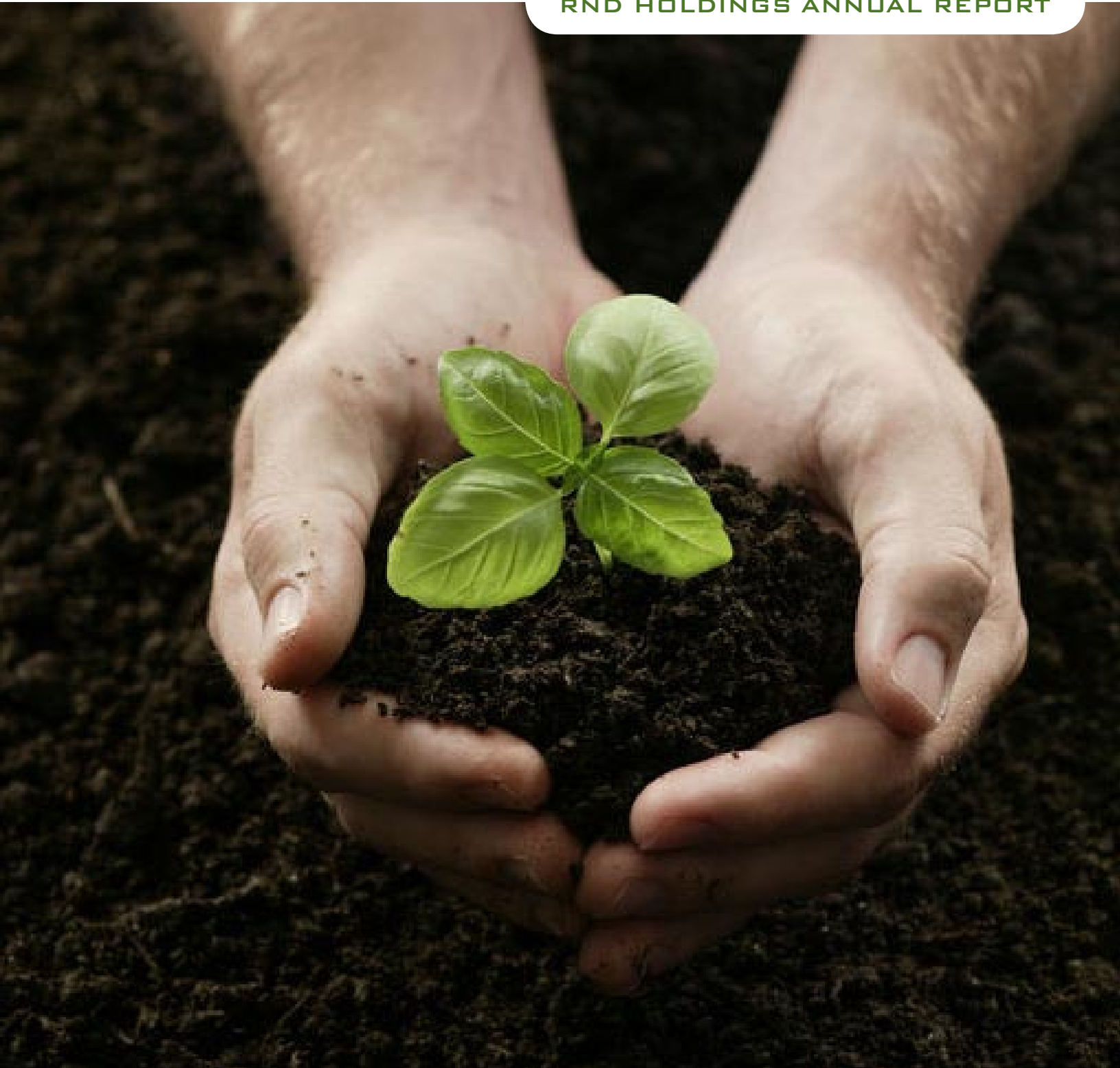


# 2006

RND HOLDINGS ANNUAL REPORT





**MESSAGE TO THE SHAREHOLDERS**

Dear Shareholder,

The Audited Financial Statements for the financial year ended February 28th, 2006 shows that the company incurred a net loss of \$17,591. This compares with a net loss of \$588,782 incurred for the financial year ended February 28th, 2005.

The results show that the company realized an operating loss of \$3,857 for the 12 month period ending February 28th, 2006 which compared with operating income of \$60,636 the previous year. This situation occurred primarily as a result of the company having to incur additional expenses in order to honor TicketXpress' contractual arrangements with its clients, yet not being able to participate in the full revenue potential of this initiative.

TicketXpress' main source of revenue will come from the provision of internet based automated reservation systems for local charter airlines and hotel properties whose main area of operations are in the Out Islands. To date the infrastructure required to provide reliable and quality internet services to the Out Islands is not in place for the majority of the Out Islands. This infrastructure is scheduled to be in place by the end of August, 2006. Consequently the roll out of our product as well as our earning potential will continue to be impeded until such time as this infrastructure is fully in place.

The company's income performance for the period was enhanced by a \$607,501 revaluation of our commercial real estate properties following an assessment carried out by one of the leading appraisers in the country. We are required by Accounting Standards to have our properties appraised every 3 years.

The gain on the appraised value of the properties was partially offset by a \$157,507 write off expended in the planning stages of

the shopping plaza project that was to be situated on the Charles Saunders Highway in New Providence.

After allowing for the above the company recorded a gain from continuing operations of \$99,635 for its financial year ended February 28, 2006. This compares with a loss of \$329,642 for the 2005 period.

On December 19, 2005 the company accomplished its objective of selling its gym business with a realized \$95,614 gain from the transaction. However up until the date of the sale the gym operation had already incurred a \$212,840 loss (March 1st, 2005 thru December 18th, 2005). Consequently the company recorded an overall \$117,226 loss from the gym operation for the current financial period. This compares with a loss of \$259,140 in 2005.

After netting the results of the company's \$99,635 gain from continuing operations against the \$117,226 loss from discontinued operations the company recorded a net loss of \$17,591 for the 12 month financial period ended February 28th, 2006.

In terms of the company's balance sheet, Total Assets declined by \$626,233 led primarily by a \$980,000 decline in the note receivable account, which reflected the balance of the cinema sales proceeds owed the company by Galleria Cinemas. The decline in this account came as a result of the company's decision to sell this non-interest bearing receivable in order to pay down trade payables, which were attracting considerable interest costs and to assist in funding ongoing working capital. Other assets declined by \$182,610 led primarily by the \$163,770 write off of the

pre-development costs associated with the proposed shopping plaza on the Charles Saunders Highway.

Total Liabilities declined \$718,807 led by declines of \$366,370 and 355,487 in accounts payable and long term debt respectively.

Shareholders Equity increased by \$92,574 to \$7,284,828 led by a \$110,165 revaluation of the square footage portion of the company's commercial real estate that are utilized for its own office space. This increase was partially offset by the loss incurred for the period of \$17,591.

Whilst we are encouraged by the above performance we are also cognizant of the fact that in order to achieve our overall objective of sustained profitability we need to bring our TicketXpress product on line to its full earnings potential within the very near future.

We remain confident in achieving this objective, and would like to thank you for your continued support.



Jerome K. Fitzgerald  
Chairman



Kenneth M. Donathan  
Managing Director

**CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2006:**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
RND Holdings Limited:

We have audited the accompanying consolidated balance sheet of RND Holdings Limited (the "Company") as of February 28, 2006 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2006 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.



May 31, 2006

**RND HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT FEBRUARY 28, 2006**  
(Expressed in Bahamian dollars)

	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 3,053	\$ 11,225
Accounts receivable	298,184	313,477
Current portion of note receivable (Note 6)	-	240,000
Prepayments and deposits	7,124	21,661
Inventory	2,432	87,090
Other receivables	4,974	6,399
Total current assets	315,767	679,852
NON-CURRENT ASSETS		
Investment properties (Note 10)	11,156,060	10,548,559
Property, plant and equipment (Note 8)	537,608	599,135
Intangibles (Note 9)	114,488	-
Long term portion of note receivable (Note 6)	-	740,000
other assets (Note 7)	81,160	263,770
Total non-current assets	11,889,316	12,151,464
<b>TOTAL ASSETS</b>	<b>\$ 12,205,083</b>	<b>\$ 12,831,316</b>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES:		
Bank overdrafts (Note 11)	\$ 236,128	\$ 204,815
Accounts payable and accrued expenses (Note 12 & 18)	771,938	1,138,308
Current portion of long-term debt (Note 11)	334,854	301,802
Other liabilities	45,071	106,386
Total current liabilities	1,387,991	1,751,311
NON-CURRENT LIABILITY		
Long-term debt (Note 11)	3,532,264	3,887,751
Total liabilities	4,920,255	5,639,062
EQUITY:		
Share capital (Note 13)	88,562	88,562
Share premium	5,934,987	5,934,987
Contributed capital	3,175,087	3,175,087
Revaluation reserves (Note 8)	110,165	-
Accumulated deficit	( 2,023,973)	( 2,006,382)
Total equity	7,284,828	7,192,254
<b>TOTAL</b>	<b>\$ 12,205,083</b>	<b>\$ 12,831,316</b>

See notes to consolidated financial statements.

These financial statements were approved by the Board of Directors on April 29, 2005 and are signed on its behalf by:



Director



Director

**RND HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF INCOME**  
**YEAR ENDED FEBRUARY 28, 2006**

(Expressed in Bahamian dollars)

	<b>2006</b>	<b>2005</b>
<b>CONTINUING OPERATIONS:</b>		
REVENUE	\$ 1,382,159	\$ 1,183,510
DIRECT COSTS	142,809	11,423
Gross margin	1,239,350	1,172,087
OPERATING EXPENSES:		
Administrative (Note 18)	840,198	917,097
Depreciation and amortization (Note 8,9 &16)	99,559	62,555
Other operating	294,801	122,008
Marketing	8,649	9,791
Total operating expenses	1,243,207	1,111,451
(LOSS) INCOME FROM CONTINUING OPERATIONS	( 3,857)	60,636
Gain from revaluation of investment property	607,501	-
Deferred development costs written off	( 157,507)	-
Finance costs (Note 14)	( 346,502)	( 390,278)
Gain (loss) from continuing operations	99,635	( 329,642)
<b>DISCONTINUED OPERATIONS (Note 16):</b>		
Gain on sale of health and fitness business	95,614	-
Loss from discontinued operations	( 212,840)	( 259,140)
Loss from discontinued operations	( 117,226)	( 259,782)
NET LOSS	\$ ( 17,591)	\$ ( 558,782)
<b>EARNINGS (LOSS) PER SHARE (Note 15):</b>		
From continuing and discontinued operations Basic and diluted	\$ 0.00	\$ ( 0.07)
From continuing operations Basic and diluted	\$ 0.01	\$ ( 0.04)

See notes to consolidated financial statements.

**RND HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED FEBRUARY 28, 2006**  
(Expressed in Bahamian dollars)

	Total	Share Capital	Share Premium	Contributed Capital	Revaluation Reserves	Accumulated Deficit	Shareholders' Equity
Balance at							
February 29, 2004	\$ 88,562	\$ 5,934,987	\$3,175,087	\$ -	\$ (1,417,600)	\$ 7,781,036	
Net loss	-	-	-	-	(588,782)	(588,782)	
Balance at							
February 28, 2005	88,562	5,934,987	3,175,087	-	(2,006,382)	7,192,254	
Gain on revaluation of buildings	-	-	-	110,165	-	(110,165)	
Net loss	-	-	-	-	(17,591)	(17,591)	
Balance at							
February 28, 2006	88,562	5,934,987	3,175,087	110,165	(2,023,973)	7,284,828	

See notes to consolidated financial statements.

**RND HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED FEBRUARY 28, 2006**  
(Expressed in Bahamian dollars)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (17,591)	\$ (588,782)
Adjustments for:		
Gain on revaluation of investment property	(607,501)	-
Depreciation (Note 8)	88,020	166,042
Amortization of intangible assets (Note 9)	26,482	-
Assets Written off	1,400	-
Gain on disposal of health and fitness business	(95,614)	-
Operating cash flows before movements in working capital	(604,804)	(422,740)
Decrease (Increase) in accounts receivable	(15,293)	(24,801)
Decrease in prepayments and deposits	14,537	27,309
Decrease (increase) in inventory	72,568	(52,575)
Decrease other receivables	1,425	223,060
Decrease in accounts payable and accrued expenses	(366,370)	(852,112)
(Decrease) increase in other liabilities	(61,315)	(46,759)
Net cash used in operating activities	(928,666)	(1,055,100)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(56,781)	(206,432)
Proceeds on disposal of cinema assets	(44,213)	-
Proceeds on disposal of health and fitness business	150,000	-
(Investment in) divestment from other assets	182,610	(41,435)
Net proceeds of insurance claim on investment in the Cayman Islands	-	111,658
Repayment of notes receivable	980,000	220,000
Net cash from investing activities	1,211,616	83,791
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of borrowings	(322,435)	(1,579,812)
Proceeds from borrowings	-	870,000
Repayments to directors	-	(107,411)
Net cash used in financing activities	(322,435)	(817,223)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(39,485)</b>	<b>1,788,532</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
BEGINNING OF YEAR	(193,590)	(1,594,942)
END OF YEAR	\$ (233,075)	\$ (193,590)
<b>REPRESENTED BY:</b>		
Cash	\$ 3,053	\$ 11,225
Bank overdraft	(236,128)	(204,815)
	\$ (233,075)	\$ 193,590

See notes to consolidated financial statements.

## RND HOLDINGS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2006

(Expressed in Bahamian Dollars)

#### 1. GENERAL

RND Holdings Limited (the "Company") was incorporated in The Bahamas on September 6, 1994 under the provisions of the Companies Act, 1992. The registered office of the Company and its subsidiaries (the "Group") is at Ocean Centre, Montagu Foreshore, East Bay Street, P.O. Box SS-19084, Nassau, Bahamas. The Company acts through its subsidiaries and does not have any principal business activity of its own. As of February 28, 2006, the Company's holdings in subsidiaries were as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest</b>	<b>Principal activity</b>
RND Properties Limited	Bahamas	100%	Rental of commercial space
Ticket Xpress Limited	Bahamas	100%	Provision of universal transaction processing system

In prior years, the Group was also involved in promoting and providing fitness and aerobics services to the community through Caribbean Health and Fitness Limited, a wholly owned subsidiary of the Company. The operation was discontinued with effect from December 19, 2005 (see note 16).

#### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations does not have a material impact on the consolidated financial statements of the Group.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 7 Financial Instruments: Disclosures
- IAS 19 (Amendment), Employee Benefits
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 8 Scope of IFRS 2

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies:

- Basis of consolidation* - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.
- Revenue recognition* - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable as rent for investment properties let out on operating lease to tenants or other goods or services provided in the normal course of business, net of discounts. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Investment properties* - Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income for the period in which they arise.

d. *Property, plant and equipments* - Buildings held for administrative purposes are stated in the consolidated balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated statement of income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the consolidated statement of income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

All other fixed assets are stated at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	2%
Leasehold improvements	10%
Furniture, fixtures and equipment	12.5 to 20%
Vehicles	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

e. *Intangible assets* - Intangible assets relate to computer software costs deferred by the Group. These intangible assets are measured initially at purchase cost. For subsequent measurement, the Group applies the cost model, and accordingly carries the intangible assets at cost less any accumulated amortization and any accumulated impairment losses.

f. *Impairment of tangible and intangible assets* - At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

g. *Inventories* - Inventories are stated at the lower of cost, which has been determined on the first-in-first-out basis, and net realizable value. Net realizable value represents the estimated selling price less all estimates costs of completion and costs to be incurred in marketing, selling and distribution.

h. *Leasing* - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group only deals with operating leases as a lessor. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

i. *Foreign currency transactions* - The Company's functional currency is Bahamian Dollars. In preparing the consolidated financial statements of the Group, transactions in currencies other than Bahamian Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the

rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in shareholder's equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in shareholder's equity.

*j. Provisions* - Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value when the effect is material.

*k. Financial Instruments* - Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### **Accounts Receivable**

Accounts receivable are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in the consolidated statement of income when there is objective evidence that the asset is impaired. The allowance for doubtful accounts is based on management's evaluation of the accounts receivable portfolio. Bad debts are written off in the year in which they are defined.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits with banks, short term bank overdrafts, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **Financial liabilities and equity**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### **Accounts payable**

Accounts and other payables are stated at their nominal values.

#### **Long term debt and bank overdrafts**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premium payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

*l. Classification* - Assets are classified as current when intended for sale or consumption in the normal operating cycle, held primarily for the purpose of being traded, expected to be realized within twelve months, or classified as cash or cash equivalents. All other assets are classified as non-current. Liabilities are classified as current when expected to be settled in the normal operating cycle, held primarily for the purpose of being traded, due to be settled within twelve months, or there are no unconditional rights to defer settlement for at least twelve months. All other liabilities are classified as non-current.

### **4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Certain amounts included in or affecting the Group's financial statements and related disclosure must be estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the Group's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

*a. Impairment* - The Group has made significant investments in property, plant and equipment, intangible assets and subsidiaries. These assets and investments are tested for impairment when circumstances indicate there may be a potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall

business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets and companies must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

- b. *Depreciation and amortization* - Depreciation and amortization is based on management's estimates of the future useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. The Group reviews the future useful life of property, plant and equipment and intangible assets periodically taking into consideration the factors mentioned above and all other important factors. Estimated useful life for similar types of assets may vary between different entities in the Group due to local factors as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate etc. In case of significant changes in the estimated useful lives, depreciation and amortization charges are adjusted prospectively.
- c. *Legal proceedings, claims and regulatory discussions* - The Group is subject to various legal proceedings, claims and regulatory discussions, the outcomes of which are subject to significant uncertainty. The Group evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount the Group has accrued for any matter, or accrue for a matter that has not been previously accrued because it was not considered probable or a reasonable estimate could not be made.
- d. *Provision for bad debts* - To cover any shortfalls from current trade receivables, the Group records a provision for bad debts based on historical information and on estimates in regard to the solvency of customers. Unexpected financial problems of major customers could lead to the situation where the recorded provision is insufficient.

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Year ended February 28, 2006:

	Discontinued operations	Commercial rental	Ticketing	Consolidated
<b>INCOME STATEMENT</b>				
<b>REVENUE:</b>				
Continued operations:				
External sales	\$ -	\$ 1,060,525	\$ 321,634	\$ 1,382,159
Discontinued operations:				
External sales	262,203	-	-	262,203
	<u>\$ 262,203</u>	<u>\$ 1,060,525</u>	<u>\$ 321,634</u>	<u>\$ 1,644,362</u>
<b>RESULT:</b>				
Continued operations:				
Segment result	-	573,805	(109,719)	464,086
Unallocated corporate expenses	-	-	-	(467,943)
Loss from continued operations	-	-	-	(3,857)
Discontinued operations:				
Segment result	(117,226)	-	-	(117,226)
Deferred development cost written off	-	-	-	(157,507)
Gain from revaluation of investment property	-	-	-	607,501
Finance costs	-	-	-	(346,502)
<b>NET LOSS</b>	<b>(117,226)</b>	<b>-</b>	<b>-</b>	<b>(17,591)</b>
<b>CAPITAL ADDITIONS:</b>				
Property, plant and equipment	359	15,459	40,963	56,781
Intangible assets	-	-	44,213	44,213
	<u>\$ 359</u>	<u>\$ 15,459</u>	<u>\$ 85,176</u>	<u>\$ 100,994</u>

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Year ended February 28, 2006:

### BALANCE SHEET

#### ASSETS:

Segment assets	-	11,851,250	299,568	12,150,818
Unallocated corporate assets	-	-	-	54,265

TOTAL ASSETS	-	11,851,250	299,568	12,205,083
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#### LIABILITIES:

Segment liabilities	-	4,444,740	64,030	4,508,770
Unallocated corporate liabilities	-	-	-	411,485

TOTAL LIABILITIES	-	-	-	\$ 4,920,255
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## BUSINESS AND GEOGRAPHICAL SEGMENTS

Year ended February 28, 2005:

	Discontinued operations	Commercial rental	Health & fitness	Ticketing	Consolidated
<b>INCOME STATEMENT</b>					
<b>REVENUE:</b>					
External sales	\$ 137,693	\$ 1,055,288	\$ 338,104	\$ 128,222	\$ 1,659,307
<b>RESULT:</b>					
Segment result	(60,382)	481,939	(196,325)	15,185	240,417
Unallocated corporate expenses	-	-	-	-	(418,175)
Loss from operations	(60,382)	481,939	(196,325)	15,185	(177,758)
Finance costs	-	-	-	-	(411,024)
NET INCOME	-	-	-	-	\$ (588,782)
<b>OTHER INFORMATION:</b>					
Capital additions	-	14,515	2,676	189,241	\$ 206,432
<b>BALANCE SHEET</b>					
<b>ASSETS:</b>					
Segment assets	-	11,109,121	90,345	349,224	\$ 11,548,690
Unallocated corporate expenses	-	-	-	-	1,282,626
TOTAL ASSETS	-	11,109,121	90,345	349,224	\$ 12,831,316
<b>LIABILITIES:</b>					
Segment liabilities	-	5,090,834	329,458	53,936	\$ 5,474,228
Unallocated corporate liabilities	-	-	-	-	164,834
	\$ -	\$ 5,090,834	\$ 329,458	\$ 53,936	\$ 5,639,062

These divisions are the basis on which the group reports its primary segment information.

Principal activities are as follows:

Commercial rental - rental of properties on the islands of New Providence, Grand Bahama and Abaco.

Ticketing - provision of a universal transaction processing system. Secondary segment reporting is not relevant for the Group since the activities of the Group are concentrated in a single geographical location, viz; The Bahamas.

## 6. NOTE RECEIVABLE

	<b>2006</b>		<b>2005</b>
Current portion of note receivable	\$ -		\$ 240,000
Non-current portion of note receivable	-		740,000
	\$ -		\$ 980,000

The note receivable, representing the consideration receivable on disposal of the assets of RND Cinemas Limited in the prior year, was interest-free and payable in 49 equal and consecutive monthly installments of \$20,000 from March 2005. After five such monthly installments were repaid, management sold the remaining balance on the note, without recourse and at a discounted value, to Colina Financial Advisors Limited (see note 7).

## 7. OTHER ASSETS

Other assets comprise:

	<b>2006</b>		<b>2005</b>
Investment in Clear Channel (Bahamas) Limited	\$ -		\$ 100,000
Deferred development costs	-		163,770
Deferred discounting charges	81,160		-
	\$ 81,160		\$ 263,770

Investment in Clear Channel (Bahamas) Limited, representing 7% of the issued share capital of the investee, was assigned to the Insurance Broker, who is a related party, in settlement of the Insurance premium payable to them for a value of \$100,000.

Deferred development costs were incurred in relation to the plans for the development of a shopping centre. No formal contracts were executed for this project. During the year the management assessed the project as non implementable due to the denial of the counterparty to proceed with the project. The development costs have consequently been written off in the consolidated statement of income.

Deferred discounting charges relate to the unexpired portion of the upfront charges paid for discounting the note receivable of \$880,000 for net proceeds of \$767,288. The charges are being written off in the consolidated statement of income on a monthly reducing balance interest basis (see note 6).

## 8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	<b>2006</b> Furniture, fixtures and equipment	Vehicles	Total
<b>COST OR VALUATION:</b>					
At beginning of year	\$ 235,010	\$ 834,493	\$ 1,283,376	\$ 13,037	\$ 2,365,916
Additions	-	-	56,781	-	56,781
Amount transferred from accumulated depreciation	(21,236)	-	-	-	(21,236)
Amount transferred to intangible assets	-	-	(110,807)	-	(110,807)
Gain on revaluation	110,165	-	-	-	110,165
Disposals	-	(834,493)	(832,429)	-	(1,666,922)
At end of year	\$ 323,939	\$ -	\$ 396,921	\$ 13,037	\$ 733,897
			<b>2006</b>		
<b>ACCUMULATED DEPRECIATION:</b>					
At beginning of year	\$ 16,536	\$ 818,442	\$ 918,766	\$ 13,037	\$ 1,766,781
Charge for the year	4,700	2,022	81,298	-	88,020
Amount transferred to cost or valuation	(21,236)	-	-	-	(21,236)
Amount transferred to intangible assets	-	-	(14,050)	-	(14,050)
Disposals	-	(820,464)	(802,762)	-	(1,623,226)
At end of year	\$ -	\$ -	\$ 183,252	\$ 13,037	\$ 196,289
<b>CARRYING AMOUNT:</b>					
February 28, 2006	\$ 323,939	\$ -	\$ 213,669	\$ -	\$ 537,608
February 28, 2005	\$ 218,474	\$ 16,051	\$ 364,610	\$ -	\$ 599,135

Buildings were revalued at February 28, 2006 by Robin Brownrigg, an independent valuer not connected with the Group, by reference to market evidence of recent transactions for similar properties. The valuation conforms to International Valuation Standards. In addition, following the revisions to IAS 16, Property, plant & equipment in 2005, that are effective for the current accounting period, the Group has reviewed the residual values and estimated useful lives used for the purposes of depreciation calculations in light of the amended definition of residual value in the revised Standard. The residual values and estimated useful lives were not found to be significantly different from the existing estimates and consequently, no adjustment was carried out in the current period. In line with the new requirements, these residual values will be reviewed and updated annually in the future.

## 9. INTANGIBLE ASSETS

	<b>2006</b>
COMPUTER SOFTWARE:	
COST:	
At beginning of year	\$ 110,807
Additions	44,213
	\$ 155,020
ACCUMULATED AMORTIZATION:	
At beginning of year	\$ 14,050
Charge for year	26,482
At end of year	\$ 40,532
CARRYING AMOUNT	\$ 114,488

The computer software has finite useful lives, over which the assets are amortized. These intangible assets are amortized over their estimated useful lives, which is on average five years, on a straight line basis.

In the prior year, computer software amounting to \$110,807 with corresponding accumulated depreciation of \$14,050 was classified as property, plant and equipment.

## 10. INVESTMENT PROPERTIES

	<b>2006</b>	<b>2005</b>
Plaza at John F. Kennedy Drive in Nassau	\$ 5,741,027	\$ 4,738,450
Plaza at East Mall Drive in Freeport	4,615,033	4,828,384
Plaza at Marsh Harbour	800,000	981,725
	\$ 11,156,060	\$ 10,548,559

All of the Group's investment properties are held under freehold interests. The fair value of the Group's investment properties at February 28, 2006 has been arrived at on the basis of a valuation carried out at that date by Robin Brownrigg, an independent valuer not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to \$965,378 (2005: \$917,197). Direct operating expenses arising on the investment property in the period amounted to \$486,722 (2005: \$335,898).

## 11. LONG-TERM DEBT AND BANK OVERDRAFTS

### *Long-term bank loans*

	<b>2006</b>	<b>2005</b>
(i) First Caribbean International Bank Limited	\$ 3,867,118	\$ 4,177,556
(ii) Scotiabank (Bahamas) Limited	-	11,997
	3,867,118	\$ 4,189,553

Principal amounts due on the above-noted loans are as follows:

	<b>2006</b>	<b>2005</b>
On demand or within one year	334,854	\$ 301,802
In the second year	352,279	313,858
In the third year	388,202	339,908
In the fourth year	418,339	368,121
Fifth year and after	2,373,444	2,865,864
	3,867,118	\$ 4,189,553

### *i. First Caribbean International Bank Limited*

This demand installment loan is repayable by 180 regular blended monthly payments of \$51,128, which commenced in May 2001. The loan bears interest at a rate of Bahamian Prime plus 2% per annum for an effective rate of 7.50% per annum (effective February 2005, 7.50% per annum). The bank's demand loan and overdraft facility are secured as follows

- a. Floating charge debenture stamped for \$3,200,000 with power to upstamp giving First Caribbean International Bank Limited a floating charge over all business assets, incorporating a first legal charge over the Marsh Harbour, Abaco and JFK Drive, New Providence properties. Second consolidating debenture and further charge stamped to secure \$505,000.
- b. Registered First Demand Legal Mortgage over Lot 3A, 3B, 3C & 3D, situated in Block O, Freeport, Grand Bahama properties. Stamped to secure \$1,800,000.
- c. Guarantee Bond and Postponement of Claim from RND Cinemas Limited for full liability with supporting resolution.
- d. Guarantee Bond and Postponement of Claim from Caribbean Health and Fitness Limited for full liability with supporting resolution.
- e. Acknowledged assignment of fire and other perils insurance on the business assets including property, furniture, fixtures and equipment for full replacement value with the Standard Mortgage Clause attached
- ii. *Scotiabank (Bahamas) Limited*  
This demand loan bore interest at a rate of Bahamian Prime plus two and one quarter percent (21/4%) per annum and was repaid in May 2005.

*Bank overdrafts*

The Company has an overdraft facility of \$200,000 (2005: \$200,000) with British American Bank Limited. As of the year-end the amount overdrawn on this facility was \$208,067 (2005: \$200,273). This facility bears interest at a rate of 10% per annum and is secured as follows:

- i. A fixed charge over the gym equipment and office furniture and a floating debenture over the assets of Caribbean Health and Fitness Limited stamped to secure advances up to \$200,000.
- ii. Assignment of all risks insurance policy over the insurable assets of the Borrower. The Company also has an overdrawn amount of \$28,061 (2005: \$Nil) with FirstCaribbean International Bank Limited which bears interest at Bahamian prime plus 2% per annum.

## 12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are as follows:

	<b>2006</b>	<b>2005</b>
Trade payables	\$ 603,210	\$ 1,010,387
Accrued expenses	168,728	127,921
	\$ 771,938	\$ 1,138,308

## 13. SHARE CAPITAL

	<b>2006</b>	<b>2005</b>
Authorized:		
10,000,000 Ordinary shares of B\$0.01 each	\$ 100,000	\$ 100,000
Issued and fully paid:		
8,856,191 (2005: 8,856,191) Ordinary shares of B\$0.01 each	\$ 88,562	\$ 88,562

There were no movements in share capital of the Company in the 2006 reporting period.

## 14. FINANCE COSTS

	<b>2006</b>	<b>2005</b>
Continuing operations		
Interest on long term bank loans	\$ 303,322	\$ 354,477
Interest on short term bank overdrafts	1,147	12,938
Discounting charges on note receivable	31,552	-
Interest on payables	10,481	22,863
	390,278	411,024
Discontinued operations		
Interest on long term bank loans	15,995	20,746
Total finance costs	\$ 362,497	\$ 411,024

## 15. LOSS PER SHARE

The calculation of the loss per share attributable to the equity holders of the parent is based on the following data.

	<b>2006</b>	<b>2005</b>
<i>Loss</i>		
Gain (loss) for the purpose of basic and diluted loss per share		
Loss from continuing operations	\$ 99,635	\$ (329,642)
Loss from discontinued operations	(117,226)	(259,140)
	\$ (17,591)	\$ (588,782)
<i>Number of shares</i>		
Weighted average number of equity shares for the purposes of basic and diluted loss per share for continuing and discontinuing operations	8,856,191	8,856,191
<i>Earnings (loss) per share:</i>		
Earnings (loss) per share from continuing operations	\$ 0.01	\$ (0.04)
Loss per share from discontinued operations	(0.01)	(0.03)
	\$ 0.00	\$ (0.07)

There were no potential equity shares at the year end, consequently the basic and diluted loss per share are equal.

## 16. DISCONTINUED OPERATIONS

On December 19, 2005 the Company disposed of its Health and Fitness operations. The disposal was effected in order to generate cash flow for the expansion of the Company's other businesses.

	<b>2006</b>	<b>2005</b>
REVENUE	\$ 166,589	\$ 475,797
DIRECT COSTS	116,067	253,133
Gross margin	50,522	222,664
OPERATING EXPENSES:		
Administrative	31,485	29,116
Marketing	1,066	5,400
Other operating	199,873	323,055
Depreciation	14,943	103,487
Total operating expenses	247,367	461,058
LOSS FROM OPERATIONS	(196,845)	(238,394)
Finance costs	(15,995)	(20,746)
NET LOSS FOR YEAR	(212,840)	\$ (259,140)

The gain on disposal of the Company's health and fitness operations has been determined as follows:

	<b>December 19, 2005</b>	<b>February 28, 2005</b>
Assets disposed of:		
Property, plant and equipment		
Cost	\$ 1,665,522	\$ 1,665,163
Accumulated depreciation	(1,623,226)	(1,608,283)
Inventory	12,090	12,090
Net assets sold	54,386	68,970
Profit on disposal of health and fitness	95,614	
Total consideration	150,000	
Satisfied by:		
Account receivable	\$ 150,000	

The comparative information for 2005 has been restated to include the results of the health and fitness operations which was classified as continuing operations in the prior year.

## 17. OPERATING LEASE

Property rental income earned during the year was \$965,378 (2005: \$917,197). At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments:

	<b>2006</b>	<b>2005</b>
Within one year	\$ 990,932	\$ 955,026
In second to fifth years inclusive	3,474,546	3,657,914
After five years	1,493,112	2,003,319
	<b>\$ 5,958,590</b>	<b>\$ 6,616,259</b>

## 18. RELATED PARTY BALANCES AND TRANSACTIONS

The Group has identified the following related party relationships:

Subsidiaries of the Company, and  
Key Management personnel and their close relatives.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions and balances between the Group and other related parties are disclosed below:

	<b>2006</b>	<b>2005</b>
Insurance cost		
Close relative of key management personnel		
Expense for the period	\$ 117,203	\$ 100,868
Due from (to) key management personnel at the balance sheet date	\$ 71,830	\$ 154,872
Salary and Director's fees		
Key management personnel		
Expense for the period	\$ 293,589	\$ 337,750
Due from/(to) key management personnel at the balance sheet date	\$ (2,257)	\$ -

## 19. CONTINGENT LIABILITIES

The following are the claims against the Company not acknowledged as debts in the financial statements:

- a. A former employee commenced an action in May 19, 2004 claiming damages for wrongful dismissal for a sum of approximately \$157,000 plus \$12,000 in unauthorized deductions. Management has accrued in these financial statements the severance entitlement as stipulated in the Employment Act.
- b. There was a case filed against RND Cinemas Limited by a shareholder on January 6, 2004 claiming general and special damages for malfeasance, misrepresentation and dilution of share value.
- c. There was a case filed by a customer of RND Cinemas Limited claiming via demand letter dated September 9, 2003 an amount of \$42,864 to cover the cost of medical treatment undergone by her due to injuries caused by a chair collapse in the cinema complex. On March 9, 2004, the Company offered an amount of \$10,322 in settlement of the case which the plaintiff refused.

## 20. FAIR VALUES

The Directors are of the opinion that the fair value of the financial assets and financial liabilities of the Group approximate their carrying value as reported in these consolidated financial statements.



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