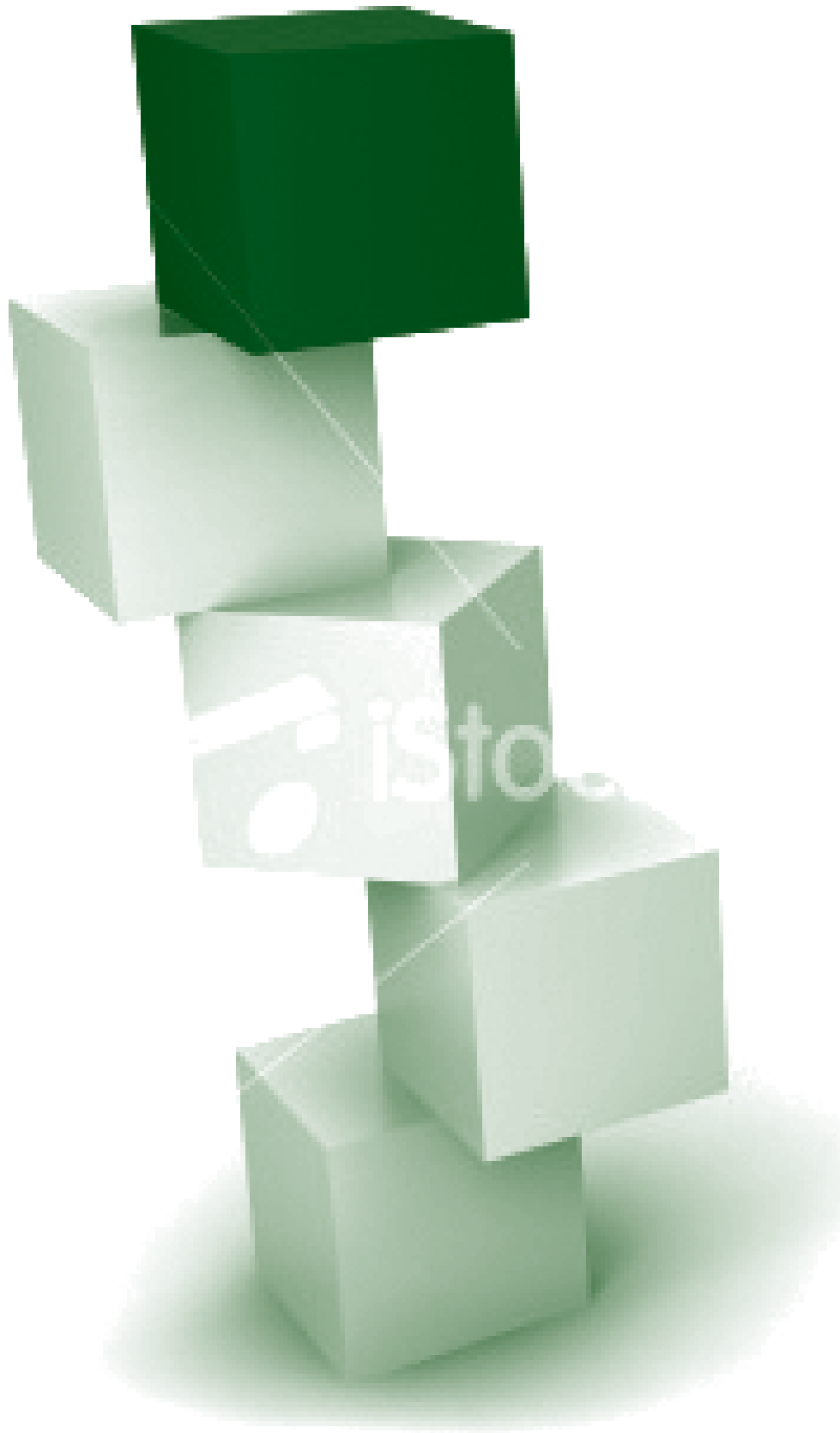


# BALANCE

ANNUAL REPORT

# 2008





“Life is like riding a bicycle. To keep your balance you must keep moving”

## MESSAGE TO THE SHAREHOLDERS

The Company's financial statements for the 12 month period ending February 29th, 2008 shows that the company earned a net income of \$18,636 which compared to a net loss of \$247,884 for the same period in 2007, although revenues for the period remained relatively unchanged. The company's gross margin for the 12 month period ending February 29th, 2008 increased by 7.6% or \$102,392 to \$1,447,017 from \$1,344,625 in 2007.

Administrative expenses increased by \$18,983 to \$860,856 from \$841,873. This increase was primarily due to an increase in property insurance of \$37,391 which offset a decrease in salary expense of \$19,802. Depreciation increased slightly to \$107,041 from 105,464 while other operating expenses declined from \$217,340 to \$119,604. The majority of the decline in other operating expenses came from business license fees which declined to \$20,777 from \$117,858. The latter figure represented an accumulated amount that was finally charged to the company in the 2007 financial year but related to previous years when the company also operated the cinema business.

The company's current assets declined by \$60,521 to \$119,535 led by a \$48,269 decline in accounts receivable. Part of this decline came as a result of the \$15,716 write off mentioned above. The remaining decline in accounts receivable related to normal business proceedings. Property, plant & equipment declined by \$49,785 to \$429,872 and reflected the annual depreciation on the company's physical assets. Intangible assets which comprise solely of the Ticket Xpress software declined by \$35,669 to \$68,081. Total liabilities declined \$192,019 to \$4,728,996 led by an aggregate decrease in bank debt of \$145,360. Total shareholders equity increased \$18, 636 for the twelve month period ended February 29th, 2008 and reflected the net income earned for the period.

It is our intention to continue to focus on our two core businesses of commercial real estate rentals and our Ticket Xpress business. Both plazas in Nassau and Grand Bahama remain fully tenanted and we will continue to focus on growing our Ticket Xpress business particularly in the provision of front end reservation solutions to local airline providers.

I would like to thank the shareholders for their continued support, and our staff and board of directors for their confidence and support.



Jerome K. Fitzgerald  
Chairman



Kenneth M. Donathon  
Managing Director



## CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED FEBRUARY 29, 2008

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### **REGISTRAR & TRANSFER AGENTS:**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
RND Holdings Limited:

We have audited the accompanying consolidated financial statements of RND Holdings Limited (the "Company") which comprise the consolidated balance sheet as of February 29, 2008, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

### **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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.

### **Opinion**

In our opinion, financial statements present fairly, in all material respects, the financial position of the Company as of February 29, 2008, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



May 23, 2008

A member firm of  
**Deloitte Touche Tohmatsu**

**RND HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF FEBRUARY 29, 2008**

(Expressed in Bahamian dollars)

|   | <b>2008</b>          | <b>2007</b>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| CURRENT ASSETS:   |                      |                      |
| Cash  | \$ 1,693             | \$ 6,920             |
| Accounts receivable, net                                    | 98,956               | 147,225              |
| Prepayments and deposits                                    | 13,398               | 20,248               |
| Inventory   | 2,493                | 2,185                |
| Other receivables   | 2,995                | 3,478                |
| Total current assets  | 119,535              | 180,056              |
| NON-CURRENT ASSETS:   |                      |                      |
| Investment properties (Note 9)                              | 11,156,060           | 11,156,060           |
| Property, plant and equipment (Note 7)                      | 429,872              | 479,657              |
| Intangible assets (Note 8)                                  | 68,081               | 103,750              |
| Other assets (Notes 6 and 14)                               | 11,028               | 38,436               |
| Total non-current assets                                    | 11,665,041           | 11,777,903           |
| <b>TOTAL ASSETS</b>   | <b>\$ 11,784,576</b> | <b>\$ 11,957,959</b> |
| <b>LIABILITIES AND EQUITY</b>                               |                      |                      |
| CURRENT LIABILITIES:  |                      |                      |
| Bank overdrafts (Note 10)                                   | \$ 221,529           | \$ 296,035           |
| Accounts payable and accrued expenses (Notes 12, 19 and 20) | 723,520              | 833,407              |
| Current portion of long-term debt (Note 10)                 | 429,646              | 360,853              |
| Deferred revenue (Note 20)                                  | 174,789              | 162,800              |
| Other liabilities   | 43,349               | 42,727               |
| Total current liabilities                                   | 1,592,833            | 1,695,822            |
| NON-CURRENT LIABILITIES:                                    |                      |                      |
| Long-term debt (Note 10)                                    | 3,031,761            | 3,171,408            |
| Due to directors (Note 11)                                  | 104,402              | 53,785               |
| Total liabilities   | 4,728,996            | 4,921,015            |
| 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 reserve (Note 7)                                | 110,165              | 110,165              |
| Accumulated deficit   | (2,253,221)          | (2,271,857)          |
| Total equity  | 7,055,580            | 7,036,944            |
| <b>TOTAL</b>  | <b>\$ 11,784,576</b> | <b>\$ 11,957,959</b> |

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on May 23, 2008 and are signed on its behalf by:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

**RND HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF INCOME**  
**YEAR ENDED FEBRUARY 29, 2008**

(Expressed in Bahamian dollars)

|   | <b>2008</b>  | <b>2007</b>  |
|---|--------------|--------------|
| <b>CONTINUING OPERATIONS</b>                  |              |              |
| REVENUE                                       | \$ 1,720,308 | \$ 1,719,204 |
| DIRECT COSTS                                  | 273,291      | 374,579      |
| Gross margin                                  | 1,447,017    | 1,344,625    |
| OPERATING EXPENSES:                           |              |              |
| Administrative (Note 19)                      | 860,856      | 841,873      |
| Depreciation and amortization (Notes 7 and 8) | 107,041      | 105,464      |
| Other operating (Note 15)                     | 119,604      | 217,340      |
| Marketing                                     | 1,202        | 4,268        |
| Total operating expenses                      | 1,088,703    | 1,168,945    |
| INCOME FROM CONTINUING OPERATIONS             | 358,314      | 175,680      |
| Finance costs (Note 14)                       | (323,962)    | (330,639)    |
| Gain (loss) from continuing operations        | 34,352       | (154,959)    |
| <b>DISCONTINUED OPERATIONS</b> (Note 17):     |              |              |
| Accounts receivable written off               | (15,716)     | (74,000)     |
| Interest on bank overdrafts (Note 14)         | -            | (18,925)     |
| Loss from discontinued operations             | (15,716)     | (92,925)     |
| NET INCOME (LOSS)                             | \$ 18,636    | \$ (247,884) |
| <b>EARNINGS (LOSS) PER SHARE</b> (Note 16):   |              |              |
| From continuing and discontinued operations   |              |              |
| Basic and diluted                             | \$ -         | \$ (0.03)    |
| From continuing operations                    |              |              |
| Basic and diluted                             | \$ -         | \$ (0.02)    |

See notes to consolidated financial statements.

**RND HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED FEBRUARY 29, 2008**

(Expressed in Bahamian dollars)

|                              | <b>Share<br/>Capital</b> | <b>Share<br/>Premium</b> | <b>Contributed<br/>Capital</b> | <b>Revaluation<br/>Reserves</b> | <b>Accumulated<br/>Deficit</b> | <b>Total<br/>Equity</b> |
|------------------------------|--------------------------|--------------------------|--------------------------------|---------------------------------|--------------------------------|-------------------------|
| Balance at February 28, 2006 | \$ 88,562                | \$ 5,934,987             | \$ 3,175,087                   | \$ 110,165                      | \$ (2,023,973)                 | \$ 7,284,828            |
| Net loss                     | -                        | -                        | -                              | -                               | (247,884)                      | (247,884)               |
| Balance at February 28, 2007 | 88,562                   | 5,934,987                | 3,175,087                      | 110,165                         | (2,271,857)                    | 7,036,944               |
| Net income                   | -                        | -                        | -                              | -                               | 18,636                         | 18,636                  |
| Balance at February 29, 2008 | \$ 88,562                | \$ 5,934,987             | \$ 3,175,087                   | \$ 110,165                      | \$ (2,253,221)                 | \$ 7,055,580            |

See notes to consolidated financial statements.

**RND HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED FEBRUARY 29, 2008**

(Expressed in Bahamian dollars)

|  | <b>2008</b>  | <b>2007</b>  |
|--|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |              |              |
| Net income (loss)  | \$ 18,636    | \$ (247,884) |
| Adjustments for:   |              |              |
| Depreciation (Note 7)  | 71,372       | 71,404       |
| Amortization of intangible assets (Note 8)                   | 35,669       | 34,060       |
| Accounts receivable written off                              | 15,716       | 74,000       |
|  | <hr/>        | <hr/>        |
| Operating cash flows before movements in working capital     | 141,393      | (68,420)     |
| Decrease in accounts receivable                              | 32,553       | 76,959       |
| Decrease (increase) in prepayments and deposits              | 6,850        | (13,124)     |
| (Increase) decrease in inventory                             | (308)        | 247          |
| Decrease in other receivables                                | 483          | 1,496        |
| Increase in deferred revenue                                 | 11,989       | 118          |
| (Decrease) increase in accounts payable and accrued expenses | (109,887)    | 224,151      |
| Increase (decrease) in other liabilities                     | 622          | (2,344)      |
| Net cash from operating activities                           | <hr/>        | <hr/>        |
|  | 83,695       | 219,083      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |              |              |
| Purchase of property, plant and equipment (Note 7)           | (21,587)     | (13,453)     |
| Purchase of intangible assets (Note 8)                       | -            | (23,322)     |
| Divestment from other assets (Note 6)                        | 27,408       | 42,724       |
| Net cash from investing activities                           | <hr/>        | <hr/>        |
|  | 5,821        | 5,949        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |              |              |
| Proceeds from borrowings (Note 10)                           | \$ 322,791   | \$ -         |
| Repayment of borrowings (Note 10)                            | (393,645)    | (334,857)    |
| Advances from directors (Note 11)                            | 50,617       | 53,785       |
| Net cash used in financing activities                        | <hr/>        | <hr/>        |
|  | (20,237)     | (281,072)    |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS         | 69,279       | (56,040)     |
| <b>CASH AND CASH EQUIVALENTS</b>                             |              |              |
| BEGINNING OF YEAR  | (289,115)    | (233,075)    |
|  | <hr/>        | <hr/>        |
| END OF YEAR  | \$ (219,836) | \$ (289,115) |
|  | <hr/>        | <hr/>        |
| REPRESENTED BY:  |              |              |
| Cash   | \$ 1,693     | \$ 6,920     |
| Bank overdraft (Note 10)                                     | (221,529)    | (296,035)    |
|  | <hr/>        | <hr/>        |
|  | \$ (219,836) | \$ (289,115) |
|  | <hr/>        | <hr/>        |
| SUPPLEMENTAL INFORMATION:                                    |              |              |
| Interest paid (Note 14)                                      | \$ 323,962   | \$ 349,564   |
|  | <hr/>        | <hr/>        |

**RND HOLDINGS LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED FEBRUARY 29, 2008**  
(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, Nassau, Bahamas. The Company acts through its subsidiaries and does not have any principal business activity of its own. As of February 29, 2008, 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 ticketing system |
| RND Cinemas Limited Bahamas | Bahamas                                     | 100%                                    | Dormant                                 |

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 17).

**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 January 1, 2007:

- IFRS 7 Financial Instruments: Disclosures

The adoption of these new and revised Standards and Interpretations has resulted in additional disclosures of the Group's risk management process. See Note 23.

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

- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 23 Borrowing Costs
- IAS 27 Consolidated and Separate Financial Statements
- IAS 32 (Amendment) Financial Instruments: Presentation

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These consolidated 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 consolidated 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:

- a. **Basis of consolidation** - The consolidated financial statements incorporate the financial statements of the Group. 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 statement of income 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.

- b. **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 leases to tenants or other goods or services provided in the normal course of business, net of discounts.

Interest income is recognized on an accrual basis.

- c. **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. Valuations are performed every three years, with any adjustment to fair value being based on management's assessment at each consolidated balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income in the year in which they arise.

- d. **Property, plant and equipment** - 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 consolidated 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 property, plant and equipment is 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 consolidated 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 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 estimated 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 Group'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 consolidated 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 consolidated statement of income. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated 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 equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in 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 consolidated 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.

- i. **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 are 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 result in insufficient provision for bad debts.

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Year ended February 29, 2008:

|                                   | Commercial<br>rental | Ticketing   | Discontinued<br>operations | Consolidated        |
|-----------------------------------|----------------------|-------------|----------------------------|---------------------|
| <b>INCOME STATEMENT</b>           |                      |             |                            |                     |
| <b>REVENUE:</b>                   |                      |             |                            |                     |
| External sales                    | \$ 1,211,726         | \$ 508,582  | \$ -                       | \$ 1,720,308        |
| <b>RESULT:</b>                    |                      |             |                            |                     |
| Segment result                    | \$ 800,273           | \$ (35,710) | \$ -                       | \$ 764,563          |
| Unallocated corporate expenses    | -                    | -           | -                          | (406,249)           |
| Income from continuing operations |                      |             |                            | 358,314             |
| Finance costs                     | -                    | -           | -                          | (323,962)           |
| Accounts receivable               | -                    | -           | (15,716)                   | (15,716)            |
| <b>NET INCOME</b>                 |                      |             |                            | <b>18,636</b>       |
| <b>CAPITAL ADDITIONS:</b>         |                      |             |                            |                     |
| Property, plant and equipment     | \$ -                 | \$ 21,587   | \$ -                       | \$ 21,587           |
|                                   | \$ -                 | \$ 21,587   | \$ -                       | \$ 21,587           |
| <b>BALANCE SHEET</b>              |                      |             |                            |                     |
| <b>ASSETS:</b>                    |                      |             |                            |                     |
| Segment assets                    | \$ 11,584,155        | \$ 180,946  | \$ -                       | \$ 11,765,101       |
| Unallocated corporate assets      | -                    | -           | -                          | 19,475              |
| <b>TOTAL ASSETS</b>               |                      |             |                            | <b>11,784,576</b>   |
| <b>LIABILITIES:</b>               |                      |             |                            |                     |
| Segment liabilities               | \$ 4,115,497         | \$ 106,802  | \$ -                       | \$ 4,222,299        |
| Unallocated corporate liabilities | -                    | -           | -                          | 506,697             |
| <b>TOTAL LIABILITIES</b>          |                      |             |                            | <b>\$ 4,728,996</b> |

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Year ended February 28, 2007:

|                                   | Commercial<br>rental | Ticketing        | Discontinued<br>operations | Consolidated         |
|-----------------------------------|----------------------|------------------|----------------------------|----------------------|
| <b>INCOME STATEMENT</b>           |                      |                  |                            |                      |
| <b>REVENUE:</b>                   |                      |                  |                            |                      |
| External sales                    | \$ 1,184,027         | \$ 535,177       | \$ -                       | \$ 1,719,204         |
| <b>RESULT:</b>                    |                      |                  |                            |                      |
| Segment result                    | \$ 756,009           | \$ (112,851)     | \$ -                       | \$ 643,158           |
| Unallocated corporate expenses    | -                    | -                | -                          | (467,478)            |
| Income from continuing operations |                      |                  |                            | 175,680              |
| Finance costs                     | -                    | -                | -                          | (349,564)            |
| Accounts receivable written off   | -                    | -                | (74,000)                   | (74,000)             |
| <b>NET LOSS</b>                   |                      |                  |                            | <b>\$ (247,884)</b>  |
| <b>CAPITAL ADDITIONS</b>          |                      |                  |                            |                      |
| Property, plant & equipment       | \$ -                 | \$ 13,453        | \$ -                       | \$ 13,453            |
| Intangible assets                 | -                    | 23,322           | -                          | 23,322               |
| <b>TOTAL CAPITAL ADDITIONS</b>    | <b>\$ -</b>          | <b>\$ 36,775</b> | <b>\$ -</b>                | <b>\$ 36,775</b>     |
| <b>BALANCE SHEET</b>              |                      |                  |                            |                      |
| <b>ASSETS:</b>                    |                      |                  |                            |                      |
| Segment assets                    | \$ 11,666,113        | \$ 256,053       | \$ -                       | \$ 11,922,166        |
| Unallocated corporate assets      | -                    | -                | -                          | 35,793               |
| <b>TOTAL ASSETS</b>               |                      |                  |                            | <b>\$ 11,957,959</b> |
| <b>LIABILITIES:</b>               |                      |                  |                            |                      |
| Segment liabilities               | \$ 4,286,928         | \$ 92,881        | \$ -                       | \$ 4,379,809         |
| Unallocated corporate liabilities | -                    | -                | -                          | 541,206              |
| <b>TOTAL LIABILITIES</b>          |                      |                  |                            | <b>\$ 4,921,015</b>  |

These divisions below 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 ticketing system.                                     |

Secondary segment reporting is not relevant for the Group since the activities of the Group are concentrated in a single geographical location, The Bahamas.

## 6. OTHER ASSETS

Other assets of \$11,028 (2007: \$38,436) 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.

## 7. PROPERTY, PLANT AND EQUIPMENT

|                                  | <b>2008</b>        |                                   |           |            |
|----------------------------------|--------------------|-----------------------------------|-----------|------------|
|                                  | Land and buildings | Furniture, fixtures and equipment | Vehicles  | Total      |
| <b>COST OR VALUATION:</b>        |                    |                                   |           |            |
| At beginning of year             | \$ 323,939         | \$ 410,374                        | \$ 13,037 | \$ 747,350 |
| Additions                        | -                  | 21,587                            | -         | 21,587     |
| At end of year                   | \$ 323,939         | \$ 431,961                        | \$ 13,037 | \$ 768,937 |
|                                  |                    |                                   |           |            |
|                                  | <b>2008</b>        |                                   |           |            |
|                                  | Land and buildings | Furniture, fixtures and equipment | Vehicles  | Total      |
| <b>ACCUMULATED DEPRECIATION:</b> |                    |                                   |           |            |
| At beginning of year             | \$ 6,479           | \$ 248,177                        | \$ 13,037 | \$ 267,693 |
| Charge for the year              | 6,479              | 64,893                            | -         | 71,372     |
| At end of year                   | \$ 12,958          | \$ 313,070                        | \$ 13,037 | \$ 339,065 |
| <b>CARRYING AMOUNT:</b>          |                    |                                   |           |            |
| February 29, 2008                | \$ 310,981         | \$ 118,891                        | \$ -      | \$ 429,872 |
| February 28, 2007                | \$ 317,460         | \$ 162,197                        | \$ -      | \$ 479,657 |

Buildings were revalued at February 28, 2006 by Robin Brownrigg, an independent appraiser not connected with the Group, by reference to market evidence of recent transactions for similar properties. The revaluation reserve as of February 29, 2008, was \$110,165 (2007: \$110,165).

## 8. INTANGIBLE ASSETS

|                                  | <b>2008</b> | <b>2007</b> |
|----------------------------------|-------------|-------------|
| <b>COMPUTER SOFTWARE:</b>        |             |             |
| <b>COST:</b>                     |             |             |
| At beginning of year             | \$ 178,342  | \$ 155,020  |
| Additions                        | -           | 23,322      |
|                                  | \$ 178,342  | \$ 178,342  |
| <b>ACCUMULATED AMORTIZATION:</b> |             |             |
| At beginning of year             | \$ 74,592   | \$ 40,532   |
| Charge for year                  | 35,669      | 34,060      |
|                                  | \$ 110,261  | \$ 74,592   |
| <b>CARRYING AMOUNT</b>           | \$ 68,081   | \$ 103,750  |

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.

## 9. INVESTMENT PROPERTIES

|  | <b>2008</b>          | <b>2007</b>          |
|--|----------------------|----------------------|
| Plaza at John F. Kennedy Drive in Nassau | \$ 5,741,027         | \$ 5,741,027         |
| Plaza at East Mall Drive in Freeport     | 4,615,033            | 4,615,033            |
| Plaza at Marsh Harbour                   | 800,000              | 800,000              |
|  | <u>\$ 11,156,060</u> | <u>\$ 11,156,060</u> |

The fair value of the Group's investment properties at February 29, 2008 has been arrived at on the basis of a valuation carried out at February 28, 2006 by Robin Brownrigg, an independent valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. Based on an assessment performed by management at year end, no change in fair value was deemed necessary at February 29, 2008.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to \$1,055,060 (2007: \$990,670). Direct operating expenses arising on the investment property in the period amounted to \$405,075 (2007: \$388,474).

## 10. LONG-TERM DEBT AND BANK OVERDRAFTS

### Long-term bank loans

|   | <b>2008</b>         | <b>2007</b>         |
|---|---------------------|---------------------|
| FirstCaribbean International Bank Limited | <u>\$ 3,461,407</u> | <u>\$ 3,532,261</u> |

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

|                              | <b>2008</b>         | <b>2007</b>         |
|------------------------------|---------------------|---------------------|
| On demand or within one year | \$ 429,646          | \$ 360,853          |
| In the second year           | 455,970             | 379,627             |
| In the third year            | 492,666             | 418,339             |
| In the fourth year           | 530,912             | 450,815             |
| Fifth year and after         | 1,552,213           | 1,922,627           |
|                              | <u>\$ 3,461,407</u> | <u>\$ 3,532,261</u> |

### **i. FirstCaribbean International Bank Limited**

During the year, the Company obtained an additional \$322,791 in loan proceeds from FirstCaribbean International Bank Limited (the "Bank"). This amount was added to the balance of the original outstanding loan.

This demand installment loan is repayable by 88 regular blended monthly payments of \$56,224, which commenced in April, 2007. The loan bears interest at a rate of Bahamian Prime plus 2% per annum for an effective rate of 7.50% per annum (effective rate 2007: 7.50% per annum).

The Bank's demand loan and overdraft facility are secured as follows:

- i. 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 and second consolidating debenture and further charge stamped to secure \$505,000.
- ii. 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.
- iii. 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.

### **Bank overdrafts**

The Company has an overdraft facility of \$200,000 (2007: \$200,000) with Fidelity Bank (Bahamas) Ltd. As of the year-end the amount overdrawn on this facility was \$147,211 (2007: \$192,358). This facility bears interest at a rate of 10% per annum and is unsecured.

The Company also has an overdrawn amount of \$74,318 (2007: \$103,677) with FirstCaribbean International Bank Limited which bears interest at Bahamian Prime plus 2% per annum. The effective rate at February 29, 2008 was 7.50% (2007: 17.50%). The 2007 rate should have been Bahamian Prime plus 2% per annum, but was higher due to bank error. The bank reversed the excess interest in the current year.

### **11. DUE TO DIRECTORS**

Of the \$104,402 (2007: \$53,785) due to directors, an amount of \$18,102 (2007: Nil) represents a loan repayable by 60 monthly payments of \$421, which commenced in April 2007. It is unsecured and bears interest at 14% per annum.

The remaining balance due to directors is unsecured and interest free with no set terms of repayment.

### **12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses are as follows:

|                  | <b>2008</b>       | <b>2007</b>       |
|------------------|-------------------|-------------------|
| Trade payables   | \$ 439,704        | \$ 542,301        |
| Accrued expenses | 283,816           | 291,106           |
|                  | <u>\$ 723,520</u> | <u>\$ 833,407</u> |

### **13. SHARE CAPITAL**

|   | <b>2008</b>       | <b>2007</b>       |
|---|-------------------|-------------------|
| Authorized:   |                   |                   |
| 10,000,000 Ordinary shares of B\$0.01 each                  | <u>\$ 100,000</u> | <u>\$ 100,000</u> |
| Issued and fully paid:                                      |                   |                   |
| 8,856,191 (2006: 8,856,191) Ordinary shares of B\$0.01 each | <u>\$ 88,562</u>  | <u>\$ 88,562</u>  |

There were no movements in share capital of the Company in the 2008 reporting year.

### **14. FINANCE COSTS**

|   | <b>2008</b>       | <b>2007</b>       |
|---|-------------------|-------------------|
| <u>Continuing operations</u>                    |                   |                   |
| Interest on long term bank loans                | \$ 273,030        | \$ 278,743        |
| Discounting charges on note receivable (Note 6) | 27,408            | 42,723            |
| Interest on bank overdraft                      | 21,805            | 6,655             |
| Interest on payables                            | 1,719             | 2,518             |
|   | <u>323,962</u>    | <u>330,639</u>    |
| <u>Discontinued operations</u>                  |                   |                   |
| Interest on bank overdraft                      | -                 | 18,925            |
| Total finance costs                             | <u>\$ 323,962</u> | <u>\$ 349,564</u> |

## 15. OTHER OPERATING EXPENSES

Other operating expenses are comprised of:

|                       | <b>2008</b>       | <b>2007</b>       |
|-----------------------|-------------------|-------------------|
| Utilities             | 44,153            | 34,327            |
| Telephone             | 21,197            | 31,897            |
| Business license fees | 20,777            | 117,858           |
| Janitorial services   | 17,946            | 18,204            |
| Miscellaneous         | 15,531            | 15,054            |
|                       | <u>\$ 119,604</u> | <u>\$ 217,340</u> |

## 16. 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>2008</b>      | <b>2007</b>         |
|--|------------------|---------------------|
| <b>Gain/(loss), net</b>  |                  |                     |
| Gain (loss) for the purpose of basic and diluted loss per share  |                  |                     |
| Gain (loss) from continuing operations   | \$ 34,352        | \$ (154,959)        |
| Accounts receivable written off on discontinued operations   | (15,716)         | (74,000)            |
| Interest on bank overdraft from discontinued operations  | -                | (18,925)            |
|  | <u>\$ 18,636</u> | <u>\$ (247,884)</u> |
| <b>Number of shares</b>  |                  |                     |
| Weighted average number of equity shares for the purposes of basic and diluted loss per share for continuing and discontinued operations | <u>8,856,191</u> | <u>8,856,191</u>    |
| <b>Earnings (loss) per share</b>   |                  |                     |
| Earnings (loss) per share from continuing operations   | \$ -             | \$ (0.02)           |
| Earnings (loss) per share from discontinued operations   | -                | (0.01)              |
|  | <u>\$ -</u>      | <u>\$ (0.03)</u>    |

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

## 17. DISCONTINUED OPERATIONS

On December 19, 2005 the Group 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>2008</b>        | <b>2007</b>        |
|---------------------------------|--------------------|--------------------|
| REVENUE                         | \$ -               | \$ -               |
| DIRECT COSTS                    | -                  | -                  |
| Gross margin                    | -                  | -                  |
| OPERATING EXPENSES:             |                    |                    |
| Administrative                  | -                  | -                  |
| Marketing                       | -                  | -                  |
| Other operating                 | -                  | -                  |
| Depreciation                    | -                  | -                  |
| Total operating expenses        | -                  | -                  |
| LOSS FROM OPERATIONS            | -                  | -                  |
| Accounts receivable written off | (15,716)           | (74,000)           |
| Interest on bank overdraft      | -                  | (18,925)           |
| NET LOSS FOR YEAR               | <u>\$ (15,716)</u> | <u>\$ (92,925)</u> |

## 18. OPERATING LEASES

Property rental income earned during the year was \$1,055,060 (2007: \$990,670). At the balance sheet date, RND Properties Limited had contracted with tenants for the following future minimum lease payments:

|                                    | <b>2008</b>         | <b>2007</b>         |
|------------------------------------|---------------------|---------------------|
| Within one year                    | \$ 1,103,125        | \$ 1,024,063        |
| In second to fifth years inclusive | 3,172,833           | 3,335,039           |
| After five years                   | 533,771             | 1,200,780           |
|                                    | <u>\$ 4,809,729</u> | <u>\$ 5,559,882</u> |

## 19. 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>2008</b>  | <b>2007</b>  |
|--|--------------|--------------|
| <b>Insurance cost</b>                      |              |              |
| Close relative of key management personnel |              |              |
| Expense for the year                       | \$ 150,392   | \$ 113,000   |
| Due to key management personnel            | \$ (11,891)  | \$ (185,543) |
| <b>Salaries and directors' fees</b>        |              |              |
| Key management personnel                   |              |              |
| Expense for the year                       | \$ 277,304   | \$ 292,857   |
| Due to key management personnel            | \$ (116,402) | \$ (53,785)  |

## 20. COMPARATIVES

In the prior year, deferred revenue of \$162,800 was reclassified from accounts payable and accrued expenses to allow for a more fair presentation of results.

## 21. CONTINGENT LIABILITIES

The following claim against the Group is not acknowledged as debt in the financial statements:

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.

The Group's legal counsel feels that the likelihood that this claim will result in the Group, or its individual companies, recording a liability is remote.

## 22. 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.

## 23. RISK MANAGEMENT

### Financial Risk Management

**Fair value of financial assets and liabilities** - The fair value is the value of an asset or liability in an arms length transaction between unrelated willing and knowledgeable parties. Fair value also assumes that the Group is a going concern, without any intention of liquidation. In management's opinion, the fair value of financial assets and liabilities (investment properties, intangible

assets, other assets, cash, receivables, inventory, short-term loans, payables, deferred revenue) at the balance sheet date were not materially different from their carrying values.

The investment property is based on a valuation in 2006, which considering the market value of land and buildings in the area this would not have been impaired. There was a provision made on the accounts receivable balance, which would account for any uncollected receivables. The intangible asset net book value is less than the potential future earnings of the asset. The short-term nature of the other assets and liabilities is not materially different from their carrying values.

**Cash flow and fair value interest rate risk** - Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effect of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

**Interest rate sensitivity analysis** - If the interest rate increases by .50 basis points and all other variables remain constant, the Group's profit over the next 12 months is estimated to decrease by \$16,963. If the interest rate decreases by .50 basis points and all other variables remain constant, the Group's profit over the next 12 months is estimated to increase by \$16,882.



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