



## Margaritaville Caribbean Limited

Second Quarter Report 2015

Period Ended November 30, 2014





## SECOND QUARTER 2015 INTERIM REPORT TO OUR SHAREHOLDERS

The Directors are pleased to present the unaudited results of the group for the second quarter ended November 30, 2014 along with the half year totals for the same date. The Group achieved revenues of US\$ 6.7 million for the quarter and cumulative half year revenues of US\$ 15.2 million. This is compared to US\$ 6.1 million and US\$ 13.2 million for prior quarter and half year respectively.

The increase in revenues of US\$ 2.0 million or 15% for the half year was supported by all business units. Express Catering with its operations in the Sangster Airport was the main contributor followed by Turks and Caicos, Cayman and Falmouth locations with equal contributions. The other locations had marginal increases.

The second quarter traditionally produces the lowest level of revenue and as a result, additional focus was placed on cost containment activities. The efforts were successful as we were able to restrict the expected loss to a marginal US\$ 49 thousand at the EBITDA level. This is a substantial improvement when compared with the prior period loss of US\$ 302 thousand. EBITDA for the half year returned US\$ 719 thousand compared to US\$ 201 thousand for the prior period.

The group continued its efforts at improving the contribution of the Procurement and Logistic function which resulted in some savings for both the quarter and half year. Cost of Sales as a ratio of Revenue achieved a more than 1% point improvement over both periods while Administrative and Other Operating expenses are now delivering more revenue per unit of expenditure in most categories and business units. Total Administrative and Operating expenses were 80.4% of sales for the quarter compared to 83.0% for the prior period. The ratio was 74.3% for the half year compared to 76.6% for prior period.

The winter tourist season has commenced and we are very upbeat about the prospects. A number of the additional revenue generating initiatives were implemented and are currently being assessed. The new beverage menu rollout commenced in October 2014 as planned and is being rolled out on a phased basis. The Montego Bay and Falmouth locations were first. Results from these business units will be used as the basis to select the glassware and souvenir items for rollout across the other business units.

MCL wishes to thank all our stakeholders for the continued support and commitment.

Director

Director



## Margaritaville Caribbean Ltd

### Top Ten ShareHoldings

#### 9% Fixed rate Cumulative Redeemable Preference Shares

As at November 30, 2014

NAMES		VOLUME	PERCENTAGE
GRACEKENNEDY LIMITED PENSION SCHEME	KINGSTON	20,000,000	32.9%
ATL GROUP PENSION FUND TRUSTEES NOMINEE LIMITED	KINGSTON	15,000,000	24.7%
JCSD TRUSTEE SERVICES LTD - SIGMA SOLUTION	KINGSTON	9,841,629	16.2%
NCB INSURANCE CO. LTD. A/C WT157	KINGSTON	4,250,000	7.0%
NCB INSURANCE CO. LTD. A/C WT161	KINGSTON	4,000,000	6.6%
NCB INSURANCE CO. LTD A/C WT109	KINGSTON	2,000,000	3.3%
MAURICE CLARKE	KINGSTON	1,968,326	3.2%
NCB INSURANCE CO. LTD. A/C WT064	KINGSTON	1,000,000	1.6%
NCB INSURANCE CO. LTD A/C WT184	KINGSTON	1,000,000	1.6%
NCB INSURANCE CO. LTD. A/C WT185	KINGSTON	1,000,000	1.6%
		<b>60,059,955</b>	<b>98.8%</b>

Total 9% Preference Share in issue - 60,809,955

Total Number of Preference Share Holders - 13

### Top Ten ShareHoldings

#### Ordinary Shares

As at November 30, 2014

NAMES		VOLUME	PERCENTAGE
MVILLE INVESTMENT LIMITED	NASSAU	25,000	50.0%
QUANTUM INVESTMENTS HOLDINGS LTD.	NASSAU	25,000	50.0%
		<b>50,000</b>	<b>100.0%</b>

Total Ordinary Share in issue - 50,000

Total Number of Share Holders - 2

### Directors ShareHoldings

As at November 30, 2014

NAMES	VOLUME	PERCENTAGE
IAN B. DEAR *	-	0.0%
PETER K. MELHADO	-	0.0%
HERRICK WINSTON DEAR	-	0.0%
JOHN G. BYLES	-	0.0%
ROLAND P CLARKE	-	0.0%
		<b>0.0%</b>

\* Connected to Quantum Investment Holdings Ltd.



## Consolidated Statement of Financial Position as at November 30, 2014

	November 30, 2014	November 30, 2013	Audited May 31, 2014
	US\$	US\$	US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	22,966,611	20,580,837	23,004,530
Deferred tax asset	585,702	32,648	585,701
Licences and franchises	1,677,485	1,202,229	1,723,476
Development costs	547,686	90,481	421,686
Goodwill arising on consolidation	246,547	402,145	246,547
	<u>26,024,032</u>	<u>22,308,339</u>	<u>25,981,940</u>
<b>Current assets</b>			
Trade and other receivables	3,189,118	3,191,280	3,449,136
Prepayments	290,214	742,627	63,205
Inventories	4,655,654	4,197,621	4,841,285
Owing by related companies	1,239,633	1,231,841	1,259,292
Income tax recoverable	-	22,697	-
Certificates of deposit	98,372	441,938	451,955
Cash and bank balance	(61,083)	212,514	204,059
	<u>9,411,908</u>	<u>10,040,519</u>	<u>10,268,932</u>
<b>Total assets</b>	<u>35,435,941</u>	<u>32,348,858</u>	<u>36,250,872</u>
<b>Equity</b>			
<b>Capital and reserves attributable to the company's owners</b>			
attributable to the company's owners			
Share capital	50,000	50,000	50,000
Capital reserves	32,616	32,616	32,616
Retained profits	6,088,948	4,477,417	7,108,039
	<u>6,171,564</u>	<u>4,560,033</u>	<u>7,190,655</u>
Non-controlling interests	950,966	338,179	762,118
<b>Total equity</b>	<u>7,122,530</u>	<u>4,898,212</u>	<u>7,952,773</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Preference shares	3,040,498	3,040,498	3,040,498
Directors' loans	538,973	538,973	538,973
Shareholders loans	763,032	763,032	763,032
Long term loans	11,306,257	12,426,505	11,488,889
Lease obligation	851,397	-	1,080,727
	<u>16,500,157</u>	<u>16,769,008</u>	<u>16,912,119</u>
<b>Current liabilities</b>			
Short Term Loans	2,700,000	2,700,000	2,700,000
Current portion of long-term loans	463,817	1,963,817	594,029
Current portion of lease obligation	514,715	-	514,715
Trade and other payables	7,810,458	6,017,822	7,201,746
Bank overdrafts	317,663	-	368,890
Income tax payable	6,600	-	6,600
	<u>11,813,253</u>	<u>10,681,639</u>	<u>11,385,980</u>
<b>Total liabilities</b>	<u>28,313,410</u>	<u>27,450,647</u>	<u>28,298,099</u>
<b>Total equity and liabilities</b>	<u>35,435,941</u>	<u>32,348,858</u>	<u>36,250,872</u>

Director .....

Director.....





## Consolidated Statement of Comprehensive Income for 6 Months ended November 30, 2014

	6 Months to November 30, 2014	3 Months to November 30, 2014	6 Months to November 30, 2013	3 Months to November 30, 2013	Audited 12 Months to May 31, 2014
	US\$	US\$	US\$	US\$	US\$
Revenue	15,177,938	6,710,925	13,231,684	6,130,060	33,135,037
Cost of sales	(3,718,779)	(1,644,364)	(3,384,666)	(1,579,045)	(8,506,521)
<b>Gross profit</b>	<b>11,459,159</b>	<b>5,066,561</b>	<b>9,847,018</b>	<b>4,551,014</b>	<b>24,628,516</b>
Other operating income	551,166	283,052	493,363	235,301	698,898
Gain on sale of shares from subsidiary's IPO	-	-	-	-	1,589,582
Gain on sale of fixed assets	-	-	-	-	45,086
Administrative expenses	(10,798,501)	(5,174,825)	(9,652,781)	(4,812,751)	(20,831,632)
Promotional expenses	(397,263)	(187,709)	(361,738)	(189,689)	(778,539)
Depreciation	(844,758)	(427,171)	(470,994)	(223,921)	(1,715,043)
Amortisation of licences and franchises	0	0	0	0	(115,679)
Other operating expenses	(95,403)	(36,492)	(124,329)	(86,319)	(270,400)
<b>Operating profit (Loss) for the YTD</b>	<b>(125,600)</b>	<b>(476,582)</b>	<b>(269,461)</b>	<b>(526,365)</b>	<b>3,250,789</b>
Finance costs	(849,236)	(443,245)	(748,612)	(387,141)	(1,921,697)
Finance income	0	0	-	-	17,419
Foreign exchange adjustment (Gain)/Loss	144,594	23,565	340,699	174,969	333,470
<b>Total comprehensive Profit/Loss Before Tax for the YTD</b>	<b>(830,243)</b>	<b>(896,262)</b>	<b>(677,374)</b>	<b>(738,537)</b>	<b>1,679,981</b>
Income tax credit/(expense)	-	-	-	-	486,043
<b>Profit for the year</b>	<b>(830,243)</b>	<b>(896,262)</b>	<b>(677,374)</b>	<b>(738,537)</b>	<b>2,166,024</b>
Attributable to:					
Owners of Margaritaville Caribbean Ltd	(1,019,091)	(961,334)	(740,668)	(723,214)	2,045,552
Non-Controlling Interests	188,848	65,072	63,294	(15,323)	120,472
	<b>(830,243)</b>	<b>(896,262)</b>	<b>(677,374)</b>	<b>(738,537)</b>	<b>2,166,024</b>
<b>Earnings per share - US \$</b>	<b>(20.38)</b>	<b>(19.23)</b>	<b>(14.81)</b>	<b>(14.46)</b>	<b>40.91</b>





## Consolidated Statement of Cash Flows for 6 Months to November 30, 2014

	6 Months to November 30, 2014	6 Months to November 30, 2013
	US \$	US\$
<b>Cash flows from operating activities:</b>		
Profit before tax	(830,243)	(677,374)
Adjustments for:		
Depreciation	844,758	470,994
Development cost	-	-
Licences and franchise	-	-
Gain on sale of fixed assets	-	-
Interest income	-	-
Interest expense	849,236	748,612
Foreign exchange translation adjustment	(119,705)	(533,603)
	<b>744,047</b>	<b>8,630</b>
(Increase)/decrease in Receivable/Prepayments/Deposits	33,009	(562,885)
Decrease/(increase) in owing by related companies	19,659	(17,977)
Increase in inventories	185,631	(493,471)
Increase/(Decrease) in trade and other payables	608,712	(911,137)
	<b>1,591,058</b>	<b>(1,976,840)</b>
<b>Cash (used in)/generated from operations</b>	<b>1,591,058</b>	<b>(1,976,840)</b>
Interest paid	(849,236)	(748,612)
Income tax paid	-	-
	<b>741,822</b>	<b>(2,725,453)</b>
<b>Net cash (used in)/provided by operating activities</b>	<b>741,822</b>	<b>(2,725,453)</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(886,850)	(1,274,723)
Interest income	-	-
Sale proceeds	-	-
	<b>(886,850)</b>	<b>(1,274,723)</b>
<b>Net cash used in investing activities</b>	<b>(886,850)</b>	<b>(1,274,723)</b>
<b>Cash flows from financing activities</b>		
Proceed From Preference Share Issues	-	3,040,498
Proceeds from long-term loan	711,238	1,566,942
Lease obligation & Other Long Term Obligations	(229,330)	-
Repayment from long-term loan	(904,377)	(578,670)
Reduction in Directors' loan	-	-
	<b>(422,470)</b>	<b>4,028,770</b>
<b>Net cash provided by/(used in) financing activities</b>	<b>(422,470)</b>	<b>4,028,770</b>
Decrease in cash and cash equivalents	(567,498)	28,595
Cash and cash equivalents at beginning of year	287,124	625,857
Cash and cash equivalents at end of year	<b>(280,374)</b>	<b>654,452</b>



## Consolidated statement of changes in equity for the 6 months ended November 30, 2014

<----Attributable to owners of the parent company---->					
	Share Capital US\$	Capital Reserve US\$	Retained Profits US\$	Non-controlling Interest US\$	Total US\$
Balance at May 31, 2014	50,000	32,616	7,108,039	762,118	7,952,773
Changes in equity 2014 November YTD					
Profit for the YTD November 2014 being total Comprehensive Income	-	-	(1,019,091)	188,848	(830,243)
	50,000	32,616	6,088,948	950,966	7,122,530

## Consolidated statement of changes in equity for the 6 months period ended November 30, 2013

<----Attributable to owners of the parent company---->					
	Share Capital US\$	Capital Reserve US\$	Retained Profits US\$	Non-controlling Interest US\$	Total US\$
Balance at May 31, 2013	50,000	32,616	5,218,085	274,885	5,575,586
Changes in equity 2013 November YTD					
Profit for the YTD November 2013 being total Comprehensive Income	-	-	(740,668)	63,294	(677,374)
	50,000	32,616	4,477,417	338,179	4,898,212





## Notes to the Consolidated Financial Statements

### 1. Identification

Margaritaville Caribbean Limited (the company) was registered on February 15, 2005 under the Bahamas IBC Act of 2000. The company is jointly owned by Quantum Investments Holdings Limited and Mville Investments Limited. The company along with its subsidiaries Margaritaville St. Lucia, Inc., Portside Restaurant Group Inc. and Restaurants of the Caribbean Inc. have controlling interests in various subsidiaries as follows:

	<b>Percentage Ownership</b>	<b>Principal Activities</b>
RM Restaurant Ltd.	<b>100%</b>	Operation of a branded sports bar and restaurant
Margaritaville Turks Ltd.	<b>68.66%</b>	Operation of a branded sports bar and restaurant
Margaritaville Ocho Rios Limited	<b>99.7%</b>	Operation of a branded sports bar and restaurant
Margaritaville Limited	<b>99.99%</b>	Operation of a branded sports bar and restaurant
Margaritaville St. Maarten Ltd.	<b>100%</b>	(Not operating)
Express Catering Limited	<b>75%</b>	Operation of a branded sports bar and restaurant
Falmouth Entertainment Brands Limited	<b>100%</b>	Operation of a branded sports bar and restaurant
Margaritaville St. Lucia, Inc.	<b>100%</b>	Investment in subsidiaries
Portside Restaurant Group Inc.	<b>100%</b>	Investment in subsidiaries
Restaurants of the Caribbean Inc.	<b>100%</b>	Operation of airport fast foods and restaurant franchises

The sports bar and restaurants are operated under the Margaritaville brand. The company and its subsidiaries are collectively referred to in these financial statements as the Group.

Margaritaville Turks Ltd. a subsidiary, was listed on the Main Market of the Jamaica Stock Exchange on April 11, 2014.

The company issued 60,809,955 Preference Shares which were also listed on the Jamaica Stock Exchange on April 11, 2014.

### 2. Basis of preparation

#### (i) Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared under the historical cost convention, except for certain non-financial assets measured at fair value.

#### (ii) Accounting policies.

There have been no changes in accounting policies since the most recent audited accounts as at May 31, 2014.

### 3. Reporting Currency

The financial statements are prepared and presented in United States dollars, which is the functional currency of all the group's operating companies.

### 4. Seasonality of Interim Results

The entire operations of the Group are dependent on the Caribbean tourism market. Despite the fairly stable climate, the Caribbean hotel and resort market shows a significant level of seasonality throughout the year. The seasonality is represented by strong occupancies throughout the winter season, typically between December and May. This is offset by lower occupancies between June and November with particularly low occupancies in the months of September and October.