
2.1. Caricel Inc. (c) (iii)	Barbados	–	10%
2.1.1. InterCan Inc. (e) (iii)	Barbados	–	100%
2.1.1.1. Productos Sanitarios S.A. (e) (x)	Cuba	–	50%
2.2. WOMY Equipment Rental B.V. (c) (xi)	Netherlands	–	25%

a) Company consolidated at 31 December 2017 and 31 March 2017.

b) Company accounted at fair value at 31 December 2017 and 31 March 2017.

c) Company accounted at fair value at 31 March 2017.

d) Company accounted at fair value at 31 December 2017.

- e) Underlying operating company.
- (i) Holding company for the Company's interests in real estate investments in Cuba that are facilitated by a representative office in Havana.
- (ii) Operates a travel agency that provides services to international clients for travel to Cuba.
- (iii) Holding company for underlying investments, conducting no operating activity and with no other significant assets.
- (iv) Company which is currently inactive and in the process of being liquidated.
- (v) Joint venture company that holds the Miramar Trade Center as its principal asset.
- (vi) Dutch company responsible for the holding and management of the Company's investments in tourism. In December 2017 it was converted from a cooperative to a limited liability company (B.V.).
- (vii) Joint venture company that holds as its principal assets the Meliá Las Americas Hotel, Meliá Varadero Hotel and Sol Palmeras Hotel.
- (viii) Joint venture company that holds the Meliá Habana Hotel as its principal asset.
- (ix) Joint venture company incorporated to build a beach hotel in Trinidad, Cuba.
- (x) Joint venture company that operates a paper mill in Cuba producing tissue paper products.
- (xi) Company that offers rental services of cranes, earthmovers, forklifts and other equipment to the Cuban construction and mining industry. See note 7.

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

### 3.2 **Foreign currency translation**

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

The financial statements of foreign subsidiaries included in the consolidation are translated into the reporting currency in accordance with the method established by IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities are translated at the closing rates at the statement of financial position date, and income and expense items at the average rates for the period. Translation differences are taken to other comprehensive income and shown separately as foreign exchange reserves on consolidation without affecting income. Translation differences during the period ended 31 December 2017 were income of US\$198,069 (31 March 2017: income of US\$57,510).

The exchange rate used in these consolidated financial statements at 31 December 2017 is 1 Euro = 1.1940 US\$ (31 March 2017: 1 Euro = 1.0687 US\$).

### 3.3 **Change in fair value from equity investments and short term borrowings at fair value through profit or loss**

Changes in fair value from equity investments and short term borrowings 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 **Travel agency commissions**

GrandSlam, a wholly-owned subsidiary of the Company, is a travel agency that acts as an intermediary between the customer and airlines, tour operators and hotels. GrandSlam facilitates transactions and earns a commission in return for its service. This commission may take the form of a fixed fee per transaction or a stated percentage of the customer billing, depending on the transaction and the related vendor. Consequently, in accordance with IAS 18 *Revenue recognition*: “The amounts collected on behalf of the principal are not revenue; instead, revenue is the amount of commission.”

### 3.7 **Fees and expenses**

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

### 3.8 **Taxation**

Deferred taxes are provided for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rate.

Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Where it is not certain that the temporary difference will be reversed no deferred taxation asset is established. At 31 December 2017 and 31 March 2017 the Company has not established a deferred tax assets or liabilities.

The average tax rates applicable to the income of Company and its subsidiaries in their respective jurisdictions are as follows:

Guernsey	0%
Barbados	2.5%
The Netherlands	0%
Panama	0%
Spain	0%
Cuba	15%

### 3.9 **Financial assets and financial liabilities**

#### (a) *Recognition and initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value.

#### (b) *Classification*

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

Financial assets and financial liabilities designated at fair value through profit or loss:

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when one of the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis or,
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy or,

- The financial instrument contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities designated at fair value through profit or loss are carried in the consolidated statement of financial position at fair value. Changes in fair value are recognized in the statement of comprehensive income.

Financial assets and financial liabilities designated at fair value through profit or loss are the following:

- Equity Investments (using the exemption of IAS 28 for investments in joint ventures held by venture capital organizations or similar entities that allows fair value accounting instead of equity accounting, see notes 2.3 and 3.1).
- Short-term Borrowings (due to the existence of an equity conversion feature, see note 11).

Financial assets and financial liabilities measured at amortised cost:

Financial assets and financial liabilities measured at amortised cost are initially recognized at fair value and are subsequently measured at amortised cost using the effective interest rate methodology, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Therefore, the Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of the loan, hence, recognising the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (prepayments, penalty interest and charges). If expectations are revised the adjustment is booked a positive or negative adjustment to the carrying amount in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

Financial assets and financial liabilities measured at amortised cost are the following:

- Cash and cash equivalents,
- Accounts receivable and accrued income,
- Loan and advances,
- Accounts payable and accrued expenses

(c) *Fair value measurement*

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

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

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

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

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

(d) *Identification and measurement of impairment*

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

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

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

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

(e) *Derecognition*

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

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

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

### 3.10 **Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand and short-term deposits and other short-term highly liquid investments with remaining maturities at the time of acquisition of three months or less.

### 3.11 **Loans and lending facilities**

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

### 3.12 **Property, plant and equipment**

Property, plant and equipment, with the exception of works of art, held by the Company and its subsidiaries are stated at cost less accumulated depreciation and impairment. 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

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.

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 surplus in shareholders' equity. Valuations of works of art are conducted with sufficient regularity to ensure the value correctly reflects the fair value at the statement of financial position date. Valuations are mostly based on active market prices, adjusted for any difference in the nature or condition of the specific asset.

### 3.13 **Share capital**

Ordinary shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option. Up until 30 March 2011, the issued shares of the Company were ordinary shares having a nominal par value of €0.10 each. Issuances of ordinary shares until this date have been translated into US\$ using the exchange rates prevailing at the dates of the transactions. The equivalent of €0.10 of each ordinary share issued has been allocated to the share capital account and the remaining balance of the proceeds received to the share premium account.

### 3.14 **Special reserve held for distribution**

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

### 3.15 **Acquisitions of subsidiary that is not a business**

Where a subsidiary is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities (of the entity) based on their relative values at the acquisition date.

Accordingly, no goodwill or deferred taxation arises.

### 3.16 **Assessment of investment entity status**

Entities that meet the definition of an investment entity within IFRS 10 "Consolidated Financial Statements" are required to measure their subsidiaries at fair value through profit and loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company's objective includes providing investment management services to investors to achieve capital growth and dividend income from direct and indirect investment in or with Cuban businesses, primarily in the tourism and commercial real estate sectors, and other revenue-generating investments primarily related to Cuba.

However in addition to reviewing fair values, the Company also reports to its Directors, via internal management reports, various other performance indicators in relation to the operating performance of the investments. Therefore Management is not measuring and evaluating the performance of the investments solely on a fair value basis.

Accordingly Management has concluded that the Company does not meet the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change.

### 3.17 **Assessment of venture capital organisation**

There is no specific definition of a "venture capital organisation". However, venture capital organisations will commonly invest in start-up ventures or investments with long term growth potential.

Venture capital organisations will also frequently obtain board representation for the investments that it has acquired an equity interest. The Company has representation on all of the Board of Directors of the Joint Ventures in which it has an interest and participates in strategic policy decisions of its investments, but does not exercise management control.

Accordingly Management has concluded that the Company is a venture capital organisation and has applied the exemption in IAS 28 "Investments in Associates and Joint Ventures" to measures its investments in joint ventures at fair value through profit or loss.

## 4. **Cash and cash equivalents**

	<i>31 December 2017 US\$</i>	<i>31 March 2017 US\$</i>
Cash on hand	11,929	15,797
Bank current accounts (i)	11,618,173	2,138,913
	<u>11,630,102</u>	<u>2,154,710</u>

(i) Balance without restriction.

## 5. **Accounts receivable and accrued income**

	<i>31 December 2017 US\$</i>	<i>31 March 2017 US\$</i>
Receivable from Inmobiliaria Monte Barreto S.A.	–	2,153,504
Capital contributions due from non-controlling interest (note 8)	–	151,177
Receivable from Cubacan S.A. (i)	13,875,060	–
Receivable from Meliá Hotels International S.A. (ii)	20,500,000	–
Other accounts receivable and deposits	311,151	164,967
	<u>34,686,211</u>	<u>2,469,648</u>
<b>Current portion</b>	<u>(34,587,361)</u>	<u>(2,437,758)</u>
<b>Non-current portion</b>	<u>98,850</u>	<u>31,890</u>

(i) This amount relates to dividends receivable acquired as part of the acquisition of a subsidiary (see note 8). It is currently anticipated this amount will be settled against future capital contributions to Miramar (see note 20).

(ii) This amount relates to the sale of a non-controlling interest to Meliá Hotels International S.A. (see note 7), which was received in cash in January 2018.

Accounts receivable and accrued income have the following future maturities:

	31 December 2017 US\$	31 March 2017 US\$
Up to 30 days	20,667,190	78,260
Between 31 and 90 days	33,419	2,351,647
Between 91 and 180 days	13,881,989	3,818
Between 181 and 365 days	4,763	4,033
Over 365 days	98,850	31,890
	<u>34,686,211</u>	<u>2,469,648</u>

## 6. Loans and lending facilities

	31 December 2017 US\$	31 March 2017 US\$
Casa Financiera FINTUR S.A. (i)	<u>4,477,612</u>	<u>4,274,752</u>
	<u>4,477,612</u>	<u>4,274,752</u>
<b>Current portion</b>	<u>(1,890,547)</u>	<u>(979,631)</u>
<b>Non-current portion</b>	<u>2,587,065</u>	<u>3,295,121</u>

- (i) In July 2016, the Company participated in a €24,000,000 syndicated facility provided to Casa Financiera FINTUR S.A. ("FINTUR"). The facility has a term of 48 months, a fixed interest rate of 8 per cent., quarterly payments of interest only for the first 12 months, and twelve quarterly principal and interest payments beginning 30 September 2017. This facility was secured by Euro-denominated off-shore tourism proceeds payable to FINTUR by certain international hotel operators managing hotels in Cuba.

The loans and lending facilities portfolio has the following maturities:

	31 December 2017 US\$	31 March 2017 US\$
Up to 30 days	298,508	—
Between 31 and 90 days	497,512	—
Between 91 and 180 days	497,512	—
Between 181 and 365 days	597,015	979,631
Over 365 days	<u>2,587,065</u>	<u>3,295,121</u>
	<u>4,477,612</u>	<u>4,274,752</u>

## 7. Changes in equity investments during the period

### **HOMASI S.A. and Corporación Interinsular Hispana S.A.**

HOMASI S.A. ("HOMASI") is a Spanish company that owns a 50 per cent. equity interest in the Cuban joint venture company Miramar S.A. ("Miramar"), which has constructed and owns a 397-room hotel in Havana, Cuba known as the Meliá Habana Hotel. At 31 March 2017, the Company held a 100 per cent. equity interest in HOMASI, representing a total economic interest of 86 per cent. taking into account non-equity participation agreements held by third parties of 14 per cent. (in turn representing a 43 per cent. total economic interest in Miramar).

Corporación Interinsular Hispana S.A. ("CIHSA") is a Spanish company that owns a 50 per cent. equity interest in the Cuban joint venture company Cuba-Canarias S.A. ("Cubacan"), which has constructed and owns three hotels located in Varadero, Cuba having a total of 1,437 rooms known as the Meliá las Americas, Meliá Varadero and Sol Palmeras Hotels (the "Varadero Hotels"). At 31 March 2017, the Company held a

15 per cent. equity interest in CIHSA (representing an economic interest of 12.75 per cent.) and a 15 per cent. non-equity participation agreement (the “CIHSA Participation Agreement”), together representing a 27.75 per cent. total economic interest in CIHSA (in turn representing a 13.875 per cent. interest in Cuban).

In November and December 2017, the Company and its strategic partner, Meliá Hotels International S.A. (“MHI”), carried out a series of transactions involving HOMASI and CIHSA, which involved the following steps:

- In November 2017, the Company through its subsidiary CEIBA Tourism B.V. (“CEIBA Tourism”) acquired an additional 51.5 per cent. equity interest in CIHSA (representing an economic interest of 43.775 per cent.) for a purchase price of US\$35,000,000, bringing its total equity interest in CIHSA to 66.5 per cent. (representing a total economic interest in CIHSA of 71.525 per cent. taking into account the 15 per cent. CIHSA Participation Agreement held by the Company). As part of the acquisition of the majority interest in CIHSA, the company acquired cash in bank accounts totalling US\$2,112,820 and other net current assets (excluding cash) of US\$13,087,257.
- In December 2017, MHI acquired the 14 per cent. participation agreements in HOMASI from companies related to MHI. The participation agreements were subsequently converted into shares equal to a 14 per cent. equity interest of HOMASI.
- In December 2017, HOMASI and CIHSA were merged whereby HOMASI absorbed the assets and liabilities of CIHSA. Upon the merger, the participation agreement in CIHSA held by the Company was terminated resulting in the Company holding a 78.4 per cent. equity interest in HOMASI with the remaining 21.6 per cent. equity interest held by MHI.
- In December 2017, the Company sold a 13.4 per cent. equity interest in HOMASI to MHI for a purchase price of US\$20,500,000, which increased the equity interest of MHI in HOMASI to 35 per cent. The Company recorded a gain on sale on this transaction of US\$33,650.

The result of the above transactions is that the Company at 31 December 2017 held a 65 per cent. equity interest in HOMASI with MHI holding a 35 per cent. non-controlling interest. As well, subsequent to the transactions HOMASI held the full 50 per cent. foreign equity interest in both Cuban joint venture companies, Miramar and Cuban.

#### ***Womy Equipment Rental B.V.***

Womy Equipment Rental B.V. (“Womy”) has received a license as a (100 per cent. foreign-owned) operator within the Zona Especial de Desarrollo Mariel (“ZED Mariel”) to offer rental services of cranes, earthmovers, forklifts and other equipment to the Cuban construction and mining industry. In September 2016, the Company agreed to subscribe for a 25 per cent. interest in the share capital of Womy for a total purchase price of €750,000 (US\$895,500) of which the Company had contributed €732,000 (US\$780,343) as of 31 March 2017. On 31 May 2017, the majority shareholder of Womy exercised its option, as per the Shareholder Agreement, to purchase the shares held by the Company for a purchase price equal to the capital contributions made to date of €732,000 (US\$780,343) plus an 18 per cent. premium. As a result, the Company received total proceeds of €863,760 (US\$964,993) and recorded a gain on sale of US\$184,650.

#### ***Caricel Inc.***

The Company, through its wholly owned subsidiary Industrias Antillanas Ltd. Held a 10 per cent. equity interest in Caricel Inc. Caricel Inc. holds an indirect 50 per cent. interest in the Cuban joint venture company, Productos Sanitarios S.A., that operates a paper mill in Cuba producing tissue paper products. In December 2017, the Company sold its 100 per cent. interest in Industrias Antillanas Ltd. for a purchase price of \$225,000 to BY Capital Ltd., a company held by related parties. See note 14.

## 8. Equity investments

	31 December 2017 US\$	31 March 2017 US\$
Inmobiliaria Monte Barreto S.A.	77,708,907	80,961,787
Miramar S.A. (i)	57,014,708	59,131,372
CIHSA (ii)	–	19,469,763
Cubacan S.A. (iii)	78,750,010	–
TosCuba S.A. (iv)	3,612,412	3,205,688
Womy Equipment Rental B.V.	–	780,343
Caricel Inc.	–	225,000
	<u>217,086,037</u>	<u>163,773,953</u>

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

	Monte Barreto US\$	Miramar (i) US\$	CIHSA (ii) US\$	Cubacan (iii) US\$	TosCuba (iv) US\$	Womy US\$	Caricel US\$	Total US\$
<b>Balance at 1 April 2016</b>	76,917,742	45,888,232	19,418,377	–	3,104,707	–	225,000	145,554,058
Acquisitions and capital contributions	–	–	–	–	100,981	780,343	–	881,324
Change in fair value of equity investments	4,044,045	13,243,140	51,386	–	–	–	–	17,338,571
<b>Balance at 31 March 2017</b>	80,961,787	59,131,372	19,469,763	–	3,205,688	780,343	225,000	163,773,953
Acquisition of subsidiary	–	–	(22,187,322)	65,928,294	–	–	–	43,740,972
Acquisitions and capital contributions	–	–	–	–	406,724	–	–	406,724
Proceeds from sale of investments	–	–	–	–	–	(964,993)	(225,000)	(1,189,993)
Realised gains	–	–	–	–	–	184,650	–	184,650
Shares issued to non-controlling interest for cancellation of participation agreement	–	10,165,156	–	–	–	–	–	10,165,156
Change in fair value of equity investments	(3,252,880)	(12,281,820)	2,717,559	12,821,716	–	–	–	4,575
<b>Balance at 31 December 2017</b>	<u>77,708,907</u>	<u>57,014,708</u>	<u>–</u>	<u>78,750,010</u>	<u>3,612,412</u>	<u>–</u>	<u>–</u>	<u>217,086,037</u>

- (i) The value of Miramar at 31 December 2017 represents the 50 per cent. foreign equity interest in Miramar including non-controlling interests. The value at 31 March 2017 represents the Company's 43 per cent. interest in Miramar comprised of: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below).
- (ii) At 31 March 2017, the equity investments in CIHSA are comprised of: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in CIHSA at 31 March 2017 was 27.75 per cent.
- (iii) The value of Cubacan at 31 December 2017 represents the 50 per cent. foreign equity interest in Cubacan including non-controlling interests.
- (iv) The Company owns an 80 per cent. interest in Mosaico B.V., which in turn has an indirect 50 per cent. share equity interest in TosCuba S.A., a Cuban joint venture company that is developing a 400 room 4-star hotel at Playa Maria Aguilar near the city of Trinidad, Cuba. To date, TosCuba S.A. has invested approximately US\$6.7 million in the acquisition of surface rights, the development of architectural works and technical drawings, ground preparation and other capitalized costs. The Company has made capital contributions of US\$3,612,412 (31 March 2017: US\$3,205,688 which is the estimated fair value of the investment. The 20 per cent. interest in Mosaico B.V. held by a third party has been accounted for as a non-controlling interest in these financial statements. Total capital contributions made by the non-controlling interest to Mosaico B.V. as of 31 December 2017 were US\$701,177 (31 March 2017: US\$550,000 with additional capital contributions pending to be made of US\$151,177).

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

### Monte Barreto

The Company holds the full foreign equity interest of 49 per cent. 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 approximately 80,000 square meters of constructed area of which approximately 56,000 square meters is net rentable area.

The Company is the sole foreign investor in Monte Barreto and holds its 49 per cent. interest in the joint venture company through its wholly-owned subsidiary CEIBA MTC Properties Inc. ("CEIBA MTC"), incorporated in Panama. The remaining 51 per cent. 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.

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

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

Cash flows have been estimated until 2046 when the joint venture expires. The key assumptions used in the discounted cash flow model are the following:

	31 December 2017	31 March 2017
Discount rate (after tax)	9.9%	9.9%
Occupancy year 1	99%	99%
Average occupancy year 2 to 7	97%	97%
Occupancy year 8 and subsequent periods	95%	95%
Average rental rates per square meter per month – year 1 to 4	US\$25.97	US\$26.43
Annual increase in rental rates subsequent to year 4 (i)	2%	2%
Capital investments as percentage of rental revenue	2%	2%

(i) The increase in subsequent periods is in-line with the rate of long-term inflation.

**Miramar**

At 31 December 2017 the Company holds 65 per cent. of the share equity of HOMASI, representing a 32.5 per cent. interest in Miramar. The 35 per cent. interest in HOMASI held by MHI, representing a 17.5 per cent. interest in Miramar, has been accounted for as a non-controlling interest in these financial statements.

At 31 March 2017, the Company held 100 per cent. of the share equity of HOMASI and an economic interest, considering third party participation agreements, of 86 per cent., representing a 43 per cent. interest in Miramar. HOMASI had previously entered into participation agreements sold in a prior period to third parties, which represent a total of 14 per cent. of the economic interest of its net income. The participation agreements effectively split the economic interest of HOMASI's net income between the holders of the participation agreements and the holders of the share equity. For the nine months ended 31 December 2018 amounts earned under these agreements totalled US\$369,575 and are recorded as an expense of the Company (year ended 31 March 2017: US\$694,590). The participation agreements were converted to share equity of HOMASI in November 2017 (see note 7).

HOMASI is the foreign shareholder (incorporated in Spain) that owns a 50 per cent. share equity interest in the Cuban joint venture company Miramar, which has constructed and owns the Meliá Habana Hotel, a 5-star hotel that has 397 rooms, including 16 suites. The remaining economic interests in Miramar not held by the Company are held by other foreign investors (as to 7 per cent.) and by the Cuban company, Corporación de Turismo y Comercio Internacional, Cubanacán S.A. ("CUBANACAN") (as to 50 per cent.).

The incorporation and operations of Miramar are governed by a deed of incorporation (including an association agreement and corporate by-laws) dated 22 October 1993 between CUBANACAN and

HOMASI. Under the Miramar Deed of Incorporation, Miramar was incorporated for an initial term of 25 years from the start-up of operations of the Meliá Habana Hotel (which began operations in September 1998), thus expiring in September 2023. All decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders.

*Key assumptions used in the estimated fair value of Miramar:*

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

Cash flows have been estimated for a ten year period. Cash flows from year 11 onward are equal to the capitalised amount of the cash flows at year 10. The key assumptions used in the discounted cash flow model are the following:

	31 December 2017	31 March 2017
Discount rate (after tax)	12.6%	12.4%
Average occupancy years 1 to 10	78%	80%
Average daily rate per guest – year 1	US\$216.00	US\$246.33
Average increase in average daily rate per guest – year 2 to 6	6%	3%
Increase in average daily rate per guest subsequent to year 6 (i)	3%	2%
Capital investments as percentage of total revenue	7%	7%

(i) The increase in subsequent periods is in-line with the estimated rate of long-term inflation.

*Surface rights:* For the purpose of the ten-year cash flow period assumptions, it has been assumed that the surface rights will be renewed in 2018 (see note 20). The estimated cost of this renewal is based on a value that has been agreed to with the Cuban partner of Miramar as part of a plan to merge Cubanacan and Miramar that is currently awaiting final governmental approval.

### **Cubacan/CIHSA**

At 31 December 2017 the Company holds 65 per cent. of the share equity of HOMASI, representing a 32.5 per cent. interest in Cubanacan. The 35 per cent. interest in HOMASI held by MHI, representing a 17.5 per cent. interest in Cubanacan, has been accounted for as a non-controlling interest in these financial statements.

At 31 March 2017, the combined economic interest of the Company in CIHSA by way of its share equity interest and a participation agreement was 27.75 per cent. (representing a 13.875 per cent. interest in Cubanacan). The Company's previous interest in CIHSA was comprised of an equity interest, equal to 15 per cent. of the share equity of CIHSA (representing an economic interest of 12.75 per cent.), as well as a contractual interest in 15 per cent. of the net income of CIHSA in the form of a participation agreement. In a prior period, CIHSA entered into a participation agreement with the Company which effectively split the economic interest of its net income between the Company's participation agreement and the holders of the share equity. Under the participation agreement the Company was entitled to receive distributions equivalent to 15 per cent. of the net income of CIHSA. There were no other participation agreements with third parties. This participation agreement was terminated upon the merger of CIHSA and HOMASI (see note 7).

HOMASI is the foreign shareholder (incorporated in Spain) that owns a 50 per cent. share equity interest in the Cuban joint venture company Cubanacan. At 31 March 2017 this interest was held by CIHSA (See note 7). Cubanacan has constructed and owns three beach resort hotels in Varadero known as the Meliá Las Americas, Meliá Varadero and Sol Palmeras Hotels (the "Varadero Hotels"), having an aggregate total of 1,437 rooms. The hotels are adjacent to the Varadero Golf Course and are operated by Meliá Hotels International. The remaining economic interests in Cubanacan not held by the Company are held by other foreign investors (as to 36.125 per cent.) and by CUBANACAN (as to 50 per cent.). The Meliá Las Americas Hotel and Bungalows is a 5-star luxury beach resort hotel with 340 rooms, including 90 bungalows and

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

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

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

#### *Usufruct rights and joint venture term*

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

In May 2015, the initial term of the usufruct rights of the Sol Palmeras Hotel expired. The usufruct rights of the Meliá Varadero Hotel expired in December 2016 and those of the Meliá Las Americas Hotel will expire in 2019. The expiry of the term of incorporation of the joint venture company is linked to the expiry of the usufruct right of the Meliá Las Americas Hotel (the last of the Varadero Hotels to start up operations and consequently the last to expire). Negotiations have resulted in an agreement to merge the joint venture company Cubacan into Miramar with a 25 year extension to the surface rights and joint venture term. This agreement between the shareholders of Cubacan and Miramar is awaiting final government approval (see note 20).

#### *Key assumptions used in the estimated fair value of Cubacan/CIHSA:*

The fair value of the equity investment in Cubacan (CIHSA at 31 March 2017) is determined by the Directors of the Company taking into consideration various factors including estimated future cash flows from the underlying investment in the Cuban joint venture company (Cubacan), estimated replacement costs, transactions in the private market and other available market evidence to arrive at an appropriate value. The Company may also engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The Directors also take into account available information relating to the underlying hotel properties, including historical cash flows generated by the underlying hotel properties, and current working capital.

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

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

	31 December 2017	31 March 2017
<b>Meliá Las Americas</b>		
Discount rate (after tax)	12.1%	13.5%
Average occupancy year 1 to 3	83%	82%
Occupancy year 4 and subsequent periods	84%	80%
Average daily rate per guest – year 1	US\$167.75	US\$153.96
Average increase in average daily rate per guest – year 2 to 6	3%	2%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue – year 1 to 5	7%	8%
Capital investments as percentage of total revenue – year 6 to 10	7%	6%

31 December  
2017

31 March  
2017

### Meliá Varadero

Discount rate (after tax)	12.1%	13.5%
Average occupancy year 1 to 5	80%	76%
Occupancy year 6 and subsequent periods	81%	75%
Average daily rate per guest – year 1	\$124.81	US\$120.07
Average increase in average daily rate per guest – year 2 to 6	3%	2%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue – year 1 to 5	7%	9%
Capital investments as percentage of total revenue – year 6 to 10	7%	6%

### Sol Palmeras

Discount rate (after tax)	12.1%	13.5%
Average occupancy year 1 to 5	84%	81%
Occupancy year 6 and subsequent periods	85%	80%
Average daily rate per guest – year 1	US\$104.49	US\$100.81
Increase in average daily rate per guest – year 2	3%	3%
Average increase in average daily rate per guest – year 3 to 6	3%	2%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue – year 1 to 5	7%	9%
Capital investments as percentage of total revenue – year 6 to 10	7%	6%

(i) The increase in subsequent periods is in-line with the estimated rate of long-term inflation.

*Usufruct/Surface rights:* For the purpose of the ten-year cash flow period assumptions, it has been assumed that the usufruct rights will be renewed as surface rights in 2018. The estimated cost of this renewal is based on a value that has been agreed to with the Cuban partner of Cubacan as part of a plan to merge Cubacan and Miramar that is currently awaiting final governmental approval (See note 20).

### Sensitivity to changes in the estimated rental rates/average daily rates

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying rental rates/average daily rates between 15 per cent. lower and 15 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower rental rates/average daily rates:

	Financial statements US\$	-5% US\$	-10% US\$	-15% US\$
Monte Barreto	77,708,907	74,081,168	70,453,429	66,825,690
Miramar	57,014,708	54,295,459	51,576,211	48,856,964
Cubacan	78,750,010	74,818,587	70,887,165	66,955,744

The following table details the fair values of the equity investments when applying higher rental rates/average daily rates:

	Financial statements US\$	+5% US\$	+10% US\$	+15% US\$
Monte Barreto	77,708,907	81,336,647	84,964,386	88,592,125
Miramar	57,014,708	59,692,125	62,348,347	64,998,478
Cubacan	78,750,010	82,681,432	86,612,855	90,544,279

**Sensitivity to changes in the occupancy rates**

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying occupancy rates between 15 per cent. lower and 15 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower occupancy rates:

	<i>Financial statements</i>	-5%	-10%	-15%
	US\$	US\$	US\$	US\$
Monte Barreto	77,708,907	73,922,313	70,130,357	66,332,083
Miramar	57,014,708	53,552,446	50,090,186	46,620,660
Cubacan	78,750,010	74,018,212	69,286,415	64,554,619

The following table details the fair values of the equity investments when applying higher occupancy rates:

	<i>Financial statements</i>	+5%	+10%	+15%
	US\$	US\$	US\$	US\$
Monte Barreto (i)	77,708,907	81,490,913	–	–
Miramar	57,014,708	60,410,407	63,783,611	67,065,994
Cubacan	78,750,010	83,481,808	88,213,607	92,945,406

(i) In the case of Monte Barreto, only a constant occupancy rate of 100 per cent. is shown under the increase of 5 per cent. as projected occupancy is already above or equal to 95 per cent.

**Sensitivity to changes in the discount and capitalisation rates**

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying both discount and capitalisation rates between 3 per cent. lower and 3 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower discount and capitalization rates:

	<i>Financial statements</i>	-1%	-2%	-3%
	US\$	US\$	US\$	US\$
Monte Barreto	77,708,907	84,943,551	93,389,812	103,309,937
Miramar	57,014,708	63,400,510	71,302,115	81,320,665
Cubacan	78,750,010	88,238,473	100,084,625	115,284,461

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

	<i>Financial statements</i>	+1%	+2%	+3%
	US\$	US\$	US\$	US\$
Monte Barreto	77,708,907	71,475,593	66,074,183	61,367,533
Miramar	57,014,708	51,751,107	47,341,229	43,595,686
Cubacan	78,750,010	70,981,953	64,507,593	59,030,462

**Dividend income from equity investments**

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

	31 December 2017 US\$	31 March 2017 US\$
Monte Barreto	5,003,341	7,676,948
Miramar	2,799,066	4,950,000
CIHSA	628,850	490,686
Caricel Inc.	—	22,000
	<u>8,431,257</u>	<u>13,139,634</u>

**Financial information of joint venture companies**

The principal financial information of the joint venture companies for the year ended 31 December 2017 is as follows:

	Monte Barreto US\$	Miramar (i) US\$	Cubacan (i) US\$	TosCuba (i) US\$
Cash and equivalents	5,789,569	15,723,114	37,974,141	446,444
Other current assets	5,411,192	4,154,562	15,838,091	48,971
Non-current assets	51,257,095	33,250,039	76,827,826	6,712,835
Current financial liabilities	(3,325,678)	(5,870,631)	(35,173,139)	(191,131)
Other current liabilities	—	—	—	—
Non-current financial liabilities	(3,438,305)	—	—	—
Other non-current liabilities	—	—	—	—
Revenue	23,072,420	27,453,004	75,906,456	—
Interest income	26,336	—	—	—
Interest expense	—	—	—	—
Depreciation and amortisation	(1,527,500)	(1,438,440)	(5,187,765)	—
Taxation	(3,884,413)	(1,768,868)	(1,988,701)	—
Profit from continuing operations	11,508,795	9,694,814	16,150,708	—
Other comprehensive income	—	—	—	—
Total comprehensive income	<u>11,508,795</u>	<u>9,694,814</u>	<u>16,150,708</u>	<u>—</u>

(i) Figures obtained from financial statements prepared under Cuban GAAP.

## 9. Property, plant and equipment

	<i>Motor vehicles US\$</i>	<i>Office furniture and equipment US\$</i>	<i>Works of art US\$</i>	<i>Total US\$</i>
<i>Cost:</i>				
At 1 April 2016	335,672	98,137	384,800	818,609
Additions	–	49,968	–	49,968
At 31 March 2017	335,672	148,105	384,800	868,577
Additions	–	10,531	–	10,531
At 31 December 2017	335,672	158,636	384,800	879,108
<i>Accumulated Depreciation:</i>				
At 1 April 2016	221,568	81,225	–	302,793
Additions	36,981	9,747	–	46,728
At 31 March 2017	258,549	90,972	–	349,521
Additions	23,419	10,498	–	33,917
At 31 December 2017	281,968	101,470	–	383,438
<i>Net book value:</i>				
At 31 March 2017	77,123	57,133	384,800	519,056
At 31 December 2017	53,704	57,166	384,800	495,670

## 10. Accounts payable and accrued expenses

	<i>31 December 2017 US\$</i>	<i>31 March 2017 US\$</i>
Due to Miramar S.A. (i)	1,350,177	1,350,288
Participation payments payable (ii)	313,373	658,315
Accrued professional fees	285,500	174,125
Accrued Directors fees	28,353	19,056
Other accrued expenses	124,995	47,300
Due to Intercan Inc. (iii)	213,845	468,333
Due to Enrique Rottenberg	179,735	–
Due to Joss Ebbers	672,683	–
Other accounts payable	274,403	182,315
	<u>3,443,064</u>	<u>2,899,732</u>

(i) Due to Miramar S.A. relates to advances received by HOMASI. It is anticipated that the amount will be settled against future declared dividends of Miramar S.A. during 2018.

(ii) Participation payments payable relate to amounts earned by third parties under participation agreements with HOMASI, a subsidiary of the Company, and were pending distribution at the end of the period. These amounts were paid in January 2018.

(iii) This balance relates primarily to payments received from Productos Sanitarios S.A. on behalf of Intercan Inc., a related company.

The future maturity profile of accounts payable and accrued expenses based on contractual undiscounted payments:

	<i>31 December 2017 US\$</i>	<i>31 March 2017 US\$</i>
Up to 30 days	1,448,760	144,324
Between 31 and 90 days	464,127	1,405,120
Between 91 and 180 days	1,530,177	–
Between 181 and 365 days	–	1,350,288
	<u>3,443,064</u>	<u>2,899,732</u>

## 11. Short-term borrowings

	31 December 2017 US\$	31 March 2017 US\$
Northview Investment Fund Ltd. (i)	35,820,895	–
	<u>35,820,895</u>	<u>–</u>

- (i) On 8 November 2017, the Company entered into a short-term Bridge Facility Agreement with Northview Investment Fund Ltd., a shareholder of the Company, to borrow €30,000,000 (US\$35,374,619) with an annual interest rate of 12.0 per cent.. The principal is due in full on 15 August 2018 with accrued interest payments made quarterly until the final principal payment date. Short-term borrowings are secured by a conversion right which allows the lender to convert outstanding amounts to shares of the Company and a security interest in the shares of CEIBA Property Corporation Ltd.

In the event that the Company fails to repay the facility in full by 15 August 2018, the lender will have a conversion right to convert, in whole or in part, the remaining outstanding amount under the facility to new shares in the Company. The conversion will be carried out by way of option to subscribe for converted shares representing the capitalisation of all amounts outstanding under the conversion right and will be made on the basis of the last available net asset value of the Company on the date of exercise of the conversion right by the lender, less 25 per cent.. The conversion right will be exercisable by the lender at any time during the period of 3 months following 15 August 2018. In the event of partial exercise of the conversion right, any remaining outstanding amounts will continue to accrue interest.

The movement of the short-term borrowings is as follows:

	31 December 2017 US\$	31 March 2017 US\$
Initial balance	–	–
Cash received	35,374,619	–
Change in fair value of financial liabilities	446,276	–
Final balance	<u>35,820,895</u>	<u>–</u>

The future maturity profile of the principal payments of short-term borrowings based on contractual undiscounted payments is as follows:

	31 December 2017 US\$	31 March 2017 US\$
Between 181 and 365 days	35,820,895	–
	<u>35,820,895</u>	<u>–</u>

The future maturity profile of the interest payments related to short-term borrowings based on contractual undiscounted payments is as follows:

	31 December 2017 US\$	31 March 2017 US\$
Between 31 and 90 days	1,074,600	–
Between 91 and 180 days	1,098,480	–
Between 181 and 365 days	561,180	–
	<u>2,734,260</u>	<u>–</u>

## 12. Share capital and share premium

### **Authorised**

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

### **Issued**

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

	<i>Number of ordinary shares</i>	<i>Share capital US\$</i>	<i>Share premium US\$</i>
<b>Share capital and share premium</b>			
Share capital and share premium at 1 April 2016	13,458,947	19,014,379	49,657,630
Share capital and share premium at 31 March 2017	13,458,947	19,014,379	49,657,630
Share capital and share premium at 31 December 2017	13,458,947	19,014,379	49,657,630

### **Rights, preferences and restrictions attaching to shares**

The holder of each share is entitled to one vote at any Shareholders' meeting, receive a share of any dividends declared by the Directors and a share of the residual net assets upon winding up of the Company.

### **Non-controlling interest**

At 31 December 2017, the non-controlling interest corresponds to the 35 per cent. participation of Meliá Hotels International S.A. ("Meliá"), in the equity of HOMASI S.A. and the 20 per cent. participation of Hoteles Internacionales de MCA, S.A. ("HIMCA"), in the equity of Mosaico B.V. At 31 March 2017 the non-controlling interest only corresponds to the 20 per cent. participation of HIMCA, in equity of Mosaico B.V.

The principal financial information of HOMASI and Mosaico B.V. for the nine months ended 31 December 2017 is as follows:

	<i>HOMASI US\$</i>	<i>Mosaico B.V. US\$</i>
Current assets	18,718,825	339,725
Non-current assets	135,764,718	3,612,412
Current liabilities	(2,675,910)	(504,504)
Equity	(151,807,633)	(3,447,633)
Income	358,274	—
Expenses	(1,132,759)	(200,280)
Depreciation	—	—
Taxation	—	—
Net loss for the year	(774,485)	(200,280)
Other comprehensive income	—	—
Total comprehensive loss	(774,485)	(200,280)

The non-controlling interests in the above companies are as follows:

	31 December 2017 US\$	31 March 2017 US\$
Non-controlling interest of HOMASI	53,201,995	–
Non-controlling interest of Mosaico B.V.	689,527	659,583
Total non-controlling interests	<u>53,891,522</u>	<u>659,583</u>

The movement of the non-controlling interests of Mosaico B.V. is as follows:

	31 December 2017 US\$	31 March 2017 US\$
Initial balance	659,583	674,146
Interest of non-controlling interest in net loss	(40,056)	(14,563)
Capital contributions from non-controlling interest	70,000	–
Final balance	<u>689,527</u>	<u>659,583</u>

### 13. Reportable operating segments

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 currently organised into three business segments:

- *Commercial property:* Activities concerning the Company's interests in commercial real estate investments in Cuba that are facilitated by a representative office in Havana.
- *Tourism/Leisure:* Activities concerning the Company's interests in hotel investments in Cuba and operations of a travel agency that provides services to international clients for travel to Cuba.
- *Other:* Includes interest from loans and lending facilities and the Company's interest in a Cuban joint venture company that operates a paper mill in Cuba producing tissue paper products and amounts not allocated to a specific business segment.

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. The Company has applied judgment by aggregating its operating segments according to the nature of the underlying investments. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

	31 December 2017 US\$			
	<i>Commercial property</i>	<i>Tourism/ Leisure</i>	<i>Other</i>	<i>Total</i>
Total assets	83,350,106	180,456,372	4,569,154	268,375,632
Total liabilities	(757,238)	(38,506,721)	–	(39,263,959)
<b>Total net assets</b>	<b>82,592,868</b>	<b>141,949,651</b>	<b>4,569,154</b>	<b>229,111,673</b>
Change in fair value of equity investments	(3,252,880)	3,257,455	–	4,575
Dividend income	5,003,341	3,427,916	–	8,431,257
Other income	–	132,127	497,995	630,122
Allocated expenses	(1,430,465)	(2,547,218)	(46,833)	(4,024,516)
Foreign exchange gain	–	–	377,108	377,108
<b>Net income</b>	<b>319,996</b>	<b>4,270,280</b>	<b>828,270</b>	<b>5,418,546</b>
<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>198,069</b>	<b>198,069</b>
<b>Total comprehensive income</b>	<b>319,996</b>	<b>4,270,280</b>	<b>1,026,339</b>	<b>5,616,615</b>
<b>Other segment information:</b>				
Property, plant and equipment additions	10,531	–	–	10,531
Depreciation	31,468	2,449	–	33,917

	31 March 2017 US\$			
	<i>Commercial property</i>	<i>Tourism/ Leisure</i>	<i>Other</i>	<i>Total</i>
Total assets	84,158,290	83,753,735	5,280,094	173,192,119
Total liabilities	(616,051)	(2,283,681)	–	(2,899,732)
<b>Total net assets</b>	<b>83,542,239</b>	<b>81,470,054</b>	<b>5,280,094</b>	<b>170,292,387</b>
Change in fair value of equity investments	4,044,045	13,294,526	–	17,338,571
Dividend income	7,676,948	5,440,686	22,000	13,139,634
Other income	–	205,845	255,316	461,161
Allocated expenses	(1,712,143)	(2,251,405)	(14,944)	(3,978,492)
Foreign exchange loss	–	–	(380,109)	(380,109)
<b>Net income</b>	<b>10,008,850</b>	<b>16,689,652</b>	<b>(117,737)</b>	<b>26,580,765</b>
<b>Other comprehensive income</b>	<b>–</b>	<b>–</b>	<b>57,510</b>	<b>57,510</b>
<b>Total comprehensive income</b>	<b>10,008,850</b>	<b>16,689,652</b>	<b>(60,227)</b>	<b>26,638,275</b>
<b>Other segment information:</b>				
Property, plant and equipment additions	48,817	1,151	–	49,968
Depreciation	43,620	3,108	–	46,728

#### 14. Related parties disclosures

##### **Compensation of Directors**

Each Director receives a fee of €9,000 (US\$10,746) per annum with the Chairman receiving €25,000 (US\$29,850). The Chairman and Directors also receive €1,700 (US\$2,030) in attendance fees per quarterly meeting and are reimbursed other expenses properly incurred by them in attending meetings and other business of the Company. No other compensation or post-employment benefits are provided to Directors. Total Director fees, including the fees of the Chairman, for the nine months ended 31 December 2017 were US\$56,031 (year ended 31 March 2017: US\$71,607).

##### **Transactions with Directors and shareholders**

Enrique Rottenberg and Sebastiaan A.C. Berger are Directors of the Company and also directors of various subsidiaries of the Company.

In December 2017, the Company sold its 100 per cent. interest in Industrias Antillanas Ltd. for a purchase price of \$225,000 to BY Capital Ltd. (See note 7). Sebastiaan A.C. Berger and Cameron Young, the COO of the Company, together have a controlling interest in BY Capital Ltd.

Included within management costs for the nine months ended 31 December 2017 of US\$1,027,290 (year ended 31 March 2017: US\$1,527,795) are costs related to payments regarding Sebastiaan A.C. Berger for his services as country representative of CPC, and fees payable by CEIBA Tourism and CEIBA Investments Limited to companies in which he has a non-controlling interests totalling US\$309,633 (year ended 31 March 2017: US\$577,195). Also included within management costs for the nine months ended 31 December 2017 are costs related to payments regarding Enrique Rottenberg for his services as General Manager of Monte Barreto and director of CEIBA MTC totalling US\$357,700 (year ended 31 March 2017: US\$330,100). The Company also has a payable of US\$179,735 to Enrique Rottenberg for a bonus in relation to his services as General Manager of Monte Barreto (see note 10).

On 8 November 2017, the Company entered into a short-term Bridge Facility Agreement with Northview Investment Fund Ltd., a shareholder of the Company, to borrow €30,000,000 (US\$35,820,895) with an annual interest rate of 12.0 per cent. The principal is due in full on 15 August 2018 (see note 11).

### **Transactions with other related parties**

Certain subsidiaries of the Company lease office space totalling 319 square meters from Monte Barreto, a commercial property investment in which the Company holds a 49 per cent. interest. The rental charges paid under these leases are accounted for in operational costs and for the nine months ended 31 December 2017 amounted to US\$106,835 (year ended 31 March 2017: US\$139,113) with an average rental charge per square meter at 31 December 2017 of US\$25.74 (31 March 2017: US\$25.74) plus an administration fee of US\$9.75 per square meter.

### **Interests of Directors and Executives in the share capital**

Colin Kingsnorth, a Director of the Company, is a director and shareholder of Laxey Partners Limited ("Laxey"). Laxey holds 1,633,841 shares. Funds managed by Laxey hold 1,709,508 shares.

Sebastiaan A.C. Berger, a Director and Chief Executive Officer of the Company, owns 174,683 shares and has an indirect interest in a further 113,125 shares.

Enrique Rottenberg, a Director of the Company, has an interest in 475,155 shares.

John Herring, a Director of the Company, is the principal of an investment advisory firm that provides advice to a private investment company that holds 4,018,818 shares.

Cameron Young, Chief Operating Officer of the Company, has an interest in 497,459 shares.

Paul S. Austin, Chief Financial Officer of the Company, has an interest in 18,000 shares.

## **15. Basic and diluted earnings per share**

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

	<i>31 December</i>	<i>31 March</i>
	<i>2017</i>	<i>2017</i>
	<i>US\$</i>	<i>US\$</i>
Weighted average of ordinary shares in issue	13,458,947	13,458,947
Net income for the period attributable to the shareholders	5,458,602	26,595,328
Basic and diluted earnings per share	0.41	1.98

The conversion right related to short-term borrowings as detailed in note 11 are antidilutive in accordance with IAS 33. As a consequence the basic and dilutive earning per share are equal.

## 16. Commitments and contingencies

### **Operating lease commitments**

The Company has operating leases for office building space. These have a contractual life of one year with automatic renewal of one year after each maturity. There are no restrictions placed upon the lessee by entering into these leases. The annual lease payments in place at 31 December 2017 was US\$142,447 (31 March 2017: US\$142,447).

The rental charges paid under operating leases accounted for in operational costs of the statement of comprehensive income for the nine months ended 31 December 2017 amounted to US\$106,835 (year ended 31 March 2017: US\$139,113).

## 17. Financial risk management

### **Introduction**

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

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

### **Market price risk**

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

#### *(i) Foreign currency risk*

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

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

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

The sensitivity of the income (loss) to a variation of the exchange rate (EUR/US\$) in relation to Euro denominated assets as at 31 December 2017 is the following:

<i>Effect of the variation in the foreign exchange rate</i>	<i>Income (loss) US\$</i>
+15%	4,129,187
+20%	5,505,582
-15%	(4,129,187)
-20%	(5,505,582)

(ii) *Interest rate risk*

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

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

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

	<i>Total</i> US\$	<i>Fixed</i> <i>rate</i> US\$	<i>Floating</i> <i>rate</i> US\$	<i>Non-interest</i> <i>bearing</i> US\$
<b>31 December 2017</b>				
Equity investments (US\$)	217,086,037	–	–	217,086,037
Loans and lending facilities (€)	4,477,612	4,477,612	–	–
Accounts receivable and accrued income (US\$)	34,558,689	–	–	34,558,689
Accounts receivable and accrued income (€)	127,522	–	–	127,522
Cash at bank (€)	9,448,097	5,615,880	–	3,832,217
Cash at bank (US\$)	216,868	–	–	216,868
Cash at bank (GBP)	73	–	–	73
Cash at bank (AED)	1,953,135	–	–	1,953,135
Cash on hand (€)	1,604	–	–	1,604
Cash on hand (US\$)	7,079	–	–	7,079
Cash on hand (CUC)	3,246	–	–	3,246
	<i>Total</i> US\$	<i>Fixed</i> <i>rate</i> US\$	<i>Floating</i> <i>rate</i> US\$	<i>Non-interest</i> <i>bearing</i> US\$
<b>31 March 2017</b>				
Equity investments (US\$)	163,773,953	–	–	163,773,953
Loans and lending facilities (€)	4,274,752	4,274,752	–	–
Accounts receivable and accrued income (US\$)	2,453,379	–	–	2,453,379
Accounts receivable and accrued income (€)	16,269	–	–	16,269
Cash at bank (€)	1,972,436	1,533,106	–	439,330
Cash at bank (US\$)	166,410	–	–	166,410
Cash at bank (GBP)	67	–	–	67
Cash on hand (€)	246	–	–	246
Cash on hand (US\$)	10,740	–	–	10,740
Cash on hand (CUC)	4,811	–	–	4,811

**Credit risk**

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

### *Maximum exposure to credit risk*

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

	31 December 2017 US\$	31 March 2017 US\$
Loans and lending facilities	4,477,612	4,274,752
Accounts receivable and accrued income	34,686,211	2,469,648
Cash and cash equivalents	11,630,102	2,154,710
<i>Total maximum exposure to credit risk</i>	<u>50,793,925</u>	<u>8,899,110</u>

Although there was a significant increase in the accounts receivable and accrued income, Management does not believe there is any significant exposure to credit risk as the balance receivable from Meliá Hotels International S.A. was received in January 2018 and the amount receivable from Cubacan will form a portion of the agreed capital contribution to Miramar (see note 5).

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

	Credit Rating	31 December 2017 US\$	31 March 2017 US\$
<b>Cash at bank</b>			
Cuba	Caa2	212,199	115,303
Guernsey	A2	2,722,601	292,498
The Netherlands	A2	375,531	97,784
Spain	A3	2,077,184	–
Spain	Ba3	604,596	100,222
Spain	Baa2	5,626,062	1,533,106
		<u>11,618,173</u>	<u>2,138,913</u>
<b>Cash on hand</b>			
Cuba		10,325	15,551
The Netherlands		1,604	246
		<u>11,929</u>	<u>15,797</u>
<b>Total cash and cash equivalents</b>		<u>11,630,102</u>	<u>2,154,710</u>

### *Guarantees received*

The amount and type of guarantees required depends on an assessment of the credit risk of the counterparty. The Company has neither financial nor non-financial assets obtained as property on executed guarantees. See note 6 regarding guarantees obtained for loans and lending facilities.

### **Liquidity risk**

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

Although there is a high amount of liabilities (see note 11 – Short-term borrowings), Management assesses the liquidity risk of the Company to be low because of the high liquidity in cash and cash equivalents.

## **Operational risk**

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

## **Capital management**

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

The capital base managed by the Company is composed of share capital, share premium, reserves and retained profits that amount at 31 December 2017 and 31 March 2017 to a total of US\$229,111,673 and US\$170,292,387, respectively. The Company is not subject to external capital requirements.

## **18. Fair value disclosures**

### **Key sources of estimation uncertainty**

#### *Determining fair values*

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

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

#### *Valuation of financial instruments*

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

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

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

For all other financial instruments, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates and foreign currency exchange

rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

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

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

31 December 2017				
US\$				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	–	–	217,086,037	217,086,037
	–	–	217,086,037	217,086,037
<b>Financial liabilities at fair value through profit or loss</b>				
Short-term borrowings	–	35,820,895	–	35,820,895
	–	35,820,895	–	35,820,895
31 March 2017				
US\$				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	–	–	163,773,953	163,773,953
	–	–	163,773,953	163,773,953

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:

	<i>31 December 2017 US\$</i>	<i>31 March 2017 US\$</i>
<b>Unlisted private equity investments</b>		
<b>Initial balance</b>	163,773,953	145,554,058
Total gains recognised in income or loss	4,575	17,338,571
Acquisitions and capital contributions	43,740,972	881,324
Acquisition of subsidiary	406,724	–
Shares issued to non-controlling interest for cancellation of participation agreement	10,165,156	–
Realised gains	184,650	–
Disposals	(1,189,993)	–
<b>Final balance</b>	<u>217,086,037</u>	<u>163,773,953</u>
Total gains for the period included in income or loss relating to assets and liabilities held at the end of the reporting period	<u>4,575</u>	<u>17,338,571</u>
	<u>4,575</u>	<u>17,338,571</u>

The fair value of short-term borrowing (see note 11) are measured using valuation techniques based on observable inputs such as interest rates, foreign exchange rates as well as the estimated probability of conversion. There were no significant changes in these inputs between the date in which the loan was entered into and the closing date of these financial statements.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 2 of the fair value hierarchy:

	<i>31 December 2017 US\$</i>	<i>31 March 2017 US\$</i>
<b>Short-term borrowings</b>		
<b>Initial balance</b>	–	–
Cash received	35,374,619	–
Change in fair value of financial liabilities	446,276	–
<b>Final balance</b>	<u>35,820,895</u>	<u>–</u>
Total losses for the period included in income or loss relating to assets and liabilities held at the end of the reporting period	<u>446,276</u>	<u>–</u>
	<u>446,276</u>	<u>–</u>

Losses related to unlisted private equity investments are recognised as change in fair value of equity investments in the consolidated statement of comprehensive income. The accounting value of the remaining financial assets and liabilities (cash and cash equivalents, accounts receivable/payable, loans receivable/payable) approximate their fair values due to their short-term maturities.

## 19. Classifications 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 December 2017 US\$					
	Note	Designated at fair value through profit or loss	Cash, loans and receivables	Other liabilities	Total carrying amount
Cash and cash equivalents	4	–	11,630,102	–	11,630,102
Accounts receivable and accrued income	5	–	34,686,211	–	34,686,211
Loans and lending facilities	6	–	4,477,612	–	4,477,612
Equity investments	8	217,086,037	–	–	217,086,037
		<u>217,086,037</u>	<u>50,793,925</u>	<u>–</u>	<u>267,879,962</u>
Accounts payable and accrued expenses	10	–	–	3,443,064	3,443,064
Short-term borrowings	11	35,820,895	–	–	35,820,895
		<u>35,820,895</u>	<u>–</u>	<u>3,443,064</u>	<u>39,263,959</u>

31 March 2017 US\$					
	Note	Designated at fair value through profit or loss	Cash, loans and receivables	Other liabilities	Total carrying amount
Cash and cash equivalents	4	–	2,154,710	–	2,154,710
Accounts receivable and accrued income	5	–	2,469,648	–	2,469,648
Loans and lending facilities	6	–	4,274,752	–	4,274,752
Equity investments	8	163,773,953	–	–	163,773,953
		<u>163,773,953</u>	<u>8,899,110</u>	<u>–</u>	<u>172,673,063</u>
Accounts payable and accrued expenses	10	–	–	2,899,732	2,899,732
		<u>–</u>	<u>–</u>	<u>2,899,732</u>	<u>2,899,732</u>

There were no reclassifications of financial assets during the period ended 31 December 2017 (31 March 2017: nil).

## 20. Events after the reporting period

### Current consolidated financial statement issuance

These consolidated financial statements have been authorized for issue by the Board of Directors on 15 June 2018. The Company's Shareholders have the power to amend the consolidated financial statements after issuance.

### Merger and extension of Miramar and Cubanacan

On 22 December 2017, the Company entered an agreement with Cubanacan S.A., the Cuban shareholder of Miramar and Cubanacan, to merge the two joint venture companies with Miramar being the surviving company. As part of the agreement, surface rights of the four hotels with a period of 25 years will be contributed to the newly merged joint venture company by Cubanacan S.A. with a total deemed value of US\$28,381,550. The Company has agreed to make a capital contribution in cash for a similar amount. It is anticipated that a portion of the Company's contribution will be offset by dividends owing to the Company from Cubanacan and Miramar at the time of the contribution (see a portion of these dividends owing by Cubanacan as at 31 December 2017 in note 5). As well, it is intended that there will be a 168 room extension made to the Meliá Habana Hotel and a refurbishment of the Varadero Hotels. The above is currently awaiting final government approval prior to execution which is expected to be received in July

2018. In the event the transaction does not receive approval, the Company has the right to be compensated for the fair value of its investment in Cubanacán as at the expiration of current usufruct rights.

### ***Dividend distribution***

The Board of Directors of the Company approved the distribution of an interim dividend from the Special Reserve in the amount of US\$7,000,000, or US\$0.5201 per Share, paid in cash on 10 April 2018 to Shareholders of record on 29 March 2018.

### ***TosCuba construction finance agreement***

On 30 April 2018, the Company and Mosaico Hoteles S.A. (a subsidiary company in which the Company has an 80 per cent. interest) entered into a construction finance agreement (the "Construction Facility") with TosCuba S.A. for the purpose of extending to TosCuba S.A. part of the funding necessary for the construction of the Meliá Trinidad Hotel. The Construction Facility is in the maximum principal amount of US\$45,000,000, divided into two separate tranches of US\$22,500,000 each. Tranche A will be extended by Mosaico Hoteles S.A. and Tranche B will be extended by the Company. The Company has the right to syndicate Tranche B of the Construction Facility to other lenders. The Company will act as the agent for the lenders under both tranches of the Construction Facility.

The principal terms of the Construction Facility include (i) a grace period for principal and interest during the construction period of the hotel (expected to be completed by 31 December 2020), (ii) upon expiry of the grace period, accumulated interest will be repaid, followed by a repayment period of eight years during which blended payments of principal and interest will be made, (iii) interest will accrue on amounts outstanding under the Construction Facility at the rate of 8 per cent. (with a default interest rate of 9 per cent. in the case of default). The first disbursement under the Construction Facility is expected to be made in November 2018. Repayment of the Construction Facility is secured by an assignment in favour of the lenders of all of the future income of the Meliá Trinidad Hotel following start-up of operations. In addition, Tranche B of the Construction Facility is also secured by a guarantee provided by Cubanacán S.A., Corporación de Turismo y Comercio Internacional (the Cuban shareholder of TosCuba S.A.) as well as by an assignment in favour of the Company (in its capacity as Tranche B lender) of all international tourism proceeds generated by the Meliá Santiago de Cuba Hotel.

### ***Change in Directors and interests of Directors in the share capital***

As at 15 June 2018, Sebastiaan A. C. Berger held 376,558 shares and Enrique Rottenberg no longer had an interest in shares of the Company. Subsequent to the approval of these consolidated financial statements at the meeting of the Board of Directors held on 15 June 2018, Sebastiaan A.C. Berger and Enrique Rottenberg resigned as Directors and Peter Cornell, Trevor Bowen and Keith Corbin were appointed as new Directors of the Company.

Sebastiaan A.C. Berger  
*Director*

John Herring  
*Director*

**PART B**

**AUDITED FINANCIAL STATEMENTS FOR THE COMPANY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

**CEIBA INVESTMENTS LIMITED**

Consolidated Financial Statements

**At 31 March 2017**

## COMPANY INFORMATION AND MANAGEMENT

### REGISTERED OFFICE

CEIBA Investments Limited  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
Channel Islands  
GY1 2HT

### BOARD OF DIRECTORS

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

### EXECUTIVES

Sebastiaan A.C. Berger  
(*Chief Executive Officer*)  
Cameron Young (*Chief Operating Officer*)  
Paul S. Austin (*Chief Financial Officer*)

### ADMINISTRATOR, CUSTODIAN AND SECRETARY

JTC (Guernsey) Limited  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
Channel Islands  
GY1 2HT

### REGISTRAR

Ansons Registrars Limited  
Anson Place  
Mill Court  
La Charrotterie  
St Peter Port  
Guernsey  
Channel Islands  
GY1 1EJ

### INDEPENDENT AUDITORS

Ernst & Young  
Caribbean Professional Services Limited  
Ground Floor, One Welches  
Welches, St Tomas BB22025  
Barbados

### LEGAL ADVISERS

Carey Olsen  
PO Box 98  
Carey House  
Les Banques  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4BZ

### ISIN CODE (ORDINARY SHARES)

GG00B5491D76

### REGISTRATION NUMBER

30083

## **DIRECTORS' REPORT**

The Directors present their consolidated financial statements for the year ended 31 March 2017.

### **ACTIVITIES**

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

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

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

### **PERFORMANCE AND RESULTS**

The income of the Company consists primarily of changes in the fair value of equity investments and dividend income. Changes in the fair value of equity investments resulted in an increase in value of US\$17,338,571 (2016: US\$32,127,410). Dividend income earned by the Company from its commercial and tourism real estate investments was US\$13,139,634 (2016: US\$8,082,979) (see note 7).

The net income attributable to the shareholders for year ended 31 March 2017 amounted to US\$26,595,328 (2016: US\$37,768,453). There was no charge for taxation.

### **DIVIDENDS**

Dividends declared during the year ended 31 March 2017 amounted to US\$7,000,000 or US\$0.5201 per share (2015: US\$4,000,000 or US\$0.297 per share).

### **DIRECTORS AND THEIR INTERESTS**

Except as stated in note 12 to the consolidated financial statements, no Director has had an interest in any transaction which, during the reporting period, was carried out by the Company, or any interest, direct or indirect, in the promotion of the Company or in any assets which have been acquired or disposed of or leased to the Company or are proposed to be acquired, disposed of by or leased to the Company. The names of the Directors and their interests in the share capital of the Company as at 31 March 2017 are shown in note 12.

### **AUDITORS**

The appointment of EY Caribbean Professional Services Limited as the Company's auditors was approved at the Annual General Meeting of the Company held on 24 January 2017.

The consolidated financial statements were approved by the Board of Directors on 6 July 2017 and signed on its behalf:

**Sebastiaan A.C. Berger**  
*Director*

**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 2017, which presents fairly the state of affairs of the Company and of the income or loss for the year then ended. In preparing these consolidated financial statements, the Directors are required to:

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

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

## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders of CEIBA INVESTMENTS LIMITED**

#### **Opinion**

We have audited the consolidated financial statements of CEIBA INVESTMENTS LIMITED (the Company), which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the Companies (Guernsey) Law, 2008.

#### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

### **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.

14 July 2017

### **Caribbean Professional Services Limited**

An affiliate firm of Ernst & Young Global

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 US\$	2016 US\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	2,154,710	10,154,342
Accounts receivable and accrued income	5	2,437,758	361,704
Loans and lending facilities	6	979,631	–
<b>Total current assets</b>		<u>5,572,099</u>	<u>10,516,046</u>
<b>Non-current assets</b>			
Accounts receivable and accrued income	5	31,890	30,808
Loans and lending facilities	6	3,295,121	–
Equity investments	7	163,773,953	145,554,058
Property, plant and equipment	8	519,056	515,816
<b>Total non-current assets</b>		<u>167,620,020</u>	<u>146,100,682</u>
<b>Total assets</b>		<u><u>173,192,119</u></u>	<u><u>156,616,728</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	9	2,899,732	1,962,616
Dividends payable	10	–	4,000,000
<b>Total current liabilities</b>		<u>2,899,732</u>	<u>5,962,616</u>
<b>Total liabilities</b>		<u>2,899,732</u>	<u>5,962,616</u>
<b>Equity</b>			
Share capital	10	19,014,379	19,014,379
Share premium	10	49,657,630	49,657,630
Special reserve held for distribution		22,620,289	29,620,289
Revaluation surplus		248,199	248,199
Retained earnings		78,117,185	51,521,857
Accumulated other comprehensive loss		(24,878)	(82,388)
<b>Equity attributable to the shareholders of the parent</b>		<u>169,632,804</u>	<u>149,979,966</u>
Non-controlling interest	3	659,583	674,146
<b>Total equity</b>		<u>170,292,387</u>	<u>150,654,112</u>
<b>Total liabilities and equity</b>		<u><u>173,192,119</u></u>	<u><u>156,616,728</u></u>

See accompanying notes 1 to 18, which are an integral part of these consolidated financial statements.

**Sebastiaan A.C. Berger**  
Director

**John Herring**  
Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 US\$	2016 US\$
<b>Income</b>			
Change in fair value of equity investments	7	17,338,571	32,127,410
Dividend income	7	13,139,634	8,082,979
Interest income		255,316	385
Travel agency commissions		205,845	252,194
		<u>30,939,366</u>	<u>40,462,968</u>
<b>Expenses</b>			
Management costs	12	(1,527,795)	(1,007,368)
Other staff costs		(301,458)	(299,709)
Travel		(265,879)	(266,402)
Participation agreement payments to 3 <sup>rd</sup> parties	7	(694,590)	(243,877)
Operational costs		(234,580)	(229,969)
Legal expenses		(213,479)	(212,443)
Administration fees and expenses		(254,662)	(168,778)
Audit fees		(304,948)	(149,915)
Miscellaneous expenses		(62,766)	(105,521)
Director fees and expenses	12	(71,607)	(103,083)
Depreciation	8	(46,728)	(29,492)
		<u>(3,978,492)</u>	<u>(2,816,557)</u>
Foreign exchange gain (loss)		<u>(380,109)</u>	<u>114,000</u>
<b>Net income for the year</b>		<u>26,580,765</u>	<u>37,760,411</u>
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>			
Revaluation of art works		–	75,000
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</b>			
Exchange differences of translation of foreign operations		<u>57,510</u>	<u>73,805</u>
<b>Total comprehensive income</b>		<u>26,638,275</u>	<u>37,909,216</u>
<b>Net income for the year attributable to:</b>			
Shareholders of the parent		26,595,328	37,768,453
Non-controlling interest		(14,563)	(8,042)
Basic and diluted earnings per share	13	<u>1.98</u>	<u>2.81</u>

See accompanying notes 1 to 18, which are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 US\$	2016 US\$
<b>Operating activities</b>			
Net income for the year		26,580,765	37,760,411
<i>Items not effecting cash:</i>			
Depreciation	8	46,728	29,492
Change in fair value of equity investments	7	(17,338,571)	(32,127,410)
		9,288,922	5,662,493
(Increase) decrease in accounts receivable and accrued income		(2,019,626)	1,750,606
Increase in accounts payable and accrued expenses		937,116	206,136
<b>Net cash flows from operating activities</b>		<u>8,206,412</u>	<u>7,619,235</u>
<b>Investing activities</b>			
Purchase of equity investments	7	(881,324)	(50,000)
Purchase of property, plant & equipment	8	(49,968)	(73,933)
Loans and lending facilities disbursed	6	(4,274,752)	–
<b>Net cash flows from investing activities</b>		<u>(5,206,044)</u>	<u>(123,933)</u>
<b>Financing activities</b>			
Payment of cash dividends		(11,000,000)	–
<b>Net cash flows from financing activities</b>		<u>(11,000,000)</u>	<u>–</u>
<b>Change in cash and cash equivalents</b>		<u>(7,999,632)</u>	<u>7,495,302</u>
Cash and cash equivalents at beginning of the year		10,154,342	2,659,040
<b>Cash and cash equivalents at end of the year</b>		<u>2,154,710</u>	<u>10,154,342</u>
Interest received		255,316	385

See accompanying notes 1 to 18, which are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	2017 US\$	2016 US\$
<b>Share capital</b>		
Initial balance	19,014,379	19,014,379
Final balance	19,014,379	19,014,379
<b>Share premium</b>		
Initial balance	49,657,630	49,657,630
Final balance	49,657,630	49,657,630
<b>Special reserve held for distribution</b>		
Initial balance	29,620,289	33,620,289
Dividends	(7,000,000)	(4,000,000)
Final balance	22,620,289	29,620,289
<b>Revaluation surplus</b>		
Initial balance	248,199	173,199
Revaluation of art works	–	75,000
Final balance	248,199	248,199
<b>Retained earnings</b>		
Initial balance	51,521,857	13,753,404
Net income for the year attributable to shareholders of the parent	26,595,328	37,768,453
Final balance	78,117,185	51,521,857
<b>Accumulated other comprehensive income (loss)</b>		
Initial balance	(82,388)	(156,193)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	57,510	73,805
Final balance	(24,878)	(82,388)
<b>Equity attributable to the shareholders of the parent</b>	169,632,804	149,979,966
<b>Non-controlling interest</b>		
Initial balance	674,146	682,188
Net loss for the year attributable to non-controlling interest	(14,563)	(8,042)
Final balance	659,583	674,146
<b>Total equity</b>	170,292,387	150,654,112

See accompanying notes 1 to 18, which are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

## 1. Corporate information

These consolidated financial statements for the year ended 31 March 2017 include the accounts of CEIBA Investments Limited and its subsidiaries, which are collectively referred to as the “Company” or “CEIBA”. These consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 6 July 2017.

CEIBA, through its subsidiaries, is an international venture investment company that was incorporated in 1995 in Guernsey, Channel Islands as a Registered Closed Ended Collective Investment Scheme for the purpose of investing in Cuba. On 1 May 2013, the status of the Company changed to an unregulated investment company rather than a regulated investment fund. The registered office of the Company is located at Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands GY1 2HT.

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

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

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

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

## 2. Basis of preparation

### 2.1 *Statement of compliance and basis of measurement*

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

### 2.2 *Functional and presentation currency*

These consolidated financial statements are presented in United States Dollars (“US\$”), which is the Company’s functional currency. The majority of the Company’s income, equity investments and transactions are denominated in US\$, with the exception of HOMASI, whose functional currency is the Euro; and Mosaico Hoteles, whose functional currency is the Swiss Franc.

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

### 2.3 *Use of estimates and judgments*

The preparation of the Company’s consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of

revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the 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 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 7).

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

## 2.4 **Reportable operating segments**

An operating 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.

## 2.5 **Equity investments**

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

Equity investments of the Company are recorded at fair value in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), on the basis of the exception provided for per IAS 28. 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.

## 2.6 **Changes in accounting policies**

### *Standards and interpretations applicable this year*

The accounting policies applied during this year are fully consistent with those applied in the previous year. The new standards or changes to pre-existing standards, compulsorily applicable to fiscal years beginning on 1 April 2016, have no impact on the Company's financial statements given that they involve equity components, types of transactions, special situations, activity sectors, or information elements foreign to the nature, characteristics and operations of the Company.

In addition, the Company has refrained from applying in advance any standard, interpretation or amendment, which, having already been issued, is not yet mandatory.

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

At the date of issuance of these financial statements, the following three standards with potential impact on the Company had been published by the IASB:

- *IFRS 9 Financial Instruments*: IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" (and all previous versions of IFRS 9), collecting all three phases of the financial instruments project: Classification and measurement, Impairment and Hedge accounting. IFRS 9 is mandatory for annual reporting periods beginning on or after 1 January 2018. Except for

hedge accounting, application with retrospective effect is required, but no change to comparative information is needed.

- *IFRS 15 Revenue from Contracts with Customers*: IFRS 15 establishes a new accounting base according to a five-step model framework by which revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This new standard will repeal all other standards existing at present concerning the revenue recognition, and will be effective as of 1 January 2018. The standard will be implemented retrospectively (fully or partially) in its first year.
- *IFRS 16 Leases*: IFRS 16 involves significant changes for lessees, who in most cases will have to recognize an asset for the right to use and a liability for the present value of future leases in their statement of financial position. There are few changes for lessors compared to the current IAS 17, which is replaced by IFRS 16. (Full or partial) application with retrospective effect for reporting periods beginning on or after 1 January 2019 is required.

As mentioned above, earlier application of IFRS 9, 15 and 16 is permitted; however the Company has not chosen to implement them now and will apply them at the indicated mandatory dates. In any case, these standards have a considerable degree of complexity and the Company has not completed studying them. Therefore, it is not possible to determine at this time their impact, if any, on the Company's financial statements.

In addition to the three standards outlined above, the following provisions (standards, amendments and improvements) will enter into force in future years:

- IFRS 14 Regulatory deferral accounts.
- IFRIC 22 – Transaction in foreign currency and early consideration.
- Annual Improvements Cycle 2014-2016, which include:
  - IFRS 1 IFRs first time adoption.
  - IAS 28 Investment in associates and joint ventures.
  - IFRS 12 Disclosure in participation in other entities.
- Amendments to IAS 7 – Cash Flow Statement: Initiative on disclosing information.
- Amendments to IAS 12 – Recognition of deferred taxes assets by unrealized earnings.
- Amendments to IAS 40 – Transfer of investment properties.
- Amendments to IFRS 2 – Classification and assessment of share based payment transactions.
- Amendments to IFRS 4 – Application of IFRS 9 Financial Instruments with IFRS 4 Insurance contracts.
- Amendments to IFRS 10 and IAS 28 – Sales or contribution of assets between an investor and its associate or joint venture.
- Amendments to IFRS 15 – Standard clarifications.

The Company intends to adopt these standards, amendments and interpretation, if they apply, when they become effective.

### **3. Summary of significant accounting policies**

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

#### **3.1 Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2017. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control. The Company has direct and indirect interests in Cuban joint venture companies that are not consolidated in the consolidated financial statements, but are accounted for in accordance with IAS 28. As a result of applying the fair value exception to equity accounting, 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 2017 and 2016:

Entity Name	Country of Incorporation	Equity interest held by the Company or holding entity	
		2017	2016
1. CEIBA Property Corporation Limited (a) (i)	Guernsey	100%	100%
1.1. CEIBA Publications Limited (a) (ii)	Guernsey	n/a	100%
1.2. GrandSlam Limited (a) (iii)	Guernsey	100%	100%
1.3. Antilles Property Limited (a) (v)	Guernsey	100%	100%
1.4. CEIBA MTC Properties Inc.(a) (iv)	Panama	100%	100%
1.4.1 Inmobiliaria Monte Barreto S.A. (b) (vi)	Cuba	49%	49%
1.5. CEIBA Tourism Coöperatief U.A. (a) (vii)	Netherlands	100%	100%
1.5.1. Corporación Interinsular Hispana S.A. (b) (iv)	Spain	15%	15%
1.5.1.1. Cuba Canarias S.A. (c) (viii)	Cuba	50%	50%
1.5.2. HOMASI S.A. (a) (iv)	Spain	100%	100%
1.5.2.1. Miramar S.A. (b) (ix)	Cuba	50%	50%
1.5.3. Mosaico B.V. (a) (iv)	Netherlands	80%	80%
1.5.3.1. Mosaico Hoteles S.A. (a) (iv)	Switzerland	100%	100%
1.5.3.1.1. TosCuba S.A. (b) (x)	Cuba	50%	50%
2. Industrias Antillanas Limited (a) (iv)	Guernsey	100%	100%
2.1. Caricel Inc. (b) (iv)	Barbados	10%	10%
2.1.1. Intercan Inc. (c) (iv)	Barbados	100%	100%
2.1.1.1. Productos Sanitarios S.A. (c) (xi)	Cuba	50%	50%
2.2. WOMY Equipment Rental B.V. (b) (Xii)	Netherlands	25%	—
3. CEIBA Finance Corporation Limited (a) (xiii)	Guernsey	n/a	100%

(a) Company consolidated at 31 March 2017 and 2016.

(b) Company accounted at fair value at 31 March 2017 and 2016.

(c) Underlying operating company.

(i) Holding company for the Company's interests in real estate investments in Cuba that are facilitated by a representative office in Havana.

- (ii) Publication company dedicated to publications related to Cuba. This company was dissolved on 29 May 2016. No significant impact on the consolidated financial statements has arisen from these dissolution and liquidation operation.
- (iii) Operates a travel agency that provides services to international clients for travel to Cuba.
- (iv) Holding company for underlying investments, conducting no operating activity and with no other significant assets.
- (v) Company which is currently inactive and in the process of being liquidated.
- (vi) Joint venture company that holds the Miramar Trade Center as its principal asset.
- (vii) Dutch co-operative responsible for the holding and 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) Joint venture company incorporated to build a beach hotel in Trinidad, Cuba.
- (xi) Joint venture company that operates a paper mill in Cuba producing tissue paper products.
- (xii) Company that offers rental services of cranes, earthmovers, forklifts and other equipment to the Cuban construction and mining industry. See note 18.
- (xiii) Finance company that invests primarily in short-term financing instruments related to Cuba. This company was dissolved on 29 May 2016. No significant impact on the consolidated financial statements has arisen from these dissolution and liquidation operation.

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

### 3.2 **Foreign currency translation**

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

The financial statements of foreign subsidiaries included in the consolidation are translated into the reporting currency in accordance with the method established by IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities are translated at the closing rates at the statement of financial position date, and income and expense items at the average rates for the period. Translation differences are taken to other comprehensive income and shown separately as foreign exchange reserves on consolidation without affecting income. Translation differences during the year ended 31 March 2017 were income of US\$57,510 (31 March 2016: income of US\$73,805).

The exchange rate used in these consolidated financial statements at 31 March 2017 is 1 Euro = 1.0687 US\$ (31 March 2016: 1 Euro = 1.1380 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 **Travel agency commissions**

GrandSlam, a wholly-owned subsidiary of the Company, is a travel agency that acts as an intermediary between the customer and airlines, tour operators and hotels. GrandSlam facilitates transactions and earns a commission in return for its service. This commission may take the form of a fixed fee per transaction or a stated percentage of the customer billing, depending on the transaction and the related vendor.

Therefore, GrandSlam Limited is considered to be an agency since the following criteria have been met:

- It does not have the primary responsibility for providing the services to the customer;
- It does not have inventory risk before or after the customer order;
- It does not have significant latitude in establishing prices; and
- It does not bear significant credit risk on receivables due from the customer as services are paid in advance.

### 3.7 **Fees and expenses**

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

### 3.8 **Taxation**

Deferred taxes are provided for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rate.

Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Where it is not certain that the temporary difference will be reversed no deferred taxation asset is established. At 31 March 2017 and 2016 the Company has not established a deferred tax assets or liabilities.

The average tax rates applicable to the income of Company and its subsidiaries in their respective jurisdictions are as follows:

Guernsey	0%
Barbados	2.5%
The Netherlands	0%
Panama	0%
Spain	0%
Cuba	15%

### 3.9 **Financial assets and financial liabilities**

#### (a) *Recognition and initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value.

#### (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

Equity investments are measured at fair value through profit or loss and are carried in the consolidated statement of financial position at fair value. Changes in fair value of equity investments are recognized in the statement of comprehensive income.

Other financial assets are initially recognized at fair value and are subsequently measured at amortized cost at each reporting date less any impairment losses. If there is an objective indication of impairment, the amount of any impairment loss identified as measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

(c) *Fair value measurement*

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

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

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

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

(d) *Identification and measurement of impairment*

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.

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

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

event causes the amount of loss to decrease, the decrease in impairment is reversed through the statement of comprehensive income.

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

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

(e) *Derecognition*

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

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

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

**3.10 Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand and short-term deposits and other short-term highly liquid investments with remaining maturities at the time of acquisition of three months or less.

**3.11 Loans and lending facilities**

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

**3.12 Property, plant and equipment**

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

Office furniture and equipment	4 to 7 years
Motor vehicles	5 years

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.

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 surplus in shareholders' equity. Valuations of works of art are conducted with sufficient regularity to ensure the value correctly reflects the fair value at the statement of financial position date. Valuations are mostly based on active market prices, adjusted for any difference in the nature or condition of the specific asset.

### 3.13 **Share capital**

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

### 3.14 **Special reserve held for distribution**

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

### 3.15 **Non-controlling interest**

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

	2017 US\$	2016 US\$
Current assets	166,448	766,489
Non-current assets	3,205,688	2,764,615
Current liabilities	(74,222)	(160,373)
Equity	<u>(3,297,914)</u>	<u>(3,370,731)</u>
Net loss	<u>(72,817)</u>	<u>(40,211)</u>

## 4. **Cash and cash equivalents**

	2017 US\$	2016 US\$
Cash on hand	15,797	3,886
Bank current accounts (i)	<u>2,138,913</u>	<u>10,150,456</u>
	<u>2,154,710</u>	<u>10,154,342</u>

(i) Balance without restriction.

## 5. **Accounts receivable and accrued income**

	2017 US\$	2016 US\$
Dividend receivable – Monte Barreto	2,153,504	–
Capital contributions due from non-controlling interest (note 7)	151,177	301,177
Other accounts receivable and deposits	<u>164,967</u>	<u>91,335</u>
	<u>2,469,648</u>	<u>392,512</u>
<b>Current portion</b>	<u>(2,437,758)</u>	<u>(361,704)</u>
<b>Non-current portion</b>	<u>31,890</u>	<u>30,808</u>

Accounts receivable and accrued income have the following future maturities:

	2017 US\$	2016 US\$
Up to 30 days	78,260	28,368
Between 31 and 90 days	2,351,647	115,342
Between 91 and 180 days	3,818	110,117
Between 181 and 365 days	4,033	107,877
Over 365 days	31,890	30,808
	<u>2,469,648</u>	<u>392,512</u>

## 6. Loans and lending facilities

	2017 US\$	2016 US\$
Casa Financiera FINTUR S.A. (i)	4,274,752	–
	<u>4,274,752</u>	
<b>Current portion</b>	<u>(979,631)</u>	<u>–</u>
<b>Non-current portion</b>	<u>3,295,121</u>	<u>–</u>

- (i) In July 2016, the Company participated in a €24,000,000 syndicated facility provided to Casa Financiera FINTUR S.A. ("FINTUR"). The facility has a term of 48 months, a fixed interest rate of 8 per cent., quarterly payments of interest only for the first 12 months, and twelve quarterly principal and interest payments beginning 30 September 2017. This facility was secured by Euro-denominated off-shore tourism proceeds payable to FINTUR by certain international hotel operators managing hotels in Cuba.

The loans and lending facilities portfolio has the following maturities:

	2017 US\$	2016 US\$
Between 181 and 365 days	979,631	–
Over 365 days	3,295,121	–
	<u>4,274,752</u>	<u>–</u>

## 7. Equity investments

	2017 US\$	2016 US\$
Monte Barreto	80,961,787	76,917,742
Miramar (i)	59,131,372	45,888,232
CIHSA (ii)	19,469,763	19,418,377
TosCuba S.A. (iii)	3,205,688	3,104,707
Womy Equipment Rental B.V. (iv)	780,343	–
Caricel Inc.	225,000	225,000
	<u>163,773,953</u>	<u>145,554,058</u>

- (i) The equity investments in Miramar comprises: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in Miramar is 43 per cent. (31 March 2016: 43 per cent.).
- (ii) The equity investments in CIHSA are comprised of: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in CIHSA is 27.75 per cent. (31 March 2016: 27.75 per cent.).
- (iii) The Company owns an 80 per cent. interest in Mosaico B.V., which in turn has an indirect 50 per cent. share equity interest in TosCuba S.A., a Cuban joint venture company that is developing a 400 room 4-star hotel at Playa Maria Aguilar near the city of Trinidad, Cuba. To date, TosCuba S.A. has invested approximately US\$6.7 million in the acquisition of surface rights, the development of architectural works and technical drawings, ground preparation and other capitalized costs. The Company has made capital contributions of US\$3,205,688 (31 March 2016: US\$3,104,707) which is the estimated fair value of the

investment. The 20 per cent. interest in Mosaico B.V. held by a third party has been accounted for as a non-controlling interest in these financial statements. Total capital contributions made by the non-controlling interest as of 31 March 2017 were US\$550,000 (31 March 2016: US\$400,000) with additional capital contributions pending to be made of US\$151,177 (31 March 2016: US\$301,177) (see note 5).

- (iv) Womy Equipment Rental B.V. ("Womy") has received a license as a (100 per cent. foreign-owned) operator within the Zona Especial de Desarrollo Mariel ("ZED Mariel") to offer rental services of cranes, earthmovers, forklifts and other equipment to the Cuban construction and mining industry. In September 2016, the Company agreed to subscribe for a 25 per cent. interest in the share capital of Womy for a total purchase price of €800,000 (US\$854,950) of which the Company had contributed €732,000 (US\$780,343) as of 31 March 2017. On 31 May 2017, the majority shareholder of Womy exercised its option to purchase the shares held by the Company equal to the capital contribution made to date plus an 18 per cent. premium. See note 18.

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

	2017 US\$	2016 US\$
Initial balance	145,554,058	113,376,648
Movement during the year:		
Capital contributions – TosCuba S.A.	100,981	50,000
Capital contributions – Womy	780,343	–
Changes in fair value:		
Revaluation of equity investment – Monte Barreto	4,044,045	7,568,107
Revaluation of equity investment – Miramar	13,243,140	24,720,082
Revaluation of equity investment – CIHSA	51,386	(160,779)
Carrying amount at fair value	<u>163,773,953</u>	<u>145,554,058</u>

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

### **Monte Barreto**

The Company holds the full foreign equity interest of 49 per cent. 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 approximately 80,000 square meters of constructed area of which approximately 56,000 square meters is net rentable area.

The Company is the sole foreign investor in Monte Barreto and holds its 49 per cent. interest in the joint venture company through its wholly-owned subsidiary CEIBA MTC Properties Inc. ("CEIBA MTC"), incorporated in Panama. The remaining 51 per cent. 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.

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

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

Cash flows have been estimated until 2046 when the joint venture expires. The key assumptions used in the discounted cash flow model are the following:

	2017	2016
Discount rate (after tax)	9.9%	9.4%
Occupancy year 1	99%	99%
Average occupancy year 2 to 7	97%	98%
Occupancy year 8 and subsequent periods	95%	95%
Average rental rates per square meter per month - year 1 to 4	US\$26.43	US\$24.59
Annual increase in rental rates subsequent to year 4 (i)	2%	2%
Capital investments as percentage of rental revenue	2%	2%

(i) The increase in subsequent periods is in-line with the rate of long-term inflation.

### **Miramar**

At 31 March 2017 and 2016, the Company holds 100 per cent. of the share equity of HOMASI and has an economic interest, considering third party participation agreements, of 86 per cent., representing a 43 per cent. interest in Miramar. HOMASI has entered into participation agreements which effectively split the economic interest of its net income from Miramar between the holders of the participation agreements and the holders of the share equity. As of 31 March 2017, HOMASI had entered into participation agreements, sold in a prior period to third parties, which represent a total of 14 per cent. of the economic interest of its net income. As at 31 March 2016, HOMASI had participation agreements in effect that represented a total of 41 per cent. of the economic interest of its net income from Miramar, of which the Company held 27 per cent. and third parties held 14 per cent. On 1 November 2016, the Company cancelled its participation agreement, which had no effect on the Company's 86 per cent. economic interest in HOMASI given that it holds 100 per cent. of the share equity.

HOMASI is the foreign shareholder (incorporated in Spain) that owns a 50 per cent. share equity interest in the Cuban joint venture company Miramar, which has constructed and owns the Meliá Habana Hotel, a 5-star hotel that has 397 rooms, including 16 suites. The remaining economic interests in Miramar not held by the Company are held by other foreign investors (as to 7 per cent.) and by the Cuban company, Corporación de Turismo y Comercio Internacional, Cubanacán S.A. ("CUBANACAN") (as to 50 per cent.).

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

#### *Key assumptions used in the estimated fair value of Miramar:*

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

Cash flows have been estimated for a ten year period. Cash flows from year 11 onward are equal to the capitalised amount of the cash flows at year 10. The key assumptions used in the discounted cash flow model are the following:

	2017	2016
Discount rate (after tax)	12.4%	11.7%
Average occupancy years 1 to 10	80%	85%
Average daily rate per guest - year 1	US\$246.33	US\$161.24
Average increase in average daily rate per guest - year 2 to 6	3%	4%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue	7%	5%

(i) The increase in subsequent periods is in-line with the estimated rate of long-term inflation.

*Surface rights:* For the purpose of the ten-year cash flow period assumptions, it has been assumed that the surface rights will be renewed in 2023. The estimated cost of this renewal is based on several assumptions including the historic cost of the original surface rights and the total estimated asset value of the property in 2023.

### **CIHSA**

At 31 March 2017 and 2016, the combined economic interest of the Company in CIHSA by way of its share equity interest and a participation agreement is 27.75 per cent. (representing a 13.875 per cent. interest in Cubanacan). The Company's interest in CIHSA is comprised of an equity interest, equal to 15 per cent. of the share equity of CIHSA (representing an economic interest of 12.75 per cent.), as well as a contractual interest in 15 per cent. of the net income of CIHSA in the form of a participation agreement. In a prior period, CIHSA entered into a participation agreement with the Company which effectively splits the economic interest of its net income between the Company's participation agreement and the holders of the share equity. Under the participation agreement the Company is entitled to receive distributions equivalent to 15 per cent. of the net income of CIHSA. There are no other participation agreements with third parties.

CIHSA is the foreign shareholder (incorporated in Spain) that owns a 50 per cent. share equity interest in the Cuban joint venture company Cubanacan. Cubanacan has constructed and owns three beach resort hotels in Varadero known as the Meliá Las Americas, Meliá Varadero and Sol Palmeras Hotels (the "Varadero Hotels"), having an aggregate total of 1,437 rooms. The hotels are adjacent to the Varadero Golf Course and are operated by Meliá Hotels International. The remaining economic interests in Cubanacan not held by the Company are held by other foreign investors (as to 36.125 per cent.) and by CUBANACAN (as to 50 per cent.). 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 Cubanacan 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 Cubanacan Deed of Incorporation and its authorising resolution, the term of incorporation of Cubanacan corresponds to the term of the land rights granted. Consequently, Cubanacan was incorporated for an initial term of 25 years from the start-up of operations of each hotel. All decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders.

### *Usufruct rights and joint venture term*

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

In May 2015, the initial term of the usufruct rights of the Sol Palmeras Hotel expired. The usufruct rights of the Meliá Varadero Hotel expired in December 2016 and those of the Meliá Las Americas Hotel will expire in 2019. The expiry of the term of incorporation of the joint venture company is linked to the expiry of the

usufruct right of the Meliá Las Americas Hotel (the last of the Varadero Hotels to start up operations and consequently the last to expire). Negotiations aimed at reaching an agreement on the valuation and/or liquidation of the Varadero Hotels are presently underway. In the meantime, pending the outcome of these negotiations, Cubanacan continues to operate the Sol Palmeras and Meliá Varadero Hotels, whose usufruct rights have already expired. In the event of the liquidation of Cubanacan, 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 fair value of its interest therein.

*Key assumptions used in the estimated fair value of CIHSA:*

The fair value of the equity investment in CIHSA is determined by the Directors of the Company taking into consideration various factors including estimated future cash flows from the underlying investment in the Cuban joint venture company (Cubanacan), estimated replacement costs, transactions in the private market and other available market evidence to arrive at an appropriate value. The Company may also engage an independent valuation firm to perform an independent valuation in situations where it requires additional expertise. The Directors also take into account available information relating to the underlying hotel properties, including historical cash flows generated by the underlying hotel properties, current working capital and the present value of future operating costs of CIHSA.

Cash flows have been estimated for a ten year period. Cash flows from year 11 onward are equal to the capitalised amount of the cash flows at year 10. The key assumptions used in the discounted cash flow model are the following:

	2017	2016
<b><u>Meliá Las Americas</u></b>		
Discount rate (after tax)	13.5%	12.0%
Average occupancy year 1 to 3	82%	83%
Occupancy year 4 and subsequent periods	80%	84%
Average daily rate per guest – year 1	US\$153.96	US\$128.62
Average increase in average daily rate per guest – year 2 to 6	2%	3%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue – year 1 to 5	8%	5%
Capital investments as percentage of total revenue – year 6 to 10	6%	5%
<b><u>Meliá Varadero</u></b>		
Discount rate (after tax)	13.5%	12.0%
Average occupancy year 1 to 5	76%	79%
Occupancy year 6 and subsequent periods	75%	81%
Average daily rate per guest – year 1	US\$120.07	US\$102.90
Average increase in average daily rate per guest – year 2 to 6	2%	3%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue – year 1 to 5	9%	5%
Capital investments as percentage of total revenue – year 6 to 10	6%	5%
<b><u>Sol Palmeras</u></b>		
Discount rate (after tax)	13.5%	12.0%
Average occupancy year 1 to 5	81%	83%
Occupancy year 6 and subsequent periods	80%	84%
Average daily rate per guest – year 1	US\$100.81	US\$89.05
Increase in average daily rate per guest – year 2	3%	2%
Average increase in average daily rate per guest – year 3 to 6	2%	4%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue – year 1 to 5	9%	5%
Capital investments as percentage of total revenue – year 6 to 10	6%	5%

(i) The increase in subsequent periods is in-line with the estimated rate of long-term inflation.

*Usufruct rights:* For the purpose of the ten-year cash flow period assumptions, it has been assumed that the usufruct rights will be renewed at the date of their expiry. The estimated cost of their renewal is based

on several assumptions including the historic cost of the original usufruct rights and the total estimated asset value of the properties at the date the usufruct rights expire.

### ***Sensitivity to changes in the estimated rental rates/average daily rates***

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying rental rates/average daily rates between 15 per cent. lower and 15 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower rental rates/average daily rates:

	<i>Financial statements</i>	-5%	-10%	-15%
	US\$	US\$	US\$	US\$
Monte Barreto	80,961,787	77,226,096	73,490,405	69,754,714
Miramar	59,131,372	56,167,161	53,202,950	50,238,739
CIHSA	19,469,763	18,447,437	17,425,111	16,402,784

The following table details the fair values of the equity investments when applying higher rental rates/average daily rates:

	<i>Financial statements</i>	+5%	+10%	+15%
	US\$	US\$	US\$	US\$
Monte Barreto	80,961,787	84,697,478	88,433,169	92,168,860
Miramar	59,131,372	62,095,582	65,059,793	68,024,004
CIHSA	19,469,763	20,492,089	21,514,416	22,536,742

### ***Sensitivity to changes in the occupancy rates***

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying occupancy rates between 15 per cent. lower and 15 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower occupancy rates:

	<i>Financial statements</i>	-5%	-10%	-15%
	US\$	US\$	US\$	US\$
Monte Barreto	80,961,787	77,052,839	73,138,262	69,217,052
Miramar	59,131,372	55,434,426	51,737,481	48,040,535
CIHSA	19,469,763	18,171,389	16,873,015	15,574,641

The following table details the fair values of the equity investments when applying higher occupancy rates:

	<i>Financial statements</i>	+5%	+10%	+15%
	US\$	US\$	US\$	US\$
Monte Barreto (i)	80,961,787	85,073,405	n/a	n/a
Miramar	59,131,372	62,828,317	66,525,262	70,222,208
CIHSA	19,469,763	20,768,137	22,066,511	23,364,885

(i) In the case of Monte Barreto, only a constant occupancy rate of 100 per cent. is shown under the increase of 5 per cent. as projected occupancy is already above or equal to 95 per cent.

### ***Sensitivity to changes in the discount and capitalisation rates***

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying both discount and capitalisation rates between 3 per cent. lower and 3 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower discount and capitalization rates:

	<i>Financial statements US\$</i>	<i>-1% US\$</i>	<i>-2% US\$</i>	<i>-3% US\$</i>
Monte Barreto	80,961,787	88,538,792	97,409,971	107,861,447
Miramar	59,131,372	65,193,840	72,735,981	82,363,279
CIHSA	19,469,763	21,379,389	23,698,083	26,570,621

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

	<i>Financial statements US\$</i>	<i>+1% US\$</i>	<i>+2% US\$</i>	<i>+3% US\$</i>
Monte Barreto	80,961,787	74,450,509	68,821,660	63,927,452
Miramar	59,131,372	54,156,104	50,002,557	46,484,779
CIHSA	19,469,763	17,870,773	16,513,165	15,346,803

### **Dividend income from equity investments**

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

	<i>2017 US\$</i>	<i>2016 US\$</i>
Monte Barreto	7,676,948	4,530,003
Miramar	4,950,000	1,875,000
CIHSA	490,686	1,654,976
Caricel Inc.	22,000	23,000
	<u>13,139,634</u>	<u>8,082,979</u>

## **8. Property, plant and equipment**

	<i>Motor vehicles US\$</i>	<i>Office furniture and equipment US\$</i>	<i>Works of art US\$</i>	<i>Total US\$</i>
<i>Cost:</i>				
At 1 April 2015	268,142	121,816	309,800	699,758
Additions	67,530	6,403	–	73,933
Revaluation	–	–	75,000	75,000
Disposals	–	(30,082)	–	(30,082)
At 31 March 2016	335,672	98,137	384,800	818,609
Additions	–	49,968	–	49,968
At 31 March 2017	335,672	148,105	384,800	868,577
<i>Accumulated Depreciation:</i>				
At 1 April 2015	198,092	105,291	–	303,383
Additions	23,476	6,016	–	29,492
Disposals	–	(30,082)	–	(30,082)
At 31 March 2016	221,568	81,225	–	302,793
Additions	36,981	9,747	–	46,728
At 31 March 2017	258,549	90,972	–	349,521
<i>Net book value:</i>				
At 31 March 2016	114,104	16,912	384,800	515,816
At 31 March 2017	77,123	57,133	384,800	519,056

## 9. Accounts payable and accrued expenses

	2017 US\$	2016 US\$
Due to Miramar S.A. (i)	1,350,288	1,350,257
Participation payments payable (ii)	658,315	139,037
Accrued professional fees	174,125	140,000
Accrued Directors fees	19,056	26,879
Other accrued expenses	47,300	88,659
Due to InterCan Inc. (iii)	468,333	94,687
Other accounts payable	182,315	123,097
	<u>2,899,732</u>	<u>1,962,616</u>

- (i) Due to Miramar S.A. relates to advances received by HOMASI. It is anticipated that the amount will be settled against future declared dividends of Miramar S.A.
- (ii) Participation payments payable relate to amounts earned by third parties under participation agreements with HOMASI, a subsidiary of the Company, and are pending distribution.
- (iii) This balance relates primarily to payments received from Productos Sanitarios S.A. on behalf of InterCan Inc., a related company.

The future maturity profile of accounts payable and accrued expenses based on contractual undiscounted payments:

	2017 US\$	2016 US\$
Up to 30 days	144,324	377,672
Between 31 and 90 days	1,405,120	234,687
Between 181 and 365 days	1,350,288	1,350,257
	<u>2,899,732</u>	<u>1,962,616</u>

## 10. Share capital and share premium

### Authorised

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

### Issued

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

	Number of ordinary shares	Share capital US\$	Share premium US\$
<b>Share capital and share premium</b>			
Share capital and share premium at 1 April 2015	13,458,947	19,014,379	49,657,630
Share capital and share premium at 31 March 2016	13,458,947	19,014,379	49,657,630
Share capital and share premium at 31 March 2017	13,458,947	19,014,379	49,657,630

### Dividends payable

On 31 March 2016, the Board of Directors declared the distribution of an interim dividend from the special reserve in the amount to US\$4,000,000 or US\$0.297 per share. The dividend was paid in cash on 7 June 2016 to the Shareholders of record on 31 March 2016.

## 11. Reportable operating segments

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 currently organised into three business segments:

- *Commercial property:* Activities concerning the Company's interests in commercial real estate investments in Cuba that are facilitated by a representative office in Havana.
- *Tourism/Leisure:* Activities concerning the Company's interests in hotel investments in Cuba and operations of a travel agency that provides services to international clients for travel to Cuba.
- *Other:* Includes interest from loans and lending facilities and the Company's interest in a Cuban joint venture company that operates a paper mill in Cuba producing tissue paper products and amounts not allocated to a specific business segment.

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. The Company has applied judgment by aggregating its operating segments according to the nature of the underlying investments. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

	31 March 2017 US\$			
	<i>Commercial property</i>	<i>Tourism/ Leisure</i>	<i>Other</i>	<i>Total</i>
Total assets	84,158,290	83,753,735	5,280,094	173,192,119
Total liabilities	(616,051)	(2,283,681)	–	(2,899,732)
<b>Total net assets</b>	83,542,239	81,470,054	5,280,094	170,292,387
Change in fair value of equity investments	4,044,045	13,294,526	–	17,338,571
Dividend income	7,676,948	5,440,686	22,000	13,139,634
Other income	–	205,845	255,316	461,161
Allocated expenses	(1,712,143)	(2,251,405)	(14,944)	(3,978,492)
Foreign exchange loss	–	–	(380,109)	(380,109)
<b>Net income</b>	10,008,850	16,689,652	(117,737)	26,580,765
<b>Other comprehensive income</b>	–	–	57,510	57,510
<b>Total comprehensive income</b>	10,008,850	16,689,652	(60,227)	26,638,275
<b>Other segment information:</b>				
Property, plant and equipment additions	48,817	1,151	–	49,968
Depreciation	43,620	3,108	–	46,728

	31 March 2016 US\$			
	<i>Commercial property</i>	<i>Tourism/ Leisure</i>	<i>Other</i>	<i>Total</i>
Total assets	81,964,478	74,427,250	225,000	156,616,728
Total liabilities	(219,216)	(1,743,400)	(4,000,000)	(5,962,616)
<b>Total net assets</b>	81,745,262	72,683,850	(3,775,000)	150,654,112
Change in fair value of equity investments	7,568,107	24,559,303	–	32,127,410
Dividend income	4,530,003	3,529,976	23,000	8,082,979
Other income	–	252,194	385	252,579
Allocated expenses	(1,442,291)	(1,356,597)	(17,669)	(2,816,557)
Foreign exchange loss	–	–	114,000	114,000
<b>Net income</b>	10,655,819	26,984,876	119,716	37,760,411
<b>Other comprehensive income</b>	–	–	148,805	148,805
<b>Total comprehensive income</b>	10,655,819	26,984,876	268,521	37,909,216
<b>Other segment information:</b>				
Property, plant and equipment additions	72,028	1,905	–	73,933
Depreciation	(26,682)	(2,810)	–	(29,492)

## 12. Related parties disclosures

### **Compensation of Directors**

Each Director receives a fee of €9,000 (US\$9,618) per annum with the Chairman receiving €25,000 (US\$26,717). The Chairman and Directors also receive €1,700 (US\$1,817) in attendance fees per quarterly meeting and are reimbursed other expenses properly incurred by them in attending meetings and other business of the Company. No other compensation or post-employment benefits are provided to Directors. Total Director fees, including the fees of the Chairman, for the year ended 31 March 2017 were US\$71,607 (2016: US\$103,083).

### **Transactions with Directors and shareholders**

Enrique Rottenberg and Sebastiaan A.C. Berger are Directors of the Company and also directors of various subsidiaries of the Company.

Included within management costs for the year ended 31 March 2017 of US\$1,527,795 (2016: US\$1,007,368) are costs related to payments regarding Sebastiaan A.C. Berger for his services as country representative of CPC, and fees payable by CEIBA Tourism and CEIBA Investments Limited to companies in which he has a non-controlling interests totalling US\$577,195 (2015: US\$274,208). Also included within management costs for the year ended 31 March 2017 are costs related to payments regarding Enrique Rottenberg for his services as General Manager of Monte Barreto and director of CEIBA MTC totalling US\$330,100 (2016: US\$345,750).

### **Transactions with other related parties**

Certain subsidiaries of the Company lease office space totalling 319 square meters from Monte Barreto, a commercial property investment in which the Company holds a 49 per cent. interest. The rental charges paid under these leases are accounted for in operational costs and for the year ended 31 March 2017 amounted to US\$139,113 (2016: US\$133,491) with an average rental charge per square meter at 31 March 2017 of US\$25.74 (2016: US\$23.40) plus an administration fee of US\$9.75 per square meter.

### **Interests of Directors and Executives in the share capital**

Colin Kingsnorth, a Director of the Company, is a director and shareholder of Laxey Partners Limited ("Laxey"). Laxey holds 1,633,841 shares. Funds managed by Laxey hold 1,709,508 shares.

Sebastiaan A.C. Berger, a Director and Chief Executive Officer of the Company, owns 273,433 shares and has an indirect interest in a further 113,125 shares. He is also an indirect shareholder of Caricel Investments

Inc., a company that holds a 90 per cent. interest in Caricel Inc., in which the Company also holds a 10 per cent. interest.

Enrique Rottenberg, a Director of the Company, has an interest in 575,155 shares.

John Herring, a Director of the Company, is the principal of an investment advisory firm that provides advice to a private investment company that holds 4,018,818 shares.

Cameron Young, Chief Operating Officer of the Company, has an interest in 497,459 shares. He is also an indirect shareholder of Caricel Investments Inc., a company that holds a 90 per cent. interest in Caricel Inc., in which the Company also holds a 10 per cent. interest.

Paul S. Austin, Chief Financial Officer of the Company, has an interest in 18,000 shares.

### 13. Basic and diluted earnings per share

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

	2017 US\$	2016 US\$
Weighted average of ordinary shares in issue	13,458,947	13,458,947
Net income for the year attributable to the shareholders	26,595,328	37,768,453
Basic and diluted earnings per share	1.98	2.81

### 14. 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 2017 was US\$142,447 (2016: US\$133,491).

The rental charges paid under operating leases accounted for in operational costs of the statement of comprehensive income for the year ended 31 March 2017 amounted to US\$139,113 (2016: US\$133,491).

### 15. Financial risk management

#### ***Introduction***

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

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

#### ***Market price risk***

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

##### *(i) Foreign currency risk*

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

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

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

The sensitivity of the income (loss) to a variation of the exchange rate (EUR/US\$) in relation to Euro denominated assets as at 31 March 2017 is the following:

<i>Effect of the variation in the foreign exchange rate</i>	<i>Income (loss) US\$</i>
+ 15%	190,266
+20%	253,688
-15%	(190,266)
-20%	(253,688)

(ii) *Interest rate risk*

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

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

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

	<i>Total US\$</i>	<i>Fixed rate US\$</i>	<i>Floating rate US\$</i>	<i>Non-interest bearing US\$</i>
<b>31 March 2017</b>				
Equity investments (US\$)	163,773,953	–	–	163,773,953
Loans and lending facilities (€)	4,274,752	4,274,752	–	–
Accounts receivable and accrued income (US\$)	2,453,379	–	–	2,453,379
Accounts receivable and accrued income (€)	16,269	–	–	16,269
Cash at bank (€)	1,972,436	1,533,106	–	439,330
Cash at bank (US\$)	166,410	–	–	166,410
Cash at bank (GBP)	67	–	–	67
Cash on hand (€)	246	–	–	246
Cash on hand (US\$)	10,740	–	–	10,740
Cash on hand (CUC)	4,811	–	–	4,811
<b>31 March 2016</b>				
Equity investments (US\$)	145,554,058	–	–	145,554,058
Accounts receivable and accrued income (US\$)	381,171	–	–	381,171
Accounts receivable and accrued income (€)	11,341	–	–	11,341
Cash at bank (AED)	6,182,357	–	–	6,182,358
Cash at bank (€)	3,766,530	2,696,545	–	1,069,985
Cash at bank (US\$)	201,569	–	–	201,569
Cash on hand (€)	273	–	–	273
Cash on hand (US\$)	1,424	–	–	1,424
Cash on hand (CUC)	2,189	–	–	2,188

### **Credit risk**

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

#### *Maximum exposure to credit risk*

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

	2017 US\$	2016 US\$
Loans and lending facilities	4,274,752	–
Accounts receivable and accrued income	2,469,648	392,512
Cash and cash equivalents	2,154,710	10,154,342
<i>Total maximum exposure to credit risk</i>	<u>8,899,110</u>	<u>10,546,854</u>

Management does not believe there is any significant exposure to credit risk in regards to the accounts receivable and accrued income.

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

	Credit Rating	2017 US\$	2016 US\$
<b>Cash at bank</b>			
Cuba	Caa2	115,303	150,442
Guernsey	A2	292,498	6,434,800
The Netherlands	A2	97,784	810,125
Spain	Ba2	1,633,328	2,755,089
		<u>2,138,913</u>	<u>10,150,456</u>
<b>Cash on hand</b>			
Cuba		15,551	3,886
The Netherlands		246	–
		<u>15,797</u>	<u>3,886</u>
<b>Total cash and cash equivalents</b>		<u>2,154,710</u>	<u>10,154,342</u>

#### *Guarantees received*

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

### **Liquidity risk**

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

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

## **Operational risk**

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

## **Capital management**

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

The capital base managed by the Company is composed of share capital, share premium, reserves and retained profits that amount at 31 March 2017 and 2016 to a total of US\$170,292,387 and US\$150,654,112, respectively. The Company is not subject to external capital requirements.

## **16. Use of estimates and judgements**

### **Key sources of estimation uncertainty**

#### *Determining fair values*

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

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

#### *Valuation of financial instruments*

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

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

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

For all other financial instruments, the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs

used in valuation techniques include risk-free and benchmark interest rates and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

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

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

31 March 2017				
US\$				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Art work	–	384,800	–	384,800
Equity investments	–	–	163,773,953	163,773,953
	–	384,800	163,773,953	164,158,753
31 March 2016				
US\$				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Art work	–	384,800	–	384,800
Equity investments	–	–	145,554,058	145,554,058
	–	384,800	145,554,058	145,938,858

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:

	2017	2016
	US\$	US\$
<i>Unlisted private equity investments</i>		
<b>Initial balance</b>	145,554,058	113,376,648
Total gains recognised in income or loss	17,338,571	32,127,410
Purchases and additions	881,324	50,000
<b>Final balance</b>	163,773,953	145,554,058
Total losses for the year included in income or loss relating to assets and liabilities held at the end of the reporting period	–	–

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

## 17. 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 2017 US\$					
	Note	Designated at fair value through profit or loss	Loans and receivables	Other liabilities	Total carrying amount
Cash and cash equivalents	4	–	2,154,710	–	2,154,710
Accounts receivable and accrued income	5	–	2,469,648	–	2,469,648
Loans and lending facilities	6	–	4,274,752	–	4,274,752
Equity investments	7	163,773,953	–	–	163,773,953
		163,773,953	8,899,110	–	172,673,063
Accounts payable and accrued expenses	9	–	–	2,899,732	2,899,732
		–	–	2,899,732	2,899,732
31 March 2016 US\$					
	Note	Designated at fair value through profit or loss	Loans and receivables	Other liabilities	Total carrying amount
Cash and cash equivalents	4	–	10,154,342	–	10,154,342
Accounts receivable and accrued income	5	–	392,512	–	392,512
Equity investments	7	145,554,058	–	–	145,554,058
		145,554,058	10,546,854	–	156,100,912
Dividends payable		–	–	4,000,000	4,000,000
Accounts payable and accrued expenses	9	–	–	1,962,616	1,962,616
		–	–	5,962,616	5,962,616

There were no reclassifications of financial assets during the year ended 31 March 2017 (2016: nil).

## 18. Events after the reporting period

### **Disposal of interest in Womy Equipment Rental B.V.**

On 31 May 2017, the majority shareholder of Womy exercised its option, as per the Shareholder Agreement, to purchase the shares held by the Company for a purchase price equal to the capital contributions made to date of €732,000 (US\$780,343) plus an 18 per cent. premium. As a result, the Company received total proceeds of €863,760 (US\$964,993).

### **Current consolidated financial statement issuance**

These consolidated financial statements have been authorized for issue by the Board of Directors on 6 July 2017. The Company's Shareholders have the power to amend the consolidated financial statements after issuance.

**Sebastiaan A.C. Berger**  
Director

**John Herring**  
Director

**PART B**

**AUDITED FINANCIAL STATEMENTS FOR THE COMPANY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

**CEIBA Investments Limited**  
Consolidated Financial Statements  
**At 31 March 2016**

## **COMPANY INFORMATION AND MANAGEMENT**

### **REGISTERED OFFICE**

CEIBA Investments Limited  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
Channel Islands  
GY1 2HT

### **BOARD OF DIRECTORS**

John Anthony Herring (Chairman)  
Colin Kingsnorth  
Sebastiaan A.C. Berger  
Enrique Rottenberg  
Peter Fletcher (resigned 8 March 2016)

### **EXECUTIVES**

Sebastiaan A.C. Berger (Chief Executive Officer)  
Cameron Young (Chief Operating Officer)  
Paul S. Austin (Chief Financial Officer)

### **ADMINISTRATOR, CUSTODIAN AND SECRETARY**

JTC (Guernsey) Limited  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
Channel Islands  
GY1 2HT

### **REGISTRAR**

Ansons Registrars Limited  
Anson Place  
Mill Court  
La Charrotterie  
St Peter Port  
Guernsey  
Channel Islands  
GY1 1EJ

### **INDEPENDENT AUDITORS**

EY Caribbean Professional Services Limited  
Worthing Corporate Center  
Christ Church, BB15008  
Barbados

**LEGAL ADVISERS**

Carey Olsen  
PO Box 98  
Carey House  
Les Banques  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4BZ

**ISIN CODE (ORDINARY SHARES)**

GG00B5491D76

**REGISTRATION NUMBER**

30083

## **DIRECTORS' REPORT**

The Directors present their consolidated financial statements for the year ended 31 March 2016.

### **ACTIVITIES**

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

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

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

### **PERFORMANCE AND RESULTS**

The income of the Company consists primarily of changes in the fair value of equity investments and dividend income. Changes in the fair value of equity investments resulted in an increase in value of US\$32,127,410 (2015: US\$10,936,797). Dividend income earned by the Company from its commercial and tourism real estate investments was US\$8,082,979 (2015: US\$7,755,757) (see note 7).

The net income attributable to the shareholders for year ended 31 March 2016 amounted to US\$37,768,453 (2015: US\$15,325,583). There was no charge for taxation.

### **DIVIDENDS**

Dividends declared during each of the years ended 31 March 2016 and 2015 amounted to US\$4,000,000 or US\$0.297 per share.

### **DIRECTORS AND THEIR INTERESTS**

Except as stated in note 12 to the consolidated financial statements, no Director has had an interest in any transaction which, during the reporting period, was carried out by the Company, or any interest, direct or indirect, in the promotion of the Company or in any assets which have been acquired or disposed of or leased to the Company or are proposed to be acquired, disposed of by or leased to the Company. The names of the Directors and their interests in the share capital of the Company as at 31 March 2016 are shown in note 12.

### **AUDITORS**

The appointment of EY Caribbean Professional Services Limited as the Company's auditors was approved at the Annual General Meeting of the Company held on 8 March 2016.

Approved by the Board of Directors on 21 June 2016 and signed on its behalf:

**Sebastiaan A.C. Berger**  
*Director*

**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 2016, which presents fairly the state of affairs of the Company and of the income or loss for the year then ended. In preparing these consolidated financial statements, the Directors are required to:

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

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

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of CEIBA Investments Limited, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as prescribed by the International Accounting Standards Board 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Opinion**

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of CEIBA Investments Limited as at 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies (Guernsey) Law, 2008.

**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.

21 June 2016

**Caribbean Professional Services Limited**

An affiliate firm of Ernst & Young Global

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 US\$	2015 US\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	10,154,342	2,659,040
Accounts receivable and accrued income	5	361,704	1,937,330
<b>Total current assets</b>		10,516,046	4,596,370
Accounts receivable and accrued income	5	30,808	131,983
Equity investments	7	145,554,058	113,376,648
Property, plant and equipment	8	515,816	396,375
<b>Total assets</b>		156,616,728	118,501,376
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	9	1,962,616	1,756,480
Dividends payable	10	4,000,000	–
<b>Total current liabilities</b>		5,962,616	1,756,480
<b>Total liabilities</b>		5,962,616	1,756,480
<b>Equity</b>			
Share capital	10	19,014,379	19,014,379
Share premium	10	49,657,630	49,657,630
Special reserve held for distribution		29,620,289	33,620,289
Revaluation surplus		248,199	173,199
Retained earnings		51,521,857	13,753,404
Accumulated other comprehensive loss		(82,388)	(156,193)
<b>Equity attributable to the shareholders of the parent</b>		149,979,966	116,062,708
Non-controlling interest	3	674,146	682,188
<b>Total equity</b>		150,654,112	116,744,896
<b>Total liabilities and equity</b>		156,616,728	118,501,376

See accompanying notes, which are an integral part of these consolidated financial statements.

**Sebastiaan A.C. Berger**  
Director

**John Herring**  
Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 US\$	2015 US\$
<b>Income</b>			
Change in fair value of equity investments	7	32,127,410	10,936,797
Dividend income	7	8,082,979	7,755,757
Travel agency commissions		252,194	160,066
Interest income		385	70,684
		<u>40,462,968</u>	<u>18,923,304</u>
<b>Expenses</b>			
Management costs	12	(1,007,368)	(757,575)
Other staff costs		(299,709)	(369,724)
Travel		(266,402)	(120,414)
Participation agreement payments to 3rd parties		(243,877)	(207,669)
Operational costs		(229,969)	(217,664)
Legal expenses		(212,443)	(229,000)
Administration fees and expenses		(168,778)	(160,446)
Audit fees		(149,915)	(82,772)
Miscellaneous expenses		(105,521)	(86,806)
Director fees and expenses	12	(103,083)	(111,844)
Depreciation	8	(29,492)	(41,633)
		<u>(2,816,557)</u>	<u>(2,385,547)</u>
Foreign exchange gain (loss)		<u>114,000</u>	<u>(1,222,988)</u>
<b>Net income for the year</b>		<u>37,760,411</u>	<u>15,314,769</u>
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</b>			
Revaluation of art works		75,000	–
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</b>			
Exchange differences of translation of foreign operations		<u>73,805</u>	<u>(156,193)</u>
<b>Total comprehensive income</b>		<u><u>37,909,216</u></u>	<u><u>15,158,576</u></u>
<b>Net income for the year attributable to:</b>			
Shareholders of the parent		37,768,453	15,325,583
Non-controlling interest		(8,042)	(10,814)
Basic and diluted earnings per share	13	2.81	1.14

See accompanying notes, which are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 US\$	2015 US\$
<b>Operating activities</b>			
Net income for the year		37,760,411	15,314,769
<i>Items not effecting cash:</i>			
Depreciation		29,492	41,633
Interest income		(385)	(70,684)
Change in fair value of equity investments	7	(32,127,410)	(10,936,797)
		<u>5,662,108</u>	<u>4,348,921</u>
Decrease (increase) in accounts receivable and accrued income		1,750,606	(1,531,333)
Increase in accounts payable and accrued expenses		206,136	59,761
Interest received		<u>385</u>	<u>127,693</u>
<b>Net cash flows from operating activities</b>		<u>7,619,235</u>	<u>3,005,042</u>
<b>Investing activities</b>			
Purchase of equity investments	7	(50,000)	(150,000)
Purchase of property, plant & equipment	8	(73,933)	(18,817)
Loans and advances repaid		<u>–</u>	<u>604,884</u>
<b>Net cash flows from investing activities</b>		<u>(123,933)</u>	<u>436,067</u>
<b>Financing activities</b>			
Purchase of non-controlling interest	6	–	(646,212)
Payment of cash dividends		<u>–</u>	<u>(4,000,000)</u>
<b>Net cash flows from financing activities</b>		<u>–</u>	<u>(4,646,212)</u>
<b>Change in cash and cash equivalents</b>		7,495,302	(1,205,103)
Cash and cash equivalents at beginning of the year		<u>2,659,040</u>	<u>3,864,143</u>
<b>Cash and cash equivalents at end of the year</b>		<u>10,154,342</u>	<u>2,659,040</u>
Interest received		385	127,693

See accompanying notes, which are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2016**

	2016 US\$	2015 US\$
<b>Share capital</b>		
Initial balance	19,014,379	19,014,379
Final balance	19,014,379	19,014,379
<b>Share premium</b>		
Initial balance	49,657,630	49,657,630
Final balance	49,657,630	49,657,630
<b>Special reserve held for distribution</b>		
Initial balance	33,620,289	37,620,289
Dividends	(4,000,000)	(4,000,000)
Final balance	29,620,289	33,620,289
<b>Revaluation surplus</b>		
Initial balance	173,199	173,199
Revaluation of art works	75,000	–
Final balance	248,199	173,199
<b>Retained earnings</b>		
Initial balance	13,753,404	(1,572,179)
Net income for the year attributable to shareholders of the parent	37,768,453	15,325,583
Final balance	51,521,857	13,753,404
<b>Accumulated other comprehensive income (loss)</b>		
Initial balance	(156,193)	–
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods	73,805	(156,193)
Final balance	(82,388)	(156,193)
<b>Equity attributable to the shareholders of the parent</b>	149,979,966	116,062,708
<b>Non-controlling interest</b>		
Initial balance	682,188	1,424,115
Non-controlling interest acquired during year	–	(731,113)
Net loss for the year attributable to non-controlling interest	(8,042)	(10,814)
Final balance	674,146	682,188
<b>Total equity</b>	150,654,112	116,744,896

See accompanying notes, which are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

## 1. Corporate information

These consolidated financial statements for the year ended 31 March 2016 include the accounts of CEIBA Investments Limited and its subsidiaries, which are collectively referred to as the “Company” or “CEIBA”. These consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 21 June 2016.

CEIBA, through its subsidiaries, is an international venture investment company that was incorporated in 1995 in Guernsey, Channel Islands as a Registered Closed Ended Collective Investment Scheme for the purpose of investing in Cuba. On 1 May 2013, the status of the Company changed to an unregulated investment company rather than a regulated investment fund. The registered office of the Company is located at Dorey Court, Admiral Park, St. Peter Port, Guernsey, Channel Islands GY1 2HT.

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

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

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

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

## 2. Basis of preparation

### 2.1 *Statement of compliance and basis of measurement*

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

### 2.2 *Functional and presentation currency*

These consolidated financial statements are presented in United States Dollars (“US\$”), which is the Company’s functional currency. The majority of the Company’s income, equity investments and transactions are denominated in US\$, with the exception of HOMASI, whose functional currency is the Euro; and Mosaico Hoteles, whose functional currency is the Swiss Franc.

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

### 2.3 *Use of estimates and judgments*

The preparation of the Company’s consolidated financial statements, in conformity with IFRS, requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of

revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the 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 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 7).

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

## 2.4 **Reportable operating segments**

An operating 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.

## 2.5 **Equity investments**

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

Equity investments of the Company are recorded at fair value in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), on the basis of the exception provided for per IAS 28. 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.

## 2.6 **Changes in accounting policies**

*Standards and interpretations applicable this year*

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

The new standards or changes to preexisting standards, compulsorily applicable to fiscal years beginning on 1 January 2015 and which are listed below, have no impact on the Company's financial statements given that they involve equity components, types of transactions, special situations, activity sectors, or information elements foreign to the nature, characteristics and operations of the Company:

- IFRS annual improvements, 2010-2012 cycle, which affect:
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IAS 16 Tangible Assets and IAS 38 Intangible Assets
  - IAS 24 Related party Disclosures
- IFRS annual improvements – 2011-2013 cycle, which affect:
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurement
  - IAS 40 Investment Property

In addition, the Company has refrained from applying in advance any standard, interpretation or amendment, which, having already been issued, is not yet mandatory.

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

At the date of issuance of these financial statements, the following three standards with potential impact on the Company had been published by the IASB:

**IFRS 9 Financial Instruments:** IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” (and all previous versions of IFRS 9), collecting all three phases of the financial instruments project: Classification and measurement, Impairment and Hedge accounting. IFRS 9 is mandatory for annual reporting periods beginning on or after 1 January 2018. Except for hedge accounting, application with retrospective effect is required, but no change to comparative information is needed.

**IFRS 15 Revenue from Contracts with Customers:** IFRS 15 establishes a new accounting base according to a five-step model framework by which revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This new standard will repeal all other standards existing at present concerning the revenue recognition, and will be effective as of 1 January 2018. The standard will be implemented retrospectively (fully or partially) in its first year.

**IFRS 16 Leases:** IFRS 16 involves significant changes for lessees, who in most cases will have to recognize an asset for the right to use and a liability for the present value of future leases in their statement of financial position. There are few changes for lessors compared to the current IAS 17, which is replaced by IFRS 16. (Full or partial) application with retrospective effect for reporting periods beginning on or after 1 January 2019 is required.

The Company is currently assessing the impact these new standards will have on its consolidated financial statements.

### **3. Summary of significant accounting policies**

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

#### **3.1 Consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2016. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control. The Company has direct and indirect interests in Cuban joint venture companies that are not consolidated in the consolidated financial statements, but are accounted for in accordance with IAS 28. As a result of applying the fair value exception to equity accounting, 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 2016 and 2015:

<i>Entity Name</i>	<i>Country of Incorporation</i>	<i>Equity interest held by the Company or holding entity</i>	
		<i>2016</i>	<i>2015</i>
1. CEIBA Property Corporation Limited (a) (i)	Guernsey	100%	100%
1.1. CEIBA Publications Limited (a) (ii)	Guernsey	100%	100%
1.2. GrandSlam Limited (a) (iii)	Guernsey	100%	100%
1.3. Antilles Property Limited (a) (v)	Guernsey	100%	100%
1.4. CEIBA MTC Properties Inc.(a) (iv)	Panama	100%	100%
1.4.1 Inmobiliaria Monte Barreto S.A. (b) (vi)	Cuba	49%	49%
1.5. CEIBA Tourism Coöperatief U.A. (a) (vii)	Netherlands	100%	100%
1.5.1. Corporación Interinsular Hispana S.A. (b) (iv)	Spain	15%	15%
1.5.1.1. Cuba Canarias S.A. (c) (viii)	Cuba	50%	50%
1.5.2. HOMASI S.A. (a) (iv)	Spain	100%	100%
1.5.2.1. Miramar S.A. (b) (ix)	Cuba	50%	50%
1.5.3. Mosaico B.V. (a) (iv)	Netherlands	80%	80%
1.5.3.1. Mosaico Hoteles S.A. (a) (iv)	Switzerland	100%	100%
1.5.3.1.1. TosCuba S.A. (b) (x)	Cuba	50%	50%
2. Industrias Antillanas Limited (a) (iv)	Guernsey	100%	100%
2.1. Caricel Inc. (b) (iv)	Barbados	10%	10%
2.1.1. Intercan Inc. (c) (iv)	Barbados	100%	100%
2.1.1.1. 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 2016 and 2015.

(b) Company accounted at fair value at 31 March 2016 and 2015.

(c) Underlying operating company.

(i) Holding company for the Company's interests in real estate investments in Cuba that are facilitated by a representative office in Havana.

(ii) Publication company dedicated to publications related to Cuba. This company is currently inactive and in the process of being liquidated.

(iii) Operates a travel agency that provides services to international clients for travel to Cuba.

(iv) Holding company for underlying investments, conducting no operating activity and with no other significant assets.

(v) Company which is currently inactive and in the process of being liquidated.

(vi) Joint venture company that holds the Miramar Trade Center as its principal asset.

(vii) Dutch co-operative responsible for the holding and 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) Joint venture company incorporated to build a beach hotel in Trinidad, Cuba.

- (xi) Joint venture 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. This company is currently inactive and in the process of being liquidated.

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

### 3.2 **Foreign currency translation**

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

The financial statements of foreign subsidiaries included in the consolidation are translated into the reporting currency in accordance with the method established by IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities are translated at the closing rates at the statement of financial position date, and income and expense items at the average rates for the period. Translation differences are taken to other comprehensive income and shown separately as foreign exchange reserves on consolidation without affecting income. Translation differences during the year ended 31 March 2016 were income of US\$73,805 (31 March 2015: loss of US\$156,193).

The exchange rate used in these consolidated financial statements at 31 March 2016 is 1 Euro = 1.137967 US\$ (31 March 2015: 1 Euro = 1.073224 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 **Travel agency commissions**

GrandSlam, a wholly-owned subsidiary of the Company, is a travel agency that acts as an intermediary between the customer and airlines, tour operators and hotels. GrandSlam facilitates transactions and earns a commission in return for its service. This commission may take the form of a fixed fee per transaction or a stated percentage of the customer billing, depending on the transaction and the related vendor.

Therefore, GrandSlam Limited is considered to be an agency since the following criteria have been met:

- It does not have the primary responsibility for providing the services to the customer;
- It does not have inventory risk before or after the customer order;
- It does not have significant latitude in establishing prices; and
- It does not bear significant credit risk on receivables due from the customer as services are paid in advance.

Include in total expenses of US\$2,816,557, shown in the consolidated statement of comprehensive income, are expenses related to GrandSlam Limited of US\$87,334 (31 March 2015: US\$108,482).

### 3.7 **Fees and expenses**

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

### 3.8 **Taxation**

Deferred taxes are provided for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using current corporation tax rate.

Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Where it is not certain that the temporary difference will be reversed no deferred taxation asset is established. At 31 March 2016 and 2015 the Company has not established a deferred tax assets or liabilities.

The average tax rates applicable to the income of Company and its subsidiaries in their respective jurisdictions are as follows:

Guernsey	0%
Barbados	2.5%
The Netherlands	0%
Panama	0%
Spain	0%
Cuba (i)	15%

- (i) On 16 April 2014, the National Assembly of Cuba approved a new foreign investment law, which came into force in July 2014. Changes brought by the new law, compared to the foreign investment law previously in effect, include a reduction of the standard corporate tax rate of Cuban joint venture companies from 30 per cent. to 15 per cent. and the removal of a tax on labour.

### 3.9 **Financial assets and financial liabilities**

#### (a) *Recognition and initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value.

#### (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

Equity investments are measured at fair value through profit or loss and are carried in the consolidated statement of financial position at fair value. Changes in fair value of equity investments are recognized in the statement of comprehensive income.

Other financial assets are initially recognized at fair value and are subsequently measured at amortized cost at each reporting date less any impairment losses. If there is an objective

indication of impairment, the amount of any impairment loss identified as measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

(c) *Fair value measurement*

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

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

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

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

(d) *Identification and measurement of impairment*

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.

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

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

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

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

(e) *Derecognition*

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

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

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

3.10 **Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand and short-term deposits and other short-term highly liquid investments with remaining maturities at the time of acquisition of three months or less.

3.11 **Loans and advances**

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

3.12 **Property, plant and equipment**

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

Office furniture and equipment	4 to 7 years
Motor vehicles	5 years

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.

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 surplus in shareholders' equity. Valuations of works of art are conducted with sufficient regularity to ensure the value correctly reflects the fair value at the statement of financial position date. Valuations are mostly based on active market prices, adjusted for any difference in the nature or condition of the specific asset.

3.13 **Share capital**

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

### 3.14 **Special reserve held for distribution**

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

### 3.15 **Non-controlling interest**

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

	2016 US\$	2015 US\$
Current assets	766,489	468,868
Non-current assets	2,764,615	3,054,707
Current liabilities	(160,373)	(112,633)
Equity	<u>(3,370,731)</u>	<u>(3,410,942)</u>
Net loss	<u>(40,211)</u>	<u>(54,068)</u>

## 4. **Cash and cash equivalents**

	2016 US\$	2015 US\$
Cash on hand	3,886	35,085
Bank current accounts (i)	<u>10,150,456</u>	<u>2,623,955</u>
	<u>10,154,342</u>	<u>2,659,040</u>

(i) Balance without restriction.

## 5. **Accounts receivable and accrued income**

	2016 US\$	2015 US\$
Dividend receivable – Monte Barreto	–	1,511,447
Capital contributions due from non-controlling interest (note 7)	301,177	451,177
Other accounts receivable and deposits	<u>91,335</u>	<u>106,689</u>
	<u>392,512</u>	<u>2,069,313</u>
<b>Current portion</b>	<u>(361,704)</u>	<u>(1,937,330)</u>
<b>Non-current portion</b>	<u>30,808</u>	<u>131,983</u>

Accounts receivable and accrued income have the following future maturities:

	2016 US\$	2015 US\$
Up to 30 days	28,368	35,983
Between 31 and 90 days	115,342	1,635,358
Between 91 and 180 days	110,117	9,135
Between 181 and 365 days	107,877	256,854
Over 365 days	<u>30,808</u>	<u>131,983</u>
	<u>392,512</u>	<u>2,069,313</u>

## 6. Changes in equity investments

### **HOMASI S.A.**

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

In January 2015 of the prior year, the Company, through its subsidiary CEIBA Tourism Coöperatief U.A. ("CEIBA Tourism"), acquired a 5 per cent. equity interest in HOMASI for a total purchase price of US\$646,212 which increased the Company's share equity interest to 100 per cent.

In prior periods, HOMASI entered into participation agreements which effectively split the economic interest of its net income between the holders of the participation agreements and the holders of the share equity. As of 31 March 2016 and 2015, HOMASI has entered into participation agreements that represent a total of 41 per cent. of the economic interest of its net income.

As noted above, the Company currently holds 100 per cent. of the share equity of HOMASI. However, the Company's economic interest in the net income of HOMASI is 86 per cent. at 31 March 2016 and 2015. This is because the Company only holds 27 per cent. of the 41 per cent. economic interest represented by participation agreements. The participation agreements representing the remaining 14 per cent. economic interest was sold by HOMASI in a prior period to third parties.

As HOMASI holds a 50 per cent. equity interest in Miramar, the Company's indirect economic interest in Miramar is 43 per cent.

## 7. Equity investments

	2016 US\$	2015 US\$
Monte Barreto	76,917,742	69,349,635
Miramar (i)	45,888,232	21,168,150
CIHSA (ii)	19,418,377	19,579,156
TosCuba S.A. (iii)	3,104,707	3,054,707
Caricel Inc.	225,000	225,000
	<u>145,554,058</u>	<u>113,376,648</u>

(i) The equity investments in Miramar comprises: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in Miramar is 43 per cent. (31 March 2015: 43 per cent.).

(ii) The equity investments in CIHSA are comprised of: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in CIHSA is 27.75 per cent. (31 March 2015: 27.75 per cent.).

(iii) The Company owns an 80 per cent. interest in Mosaico B.V., which in turn has an indirect 50 per cent. share equity interest in TosCuba S.A., a Cuban joint venture company that is developing a 400 room 4-star hotel at Playa Maria Aguilar near the city of Trinidad, Cuba. To date, TosCuba S.A. has invested approximately US\$6.7 million in the acquisition of surface rights, the development of architectural works and technical drawings, ground preparation and other capitalized costs. The Company has made capital contributions of US\$3,104,707 (31 March 2015: US\$3,054,707) which is the estimated fair value of the investment. The 20 per cent. interest in Mosaico B.V. held by a third party has been accounted for as a non-controlling interest in these financial statements. Total capital contributions made by the non-controlling interest as of 31 March 2016 were US\$400,000 (31 March 2015: US\$250,000) with additional capital contributions pending to be made of US\$301,177 (31 March 2015: US\$451,177) (see note 5).

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

	2016 US\$	2015 US\$
Initial balance	113,376,648	102,289,851
Movement during the year:		
Capital contributions – TosCuba S.A.	50,000	150,000
Changes in fair value:		
Revaluation of equity investment – Monte Barreto	7,568,107	9,759,127
Revaluation of equity investment – Miramar	24,720,082	1,294,132
Revaluation of equity investment – CIHSA	(160,779)	(116,462)
Carrying amount at fair value	<u>145,554,058</u>	<u>113,376,648</u>

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

### **Monte Barreto**

The Company holds the full foreign equity interest of 49 per cent. 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 approximately 80,000 square meters of constructed area of which approximately 56,000 square meters is net rentable area.

The Company is the sole foreign investor in Monte Barreto and holds its 49 per cent. interest in the joint venture company through its wholly-owned subsidiary CEIBA MTC Properties Inc. ("CEIBA MTC"), incorporated in Panama. The remaining 51 per cent. 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.

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

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

Cash flows have been estimated until 2046 when the joint venture expires. The key assumptions used in the discounted cash flow model are the following:

	2016	2015
Discount rate (after tax)	9.4%	9.5%
Occupancy year 1	99%	87%
Average occupancy year 2 to 6	98%	98%
Occupancy year 7 and subsequent periods	95%	98%
Average rental rates per square meter per month – year 1 to 4	US\$24.59	US\$22.74
Annual increase in rental rates subsequent to year 4 (i)	2%	2%
Capital investments as percentage of rental revenue	2%	2%

(i) The increase in subsequent periods is in-line with the rate of long-term inflation.

## **Miramar**

At 31 March 2016 and 2015, the combined economic interest of the Company in HOMASI by way of its share equity interest and participation agreement is 86 per cent., representing a 43 per cent. interest in Miramar. The Company's interest in HOMASI is comprised of a share equity interest, equal to 100 per cent. of the share equity of HOMASI, as well as a contractual interest in 27 per cent. of the net income of HOMASI in the form of a participation agreement. HOMASI has entered into participation agreements which effectively split the economic interest of its net income between the holders of the participation agreements and the holders of the share equity. As of 31 March 2016 and 2015, HOMASI has entered into participation agreements that represent a total of 41 per cent. of the economic interest of its net income of which the Company holds 27 per cent.. The participation agreements representing the remaining 14 per cent. economic interest was sold by HOMASI in a prior period to third parties.

HOMASI is the foreign shareholder (incorporated in Spain) that owns a 50 per cent. share equity interest in the Cuban joint venture company Miramar, which has constructed and owns the Meliá Habana Hotel, a 5-star hotel that has 397 rooms, including 16 suites. The remaining economic interests in Miramar not held by the Company are held by other foreign investors (as to 7 per cent.) and by the Cuban company, Corporación de Turismo y Comercio Internacional, Cubanacán S.A. ("CUBANACAN") (as to 50 per cent.).

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

### *Key assumptions used in the estimated fair value of Miramar:*

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

Cash flows have been estimated for a ten year period. Cash flows from year 11 onward are equal to the capitalised amount of the cash flows at year 10. The key assumptions used in the discounted cash flow model are the following:

	2016	2015
Discount rate (after tax)	11.7%	12.0%
Average occupancy year 1 to 4	85%	80%
Occupancy year 5 and subsequent periods	85%	81%
Average daily rate per guest – year 1	US\$161.24	US\$110.14
Average increase in average daily rate per guest – year 2 to 6	4%	2%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue	5%	5%

(i) The increase in subsequent periods is in-line with the estimated rate of long-term inflation.

**Surface rights:** It has been assumed that the surface rights will be renewed in 2023. The estimated cost of this renewal is based on several assumptions including the historic cost of the original surface rights and the total estimated asset value of the property in 2023.

## **CIHSA**

At 31 March 2016 and 2015, the combined economic interest of the Company in CIHSA by way of its share equity interest and a participation agreement is 27.75 per cent. (representing a 13.875 per cent. interest in Cubanacan). The Company's interest in CIHSA is comprised of an equity interest, equal to 15 per cent. of the share equity of CIHSA (representing an economic interest of 12.75 per cent.), as well as a contractual interest

in 15 per cent. of the net income of CIHSA in the form of a participation agreement. In a prior period, CIHSA entered into a participation agreement with the Company which effectively splits the economic interest of its net income between the Company's participation agreement and the holders of the share equity. Under the participation agreement the Company is entitled to receive distributions equivalent to 15 per cent. of the net income of CIHSA. There are no other participation agreements with third parties.

CIHSA is the foreign shareholder (incorporated in Spain) that owns a 50 per cent. share equity interest in the Cuban joint venture company Cubacan. Cubacan has constructed and owns three beach resort hotels in Varadero known as the Meliá Las Americas, Meliá Varadero and Sol Palmeras Hotels (the "Varadero Hotels"), having an aggregate total of 1,437 rooms. The hotels are adjacent to the Varadero Golf Course and are operated by Grupo Sol Meliá. The remaining economic interests in Cubacan not held by the Company are held by other foreign investors (as to 36.125 per cent.) and by CUBANACAN (as to 50 per cent.).

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

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

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

#### *Usufruct rights and joint venture term*

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

In May 2015, the initial term of the usufruct rights of the Sol Palmeras Hotel expired. The usufruct rights of the Meliá Varadero Hotel will expire in 2017 and those of the Meliá Las Americas Hotel will expire in 2019. The expiry of the term of incorporation of the joint venture company is linked to the expiry of the usufruct right of the Meliá Las Americas Hotel (the last of the Varadero Hotels to start up operations and consequently the last to expire). 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 fair value of its interest therein.

#### *Key assumptions used in the estimated fair value of CIHSA:*

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

Cash flows have been estimated for a ten year period. Cash flows from year 11 onward are equal to the capitalised amount of the cash flows at year 10. The key assumptions used in the discounted cash flow model are the following:

	2016	2015
<b><u>Meliá Las Americas</u></b>		
Discount rate (after tax)	12%	12%
Average occupancy year 1 to 5	83%	80%
Occupancy year 6 and subsequent periods	84%	80%
Average daily rate per guest – year 1	US\$128.62	US\$127.63
Average increase in average daily rate per guest – year 2 to 6	3%	2%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue	5%	5%

(i) The increase in subsequent periods is in-line with the estimated rate of long-term inflation.

<b><u>Meliá Varadero</u></b>		
Discount rate (after tax)	12%	12%
Average occupancy year 1 to 5	79%	72%
Occupancy year 6 and subsequent periods	81%	72%
Average daily rate per guest – year 1	US\$102.90	US\$98.94
Average increase in average daily rate per guest – year 2 to 6	3%	2%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue	5%	5%

<b><u>Sol Palmeras</u></b>		
Discount rate (after tax)	12%	12%
Average occupancy year 1 to 5	83%	80%
Occupancy year 6 and subsequent periods	84%	81%
Average daily rate per guest – year 1	US\$89.05	US\$84.10
Increase in average daily rate per guest – year 2	2%	9%
Average increase in average daily rate per guest – year 3 to 6	4%	2%
Increase in average daily rate per guest subsequent to year 6 (i)	2%	2%
Capital investments as percentage of total revenue	5%	5%

(i) The increase in subsequent periods is in-line with the estimated rate of long-term inflation.

**Usufruct rights:** It has been assumed that the usufruct rights will be renewed at the date of their expiry. The estimated cost of their renewal is based on several assumptions including the historic cost of the original usufruct rights and the total estimated asset value of the properties at the date the usufruct rights expire.

### ***Sensitivity to changes in the estimated rental rates/average daily rates***

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying rental rates/average daily rates between 15 per cent. lower and 15 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower rental rates/average daily rates:

	<i>Financial statements</i> US\$	-5% US\$	-10% US\$	-15% US\$
Monte Barreto	76,917,742	73,239,047	69,560,352	65,881,656
Miramar	45,888,232	43,562,391	41,236,550	38,910,709
CIHSA	19,418,377	18,446,235	17,559,040	16,649,703

The following table details the fair values of the equity investments when applying higher rental rates/average daily rates:

	<i>Financial statements US\$</i>	<i>+5% US\$</i>	<i>+10% US\$</i>	<i>+15% US\$</i>
Monte Barreto	76,917,742	80,596,437	84,275,132	87,953,827
Miramar	45,888,232	48,214,073	50,539,914	52,865,755
CIHSA	19,418,377	20,400,054	21,455,130	22,459,022

### ***Sensitivity to changes in the occupancy rates***

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying occupancy rates between 15 per cent. lower and 15 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower occupancy rates:

	<i>Financial statements US\$</i>	<i>-5% US\$</i>	<i>-10% US\$</i>	<i>-15% US\$</i>
Monte Barreto	76,917,742	73,053,608	69,185,062	65,311,311
Miramar	45,888,232	43,155,164	40,422,095	37,689,027
CIHSA	19,418,377	18,240,919	17,151,326	16,072,138

The following table details the fair values of the equity investments when applying higher occupancy rates:

	<i>Financial statements US\$</i>	<i>+5% US\$</i>	<i>+10% US\$</i>	<i>+15% US\$</i>
Monte Barreto (i)	76,917,742	80,576,140	n/a	n/a
Miramar	45,888,232	48,621,300	51,354,368	54,032,775
CIHSA	19,418,377	20,609,294	21,879,340	23,268,068

(i) In the case of Monte Barreto, only a constant occupancy rate of 100 per cent. is shown under the increase of 5 per cent. as projected occupancy is already above 95 per cent.

### ***Sensitivity to changes in the discount and capitalisation rates***

The following tables detail the change in fair values of the equity investments, which have been estimated under the discounted cash flow method, when applying both discount and capitalisation rates between 3 per cent. lower and 3 per cent. higher than the rates used in these consolidated financial statements. The following table details the fair values of the equity investments when applying lower discount and capitalization rates:

	<i>Financial statements US\$</i>	<i>-1% US\$</i>	<i>-2% US\$</i>	<i>-3% US\$</i>
Monte Barreto	76,917,742	84,441,664	93,311,484	103,838,248
Miramar	45,888,232	51,043,481	57,565,078	66,068,413
CIHSA	19,418,377	21,644,162	24,427,793	28,006,967

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

	<i>Financial statements US\$</i>	<i>+1% US\$</i>	<i>+2% US\$</i>	<i>+3% US\$</i>
Monte Barreto	76,917,742	70,493,499	64,973,018	60,199,600
Miramar	45,888,232	41,714,095	38,267,684	35,375,566
CIHSA	19,418,377	17,598,803	16,084,152	14,804,191

### ***Dividend income from equity investments***

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

	<i>2016 US\$</i>	<i>2015 US\$</i>
Monte Barreto	4,530,003	4,897,304
Miramar	1,875,000	1,625,000
CIHSA	1,654,976	1,178,701
Caricel Inc.	23,000	54,752
	<u>8,082,979</u>	<u>7,755,757</u>

## **8. Property, plant and equipment**

	<i>Motor vehicles US\$</i>	<i>Office furniture and equipment US\$</i>	<i>Works of art US\$</i>	<i>Total US\$</i>
<i>Cost:</i>				
At 1 April 2014	329,580	108,498	309,800	747,878
Additions	5,500	13,318	–	18,818
Disposals	(66,938)	–	–	(66,938)
At 31 March 2015	<u>268,142</u>	<u>121,816</u>	<u>309,800</u>	<u>699,758</u>
Additions	67,530	6,403	–	73,933
Revaluation	–	–	75,000	75,000
Disposals	–	(30,082)	–	(30,082)
At 31 March 2016	<u>335,672</u>	<u>98,137</u>	<u>384,800</u>	<u>818,609</u>
<i>Accumulated Depreciation:</i>				
At 1 April 2014	230,090	98,597	–	328,687
Additions	34,939	6,694	–	41,633
Disposals	(66,937)	–	–	(66,937)
At 31 March 2015	<u>198,092</u>	<u>105,291</u>	<u>–</u>	<u>303,383</u>
Additions	23,476	6,016	–	29,492
Disposals	–	(30,082)	–	(30,082)
At 31 March 2016	<u>221,568</u>	<u>81,225</u>	<u>–</u>	<u>302,793</u>
<i>Net book value:</i>				
At 31 March 2015	<u>70,050</u>	<u>16,525</u>	<u>309,800</u>	<u>396,375</u>
At 31 March 2016	<u>114,104</u>	<u>16,912</u>	<u>384,800</u>	<u>515,816</u>

## 9. Accounts payable and accrued expenses

	2016 US\$	2015 US\$
Due to Miramar S.A. (i)	1,350,257	1,354,246
Participation payments payable (ii)	139,037	82,689
Accrued professional fees	140,000	91,250
Accrued Directors fees	26,879	25,112
Other accrued expenses	88,659	44,557
Other accounts payable	217,784	158,626
	<u>1,962,616</u>	<u>1,756,480</u>

- (i) Due to Miramar S.A. relates to advances received by HOMASI. It is anticipated that the amount will be settled against future declared dividends of Miramar S.A.
- (ii) Participation payments payable relate to amounts earned by third parties under participation agreements with HOMASI, a subsidiary of the Company, and are pending distribution.

The future maturity profile of accounts payable and accrued expenses based on contractual undiscounted payments:

	2016 US\$	2015 US\$
Up to 30 days	377,672	191,534
Between 31 and 90 days	234,687	210,700
Between 181 and 365 days	1,350,257	1,354,246
	<u>1,962,616</u>	<u>1,756,480</u>

## 10. Share capital and share premium

### **Authorised**

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

### **Issued**

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

	Number of ordinary shares	Share capital US\$	Share premium US\$
<b>Share capital and share premium</b>			
Share capital and share premium at 1 April 2014	13,458,947	19,014,379	49,657,630
Share capital and share premium at 31 March 2015	13,458,947	19,014,379	49,657,630
Share capital and share premium at 31 March 2016	13,458,947	19,014,379	49,657,630

### **Dividends payable**

On 31 March 2016, the Board of Directors declared the distribution of an interim dividend from the special reserve in the amount to US\$4,000,000 or US\$0.297 per share. The dividend was paid in cash on 7 June 2016 to the Shareholders of record on 31 March 2016.

## 11. Reportable operating segments

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 currently organised into three business segments:

- *Commercial property:* Activities concerning the Company's interests in commercial real estate investments in Cuba that are facilitated by a representative office in Havana.
- *Tourism/Leisure:* Activities concerning the Company's interests in hotel investments in Cuba and operations of a travel agency that provides services to international clients for travel to Cuba.
- *Other:* Includes the Company's interest in a Cuban joint venture company that operates a paper mill in Cuba producing tissue paper products and amounts not allocated to a specific business segment.

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. The Company has applied judgment by aggregating its operating segments according to the nature of the underlying investments. Such judgment considers the nature of operations, types of customers and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

	31 March 2016 US\$			
	<i>Commercial property</i>	<i>Tourism/ Leisure</i>	<i>Other</i>	<i>Total</i>
Total assets	81,964,478	74,427,250	225,000	156,616,728
Total liabilities	(219,216)	(1,743,400)	(4,000,000)	(5,962,616)
<b>Total net assets</b>	<u>81,745,262</u>	<u>72,683,850</u>	<u>(3,775,000)</u>	<u>150,654,112</u>
Change in fair value of equity investments	7,568,107	24,559,303	–	32,127,410
Dividend income	4,530,003	3,529,976	23,000	8,082,979
Other income	–	252,194	385	252,579
Allocated expenses	(1,442,291)	(1,356,597)	(17,669)	(2,816,557)
Foreign exchange gain	–	–	114,000	114,000
<b>Total income</b>	<u>10,655,819</u>	<u>26,984,876</u>	<u>119,716</u>	<u>37,760,411</u>
<b>Other comprehensive income</b>	<u>–</u>	<u>–</u>	<u>148,805</u>	<u>148,805</u>
<b>Total comprehensive income</b>	<u>10,655,819</u>	<u>26,984,876</u>	<u>268,521</u>	<u>37,909,216</u>
<b>Other segment information:</b>				
Property, plant and equipment additions	72,028	1,905	–	73,933
Depreciation	(26,682)	(2,810)	–	(29,492)

	31 March 2015 US\$			
	<i>Commercial property</i>	<i>Tourism/ Leisure</i>	<i>Other</i>	<i>Total</i>
Total assets	71,715,848	46,539,865	245,663	118,501,376
Total liabilities	(181,751)	(1,574,729)	–	(1,756,480)
<b>Total net assets</b>	<u>71,534,097</u>	<u>44,965,136</u>	<u>245,663</u>	<u>116,744,896</u>
Change in fair value of equity investments	9,759,127	1,177,670	–	10,936,797
Dividend income	4,897,304	2,803,701	54,752	7,755,757
Other income	–	160,066	70,684	230,750
Allocated expenses	(1,482,353)	(884,142)	(19,052)	(2,385,547)
Foreign exchange loss	–	–	(1,222,988)	(1,222,988)
<b>Total income</b>	<u>13,174,078</u>	<u>3,257,295</u>	<u>(1,116,604)</u>	<u>15,314,769</u>
<b>Other comprehensive income</b>	<u>–</u>	<u>–</u>	<u>(156,193)</u>	<u>(156,193)</u>
<b>Total comprehensive income</b>	<u>13,174,078</u>	<u>3,257,295</u>	<u>(1,272,797)</u>	<u>15,158,576</u>
<b>Other segment information:</b>				
Property, plant and equipment additions	10,076	8,742	–	18,818
Depreciation	(40,020)	(1,613)	–	(41,633)

## 12. Related parties disclosures

### **Compensation of Directors**

Each Director receives a fee of €9,000 (US\$10,242) per annum with the Chairman receiving €25,000 (US\$28,449). The Chairman and Directors also receive €1,700 (US\$1,935) in attendance fees per quarterly meeting and are reimbursed other expenses properly incurred by them in attending meetings and other business of the Company. No other compensation or post-employment benefits are provided to Directors. Total Director fees, including the fees of the Chairman, for the year ended 31 March 2016 were US\$103,083 (2015: US\$111,844).

### **Transactions with Directors and shareholders**

Enrique Rottenberg and Sebastiaan A.C. Berger are Directors of the Company and also directors of various subsidiaries of the Company.

Included within management costs for the year ended 31 March 2016 of US\$1,007,368 (2015: US\$757,575) are costs related to payments regarding Sebastiaan A.C. Berger for his services as country representative of CPC, and fees payable by CEIBA Tourism and CEIBA Investments Limited to companies in which he has a non-controlling interests totalling US\$274,208 (2015: US\$253,261). Also included within management costs for the year ended 31 March 2016 are costs related to payments regarding Enrique Rottenberg for his services as General Manager of Monte Barreto and director of CEIBA MTC totalling US\$345,750 (2015: US\$261,450).

### **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 per cent. interest. The rental charges paid under these leases are accounted for in operational costs and for the year ended 31 March 2016 amounted to US\$133,491 (2015: US\$133,648).

### **Interests of Directors and Executives in the share capital**

Colin Kingsnorth, a Director of the Company, is a director and shareholder of Laxey Partners Limited ("Laxey"). Laxey holds 1,633,841 shares. Funds managed by Laxey hold 1,709,508 shares.

Sebastiaan A.C. Berger, a Director and Chief Executive Officer of the Company, owns 273,433 shares and has an indirect interest in a further 113,125 shares. He is also an indirect shareholder of Caricel Investments Inc., a company that holds a 90 per cent. interest in Caricel Inc., in which the Company also holds a 10 per cent. interest.

Enrique Rottenberg, a Director of the Company, has an interest in 575,155 shares.

John Herring, a Director of the Company, is the principal of an investment advisory firm that provides advice to a private investment company that holds 4,018,818 shares.

Cameron Young, Chief Operating Officer of the Company, has an interest in 497,459 shares. He is also an indirect shareholder of Caricel Investments Inc., a company that holds a 90 per cent. interest in Caricel Inc., in which the Company also holds a 10 per cent. interest.

Paul S. Austin, Chief Financial Officer of the Company, has an interest in 18,000 shares.

### 13. Basic and diluted earnings per share

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

	2016 US\$	2015 US\$
Weighted average of ordinary shares in issue	13,458,947	13,458,947
Net income for the year attributable to the shareholders	37,768,453	15,325,583
Basic and diluted earnings per share	2.81	1.14

### 14. 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 2016 and 2015 are US\$133,491.

The rental charges paid under operating leases accounted for in operational costs of the statement of comprehensive income for the year ended 31 March 2016 amounted to US\$133,491 (2015: US\$133,648).

### 15. Financial risk management

#### ***Introduction***

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

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

#### ***Market price risk***

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

(i) *Foreign currency risk*

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

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

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

The sensitivity of the income (loss) to a variation of the exchange rate (EUR/US\$) in relation to Euro denominated assets as at 31 March 2016 is the following:

<i>Effect of the variation in the foreign exchange rate</i>	<i>Income (loss) US\$</i>
+ 15%	533,131
+20%	710,841
-15%	(533,131)
-20%	(710,841)

(ii) *Interest rate risk*

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

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

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

	<i>Total US\$</i>	<i>Fixed rate US\$</i>	<i>Floating rate US\$</i>	<i>Non- interest bearing US\$</i>
<b>31 March 2016</b>				
Equity investments (US\$)	145,554,058	—	—	145,554,058
Accounts receivable and accrued income (US\$)	381,171	—	—	381,171
Accounts receivable and accrued income (€)	11,341	—	—	11,341
Cash at bank (AED)	6,182,357			6,182,358
Cash at bank (€)	3,766,530	2,696,545	—	1,069,985
Cash at bank (US\$)	201,569	—	—	201,569
Cash on hand (€)	273	—	—	273
Cash on hand (US\$)	1,424	—	—	1,424
Cash on hand (CUC)	2,189	—	—	2,188

	<i>Total</i> <i>US\$</i>	<i>Fixed</i> <i>rate</i> <i>US\$</i>	<i>Floating</i> <i>rate</i> <i>US\$</i>	<i>Non-</i> <i>interest</i> <i>bearing</i> <i>US\$</i>
<b>31 March 2015</b>				
Equity investments (US\$)	113,376,648	–	–	113,376,648
Accounts receivable and accrued income (US\$)	2,052,625	–	–	2,052,625
Accounts receivable and accrued income (€)	16,688	–	–	16,688
Cash at bank (€)	2,356,490	2,355,448	–	1,042
Cash at bank (US\$)	267,465	–	–	267,465
Cash on hand (€)	3,026	–	–	3,026
Cash on hand (CUC)	32,059	–	–	32,059

### **Credit risk**

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

#### *Maximum exposure to credit risk*

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

	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
Accounts receivable and accrued income	392,512	2,069,313
Cash and cash equivalents	10,154,342	2,659,040
<i>Total maximum exposure to credit risk</i>	<u>10,546,854</u>	<u>4,728,353</u>

Management does not believe there is any significant exposure to credit risk in regards to the accounts receivable and accrued income.

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:

	<i>Credit</i> <i>Rating</i>	<i>2016</i> <i>US\$</i>	<i>2015</i> <i>US\$</i>
<b>Cash at bank</b>			
Cuba	Caa2	150,442	215,931
Guernsey	A2	6,434,800	278,372
The Netherlands	A2	810,125	1,226,715
Spain	Ba2	2,755,089	902,937
		<u>10,150,456</u>	<u>2,623,955</u>
<b>Cash on hand</b>			
Cuba		3,886	35,085
		<u>3,886</u>	<u>35,085</u>
<b>Total cash and cash equivalents</b>		<u>10,154,342</u>	<u>2,659,040</u>

#### *Guarantees received*

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

### **Liquidity risk**

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

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

### **Operational risk**

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

### **Capital management**

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

The capital base managed by the Company is composed of share capital, share premium, reserves and retained profits that amount at 31 March 2016 and 2015 to a total of US\$150,654,112 and US\$116,744,896, respectively. The Company is not subject to external capital requirements.

## **16. Use of estimates and judgements**

### **Key sources of estimation uncertainty**

#### *Determining fair values*

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

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

#### *Valuation of financial instruments*

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

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

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes

instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

31 March 2016				
US\$				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Art work	–	384,800	–	384,800
Equity investments	–	–	145,554,058	145,554,058
	–	384,800	145,554,058	145,938,858
31 March 2015				
US\$				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Art work	–	309,800	–	309,800
Equity investments	–	–	113,376,648	113,376,648
	–	309,800	113,376,648	113,686,448

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:

	2016 US\$	2015 US\$
<b>Unlisted private equity investments</b>		
<b>Initial balance</b>	113,376,648	102,289,851
Total gains recognised in income or loss	32,127,410	10,936,797
Purchases and additions	50,000	150,000
<b>Final balance</b>	<u>145,554,058</u>	<u>113,376,648</u>
Total losses for the year included in income or loss relating to assets and liabilities held at the end of the reporting period	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

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

## 17. 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 2016 US\$			
	Note	Designated at fair value through profit or loss	Loans and receivables	Other liabilities	Total carrying amount
Cash and cash equivalents	4	—	10,154,342	—	10,154,342
Accounts receivable and accrued income	5	—	392,512	—	392,512
Equity investments	7	145,554,058	—	—	145,554,058
		<u>145,554,058</u>	<u>10,546,854</u>	<u>—</u>	<u>156,100,912</u>
Dividends payable	10	—	—	4,000,000	4,000,000
Accounts payable and accrued expenses	9	—	—	1,962,616	1,962,616
		<u>—</u>	<u>—</u>	<u>5,962,616</u>	<u>5,962,616</u>

31 March 2016

US\$

	Note	Designated at fair value through profit or loss	Loans and receivables	Other liabilities	Total carrying amount
Cash and cash equivalents	4	–	2,659,040	–	2,659,040
Accounts receivable and accrued income	5	–	2,069,313	–	2,069,313
Equity investments	7	113,376,648	–	–	113,376,648
		<u>113,376,648</u>	<u>4,728,353</u>	<u>–</u>	<u>118,105,001</u>
Accounts payable and accrued expenses	9	–	–	1,756,480	1,756,480
		<u>–</u>	<u>–</u>	<u>1,756,480</u>	<u>1,756,480</u>

There were no reclassifications of financial assets during the year ended 31 March 2016 (2015: nil).

# 18. Events after the reporting period

There were no significant events after the reporting period.

**PART C**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

**CEIBA INVESTMENTS LIMITED**  
Consolidated Financial Statements  
**At 31 March 2015**

## COMPANY INFORMATION AND MANAGEMENT

### REGISTERED OFFICE

CEIBA Investments Limited  
Frances House  
Sir William Place  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4HQ

### MANAGEMENT

Sebastiaan A.C. Berger  
Cameron Young  
Paul S. Austin  
Enrique Rottenberg

### REGISTRAR

Ansons Registrars Limited  
Anson Place  
Mill Court  
La Charroterie  
St Peter Port  
Guernsey  
Channel Islands  
GY1 1EJ

### LEGAL ADVISERS

Carey Olsen  
PO Box 98  
Carey House  
Les Banques  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4BZ

### BOARD OF DIRECTORS

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

Peter Fletcher

### ADMINISTRATOR, CUSTODIAN AND SECRETARY

JTC (Guernsey) Limited  
Frances House  
Sir William Place  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4HQ

### INDEPENDENT AUDITORS

Ernst & Young  
Caribbean Professional Services Limited  
Worthing Corporate Center  
Christ Church, BB15008  
Barbados

### ISIN CODE (ORDINARY SHARES)

GG00B5491D76

### REGISTRATION NUMBER

30083

## **DIRECTORS' REPORT**

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

### **ACTIVITIES**

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

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

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

### **PERFORMANCE AND RESULTS**

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

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

### **DIVIDENDS**

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

### **DIRECTORS AND THEIR INTERESTS**

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

### **AUDITORS**

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

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

**Sebastiaan A.C. Berger**  
*Director*

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

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

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

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of CEIBA Investments Limited:

### **Report on the Consolidated Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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

### **Emphasis paragraph**

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

**Report on other legal and regulatory requirements**

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

30 July 2015

**Ernst & Young**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

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

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

**Sebastiaan A.C. Berger**  
Director

**John Herring**  
Director

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

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

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

**Sebastiaan A.C. Berger**  
Director

**John Herring**  
Director

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 US\$	2014 US\$
<b>Operating activities</b>			
Net comprehensive profit for the year		15,158,576	9,979,169
<i>Items not effecting cash:</i>			
Depreciation		41,633	49,986
Non-controlling interest acquired in excess of purchase price		(84,901)	–
Interest income		(70,684)	(83,824)
Write off of loans and advances		–	47,683
Change in fair value of equity investments	6	(10,936,797)	(5,772,036)
		<u>4,107,827</u>	<u>4,220,978</u>
(Increase) decrease in accounts receivable and accrued income		(1,290,239)	56,372
Increase (decrease) in accounts payable and accrued expenses		59,761	(115,238)
Interest received		127,693	26,816
<b>Net cash flows from operating activities</b>		<u>3,005,042</u>	<u>4,188,928</u>
<b>Investing activities</b>			
Purchase of equity investments	6	(150,000)	(100,000)
Purchase of non-controlling interest	4	(646,212)	–
Sale of equity interest in subsidiary		–	730,156
Purchase and disposal of property, plant & equipment (net)	7	(18,817)	(41,321)
Loans and advances disbursed		–	(688,694)
Loans and advances repaid		604,884	–
<b>Net cash flows from investing activities</b>		<u>(210,145)</u>	<u>(99,859)</u>
<b>Financing activities</b>			
Payment of cash dividends		(4,000,000)	(4,000,000)
<b>Net cash flows from financing activities</b>		<u>(4,000,000)</u>	<u>(4,000,000)</u>
<b>Change in cash and cash equivalents</b>		<u>(1,205,103)</u>	<u>89,069</u>
Cash and cash equivalents at start of the year		3,864,143	3,775,074
<b>Cash and cash equivalents at end of the year</b>		<u>2,659,040</u>	<u>3,864,143</u>

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

**Sebastiaan A.C. Berger**  
Director

**John Herring**  
Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	2015 US\$	2014 US\$
<b>Share capital</b>		
Initial balance	19,014,379	19,014,379
Final balance	19,014,379	19,014,379
<b>Share premium</b>		
Initial balance	49,657,630	49,657,630
Final balance	49,657,630	49,657,630
<b>Special reserve</b>		
Initial balance	37,620,289	41,620,289
Dividends paid	(4,000,000)	(4,000,000)
Final balance	33,620,289	37,620,289
<b>Revaluation reserve</b>		
Initial balance	173,199	173,199
Final balance	173,199	173,199
<b>Retained earnings/(deficit)</b>		
Initial balance	(1,572,179)	(11,458,566)
Net income for the year attributable to shareholders of the parent	15,325,583	9,886,387
Final balance	13,753,404	(1,572,179)
<b>Other components of equity</b>		
Initial balance	–	–
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(156,193)	–
Final balance	(156,193)	–
<b>Equity attributable to the shareholders of the parent</b>	116,062,708	104,893,318
<b>Non-controlling interest</b>		
Initial balance	1,424,115	–
Non-controlling interest (acquired) generated during year	(731,113)	1,331,333
Net (loss) income for the year attributable to non-controlling interest	(10,814)	92,782
Final balance	682,188	1,424,115
<b>Total equity</b>	116,744,896	106,317,433

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

**Sebastiaan A.C. Berger**  
Director

**John Herring**  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

### 1. Corporate information

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

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

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

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

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

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

### 2. Basis of preparation

#### 2.1 *Statement of compliance and basis of measurement*

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

#### 2.2 *Functional and presentation currency*

These consolidated financial statements are presented in United States Dollars (“US\$”), which is the Company’s functional currency.

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

#### 2.3 *Use of estimates and judgments*

The preparation of the Company’s consolidated financial statements, in conformity with IFRS, requires Management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of

revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the loan provision and the valuation of equity investments. Actual results could differ from those estimates.

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

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

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

## 2.4 **Changes in accounting policies**

### *Standards and interpretations applicable in this year*

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

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

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

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

### **Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32**

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

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

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

### **IFRIC 21 Levies**

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

### **Annual Improvements 2010-2012 Cycle**

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

### **Annual Improvements 2011-2013 Cycle**

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

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

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

### **IFRS 9 Financial Instruments**

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

### **IFRS 14 Regulatory Deferral Accounts**

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

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

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

### **Annual improvements 2010-2012 Cycle**

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

### IFRS 2 Share-based Payment

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

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

### IFRS 3 Business Combinations

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

### IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

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

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

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

### IAS 24 Related Party Disclosures

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

## **Annual improvements 2011-2013 Cycle**

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

### IFRS 3 Business Combinations

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

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

### IFRS 13 Fair Value Measurement

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

## IAS 40 Investment Property

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

## IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

## 2.5 **Segment reporting**

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

## 2.6 **Equity investments**

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

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

## 3. **Summary of significant accounting policies**

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

### 3.1 **Consolidation**

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

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

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

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

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

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

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

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

(a) Company consolidated at 31 March 2015 and 2014.

(b) Company accounted at fair value at 31 March 2015 and 2014.

(c) Underlying operating company.

(i) Holding company for the Company's interests in real estate investments in Cuba that are facilitated by a representative office in Havana.

(ii) Publication company dedicated to publications related to Cuba.

(iii) Operates a travel agency that provides services to international clients for travel to Cuba.

(iv) Holding company for underlying investments, conducting no operating activity and with no other significant assets.

(v) Company which is currently inactive and in the process of being liquidated.

(vi) Joint venture company that holds the Miramar Trade Center as its principal asset.

(vii) Dutch co-operative responsible for the holding and 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) Joint venture company incorporated to build a beach hotel in Trinidad, Cuba.

(xi) Trading company that imports and exports paper products primarily to/from Cuba. This company was dissolved on 3 October 2014.

(xii) Company that operates a paper mill in Cuba producing tissue paper products.

(xiii) Finance company that invests primarily in short-term financing instruments related to Cuba.

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

### 3.2 **Foreign currency translation**

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

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

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

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

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

### 3.4 **Dividend income**

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

### 3.5 **Interest income**

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

### 3.6 **Sales income**

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

### 3.7 **Fees and expenses**

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

### 3.8 **Taxation**

#### (a) *Guernsey*

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

#### (b) *Barbados*

The entities that are resident in Barbados in which the Company has an interest are subject to tax on their taxable income at the maximum rate of 2.50 per cent. per annum in accordance

with section 1D (1) of the International Business Companies Act of Barbados. The interest of the Company in these entities is recorded at fair value.

(c) *The Netherlands, Panama, Spain*

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

(d) *Switzerland*

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

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

(e) *Cuba*

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

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

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

(i) *Inmobiliaria Monte Barreto S.A.:*

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

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

(ii) *Miramar S.A.:*

A special tax regime was granted in favour of Miramar S.A. ("Miramar") consisting of the following benefits: (i) a full exemption on the payment of corporate tax for the first 3 years of operation (until the end of 2001), (ii) the application of a corporate tax rate of 15 per cent. during the period of 14 years from 2002 to 2016, and (iii) the application of the general

corporate tax rate of 15 per cent. during subsequent periods (in accordance with the new foreign investment law mentioned above).

(iii) Cuba Canarias S.A.:

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

(iv) TosCuba S.A.:

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

(v) Productos Sanitarios S.A.:

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

### 3.9 **Financial assets and financial liabilities**

(a) *Recognition and initial measurement*

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

(b) *Classification*

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

Financial assets

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

Financial liabilities at amortised cost:

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

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

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

(c) *Fair value measurement*

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

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

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

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

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

(d) *Identification and measurement of impairment*

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

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

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

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

(e) *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which

substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the consolidated statement of financial position.

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

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

### 3.10 **Cash and cash equivalents**

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

### 3.11 **Loans and advances**

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

### 3.12 **Property, plant and equipment**

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

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

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

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

### 3.13 **Short-term borrowings**

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

### 3.14 **Share capital**

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

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

### 3.15 **Special reserve held for distribution**

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

### 3.16 **Non-controlling interest**

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

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

## 4. **Changes in equity investments during the year**

### **HOMASI S.A.**

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

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

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

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

## 5. Loans and advances

	2015 US\$	2014 US\$
<b>Jos Ebbers</b>		
Loan facility <sup>(i)</sup>	–	688,694
<b>Total</b>	–	688,694
<b>Current portion</b>	–	688,694
<b>Non-current portion</b>	–	–

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

The loans and advances portfolio have the following maturities:

	2015 US\$	2014 US\$
Between 31 and 90 days	–	688,694
	–	688,694

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

	2015 US\$	2014 US\$
Banking	–	688,694
	–	688,694

## 6. Equity investments

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

- (i) The equity investments in Miramar are comprised of: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in Miramar is 43 per cent. (31 March 2014: 41.525 per cent.).
- (ii) The equity investments in CIHSA are comprised of: (a) share equity interests, and (b) contractual interests in its net earnings arising under Participation Agreements (further discussed below). The total net economic interest of the Company in CIHSA is 27.75 per cent. (31 March 2014: 27.75 per cent.).
- (iii) The Company owns an 80 per cent. interest in Mosaico B.V., which in turn has an indirect 50 per cent. share equity interest in TosCuba S.A., a Cuban joint venture company that is developing a 400 room 4-star hotel at Playa Maria Aguilar near the city of Trinidad, Cuba. To date, TosCuba S.A. has invested approximately US\$6.7 million in the acquisition of surface rights, the development of architectural works and technical drawings, ground preparation and other capitalized costs. The Company has made capital contributions of US\$3,054,707 (31 March 2014: US\$2,904,707) which is the estimated fair value of the investment. The 20 per cent. interest in Mosaico B.V. held by a third party has been accounted for as a non-controlling interest in these financial statements. Total capital contributions made by the non-controlling interest as of 31 March 2015 were US\$250,000 (31 March 2014: US\$100,000) with additional capital contributions pending to be made of US\$451,177 (31 March 2014: US\$601,177) (see note 8).

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

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

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

### **Monte Barreto**

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

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

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

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

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

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

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

The fair value of the equity investment in Monte Barreto is determined by the Directors of the Company taking into consideration various factors, including estimated future cash flows from the investment, estimated replacement costs, transactions in the private market and other available market evidence to

arrive at an appropriate value. The Directors also take into account available information relating to the underlying properties, including current working capital.

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

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

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

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

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

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

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

## **Miramar**

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

The incorporation and operations of Miramar are governed by a deed of incorporation (including an association agreement and corporate by-laws) dated 22 October 1993 between CUBANACAN and HOMASI. Under the Miramar Deed of Incorporation, Miramar was incorporated for an initial term of 25 years from the start-up of operations of the Meliá Habana Hotel (which began operations in September

1998), thus expiring in September 2023. All decisions at shareholder meetings require the unanimous agreement of the Cuban and foreign shareholders.

#### *Surface rights and joint venture term*

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

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

#### *Key assumptions used in the estimated fair value of Miramar:*

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

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

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

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

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

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

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

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

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

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

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

## **CIHSA**

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

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

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

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

#### *Usufruct rights and joint venture term*

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

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

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

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

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

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

#### *Key assumptions used in the estimated fair value of CIHSA:*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *Scenario 1: Miramar*

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

#### *Scenario 2: CIHSA*

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

#### *Summary*

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

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

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

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

Alternative 3: Both Scenario 1 and Scenario 2, altogether

### ***Sensitivity to changes in the discount and capitalisation rates***

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

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

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

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

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

### ***Sensitivity to changes in other variables***

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

	<i>Financial statements</i> US\$	+10% US\$	+20% US\$	+30% US\$
Miramar				
Financial statements	21,168,150	21,067,062	20,965,975	20,864,888
CIHSA				
Under scenario 2(*)	–	19,088,935	18,923,871	18,758,808

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

### **Dividend income from equity investments**

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

	2015 US\$	2014 US\$
Monte Barreto	4,897,304	3,959,189
Miramar	1,625,000	1,775,000
CIHSA	1,178,701	689,500
Caricel Inc.	54,752	–
	<u>7,755,757</u>	<u>6,423,689</u>

### **7. Property, plant and equipment**

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

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

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

## 8. Accounts receivable and accrued income

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

Accounts receivable and accrued income have the following maturities:

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

## 9. Cash and cash equivalents

	2015 US\$	2014 US\$
Cash on hand	35,085	48,368
Bank current accounts <sup>(i)</sup>	2,623,955	3,815,775
	<u>2,659,040</u>	<u>3,864,143</u>

(i) Balance without restriction.

## 10. Accounts payable and accrued expenses

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

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

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

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

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

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

## 11. Share capital and share premium

### **Authorised**

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

### **Issued**

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

	Number of ordinary shares	Share capital US\$	Share premium US\$
<b>Share capital and share premium</b>			
Share capital and share premium at 1 April 2013	13,458,947	19,014,379	49,657,630
Share capital and share premium at 31 March 2014	13,458,947	19,014,379	49,657,630
Share capital and share premium at 31 March 2015	<u>13,458,947</u>	<u>19,014,379</u>	<u>49,657,630</u>

## 12. Segment reporting

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

- *Commercial property:* Activities concerning the Company's interests in commercial real estate investments in Cuba that are facilitated by a representative office in Havana.
- *Tourism/Leisure:* Activities concerning the Company's interests in hotel investments in Cuba and operations of a travel agency that provides services to international clients for travel to Cuba.
- *Finance:* Finance activities consisting in medium-term secured facilities and short-term financial instruments related to Cuba.
- *Other:* Includes the Company's interest in a Cuban joint venture company that operates a paper mill in Cuba producing tissue paper products as well as publishing activities related to Cuba.

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

31 March 2015 US\$					
	<i>Commercial property</i>	<i>Tourism/ Leisure</i>	<i>Finance</i>	<i>Other</i>	<i>Total</i>
Total assets	71,715,848	46,539,865	4,163	241,500	118,501,376
Total liabilities	(181,751)	(1,574,729)	–	–	(1,756,480)
<b>Total net assets</b>	71,534,097	44,965,136	4,163	241,500	116,744,896
Allocated income	14,673,408	5,585,769	39,959	54,752	20,353,888
Allocated expenses	(1,482,353)	(2,314,726)	(7,319)	(11,733)	(3,816,131)
Foreign exchange gain	–	–	–	(1,222,988)	(1,222,988)
<b>Total profit</b>	13,191,055	3,271,043	32,640	(1,179,969)	15,314,769
<b>Other comprehensive income</b>	–	–	–	(156,193)	(156,193)
<b>Total comprehensive income</b>	13,191,055	3,271,043	32,640	(1,336,162)	15,158,576
<b>Other segment information:</b>					
Property, plant and equipment additions	10,076	8,742	–	–	18,818
Depreciation	(40,020)	(1,613)	–	–	(41,633)
31 March 2014 US\$					
	<i>Commercial property</i>	<i>Tourism/ Leisure</i>	<i>Finance</i>	<i>Other</i>	<i>Total</i>
Total assets	62,040,611	44,940,597	791,444	241,500	108,014,152
Total liabilities	(30,118)	(1,583,854)	(82,747)	–	(1,696,719)
<b>Total net assets</b>	62,010,493	43,356,743	708,697	241,500	106,317,433
Allocated income	6,438,614	6,693,045	68,194	309	13,200,162
Allocated expenses	(1,401,144)	(2,035,870)	(20,438)	(17,400)	(3,474,852)
Foreign exchange gain	–	–	–	253,859	253,859
<b>Total profit</b>	5,037,470	4,657,175	47,756	236,768	9,979,169
<b>Other comprehensive income</b>	–	–	–	–	–
<b>Total comprehensive income</b>	5,037,470	4,657,175	47,756	236,768	9,979,169
<b>Other segment information:</b>					
Property, plant and equipment additions	49,321	–	–	–	49,321
Depreciation	(49,087)	(899)	–	–	(49,986)

### 13. Administration and registrar fees

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

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

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

## **14. Related parties disclosures**

### ***Compensation of Directors***

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

### ***Transactions with Directors and shareholders***

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

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

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

### ***Transactions with other related parties***

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

### ***Directors' interests in the share capital***

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

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

Enrique Rottenberg has an interest in 575,155 shares.

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

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

## 15. Basic and diluted earnings per share

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

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

## 16. Commitments and contingencies

### ***Operating lease commitments***

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

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

## 17. Financial risk management

### ***Introduction***

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

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

### ***Market price risk***

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

#### *(i) Foreign currency risk*

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

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

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

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

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

(ii) *Interest rate risk*

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

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

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

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

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

**Credit risk**

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

### *Maximum exposure to credit risk*

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

	2015 US\$	2014 US\$
Loans and advances	–	688,694
Accounts receivable and accrued income	2,069,313	752,273
Cash and cash equivalents	2,659,040	3,864,143
<i>Total maximum exposure to credit risk</i>	<u>4,728,353</u>	<u>5,305,110</u>

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

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

### *Guarantees received*

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

### **Liquidity risk**

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

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

### **Operational risk**

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

## **Capital management**

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

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

## **18. Use of estimates and judgements**

### ***Key sources of estimation uncertainty***

#### *Determining fair values*

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

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

#### *Valuation of financial instruments*

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

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

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

For certain instruments, the Company uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions.

Examples of instruments involving significant unobservable inputs include the equity investments of the Company in Cuban joint venture companies. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates.

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

31 March 2015				
US\$				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	–	–	113,376,648	113,376,648
	–	–	113,376,648	113,376,648
31 March 2014				
US\$				
	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit or loss</b>				
Equity investments	–	–	102,289,851	102,289,851
	–	–	102,289,851	102,289,851

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

	Unlisted private equity investments
<b>Balance at 1 April 2014</b>	102,289,851
Total gains recognised in income or loss	10,936,797
Purchases and additions	150,000
<b>Balance at 31 March 2015</b>	113,376,648

Total losses for the year included in income or loss relating to assets and liabilities held at the end of the reporting period	–
	–

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

#### *Determination of functional currency*

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

## 19. Classifications and fair values of financial assets and liabilities

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

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

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

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

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

## 20. Investors holding greater than 10 per cent. interest

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

## 21. Events after the reporting period

There were no significant events after the reporting period.

**Sebastiaan A.C. Berger**  
Director

**John Herring**  
Director

**PART 21**  
**HISTORICAL FINANCIAL INFORMATION FOR MONTE BARRETO**

**PART A**  
**AUDITED FINANCIAL STATEMENTS FOR MONTE BARRETO**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

**Inmobiliaria Monte Barreto, S.A.**  
**Financial Statements and Independent Auditors' Report**  
**At 31 December 2017**

**DIRECTORS**

Nivia Fernández Fleites – President  
Enrique Rottenberg – Vicepresident  
Sebastiaan A. C. Berger  
Sergio Dyzenchauz  
Cameron Young  
Omar Carralero  
Yaniris Duque Estrada  
David Díaz Morfi

**REGISTERED OFFICE**

3ra Ave esquina 80,  
Centro de Negocios Miramar  
Edificio Jerusalén  
Miramar, Playa  
La Habana, Cuba

**INDEPENDENT AUDITORS**

Ernst & Young  
Caribbean Professional Services Limited  
Ground Floor, One Welches  
Welches, St Tomas BB22025  
Barbados

Consultores Asociados – CONAS S.A.  
5ta Avenida N° 2201  
Miramar, Playa  
La Habana, Cuba

**LAWYERS**

Bufete Internacional  
5ta Ave. N° 16202 esq. 162  
Miramar, Playa  
La Habana, Cuba

**BANKS**

Banco Financiero Internacional (BFI)  
5ta Ave. Esquina 92, Miramar, Playa  
La Habana, Cuba

## **DIRECTOR'S REPORT**

The directors present their report and financial statements for the year ended 31 December 2017.

### **ACTIVITIES**

The principal activities of Inmobiliaria Monte Barreto, S.A. (the Company) during the year were the administration and rental of the Miramar Trade Centre.

### **RESULTS**

The profit for the year 2017 amounted to USD 11,508,795 (2016: USD 12,442,552).

### **DIVIDENDS**

Dividends declared during the year ended 31 December 2017 amounted to USD 14,605,809 (2016: USD 11,272,335).

### **DIRECTORS AND THEIR INTERESTS**

The names of the directors are listed below:

Nivia Fernández Fleites – President of Board of Directors  
Enrique Rottenberg – Vicepresident of Board of Directors  
Sebastiaan A. C. Berger  
Sergio Dyzenchauz  
Cameron Young  
Omar Carralero  
Yaniris Duque Estrada  
David Díaz Morfi

### **AUDITORS**

The Shareholders approved the agreement of designating the firms Ernst & Young and CONAS S.A. as the company's auditors.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

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

The directors have elected to prepare the financial statements for the year ended 31 December 2017 in such a way, that give a true and fair view of the state of business affairs of the company and of the profit or loss for that period. In preparing those financial statements the directors will:

- select suitable accounting policies and then apply them consistently
- make reasonable and prudent judgments and estimates
- state whether applicable accounting standards have been followed, and explain in an appropriated way any deviation in the financial statements
- prepare the 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 which disclose with reasonable accuracy at any time the financial position of the Company, enabling them to ensure that the financial statements comply with the law. They are also responsible for safeguarding the Company's assets and hence for taking reasonable steps for the prevention and identification of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT**

(English translation of the auditor report originally issued in Spanish – Note 21)

To the Shareholders of  
**Inmobiliaria Monte Barreto S.A.**

### **Opinion**

We have audited the financial statements of INMOBILIARIA MONTE BARRETO, S.A. (the Company), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for opinion**

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

### **Responsibilities of Management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company’s financial reporting process.

### **Auditor’s responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2 April 2018

**Ernst & Young**

**Alejandro Gago**

*Partner*

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2017**

	<i>Notes</i>	<i>2017</i> <i>USD</i>	<i>2016</i> <i>USD</i>
<b>Operating revenues</b>			
Rent		17,454,962	16,196,402
Administration fees		5,273,260	5,160,146
Tenant improvements		130,672	203,942
Parking		213,526	206,704
<b>Total operating revenues</b>		<u>23,072,420</u>	<u>21,767,194</u>
<b>Operating expenses</b>			
Personnel cost	3	(1,354,089)	(1,087,885)
Depreciation of property, plant and equipment	9	(342,238)	(279,925)
Depreciation of investment properties	10	(970,343)	(970,343)
Amortization of intangible assets	8	(214,919)	(214,919)
Cost of administration services	4	(4,783,329)	(4,449,957)
Provisions	5	–	(111,565)
<b>Total operating expenses</b>		<u>(7,664,918)</u>	<u>(7,114,594)</u>
<b>Operating profit</b>		<u>15,407,502</u>	<u>14,652,600</u>
Financial income and expenses – net	6	(17,011)	9,268
Other (expenses)/incomes – net		2,717	(1,969)
<b>Profit before tax</b>		<u>15,393,208</u>	<u>14,659,899</u>
Income tax expense	7	(3,884,413)	(2,217,347)
<b>Profit for the year</b>		<u>11,508,795</u>	<u>12,442,552</u>
Other comprehensive income		–	–
<b>Total comprehensive income</b>		<u>11,508,795</u>	<u>12,442,552</u>
Profit available for distribution net per share		115,088	124,425

The accounting policies and explanatory notes 1 to 21 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2017**

	<i>Notes</i>	<i>2017 USD</i>	<i>2016 USD</i>
<b>Non-current assets</b>			
Intangible assets	8	6,321,046	6,535,965
Property, plant and equipment	9	2,290,821	1,874,815
Investment properties	10	42,637,667	43,608,010
Other non-current assets		7,561	7,561
		<u>51,257,095</u>	<u>52,026,351</u>
<b>Current assets</b>			
Inventory	11	1,333,170	1,241,105
Accounts receivable	12	62,752	112,982
Prepayments		724	154,492
Other current assets		14,546	268
Short-term deposits	13	4,000,000	4,000,000
Cash and cash equivalents	14	5,789,569	7,044,168
		<u>11,200,761</u>	<u>12,553,015</u>
<b>Total assets</b>		<u>62,457,856</u>	<u>64,579,366</u>
<b>Equity</b>			
Share capital	15	1,000,000	1,000,000
Contingency reserve		5,422,032	5,345,066
Stimulation fund		28,000	24,480
Retained earnings		49,243,841	52,444,306
		<u>55,693,873</u>	<u>58,813,852</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	3,438,305	2,301,760
		<u>3,438,305</u>	<u>2,301,760</u>
<b>Current liabilities</b>			
Deposits received from tenants		1,851,955	1,820,525
Advance collections		590,495	634,670
Accounts payable	16	343,257	420,628
Taxation payable		539,971	587,931
		<u>3,325,678</u>	<u>3,463,754</u>
<b>Total liabilities</b>		<u>6,763,983</u>	<u>5,765,514</u>
<b>Total liabilities and equity</b>		<u>62,457,856</u>	<u>64,579,366</u>

The accounting policies and explanatory notes 1 to 21 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**STATEMENT OF CASH FLOW**  
**For the year ended 31 December 2017**

	2017 USD	2016 USD
<b>Operating activities</b>		
Profit for the year before tax	15,393,208	14,659,899
<i>Items that do not generate cash flow</i>		
Depreciation of property, plant and equipment	342,238	279,925
Depreciation of investment properties	970,343	970,343
Amortization of intangible assets	214,919	214,919
Provision for obsolete inventories	–	111,565
Other disposals of property, plant and equipment	2,003	–
	<u>16,922,711</u>	<u>16,236,651</u>
<i>Net movements from operating assets and liabilities</i>		
Decrease/(Increase) of accounts receivable	50,230	(67,327)
Decrease/(Increase) of prepayments	153,768	(141,787)
(Increase)/Decrease of other assets	(14,278)	4,566
(Increase) in inventory	(92,065)	(38,350)
(Decrease) in accounts payable	(77,371)	(337,781)
Increase in deposits received from tenants	31,430	33,000
(Decrease) in advance collections	(44,175)	(190,770)
Stimulation fund paid	(22,965)	(23,160)
	<u>16,907,285</u>	<u>15,475,042</u>
<b>Cash inflows from operating activities</b>	<u>16,907,285</u>	<u>15,475,042</u>
Payment of income tax	(2,795,828)	(2,116,287)
	<u>14,111,457</u>	<u>13,358,755</u>
<b>Cash inflows from operating activities – net</b>	<u>14,111,457</u>	<u>13,358,755</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(760,247)	(389,820)
	<u>(760,247)</u>	<u>(389,820)</u>
<b>Cash outflows from investing activities</b>	<u>(760,247)</u>	<u>(389,820)</u>
<b>Financing activities</b>		
(Increase)/Decrease in short-term deposits	–	(4,000,000)
Payment of dividends	(14,605,809)	(12,989,869)
	<u>(14,605,809)</u>	<u>(16,989,869)</u>
<b>Cash outflows from financing activities</b>	<u>(14,605,809)</u>	<u>(16,989,869)</u>
<b>(Decrease) in cash and cash equivalents</b>	<u>(1,254,599)</u>	<u>(4,020,934)</u>
<b>Cash and cash equivalents reconciliation</b>		
Cash and cash equivalents at beginning of year	7,044,168	11,065,102
Movements in cash and cash equivalents	(1,254,599)	(4,020,934)
	<u>5,789,569</u>	<u>7,044,168</u>
<b>Cash and cash equivalents at end of year</b>	<u>5,789,569</u>	<u>7,044,168</u>

The accounting policies and explanatory notes 1 to 21 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2017**

	2017 USD	2016 USD
<b>Share capital</b>		
Balance at beginning of year	1,000,000	1,000,000
Balance at end of year	<u>1,000,000</u>	<u>1,000,000</u>
<b>Contingency reserve</b>		
Balance at beginning of year	5,345,066	5,271,767
Transfer from retained earnings	76,966	73,299
Balance at end of year	<u>5,422,032</u>	<u>5,345,066</u>
<b>Stimulation fund</b>		
Balance at beginning of year	24,480	24,480
Transfer from retained earnings	26,485	23,160
Use of the fund	(22,965)	(23,160)
Balance at end of year	<u>28,000</u>	<u>24,480</u>
<b>Retained earnings</b>		
Balance at beginning of year	52,444,306	51,370,548
Comprehensive income	11,508,795	12,442,552
Dividends	(14,605,809)	(11,272,335)
Transfer to contingency reserve	(76,966)	(73,299)
Transfer to stimulation fund	(26,485)	(23,160)
Balance at end of year	<u>49,243,841</u>	<u>52,444,306</u>
<b>Total equity</b>	<u>55,693,873</u>	<u>58,813,852</u>

The accounting policies and explanatory notes 1 to 21 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

## **NOTES TO THE FINANCIALS STATEMENTS**

### **For the year ended 31 December 2017**

#### **1. Constitution and operation of the Company**

Inmobiliaria Monte Barreto, S.A. ("Monte Barreto" or the Company), was incorporated on 7 March 1996 for a period of 50 years as a joint venture under N°77/95 Foreign Investment Law (as amended by Law No. 118 enacted on 29 March 2014), having begun its business activities in April 1999.

The shareholders of this joint venture are the Cuban state owned entity, Inmobiliaria Lares, S.A. ("Lares" – 51 per cent. shareholding), and Ceiba MTC Properties Inc. ("Ceiba MTC" – 49 per cent. shareholding).

The principal activities of the Company are the construction and operation (and subsequent leasing) of the Miramar Trade Center, an office building complex for commercial rental of office space in Havana.

The complex was built by stages. Stage I includes two buildings (18,200 square meters of rental space), which were completed and occupied as at December 2006. Stage II, which began in 2000, includes four buildings (38,800 square meters of rental space), which was completed on August 2007. During the year ended 31 December 2017, the Company has kept 100 per cent. occupancy of buildings at that date.

As at 31 December 2017 the Company had approximately 132 (2016: 137) employees.

#### **2. Summary of significant accounting policies**

##### **2.1 Basis of preparation**

These financial statements are prepared under the historical cost convention, in accordance with International Financial Reporting Standards ('IFRS') as prescribed by the International Accounting Standards Board (IASB), the organization responsible for the emission of International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS).

##### **2.2 Changes in accounting policies**

###### *Standards and interpretations applicable in this year*

The accounting policies applied during this year are fully consistent with those applied in the previous year. The new standards or changes to preexisting standards, compulsorily applicable to fiscal years beginning on 1 January 2017, have no impact on the Company's financial statements given that they involve equity components, types of transactions, special situations, activity sectors, or information elements foreign to the nature, characteristics and operations of the Company.

In addition, the Company has refrained from applying in advance any standard, interpretation or amendment, which, having already been issued, are not yet mandatory.

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

At the date of issuance of these financial statements, the following three standards with potential impact on the Company had been published by the IASB:

- IFRS 9 Financial Instruments: IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" (and all previous versions of IFRS 9), collecting all three phases of the financial instruments project: Classification and measurement, Impairment and Hedge accounting. IFRS 9 is mandatory for annual reporting periods beginning on or after 1 January 2018. Except for hedge accounting, application with retrospective effect is required, but no change to comparative information is needed.
- IFRS 15 Revenue from Contracts with Customers: IFRS 15 establishes a new accounting base according to a five-step model framework by which revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This new standard will repeal all other standards existing at

present concerning the revenue recognition, and will be effective as of 1 January 2018. The standard will be implemented retrospectively (fully or partially) in its first year.

- IFRS 16 Leases: IFRS 16 involves significant changes for lessees, who in most cases will have to recognize an asset for the right to use and a liability for the present value of future leases in their statement of financial position. There are few changes for lessors compared to the current IAS 17, which is replaced by IFRS 16. (Full or partial) application with retrospective effect for reporting periods beginning on or after 1 January 2019 is required.

As mentioned above, earlier application of IFRS 9, 15 and 16 is permitted; however the Company has not chosen to implement them now and will apply them at the indicated mandatory dates. In any case, these standards have a considerable degree of complexity and the Company has not completed studying them. Therefore, it is not possible to determine at this time their impact, if any, on the Company's financial statements.

In addition to the three standards outlined above, the following provisions (standards, amendments and improvements) will enter into force in future years:

- IFRS 14 Regulatory deferral accounts.
- IFRIC 22 – Transaction in foreign currency and early consideration.
- Amendments to IAS 7 – Cash Flow Statement: Initiative on disclosing information
- Amendments to IAS 12 – Recognition of deferred taxes assets by unrealized earnings.
- Amendments to IAS 40 – Transfer of investment properties.
- Amendments to IFRS 2 – Classification and assessment of share based payment transactions.
- Amendments to IFRS 4 – Application of IFRS 9 Financial Instruments with IFRS 4 Insurance contracts.
- Amendments to IFRS 10 and IAS 28 – Sales or contribution of assets between an investor and its associate or joint venture.
- Amendments to IFRS 15 – Standard clarifications.

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

### 2.3 **Use of estimates**

The preparation of financial statements, in conformity with International Financial Reporting Standards (IFRS), requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated. The estimates are used mainly in relation to the provision for doubtful accounts and obsolete inventory, and the determination of the deferred liability for the retained earnings of the first 10 years of operation that will be distributed in the future.

### 2.4 **Significant judgments**

In applying the Company's accounting policies, the Management did not perform judgments, different from those regarding estimates, which may affect significantly the amounts recognized in the financial statements.

### 2.5 **Reporting and functional currency – Foreign currency translation**

*Reporting and functional currency:* The reporting and functional currency of the Company, during the year ended 31 December 2017 and 2016 is the United States Dollar (USD).

*Foreign currency translations (including CUC):* Foreign currency transactions are converted to functional currency at the rates ruling at the date of the transaction or at a rate, which approximates the actual rate. Monetary assets and liabilities in foreign currencies are translated at the balance sheet

date at rates ruling at that date. Profits or losses thus arising are dealt with in the statement of comprehensive income.

*Utilization of CUC:* On July 16, 2003 Banco Central de Cuba issued Resolution 65 establishing the use of the Cuban Convertible Peso (CUC) as the only payment method for transactions between Cuban companies. Further to this, on 8 November 2004, the US dollar ceased to be legal tender for retail transactions within Cuba. However, the functional and presentation currency of these financial statements remains the USD.

On 14 March 2011, the BCC issued Agreement No. 30/11 which stipulates that the exchanges rate of the CUC against the USD shall be established at CUC 1: USD 1, as of that date, for all exchange transactions within the national territory, both for the business and private sectors.

## 2.6 **Property, plant and equipment**

Property, plant and equipment is stated at historical cost and is depreciated using the straight-line method over the estimated useful life of the asset, applying the following yearly depreciation percentages:

Buildings	–	6%
Fixture and fittings	–	10%
Computer equipment	–	25%
Communication equipment	–	15%
Vehicles	–	20%
Other equipment	–	15%

### *Impairment*

The carrying amount of property, plant and equipment is reviewed each end of year or whenever events or changes in circumstances indicate that impairment may have occurred, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

### *Repairs and renovations*

Repairs and renovations are normally expensed as they are incurred. Expenses are reported as assets only if the amounts involved are substantial and one or more of the following conditions are satisfied: the original useful life is prolonged, the production/service capacity is increased, the quality of the products/services is enhanced materially or production/service costs are reduced considerably.

### *Construction in progress*

Property, plant and equipment under construction is recorded as construction-in-progress until it is ready for its intended use, thereafter it is transferred to the related category of property, plant and equipment and depreciated over its estimated useful lives, in accordance with IAS 16, "Property, Plant and Equipment".

## 2.7 **Investment properties**

The Company's income-producing rental buildings (Phase I and Phase II) qualify as investment properties under IFRS (IAS 40). Given that Cuba does not yet have a fully developed commercial real estate market the Company is valuing the investment properties at historic cost. These buildings are depreciated using the straight-line method over their estimated useful lives.

In accordance with Shareholder s agreement N° 8/2014 of 16 April 2014, it was established a depreciation rate for investment properties of 1.5 per cent., which was applicable since the year 2014.

## 2.8 **Intangible assets**

Under the terms of the Joint Venture Agreement, the Company has purchased land surface rights from Lares for a period of 50 years. The lands rights are calculated at a rate based per phase,

multiplied by the square meters of the specific property, and are amortized over the remaining life of the joint venture.

## **2.9 Financial costs**

Borrowing costs that have been paid and which are directly attributable to the acquisition, construction or production of a qualifying asset (a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of that asset. Other borrowing costs are recognized as an expense as they are incurred in accordance with IAS 23.

## **2.10 Inventory**

Inventory held for use in the maintenance and expansion of the Company's operations is stated at landed cost, less provision for deterioration and obsolescence.

## **2.11 Accounts receivable**

They are recognised and carried at the original billed amounts less allowances for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Receivables from related parties are recognised and carried at cost.

## **2.12 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less since acquisition date, which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

## **2.13 Deposits received from tenants**

These consist primarily of two months deposit given in cash by each tenant at the beginning of the rental contract.

## **2.14 Trade and other payables**

Liabilities for trade and other accounts payable which are normally settled on 30-90 day terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

## **2.15 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, which makes it likely that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, it is recognized as a separate asset, but only when the reimbursement is virtually certain, the expense relating to any provision is presented in the income statement net of any reimbursement.

## **2.16 Employee benefits**

The Company does not provide any post-employment benefits to its employees. Employee benefits consist of employee salaries, bonuses and subsidized meals and clothing.

## **2.17 Contingency reserve**

In accordance with Law 118/13 on Foreign Investment and Ministry of Finance Resolution No 49/2004, the Company is required to provide for a contingency reserve amounting to up approximately 5 per cent. of annual pre-tax earnings up to a maximum equal to 20 per cent. of the sum of property, plant and equipment and working capital. The contingency reserves are used to cover losses and other contingencies and are recognized as an appropriation of retained earnings in the period that gives rise to them. On dissolution of the Company, after any contingencies are covered, the remaining reserves will be distributed between parties in the same manner established for the distribution of profits after deducting taxes.

In accordance with Shareholder s agreement N° 7/2014 of 16 April 2014, it was established a change in the percentage of creation of Contingency reserve, reducing it from 5 per cent. of profit before tax to 0.5 per cent.. This change was applicable for the years beginning on or after 2014.

## 2.18 **Tax**

The Cuban Ministry of Finance and Prices, under resolution No. V-25 8/96, granted the Company an exemption to income taxes on income not distributed to the shareholders during the first 10 years of operation. Such amounts would be taxable in the year distributed at the rate applicable at that moment. This exemption expired in June 2009, so the Company's profits since the second half of 2009 were encumbered.

With the adoption of Law No. 118 Foreign Investment Law, as of the year ended 31 December 2014, the Company is subject to corporate income tax calculated at 15 per cent. of taxable income pursuant to Cuban regulations.

Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Where it is not certain that the temporary difference will be reversed no deferred taxation asset is established.

## 2.19 **Dividends paid**

Dividends paid are recognised in the period in which they are paid. Dividends are recognized as a liability only when they have been proposed and approved by the Shareholders meeting.

## 2.20 **Revenue recognition**

Rent, administration, tenant improvements and parking revenues are recorded when accrued in accordance with the terms of the leases. Administration income relates to the cost of certain services for which the Company makes payments centrally on behalf of its tenants (primarily utilities).

## 3. **Personnel costs**

	2017 USD	2016 USD
Wages and salaries	1,226,827	961,876
Other benefits	127,262	126,009
<b>Total personnel costs</b>	<b>1,354,089</b>	<b>1,087,885</b>

## 4. **Cost of administration services**

	2017 USD	2016 USD
Electricity	2,232,226	2,368,699
Telecommunications	480,559	453,210
Materials used for repairs	490,976	317,233
Insurance	199,014	196,139
Hygiene products	141,874	138,243
Fuel	49,899	42,437
Other	52,135	60,286
<b>Total other services</b>	<b>3,646,683</b>	<b>3,576,247</b>
Services	470,566	371,092
Repairs and maintenance	666,080	502,618
<b>Total cost of administration services</b>	<b>4,783,329</b>	<b>4,449,957</b>

The Company makes certain payments effectively on behalf of its tenants and provides a number of communal services. Invoices are issued to clients to cover these expenses in accordance with the square meters of rent.

## 5. Provisions

	2017 USD	2016 USD
Provision for obsolete inventories	–	111,565
<b>Total provisions</b>	<u>–</u>	<u>111,565</u>

## 6. Financial income and expenses – net

	2017 USD	2016 USD
Earned interests	26,336	23,386
Commissions and other banking fees	(8,597)	(8,041)
Loss due to exchange rate variation	(33,781)	(3,357)
Other financial (expenses)/income	(969)	(2,720)
<b>Total financial income and expenses – net</b>	<u>(17,011)</u>	<u>9,268</u>

## 7. Income tax

The main elements of the corporate income tax for the years ended December, 31 2017 and 2016 as follows:

	2017 USD	2016 USD
<i>Current tax</i>		
Income tax expense (15%)	2,297,868	2,206,352
<i>Deferred tax</i>		
Deferred tax liability for estimated retained earnings to be distributed in the future	1,575,000	–
Deferred tax liabilities by contingency reserve	11,545	10,995
<b>Total income tax expenses</b>	<u>3,884,413</u>	<u>2,217,347</u>

	2017 USD	2016 USD
<b>Reconciliation of accounting to taxable profit</b>		
Profit before income tax	15,393,208	14,659,899
Nondeductible expenses (*)	2,877	122,415
Contingency reserve transfer	(76,966)	(73,299)
<b>Taxable income</b>	15,319,119	14,709,015
Tax rate (**)	15%	15%
<b>Current tax</b>	2,297,868	2,206,352
Deferred tax liabilities by contingency reserve (15%)	11,545	10,995
Deferred tax liability for estimated retained earnings to be distributed in the future	1,575,000	–
<b>Income tax</b>	3,884,413	2,217,347

(\*) Nondeductible expenses are permanent differences.

(\*\*) With the passing of Law 118 of Foreign Investment, as of the year ended 31 December 2014, the Company is subject to income tax calculated at 15 per cent. of taxable income under Cuban regulations, being the effective tax rate as at 31 December 2017 of 14.93 per cent. (2016: 15.05 per cent.).

### Deferred tax

Deferred taxes refer to the following:

	Statement of financial position		Statement of comprehensive income (loss)/gain	
	2017	2016	2017	2016
Contingency reserve (i)	813,305	801,760	(11,545)	(10,995)
Exempt retained earnings (ii)	2,625,000	1,500,000	(1,575,000)	–
<b>(Expense) Deferred tax</b>	–	–	(1,586,545)	(10,995)
<b>Deferred tax liabilities</b>	3,438,305	2,301,760	–	–

#### (i) Deferred liabilities for contingency reserve

The Company has recorded a deferred liability related to deductions from the contingency reserve, given that they are generating a temporary difference in accordance with IFRS, based on the regulations established by Law 113 and accompanying tax Decree 308. The amount of the deferred liability as of 31 December 2017 and 2016 amounted USD 813,305 and USD 801,760, respectively, generating a loss from income tax of USD 11,545 during the year 2017 (2016: USD 10,995), given for the tax effect on the variation of the Contingency reserve.

#### (ii) Deferred tax liability for retained earnings corresponding to the first 10 years of the Company

The Company had an exemption to income taxes on income not distributed to the shareholders during the first 10 years of operation. Such amount would be taxable in the year distributed at the rate applicable at that moment. At 31 December 2016 the Company estimated that, up the end of Monte Barreto, USD 10 million of such retained earnings will be distributed, generating a deferred tax liability of USD 1,500,000. During the year ended 31 December 2017 have been distributed dividends corresponding to these retained earnings for USD 3,000,000, generating the payment of the respective income tax for said distribution of retained earnings, amounting to USD 450,000, reducing the deferred tax liability in said amount. In addition, the Company estimated in fiscal year 2017 that, based on projections of future cash flows, USD 17.5 million will be distributed from exempt retained earnings during the first 10 years of operation, increasing the deferred liability by USD 1,575,000, being the balance as of 31 December 2017 of USD 2,625,000 (2016: USD 1,500,000).

## 8. Intangible assets

In accordance with the terms of the Joint Venture Agreement, the Company has acquired land surface rights at the commencement of each phase of the project. As at 31 December 2017 and 2016, the Company has land rights as follows:

	2017 USD	2016 USD
Land rights – at cost		
Phase I	2,494,800	2,494,800
Phase II	6,858,760	6,858,760
<b>Total cost</b>	<b>9,353,560</b>	<b>9,353,560</b>
Less: Accumulated amortization	(3,032,514)	(2,817,595)
<b>Net book value</b>	<b>6,321,046</b>	<b>6,535,965</b>

Total amortization expenses during the year ended 31 December 2017 were USD 214,919 (2016: USD 214,919).

Inmobiliaria Monte Barreto, S.A. has received from Inmobiliaria Lares, S.A. (the 51 per cent. shareholder) the 'Land Usage Rights' over the above-mentioned land for the period of time between the date of the concession and of the said Right (for each of the plots linked to the execution of each stage of the project) and the termination of the term of validity of the joint venture (50 years as of 1996).

## 9. Property, plant & equipment

	Other buildings USD	Office equipment and furniture USD	Communications and computer equipments USD	Vehicles USD	Art works USD	Equipments to be installed USD	Others USD	Total USD
Cost:								
At 1 January 2017	9,427	181,807	464,983	315,581	300,139	199,586	2,486,907	3,958,430
Additions	–	5,099	79,082	3,755	–	65,929	606,382	760,247
Disposals	–	(3,803)	(32,428)	(9,632)	–	–	(10,464)	(56,327)
At 31 December 2017	<u>9,427</u>	<u>183,103</u>	<u>511,637</u>	<u>309,704</u>	<u>300,139</u>	<u>265,515</u>	<u>3,082,825</u>	<u>4,662,350</u>
Depreciation:								
At 1 January 2017	(3,819)	(164,768)	(407,383)	(279,072)	–	–	(1,228,573)	(2,083,615)
Charge for the period	(565)	(3,557)	(32,446)	(12,452)	–	–	(293,218)	(342,238)
Disposals	–	3,504	30,726	9,632	–	–	10,462	54,324
At 31 December 2017	<u>(4,384)</u>	<u>(164,821)</u>	<u>(409,103)</u>	<u>(281,892)</u>	<u>–</u>	<u>–</u>	<u>(1,511,329)</u>	<u>(2,371,529)</u>
Net book value:								
At 31 December 2017	<u>5,043</u>	<u>18,282</u>	<u>102,534</u>	<u>27,812</u>	<u>300,139</u>	<u>265,515</u>	<u>1,571,496</u>	<u>2,290,821</u>

	<i>Other buildings USD</i>	<i>Office equipment and furniture USD</i>	<i>Communications and computer equipments USD</i>	<i>Vehicles USD</i>	<i>Art works USD</i>	<i>Equipments to be installed USD</i>	<i>Others USD</i>	<i>Total USD</i>
Cost:								
At 1 January 2016	9,427	179,548	461,244	300,455	300,139	532,935	1,798,477	3,582,225
Additions	–	6,294	4,431	22,026	–	348,466	8,603	389,820
Transfers	–	–	–	–	–	(681,815)	681,815	–
Disposals	–	(4,035)	(692)	(6,900)	–	–	(1,988)	(13,615)
At 31 December 2016	<u>9,427</u>	<u>181,807</u>	<u>464,983</u>	<u>315,581</u>	<u>300,139</u>	<u>199,586</u>	<u>2,486,907</u>	<u>3,958,430</u>
Depreciation:								
At 1 January 2016	(3,253)	(164,711)	(368,261)	(277,731)	–	–	(1,003,349)	(1,817,305)
Charge for the period	(566)	(4,092)	(39,814)	(8,241)	–	–	(227,212)	(279,925)
Disposals	–	4,035	692	6,900	–	–	1,988	13,615
At 31 December 2016	<u>(3,819)</u>	<u>(164,768)</u>	<u>(407,383)</u>	<u>(279,072)</u>	<u>–</u>	<u>–</u>	<u>(1,228,573)</u>	<u>(2,083,615)</u>
Net book value:								
At 31 December 2016	<u>5,608</u>	<u>17,039</u>	<u>57,600</u>	<u>36,509</u>	<u>300,139</u>	<u>199,586</u>	<u>1,258,334</u>	<u>1,874,815</u>

## 10. Investment properties

	<i>Buildings for rent Phase I USD</i>	<i>Buildings for rent Phase II USD</i>	<i>Buildings for rent Phase III USD</i>	<i>Total USD</i>
<b>Cost:</b>				
At 1 January 2016	<u>16,698,217</u>	<u>16,192,556</u>	<u>31,798,836</u>	<u>64,689,609</u>
At 31 December 2016	<u>16,698,217</u>	<u>16,192,556</u>	<u>31,798,836</u>	<u>64,689,609</u>
At 31 December 2017	<u>16,698,217</u>	<u>16,192,556</u>	<u>31,798,836</u>	<u>64,689,609</u>
<b>Depreciation:</b>				
At 1 January 2016	(7,501,695)	(5,384,024)	(7,225,537)	(20,111,256)
Charge for the period	(250,473)	(242,888)	(476,982)	(970,343)
At 31 December 2016	<u>(7,752,168)</u>	<u>(5,626,912)</u>	<u>(7,702,519)</u>	<u>(21,081,599)</u>
Charge for the period	(250,473)	(242,888)	(476,982)	(970,343)
At 31 December 2017	<u>(8,002,641)</u>	<u>(5,869,800)</u>	<u>(8,179,501)</u>	<u>(22,051,942)</u>
<b>Net book value:</b>				
At 31 December 2017	<u>8,695,576</u>	<u>10,322,756</u>	<u>23,619,335</u>	<u>42,637,667</u>
At 31 December 2016	<u>8,946,049</u>	<u>10,565,644</u>	<u>24,096,317</u>	<u>43,608,010</u>

The rental income from investment properties of the Company during the year amounted to USD 17,454,962 (2016: USD 16,196,402), while cost of services related to such properties amounted to USD 4,783,329 (2016: USD 4,449,957).

## 11. Inventory

	2017 USD	2016 USD
Materials	1,366,233	1,268,502
Tools in use	76,282	80,637
Fuel and lubricants	2,220	3,531
Provision for obsolete inventories	(111,565)	(111,565)
<b>Total inventory</b>	<b>1,333,170</b>	<b>1,241,105</b>

The reconciliation of the provision for obsolete inventories is as follows:

	2017 USD	2016 USD
At 1 January	111,565	–
Provision during the year	–	111,565
<b>At 31 December</b>	<b>111,565</b>	<b>111,565</b>

## 12. Account receivable

	2017 USD	2016 USD
Trade accounts receivable	62,752	112,982
<b>Total account receivable</b>	<b>62,752</b>	<b>112,982</b>

As at 31 December 2017 and 2016, the ageing analysis of accounts receivable is as follows:

	Total USD	Past due but not impaired			
		<30 days	30-60 days	60-90 days	>90 days
<b>2017</b>	62,752	62,752	–	–	–
<b>2016</b>	112,982	112,982	–	–	–

## 13. Short-term deposit

	2017 USD	2016 USD
Short-term deposit <sup>(1)</sup>	4,000,000	4,000,000
<b>Total short-term deposit</b>	<b>4,000,000</b>	<b>4,000,000</b>

(1) Correspond to a short-term deposit in USD with expiration date 26 February 2018, bearing interest at 0.70 per cent., paid at expiration date.

#### 14. Cash and cash equivalents

	2017 USD	2016 USD
Cash in hand	9,442	5,561
Cash at bank (*)	5,780,127	7,038,607
<b>Total cash and cash equivalents</b>	<b>5,789,569</b>	<b>7,044,168</b>

(\*) Balances in banks are unencumbered. However, there are provisions on the exchange control of the BCC and other government agencies that regulate operations in foreign currency such as cash extraction, international transfers and purchase of foreign currency, which could generate external payment commitments assumed by the Company may be affected in the terms and/or conditions originally agreed upon.

#### 15. Share capital

2017		2016	
Number of Shares authorized	Allotted and Fully paid USD	Number of Shares authorized	Allotted and Fully paid USD
100	1,000,000	100	1,000,000

Ordinary shares have a par value of USD 10,000. The shareholders in the following proportions initially injected share capital: Inmobiliaria Lares 51 per cent. and Ceiba MTC 49 per cent. The contribution of Ceiba MTC was of USD 490,000 in cash. Inmobiliaria Lares contributed the remaining value of USD 510,000 as follows:

- Cash – USD 127,500
- The right to use land (with an area of 7,128 M<sup>2</sup>) – USD 382,500

Earnings per share are calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares in issue during the year.

#### 16. Accounts payable

	2017 USD	2016 USD
Electricity	172,660	176,966
Wages	111,338	80,571
Others	59,259	163,091
<b>Total accounts payable</b>	<b>343,257</b>	<b>420,628</b>

#### 17. Transactions with related parties

The ultimate holding Company of Lares (the 51 per cent. shareholder of the Company) is the Cuban state. Inmobiliaria Monte Barreto S.A. engages in many different types of commercial transactions with other Cuban state owned enterprises. Given that these transactions are at normal commercial rates and are incurred in the normal course of business no specific disclosure is made of these transactions.

There were no loans to or transactions with persons who were Directors (or persons connected with them) or managers of the Company during the year ended 31 December 2017.

## 18. Commitments

### ***Commitments operating leases receivable***

The Company has operating leases for which minimum lease charges described below:

	2017 USD	2016 USD
2017	–	14,481,165
2018	15,762,509	1,839,965
2019	379,040	187,678
<b>Total</b>	<b>16,141,549</b>	<b>16,508,808</b>

## 19. Financial instruments

### ***Credit risk***

Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of accounts receivable. Accounts receivable are presented net of the allowance for doubtful accounts. Credit risk with respect to accounts receivable is limited due to the number of tenants comprising Monte Barreto's rental income base, and the payments are generally due one month in advance, with a deposit as security.

### ***Liquidity risk***

Liquidity risk is the risk that an entity encounters due to difficulties in realizing assets or otherwise raising funds to meet commitments associated with liabilities or financial obligations at any time. The Company's risk is low given that there are no short-term obligations that cannot not be met with the Company's current assets.

### ***Foreign exchange risk***

Market risk is the risk of loss arising from adverse price movements in the foreign exchange and money markets when measured against actual positions held by the entity.

Inmobiliaria Monte Barreto does not hedge its foreign exchange positions; however, its foreign exchange risk is low because the majority of its assets and liabilities are denominated in CUC and USD (Subject to a fixed exchange rate).

### ***Interest rate risk***

The Company is not exposed to fluctuations in interest rates since their obligations receivable and payable are short term and without interest rates

### ***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.

### ***Fair values***

At December 31, 2017, the carrying amounts of cash, accounts receivable, accounts payable, deposits received from tenants and short-term debt approximate their fair values due to the short-term maturities of these assets and liabilities.

### ***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 year.

## **20. Events after the balance sheet**

At the shareholders' meeting approving the Financial Statements for the year 2017 it will be approved the distribution of dividends from retained earnings after tax obligations and stimulation.

The financial statements have been authorized for issue by the Company's shareholders on 2 April 2018.

## **21. Explanation added for translation into English**

These financial statements are a free English translation of those originally issued in Spanish. In case of discrepancies, the Spanish version prevails. They are presented in accordance with International Financial Reporting Standards (IFRS).

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**PART B**  
**AUDITED FINANCIAL STATEMENTS FOR MONTE BARRETO**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**Inmobiliaria Monte Barreto, S.A.**  
**Financial Statements and Independent Auditors' Report**  
**At 31 December 2016**

**DIRECTORS**

Nivia Fernández Fleites – President  
Enrique Rottenberg – Vicepresident  
Sebastiaan A. C. Berger  
Sergio Dyzenchauz  
Cameron Young  
Omar Carralero  
Yaniris Duque Estrada  
David Díaz Morfi

**REGISTERED OFFICE**

3ra Ave esquina 80,  
Centro de Negocios Miramar  
Edificio Jerusalén  
Miramar, Playa  
La Habana, Cuba

**INDEPENDENT AUDITORS**

Ernst & Young  
Caribbean Professional Services Limited  
Ground Floor, One Welches  
Welches, St Tomas BB22025  
Barbados

Consultores Asociados – CONAS S.A.  
5ta Avenida N° 2201  
Miramar, Playa  
La Habana, Cuba

**LAWYERS**

Bufete Internacional  
5ta Ave. N° 16202 esq. 162  
Miramar, Playa  
La Habana, Cuba

**BANKERS**

Banco Financiero Internacional (BFI)  
5ta Ave. Esquina 92, Miramar, Playa  
La Habana, Cuba

## **DIRECTOR'S REPORT**

The directors present their report and financial statements for the year ended 31 December 2016.

### **ACTIVITIES**

The principal activities of Inmobiliaria Monte Barreto, S.A. (the Company) during the year were the administration and rental of the Miramar Trade Centre.

### **RESULTS**

The profit for the year 2016 amounted to USD 12,442,552 (2015: USD 10,297,709).

### **DIVIDENDS**

Dividends declared during the year ended 31 December 2016 amounted to USD 11,272,335 (2015: USD 12,329,490).

### **DIRECTORS AND THEIR INTERESTS**

The names of the directors are listed below:

Nivia Fernández Fleites – President of Board of Directors  
Enrique Rottenberg – Vicepresident of Board of Directors  
Sebastiaan A. C. Berger  
Sergio Dyzenchauz  
Cameron Young  
Omar Carralero  
Yaniris Duque Estrada  
David Díaz Morfi

### **AUDITORS**

The Shareholders approved the agreement of designating the firms Ernst & Young and CONAS S.A. as the company's auditors.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

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

The directors have elected to prepare the financial statements for the year ended 31 December 2016 in such a way, that give a true and fair view of the state of business affairs of the company and of the profit or loss for that period. In preparing those financial statements the directors will:

- select suitable accounting policies and then apply them consistently
- make reasonable and prudent judgments and estimates
- state whether applicable accounting standards have been followed, and explain in an appropriated way any deviation in the financial statements
- prepare the 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 which disclose with reasonable accuracy at any time the financial position of the Company, enabling them to ensure that the financial statements comply with the law. They are also responsible for safeguarding the Company's assets and hence for taking reasonable steps for the prevention and identification of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT**

(English translation of the auditor report originally issued in Spanish – Note 21)

To the Shareholders of  
**Inmobiliaria Monte Barreto S.A.**

### **Opinion**

We have audited the financial statements of INMOBILIARIA MONTE BARRETO, S.A. (the Company), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for opinion**

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

### **Responsibilities of Management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company’s financial reporting process.

### **Auditor’s responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

22 March 2017

**Ernst & Young**

**Alejandro Gago**

*Partner*

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2016**

	Notes	2016 USD	2015 USD
<b>Operating revenues</b>			
Rent		16,196,402	14,900,677
Administration fees		5,160,146	4,762,518
Tenant improvements		203,942	227,045
Parking		206,704	193,765
<b>Total operating revenues</b>		<u>21,767,194</u>	<u>20,084,005</u>
<b>Operating expenses</b>			
Personnel costs	3	(1,087,885)	(1,094,332)
Depreciation of property, plant and equipment	9	(279,925)	(259,274)
Depreciation of investment properties	10	(970,343)	(970,343)
Amortization of intangible assets	8	(214,919)	(214,919)
Cost of administration services	4	(4,449,957)	(5,491,497)
Provisions	5	(111,565)	–
<b>Total operating expenses</b>		<u>(7,114,594)</u>	<u>(8,030,365)</u>
<b>Operating profit</b>		<u>14,652,600</u>	<u>12,053,640</u>
Financial income and expenses – net	6	9,268	54,588
Other (expenses)/incomes – net		(1,969)	7,119
<b>Profit before tax</b>		<u>14,659,899</u>	<u>12,115,347</u>
Income tax expense	7	(2,217,347)	(1,817,638)
<b>Profit for the year</b>		<u>12,442,552</u>	<u>10,297,709</u>
Other comprehensive income		–	–
<b>Total comprehensive income</b>		<u><u>12,442,552</u></u>	<u><u>10,297,709</u></u>
Profit available for distribution net per share		124,425	102,977

The accounting policies and explanatory notes 1 to 21 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2016**

	Notes	2016 USD	2015 USD
<b>Non-current assets</b>			
Intangible assets	8	6,535,965	6,750,884
Property, plant and equipment	9	1,874,815	1,764,920
Investment properties	10	43,608,010	44,578,353
Other non-current assets		7,561	7,561
		<u>52,026,351</u>	<u>53,101,718</u>
<b>Current assets</b>			
Inventory	11	1,241,105	1,314,320
Accounts receivable	12	112,982	45,655
Prepayments		154,492	12,705
Other current assets		268	4,834
Short-term deposits	13	4,000,000	–
Cash and cash equivalents	14	7,044,168	11,065,102
		<u>12,553,015</u>	<u>12,442,616</u>
<b>Total assets</b>		<u>64,579,366</u>	<u>65,544,334</u>
<b>Equity</b>			
Share capital	15	1,000,000	1,000,000
Contingency reserve		5,345,066	5,271,767
Stimulation fund		24,480	24,480
Retained earnings		52,444,306	51,370,548
		<u>58,813,852</u>	<u>57,666,795</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	7	2,301,760	2,290,765
		<u>2,301,760</u>	<u>2,290,765</u>
<b>Current liabilities</b>			
Deposits received from tenants		1,820,525	1,787,525
Advance collections		634,670	825,440
Accounts payable	16	420,628	758,409
Dividends payable		–	1,717,534
Taxation payable		587,931	497,866
		<u>3,463,754</u>	<u>5,586,774</u>
<b>Total liabilities</b>		<u>5,765,514</u>	<u>7,877,539</u>
<b>Total liabilities and equity</b>		<u>64,579,366</u>	<u>65,544,334</u>

The accounting policies and explanatory notes 1 to 21 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**STATEMENT OF CASH FLOW**  
**For the year ended 31 December 2016**

	2016 USD	2015 USD
<b>Operating activities</b>		
Profit for the year before tax	14,659,899	12,115,347
<i>Items that do not generate cash flow</i>		
Depreciation of property, plant and equipment	279,925	259,274
Depreciation of investment properties	970,343	970,343
Amortization of intangible assets	214,919	214,919
Provision for obsolete inventories	111,565	–
Other disposals of property, plant and equipment	–	30
	<u>16,236,651</u>	<u>13,559,913</u>
<i>Net movements from operating assets and liabilities</i>		
Increase of accounts receivable	(67,327)	(34,996)
Increase of prepayments	(141,787)	(27)
Decrease of other assets	4,566	393,456
(Increase)/Decrease in inventory	(38,350)	158,642
(Decrease)/Increase in accounts payable	(337,781)	351,690
Increase in deposits received from tenants	33,000	284,601
(Decrease)/Increase in advance collections	(190,770)	47,575
Stimulation fund paid	(23,160)	(22,890)
	<u>15,475,042</u>	<u>14,737,964</u>
<b>Cash inflows from operating activities</b>		
Payment of income tax	(2,116,287)	(1,310,685)
	<u>13,358,755</u>	<u>13,427,279</u>
<b>Cash inflows from operating activities – net</b>		
<b>Investing activities</b>		
Purchase of property, plant and equipment	(389,820)	(589,913)
	<u>(389,820)</u>	<u>(589,913)</u>
<b>Cash outflows from investing activities</b>		
<b>Financing activities</b>		
(Increase)/Decrease in short-term deposits	(4,000,000)	4,000,000
Payment of dividends	(12,989,869)	(10,611,956)
	<u>(16,989,869)</u>	<u>(6,611,956)</u>
<b>Cash outflows from financing activities</b>		
<b>(Decrease)/Increase in cash and cash equivalents</b>	<u>(4,020,934)</u>	<u>6,225,410</u>
<b>Cash and cash equivalents reconciliation</b>		
Cash and cash equivalents at beginning of year	11,065,102	4,839,692
Movements in cash and cash equivalents	<u>(4,020,934)</u>	<u>6,225,410</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>7,044,168</u></u>	<u><u>11,065,102</u></u>

The accounting policies and explanatory notes 1 to 21 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2016**

	2016 USD	2015 USD
<b>Share capital</b>		
Balance at beginning of year	1,000,000	1,000,000
Balance at end of year	1,000,000	1,000,000
<b>Contingency reserve</b>		
Balance at beginning of year	5,271,767	5,211,190
Transfer from retained earnings	73,299	60,577
Balance at end of year	5,345,066	5,271,767
<b>Stimulation fund</b>		
Balance at beginning of year	24,480	25,200
Transfer from retained earnings	23,160	22,170
Use of the fund	(23,160)	(22,890)
Balance at end of year	24,480	24,480
<b>Retained earnings</b>		
Balance at beginning of year	51,370,548	53,485,076
Comprehensive income	12,442,552	10,297,709
Dividends	(11,272,335)	(12,329,490)
Transfer to contingency reserve	(73,299)	(60,577)
Transfer to stimulation fund	(23,160)	(22,170)
Balance at end of year	52,444,306	51,370,548
<b>Total equity</b>	<u>58,813,852</u>	<u>57,666,795</u>

The accounting policies and explanatory notes 1 to 21 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 1. Constitution and operation of the Company

Inmobiliaria Monte Barreto, S.A. ("Monte Barreto" or the Company), was incorporated on 7 March 1996 for a period of 50 years as a joint venture under N°77/95 Foreign Investment Law (as amended by Law No. 118 enacted on 29 March 2014), having begun its business activities in April 1999.

The shareholders of this joint venture are the Cuban state owned entity, Inmobiliaria Lares, S.A. ("Lares" – 51 per cent. shareholding), and Ceiba MTC Properties Inc. ("Ceiba MTC" – 49 per cent. shareholding).

The principal activities of the Company are the construction and operation (and subsequent leasing) of the Miramar Trade Center, an office building complex for commercial rental of office space in Havana.

The complex was built by stages. Stage I includes two buildings (18,200 square meters of rental space), which were completed and occupied as at December 2006. Stage II, which began in 2000, includes four buildings (38,800 square meters of rental space), which was completed on August 2007. During the year ended 31 December 2016, the Company has kept 92.8 per cent. occupancy of buildings at that date.

As at 31 December 2016 the Company had approximately 137 (2015: 140) employees.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

These financial statements are prepared under the historical cost convention, in accordance with International Financial Reporting Standards ('IFRS') as prescribed by the International Accounting Standards Board (IASB), the organization responsible for the emission of International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS).

#### 2.2 Changes in accounting policies

##### *Standards and interpretations applicable in this year*

The accounting policies applied during this year are fully consistent with those applied in the previous year. The new standards or changes to preexisting standards, compulsorily applicable to fiscal years beginning on 1 January 2016, have no impact on the Company's financial statements given that they involve equity components, types of transactions, special situations, activity sectors, or information elements foreign to the nature, characteristics and operations of the Company.

In addition, the Company has refrained from applying in advance any standard, interpretation or amendment, which, having already been issued, are not yet mandatory.

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

At the date of issuance of these financial statements, the following three standards with potential impact on the Company had been published by the IASB:

- IFRS 9 Financial Instruments: IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" (and all previous versions of IFRS 9), collecting all three phases of the financial instruments project: Classification and measurement, Impairment and Hedge accounting. IFRS 9 is mandatory for annual reporting periods beginning on or after 1 January 2018. Except for hedge accounting, application with retrospective effect is required, but no change to comparative information is needed.
- IFRS 15 Revenue from Contracts with Customers: IFRS 15 establishes a new accounting base according to a five-step model framework by which revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This new standard will repeal all other standards existing at present concerning the revenue recognition, and will be effective as of 1 January 2018. The standard will be implemented retrospectively (fully or partially) in its first year.

- IFRS 16 Leases: IFRS 16 involves significant changes for lessees, who in most cases will have to recognize an asset for the right to use and a liability for the present value of future leases in their statement of financial position. There are few changes for lessors compared to the current IAS 17, which is replaced by IFRS 16. (Full or partial) application with retrospective effect for reporting periods beginning on or after 1 January 2019 is required.

As mentioned above, earlier application of IFRS 9, 15 and 16 is permitted; however the Company has not chosen to implement them now and will apply them at the indicated mandatory dates. In any case, these standards have a considerable degree of complexity and the Company has not completed studying them. Therefore, it is not possible to determine at this time their impact, if any, on the Company's financial statements.

In addition to the three standards outlined above, the following provisions (standards, amendments and improvements) will enter into force in future years:

- IFRS 14 Regulatory deferral accounts.
- IFRIC 22 – Transaction in foreign currency and early consideration.
- Annual Improvements Cycle 2014-2016, which include:
  - IFRS 1 IFRs first time adoption.
  - IAS 28 Investment in associates and joint ventures.
  - IFRS 12 Disclosure in participation in other entities.
- Amendments to IAS 7 – Cash Flow Statement: Initiative on disclosing information
- Amendments to IAS 12 – Recognition of deferred taxes assets by unrealized earnings.
- Amendments to IAS 40 – Transfer of investment properties.
- Amendments to IFRS 2 – Classification and assessment of share based payment transactions.
- Amendments to IFRS 4 – Application of IFRS 9 Financial Instruments with IFRS 4 Insurance contracts.
- Amendments to IFRS 10 and IAS 28 – Sales or contribution of assets between an investor and its associate or joint venture.
- Amendments to IFRS 15 – Standard clarifications.

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

### 2.3 **Use of estimates**

The preparation of financial statements, in conformity with International Financial Reporting Standards (IFRS), requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated

### 2.4 **Significant judgments**

In applying the Company's accounting policies, the Management did not perform judgments, different from those regarding estimates, which may affect significantly the amounts recognized in the financial statements.

### 2.5 **Reporting and functional currency – Foreign currency translation**

*Reporting and functional currency:* The reporting and functional currency of the Company, during the year ended 31 December 2016 and 2015 is the United States Dollar (USD).

*Foreign currency translations (including CUC):* Foreign currency transactions are converted to functional currency at the rates ruling at the date of the transaction or at a rate, which approximates the actual rate. Monetary assets and liabilities in foreign currencies are translated at the balance sheet

date at rates ruling at that date. Profits or losses thus arising are dealt with in the statement of comprehensive income.

*Utilization of CUC:* On 16 July 2003 Banco Central de Cuba issued Resolution 65 establishing the use of the Cuban Convertible Peso (CUC) as the only payment method for transactions between Cuban companies. Further to this, on 8 November 2004, the US dollar ceased to be legal tender for retail transactions within Cuba. However, the functional and presentation currency of these financial statements remains the USD.

On 14 March 2011, the BCC issued Agreement No. 30/11 which stipulates that the exchanges rate of the CUC against the USD shall be established at CUC 1: USD 1, as of that date, for all exchange transactions within the national territory, both for the business and private sectors.

## 2.6 **Property, plant and equipment**

Property, plant and equipment is stated at historical cost and is depreciated using the straight-line method over the estimated useful life of the asset, applying the following yearly depreciation percentages:

Buildings	–	6%
Fixture and fittings	–	10%
Computer equipment	–	25%
Communication equipment	–	15%
Vehicles	–	20%
Other equipment	–	15%

### *Impairment*

The carrying amount of property, plant and equipment is reviewed each end of year or whenever events or changes in circumstances indicate that impairment may have occurred, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

### *Repairs and renovations*

Repairs and renovations are normally expensed as they are incurred. Expenses are reported as assets only if the amounts involved are substantial and one or more of the following conditions are satisfied: the original useful life is prolonged, the production/service capacity is increased, the quality of the products/services is enhanced materially or production/service costs are reduced considerably.

### *Construction in progress*

Property, plant and equipment under construction is recorded as construction-in-progress until it is ready for its intended use, thereafter it is transferred to the related category of property, plant and equipment and depreciated over its estimated useful lives, in accordance with IAS 16, "Property, Plant and Equipment".

## 2.7 **Investment properties**

The Company's income-producing rental buildings (Phase I and Phase II) qualify as investment properties under IFRS (IAS 40). Given that Cuba does not yet have a fully developed commercial real estate market the Company is valuing the investment properties at historic cost. These buildings are depreciated using the straight-line method over their estimated useful lives.

In accordance with Shareholder's agreement N° 8/2014 of 16 April 2014, it was established a depreciation rate for investment properties of 1.5 per cent., which will be applicable since the year 2014.

## 2.8 **Intangible assets**

Under the terms of the Joint Venture Agreement, the Company has purchased land surface rights from Lares for a period of 50 years. The lands rights are calculated at a rate based per phase, multiplied by the square meters of the specific property, and are amortized over the remaining life of the joint venture.

## 2.9 **Financial costs**

Borrowing costs that have been paid and which are directly attributable to the acquisition, construction or production of a qualifying asset (a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of that asset. Other borrowing costs are recognized as an expense as they are incurred in accordance with IAS 23.

## 2.10 **Inventory**

Inventory held for use in the maintenance and expansion of the Company's operations is stated at landed cost, less provision for deterioration and obsolescence.

## 2.11 **Accounts receivable**

They are recognised and carried at the original billed amounts less allowances for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Receivables from related parties are recognised and carried at cost.

## 2.12 **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less since acquisition date, which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

## 2.13 **Deposits received from tenants**

These consist primarily of the two months deposit given in cash by each tenant at the start of the rental contract.

## 2.14 **Trade and other payables**

Liabilities for trade and other accounts payable which are normally settled on 30–90 day terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

## 2.15 **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, which makes it likely that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, it is recognized as a separate asset, but only when the reimbursement is virtually certain, the expense relating to any provision is presented in the income statement net of any reimbursement.

## 2.16 **Employee benefits**

The Company does not provide any post-employment benefits to its employees. Employee benefits consist of employee salaries, bonuses and subsidized meals and clothing.

## 2.17 **Contingency reserve**

In accordance with Law 118/13 on Foreign Investment and Ministry of Finance Resolution No 49/2004, the Company is required to provide for a contingency reserve amounting to up approximately 5 per cent. of annual pre-tax earnings up to a maximum equal to 20 per cent. of the sum of property, plant and equipment and working capital. The contingency reserves are used to cover losses and other contingencies and are recognized as an appropriation of retained earnings in the period that gives rise to them. On dissolution of the Company, after any contingencies are covered, the remaining reserves will be distributed between parties in the same manner established for the distribution of profits after deducting taxes.

In accordance with Shareholder's agreement N° 7/2014 of 16 April 2014, it was established a change in the percentage of creation of Contingency reserve, reducing it from 5 per cent. of profit before tax to 0.5 per cent. This change was applicable for the years beginning on or after 2014.

## 2.18 **Tax**

The Cuban Ministry of Finance and Prices, under resolution No. V-25 8/96, granted the Company an exemption to income taxes on income not distributed to the shareholders during the first 10 years of operation. Such amounts would be taxable in the year distributed at the rate applicable at that moment. This exemption expired in June 2009, so the Company's profits since the second half of 2009 were encumbered.

With the adoption of Law No. 118 Foreign Investment Law, as of the year ended 31 December 2014, the Company is subject to corporate income tax calculated at 15 per cent. of taxable income pursuant to Cuban regulations.

Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Where it is not certain that the temporary difference will be reversed no deferred taxation asset is established.

## 2.19 **Dividends paid**

Dividends paid are recognised in the period in which they are paid. Dividends are recognized as a liability only when they have been proposed and approved by the Shareholders meeting.

## 2.20 **Revenue recognition**

Rent, administration, tenant improvements and parking revenues are recorded when accrued in accordance with the terms of the leases. Administration income relates to the cost of certain services for which the Company makes payments centrally on behalf of its tenants (primarily utilities).

## 3. **Personnel costs**

	2016 USD	2015 USD
Wages and salaries	961,876	965,245
Other benefits	126,009	129,087
<b>Total personnel costs</b>	<b>1,087,885</b>	<b>1,094,332</b>

## 4. **Cost of administration services**

	2016 USD	2015 USD
Electricity	2,368,699	3,279,110
Telecommunications	453,210	425,575
Materials used for repairs	317,233	641,665
Insurance	196,139	195,365
Hygiene products	138,243	132,700
Fuel	42,437	47,005
Other	60,286	42,303
<b>Total other services</b>	<b>3,576,247</b>	<b>4,763,723</b>
Services	371,092	306,152
Repairs and maintenance	502,618	421,622
<b>Total cost of administration services</b>	<b>4,449,957</b>	<b>5,491,497</b>

The Company makes certain payments effectively on behalf of its tenants and provides a number of communal services. Invoices are issued to clients to cover these expenses in accordance with the square meters of rent.

## 5. Provisions

	2016 USD	2015 USD
Provision for obsolete inventories	111,565	–
<b>Total provisions</b>	<u>111,565</u>	<u>–</u>

## 6. Financial income and expenses – net

	2016 USD	2015 USD
Earned interests	23,386	25,501
Commissions and other banking fees	(8,041)	(7,568)
Other financial (expenses)/income	(6,077)	36,655
<b>Total financial income and expenses – net</b>	<u>9,268</u>	<u>54,588</u>

## 7. Income tax

The main elements of the corporate income tax for the years ended 31 December 2016 and 2015 are as follows:

	2016 USD	2015 USD
<i>Current tax</i>		
Income tax expense (15%)	2,206,352	1,808,551
<i>Deferred tax</i>		
Deferred tax liabilities by contingency reserve	10,995	9,087
<b>Total income tax expenses</b>	<u>2,217,347</u>	<u>1,817,638</u>
	2016 USD	2015 USD
<i>Reconciliation of accounting to taxable profit</i>		
Profit before income tax	14,659,899	12,115,347
Nondeductible expenses (*)	122,415	2,236
Contingency reserve transfer	(73,299)	(60,577)
<b>Taxable income</b>	<u>14,709,015</u>	<u>12,057,006</u>
Tax rate (**)	15%	15%
<b>Current tax</b>	<u>2,206,352</u>	<u>1,808,551</u>
Deferred tax liabilities by contingency reserve (15%)	10,995	9,087
<b>Income tax</b>	<u>2,217,347</u>	<u>1,817,638</u>

(\*) Nondeductible expenses are permanent differences.

(\*\*) With the passing of Law 118 of Foreign Investment, as of the year ended 31 December 2014, the Company is subject to income tax calculated at 15 per cent. of taxable income under Cuban regulations, being the effective tax rate as at 31 December 2016 of 15.05 per cent. (2015: 14.93 per cent.).

## Deferred tax

Deferred taxes refer to the following:

	Statement of financial position		Statement of comprehensive income (loss)/gain	
	2016	2015	2016	2015
Contingency reserve (i)	801,760	790,765	(10,995)	(9,087)
Exempt retained earnings (ii)	1,500,000	1,500,000	–	–
<b>(Expense) Deferred tax</b>			(10,995)	(9,087)
<b>Deferred tax liabilities</b>	<u>2,301,760</u>	<u>2,290,765</u>	<u>–</u>	<u>–</u>

(i) *Deferred liabilities for contingency reserve*

The Company has recorded a deferred liability related to deductions from the contingency reserve, given that they are generating a temporary difference in accordance with IFRS, based on the regulations established by Law 113 and accompanying tax Decree 308. The amount of the deferred liability as of 31 December 2016 and 2015 amounted USD 801,760 and USD 790,765, generating a loss from income tax of USD 10,995 during the year 2016 (2015: USD 9,087), given for the tax effect on the variation of the Contingency reserve.

(ii) *Deferred tax liability for retained earnings corresponding to the first 10 years of the Company*

The Company had an exemption to income taxes on income not distributed to the shareholders during the first 10 years of operation. Such amount would be taxable in the year distributed at the rate applicable at that moment. The Company estimates that, up the end of Monte Barreto, USD 10 million of such retained earnings will be distributed, generating a deferred tax liability of USD 1,500,000 as of 31 December 2016 and 2015.

## 8. Intangible assets

In accordance with the terms of the Joint Venture Agreement, the Company has acquired land surface rights at the commencement of each phase of the project. As at 31 December 2016 and 2015, the Company has land rights as follows:

	2016 USD	2015 USD
Land rights – at cost		
Phase I	2,494,800	2,494,800
Phase II	6,858,760	6,858,760
<b>Total cost</b>	<u>9,353,560</u>	<u>9,353,560</u>
Less: Accumulated amortization	<u>(2,817,595)</u>	<u>(2,602,676)</u>
<b>Net book value</b>	<u>6,535,965</u>	<u>6,750,884</u>

Total amortization expenses during the year ended 31 December 2016 were USD 214,919 (2015: USD 214,919).

Inmobiliaria Monte Barreto, S.A. has received from Inmobiliaria Lares, S.A. (the 51 per cent. shareholder) the 'Land Usage Rights' over the above-mentioned land for the period of time between the date of the concession and of the said Right (for each of the plots linked to the execution of each stage of the project) and the termination of the term of validity of the joint venture (50 years as of 1996).

## 9. Property, plant & equipment

	<i>Other USD</i>	<i>Office equipment and furniture USD</i>	<i>Communications and computer equipments USD</i>	<i>Vehicles USD</i>	<i>Art works USD</i>	<i>Equipments to be installed USD</i>	<i>Others USD</i>	<i>Total USD</i>
Cost:								
At 1 January 2016	9,427	179,548	461,244	300,455	300,139	532,935	1,798,477	3,582,225
Additions	–	6,294	4,431	22,026	–	348,466	8,603	389,820
Transfers	–	–	–	–	–	(681,815)	681,815	–
Disposals	–	(4,035)	(692)	(6,900)	–	–	(1,988)	(13,615)
At 31 December 2016	9,427	181,807	464,983	315,581	300,139	199,586	2,486,907	3,958,430
Depreciation:								
At 1 January 2016	(3,253)	(164,711)	(368,261)	(277,731)	–	–	(1,003,349)	(1,817,305)
Charge for the period	(566)	(4,092)	(39,814)	(8,241)	–	–	(227,212)	(279,925)
Disposals	–	4,035	692	6,900	–	–	1,988	13,615
At 31 December 2016	(3,819)	(164,768)	(407,383)	(279,072)	–	–	(1,228,573)	(2,083,615)
Net book value:								
At 31 December 2016	5,608	17,039	57,600	36,509	300,139	199,586	1,258,334	1,874,815

	<i>Other USD</i>	<i>Office equipment and furniture USD</i>	<i>Communications and computer equipments USD</i>	<i>Vehicles USD</i>	<i>Art works USD</i>	<i>Equipments to be installed USD</i>	<i>Others USD</i>	<i>Total USD</i>
Cost:								
At 1 January 2015	9,427	179,086	393,820	295,014	300,139	429,805	1,390,262	2,997,553
Additions	–	462	68,733	5,441	–	103,130	412,147	589,913
Disposals	–	–	(1,309)	–	–	–	(3,932)	(5,241)
At 31 December 2015	9,427	179,548	461,244	300,455	300,139	532,935	1,798,477	3,582,225
Depreciation:								
At 1 January 2015	(2,687)	(159,500)	(324,887)	(262,009)	–	–	(814,159)	(1,563,242)
Charge for the period	(566)	(5,211)	(44,683)	(15,722)	–	–	(193,092)	(259,274)
Disposals	–	–	1,309	–	–	–	3,902	5,211
At 31 December 2015	(3,253)	(164,711)	(368,261)	(277,731)	–	–	(1,003,349)	(1,817,305)
Net book value:								
At 31 December 2015	6,174	14,837	92,983	22,724	300,139	532,935	795,128	1,764,920

## 10. Investment properties

	<i>Buildings for rent Phase I USD</i>	<i>Buildings for rent Phase II USD</i>	<i>Buildings for rent Phase III USD</i>	<i>Total USD</i>
<b>Cost:</b>				
At 1 January 2015	16,698,217	16,192,556	31,798,836	64,689,609
At 31 December 2015	16,698,217	16,192,556	31,798,836	64,689,609
At 31 December 2016	16,698,217	16,192,556	31,798,836	64,689,609
<b>Depreciation:</b>				
At 1 January 2015	(7,251,222)	(5,141,136)	(6,748,555)	(19,140,913)
Charge for the period	(250,473)	(242,888)	(476,982)	(970,343)
At 31 December 2015	(7,501,695)	(5,384,024)	(7,225,537)	(20,111,256)
Charge for the period	(250,473)	(242,888)	(476,982)	(970,343)
At 31 December 2016	(7,752,168)	(5,626,912)	(7,702,519)	(21,081,599)
<b>Net book value:</b>				
At 31 December 2016	8,946,049	10,565,644	24,096,317	43,608,010
At 31 December 2015	9,196,522	10,808,532	24,573,299	44,578,353

The rental income from investment properties of the Company during the year amounted to USD 16,196,402 (2015: USD 14,900,677), while cost of services related to such properties amounted to USD 4,449,957 (2015: USD 5,491,497).

## 11. Inventory

	<i>2016 USD</i>	<i>2015 USD</i>
Materials	1,268,502	1,230,175
Tools in use	80,637	79,750
Fuel and lubricants	3,531	4,395
Provision for obsolete inventories	(111,565)	—
<b>Total inventory</b>	<b>1,241,105</b>	<b>1,314,320</b>

The reconciliation of the provision for obsolete inventories is as follows:

	<i>2016 USD</i>	<i>2015 USD</i>
At 1 January	—	—
Provision during the year	111,565	—
Utilized during the year	—	—
<b>At 31 December</b>	<b>111,565</b>	<b>—</b>

## 12. Account receivable

	2016 USD	2015 USD
Trade accounts receivable	112,982	45,655
<b>Total account receivable</b>	<b>112,982</b>	<b>45,655</b>

As at 31 December 2016 and 2015, the ageing analysis of accounts receivable is as follows:

	Total USD	<30 days	Past due but not impaired			>90 days
			30-60 days	60-90 days		
<b>2016</b>	112,982	112,982	–	–		–
<b>2015</b>	45,655	43,187	2,401	–		67

## 13. Short-term deposit

	2016 USD	2015 USD
Short-term deposit <sup>(1)</sup>	4,000,000	–
<b>Total short-term deposit</b>	<b>4,000,000</b>	<b>–</b>

(1) Correspond to a short-term deposit in USD with expiration date 6 February 2017, bearing interest at 0.63 per cent. annual, paid at expiration date.

## 14. Cash and cash equivalents

	2016 USD	2015 USD
Cash in hand	5,561	10,866
Cash at bank (*)	7,038,607	11,054,236
<b>Total cash and cash equivalents</b>	<b>7,044,168</b>	<b>11,065,102</b>

(\*) Balances in banks are unencumbered.

## 15. Share capital

2016		2015	
Number of Shares authorized	Allotted and Fully paid USD	Number of Shares authorized	Allotted and Fully paid USD
100	1,000,000	100	1,000,000

Ordinary shares have a par value of USD 10,000. The shareholders in the following proportions initially injected share capital: Inmobiliaria Lares 51 per cent. and Ceiba MTC 49 per cent. The contribution of Ceiba MTC was of USD 490,000 in cash. Inmobiliaria Lares contributed the remaining value of USD 510,000 as follows:

- Cash – USD 127,500
- The right to use land (with an area of 7,128 M<sup>2</sup>) – USD 382,500

Earnings per share are calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares in issue during the year.

## 16. Accounts payable

	2016	2015
	USD	USD
Electricity	176,966	246,074
Wages	80,571	78,603
Others	163,091	433,732
<b>Total accounts payable</b>	<b>420,628</b>	<b>758,409</b>

## 17. Transactions with related parties

The ultimate holding Company of Lares (the 51 per cent. shareholder of the Company) is the Cuban state. Inmobiliaria Monte Barreto S.A. engages in many different types of commercial transactions with other Cuban state owned enterprises. Given that these transactions are at normal commercial rates and are incurred in the normal course of business no specific disclosure is made of these transactions.

There were no loans to or transactions with persons who were Directors (or persons connected with them) or managers of the Company during the year ended 31 December 2016.

## 18. Commitments

### ***Commitments operating leases receivable***

The Company has operating leases for which minimum lease charges described below:

	2016	2015
	USD	USD
2016	–	17,295,601
2017	14,481,165	4,922,275
2018	1,839,965	2,261,264
After 2018	187,678	–
<b>Total</b>	<b>16,508,808</b>	<b>24,479,140</b>

## 19. Financial instruments

### ***Credit risk***

Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of accounts receivable. Accounts receivable are presented net of the allowance for doubtful accounts. Credit risk with respect to accounts receivable is limited due to the number of tenants comprising Monte Barreto's rental income base, and the payments are generally due one month in advance, with a deposit as security.

### ***Liquidity risk***

Liquidity risk is the risk that an entity encounters due to difficulties in realizing assets or otherwise raising funds to meet commitments associated with liabilities or financial obligations at any time. The Company's risk is low given that there are no short-term obligations that cannot be met with the Company's current assets.

### ***Foreign exchange risk***

Market risk is the risk of loss arising from adverse price movements in the foreign exchange and money markets when measured against actual positions held by the entity.

Inmobiliaria Monte Barreto does not hedge its foreign exchange positions; however, its foreign exchange risk is low because the majority of its assets and liabilities are denominated in CUC and USD (Subject to a fixed exchange rate).

**Interest rate risk**

The Company is not exposed to fluctuations in interest rates since their obligations receivable and payable are short term and without interest rates

**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.

**Fair values**

At 31 December 2016, the carrying amounts of cash, accounts receivable, accounts payable, deposits received from tenants and short-term debt approximate their fair values due to the short-term maturities of these assets and liabilities.

**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 year.

**20. Events after the balance sheet**

At the shareholders' meeting approving the Financial Statements for the year 2016 it will be approved the distribution of dividends from retained earnings after tax obligations and stimulation.

The financial statements have been authorized for issue by the Company's shareholders on 22 March 2017.

**21. Explanation added for translation into English**

These financial statements are a free English translation of those originally issued in Spanish. In case of discrepancies, the Spanish version prevails. They are presented in accordance with International Financial Reporting Standards (IFRS).

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**PART C**

**AUDITED FINANCIAL STATEMENTS FOR MONTE BARRETO  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**

**Inmobiliaria Monte Barreto, S.A.**

**Financial Statements and Independent Auditors' Report  
At 31 December 2015**

**DIRECTORS**

Nivia Fernández Fleites – President of Board Directors  
Enrique Rottenberg – Vicepresident of Board Directors  
Sebastiaan A. C. Berger  
Sergio Dyzenchauz  
Cameron Young  
Omar Carralero  
Yoania Guntin Gongora  
David Díaz Morfi

**REGISTERED OFFICE**

3ra Ave esquina 80,  
Centro de Negocios Miramar  
Edificio Jerusalén  
Miramar, Playa  
Havana, Cuba

**INDEPENDENT AUDITORS**

Ernst & Young  
Caribbean Professional Services Limited  
Worthing Corporate Center  
Christ Church, BB15008  
Barbados

Consultores Asociados – CONAS S.A.  
5ta Avenida N° 2201  
Miramar, Playa  
Havana, Cuba

**LAWYERS**

Bufete Internacional  
5ta Ave. N° 16202 esq. 162  
Miramar, Playa  
Havana, Cuba

**BANKERS**

Banco Financiero Internacional (BFI)  
5ta Ave. Esquina 92, Miramar, Playa  
Havana, Cuba

## **DIRECTORS REPORT**

The directors present their report and financial statements for the year ended 31 December 2015.

## **ACTIVITIES**

The principal activities of Inmobiliaria Monte Barreto, S.A. (the Company) during the year were the construction and operation of the Miramar Trade Centre.

## **RESULTS**

The profit for the year 2015 amounted to USD 10,297,709 (2014: USD 8,950,811).

## **DIVIDENDS**

Dividends declared during the year ended 31 December 2015 amounted to USD 12,329,490 (2014: USD 5,798,369).

## **DIRECTORS AND THEIR INTERESTS**

The names of the directors are listed below:

Nivia Fernández Fleites – President of Board Directors  
Enrique Rottenberg – Vicepresident of Board Directors  
Sebastiaan A. C. Berger  
Sergio Dyzenchauz  
Cameron Young  
Omar Carralero  
Yoania Guntin Gongora  
David Díaz Morfi

## **AUDITORS**

The Shareholders approved the agreement of designating the firms Ernst & Young and CONAS S.A. as the company's auditors.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

## **STATEMENT OF DIRECTORS' RESPONSABILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors have elected to prepare the financial statements for the year ended 31 December 2015 in such a way, that give a true and fair view of the state of business affairs of the company and of the profit or loss for that period. In preparing those financial statements the directors will:

- select suitable accounting policies and then apply them consistently
- make reasonable and prudent judgments and estimates
- state whether applicable accounting standards have been followed, and explain in an appropriated way any deviation in the financial statements
- prepare the 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 which disclose with reasonable accuracy at any time the financial position of the Company, enabling them to ensure that the financial statements comply with the law. They are also responsible for safeguarding the Company's assets and hence for taking reasonable steps for the prevention and identification of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT**

(English translation of the auditor report originally issued in Spanish – Note 19)

To the Shareholders of  
**Inmobiliaria Monte Barreto S.A.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Inmobiliaria Monte Barreto S.A. (hereinafter “the Company”), which comprise the statement of financial position at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

### **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

7 April 2016

**Ernst & Young**

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**Alejandro Gago**  
*Partner*

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2015**

	Notes	2015 USD	2014 USD
<b>Operating revenues</b>			
Rent		14,900,677	13,906,840
Administration fees		4,762,518	4,538,959
Tenant improvements		227,045	203,745
Parking		193,765	179,440
<b>Total operating revenues</b>		<u>20,084,005</u>	<u>18,828,984</u>
<b>Operating expenses</b>			
Personnel costs	3	(1,094,332)	(1,044,976)
Depreciation of property, plant and equipment	8	(259,274)	(200,023)
Depreciation of investment properties	9	(970,343)	(970,343)
Amortization of intangible assets	7	(214,919)	(214,919)
Cost of administration services	4	(5,491,497)	(5,915,416)
<b>Total operating expenses</b>		<u>(8,030,365)</u>	<u>(8,345,677)</u>
<b>Operating profit</b>		<u>12,053,640</u>	<u>10,483,307</u>
Financial income and expenses – net	5	54,588	43,325
Other incomes – net		7,119	4,099
<b>Profit before tax</b>		<u>12,115,347</u>	<u>10,530,731</u>
Income tax expense	6	(1,817,638)	(1,579,920)
<b>Profit for the year</b>		<u>10,297,709</u>	<u>8,950,811</u>
Other comprehensive income		–	–
<b>Total comprehensive income</b>		<u>10,297,709</u>	<u>8,950,811</u>
Profit available for distribution net per share		102,977	89,508

The accounting policies and explanatory notes 1-19 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2015**

		2015	2014	1 January
	Notes	USD	USD	2014
				USD
<b>Non-current assets</b>				
Intangible assets	7	6,750,884	6,965,803	7,180,722
Property, plant and equipment	8	1,764,920	1,434,311	991,221
Investment properties	9	44,578,353	45,548,696	46,519,039
Other non-current assets		7,561	13,999	3,948
		<u>53,101,718</u>	<u>53,962,809</u>	<u>54,694,930</u>
<b>Current assets</b>				
Inventory	10	1,314,320	1,472,962	1,640,515
Accounts receivable	11	45,655	10,659	39,496
Prepayments		12,705	12,678	16,695
Other current assets		4,834	391,852	–
Cash and cash equivalents	12	11,065,102	4,839,692	5,633,169
Short-term deposits		–	4,000,000	4,000,000
		<u>12,442,616</u>	<u>10,727,843</u>	<u>11,329,875</u>
<b>Total assets</b>		<u>65,544,334</u>	<u>64,690,652</u>	<u>66,024,805</u>
<b>Equity</b>				
Share capital	13	1,000,000	1,000,000	1,000,000
Contingency reserve		5,271,767	5,211,190	5,158,536
Stimulation fund		24,480	25,200	25,200
Retained earnings		51,370,548	53,485,076	50,408,388
		<u>57,666,795</u>	<u>59,721,466</u>	<u>56,592,124</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	6	2,290,765	2,281,678	2,273,780
		<u>2,290,765</u>	<u>2,281,678</u>	<u>2,273,780</u>
<b>Current liabilities</b>				
Deposits received from tenants		1,787,525	1,502,924	1,514,554
Advance collections		825,440	777,865	776,752
Accounts payable	14	758,409	406,719	408,383
Dividends payable		1,717,534	–	2,931,544
Taxation payable		497,866	–	1,527,668
		<u>5,586,774</u>	<u>2,687,508</u>	<u>7,158,901</u>
<b>Total liabilities</b>		<u>7,877,539</u>	<u>4,969,186</u>	<u>9,432,681</u>
<b>Total liabilities and equity</b>		<u>65,544,334</u>	<u>64,690,652</u>	<u>66,024,805</u>

The accounting policies and explanatory notes 1-19 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 USD	2014 USD
<b>Cash inflows (outflows) from operating activities</b>		
Profit for the year before tax	12,115,347	10,530,731
<i>Items that do not generate cash flow</i>		
Depreciation of property, plant and equipment	259,274	200,023
Depreciation of investment properties	970,343	970,343
Amortization of intangible assets	214,919	214,919
Other disposals of property, plant and equipment	30	–
	<u>13,559,913</u>	<u>11,916,016</u>
<i>Net movements from operating assets and liabilities</i>		
(Increase) Decrease of accounts receivable	(34,996)	28,837
(Increase) Decrease of prepayments	(27)	4,017
(Increase) Decrease of other assets	393,456	(401,903)
Decrease in inventory	158,642	167,553
Increase (Decrease) in accounts payable	351,690	(1,664)
Increase (Decrease) in deposits received from tenants	284,601	(11,630)
Increase (Decrease) in advance collections	47,575	1,113
Stimulation fund paid	(22,890)	(23,100)
	<u>14,737,964</u>	<u>11,679,239</u>
<b>Cash inflows from operating activities</b>		
Payment of income tax	(1,310,685)	(3,099,690)
	<u>13,427,279</u>	<u>8,579,549</u>
<b>Cash inflows from operating activities – net</b>		
<b>Cash inflows (outflows) from investing activities</b>		
Purchase of property, plant and equipment	(589,913)	(643,113)
	<u>(589,913)</u>	<u>(643,113)</u>
<b>Cash outflows from investing activities</b>		
<b>Cash outflows from financing activities</b>		
Decrease in short-term deposits	4,000,000	–
Payment of dividends	(10,611,956)	(8,729,913)
	<u>(6,611,956)</u>	<u>(8,729,913)</u>
<b>Cash outflows from financing activities</b>		
	<u>6,225,410</u>	<u>(793,477)</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>		
<b>Cash and cash equivalents reconciliation</b>		
Cash and cash equivalents at beginning of year	4,839,692	5,633,169
Movements in cash and cash equivalents	6,225,410	(793,477)
	<u>11,065,102</u>	<u>4,839,692</u>
<b>Cash and cash equivalents at end of year</b>		

The accounting policies and explanatory notes 1-19 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
President

**Enrique Rottenberg**  
Vicepresident

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2015**

	<i>2015</i> <i>USD</i>	<i>2014</i> <i>USD</i>
<b>Share capital</b>		
Balance at beginning of year	1,000,000	1,000,000
Balance at end of year	<u>1,000,000</u>	<u>1,000,000</u>
<b>Contingency reserve</b>		
Balance at beginning of year	5,211,190	5,158,536
Transfer from retained earnings	60,577	52,654
Balance at end of year	<u>5,271,767</u>	<u>5,211,190</u>
<b>Stimulation fund</b>		
Balance at beginning of year	25,200	25,200
Transfer from retained earnings	22,170	23,100
Use of the fund	(22,890)	(23,100)
Balance at end of year	<u>24,480</u>	<u>25,200</u>
<b>Retained earnings</b>		
Balance at beginning of year	53,485,076	50,408,388
Comprehensive income	10,297,709	8,950,811
Dividends	(12,329,490)	(5,798,369)
Transfer to contingency reserve	(60,577)	(52,654)
Transfer to stimulation fund	(22,170)	(23,100)
Balance at end of year	<u>51,370,548</u>	<u>53,485,076</u>
<b>Total equity</b>	<u><u>57,666,795</u></u>	<u><u>59,721,466</u></u>

The accounting policies and explanatory notes 1-19 form an integral part of these financial statements.

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015

### **1. Constitution and operation of the Company**

Inmobiliaria Monte Barreto, S.A. ("Monte Barreto" or the Company), was incorporated on March 7, 1996 for a period of 50 years as a joint venture under N°77/95 Foreign Investment Law (as amended by Law No. 118 enacted on March 29, 2014), having begun its business activities in April 1999.

The shareholders of this joint venture are the Cuban state owned entity, Inmobiliaria Lares, S.A. ("Lares" – 51% shareholding), and Ceiba MTC Properties Inc. ("Ceiba MTC" – 49% shareholding).

The principal activities of the Company are the construction and operation (and subsequent leasing) of the Miramar Trade Center, an office building complex for commercial rental of office space in Havana.

The complex was built by stages. Stage I includes two buildings (18,200 square meters of rental space), which were completed and occupied as at December 2006. Stage II, which began in 2000, includes four buildings (38,800 square meters of rental space), which was completed on August 2007. During the year ended December 31, 2015, the Company had achieved of 92,8% occupancy of buildings at that date.

As at December 31, 2015 the Company had approximately 140 (2014: 134) employees.

### **2. Summary of significant accounting policies**

#### **2.1 Basis of preparation**

These financial statements are prepared under the historical cost convention, in accordance with International Financial Reporting Standards ('IFRS') as prescribed by the International Accounting Standards Board (IASB), the organization responsible for the emission of International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS).

Until the period ended December 31, 2014, the Company prepared its financial statements in accordance with Cuban Financial Reporting Standards (CFRS). The financial statements for the year ended December 31, 2015 are the first financial statements prepared according to IFRS.

#### **2.2 First time adoption of IFRS**

The financial statements for the year ended December 31, 2015 are the first financial statements prepared according IFRS. For periods up to December 31, 2014, the Company prepared its financial statements according to CFRS. Accordingly, the Company has prepared the financial statements to comply with the current IFRS from the period ended December 31, 2015, together with the comparative period ended December 31, 2014, as explained in policy accounting.

To this end, the Company prepared its opening financial statements as at 1 January 2014, which is the transition date to IFRS. This note explains the principal adjustments made by the Company to adjust the statement of financial position at 1 January 2014 and 31 December 2014, previously prepared according to CFRS:

*Reconciliation of statement of financial position at 1 January 2014 (transition date to IFRS):*

		1 January 2014	
		USD	
	Notes	CFRS	IFRS
		Adjustment	
<b>Non-current assets</b>			
Intangible assets		7,180,722	7,180,722
Property, plant and equipment		991,221	991,221
Investment properties		46,519,039	46,519,039
Other non-current assets		3,948	3,948
		<u>54,694,930</u>	<u>54,694,930</u>
<b>Current assets</b>			
Inventory		1,640,515	1,640,515
Accounts receivable		39,496	39,496
Prepayments		16,695	16,695
Cash and cash equivalents		5,633,169	5,633,169
Short-term deposits		4,000,000	4,000,000
		<u>11,329,875</u>	<u>11,329,875</u>
<b>Total Assets</b>		<u>66,024,805</u>	<u>66,024,805</u>
<b>Equity</b>			
Share Capital		1,000,000	1,000,000
Contingency reserve		5,158,536	5,158,536
Stimulation fund		25,200	25,200
Retained earnings	(1)/(2)	52,682,168	50,408,388
		<u>58,865,904</u>	<u>56,592,124</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	(1)/(2)	–	2,273,780
		<u>–</u>	<u>2,273,780</u>
<b>Current liabilities</b>			
Deposits received from tenants		1,514,554	1,514,554
Advance collections		776,752	776,752
Accounts payable		408,383	408,383
Dividends payable		2,931,544	2,931,544
Taxation payable		1,527,668	1,527,668
		<u>7,158,901</u>	<u>7,158,901</u>
<b>Total liabilities</b>		<u>7,158,901</u>	<u>9,432,681</u>
<b>Total liabilities and equity</b>		<u>66,024,805</u>	<u>66,024,805</u>

Reconciliation of statement of financial position at 31 December 2014:

	Notes	CFRS	2014 USD Adjustments	IFRS
<b>Non-current assets</b>				
Intangible assets		6,965,803	–	6,965,803
Property, plant and equipment		1,434,311	–	1,434,311
Investment properties		45,548,696	–	45,548,696
Other non-current assets		13,999	–	13,999
		<u>53,962,809</u>	<u>–</u>	<u>53,962,809</u>
<b>Current assets</b>				
Inventory		1,472,962	–	1,472,962
Accounts receivable		10,659	–	10,659
Prepayments		12,678	–	12,678
Other currents assets		391,852	–	391,852
Cash and cash equivalents		4,839,692	–	4,839,692
Short-term deposits		4,000,000	–	4,000,000
		<u>10,727,843</u>	<u>–</u>	<u>10,727,843</u>
<b>Total Assets</b>		<u>64,690,652</u>	<u>–</u>	<u>64,690,652</u>
<b>Equity</b>				
Share Capital		1,000,000	–	1,000,000
Contingency reserve		5,211,190	–	5,211,190
Stimulation fund		25,200	–	25,200
Retained earnings	(1)/(2)	55,766,754	(2,281,678)	53,485,076
		<u>62,003,144</u>	<u>(2,281,678)</u>	<u>59,721,466</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	(1)/(2)	–	2,281,678	2,281,678
		<u>–</u>	<u>2,281,678</u>	<u>2,281,678</u>
<b>Current liabilities</b>				
Deposits received from tenants		1,502,924	–	1,502,924
Advance collections		777,865	–	777,865
Accounts payable		406,719	–	406,719
		<u>2,687,508</u>	<u>–</u>	<u>2,687,508</u>
<b>Total liabilities</b>		<u>2,687,508</u>	<u>2,281,678</u>	<u>4,969,186</u>
<b>Total liabilities and equity</b>		<u>64,690,652</u>	<u>–</u>	<u>64,690,652</u>

*Reconciliation of the statement of comprehensive income for the year ended 31 December 2014:*

		2014 USD	
	Note	CFRS Adjustments	IFRS
<b>Operating revenues</b>			
Rent	13,906,840	–	13,906,840
Administration fees	4,538,959	–	4,538,959
Tenant improvements	203,745	–	203,745
Parking	179,440	–	179,440
<b>Total operating revenue</b>	<b>18,828,984</b>	<b>–</b>	<b>18,828,984</b>
<b>Operating expenses</b>			
Personnel costs	(1,044,976)	–	(1,044,976)
Depreciation of property, plant and equipment	(200,023)	–	(200,023)
Depreciation of investment properties	(970,343)	–	(970,343)
Amortization of intangible assets	(214,919)	–	(214,919)
Cost of administration services	(5,915,416)	–	(5,915,416)
<b>Total operating expenses</b>	<b>(8,345,677)</b>	<b>–</b>	<b>(8,345,677)</b>
<b>Operating profit</b>	<b>10,483,307</b>	<b>–</b>	<b>10,483,307</b>
Financial income and expenses – net	43,325	–	43,325
Other incomes – net	4,099	–	4,099
<b>Profit before tax</b>	<b>10,530,731</b>	<b>–</b>	<b>10,530,731</b>
Income tax expense	(1)	(1,572,022)	(7,898)
<b>Profit for the year</b>	<b>8,958,709</b>	<b>(7,898)</b>	<b>8,950,811</b>
Other comprehensive income	–	–	–
<b>Total comprehensive income</b>	<b>8,958,709</b>	<b>(7,898)</b>	<b>8,950,811</b>

*Notes to the reconciliation of the statement of financial position as at 1 January 2014 and 31 December 2014 and the comprehensive statement of income for the year ended 31 December 2014:*

(1) *Deferred liabilities for contingency reserve*

At the date of transition, the Company has recorded a deferred liability related to deductions from the contingency reserve, given that they are generating a temporary difference in accordance with IFRS, based on the regulations established by Law 113 and accompanying tax Decree 308. The amount of the deferred liability amounted at 1 January 2014 to USD 773,780, increasing to USD 781,678 at 31 December 2014, generating a loss from income tax of USD 7,898 during the year 2014, given for the tax effect on the variation of the Contingency reserve.

(2) *Deferred tax liability for retained earnings corresponding to the first 10 years of the Company*

As it is mentioned in note 2.19, the Company had an exemption to income taxes on income not distributed to the shareholders during the first 10 years of operation. Such amount would be taxable in the year distributed at the rate applicable at that moment. The Company estimates that, up the end of Monte Barreto, USD 10 million of such retained earnings will be distributed, generating a deferred tax liability of USD 1,500,000.

## 2.3 **Changes in Standards issued by the IASB and interpretations**

*Standards and interpretations applicable this year*

The accounting policies applied during this year are fully consistent with those applied in the previous year. The new standards or changes to preexisting standards, compulsorily applicable to fiscal years beginning on 1 January 2015 and which are listed below, have no impact on the Company's financial statements given that they involve equity components, types of transactions, special situations,

activity sectors, or information elements foreign to the nature, characteristics and operations of the Company:

- Amendments to IAS 19: Defined Benefit Plans – Contributions from employees
- IFRS annual improvements, 2010-2012 cycle, which affect:
  - IFRS 2 Share-based Payment
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IAS 16 Tangible Assets and IAS 38 Intangible Assets
  - IAS 24 Related party Disclosures
- IFRS annual improvements – 2011-2013 cycle, which affect:
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurement
  - IAS 40 Investment Property

In addition, the Company has refrained from applying in advance any standard, interpretation or amendment, which, having already been issued, are not yet mandatory.

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

At the date of issuance of these financial statements, the following three standards with potential impact on the Company had been published by the IASB:

*IFRS 9 Financial Instruments:* IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” (and all previous versions of IFRS 9), collecting all three phases of the financial instruments project: Classification and measurement, Impairment and Hedge accounting. IFRS 9 is mandatory for annual reporting periods beginning on or after 1 January 2018. Except for hedge accounting, application with retrospective effect is required, but no change to comparative information is needed.

*IFRS 15 Revenue from Contracts with Customers:* IFRS 15 establishes a new accounting base according to a five-step model framework by which revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This new standard will repeal all other standards existing at present concerning the revenue recognition, and will be effective as of 1 January 2018. The standard will be implemented retrospectively (fully or partially) in its first year.

*IFRS 16 Leases:* IFRS 16 involves significant changes for lessees, who in most cases will have to recognize an asset for the right to use and a liability for the present value of future leases in their statement of financial position. There are few changes for lessors compared to the current IAS 17, which is replaced by IFRS 16. (Full or partial) application with retrospective effect for reporting periods beginning on or after 1 January 2019 is required.

As mentioned above, earlier application of IFRS 9, 15 and 16 is permitted; however the Company has not chosen to implement them now and will apply them at the indicated mandatory dates. In any case, these standards have a considerable degree of complexity and the Company has not completed studying them. Therefore, it is not possible to determine at this time their impact, if any, on the Company's financial statements.

In addition to the three standards outlined above, the following provisions (standards, amendments and improvements) will enter into force in future years, despite the fact that none of them will have any effect on the Company, for the same reasons mentioned above:

- Amendments to IFRS 11– Accounting of acquisitions of interests in joint ventures
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable amortization methods
- Amendments to IAS 16 and IAS 41 – Agriculture: production plants

- Amendments to IAS 27 – Participation method in separate financial statements
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
- Annual improvements to IFRS – Cycle 2012-2014
- Amendments to IAS 1 – Initiative on disclosing information
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: application of the exception to consolidate
- Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses

#### 2.4 **Use of estimates**

The preparation of financial statements, in conformity with International Financial Reporting Standards (IFRS), requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

#### 2.5 **Significant judgments**

In applying the Company's accounting policies, the Management did not perform judgments, different from those regarding estimates, which may affect significantly the amounts recognized in the financial statements.

#### 2.6 **Reporting and functional currency – Foreign currency translation**

*Reporting and functional currency:* The reporting and functional currency of the Company, during the year ended 31 December 2015 and 2014 is the United States Dollar (USD).

*Foreign currency translations (including CUC):* Foreign currency transactions are converted to functional currency at the rates ruling at the date of the transaction or at a rate, which approximates the actual rate. Monetary assets and liabilities in foreign currencies are translated at the balance sheet date at rates ruling at that date. Profits or losses thus arising are dealt with in the statement of comprehensive income.

*Utilization of CUC:* On 16 July 2003 Banco Central de Cuba issued Resolution 65 establishing the use of the Cuban Convertible Peso (CUC) as the only payment method for transactions between Cuban companies. Further to this, on 8 November 2004, the US dollar ceased to be legal tender for retail transactions within Cuba. However, the functional and presentation currency of these financial statements remains the USD.

On 14 March 2011, the BCC issued Agreement No. 30/11 which stipulates that the exchanges rate of the CUC against the USD shall be established at CUC 1: USD 1, as of that date, for all exchange transactions within the national territory, both for the business and private sectors.

#### 2.7 **Property, plant and equipment**

Property, plant and equipment is stated at historical cost and is depreciated using the straight-line method over the estimated useful life of the asset, applying the following yearly depreciation percentages:

Buildings	–	6%
Fixture and fittings	–	10%
Computer equipment	–	25%
Communication equipment	–	15%
Vehicles	–	20%
Other equipment	–	15%

### *Impairment*

The carrying amount of property, plant and equipment is reviewed each end of year or whenever events or changes in circumstances indicate that impairment may have occurred, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

### *Repairs and renovations*

Repairs and renovations are normally expensed as they are incurred. Expenses are reported as assets only if the amounts involved are substantial and one or more of the following conditions are satisfied: the original useful life is prolonged, the production/service capacity is increased, the quality of the products/services is enhanced materially or production/service costs are reduced considerably.

### *Construction in progress*

Property, plant and equipment under construction is recorded as construction-in-progress until it is ready for its intended use, thereafter it is transferred to the related category of property, plant and equipment and depreciated over its estimated useful lives, in accordance with IAS 16, "Property, Plant and Equipment"

## **2.8 Investment properties**

The Company's income-producing rental buildings (Phase I and Phase II) qualify as investment properties under IFRS (IAS 40). Given that Cuba does not yet have a fully developed commercial real estate market the Company is valuing the investment properties at historic cost. These buildings are depreciated using the straight-line method over their estimated useful lives.

In accordance with Shareholder s agreement N° 8/2014 of 16 April 2014, it was established a depreciation rate for investment properties of 1.5 per cent., which will be applicable since the year 2014.

## **2.9 Intangible assets**

Under the terms of the Joint Venture Agreement, the Company has purchased land surface rights from Lares for a period of 50 years. The lands rights are calculated at a rate based per phase, multiplied by the square meters of the specific property, and are amortized over the remaining life of the joint venture.

## **2.10 Financial costs**

Borrowing costs that have been paid and which are directly attributable to the acquisition, construction or production of a qualifying asset (a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of that asset. Other borrowing costs are recognized as an expense as they are incurred in accordance with IAS 23.

## **2.11 Inventario**

Inventory held for use in the maintenance and expansion of the Company's operations is stated at landed cost, less provision for deterioration and obsolescence.

## **2.12 Accounts receivable**

They are recognised and carried at the original billed amounts less allowances for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Receivables from related parties are recognised and carried at cost.

## **2.13 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less since acquisition date, which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

#### 2.14 **Deposits received from tenants**

These consist primarily of the two months deposit given in cash by each tenant at the start of the rental contract.

#### 2.15 **Trade and other payables**

Liabilities for trade and other accounts payable which are normally settled on 30-90 day terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### 2.16 **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, which makes it likely that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, it is recognized as a separate asset, but only when the reimbursement is virtually certain, the expense relating to any provision is presented in the income statement net of any reimbursement.

#### 2.17 **Employee benefits**

The Company does not provide any post-employment benefits to its employees. Employee benefits consist of employee salaries, bonuses and subsidized meals and clothing.

#### 2.18 **Contingency reserve**

In accordance with Law #118/13 on Foreign Investment and Ministry of Finance Resolution No 49/2004, the Company is required to provide for a contingency reserve amounting to up approximately 5 per cent. of annual pre-tax earnings up to a maximum equal to 20 per cent. of the sum of property, plant and equipment and working capital. The contingency reserves are used to cover losses and other contingencies and are recognized as an appropriation of retained earnings in the period that gives rise to them. On dissolution of the Company, after any contingencies are covered, the remaining reserves will be distributed between parties in the same manner established for the distribution of profits after deducting taxes.

In accordance with Shareholders agreement N° 7/2014 of 16 April 2014, it was established a change in the percentage of creation of Contingency reserve, reducing it from 5 per cent. of profit before tax to 0.5 per cent. This change was applicable for the years beginning on or after 2014.

#### 2.19 **Tax**

The Cuban Ministry of Finance and Prices, under resolution No. V-25 8/96, granted the Company an exemption to income taxes on income not distributed to the shareholders during the first 10 years of operation. Such amounts would be taxable in the year distributed at the rate applicable at that moment. This exemption expired in June 2009, so the Company's profits since the second half of 2009 were encumbered.

With the adoption of Law No. 118 Foreign Investment Law, as of the year ended 31 December 2014, the Company is subject to corporate income tax calculated at 15 per cent. of taxable income pursuant to Cuban regulations.

Deferred tax liabilities are recognized for temporary differences that will result in taxable amounts in future years. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future years. Where it is not certain that the temporary difference will be reversed no deferred taxation asset is established.

#### 2.20 **Dividends paid**

Dividends paid are recognised in the period in which they are paid. Dividends are recognised as a liability only when they have been proposed and approved by the Shareholders meeting.

## 2.21 **Revenue recognition**

Rent, administration, tenant improvements and parking revenues are recorded when accrued in accordance with the terms of the leases. Administration income relates to the cost of certain services for which the Company makes payments centrally on behalf of its tenants (primarily utilities).

### **3. Personnel costs**

	2015 USD	2014 USD
Wages and salaries	965,245	918,220
Other benefits	129,087	126,756
<b>Total personnel costs</b>	<b>1,094,332</b>	<b>1,044,976</b>

### **4. Cost of administration services**

	2015 USD	2014 USD
Electricity	3,279,110	3,782,940
Telecommunications	425,575	349,209
Materials used for repairs	641,665	616,472
Insurance	195,365	192,633
Hygiene products	132,700	122,015
Fuel	47,005	66,495
Other	42,303	56,322
<b>Total other services</b>	<b>4,763,723</b>	<b>5,186,086</b>
Services	306,152	424,881
Repairs and maintenance	421,622	304,449
<b>Total cost of administration services</b>	<b>5,491,497</b>	<b>5,915,416</b>

The Company makes certain payments effectively on behalf of its tenants and provides a number of communal services. Invoices are issued to clients to cover these expenses in accordance with the square meters of rent.

### **5. Financial income and expenses – net**

	2015 USD	2014 USD
Earned interests	25,501	23,251
Commissions and other banking fees	(7,568)	(6,843)
Other financial income	36,655	26,917
<b>Total financial income and expenses – net</b>	<b>54,588</b>	<b>43,325</b>

## 6. Income tax

The main elements of the corporate income tax for the years ended 31 December 2015 and 2014 are as follows:

	2015 USD	2014 USD
<i>Current tax</i>		
Income tax expense (15%)	1,808,551	1,572,022
<i>Deferred tax</i>		
Deferred tax liabilities by contingency reserve	9,087	7,898
<b>Total income tax expenses</b>	<b>1,817,638</b>	<b>1,579,920</b>
	2015 USD	2014 USD
<b>Reconciliation of accounting to taxable profit</b>		
Profit before income tax	12,115,347	10,530,731
Nondeductible expenses (*)	2,236	2,069
Contingency reserve transfer	(60,577)	(52,654)
<b>Taxable income</b>	<b>12,057,006</b>	<b>10,480,146</b>
Tax rate (**)	15%	15%
<b>Current tax</b>	<b>1,808,551</b>	<b>1,572,022</b>
Deferred tax liabilities by contingency reserve (15%)	9,087	7,898
<b>Income tax</b>	<b>1,817,638</b>	<b>1,579,920</b>

(\*) Nondeductible expenses are permanent differences.

(\*\*) With the passing of Law 118 of Foreign Investment, as of the year ended 31 December 2014, the Company is subject to income tax calculated at 15 per cent. of taxable income under Cuban regulations, being the effective tax rate as at 31 December 2015 of 14.93 per cent. (2014: 14.93 per cent.).

### Deferred tax

Deferred taxes refer to the following:

	<i>Statement of financial position</i>		<i>Statement of comprehensive income (loss)/profit</i>	
	2015	2014	2015	2014
Contingency reserve	790,765	781,678	(9,087)	(7,898)
Exempt retained earnings	1,500,000	1,500,000	—	—
<b>(Expense) Deferred tax</b>	<b>—</b>	<b>—</b>	<b>(9,087)</b>	<b>(7,898)</b>
<b>Deferred tax liabilities</b>	<b>2,290,765</b>	<b>2,281,678</b>	<b>—</b>	<b>—</b>

## 7. Intangible assets

In accordance with the terms of the Joint Venture Agreement, the Company has acquired land surface rights at the commencement of each phase of the project. As at 31 December 2015, the Company has land rights as follows:

	2015 USD	2014 USD
Land rights – at cost		
Phase I	2,494,800	2,494,800
Phase II	6,858,760	6,858,760
<b>Total cost</b>	<u>9,353,560</u>	<u>9,353,560</u>
Less: Accumulated amortization	<u>(2,602,676)</u>	<u>(2,387,757)</u>
<b>Net book value</b>	<u><u>6,750,884</u></u>	<u><u>6,965,803</u></u>

Total amortization expenses during the year ended 31 December 2015 were USD 214,919 (2014: USD 214,919).

Inmobiliaria Monte Barreto, S.A. has received from Inmobiliaria Lares, S.A. (the 51 per cent. shareholder) the 'Land Usage Rights' over the above-mentioned land for the period of time between the date of the concession and of the said Right (for each of the plots linked to the execution of each stage of the project) and the termination of the term of validity of the joint venture (50 years as of 1996).

## 8. Property, plant & equipment

	Other Buildings USD	Office Equipment and furniture USD	Communications and computer equipments USD	Vehicles USD	Art works USD	Equipments to be installed USD	Others USD	Total USD
Cost:								
At 1 January 2015	9,427	179,086	393,820	295,014	300,139	429,805	1,390,262	2,997,553
Additions	–	462	68,733	5,441	–	103,130	412,147	589,913
Disposals	–	–	(1,309)	–	–	–	(3,932)	(5,241)
At 31 December 2015	9,427	179,548	461,244	300,455	300,139	532,935	1,798,477	3,582,225
Depreciation:								
At 1 January 2015	(2,687)	(159,500)	(324,887)	(262,009)	–	–	(814,159)	(1,563,242)
Charge for the period	(566)	(5,211)	(44,683)	(15,722)	–	–	(193,092)	(259,274)
Disposals	–	–	1,309	–	–	–	3,902	5,211
At 31 December 2015	(3,253)	(164,711)	(368,261)	(277,731)	–	–	(1,003,349)	(1,817,305)
Net book value:								
At 31 December 2015	6,174	14,837	92,983	22,724	300,139	532,935	795,128	1,764,920

	Other Buildings USD	Office Equipment and furniture USD	Communications and computer equipments USD	Vehicles USD	Art works USD	Equipments to be installed USD	Others USD	Total USD
Cost:								
At 1 January 2014	9,427	170,568	388,465	293,999	300,139	284,779	911,424	2,358,801
Additions	–	8,518	7,431	3,000	–	145,026	479,138	643,113
Disposals	–	–	(2,076)	(1,985)	–	–	(300)	(4,361)
At 31 December 2014	9,427	179,086	393,820	295,014	300,139	429,805	1,390,262	2,997,553
Depreciation:								
At 1 January 2014	(2,120)	(153,155)	(284,895)	(244,824)	–	–	(682,586)	(1,367,580)
Charge for the period	(567)	(6,345)	(42,068)	(19,170)	–	–	(131,873)	(200,023)
Disposals	–	–	2,076	1,985	–	–	300	4,361
At 31 December 2014	(2,687)	(159,500)	(324,887)	(262,009)	–	–	(814,159)	(1,563,242)
Net book value:								
At 31 December 2014	6,740	19,586	68,933	33,005	300,139	429,805	576,103	1,434,311
At 31 December 2013	7,307	17,413	103,570	49,175	300,139	284,779	228,838	991,221

## 9. Investment properties

	<i>Buildings for rent Phase I USD</i>	<i>Buildings for rent Phase II USD</i>	<i>Buildings for rent Phase II USD</i>	<i>Total USD</i>
<b>Cost:</b>				
At 1 January 2014	16,698,217	16,192,556	31,798,836	64,689,609
At 31 December 2014	16,698,217	16,192,556	31,798,836	64,689,609
At 31 December 2015	16,698,217	16,192,556	31,798,836	64,689,609
<b>Depreciation:</b>				
At 1 January 2014	(7,000,749)	(4,898,248)	(6,271,573)	(18,170,570)
Charge for the period	(250,473)	(242,888)	(476,982)	(970,343)
At 31 December 2014	(7,251,222)	(5,141,136)	(6,748,555)	(19,140,913)
Charge for the period	(250,473)	(242,888)	(476,982)	(970,343)
At 31 December 2015	(7,501,695)	(5,384,024)	(7,225,537)	(20,111,256)
<b>Net book value:</b>				
At 31 December 2015	9,196,522	10,808,532	24,573,299	44,578,353
At 31 December 2014	9,446,995	11,051,420	25,050,281	45,548,696
At 31 December 2013	9,697,468	11,294,308	25,527,263	46,519,039

The rental income from investment properties of the Company during the year amounted to USD 14,900,677 (2014: USD 13,906,840), while cost of services related to such properties amounted to USD 5,491,497 (2014: USD 5,915,416).

## 10. Inventory

	<i>2015 USD</i>	<i>2014 USD</i>	<i>2013 USD</i>
Materials	1,230,175	1,400,319	1,566,468
Tools in use	79,750	70,919	70,746
Fuel and lubricants	4,395	1,724	3,301
<b>Total inventory</b>	<u>1,314,320</u>	<u>1,472,962</u>	<u>1,640,515</u>

## 11. Account receivable

	<i>2015 USD</i>	<i>2014 USD</i>	<i>2013 USD</i>
Trade accounts receivable	45,655	10,659	39,496
<b>Total account receivable</b>	<u>45,655</u>	<u>10,659</u>	<u>39,496</u>

As at 31 December 2015 and 2014, the ageing analysis of accounts receivable is as follows:

	<i>Total USD</i>	<i>Past due but not impaired</i>			
		<i>&lt;30 días</i>	<i>30-60 días</i>	<i>60-90 días</i>	<i>&gt;90 días</i>
<b>2015</b>	45,655	43,187	2,401	–	67
<b>2014</b>	10,659	10,506	6	–	147
<b>2013</b>	39,496	29,552	2,665	–	7,279

## 12. Cash and cash equivalents

	<i>2015 USD</i>	<i>2014 USD</i>	<i>2013 USD</i>
Cash in hand	10,866	23,132	38,245
Cash at bank (*)	11,054,236	4,816,560	5,594,924
<b>Total cash and cash equivalents</b>	<b>11,065,102</b>	<b>4,839,692</b>	<b>5,633,169</b>

(\*) Balance in banks are unencumbered.

## 13. Share Capital

<i>2015</i>		<i>2014</i>	
<i>Number of Shares authorized</i>	<i>Allotted and Fully paid USD</i>	<i>Number of Shares authorized</i>	<i>Allotted and Fully paid USD</i>
100	1,000,000	100	1,000,000

Ordinary shares have a par value of USD 10,000. The shareholders in the following proportions initially injected share capital: Inmobiliaria Lares 51 per cent. and Ceiba MTC 49 per cent. The contribution of Ceiba MTC was of USD 490,000 in cash. Inmobiliaria Lares contributed the remaining value of USD 510,000 as follows:

- Cash – USD 127,500
- The right to use land (with an area of 7,128 M<sup>2</sup>) – USD 382,500

Earnings per share are calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares in issue during the year.

## 14. Accounts payable

	<i>2015 USD</i>	<i>2014 USD</i>	<i>2013 USD</i>
Electricity	246,074	260,061	296,159
Wages	78,603	111,437	74,452
Others	433,732	35,221	37,772
<b>Total accounts payable</b>	<b>758,409</b>	<b>406,719</b>	<b>408,383</b>

## 15. Transactions with related parties

The ultimate holding Company of Lares (the 51 per cent. shareholder of the Company) is the Cuban state. Monte Barreto S.A. engages in many different types of commercial transactions with other Cuban state owned enterprises. Given that these transactions are at normal commercial rates and are incurred in the normal course of business no specific disclosure is made of these transactions.

There were no loans to or transactions with persons who were Directors (or persons connected with them) or managers of the Company during the year ended 31 December 2015.

## 16. Commitments

### ***Commitments operating leases receivable***

The Company has operating leases for which minimum lease charges described below:

	2015 USD
2016	17,295,601
2017	4,922,275
After 2017	2,261,264
	<u>24,479,140</u>

## 17. Financial instruments

### ***Credit risk***

Financial assets, which potentially subject the Company to concentrations of credit risk, consist principally of accounts receivable. Accounts receivable are presented net of the allowance for doubtful accounts. Credit risk with respect to accounts receivable is limited due to the number of tenants comprising Monte Barreto's rental income base, and the payments are generally due one month in advance, with a deposit as security.

### ***Liquidity risk***

Liquidity risk is the risk that an entity encounters due to difficulties in realizing assets or otherwise raising funds to meet commitments associated with liabilities or financial obligations at any time. The Company's risk is low given that there are no short-term obligations that cannot not be met with the Company's current assets.

### ***Foreign exchange risk***

Market risk is the risk of loss arising from adverse price movements in the foreign exchange and money markets when measured against actual positions held by the entity.

Inmobiliaria Monte Barreto does not hedge its foreign exchange positions; however, its foreign exchange risk is low because the majority of its assets and liabilities are denominated in CUC and USD (Subject to a fixed exchange rate).

### ***Interest rate risk***

The Company is not exposed to fluctuations in interest rates since their obligations receivable and payable are short term and without interest rates.

### ***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.

### ***Fair values***

At 31 December 2015, the carrying amounts of cash, accounts receivable, accounts payable, deposits received from tenants and short-term debt approximate their fair values due to the short-term maturities of these assets and liabilities.

**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 year.

**18. Events after the balance sheet**

At the shareholders' meeting approving the Financial Statements for the year 2015 it will be approved the distribution of dividends from retained earnings after tax obligations and stimulation.

The financial statements have been authorized for issue by the Company's shareholders on 7 April 2016.

**19. Explanation added for translation into English**

These financial statements are a free English translation of those originally issued in Spanish. In case of discrepancies, the Spanish version prevails. They are presented in accordance with International Financial Reporting Standards (IFRS).

**Nivia Fernández Fleites**  
*President*

**Enrique Rottenberg**  
*Vicepresident*

## NOTES ON HOW TO COMPLETE THE APPLICATION FORM

**Applications should be returned so as to be received no later than 11.00 a.m. (London time) on 3 October 2018.**

If you have any queries please contact Link Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

### 1. APPLICATION

Fill in (in figures) in Box 1 the amount of money being subscribed for Ordinary Shares. The amount being subscribed must be a minimum of £1,000.

### 2A. HOLDER DETAILS

Fill in (in block capitals) the full name and address of each holder. Applications may only be made by persons aged 18 or over. In the case of joint holders, the address given for the first named will be entered as the registered address for the holding on the share register and used for all future correspondence. A maximum of four joint holders is permitted. All holders named must sign the Application Form at section 3.

### 2B. CREST

If you wish your Ordinary Shares to be deposited into a CREST Account in the name of the holders given in section 2A, enter in section 2B the details of a CREST Account which the Receiving Agent can credit, using the DVP message. By returning the Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of Ordinary Shares to be made on 10 October 2018 against payment of the Issue Price per Ordinary Share.

### 3. SIGNATURE

All holders named in section 2A must sign section 3 and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

### 4. SETTLEMENT

#### (a) *Cheques/Bankers' draft*

Payments can be made by cheque or banker's draft in Sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to LMS re: CEIBA Investments Limited – 2018 OFS Application. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the cheque/banker's draft to such effect. Post-dated cheques will not be accepted.

The account name should be the same as that shown on the application.

(b) **Electronic Bank Transfers**

For applicants sending subscription monies by electronic bank transfer (CHAPs), payment must be made for value by 11.00 a.m. on 3 October 2018 directly into the bank account detailed below. The payment instruction must also include a unique reference comprising your name and a contact telephone number which should be entered in the reference field on the payment instruction, for example, MJ SMITH 01234 567 8910

Bank: Lloyds Bank  
Sort Code: 30-80-12  
A/C No: 17291360  
A/C Name: LMS re: CEIBA Investments Limited OFS CHAPs A/C

The Receiving Agent cannot take responsibility for correctly identifying payments without a unique reference nor where a payment has been received but without an accompanying application form.

(c) **CREST settlement**

The Company will apply for the Ordinary Shares issued pursuant to the Offer for Subscription in uncertificated form to be enabled for CREST transfer and settlement with effect from Initial Admission (the "**Settlement Date**"). Accordingly, settlement of transactions in the Ordinary Shares will normally take place within the CREST system.

The Application Form in the Appendix contains details of the information which the Receiving Agent will require from you in order to settle your application within CREST, if you so choose. If you do not provide any CREST details or if you provide insufficient CREST details for the Receiving Agent to match to your CREST account, the Receiving Agent will deliver your Ordinary Shares in certificated form provided payment has been made in terms satisfactory to the Company.

The right is reserved to issue your Ordinary Shares in certificated form should the Company, having consulted with the Receiving Agent, consider this to be necessary or desirable. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST or any part of CREST or on the part of the facilities and/or system operated by Euroclear in connection with CREST.

The person named for registration purposes in the Application Form (which term shall include the holder of the relevant CREST account) must be: (i) the person procured by you to subscribe for or acquire the relevant Ordinary Shares; or (ii) yourself; or (iii) a nominee of any such person or yourself, as the case may be. Neither the Receiving Agent nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. The Receiving Agent, on behalf of the Company, will input a DVP instruction into the CREST system according to the booking instructions provided by you in your Application Form. The input returned by you or when your settlement agent/custodian of a matching or acceptance instruction to our CREST input will then allow the delivery of your Ordinary Shares to your CREST account against payment of the Issue Price per Ordinary Share through the CREST system upon the Settlement Date.

By returning the Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of Ordinary Shares to be made on 10 October 2018 against payment of the Issue Price per Ordinary Share. Failure by you to do so will result in you being charged interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling plus 2 per cent. per annum.

To ensure that you fulfil this requirement it is essential that you or your settlement agent/custodian follow the CREST matching criteria set out below:

<b>Trade Date:</b>	8 October 2018
<b>Settlement Date:</b>	10 October 2018
<b>Company:</b>	CEIBA Investments Limited
<b>Security Description:</b>	Ordinary share of no par value
<b>SEDOL:</b>	BFMDJH1
<b>ISIN:</b>	GG00BFMDJH11

If you wish to settle via CREST, that is DVP, you will need to match your instructions to Link Asset Service's participant account RA06 by no later than 1.00 p.m. on 9 October 2018.

## **5. RELIABLE INTRODUCER DECLARATION**

Applications will be subject to the UK's verification of identity requirements. This will involve you providing the verification of identity documents listed in section 6 of the Application Form UNLESS you can have the declaration provided at section 5 of the Application Form given and signed by a firm acceptable to the Receiving Agent. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the declaration provided in section 5 of the Application Form completed and signed by a suitable firm.

## **6. IDENTITY INFORMATION**

Applicants need only consider section 6 of the Application Form if the declaration in section 5 cannot be completed. Notwithstanding that the declaration in section 5 has been completed and signed the Receiving Agent reserves the right to request of you the identity documents listed in section 6 and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application might be rejected or revoked. Where certified copies of documents are provided such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

## **7. CONTACT DETAILS**

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person the Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

**INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS** – Completed Application Forms should be returned, by post or by hand (during normal business hours), to Link Asset Services so as to be received no later than 11.00 a.m. (London time) on 3 October 2018, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least four days for delivery. Application Forms received after this date may be returned.

## APPENDIX – APPLICATION FORM

Please send this completed form by post or by hand (during normal business hours) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 11.00 a.m. (London time) on 3 October 2018.

The Directors may, with the prior approval of N+1 Singer, alter such date and thereby shorten or lengthen the offer period. In the event that the offer period is altered, the Company will notify investors of such change.

Important: Before completing this form, you should read the prospectus dated 17 September 2018 (the “**Prospectus**”) and the Terms and Conditions of the Offer for Subscription set out in this document and accompanying notes to this form.

FOR OFFICIAL USE ONLY

Log No.

Box 1 (minimum of £1,000)

£

To: CEIBA Investments Limited and the Receiving Agent

### 1. APPLICATION

I/We the person(s) detailed in section 2A below offer to subscribe the amount shown in Box 1 for Ordinary Shares subject to the Terms and Conditions of the Offer for Subscription set out in the Prospectus and subject to the articles of incorporation of the Company in force from time-to-time.

#### 1A. PAYMENT METHOD (PLEASE TICK ONE BOX)

☐

Cheque

☐

CHAPS

☐

CREST

### 2A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) ORDINARY SHARES WILL BE ISSUED

(BLOCK CAPITALS)

1:

Mr, Mrs, Ms or Title:

Forenames (in full):

Surname/Company name:

Address (in full):

Postcode:

Designation (if any):

Date of birth:

E-mail contact address:

2:

Mr, Mrs, Ms or Title:

Forenames (in full):

Surname/Company name:

House number and Postcode:

Date of birth:



3:	Mr, Mrs, Ms or Title:	Forenames (in full):
Surname/Company name:		
House number and Postcode:		
Date of birth:		

4:	Mr, Mrs, Ms or Title:	Forenames (in full):
Surname/Company name:		
House number and Postcode:		
Date of birth:		

## 2B. CREST ACCOUNT DETAILS INTO WHICH ORDINARY SHARES ARE TO BE DEPOSITED (IF APPLICABLE)

Only complete this section if Ordinary Shares issued are to be deposited in a CREST Account which must be in the same name as the holder(s) given in Section 2A.

(BLOCK CAPITALS)

CREST Participant ID:

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CREST Member Account ID:

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## 3. SIGNATURE(S): ALL HOLDERS MUCH SIGN

By completing the signature/execution boxes below you are deemed to have read the Prospectus and agreed to the terms and conditions in Part 19 of the Prospectus (Terms and Conditions of Application under the Offer for Subscription) and to have given the warranties, representations and undertakings set out therein.

Signature by an individual (or joint individual applicants)

First Applicant Signature:		Date	
Second Applicant Signature:		Date	
Third Applicant Signature:		Date	
Fourth Applicant Signature:		Date	

## Execution by a company

Executed by: (Name of Company)			
Name of Authorised signatory:		Name of Authorised signatory:	
Position of Authority:		Position of Authority:	
Signature:		Signature:	
Date:		Date:	
Affix Company Seal here:			

*A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.*

## PLEASE TICK THE RELEVANT BOX BELOW CONFIRMING YOUR METHOD OF PAYMENT FROM OPTIONS 4A, 4B OR 4C BELOW:

### 4A. CHEQUES/BANKER'S DRAFT

☐

Pin or staple to this form your cheque or banker's draft for the exact amount shown in Box 1 made payable to LMS re: CEIBA Investments Limited – 2018 OFS Application. Cheques and banker's payments must be drawn in Sterling on an account at a bank branch in the United Kingdom or Guernsey and must bear a United Kingdom or Guernsey bank sort code number in the top right hand corner. If you use a banker's draft or a building society cheque you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the banker's draft or cheque and adds its stamp.

### 4B. ELECTRONIC BANK TRANSFER

☐

For applicants sending subscription monies by electronic bank transfer (CHAPs), payment must be made for value by 11.00 a.m. on 3 October 2018 directly into the bank account detailed below. The payment instruction must also include a unique reference comprising your name and a contact telephone number which should be entered in the reference field on the payment instruction, for example, MJ SMITH 01234 567 8910

Bank: Lloyds Bank  
 Sort Code: 30-80-12  
 A/C No: 17291360  
 A/C Name: LMS re: CEIBA Investments OFS CHAPs A/C

The Receiving Agent cannot take responsibility for correctly identifying payments without a unique reference nor where a payment has been received but without an accompanying application form.

Please enter below the sort code of the bank and branch you will be instructing to make such payment for value by 11.00 a.m. on 3 October 2018, together with the name and number of the account to be debited with such payment and the branch contact details.

Sort Code:	Account Number:
Account Name:	Bank Name and Address:



#### 4C. SETTLEMENT BY DELIVERY VERSUS PAYMENT (DVP) ☐

If you choose to settle your application within CREST, that is DVP, you or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment at the Issue Price per Ordinary Share using the following CREST matching criteria set out below:

**Trade date:** 8 October 2018  
**Settlement date:** 10 October 2018  
**Company:** CEIBA Investments Limited  
**Security description:** Ordinary Shares of no par value  
**SEDOL:** BFMDJH1  
**ISIN:** GG00BFMDJH11

Applicants wishing to settle DVP will still need to complete and submit a valid Application Form to be received by no later than 11.00 a.m. on 3 October 2018 (being the closing date). You should tick the relevant box in section 1A of the Application Form.

Applicants will also need to ensure that their settlement instructions are input to Link Asset Services' Participant account (RA06) by no later than 11.00 a.m. on 9 October 2018.

Applicants can confirm their final allotment of shares by contacting the helpline on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer for Subscription nor give any financial, legal or tax advice.

Note: Link will not take any action until a valid DEL message has been alleged to the Participant account by the applicant/custodian.

No acknowledgement of receipt or input will be provided.

Applicants should also ensure that their agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to their usual daily trading and settlement requirements.

In the event of late/non-settlement, the Company reserves the right to deliver shares outside of CREST in certificated form provided that payment has been made in terms satisfactory to the Company and all other conditions of the Offer for Subscription have been satisfied."

**If you require a share certificate you should not use this facility.**

(BLOCK CAPITALS)

CREST Participant ID:

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CREST Member Account ID:

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#### 5. RELIABLE INTRODUCER DECLARATION

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 6 of this form.

The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the "firm") which is itself subject in its own country to operation of 'know your customer' and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom or Guernsey.

#### DECLARATION:

##### To the Company and the Receiving Agent

With reference to the holder(s) detailed in section 2A, all persons signing at section 3 and the payor identified in section 6 if not also a holder (collectively the "subjects") WE HEREBY DECLARE:

1. we operate in the United Kingdom or Guernsey, or in a country where money laundering regulations under the laws of that country are, to the best of our knowledge, no less stringent than those which prevail in the United Kingdom or Guernsey and our firm is subject to such regulations;
2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
3. each of the subjects is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
4. we confirm the accuracy of the names and residential business address(es) of the holder(s) given at section 2A and if a CREST Account is cited at section 2B that the owner thereof is named in section 2A;
5. having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Ordinary Shares mentioned; and
6. where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its officials.

Signed:	Name:	Position:
Name of regulatory authority:		Firm's licence number:
Website address or telephone number of regulatory authority:		
STAMP of firm giving full name and business address:		

## 6. IDENTITY INFORMATION

If the declaration in section 5 cannot be signed and the value of your application is greater than £10,000, please enclose with that Application Form the documents mentioned below, as appropriate. Please also tick the relevant box to indicate which documents you have enclosed, all of which will be returned by the Receiving Agent to the first named Applicant.

Holders				Payor

Tick here for documents provided

In accordance with internationally recognised standards for the prevention of money laundering, the documents and information set out below must be provided:

### A. For each holder being an individual enclose:

- (1) an original or a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport – Government or Armed Forces identity card – driving licence; and
- (2) an original or certified copies of at least two of the following documents no more than 3 months old which purport to confirm that the address given in section 2A is that person's residential address: a recent gas, electricity, water or telephone (not mobile)

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bill – a recent bank statement – a council rates bill – or similar document issued by a recognised authority; and

- (3) if none of the above documents show their date and place of birth, enclose a note of such information; and
- (4) details of the name and address of their personal bankers from which the Receiving Agent may request a reference, if necessary.

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**B. For each holder being a company (a “holder company”) enclose:**

- (1) a certified copy of the certificate of incorporation of the holder company; and
- (2) the name and address of the holder company’s principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (3) a statement as to the nature of the holder company’s business, signed by a director; and
- (4) a list of the names and residential addresses of each director of the holder company; and
- (5) for each director provide documents and information similar to that mentioned in A above; and
- (6) a copy of the authorised signatory list for the holder company; and
- (7) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also complete C below and, if another company is named (hereinafter a “**beneficiary company**”), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.

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**C. For each person named in B(7) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(1) to (4).**

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**D. For each beneficiary company named in B(7) as a beneficial owner of a holder company enclose:**

- (1) a certified copy of the certificate of incorporation of that beneficiary company; and
- (2) a statement as to the nature of that beneficiary company’s business signed by a director; and
- (3) the name and address of that beneficiary company’s principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (4) a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.

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**E. If the payor is not a holder and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:**

- (1) if the payor is a person, for that person the documents mentioned in A(1) to (4); or
- (2) if the payor is a company, for that company the documents mentioned in B(1) to (7); and
- (3) an explanation of the relationship between the payor and the holder(s).

The Receiving Agent reserves the right to ask for additional documents and information.

**7. CONTACT DETAILS**

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Receiving Agent may contact with all enquiries concerning this application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:	E-mail address:
Contact address:	
	Postcode:
Telephone No:	Fax No:



