CEIBA INVESTMENTS Ltd

Annual Report and Consolidated Financial Statements
31 March 2010

Cover artwork: José Emilio Fuentes Fonseca,
from the series *Homenaje a las masas*, 2010,
Acrylic on canvas, 10 canvases 150 x 150 cm each.

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The opinions on Cuba's economy and politics expressed in the section entitled "Report of the Investment Manager" are those of the Investment Manager. This section is included in the Annual Report to provide background information to Shareholders. The information contained in the Report of the Investment Manager is selective and should not be used as the basis for a decision to buy or sell any particular security. Part of the information, statistics and forecasts contained in the Report of the Investment Manager has been obtained from published sources and documents but no attempt has been made to verify the accuracy of such data. Information relating to Cuba may be incomplete and unreliable. Investment in Cuba and in the Company may involve greater than normal risk and is not suitable for unsophisticated investors. Past performance is no guide to future results.

DIRECTORS AND MANAGEMENT

DIRECTORS

Sir John Morgan (Chairman)
Colin Kingsnorth
Sebastiaan A.C. Berger
Jamie García–Andrade
Enrique Rottenberg
Peter Fletcher
John Anthony Herring (appointed 12 November 2009)
Manuel Roumain (appointed 12 November 2009)
Martin Lancaster (resigned 12 November 2009)

REGISTERED OFFICE

CEIBA Investments Limited
Frances House, Sir William Place
St Peter Port, Guernsey, Channel Islands
GY1 4HQ

INVESTMENT MANAGER

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c/o CEIBA Property Corporation Limited
Miramar Trade Centre
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La Habana, Cuba

ISIN CODES

Shares: GB00B0212X76
Warrants 2007: GG00B2Q3QH59

REGISTRATION NUMBER

30083

ADMINISTRATION AND KEY ADVISERS

ADMINISTRATOR, CUSTODIAN AND SECRETARY

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(formerly Bachmann Fund Administration Limited)
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St Peter Port, Guernsey, Channel Islands
GY1 4LX

Dear Shareholders,

Shortly before the start of the financial turmoil that began affecting world markets in 2008, the American insurer AIG used a striking advertising slogan: “the greatest risk is not taking one”. The history of CEIBA Investments Limited (the “Company”) is proof that these words can be true.

With a track record of nearly 15 years of continuous growth, solely from investments in Cuba, we continue to believe strongly that the risk of investing in Cuba has been worthwhile. With the present outlook for the coming period calling for new economic and political improvements, a renewed encouragement of foreign investment, the continued warming of US–Cuban relations and the potential further easing of existing US embargo regulations, it would appear that a new era lies ahead!

Investments

Following the repayment of loans to its shareholders, the commercial real estate joint venture that owns and operates Havana’s leading office complex, the Miramar Trade Center, has started to distribute dividends this year and has presented to the relevant Cuban authorities a proposal for a new phase of development to construct an additional rentable area of approximately 40,000m^2.

In addition, the Company further expanded its cash flow generating real estate portfolio by acquiring significant holdings in two (debt–free) Cuban joint venture companies in the Cuban tourism sector that have constructed and own an aggregate of 1,834 rooms in Havana and Varadero.

The result of these acquisitions is that the real estate portfolio of the Company now has a more balanced mix of commercial and hotel properties, both existing and under development, thereby further consolidating its position as the leading foreign investor in Cuban real estate.

Since the majority of the Company’s income–generating assets are denominated in US Dollars, the Company decided to change its reporting currency from Euros to US Dollars, thus reducing the influence of foreign exchange fluctuations on the results of the Company. Shares remain denominated and traded in Euros.

Outlook

In addition to developing existing projects and pursuing new investment opportunities, the Company continues its efforts to increase share liquidity and access to capital and is presently finalizing its efforts to restructure the Company from an investment fund to an operating company and to list on a major exchange.

All good news for shareholders!

Thank you for your continuing support and confidence in the Company.

Sir John Morgan
Chairman

THE COMPANY

Introduction

CEIBA Investments Limited ("CEIBA" or the "Company") is a closed–ended investment company registered with limited liability under the laws of Guernsey, Channel Islands under registration number 30083. The Company is listed on the Channel Islands Stock Exchange (under the symbol "CBA") and on the SETSqx trading system of the London Stock Exchange.

The principal investment objective of CEIBA Investments Limited is to achieve long–term capital growth from direct and indirect investment in or with Cuban businesses, balanced by current income from interest–bearing financial instruments and other financial transactions and revenue–generating investments primarily related to Cuba.

On 31 March 2010, the Company had in issue 132,212,352 Shares having a nominal value of €0.10 per Share, 122,870,644 Warrants 2007 having an exercise price of €1.20 and expiring on 8 November 2010 and 2,568,883 IM Warrants having an excercise price of €0.8406 and expiring on 31 March 2014.

Shares and Warrants 2007 in the Company are issued in certificated or uncertificated form and may be held and settled through Clearstream or the CREST system for paperless settlement of trades in securities operated by Euroclear UK & Ireland Limited. **US Persons may not hold Shares or Warrants 2007 through Clearstream, CREST or otherwise. Shares and Warrants 2007 may be purchased and sold through non–US brokers.**

The Annual General Meeting of Shareholders of the Company held in December 2007 approved a proposal to extend the life of CEIBA Investments to 2015. The Shareholders have the power to extend the life of the Company every 10 years.

Investment Manager

The Company is managed by CEIBA International Management Ltd. ("CEIBA Management" or the "Investment Manager") since July 2002.

The Investment Manager is responsible for the selection and implementation of investments and generally for managing the acquisition, holding and disposal of investments in accordance with the investment policies and restrictions established by the Board of Directors of the Company. CEIBA Management operates out of a representative office of CEIBA Property Corporation Limited ("CPC"), a wholly–owned subsidiary of the Company. Its directors are Sebastiaan A.C. Berger, Cameron Young, Colin Kingsnorth, Andrew Pegge and Enrique Rottenberg. The directors, officers and advisers of CEIBA Management collectively possess high–level skills, experience and contacts particularly relevant to investments in Cuba.

Sebastiaan A.C. Berger, Cameron Young and Enrique Rottenberg are responsible for the day–to–day management activities of CEIBA Management and all three have lived and worked in Havana for over 10 years.

Investment Policies

At a meeting of the Board of Directors of the Company held on 21 February 2007, the following investment policies of the Company were adopted:

- The Company may make any investment primarily related to Cuba, but the primary focus of the Company will be to:
  - make long–term investments in Cuba's real estate sector;
  - take participations in listed and unlisted companies, joint ventures and other foreign investment vehicles and entities generating substantially all of their revenues from activities related to Cuba, whether incorporated in Cuba or elsewhere;
  - participate in development projects in Cuba;
  - arrange and invest in interest–bearing financial instruments and other financial transactions related to Cuba.
- The Company may invest with Cuban partners 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 normally be limited to less than 10% of the total assets of the Company, unless with prior Shareholder approval.
- All investment decisions relating to the portfolio of the Company will be made by the Investment Manager under the supervision of the Board of Directors of the Company.
- In the case of direct or indirect equity investments, preference will be given to projects where:
  - there is an experienced foreign or foreign–trained management team;
  - the Company will have a sufficient interest that will allow the Company to influence management decisions;
  - accounting, auditing and financial reporting are carried out to an internationally acceptable standard; and
  - a suitable exit strategy has been identified.
- Investments and financial participations may be made in conjunction with Cuban or foreign partners, strategic investors, international banks and financial institutions, without limitation.
- The Company may acquire a majority interest in any vehicle or entity. Where the Company holds a significant interest in a company or entity, the Company and the Investment Manager will normally have the power to influence management. Such influence will generally be confined to the provision of strategic advice for the purpose of enhancing the value of the Company's investments, but may extend to day–to–day management functions where appropriate.
- The Company should not knowingly or intentionally invest in any entity that owns or uses property in respect of which there is a material risk of significant liability resulting from an outstanding claim that has been certified by the US Foreign Claims Settlement Commission, or invest directly in any such property.
- Liquidity may be maintained at any time in short–term bank deposits, government obligations and other liquid financial instruments, in any currency.
- It will not be the policy of the Company to engage in derivates trading, except if practicable and considered appropriate for the purposes of efficient portfolio management and/or currency hedging.
- The Company will not make any investment that exposes the Company to unlimited liability.
- The Company will hedge the currency exposure of its secured and unsecured financial instruments and other liquid financial assets. The Company may, but will not be obliged to, hedge its other investments.

Structure and Realization of Investments

THE COMPANY

All direct equity investments of the Company in Cuban joint ventures and all major finance transactions in favour of Cuban borrowers require the prior approval of the relevant Cuban government authorities and will be governed by the terms of any such approval and the prevailing laws and regulations in Cuba. This may have an effect on the speed and efficiency with which investments may be concluded and implemented.

Wherever possible and appropriate, the Investment Manager structures the investments of the Company so that each individual investment in Cuba is made through a separate holding company established outside Cuba, although investments within the same or similar sectors are also generally grouped in sector–specific holding companies with a view to facilitating the management and realization of such investments. An additional advantage of structuring investments through wholly or partially–owned holding companies incorporated outside Cuba is that the Company may be able to realize its interest in such companies without being required to obtain the prior approval from the Cuban government, which is required for the disposal of any direct interest in a Cuban joint venture or other foreign investment vehicle.

If possible, the Investment Manager may in the future seek to realize equity investments of the Company by making disposals through a public securities market. It should be noted, however, that there is currently no stock exchange or other public securities market in Cuba. Where no public securities market exists for the sale of the equity investments that the Company wishes to exit, the Company is likely to seek to sell such investments on a private basis to institutional, corporate or individual investors. The relative attractiveness of these different realization routes is likely to be influenced significantly by any future relaxation or change in the US Cuban embargo rules presently in force.

Net Asset Valuation and Price Information

The Net Asset Value of the Shares of the Company is calculated in respect of the last day of every calendar month and is published monthly. It is displayed on the official website of the Channel Islands Stock Exchange (www.cisx.com) under the symbol CBA. Information regarding the quoted market price of the Shares is displayed, amongst others, on Thomson Reuters, Bloomberg and the official website of the London Stock Exchange (www.londonstockexchange.com, symbol CBA).

Compulsory Share Transfer Mechanism

As a result of the existing US Cuban embargo regulations, securities in the Company may not be held, directly or indirectly, by or for the benefit of any US Person. Consequently, holders of securities in the Company should at all times take appropriate precautions so as to ensure that their securities or certificates thereof are not held or transferred through custodians, depositaries, or other intermediaries that may in any way be considered a US Person within the meaning of the US Cuban Assets Control Regulations.

The Articles of the Company explicitly provide that, in the event that the Board becomes aware that securities of the Company are held by a US Person, the Board may serve a compulsory transfer notice upon such US Person requiring the compulsory transfer of the relevant securities of the Company to another person that is not a US Person. If such transfer is not completed within the period specified in the Articles, the Board has the power to cause the compulsory transfer of the relevant securities.

Risk Factors

Shareholders, holders of Warrants 2007 and potential investors in the Company should be aware that investment in Cuba involves a high degree of risk and that trading in the securities of the Company is likely to be limited. Investment in the Company is only suitable for sophisticated investors who understand the nature of these risks. In addition to financial risks included in note 20 of the consolidated financial statements, investors, should also consider the following risks.

Absence of Benchmarks

The Company is the only traded publicly traded investment company exclusively dedicated to diversified investments in Cuba. Other publicly traded companies that are to at large extent dedicated to investments in Cuba included Sherritt International Inc. (oil & niclel – TSX: symbol "S"), and Leisure Canada Inc. (tourism – TSX–V: symbol "LCN"). None of these companies serve as a benchmark for the Company, since Sherritt International Inc. is active in sectors of Cuba's econnomy in which the Company is not invested, and Leisure Canada Inc. has not yet undertaken constuction of any of its planned real estate investments.

Country Risk

Cuba remains a socialist country where the 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. 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.

Cuba's Economy

Although the Cuban economy has shown growth in recent years, continued growth appears to have stagnated and future growth and development will depend, amongst other factors, upon the ability of the Cuban government and people to successfully adapt to new circumstances, upon government support of foreign investments and upon external factors such as world oil and nickel prices, the state of the world tourism market, Cuba's relationships with its allies Venezuela and China, its relationship with the United States and the US Cuban embargo, which has had, and is expected to continue to have, a significant adverse effect on the Cuban economy.

Cuban Law and Commercial Practice

Cuba has adopted a legal and regulatory system that on its face encourages and protects foreign investments. However, Cuba's legal system and the institutions that implement it are not characteristic of a parliamentary democracy or market economy. As in many other pre–emerging markets, Cuba's legal and regulatory system is in a formative stage and lacks 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. Legal rights of foreign investors may not be enforceable in Cuba to the same extent as they would be in fully developed industrialized states. There is no applicable regulatory regime governing the investment management sector in Cuba.

Accounting Standards and Audits

The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) as prescribed by the International Accounting Standards Board (IASB). Where possible, the Company applies IFRS to all subsidiary companies, which are audited by an international audit firm applying these standards to the financial statements. However, a number of companies in which the Company holds a participation are subject to Cuban accounting standards, which differ from internationally–recognized standards. Consequently, the financial information provided by these companies may not be as reliable as financial information prepared by companies in other countries.

Liquidity of Investments and Deadlock

All 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. Although the Company generally tries to balance its investment portfolio between debt and equity instruments and generally tries to structure its equity investments in Cuban foreign investment vehicles so as to include a viable exit strategy, this factor may limit the ability of the Company to formulate and execute appropriate realization strategies or to realize investments in the short or medium term.

The fact that most of the Cuban foreign investment vehicles are structured as 50/50 partnerships 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 a material adverse effect on the ability of such partnerships to make key decisions affecting operations.

US Cuban Embargo Regulations

The (US) Cuban Assets Control Regulations prohibit US Persons from involvement in any transaction connected with property in which Cuba or a national thereof has any interest of any kind. The use of bank or custody accounts in the US or non–US branches of US banks or custodians for payments or receipts of funds or for the custody of certificates relating to the Shares and Warrants 2007 of CEIBA Investments is therefore not allowed.

It is the policy of the Board that the Company should not knowingly and intentionally invest in a business or venture which owns, uses or controls property in respect of which there is a significant risk of liability as a result of an outstanding claim which has been certified by the US Foreign Claims Settlement Commission.

Currency and Transfer Risks

The Share capital of the Company is denominated in Euros. However, the accounts and net asset value of the Company are calculated and reported in US Dollars since the majority of the Company's investments are denominated in US Dollars. In order to mitigate currency risk and any negative effect resulting from movements in the exchange rate between the Euro and the US Dollar, the Company may hedge its liquid investments in Euros.

The Cuban Convertible Peso ("CUC") is the single currency for all hard currency transactions in Cuba. Its value is presently pegged to the US Dollar at a rate of 1.08. All Cuban State owned companies operate in CUCs and Cuban Pesos ("CUP"). Foreign companies are presently not allowed to operate in CUCs. The fixed exchange rate between the US Dollar and the CUC may be revalued by the Cuban Central Bank and the CUC may be imposed in all transactions in Cuba. Such an extension of the use of the CUC as the single currency for all transactions and operations in Cuba may adversely affect the direct investments of the Company in Cuba, although Cuba's Foreign Investment Act guarantees the free repatriation of profits in freely convertible currency.

Since the first half of 2009, significant delays were reported in the transfer of hard currency (from Cuban to foreign bank accounts), a number of Cuban government bonds and other financial instruments were rescheduled to later dates and certain defaults under finance facilities were reported. The Company believes that the level of transfer risk associated with the repatriation of hard currency from Cuba has increased and should be taken into account in all operations.

Dependence on Investment Manager and Key Officers

All investment decisions relating to the portfolio of the Company will be made by the Investment Manager under the supervision of the Board of Directors of the Company. Key officers of the Investment Manager have significant experience in the structuring, execution and implementation of direct investments and finance transactions in Cuba. The success of the investments of the Company in Cuba may depend to a large extent on such key officers. There can be no assurance that the key officers of the Investment Manager will remain with the Investment Manager or that adequate replacement personnel may be recruited in the event of their departure. The key officers of the Investment Manager include in particular Sebastiaan A.C. Berger, Cameron Young and Enrique Rottenberg.

Tropical Storms and Hurricanes

Cuba is located in an area which is subject to frequent tropical storms and hurricanes that may cause damage to property, infrastructure and crops, and that may have a negative impact on the country's economy. Properties in which the Company invests may be subject to damage. The principal assets of the Company, including the Miramar Trade Center and the operating hotel properties in which the Company holds interests have been insured against natural disasters including tropical storms and hurricanes.

During 2008, Cuba was affected by four major tropical cyclones, three of which hit the island directly. The assets in which the Company has invested suffered no damages.

INTRODUCTION AND OUTLOOK

In accordance with the investment policy of the Company, the Investment Manager has continued to further focus and concentrate the asset base of the Company on real estate, both in commercial and tourism properties. During the reporting period, the Company completed the acquisition of significant indirect interests in four operating hotels located on prime ocean–front property in Havana and Varadero, and assisted in the elaboration of new proposals for the further development of the Miramar Trade Center. Work has also proceeded on the beach resort project near the City of Trinidad.

Principal investments locations

Although the future results of the Company will continue to be dependent to an important degree on the general business climate in Cuba as well as internal and external political factors, the Investment Manager continues to believe that the present lack of supply and the natural incremental growth in demand for commercial and tourism real estate will drive the growth of the Company in the coming years.

In addition, the potential for additional positive development and positioning resulting from continued internal reforms aimed at further opening Cuba's private and foreign investment sectors or from external factors such as a partial or full lifting of existing US travel restrictions or other relaxation of the US Cuban embargo would likely have a very beneficial effect on the outlook of the Company.

CUBA: RECENT DEVELOPMENTS

There have been a number of notable political and economical developments in Cuba in recent months, with some remarkable results.

Release of Dissidents

In the first half of 2010, following increased international pressure on the Cuban government to take steps to improve the human rights situation in the country, the Cuban government announced the release of 52 political prisoners arrested during the "Black Spring" of 2003. This significant step was mediated by the Cuban Catholic Church and the Spanish minister of foreign affairs. By the end of August 2010, 26 prisoners had already been released and flown to Spain with their families, and it is expected that the remaining prisoners will be released over the coming months.

At the same time that the first prisoners were being released and flown out of the country, former President Fidel Castro began a series of public appearances – essentially his first since undergoing emergency surgery in 2006 and the appointment of his brother Raúl as President in 2008.

Relations with the United States

Relations with the United States remain tense, although they appear to be improving and cooperation on bilateral questions (including immigration issues and environmental matters related to the BP oil spill in the Gulf of Mexico) has continued to advance. In addition, there is speculation that backdoor diplomacy during a recent visit of New Mexico Governor Bill Richardson may result in further steps towards rapprochement.

On the legislative front in the United States, efforts to lift or relax the US travel restrictions against Cuba appear to be gaining momentum, and some observers are now predicting that the full travel restrictions may be lifted before the end of 2010 or in the first half of 2011.

In a significant first step, the House of Representatives Agricultural Committee voted in late June 2010 to approve the Travel Restriction Reform and Export Enhancement Act, which if passed into law by the full House of Representatives (and the Senate) would represent a major step forward in ongoing efforts to renew US policy towards Cuba and to remove the US embargo against Cuba. This bill contains provisions that would have the effect of fully lifting the present restrictions against US travel to Cuba and would further encourage the sale of US food and agricultural products to Cuba by facilitating cash payments and other trade finance matters. Prior to its arrival at the House Agricultural Committee, the bill received the support of 74 prominent Cuban dissidents who confirmed in a letter addressed to the Committee their view that the lifting of the US travel restrictions would be a significant positive development that would provide important support for their activities in Cuba. The bill must now be reviewed by the House Foreign Affairs and Banking Committees before going to vote by the full House of Representatives. In addition, the sponsors of similar legislation presently before the US Senate have declared that their effort has the support of at least 60 Senators, which would make it filibuster–proof. Observers note that it is unlikely that President Obama would veto any legislation lifting the travel restrictions.

Economy

Cuba's National Statistics Office (NSO) reported in September 2010 that overall investment, in foreign currency and local pesos, fell by 14.7 percent during the first half of 2010, compared with the same period in 2009, following a decline of over 15 percent for all of 2009. Investment is reported to be down in all sectors, from construction to the purchase of machinery and agricultural inputs.

These declines follow severe budget cuts and a reduction of more than US$5 billion or 30 percent in imports last year as Cuba fought off the effects of the international financial crisis, numerous hurricanes, policy errors and the long–standing U.S. trade embargo.

Economic growth has fallen from 7.3 percent in 2007 to 4.1 percent in 2008 and 1.4 percent last year.

Nevertheless, tourism performance appears to remain steady with the number of international tourist arrivals up by 1.5% during the first seven months of the year as compared with the same period of 2009.

Perfection and Modernization of Cuba's Socialist System

During 2007, a first series of measures were announced and implemented by the Cuban government to "perfect and modernize the socialist system". This process appears to be ongoing and is principally aimed at increasing efficiency and improving results in state companies through the reduction of subsidies and redundancies, the closure of non–performing businesses, the alignment and concentration of businesses, and the application of rigorous management discipline.

In parallel, Cuba's National Assembly announced in the summer of 2010 that further legislative changes would be made in order to increase the number, scope and depth of self–employment programs and to incentivize agricultural production by individual farmers. Although these reforms remain timid to date, the Investment Manager expects that the Cuban government will continue to reform the Cuban economic model slowly.

Amendment of Civil Code to Allow 99 Year Surface Rights

On 19 July 2010, the Counsel of State modified articles 221 and 222 of the Cuban Civil Code dealing with surface rights. Prior to these amendments, surface rights (the land use mechanism generally used to allow the construction by Cuban joint ventures of real estate projects on government land) could only be granted for a maximum initial term of 50 years, with a single extension for a maximum further period of 25 years. Going forward under the new rules, surface rights may be granted for a total period of up to 99 years, and – in the case of the construction of residential properties destined for tourism uses – even in perpetuity.

The Cuban government has explained that this amendment is aimed at facilitating the process of participation of foreign investment in international tourism projects (including in particular the potential development of golf courses and marina projects with residential components) by giving greater security and guarantees to the foreign investor in the real estate business.

The decision to make changes to Cuba's economic model, and the renewed measures aimed at attracting foreign investment, appear to indicate that Cuba's leadership is taking a more pragmatic approach to face a financially challenging future.

Deepwater Exploration in the Gulf of Mexico

With respect to Cuba's continuing efforts to tap into its potential deep–water oil reserves in the Gulf of Mexico, Cuba's state oil company announced in August 2010 that seven exploration wells are scheduled to be drilled in Cuban waters up to the end of 2012. In 2004, the first deep–water well in Cuba's waters was drilled by the Spanish oil company Repsol YPF. At that time hydrocarbons were found, but not in a commercially viable amount. A second well is now scheduled to be drilled during the first months of 2011 by a consortium led by Repsol YPF using a newly–constructed Chinese deep–water rig owned by an Italian oil company, with a planned departure from the shipyard by the end of 2010 for transport to Cuba.

CORPORATE MATTERS

The Company is presently finalizing its corporate and listing strategy for the coming period. This strategy is likely to involve the conversion of the Company from an investment fund to a general operating company structure, with internal management, and the listing of the shares of the Company on a major international exchange.

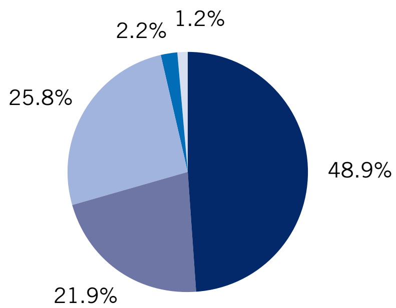
A number of changes to the corporate documents of the Company will be required to carry out these changes. The timing of new capital raises will be dependent upon the political, economic and foreign investment climates in Cuba and the capital requirements of existing and new projects under negotiation.

YEAR END RESULTS AND ASSET MIX

The audited consolidated financial statements of the Company for the year ending 31 March 2010 show the Net Asset Value of the Company attributable to Shareholders to be US$143,996,009, with 132,212,352 Shares outstanding (US$1.0891 NAV/Share), including net profit attributable to Shareholders of US$528,258.

As at 31 March 2010, the asset mix of the Company is as follows:

Commercial Real Estate		48.9%
Tourism Real Estate		21.9%
Mid–Term Structured Finance		25.8%
Cash and Accounts Receivable		2.2%
Other		1.2%
	Total	100.0%

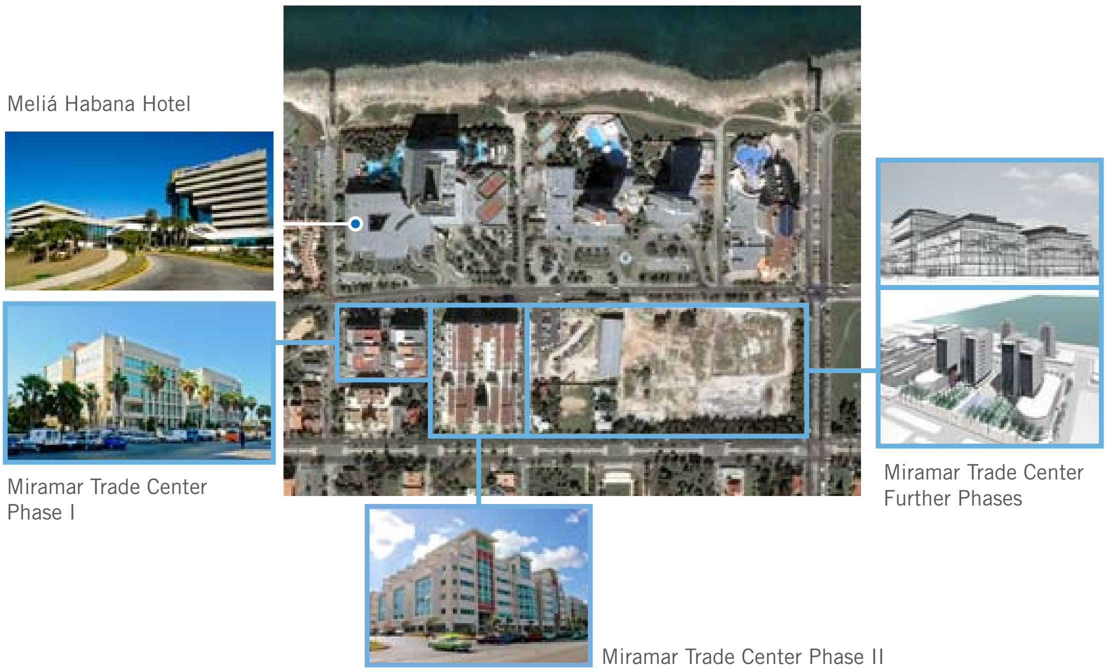


COMMERCIAL REAL ESTATE

Miramar Trade Center

In successive transactions carried out between March 2004 and March 2008, the Company acquired the full foreign equity interest in the Cuban joint venture company Inmobiliaria Monte Barreto S.A. ("Monte Barreto"), incorporated for the construction and subsequent operation of the Miramar Trade Center.

In 2008 Monte Barreto presented a general proposal regarding the construction of all further phases of the project, which was not accepted by the Cuban authorities at that time. More recently, a modified proposal was prepared by Monte Barreto, approved by its shareholders and submitted by the Cuban shareholder to the Ministry of Foreign Trade and Investment in August 2010. This new, more detailed proposal contemplates only the execution of the third phase of the project, and would add an additional rentable area of approximately 40,000 m^2 to the Miramar Trade Center.



Investment and Management Structure

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

The management of Monte Barreto is headed by Enrique Rottenberg (a director of the Investment Manager) who is General Manager and Vice President of Monte Barreto and as such the primary executive responsible for the day–to–day operations of the Miramar Trade Center.

Key Facts and Operational Results

With occupancy levels during the year of close to 100% and an average monthly rent of US$23.35 per m^2, Monte Barreto reported an EBITDA of US$15,400,000 for the year ended 31 December 2009. During 2009, Monte Barreto increased its average income from rent by over 6% and declared its first dividends of approximately US$2M.

The Miramar Trade Center constitutes without a doubt the most important commercial real estate development in Havana and represents the heart of the new Havana business district. To date, six buildings have been completed and are fully leased, representing over 56,000 m^2 of rentable area. Approximately 150,000m^2 of further rentable area were originally planned for future phases.

The principal tenants of the Miramar Trade Center include foreign diplomatic missions, representative offices of foreign companies and joint venture companies having foreign shareholders.

Valuation

The investment is not consolidated in the Company's financial statements and is held at fair value at US$72,975,496. This is based on a valuation carried out by the independent valuator Brown & Co., who valued the project as at 31 March 2008 at US$162,980,000, as well as on a valuation carried out by the independent valuator CONAVANA, who valued Monte Barreto as at 30 June 2009 at US$164,800,000, and takes into account outstanding debts, adjustments for operating costs of the foreign shareholder and other allowances.

TOURISM REAL ESTATE

Hotel Acquisitions

During the month of March 2009, the Company entered into agreements with various international investors to acquire certain economic and shareholder rights in (i) the foreign shareholder of a Cuban joint venture company that has constructed and owns a 397 room 5 star seaside hotel in Havana known as the Meliá Habana Hotel, and (ii) the foreign shareholder of a Cuban joint venture company that has constructed and owns two 5 star and one 4 star hotels in Varadero known as the Meliá Las Américas, Meliá Varadero and Sol Palmeras Hotels, having a combined total of 1,437 rooms. The hotels in Varadero are all located on prime beachfront property adjacent to Cuba's only 18 hole golf course.

These transactions were completed in February 2010 and have resulted in the Company acquiring economic interests in approximately 301 rooms in four of Cuba's leading operating hotels at a total investment cost of approximately US$29,5 million (US$98,000 per room).

Description of Hotel in Havana

The Meliá Habana Hotel has 397 rooms, including 16 suites, and is one of only five 5–star hotels presently operating in Havana. The Meliá Habana Hotel is internationally rated under the OHG International System as "Superior First Class". The hotel has been managed since start–up by the Spanish international hotel chain Grupo Sol Meliá, which operates 24 hotels in Cuba and is the dominant international hotel management company in the country.

The Meliá Habana Hotel is one of the leading business hotels of Havana (given its prime location across the street from the Miramar Trade Center) and its business attributes include conference facilities, numerous meeting rooms, a business centre and 2 full executive floors. It has approximately 25,000m^2 of constructed area on a prime 37,300m^2 oceanfront property. The vast majority of rooms have direct ocean views, and the site has extensive gardens and the largest swimming pool (2,700m^2) of all Cuban city hotels.

Description of Hotels in Varadero

Meliá Las Américas Hotel

Meliá Varadero Hotel

Sol Palmeras Hotel

The Meliá Las Américas Hotel and Bungalows is a beach 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 one of only four 5–star hotels in Varadero having a foreign ownership interest. The Meliá Las Américas Hotel and Bungalows is internationally rated under the OHG International System as "Moderate Deluxe" and operated by the Sol Meliá group as an all–inclusive luxury beach resort.

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

The Sol Palmeras Hotel is located next to the Meliá Varadero Hotel and also borders on the Varadero Golf Course. It is operated by the Sol Meliá group as a 4–star all–inclusive beach resort hotel and has 607 rooms, including 200 bungalows, of which 90 are of suite or deluxe standard. It has 5 restaurants, 1 restaurant–buffet, 7 bars, 500 metres of beachfront, various swimming pools and other amenities.

Operational Information 2009

FINANCIAL YEAR 2009 ALL AMOUNTS IN US$	Meliá Las Américas	Meliá Varadero	Sol Palmeras	Meliá Habana
Location	Varadero	Varadero	Varadero	Havana
Total Income	15,761,555	20,257,367	22,985,718	14,708,055
Operational Profit (GOP)	5,418,671	7,065,948	8,377,628	4,792,494
Net Profit before Amortization	4,288,659	5,823,045	6,879,131	4,072,821
Rooms	340	490	607	397
Occupancy (%)	77,59%	76,90%	84,96%	76,67%
Net Profit / Total Income (%)	27,21%	28,75%	29,93%	27,69%
Average Income per Stay	92,71	78,05	60,72	81,16
Net Profit per Room	34,56	32,56	31,26	28,11

Investment and Management Structure

The Havana Hotel (Meliá Habana) is owned by the Cuban joint venture company Miramar S.A. and the Varadero Hotels (Meliá Las Américas, Meliá Varadero and Sol Palmeras) are owned by the Cuban joint venture company Cubacán S.A.

In both joint venture companies 50% of the shares are held by Corporación de Turismo y Comercio Internacional, Cubanacán S.A., Cuba's principal tourism company. The Company holds its interests in Miramar S.A. and Cubacán S.A. through its wholly–owned subsidiary CEIBA Tourism Cooperatief U.A.

The economic interest of the Company in the foreign shareholder of Miramar S.A. is 51.6% (representing a 25.8% interest in the Havana Hotel) and is held partially in the form of a direct shareholding and partially through a (quasi–equity) participation agreement which entitles the Company to receive a percentage of the income received by the foreign shareholder from Miramar S.A. The economic interest of the Company in the foreign shareholder of Cubacán S.A. is 27.8% (representing a 13.9% interest in the Varadero Hotels) and is held partially in the form of a direct shareholding and partially through a (quasi–equity) participation agreement which entitles the Company to receive a percentage of the income received by the foreign shareholder from Cubacán S.A.

Grupo Sol Meliá is responsible for the day–to–day management of the hotels. The directors of CEIBA Tourism Cooperatief U.A. are actively involved in the supervision of the management of these hotel assets and Sebastiaan A.C. Berger (director of the Investment Manager) is a director of the Cuban joint venture companies.

Valuation

The investments in Miramar S.A. and Cubacán S.A. are not consolidated in the Company's financial statements and are held at fair value at approximately US$29.5M, which at the Company's financial year end is equal to the acquisition cost. During the financial year in which the transactions were being completed, the Company received distributions in the total amount of approximately US$1,056,000.

TosCuba S.A.

On 10 January 2006, CEIBA Property Corporation Limited ("CPC"), a wholly owned subsidiary of the Company, agreed to acquire all outstanding shares in the capital of Mosaico Hoteles S.A., a Swiss company that holds a 50% interest in the Cuban joint venture company TosCuba S.A. TosCuba S.A. was incorporated for the purpose of constructing the TosCuba Project, a beach resort hotel at Playa Maria Aguilar, Trinidad, Province of Sancti Spiritus, Cuba.

Under the all–share acquisition of Mosaico Hoteles S.A., the Company allotted 1,400,000 Ordinary Shares to the sellers, which were subject to a lock–up and dividend waiver period that ended on 30 June 2008. In addition, 600,000 TosCuba Warrants were issued in favour of the sellers, giving the right to acquire 600,000 ordinary Shares of the Company at a subscription price of €1.25 per Share. The TosCuba Warrants expired on 31 March 2009 without being exercised.

To date, TosCuba S.A. has invested approximately US$5.3 million in the acquisition of surface rights for the property, the development of architectural works and technical drawings, and ground preparation.

Activities

Since the Company has been involved in this project, TosCuba S.A. and its shareholders have been able to extend the term of the surface rights of the 6 hectare plot from 25 years to 50 years and have received permission to build a total of 400 rooms instead of the initial authorized number of 292 rooms. In the beginning of 2010, TosCuba S.A. received 5 different architectural proposals for the 400 room hotel from invited firms and made its selection. Construction is anticipated to begin in 2012 following the completion of technical drawings and receipt of all necessary permits and approvals.

Investment and Management Structure

The Company holds 50% of the shares in TosCuba S.A. The other 50% is held by Corporación de Turismo y Comercio Internacional, Cubanacán S.A. The Company is represented in TosCuba S.A. by Sebastiaan A.C. Berger (President) and Enrique Rottenberg (Director) who are both directors of the Investment Manager and of CEIBA Cooperatief U.A.

Valuation

The investment in TosCuba S.A. is not consolidated in the Company's financial statements and is held at fair value at approximately US$3,2M, which at the Company's financial year end is equal to the original acquisition cost plus subsequent capital contributions.

FINANCE

FINTUR Facilities

Casa Financiera FINTUR S.A. ("FINTUR") is the principal collection agent for Cuba's tourism income. The Company has been one of the principal lenders to FINTUR since 2002, when it structured and participated in the first syndicated facility agreement.

As at July 2008, the Company participates in a €50M syndicated facility provided to FINTUR which consists of 2 equal tranches (with different terms). The first tranche of this facility is scheduled to be fully repaid in November 2010, and the second tranche, the repayment of which began in April 2010, is scheduled to be fully repaid in January 2013.

Both tranches are comfortably secured by Euro–denominated off–shore tourism proceeds payable to FINTUR by certain international hotel operators managing hotels in Cuba and by selected European and other tour operators.

As at 31 March 2010, the principal amount outstanding to the Company under the first tranche was US$6,428,146 and under the second tranche US$28,419,174.

BICSA Facility

Banco Internacional de Comercio S.A. is one of Cuba's principal retail banks. In November 2008, the Company converted unsecured financial instruments in its favour into a new €3M facility which is guaranteed by FINTUR. This facility will be fully repaid in December 2012. As at 31 March 2010, the principal amount outstanding to the Company under this facility was US$3,721,559. Repayments began in March 2010.

OTHER INVESTMENTS

In addition to the above, the Company has a number of smaller investments, the aggregate of which represents less than 1.5% of the total assets of the Company.

CEIBA Publications Limited

CEIBA Publications Limited ("CEIBA Publications") was incorporated in 2004 and is a wholly–owned subsidiary of the Company. Since its incorporation it has published a quarterly lifestyle magazine/guide/book named The H, and the book "CUBA – The Regulation of Foreign Investment", a 928 page bilingual book containing Cuban legislation relating to foreign investment.

CEIBA Publications is presently finalizing a book called "50+ (Arte & Revolución * Revolution & Art)", which portrays over 50 contemporary Cuban artists and provides a chronology of Cuban contemporary art during Cuba's Revolution (of over 50 years).

Cuban Art

Over the years, the Company has accumulated a respectable collection of art works crafted by Cuban contemporary artists, some of which are to be included in the book "50+ (Arte & Revolución * Revolution & Art)". These art works are displayed at the Havana offices of CPC.

Caricel Inc.

The Company has a small investment in the Cuban paper sector alongside a multi–national paper company, which is held at its estimated fair value.

GrandSlam Limited

GrandSlam Limited is a wholly–owned subsidiary of the Company. In 2005 and 2006, GrandSlam executed agreements with the Cuban companies Flora y Fauna and Ecotur S.A. in connection with the finance, construction and operation of numerous small–scale ecotourism projects and sports fishing resorts. GrandSlam also operates a travel agency out of Havana specialising in ecotourism and sports fishing (including the joint products mentioned above).

DIRECTORS' REPORT

The Directors present their consolidated financial statements for the year ended 31 March 2010.

Activities

The principal investment objective of CEIBA Investments Limited ("CEIBA" or the "Company") is to achieve long–term capital growth from direct and indirect investment in or with Cuban businesses, balanced by current income from interest–bearing financial instruments and other financial transactions and revenue–generating investments primarily related to Cuba.

The Company is managed out of the Havana offices of CEIBA Property Corporation Limited ("CPC"), a wholly–owned subsidiary of the Company. CPC has a professional team of 15 members and has a proven track record of successful negotiation, acquisition, development and implementation of projects in Cuba. In particular, the following activities are carried out from the Havana office:

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

Results

The net profit for the year ended 31 March 2010 amounted to US$528,258 (2009: US$5,227,128). There was no charge for taxation.

Performance

During the current financial year, the net asset value of the Company increased by US$933,555 or 0.7%. However, the net asset value per share decreased by 2.2% due to the issuance of shares to the Investment Manager in relation to the prior year's performance fee. Interest income consists primarily of interest earned from the participation by the Company in facilities provided to Casa Financiera FINTUR S.A. The Company also began to earn dividends from its commercial real estate and hotel investments (see note 5). The most significant expenses of the Company were the management fees paid to CEIBA International Management Ltd. (the "Investment Manager"). For further discussion, see the Report of the Investment Manager included in the annual report of the Company.

Dividends

No dividends were declared during the period. Dividends paid during the year ended 31 March 2009 amounted to US$7,657,096.

Directors and their Interests

Except stated in note 16 to the consolidated financial statements, no Director has had an interest in any transaction which, during the reporting period, has been effected by the Company, or any interest, direct or indirect, in the promotion of the Company or in any assets which have been acquired or disposed of or leased to the Company or are proposed to be acquired, disposed of by or leased to the Company. The names of the Directors and their interest in the share capital of the Company as at 31March 2010 are shown in note 16.

Auditors

The appointment of Ernst & Young as the Company's auditors was approved at the Annual General Meeting of the Shareholders held on 18 September 2009.

Approved by Board of Directors on 9 September 2010 and signed on its behalf:

Sebastiaan A.C. Berger Director	Jaime García–Andrade Director

The Directors have elected to prepare consolidated financial statements of the Company for the year ended on 31 March 2010, which give a true and fair view of the state of affairs of the Company and of the profit for the year then ended. In preparing these consolidated financial statements, the Directors should:

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

The Directors have assumed responsibility for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the consolidated financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FINANCIAL STATEMENTS

Ernst & Young

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CEIBA INVESTMENTS LTD.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of CEIBA Investments Limited (hereinafter "the Company"), which comprise the consolidated statement of financial position as at March 31, 2010, 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.

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 and applicable Guernsey law. This responsibility includes: designing, implementing and maintaining internal control 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 control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

We also report to you if, in our opinion, the consolidated financial statements have been prepared in accordance with The Companies (Guernsey) Law, 2008 and if the Directors' Report is not consistent with the consolidated financial statements.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended; and have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

9 September 2010

ERNST & YOUNG

Ernst & Young

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	Note	2010 US$	2009 US$
NON–CURRENT ASSETS			
Loans and advances	4	21,640,973	38,075,449
Unlisted investments	5	106,650,298	76,814,477
Listed investments	5	-	24,134
Accounts receivable and accrued income	8	84,867	63,467
Property, plant and equipment	6	429,625	421,891
Intangible assets	7	-	138,578
Other assets		1,000	66,634
		128,806,763	**115,604,630**
CURRENT ASSETS			
Accounts receivable and accrued income	8	1,633,223	2,871,930
Loans and advances	4	17,254,498	11,960,885
Cash and cash equivalents	9	1,523,996	12,826,351
		20,411,717	**27,659,166**
TOTAL ASSETS		**149,218,480**	**143,263,796**
CURRENT LIABILITIES			
Accounts payable and accrued expenses	10	(711,491)	(201,342)
Short–term borrowings	11	(4,510,980)	-
		(5,222,471)	**(201,342)**
TOTAL LIABILITIES		**(5,222,471)**	**(201,342)**
TOTAL NET ASSETS		**143,996,009**	**143,062,454**
REPRESENTED BY:			
EQUITY			
Share capital	12	16,361,411	15,861,376
Share premium	12	49,632,507	45,929,247
Special reserve		51,620,287	51,620,287
Revaluation reserve		99,599	99,599
Retained profits (losses)		26,358,761	25,425,206
Foreign currency translation reserve		(76,556)	4,126,739
TOTAL EQUITY		**143,996,009**	**143,062,454**
Net asset value per share		1.0891	1.1139
Shares in issue	12	132,212,352	128,438,638

Notes 1 to 22 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

Jaime García–Andrade
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 US$	2009 US$
INCOME			
Increase in fair value of investments	5	2,106,443	7,283,516
Interest income		3,409,630	5,658,002
Gain on sale of listed investments	5	19,387	-
Other income		365,282	885,230
		5,900,742	**13,826,748**
EXPENSES			
Management fees	13	(3,568,865)	(3,321,565)
Performance fees	13	-	(4,203,296)
Staff costs		(715,587)	(525,273)
Selling and operational costs		(580,047)	(632,844)
Interest expense		(708,187)	-
Administration fees and expenses	15	(238,204)	(233,310)
Director fees and expenses	16	(158,169)	(154,336)
Travel		(144,967)	(159,296)
Amortization	7	(138,578)	(103,934)
Depreciation	6	(91,322)	(93,536)
Miscellaneous expenses		(83,853)	(156,361)
Audit fee		(71,551)	(169,304)
Legal expenses		(389,938)	(297,538)
Custodian fees	15	(16,144)	(17,341)
IM Warrants	17	(405,297)	(209,358)
		(7,310,709)	**(10,277,292)**
Currency exchange income		1,938,225	1,677,672
NET PROFIT FOR THE YEAR		**528,258**	**5,227,128**
ATTRIBUTABLE TO:			
Equity holders of the parent		528,258	5,119,732
Non–controlling interest		-	107,396
(Loss) earnings per share	18	0.0041	0.0403
OTHER COMPREHENSIVE INCOME			
Foreign exchange differences of translation of foreign operations			
Attributable to equity holders of the parent		(4,203,295)	17,234,066
Attributable to non-controlling interest		-	615,575
TOTAL COMPREHENSIVE INCOME (LOSS)		**(3,675,037)**	**23,076,769**

Notes 1 to 22 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

Jaime García–Andrade
Director

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2010

	2010 US$	2009 US$
OPERATING ACTIVITIES		
Net profit for the year	528,258	5,227,128
Items that do not generate cash flow:		
Depreciation	91,322	93,536
Amortization	138,578	103,934
Share–based payments recognized (note 17)	405,297	4,412,654
Changes in fair value of investments	(2,106,443)	(7,283,516)
Movements in operating activities:		
(Decrease) increase in accounts receivable	1,217,307	(2,272,428)
Increase (decrease) in accounts payable	510,149	(176,237)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**784,468**	**105,071**
INVESTING ACTIVITIES		
(Purchase) disposal of property, plant & equipment (net)	(99,056)	(3,450)
Sale of listed investments	43,521	-
Investments in unlisted companies	(29,814,636)	(2,100,000)
Loans and advances repaid	9,627,276	18,537,601
Loans and advances issued	-	(34,293,279)
Decrease in other assets	65,634	118,718
CASH FLOWS FROM INVESTING ACTIVITIES	**(20,177,261)**	**(17,740,410)**
FINANCING ACTIVITIES		
Shares issued	-	8,833
Short–term borrowings	6,156,367	-
Short–term borrowings repaid	(1,363,400)	-
Dividends of investments	2,085,258	-
Payment of cash dividends	-	(7,634,428)
CASH FLOWS FROM FINANCING ACTIVITIES	**6,878,225**	**(7,625,595)**
Net foreign exchange differences	1,212,213	(5,656,936)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(11,302,355)**	**(30,917,870)**
Cash and cash equivalents at start of the year	12,826,351	43,744,221
NET CASH FLOWS	**(11,302,355)**	**(30,917,870)**
Cash and cash equivalents at end of the year	1,523,996	12,826,351
SUPPLEMENTARY INFORMATION:		
Interest collected	3,614,896	5,305,662
Interest paid	(180,152)	-

Notes 1 to 22 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

Jaime García–Andrade
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	2010 US$	2009 US$
SHARE CAPITAL		
Initial balance	15,861,376	15,417,135
Equity shares issued during the year (note 12)	500,035	444,241
Final balance	**16,361,411**	**15,861,376**
SHARE PREMIUM		
Initial balance	45,929,247	42,186,144
Equity shares issued during the year (note 12)	3,703,260	3,743,103
Final balance	**49,632,507**	**45,929,247**
SPECIAL RESERVE		
Initial balance	51,620,287	59,277,383
Dividends paid	-	(7,657,096)
Final balance	**51,620,287**	**51,620,287**
REVALUATION RESERVE		
Initial balance	99,599	99,599
Revaluation during the year	-	-
Final balance	**99,599**	**99,599**
RETAINED PROFITS (LOSSES)		
Initial balance	25,425,206	14,627,556
Net profit for the year attributable to equity holders of the parent	528,258	5,119,732
Share–based payments recognition (note 17)	405,297	4,412,654
Non–controlling interest acquired during the period	-	1,265,264
Final balance	**26,358,761**	**25,425,206**
FOREIGN CURRENCY TRANSLATION RESERVE		
Initial balance	4,126,739	(13,107,327)
Exchange differences of translation of foreign operations attributable to equity holders of the parent	(4,203,295)	17,234,066
Final balance	**(76,556)**	**4,126,739**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**143,996,009**	**143,062,454**
NON–CONTROLLING INTEREST		
Initial balance	-	2,642,293
Non–controlling interest acquired during year	-	(3,365,264)
Income attributable to non–controlling interest	-	107,396
Exchange differences of translation of foreign operations attributable to non–controlling interest	-	615,575
Final balance	**-**	**-**
TOTAL EQUITY	**143,996,009**	**143,062,454**

Notes 1 to 22 form an integral part of these consolidated financial statements.

Sebastiaan A.C. Berger
Director

Jaime García–Andrade
Director

1. CORPORATE INFORMATION

CEIBA Investment Limited (the "Company" or "CEIBA Investments") is an investment company incorporated with limited liability in Guernsey, Channel Islands on 10 October 1995. The Company was listed on the Channel Islands Stock Exchange (CISX) on 13 May 2004 (trading symbol CBA). The address of the registered office is Frances House, Sir William Place, St. Peter Port, Guernsey, GY1 4HQ.

The principal investment objective of the Company is to achieve long–term capital growth from direct and indirect investment in or with Cuban businesses, balanced by current income from interest–bearing financial instruments and other financial transactions and revenue–generating investments primarily related to Cuba.

At the Annual General Meeting of the Company held on 20 December 2007, it was resolved to revise the provision of the Articles of Association of the Company that requires the shareholders to extend the life of the Company every 5 years so that such extension will be valid for 10 year periods. The next vote concerning the extension of the life of the Company will be in 2015.

These consolidated financial statements were authorised by the Board of Directors for publication on 9 September 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as prescribed by the International Accounting Standards Board (IASB).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, with the exception that the Company has adopted the following amended IFRS, effective from 1 January 2009, which have an impact on the Company's financial statements:

IAS 1: Presentation of Financial Statement effective from 1 January 2009. The standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.

The following amended IFRS and interpretation (IFRIC) effective from 1 January 2009, do not have an effect on the Company's financial statement:

IFRS 2: Share based payments
IFRS 3: Business combination
IFRS 7: Financial instruments. Disclosures
IFRS 8: Operating segments
IAS 23: Borrowing costs
IAS 32: Financial instruments. Presentation
IAS 39: Financial instruments. Recognition and measurement
IFRIC 9: Reassessment of Embedded Derivatives
IFRIC 13: Customer Loyalty Programs
IFRIC 16: Hedges of a Net Investment in a Foreign Operation
IFRIC 18: Transfers of Customers Assets

2.3 Consolidation

The consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity include the consolidated financial statements of the Company and entities controlled by the Company (its subsidiaries) drawn up to 31 March 2010. Control is achieved where the Company has the power to govern the financial and operating activities of an investee so as to obtain benefits from its activities. The financial statements of subsidiaries are prepared for the same reporting period as the parent company. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. 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.

Non–controlling interest represent the portion of profit or loss and net assets that is not held by the Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders´ equity. The acquisition of the remaining portion of the non–controlling interest in the prior year was made in cash and the resulting difference between the consideration and the book value of the share of the net assets acquired was recognized in equity.

The Company has interests in joint ventures that are not accounted for under the equity method in the consolidated financial statements, but dealt with in accordance with IAS 39, on the basis of the exception contemplated in IAS 31.1. Consequently, the investments in these entities are shown at fair value, with changes in that fair value recognized in the statement of comprehensive income of the period of the change.

The Company had direct and indirect equity interests in the following entities as at 31 March 2010 and 2009:

Entity Name	Country of Incorporation	Equity interest held by the Company or holding entity	
		31 March 2010	31 March 2009
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. CEIBA Leisure Limited (a) (iv)	Guernsey	50%	50%
1.4. Antilles Property Limited (a) (iv)	Guernsey	100%	100%
1.5. FDI Holdings Limited (a) (iv)	B.V.I.	100%	100%
1.5.1. CEIBA MTC Properties Limited (a) (iv)	Panama	100%	100%
1.5.1.1. Inmobiliaria Monte Barreto S.A. (c) (v)	Cuba	49%	49%
1.6. Mosaico Hoteles S.A. (a) (iv)	Switzerland	100%	100%
1.6.1. TosCuba S.A. (c) (vi)	Cuba	50%	50%
1.7. CEIBA Tourism Coöperatief U.A. (b) (iv)	Holland	100%	-
1.7.1. Corporación Interinsular Hispana S.A. (d) (iv)	Spain	15%	-
1.7.1.1. Cuba Canarias S.A. (d) (vii)	Cuba	50%	-
1.7.2. HOMASI S.A. (d) (iv)	Spain	45%	-
1.7.1.2. Miramar S.A. (d) (viii)	Cuba	50%	-
2. Industrias Antillanas Limited (a) (iv)	Guernsey	100%	100%
2.1. Caricel Inc. (e) (iv)	Barbados	10%	10%
2.1.1. Intercan Inc. (e) (iv)	Barbados	100%	100%
2.1.1.1. Caripap Inc. (e) (ix)	Barbados	50%	50%
2.1.1.2. Productos Sanitarios S.A. (e) (x)	Cuba	50%	50%
3. CEIBA Finance Corporation Limited (a) (xi)	Guernsey	100%	100%

(a) Company consolidated at 31 March 2010 and 2009.
(b) Company consolidated at 31 March 2010.
(c) Company accounted at fair value at 31 March 2010 and 2009 on the basis of the exception contemplated in IAS 31.1.
(d) Company accounted at fair value at 31 March 2010 on the basis of the exception contemplated in IAS 31.1.
(e) Company accounted at fair value at 31 March 2010 and 2009.
(i) Holding company for the Company's interests in real estate investments in Cuba that are facilitated by a representative office in Havana.
(ii) Publication company dedicated to publications related to Cuba.
(iii) Operates a travel agency that provides services to international clients for travel to Cuba.
(iv) Holding company for underlying investments, conducting no operating activity and with no other significant assets.
(v) Joint venture company that holds the Miramar Trade Center as its principal asset.
(vi) Joint venture company incorporated to build a beach hotel in Trinidad, Cuba.
(vii) Joint venture company that holds as its principal assets the Meliá Las Américas Hotel, Meliá Varadero Hotel and Sol Palmeras Hotel.
(viii) Joint venture company that holds the Meliá Habana Hotel as its principal asset.
(ix) Trading company that imports and exports paper products primarily to/from Cuba.
(x) Company that operates a paper mill in Cuba producing tissue paper products.
(xi) Finance company that invests primarily in short–term financing instruments related to Cuba.

CEIBA Leisure was incorporated for the purpose of developing various tourism–related real estate projects in Cuba. Subsequent to the forgiveness of Shareholder debt, CEIBA Leisure does not hold any assets or liabilities on its statement of financial position. CEIBA Leisure is in the process of being liquidated.

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

2.4 Reporting and functional currency

The functional currency of the Company is Euro (€). Due to the majority of the Company's assets being denominated in United States Dollar (US$) and that in the current financial year the Company began to receive dividend income from its principal investments also denominated in US$, as at 31 March 2010 the reporting currency has been changed from Euro to US$. The comparative figures of 2009, which have also been translated to US$ in accordance with IAS 21, included income related to foreign exchange (€/US$) in the "Changes in fair value of investments" account, which was previously reported correctly in Euro, but has been adjusted for reporting in US$. As a consequence the profit for the year ended at 31 March 2009 has been adjusted from €12,463,706 as reported in the prior year to US$ 5,227,128.

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.

2.5 Foreign currency translation

Transactions denominated in foreign currencies during the period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate prevailing at the end of the period. Profits or losses thus arising are dealt with in the consolidated statement of comprehensive income.

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. 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 equity and shown separately as foreign exchanges reserves on consolidation without affecting income.

2.6 Use of estimates and judgments

The preparation of consolidated financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

The Company uses estimates in particular in relation to the loan loss provision, revaluation of unlisted investments and works of art. All are fully monitored by the Directors. An independent valuation of the unlisted investments and works of art is carried out at year end. No loan loss provision was necessary at 31 March 2010 and 2009.

2.7 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. Geographical segment information is not relevant since all the Company's business are located in Cuba.

2.8 Share based payments

The Investment Manager received fees and compensation in the form of share based payments, whereby the Investment Manager or Directors render services as consideration for equity instruments.

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

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

2.9 Financial assets

(i) Financial assets at fair value through profit or loss

Listed investments

Investments listed or traded on a stock exchange or over the counter and for which market quotations are available are valued at the last market price available on the statement of financial position date. Changes in fair value are recognised in the statement of comprehensive income in the period of the change.

Unlisted investments

Unlisted investments are valued at fair value through profit or loss, as a result of an independent third–party valuation or transaction in the private market relating to the asset. Any changes in fair value are recognised in statement of comprehensive income in the period of the change.

(ii) Loans and advances

Loans and advances comprise investments in unquoted interest–bearing financial instruments. They are carried at currency adjusted amortised cost unless the Directors determine that recoverability is at risk in which case they are written down to their estimated recoverable amount. Interest receivable is included in accrued income.

(iii) Forward foreign exchange contracts

Forward foreign exchange contracts are recorded at fair value through profit or loss and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of forward foreign exchange contracts are included within currency exchange income (losses).

2.10 Cash and cash equivalents

Cash and cash equivalents are defined as cash in 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.

2.11 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 evenly 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 less subsequent accumulated depreciation and impairment losses. On revaluation, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. Increases in the net carrying amount are recognized in the related revaluation reserve in shareholder's equity and are released to retained earnings over the remaining useful life of the asset. Valuations of works of art are conducted with sufficient regularity to ensure the value correctly reflects the fair value at the statement of financial position date. Valuations are mostly based on active market prices, adjusted for any difference in the nature, location 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.

2.12 Intangible assets

The Company's intangible assets consist of The H Publication, stated at cost and amortized using the straight–line method over its estimated useful life (5 years). As at 31 March 2010, the balance has been fully amortized.

The carrying amount of intangible assets are reviewed 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.

2.13 Borrowings

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.

2.14 Special reserve

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

2.15 Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividends arising on the Company's investments are recognised when the Company's right to receive payment is established.

2.16 Expenses

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

2.17 Net asset value per share

The net asset value per share disclosed on the face of the statement of financial position is calculated by dividing the capital and reserves attributable to the shareholders by the number of shares outstanding at the end of the period.

2.18 Taxation

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

As structured, the consolidated subsidiaries of the Company incorporated in the British Virgin Islands, The Netherlands, Panama, Spain and Switzerland do not presently pay any tax on income in those countries. Dividends that may be received from the investments of the Company or it's subsidiaries are not currently subject to withholding taxes.

The Company and its consolidated subsidiaries did not have any taxable income in Cuba.

3. INVESTMENTS DURING THE YEAR

Corporación Interinsular Hispana S.A.

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

During the year the Company acquired, through its subsidiary CEIBA Tourism Coöperatief U.A., a net economic interest in CIHSA of 27.75%. The total cash consideration for the acquisition was US$15,557,608. The fair value of the investment at acquisition and the cost of the acquisition are similar.

The economic interest of the Company in CIHSA consists of an equity participation of 15% and a quasi-equity participation in the form of a "Participation Agreement" in which CIHSA has transferred a portion of its economic interest in Cubacan to the Company. Under this Participation Agreement the Company is entitled to receive distributions prior to other dividends equivalent to 15% of CIHSA's economic interest in Cubacan.

During the period, the Company received dividend income from CIHSA in the amount of US$800,984 (see note 5). Participation Agreement distributions received by the Company are accounted for as dividends.

HOMASI S.A.

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

During the year the Company acquired, through its subsidiary CEIBA Tourism Cooperatief U.A., a net economic interest in HOMASI of 51.56%. The total cash consideration for the acquisition was US$13,875,341. The fair value of the investment at acquisition and the cost of the acquisition are similar.

The economic interest of the Company in HOMASI consists of an equity participation of 45% and a quasi-equity participation in the form of a "Participation Agreement" in which HOMASI has transferred a portion of its economic interest in Miramar to the Company. Under this Participation Agreement the Company is entitled to receive distributions prior to other dividends equivalent to 25% of HOMASI's economic interest in Miramar. HOMASI has also sold Participation Agreements representing an additional 16% of its economic interest in Miramar to third parties.

During the period, the Company received dividend income from HOMASI in the amount of US$255,274 (see note 5). Participation Agreement distributions received by the Company are accounted for as dividends.

4. LOANS AND ADVANCES

	2010 US$	2009 US$
Casa Financiera FINTUR S.A.		
€ 50 million facility – 2008 Tranche A	6,428,146	14,685,948
€ 50 million facility – 2008 Tranche B	28,419,174	27,826,008
Banco Internacional de Comercio S.A.		
€ 3 million facility – 2008	3,721,559	3,975,144
Inmobiliaria Monte Barreto S.A. (Related party)		
US$ 4.5 million loan	-	2,953,439
Discounted bills and letters of credit (€)	-	284,214
Other loans and advances (US$)	326,592	311,581
TOTAL	**38,895,471**	**50,036,334**
CURRENT PORTION	**(17,254,498)**	**(11,960,885)**
NON–CURRENT PORTION	**21,640,973**	**38,075,449**

The loans and advances portfolio has the following maturities:

	2010 US$	2009 US$
Up to 30 days	2,368,265	2,884,214
Between 31 and 90 days	2,481,039	2,097,992
Between 91 and 180 days	4,849,303	2,097,992
Between 181 and 365 days	7,555,891	4,880,687
Between 1 and 2 years	10,826,353	16,894,362
Between 2 and 3 years	10,488,028	10,600,384
Between 3 and 4 years	-	10,269,122
No specific dates of repayment	326,592	311,581
	38,895,471	**50,036,334**

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

	2010 US$	2009 US$
Tourism financing	34,847,320	42,511,956
Banking	3,721,559	4,259,358
Real estate	-	2,953,439
Other	326,592	311,581
	38,895,471	**50,036,334**

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 US$	2009 US$
Unlisted investments		
Inmobiliaria Monte Barreto S.A. (Related party)	72,975,496	72,975,496
Corporación Interinsular Hispana S.A. (Related party) (i)	15,557,608	-
HOMASI S.A. (Related party) (i)	13,875,341	-
TosCuba S.A. (Related party)	3,226,882	2,845,195
Caricel Inc. (Related party)	1,014,971	993,786
	106,650,298	**76,814,477**
Listed investments		
Thundermin Resources Limited – common stock	-	24,134
	-	**24,134**
TOTAL	**106,650,298**	**76,838,611**

(i) The investments in CIHSA and HOMASI are comprised of equity interests and contractual interests in their net earnings as per participation agreements. The net economic interests of the Company in CIHSA and HOMASI are 27.75% and 51.55%, respectively.

The movements and profit on the revaluation of investments are as follows:

	2010 US$	2009 US$
Unlisted investments		
Initial balance	76,814,477	66,660,555
Movement during the year:		
Acquisition TosCuba S.A.	381,687	2,845,195
Acquisition Corporación Interinsular Hispana S.A.	15,557,608	-
Acquisition HOMASI S.A.	13,875,341	-
Fair value adjustments:		
Currency exchange income variation	21,185	(191,889)
Revaluation of investment – Inmobiliaria Monte Barreto S.A.	1,029,000	7,500,616
Revaluation of investments – CIHSA and HOMASI	1,056,258	-
Dividends received	(2,085,258)	-
Carrying amount at fair value	**106,650,298**	**76,814,477**
Listed investments		
Initial balance	24,134	49,345
Movement during the year:		
Disposal of Thundermin Resources Limited	(43,521)	-
Gain on sale	19,387	
Fair value adjustments:	-	(25,211)
Carrying amount at fair value	**-**	**24,134**
TOTAL	**106,650,298**	**76,838,611**

Unlisted investments–Inmobiliaria Monte Barreto S.A.

The fair value of Inmobiliaria Monte Barreto S.A. is determined on the basis of valuations carried out by independent property valuation advisors retained by the Company, taking into account outstanding debts and the present value of future operating costs of the foreign shareholder. The valuations are derived from estimates of the expected future cash flows of the investment.

Key assumptions used in the valuation of Inmobiliaria Monte Barreto S.A.:

Occupancy: Occupancy of the Miramar Trade Center, the complex of six office buildings held by Inmobiliaria Monte Barreto S.A., is estimated to remain near full occupancy during the period of the projections. This assumption has been made due to the fact that the Miramar Trade Center is the only modern office complex in Havana and currently has a monopoly position in the market with full occupancy and a waiting list of potential tenants. Currently the Company does not believe that there are any commercial real estate projects planned or anticipated in the foreseeable future and any such constructions would take several years to complete due to the high barriers of entry into the market. It is anticipated that demand will continue to outweigh supply in the high–end commercial real estate market during the projection period.

Growth rate estimates: Due to the current monopoly position, tenant waiting list and short term leases (1 to 2 years), rental income is estimated to increase by 10% in the first 3 years of the projections, 5% in the following 3 years of the projections, and 3% for each of the remaining years of the projection period.

Discount rates: Discount rates are based on the estimated risk of the investment. In determining the appropriate discount rate, regard has been given to typical lending rates within Cuba, which are between 10% and 12%.

Taxes: It is assumed that Inmobiliaria Monte Barreto S.A. will pay income taxes each year at a rate of 30% during the projection period.

Capital investments: Assumptions of future capital investments required to maintain and/or replace property and equipment have been included in the projections as estimated by management.

Sensitivity to changes in assumptions

There are reasonably possible changes to the key assumptions in respect of the discount rates, which would cause a change in the fair value of Inmobiliaria Monte Barreto S.A. as discussed below:

The potential effect of using reasonably possible alternative discount rates as inputs to the valuation model would reduce the fair value by approximately US$8,700,000 using less favourable assumptions and increase the fair value by approximately US$5,700,000 using more favourable assumptions.

Key assumptions used in the valuation of CIHSA and HOMASI:

The valuation of CIHSA has been determined using the projected cash flows of the three Varadero hotel investments held by the Cuban joint venture company Cuba Canarias S.A. (Sol Palmeras, Meliá Varadero and Meliá Las Américas Hotels). The valuation of HOMASI has been determined using the projected cash flows of the Havana hotel investments held by the Cuban joint venture company Miramar S.A. (Meliá Habana Hotel).

Occupancy/Revenue per stay: Based on historical data, the 2010 projected occupancy and revenue per stay of each hotel is as follows:

	Occupancy	Revenue / stay
Meliá Habana	74.6%	US$83.86
Meliá Las Américas	75.0%	US$96.71
Meliá Varadero	75.2%	US$81.37
Sol Palmeras	83.3%	US$64.52

Growth rate estimates: Net income of the hotels is estimated to increase by 2% each year of the projection period.

Discount rates: Discount rates are based on the estimated risk of the investment. In determining the appropriate discount rate, regard has been given to typical lending rates within Cuba, which are between 10% and 12%.

Taxes: It is assumed that each year during the projection period Cuba Canarias S.A. will pay income taxes at a rate of 10% and Miramar S.A. at a rate of 15%.

Capital investments: Assumptions of future capital investments required to maintain and/or replace property and equipment have been included in the projections as estimated by management.

Sensitivity to changes in assumptions

There are reasonably possible changes to the key assumptions in respect of the discount rates, which would cause a change in the fair value of CIHSA and HOMASI as discussed below:

The potential effect of using reasonably possible alternative discount rates as inputs to the valuation model would reduce the fair value of CIHSA by approximately US$1,300,000 using less favourable assumptions and increase the fair value by approximately US$1,400,000 using more favourable assumptions. The potential effect of using reasonably possible alternative discount rates as inputs to the valuation model would reduce the fair value of HOMASI by approximately US$800,000 using less favourable assumptions and increase the fair value by approximately US$900,000 using more favourable assumptions.

Dividends declared during the year from the investments above were as follows:

	2010 US$	2009 US$
Inmobiliaria Monte Barreto S.A.	1,029,000	-
Corporación Interinsular Hispana S.A. (i)	800,984	-
HOMASI S.A. (i)	255,274	-
	2,085,258	**-**

(i) These dividends include only the portion of income earned by the Company under the participation agreements (see note 3).

6. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles US$	Leasehold improvements US$	Furniture / Equipment US$	Works of art US$	Total US$
Cost:					
At 1 April 2008	273,624	92,468	83,679	234,200	**683,971**
Additions	-	-	3,450	-	**3,450**
Disposals	-	-	(5,416)	-	**(5,416)**
At 31 March 2009	273,624	92,468	81,713	234,200	**682,005**
Additions	125,238	-	2,763	-	**128,001**
Disposals	(72,364)	-	(630)	-	**(72,994)**
At 31 March 2010	326,498	92,468	83,846	234,200	**737,012**
Accumulated Depreciation:					
At 1 April 2008	108,155	18,426	41,097	-	**167,678**
Additions	46,837	33,441	13,258	-	**93,536**
Disposals	-	-	(1,100)	-	**(1,100)**
At 31 March 2009	154,992	51,867	53,255		**260,114**
Additions	46,604	33,442	11,276	-	**91,322**
Disposals	(43,419)	-	(630)	-	**(44,049)**
At 31 March 2010	158,177	85,309	63,901		**307,387**
Net book value:					
At 31 March 2010	168,321	7,159	19,945	234,200	**429,625**
At 31 March 2009	118,632	40,601	28,458	234,200	**421,891**

7. INTANGIBLE ASSETS

	2010 US$	2009 US$
Cost:		
Initial balance	519,668	519,668
Final balance	**519,668**	**519,668**
Accumulated amortization:		
Initial balance	381,090	277,156
Additions	138,578	103,934
Final balance	**519,668**	**381,090**
NET BOOK VALUE	-	**138,578**

8. ACCOUNTS RECEIVABLE AND ACCRUED INCOME

	2010 US$	2009 US$
Dividends receivable – Inmobiliaria Monte Barreto S.A.	1,029,000	-
Accrued interest income	505,576	710,842
Other account receivable	183,514	2,224,555
	1,718,090	**2,935,397**
Current portion	**(1,633,223)**	**(2,871,930)**
Non–current portion	**84,867**	**63,467**

Accounts receivable and accrued income have the following maturities:

	2010 US$	2009 US$
Up to 30 days	527,685	2,730,599
Between 31 and 90 days	69,000	132,501
Between 91 and 180 days	1,034,967	7,599
Between 181 and 365 days	1,571	1,231
Over 365 days	84,867	63,467
	1,718,090	**2,935,397**

9. CASH AND CASH EQUIVALENTS

	2010 US$	2009 US$
Bank current accounts (i)	1,523,996	8,586,197
Short–term fixed deposits (ii)	-	4,240,154
	1,523,996	**12,826,351**

(i) Balance without restriction
(ii) Available in cash at next day on demand

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2010 US$	2009 US$
Accrued interest payable	(528,035)	-
Accrued expenses	(134,101)	(160,902)
Other accounts payable	(49,355)	(40,440)
	(711,491)	**(201,342)**

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

	2010 US$	2009 US$
Up to 30 days	(400,801)	(118,236)
Between 31 and 90 days	(310,690)	(83,106)
	(711,491)	**(201,342)**

11. SHORT–TERM BORROWINGS

	2010 US$	2009 US$
Corporación Financiera Habana S.A. (i)	(4,510,980)	-
	(4,510,980)	**-**

(i) Short–term borrowings have been secured by future principal payments receivable from FINTUR S.A. and bear an annual interest rate of 14%.

Short–term borrowings have the following maturities:

	2010 US$	2009 US$
Up to 30 days	(2,255,490)	-
Between 31 and 90 days	(2,255,490)	-
	(4,510,980)	**-**

12. SHARE CAPITAL AND SHARE PREMIUM

Authorised

As at 31 March 2010 and 2009, the authorized share capital amounted to €40,000,000, consisting of 400,000,000 ordinary shares with a nominal value of € 0.10 each.

Issued

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

	Number of ordinary shares	Share capital US$	Share premium US$
At 1 April 2008	125,086,001	15,417,135	42,186,144
Issuance of shares – Placing costs (note 17)	144,000	19,081	152,645
Exercise of warrants (note 17)	5,556	736	8,097
Issuance of shares – Mosaico Hoteles S.A.	1,400,000	185,507	2,003,473
Issuance of shares – Performance fee (note 17)	1,780,719	235,954	1,559,183
Shares issued during the year as share dividend	22,362	2,963	19,705
At 31 March 2009	**128,438,638**	**15,861,376**	**45,929,247**
Issuance of shares – Performance fee (note 17)	3,773,714	500,035	3,703,260
At 31 March 2010	**132,212,352**	**16,361,411**	**49,632,507**

In relation to the placing of new shares in the Company during March 2008, the Investment Manager received a placing fee of €90,000 (US$119,254) which was paid in April 2008 by the issuance of 100,000 new shares and 100,000 new Warrants 2007.

In July 2008, 1,400,000 shares were issued as consideration of €1,652,000 (US$2,188,980) for the acquisition by the Company's subsidiary, CEIBA Property Corporation Limited, of all the outstanding shares in the capital of Mosaico Hoteles S.A., a Swiss company that owns a 50% interest in the Cuban joint venture company TosCuba S.A.

On 30 December 2008, the Company paid a dividend from the special reserve with the option to shareholders to receive the proceeds in cash at a rate of €0.045 (US$0.06) per share, or in shares at a rate of 1 ordinary share per 17 ordinary shares held. As a result of this dividend, €5,761,624 (US$7,634,428) was paid by the Company in cash and 22,362 ordinary shares were issued totalling €17,107 (US$22,668).

13. MANAGEMENT FEE AND INVESTMENT MANAGER'S INTERESTS

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

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

The Investment Manager also receives a performance fee, payable annually at the rate of 20% of the uplift in the net asset value per share excluding any liability in respect of performance fees (which increase includes the increase of the profit and loss and the capital account of the Company) with a high watermark, after adjusting for the value of any distributions made, exclusive of value added tax or any similar tax where appropriate. The performance fee is payable in shares ("Performance Shares") calculated at the audited NAV / Share at the financial year–end of the Company for the year in respect of which the performance fee is payable (see note 17).

With respect to the financial years falling in the period between 1 April 2008 and 31 March 2013, the Company will on an annual basis issue in favour of the Investment Manager such number of IM Warrants (see note 17) as will confer the right to subscribe for IM Warrant Shares representing 2.0% of the outstanding shares of the Company at the relevant financial year–end. The IM Warrants will be calculated and issued as soon as practicable following the financial year–end and will have a subscription price equal to the audited NAV / Share at the financial year–end in respect of which they are issued.

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

Management and performance fees for the period are shown in the statement of comprehensive income.

14. 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 five business segments:

- Commercial property: Activities concerning the Company's interests in real estate investments in Cuba that are facilitated by a representative office in Havana.
- Financing: Financing activities consisting in medium–term secured facilities and short–term financial instruments related to Cuba.
- Paper: The Company's interest in Cuban joint venture company that operates a paper mill in Cuba producing tissue paper products.
- Publication: Publishing activities related to Cuba.
- 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.

No operating segments have been aggregated to form the above reportable operating segments. 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 profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

	31 March 2010 US$					
	Commercial property	Financing	Paper	Publication	Tourism / Leisure	Total
Allocated assets	74,990,170	40,101,474	1,014,971	1,535	33,110,330	**149,218,480**
Unallocated assets	-	-	-	-	-	**-**
Total assets	**74,990,170**	**40,101,474**	**1,014,971**	**1,535**	**33,110,330**	**149,218,480**
Allocated liabilities	(19,866)	(5,160,324)	-	(2,500)	(39,781)	**(5,222,471)**
Unallocated liabilities	-	-	-	-	-	**-**
Total liabilities	**(19,866)**	**(5,160,324)**	**-**	**(2,500)**	**(39,781)**	**(5,222,471)**
Allocated income	1,029,000	3,499,169	21,185	1,479	1,349,909	**5,900,742**
Unallocated income	-	-	-	-	-	**-**
Total income	**1,029,000**	**3,499,169**	**21,185**	**1,479**	**1,349,909**	**5,900,742**
Allocated expenses	(1,204,718)	(1,439,137)	(5,569)	(156,701)	(530,422)	**(3,336,547)**
Unallocated expenses (1)	-	-	-	-	-	**(3,974,162)**
Total expenses	**(1,204,718)**	**(1,439,137)**	**(5,569)**	**(156,701)**	**(530,422)**	**(7,310,709)**
Allocated profit (loss)	(175,718)	2,060,032	15,616	(155,222)	819,487	**2,564,195**
Unallocated profit (loss)	-	-	-	-	-	**(3,974,162)**
Currency exchange income (loss)	-	-	-	-	-	**1,938,225**
Total profit (loss)	**(175,718)**	**2,060,032**	**15,616**	**(155,222)**	**819,487**	**528,258**
Other segment information:						
Property, plant & equipment expenditure	128,001	-	-	-	-	**128,001**
Depreciation	(87,309)	-	-	(1,897)	(2,116)	**(91,322)**

	31 March 2009 US$					
	Commercial property	Financing	Paper	Publication	Tourism / Leisure	Total
Allocated assets	80,462,756	61,193,597	993,786	142,009	471,648	**143,263,796**
Unallocated assets	-	-	-	-	-	**-**
Total assets	**80,462,756**	**61,193,597**	**993,786**	**142,009**	**471,648**	**143,263,796**
Allocated liabilities	(45,568)	(134,923)	-	(7,019)	(13,832)	**(201,342)**
Unallocated liabilities	-	-	-	-	-	**-**
Total liabilities	**(45,568)**	**(134,923)**	**-**	**(7,019)**	**(13,832)**	**(201,342)**
Allocated income	7,283,516	6,202,001	-	3,743	337,488	**13,826,748**
Unallocated income	-	-	-	-	-	**-**
Total income	**7,283,516**	**6,202,001**	**-**	**3,743**	**337,488**	**13,826,748**
Allocated expenses	(1,299,807)	(719,794)	(5,898)	(183,705)	(333,869)	**(2,543,073)**
Unallocated expenses (1)	-	-	-	-	-	**(7,734,219)**
Total expenses	**(1,299,807)**	**(719,794)**	**(5,898)**	**(183,705)**	**(333,869)**	**(10,277,292)**
Allocated profit (loss)	5,983,709	5,482,207	(5,898)	(179,962)	3,619	**11,283,675**
Unallocated profit (loss)	-	-	-	-	-	**(7,734,219)**
Currency exchange income (loss)	-	-	-	-	-	**1,677,672**
Total profit (loss)	**5,983,709**	**5,482,207**	**(5,898)**	**(179,962)**	**3,619**	**5,227,128**
Other segment information:						
Property, plant & equipment expenditure	-	-	-	3,450	-	**3,450**
Depreciation	(87,687)	-	-	(3,539)	(2,310)	**(93,536)**

(1) Unallocated expenses: Performance fees for the period ended 31 March 2009 of US$4,203,296, Management fees for the period ended 31 March 2010 of US$3,568,865 (2009: US$3,321,565), and IM Warrants for the period ended 31 March 2010 of US$405,297 (2009: US$209,358).

15. ADMINISTRATION AND CUSTODIAN FEES

Bachmann Fund Administration Limited ("Bachmann") receives from the Company an annual base fee of £10,000 payable in arrears, which fee covers the safe custody and maintenance of a securities portfolio account, the collection of dividends and interest, the production of asset schedules and overseeing the duties of possible sub–custodians. In addition, the Company has agreed to reimburse the Custodian its expenses, including sub–custodial costs.

Under an administration and secretarial agreement, Bachmann is entitled to receive an administration fee from the Company, computed and paid monthly in arrears. The fee is subject to a minimum of €2,750 per month and is calculated per annum at a rate of (i) 0.180% of the net asset value where the net asset value is between €0.00 and €40,000,000 and (ii) 0.135% of the net asset value where the net asset value is above €40,000,000. In addition, the Company has agreed to reimburse the Administrator its expenses.

As at 12 June 2008 the registrar of the Company changed to Ansons Registrars Limited ("Ansons"). Ansons receives from the Company an annual base fee of £4,000 plus transactional and service fees when incurred.

16. RELATED PARTIES DISCLOSURES

Compensation of Directors

Each Director receives a fee of €9,000 (US$12,180) per annum with the Chairman receiving €25,000 (US$33,832). The Chairman and Directors also receive €1,700 (US$2,301) in attendance fees per quarterly meeting and are reimbursed other expenses properly incurred by them in attending meetings and other business of the Company. No other compensation or post employment benefits are established with Directors.

Transactions with Directors and shareholders

The Value Catalyst Fund Limited and Northview Investment Fund Limited are shareholders of the Company and are also participants in the syndicated facilities with Casa Financiera FINTUR S.A. Enrique Rottenberg and Sebastiaan A.C. Berger are directors of the Company and also directors of various subsidiaries of the Company and Enrique Rottenberg, Sebastiaan A.C. Berger and Colin Kingsnorth are directors of the Company and also directors and shareholders of the Investment Manager, CEIBA International Management Ltd.

Transactions with related parties

During the year there were a number of transactions involving the issuance of shares of the Company and related parties. For additional information see notes 4, 5, 8, 13 and 17.

Directors' interests in the share capital

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

Colin Kingsnorth is a director and shareholder of Laxey Partners Limited ("Laxey"). Laxey holds 257,489 shares and 244,929 Warrants 2007. Funds managed by Laxey hold 26,599,223 shares and 25,305,628 Warrants 2007.

Sebastiaan A.C. Berger is a director and shareholder of companies that hold 1,109,887 Shares and 1,109,887 Warrants 2007, and 750,000 Shares, respectively.

Jaime García–Andrade has an interest in 177,333 Shares and 177,333 Warrants 2007.

Enrique Rottenberg has an interest in a company that holds 3,400,000 Shares and 3,400,000 Warrants 2007.

Peter Fletcher is managing director of an investment advisory firm that advises an investment company that holds 21,206,419 Shares and 18,315,932 Warrants 2007.

Manuel Roumain is a member of an investment advisory firm that provides advice to investment companies that hold 10,466,431 Shares and 10,368,560 Warrants 2007.

John Herring is the principal of an investment advisory firm that provides advice to a private investment company that holds 19,943,852 Shares and 19,943,852 Warrants 2007.

Colin Kingsnorth, Sebastiaan A.C. Berger and Enrique Rottenberg also hold interests in and are directors of the Investment Manager, CEIBA International Management Ltd., which holds 5,584,445 Shares and 100,012 Warrants 2007, as well as 2,568,883 Investment Manager Warrants of the Company.

17. SHARE BASED PAYMENTS

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

	2010 US$	2009 US$
Performance fees (1)	-	(4,203,296)
IM Warrants (2)	(405,297)	(209,358)
	(405,297)	**(4,412,654)**

(1) The share based payments related to the performance fees for the financial year ended 31 March 2009 were issued in September 2009.

(2) The fair value of the IM Warrants (see description below) estimated by using the Black–Scholes option–pricing model, was US$0.1533 each or €0.1133 (2009: US$0.816 or €0.0616). The assumptions underlying the Black–Scholes formula are as follows:

	2010	2009
Stock price	€0.66 (US$0.89)	€0.55 (US$0.73)
Strike price	€0.8048 (US$1.0891)	€0.8406 (US$1.1139)
Years to maturity	4	5
Risk free rate	0.4%	2.0%
Volatility	30.1%	25.0%

Share based payments of acquisition of assets

In July 2008, 1,400,000 shares were issued as consideration of €1,652,000 (US$2,188,980) for the acquisition by the Company's subsidiary, CEIBA Property Corporation Limited, of all the outstanding shares in the capital of Mosaico Hoteles S.A., a Swiss company that owns a 50% interest in the Cuban joint venture company TosCuba S.A.

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

TosCuba Warrants

In the all–share acquisition of Mosaico Hoteles S.A., a warrant certificate for 600,000 TosCuba Warrants was issued in favour of the sellers on 10 January 2006, giving the right to acquire 600,000 shares in the Company at a subscription price of €1.25 per share. The TosCuba Warrants expired on 31 March 2009.

Warrants 2007

Pursuant to the Warrant Instrument 2007 dated 12 February 2008, the Company created 125,000,000 Warrants 2007, each giving the right to subscribe for one new ordinary share at a subscription price of €1.20 per share and exercisable on subscription dates falling in April and November in each of the years 2008, 2009 and 2010. Of the total number of Warrants 2007 created, 102,732,200 Warrants 2007 were issued on a 1–for–1 zero consideration basis in favour of the shareholders appearing on the register of the Company at the close of business on 19 December 2007, and 20,000,000 Warrants 2007 were issued on a 1–for–1 zero consideration basis in favour of the placees that participated in the March 2008 placing. In April 2008, an additional 144,000 warrants were issued in relation to placing costs and 5,556 warrants were exercised. Therefore, the total number of Warrants 2007 issued and outstanding as at 31 March 2010 and 2009 was 122,870,644.

All Warrants 2007 have a final expiry date of 8 November 2010 and if not exercised by that date will lapse and have no value. The number of ordinary shares to be subscribed and/or the price payable on subscription may be adjusted from time to time in accordance with the provisions of the Warrant Instrument 2007.

IM Warrants

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

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

	2010			2009		
	Number	WAEP €	WAEP US$	Number	WAEP €	WAEP US$
Outstanding at the beginning of the year	122,870,644	1.2000	1.6240	123,332,200	1.2000	1.5901
Granted during the year	2,568,883	0.8406	1.1376	144,000	1.2000	1.5901
Exercised during the year	-	-	-	(5,556)	1.2000	1.5901
Expiring during the year	-	-	-	(600,000)	1.2500	1.6563
Outstanding at the end of the year	**125,439,527**	**1.1926**	**1.6139**	**122,870,644**	**1.2000**	**1.5901**
Exercisable at the end of the year	122,870,644	1.2000	1.6240	122,870,644	1.2000	1.5901

The weighted average remaining contractual life for the share options outstanding as at 31 March 2010 is 0.68 years (2009: 1.75 years).

The exercise price for all options outstanding as at 31 March 2010 was €0.8406 or US$1.1376 to €1.20 or US$1.6240 (2009: €1.20 or US$1.5901).

The average market stock price of the Company during the period ended 31 March 2010 was €0.61 or US$0.83 (2009: €0.99 or US$1.31).

18. EARNINGS PER SHARE

The earnings per share have been calculated on a weighted–average basis and are arrived at by dividing the net profit for the period attributable to shareholders by the weighted–average number of shares in issue. Warrants issued and outstanding at 31 March 2010 and 2009 are anti–dilutive; therefore fully diluted earnings per share have not been calculated.

	2010 US$	2009 US$
Weighted average of ordinary shares in issue	130,330,664	127,092,713
Net profit for the period attributable to shareholders of the parent	528,258	5,119,732
Basic earnings per share	0.0041	0.0403

19. 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. Future minimum lease payments at 31 March 2010 are as follows:

	US$
Up to 1 year	192,832
1 to 2 years	192,832
2 to 3 years	192,832

The rental charges paid under operating leases accounted for in selling and operational costs of the statement of comprehensive income for the period ended 31 March 20010 amounted to US$192,532 (2009: US$182,347).

20. 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, foreign currency, credit risk, interest rate and liquidity risks. The Investment Manager reviews policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the period to which these consolidated financial statements relate.

Market price risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables.

The Investment Manager meets regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular industry sectors whilst continuing to follow the investment objective. The Investment Manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameters and seeks to ensure that individual holdings also meet an acceptable risk/reward profile. The Investment Manager does not use derivative instruments to hedge the investment portfolio against market risk, as in its opinion the cost of doing so would be unacceptable.

Market price risk comprises two types of risks: foreign currency risk and interest rate risk.

Foreign currency risk

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

The statement of comprehensive income and net asset value of investments can be affected by currency translation movements as certain assets and income are denominated in currencies other than US$. The Investment Manager has identified three main areas of foreign currency risk:

- Movements in rates affecting the value of investments;
- Movements in rates affecting short–term timing differences; and
- Movements in rates affecting any income received.

The sensitivity of the profit (loss) to a variation of the exchange rate (EUR/US$) in accordance with EUR denominated assets as at 31 March 2010 is the following:

Effect of the variation in the foreign exchange rate	Profit (loss) and equity 000's US$
+ 15%	5,237
+20%	6,983
-15%	(5,237)
-20%	(6,983)

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 any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Investment Manager being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of securities held.

In general, if interest rates rise, income potential also rises but the value of fixed rate securities may decline. A decline in interest rates will in general have the opposite effect.

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

	Total US$	Fixed rate US$	Floating rate US$	Non–interest bearing US$
31 MARCH 2010				
Investments (US$)	106,650,298	-	-	106,650,298
Loans and advances (EUR)	38,568,879	3,721,559	34,847,320	-
Loans and advances (US$)	326,592	326,592	-	-
Cash at bank (EUR)	1,052,084	-	94,676	957,408
Cash at bank (US$)	470,105	-	3,019	467,086
Cash at bank (GBP)	1,807	-	1,807	-
31 MARCH 2009				
Investments (CAD)	24,134	-	-	24,134
Investments (US$)	76,814,477	-	-	76,814,477
Loans and advances (EUR)	46,771,314	4,259,358	42,511,956	-
Loans and advances (US$)	3,265,020	311,581	-	2,953,439
Cash at bank (EUR)	11,556,166	-	10,792,318	763,848
Cash at bank (US$)	1,258,882	-	58,582	1,200,300
Cash at bank (GBP)	11,303	-	9,870	1,433

The weighted–average interest rate of loans and advances is 6.75% (2009: 7.69%). The average period for which the interest rates are fixed is three months.

The sensitivity of the profit (loss) to a variation of the floating interest rate of the financial assets (1–month EURIBOR) in accordance with floating rate assets as at 31 March 2010 is the following:

Effect of the variation in the interest rate	Profit (loss) and equity 000's US$
+ 15%	35,632
+20%	47,509
-15%	(35,632)
-20%	(47,509)

Credit risk

Credit risk is the risk that the borrower (or counterparty) is unable to meet its financial obligations. In the event of a default, the Company generally incurs a loss equal to the amount owed by the debtor.

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

Listed investments are only transacted through brokers or intermediaries that have been approved by the Investment Manager as acceptable counterparties. In addition, limits are set as to the maximum exposure to any individual broker that may exist at any time; these limits are reviewed regularly. Unlisted Investments are transacted by the Investment Manager with the assistance of external legal and financial advisors.

Maximum exposure to credit risk

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

	2010 US$	2009 US$
Cash and cash equivalents	1,523,996	12,826,351
Loans and advances	38,895,471	50,036,334
Unlisted investments	106,650,298	76,814,477
Listed investments	-	24,134
Accounts receivable and accrued income	1,718,090	2,935,397
Other assets	1,000	66,634
Total maximum exposure to credit risk	**148,788,855**	**142,703,327**

Guarantees received

The amount and type of guarantees required depends on an assessment of the credit risk of the counterparty. The Company obtained additional securities in the form of guarantees from other companies, allocation of collections, cash flows, inventories or sales, etc. 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 are principally comprised of unlisted securities and loans, which are not readily realisable. If the Company, for whatever reason, wished to dispose of these assets quickly, the realisation values may be lower than those at which the relevant assets are held in the statement of financial position.

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

As at the issuance date of the accompanying financial statements the Company is subject to some uncertainty arising from certain macro–economic issues which affected Cuba during 2008, 2009 and 2010. The fall in nickel prices and high cost of oil and agricultural imports during the first half 2008 combined with the financial impact of several severe hurricanes which hit the island and the world financial crisis have led to a reduction of economic growth, a tightening of liquidity and consequently have caused some delays in the international transfer of funds from Cuban financial institutions. The Company's management is confident that these issues will not materially impact upon the Company during the following year.

Fair values

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The carrying value of cash and cash equivalents, loans and advances, accounts receivable, accounts payable and borrowings are assumed to approximate their fair value due to their short–term maturities.

Operational risk

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

Capital management

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

The capital base managed by the Company is composed of share capital, share premium, reserves and retained profits that amount at 31 March 2010 and 2009 to a total of US$143,996,009 and US$143,062,454, respectively. The Company is not subject to external capital requirements.

21. INVESTORS HOLDING GREATER THAN 10%

As at 31 March 2010 and 2009, Northview Investment Fund Limited held 19,943,852 shares, the Absolute Return Fund held 19,206,419 shares and the Value Catalyst Fund Limited held 18,417,110 shares in the Company, representing 15.08%, 14.53% and 13.93% (2009: 15.53%, 14.95% and 14.34%), respectively, of the total shares outstanding of 132,212,352 (2009: 128,438,638).

22. POST BALANCE SHEET EVENTS

Current financial statements issue

These consolidated financial statements have been authorized for issue by the Board of Directors on 9 September 2010. The Company's shareholders have the power to amend the consolidated financial statements after issuance.

Sebastiaan A.C. Berger
Director

Jaime García–Andrade
Director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