Mair Russell
Grant Thornton

Margaritaville Caribbean Limited

Consolidated Financial Statements

May 31, 2016

Contents

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Independent auditor's report

To the Members of
Margaritaville Caribbean Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Margaritaville Caribbean Limited and its subsidiaries, which comprise the consolidated statement of financial position as at May 31, 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 of consolidated financial statements that give a true and fair view 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.

Independent auditors' report (cont'd)

To the Members of
Margaritaville Caribbean Limited

Auditors' Responsibility (Cont'd)

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Margaritaville Caribbean Limited and its subsidiaries as at May 31, 2016, and of their financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Montego Bay, Jamaica

August 22, 2016

Mair Russell Grant Thornton
Chartered Accountants

Consolidated statement of financial position as at May 31, 2016

	Note	2016 US$	2015 US$
Assets			
Non-current			
Property, plant and equipment	(3)	**21,429,258**	22,108,340
Goodwill	(4)	**246,547**	246,547
Other intangible assets	(5)	**3,040,266**	2,516,571
Deferred tax asset	(6)	**1,796,182**	1,237,126
Non-current assets		**26,512,253**	26,108,584
Current			
Inventories	(7)	**3,802,647**	4,807,919
Trade and other receivables	(8)	**3,818,873**	3,661,403
Prepayments		**61,312**	89,917
Owing by related companies	(9)	**2,067,379**	2,017,202
Certificates of deposit	(10)	**565,354**	388,488
Cash and bank balances	(10)	**450,307**	416,011
Current assets		**10,765,872**	11,380,940
Total assets		**37,278,125**	37,489,524
Equity and liabilities			
Capital and reserves attributable to the company's owners			
Share capital	(11)	**50,000**	50,000
Capital reserve	(12)	**32,616**	32,616
Retained earnings		**6,843,251**	6,430,199
		6,925,867	6,512,815
Non-controlling interests		**2,130,053**	1,787,639
Total equity		**9,055,920**	8,300,454
Liabilities			
Non-current			
Preference shares	(13)	**3,040,498**	3,040,498
Long-term loans	(14)	**7,691,936**	6,395,065
Lease obligations	(15)	**672,558**	753,905
Directors' loans	(16)	**7,449,638**	7,449,638
Shareholders loans	(16)	**763,032**	763,032
Non-current liabilities		**19,617,662**	18,402,138
Current			
Trade and other payables	(17)	**5,799,869**	6,729,996
Short-term loans	(14)	**1,000,009**	2,700,000
Current portion of long-term loans	(14)	**1,002,655**	594,029
Current portion of lease obligations	(15)	**450,392**	421,781
Income tax payable		**111,214**	147,678
Bank overdraft	(18)	**240,404**	193,448
Current liabilities		**8,604,543**	10,786,932
Total liabilities		**28,222,205**	29,189,070
Total equity and liabilities		**37,278,125**	37,489,524

The notes on the accompanying pages form an integral part of these financial statements.

Approved for issue by the Board of Directors on August 22, 2016 and signed on its behalf by:

______________________) Director
Ian Dear

______________________) Director
Herrick Dear

Consolidated statement of profit or loss and other comprehensive income for the year ended May 31, 2016

	Note	2016 US$	2015 US$
Revenue		**38,316,049**	34,698,418
Cost of sales		**(10,675,681)**	(9,351,996)
Gross profit		**27,640,368**	25,346,422
Other income		**794,604**	672,416
Administrative expenses	(19)	**(23,559,054)**	(21,507,073)
Promotional expenses		**(901,486)**	(719,609)
Depreciation		**(1,835,386)**	(1,824,697)
Amortisation of other intangible assets		**(166,630)**	(107,558)
Other operating expenses		**(161,040)**	(169,509)
Operating profit		**1,811,376**	1,690,392
Finance costs	(20)	**(1,396,375)**	(1,821,834)
Finance income	(20)	**2,324**	1,186
Foreign exchange gains		**227,306**	173,938
Gain/(loss) on sale of property, plant and equipment		**1,247**	(4,026)
Profit before tax		**645,878**	39,656
Income taxes	(21)	**327,500**	483,724
Net profit for the year being total comprehensive income for the year		**973,378**	523,380
Attributable to:			
Owners of Margaritaville Caribbean Limited		**413,051**	336,474
Non-controlling interests		**560,327**	186,906
		973,378	523,380
Earnings per share attributable to owners of Margaritaville Caribbean Limited	(22)	**8.26**	6.73

The notes on the accompanying pages form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended May 31, 2016

	Attributable to owners of the parent company				
	Share Capital US$	Capital Reserve US$	Retained Earnings US$	Non-controlling Interests US$	Total US$
Balance at May 31, 2014	50,000	32,616	7,108,039	762,118	7,952,773
Transactions with owners					
Dividends paid by subsidiary to non-controlling interests (Note 23)	-	-	-	(175,699)	(175,699)
Total transactions with owners	-	-	-	(175,699)	(175,699)
Profit for the year being total comprehensive income for the year	-	-	336,474	186,906	523,380
Balance at May 31, 2015 - As previously reported	50,000	32,616	7,444,513	773,325	8,300,454
Prior year adjustment (Note 24)					
Increase in non-controlling interests	-	-	(1,014,314)	1,014,314	-
Balance at May 31, 2015 - Restated	50,000	32,616	6,430,199	1,787,639	8,300,454
Transactions with owners					
Dividends paid by subsidiary to non-controlling interests (Note 23)	-	-	-	(217,913)	(217,913)
Total transactions with owners	-	-	-	(217,913)	(217,913)
Profit for the year being total comprehensive income for the year	-	-	413,052	560,327	973,379
Balance at May 31, 2016	**50,000**	**32,616**	**6,843,251**	**2,130,053**	**9,055,920**

The notes on the accompanying pages form an integral part of these financial statements.

Consolidated statement of cash flows for the year ended May 31, 2016

	2016 US$	2015 US$
Cash flows from operating activities:		
Profit before tax	**645,878**	39,656
Adjustments for:		
Depreciation	**1,835,386**	1,824,696
Amortisation	**101,919**	107,558
Interest income	**(2,324)**	(1,186)
Interest expense	**1,396,375**	1,821,834
(Gain)/loss on sale of property, plant and equipment	**(1,247)**	4,026
	3,975,987	3,796,584
Increase in trade and other receivables	**(157,470)**	(212,267)
Decrease/(increase) in prepayments	**28,604**	(26,712)
Increase in owing by related companies	**(50,185)**	(757,910)
Decrease in inventories	**1,005,272**	33,366
Decrease in trade and other payables	**(930,127)**	(471,750)
Cash generated from operations	**3,872,081**	2,361,311
Interest paid	**(1,396,375)**	(1,821,834)
Income tax paid	**(267,968)**	(26,624)
Net cash provided by operating activities	**2,207,738**	512,853
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,156,304)**	(940,755)
Intangible assets	**(625,605)**	(478,967)
Interest income	**2,324**	1,186
Proceeds from sale of property, plant and equipment	**1,247**	8,223
Net cash used in investing activities	**(1,778,338)**	(1,410,313)
Cash flows from financing activities		
Proceeds from long-term loans	**6,405,479**	3,232,699
Repayment of long-term loans	**(6,399,975)**	(8,326,522)
Net repayment of lease obligations	**(52,785)**	(419,756)
Dividends paid	**(217,913)**	(175,699)
Increase in directors' loans	**-**	6,910,665
Net cash (used in)/provided by financing activities	**(265,194)**	1,221,387
Increase in cash and cash equivalents	**164,206**	323,927
Cash and cash equivalents at beginning of year	**611,051**	287,124
Cash and cash equivalents at end of year (Note 10)	**775,257**	611,051

The notes on the accompanying pages form an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended May 31, 2016

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:

	Percentage Ownership	Principal Activities	Geographic Location
RM Restaurant Ltd	100%	Operation of a bar and restaurant	Cayman
Margaritaville Turks Ltd	68.66%	Operation of a bar and restaurant	Turks and Caicos
Margaritaville Ocho Rios Limited	99.7%	Operation of a bar and restaurant	Jamaica
Margaritaville Limited	99.99%	Operation of a bar and restaurant	Jamaica
Express Catering Limited	75%	Operation of a various bars and restaurants	Jamaica
Falmouth Entertainment Brands Limited	100%	Operation of a various bars and restaurants	Jamaica
MWV Hospitality Inc	100%	Operation of a bar and restaurant	US Virgin Islands
Margaritaville St. Lucia, Inc.	100%	Investment in subsidiaries	St. Lucia
Portside Restaurant Group Inc.	100%	Investment in subsidiaries	St. Lucia
Restaurants of the Caribbean Inc.	100%	Investment in subsidiaries	St. Lucia
Restaurant Supplies International Inc	100%	Investment in subsidiaries	USA

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

2. Significant accounting policies

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The measurement bases used are more fully described in the accounting policies below.

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. These estimates are based on historical experience and management's best knowledge of current events and actions. Actual results may differ from these estimates and assumptions.

There were no critical judgements, apart from those involving estimation, that management has made in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Depreciation and amortisation of property, plant and equipment and intangible assets

Depreciation and amortisation are provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives and amortisation periods are as shown in Notes 4(d)&(e).

New and revised standards that are effective in the current year

Certain new and amended standards and interpretations to existing standards have been published and became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that none would have a significant impact on its operations.

Annual Improvements to IFRS 2010 - 2012 and 2011 - 2013 cycles, effective for periods beginning on or after July 1, 2014. There was no impact from adoption of these amendments and clarifications.

Standards, interpretations and amendments issued but not yet effective and have not been early adopted by the company

At the date of approval of these financial statements, certain new standards amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the company. Management anticipates that all relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not listed below are not expected to have a significant impact on the company's financial statements.

Amendments to IAS 1, 'Disclosure initiative'
These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is effective for accounting periods beginning on or after January 1, 2016. The amendment is not expected to have a significant impact on the financial statements.

IFRS 9 'Financial Instruments'
The IASB recently released IFRS 9 'Financial Instruments', representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The company's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The company's management have not yet assessed the impact of IFRS 15 on these financial statements.

IFRS 16 Leases *(effective for annual reporting period beginning on or after January 1, 2019)*
Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets'
Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after January 1, 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

Amendments to IAS 27, 'Associates', (effective for annual periods beginning January 1, 2016)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing whether to use the equity method in the separate financial statements of the parent company.

Annual Improvements 2014, (effective for annual periods beginning on or after January 1, 2016)
The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held-for-sale" to "held-for distribution or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of

disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

b Basis of consolidation

The Group's financial statements consolidate those of the company and all its subsidiaries, as listed in note 1.

All transactions and balances between Group companies have been eliminated on consolidation.

c Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions. Since the operations are similar in all locations the resources are managed by geographic locations. Information by geographic locations are disclosed in Note 29.

d Property, plant and equipment

(i) Property, plant and equipment are carried at cost less accumulated depreciation.

(ii) Depreciation is charged on the assets from the date of acquisition.

Depreciation is provided on the straight line basis at such rates as will write off the cost of the various assets over the period of their expected useful lives. The useful lives approximate to forty (40) years for buildings, ten (10) years for machinery, furniture and fixtures and equipment , five (5) years for motor vehicles and three years for computers .

Leasehold improvement is being amortised over twenty years.

(iii) Repairs and renewals

The costs of repairs and renewals which do not enhance the carrying value of existing assets are written off to profit or loss as they are incurred.

e Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the Group's interests in the net fair value of the identifiable assets and liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is tested annually for impairment.

f Other intangible assets

These represent amounts spent on the acquisition of franchises and licenses and the development of new products, processes and systems. These are recorded at cost and are amortised over their estimated useful lives, which ranges from 6 to 10 years.

g Foreign currency translation

Functional and presentation currency

These consolidated financial statements are presented in United States Dollars (US$), which is the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the United States Dollars (US$) are translated into United States Dollars (US$) upon consolidation. The functional currency of the entities in Group has remained unchanged during the reporting period.

h Revenue recognition

Revenue comprises revenue from sale of goods to customers. Revenue is measured at the fair value of consideration received and receivable, net of rebates and discounts and is recognised when customers are invoiced.

i Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or the receipt on the goods or as incurred.

j Inventories

Inventories are stated at the lower of cost determined on the average cost basis, and net realisable value. Cost includes all supplier prices, freight and handling and other overhead costs directly related to goods sold. Net realisable value is the estimated selling price in the ordinary course of business less any related selling expenses.

k Cash and bank

Cash and bank comprise amounts held in current and savings accounts with financial institutions and cash on hand balances net of bank overdraft.

l Trade and other receivables

Trade and other receivables are classified as loans and receivables. These are initially recognised at original invoice amount (which represents fair value) and subsequently measured at amortised cost.

m Financial instruments

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, the company classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. A provision for doubtful debt is recognised when there is an indication that the debt is impaired. Impairment of trade receivables are presented within 'other operating expenses'.

Financial liabilities

The company's financial liabilities include shareholders' loans, interest-bearing borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

n Trade and other payables

Trade and other payables are obligations to pay for goods or services that have acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

o Borrowings

Borrowings includes bank loans and are classified as financial liabilities measured at amortised cost. Borrowings are recognised initially at fair value, being their issued proceeds net of transaction costs incurred. Subsequently, borrowings are measured at amortised cost using the effective interest method and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings. Interest expense is reported on the accruals basis and other borrowing costs, are expensed to profit or loss in the period which they are incurred and are reported in finance costs.

p Leased assets

Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the company obtains ownership of the asset at the end of the lease term.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating lease

The company pays property lease annually based on the estimated average annual cruise passengers visiting the property. The amount incurred is expensed in the period to which it relates. Associated costs such as insurance and maintenance are expensed as incurred. Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

q Income taxes

Income tax in the consolidated statement of comprehensive income comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, for the countries where the subsidiaries operate, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the Statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

The subsidiaries that are subject to tax are those operating in Jamaica, where the current tax rate is 25%.

r Impairment

The company's assets are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

s Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are included in equity as a deduction from proceeds

t Comparative information

Certain prior year figures have been restated to conform with current year's presentation. (Note 24).

3. Property, plant and equipment comprise:

The carrying amounts for property, plant and equipment for the years included in these financial statements as at May 31, 2016 can be analysed as follows:

	Leasehold Improvement US$	Land And Building US$	Furniture And Fixtures US$	Equipment US$	Computers US$	Machinery US$	Motor Vehicles US$	Construction In Progress US$	Total US$
Gross carrying amount									
Balance at June 1, 2015	16,021,935	-	7,944,230	5,286,967	1,359,495	692,881	794,323	360,064	32,459,895
Additions	154,672	-	470,664	210,228	85,538	-	72,759	162,443	1,156,304
Transfers	386,135	-	-	-	-	-	-	(386,135)	-
Disposal	-	-	-	-	-	-	(3,409)	-	(3,409)
Balance at May 31, 2016	**16,562,742**	**-**	**8,414,894**	**5,497,195**	**1,445,033**	**692,881**	**863,673**	**136,372**	**33,612,790**
Depreciation and impairment									
Balance at June 1, 2015	(3,385,136)	-	(3,425,463)	(1,951,682)	(934,723)	(215,681)	(438,870)	-	(10,351,555)
Depreciation	(583,237)	-	(591,322)	(391,847)	(152,013)	(48,949)	(68,018)	-	(1,835,386)
Disposal	-	-	-	-	-	-	3,409	-	3,409
Balance at May 31, 2016	**(3,968,373)**	**-**	**(4,016,785)**	**(2,343,529)**	**(1,086,736)**	**(264,630)**	**(503,479)**	**-**	**(12,183,532)**
Carrying amount at May 31, 2016	**12,594,369**	**-**	**4,398,109**	**3,153,666**	**358,297**	**428,251**	**360,194**	**136,372**	**21,429,258**

3. Property, plant and equipment comprise (cont'd):

	Leasehold Improvement US$	Land and Building US$	Furniture and Fixtures US$	Equipment US$	Computer US$	Machinery US$	Motor Vehicles US$	Construction in Progress US$	Total US$
Gross carrying amount									
Balance at June 1, 2014	12,406,264	2,520,794	7,816,317	5,102,796	1,259,681	684,249	593,957	1,147,280	31,531,338
Addition	226,311		127,913	184,171	99,814	8,632	212,564	81,350	940,755
Transfer	3,389,360	(2,520,794)	-	-	-	-	-	(868,566)	-
Disposal	-	-	-	-	-	-	(12,198)	-	(12,198)
Balance at May 31, 2015	16,021,935	-	7,944,230	5,286,967	1,359,495	692,881	794,323	360,064	32,459,895
Depreciation and impairment									
Balance at June 1, 2014	(2,348,313)	(461,462)	(2,805,676)	(1,557,947)	(793,341)	(164,911)	(395,155)	-	(8,526,808)
Depreciation	(575,358)	-	(619,787)	(393,735)	(141,382)	(50,770)	(43,664)	-	(1,824,696)
Transfer	(461,465)	461,465	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	(7,370)	-	(7,370)
Disposal	-	-	-	-	-	-	7,319	-	7,319
Balance at May 31, 2015	(3,385,136)	-	(3,425,463)	(1,951,682)	(934,723)	(215,681)	(438,870)	-	(10,351,555)
Carrying balance at May 31, 2015	12,636,799	-	4,518,767	3,335,285	424,772	477,200	355,453	360,064	22,108,340

4. Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the Group's interests in the net fair value of the identifiable assets and liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is tested annually for impairment. There was no indication of impairment during the current year.

5. Other intangible assets

	Development costs US$	Licenses and franchises US$	Total US$
Cost at June 1, 2015	900,653	1,615,918	2,516,571
Additions during the year	657,967	-	657,967
Less: Amortisation	(32,357)	(101,915)	(134,272)
May 31, 2016	**1,526,263**	**1,514,003**	**3,040,266**
Cost at June 1, 2014	421,686	1,723,476	2,145,162
Additions during the year	478,967	-	478,967
Less: Amortisation	-	(107,558)	(107,558)
May 31, 2015	900,653	1,615,918	2,516,571

6. Deferred tax asset

Deferred taxes are applicable only to the subsidiaries operating in Jamaica and are calculated on all temporary differences using the liability method at a tax rate of 25%.The movement on the deferred tax account is as follows:

	2016 US$	2015 US$
Balance at beginning o f year	**1,237,126**	585,701
Change during the year (Note 21)	**559,056**	651,425
Balance at end of year	**1,796,182**	1,237,126

Deferred tax balance arose on temporary differences in respect of the following:

	2016 US$	2015 US$
Deferred tax asset on:		
Equipment:	**1,796,182**	1,237,126
Deferred tax asset	**1,796,182**	1,237,126

7. Inventories

	2016 US$	**2015 US$**
Food and beverage	**1,404,293**	1,637,585
General stores	**1,376,756**	1,704,346
Gift shop	**1,021,598**	1,465,988
Total	**3,802,647**	4,807,919

8. Trade and other receivables

	2016 US$	2015 US$
Trade receivables	**237,038**	159,270
Credit card receivables	**270,446**	292,884
Deposit on goods and refundable security deposits	**561,988**	285,817
Advances	**64,224**	39,582
Other receivables	**2,685,177**	2,883,850
Total	**3,818,873**	3,661,403

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. Trade and credit card receivables analysed by length of time are:

	2016 US$	2015 US$
Not more than 3 months	**507,484**	452,154

9. Related party balances and transactions

Inter-company transactions and balances between companies included in the consolidated financial statements have been eliminated .

Related party balances are unsecured, interest free and have no fixed repayment terms.

10. Cash and cash equivalents

	2016 US$	2015 US$
Bank and cash	**450,307**	416,011
Certificates of deposit	**565,354**	388,488
	1,015,661	804,499
Less: Bank overdraft	**(240,404)**	(193,448)
Total	**775,257**	611,051

11. Share capital

	2016 US$	2015 US$
Authorised:		
100,000 ordinary shares	**100,000**	100,000
issued and fully paid:		
50,000 ordinary shares	**50,000**	50,000

12. Capital reserve

The above represents pre-incorporation net income earned by Express Catering Limited a subsidiary, as follows:

	US$
Gross income	158,833
Less: Expenses	93,887
Taxation	21,649
	43,297
Less: Minority interest	(10,681)
Total	**32,616**

13. Preference shares

These represent 60,809,955 units of 9% cumulative redeemable United States Dollars indexed preference shares listed on the Jamaica Stock Exchange. The shares have no par value but were listed at the Jamaican Dollar equivalent of US$0.05 per share.

14. Long-term and short-term loans

	2016 US$	2015 US$
Long-term loans		
a Dart Management Limited	**2,831,285**	2,937,736
b Goddard Catering	**404,622**	949,453
c National Peoples Co-operative Bank	**124,181**	124,084
d National Commercial Bank Jamaica Limited	**5,334,503**	2,977,821
	8,694,591	6,989,094
Less: current portion	**1,002,655**	594,029
	7,691,936	6,395,065
Short-term loans:		
e National Commercial Bank Jamaica Limited	**1,000,009**	2,700,000

a This loan represents tenant improvement loan to a subsidiary from Dart Management Limited. This is repayable over ten years. The loan is secured with an interest rate of US prime rate plus 2%.

b This represent loans from Goddard Catering, the minority shareholder in a subsidiary, denominated in United States currency. The loans attract interest rate of 7% each and are repayable over five (5) years with monthly payments totalling US$49,503. The loans are unsecured.

c This represents loan with National Peoples Co-operative Bank of Jamaica. Interest on the loans range from 9.5% to 12% and are repayable over four (4) years. The loans are secured by certain motor vehicles owned by a subsidiary.

d These represent loans denominated in Jamaican dollars with National Commercial Bank Jamaica Limited. The loans attract interest rates of nine point four percent (9.4%) per annum. Principal on the loans are repayable by quarterly payments.

e These represent revolving short-term loans denominated in United States dollars with National Commercial Bank Jamaica Limited. The loans attract interest rates of 3 months LIBOR plus 7.1% per annum.

The NCB loans are secured by Joint and Several Composite Guarantees by the Group and related companies.

15. Lease obligations

(a) Capital lease obligations

The company leased equipment which has been accounted for as a finance lease. Future minimum payments are as follows:

	2016 US$	2015 US$
Within 1 year	**557,089**	581,367
1 – 5 years	**725,706**	753,905
	1,282,795	1,335,272
Less: Amount representing interest	**159,845**	159,586
	1,122,950	1,175,686
Less: Current portion	**450,392**	421,781
Total	**672,558**	753,905

(b) Operating lease obligations

The Group operates from certain leased premises with lease terms ranging from 3 to 15 years with options to renew. Minimum monthly payments under these leases amount to $3,100,000. The Group also incurs lease expenses based on cruise passenger arrivals and sales.

16. Directors' and shareholders' loans

These represent amounts advanced to the Group by its Directors and shareholders. These loans are interest free and have no fixed repayment plan, however, they will not be due for repayment in the following 12 months.

17. Trade and other payables

	2016 US$	2015 US$
Trade payables	**3,951,153**	4,755,967
Statutory liabilities	**-**	2,320
Accrued expenses	**876,659**	819,170
Other payables	**972,057**	1,152,539
Total	**5,799,869**	6,729,996

18. Bank overdraft

This represents the excess of unpresented cheques over bank balance at the end of the year. The Group does not operate an overdraft facility.

19. Expenses by nature

Total, direct, administrative and other operating expenses:

	2016 US$	2015 US$
Direct expenses		
Cost of inventories recognised as expense	**10,675,681**	9,351,906
Rent and leases	**5,697,326**	4,895,864
Employee benefits (Note 25)	**10,509,368**	9,113,087
Electricity	**1,063,809**	1,481,857
Franchise fees	**1,054,799**	999,577
Repairs and maintenance	**534,864**	469,554
Other expenses	**4,698,888**	4,547,134
Total	**23,559,054**	21,507,073

20. Finance income and finance cost

Finance income

Finance income includes all income received from short-term deposits and cash at bank and comprises:

	2016 US$	2015 US$
Interest income from financial assets	**2,324**	1,186
Total	**2,324**	1,186

Finance costs

Finance costs include all interest related expenses which have been included in the Statement of profit or loss and other comprehensive income for the reporting periods presented and comprises:

	2016 US$	2015 US$
Preference dividends	**273,645**	273,645
Loan interest	**982,603**	1,393,243
Interest on finance lease	**140,127**	154,943
Total	**1,396,375**	1,821,831

21. Income taxes

i Income taxes are charged on the subsidiaries operating in Jamaica at the tax rate of 25% and comprises:

	2016 US$	2015 US$
Current income tax charge	**231,556**	167,700
Deferred tax credit (Note 6)	**(559,056)**	(651,425)
Total	**(327,500)**	(483,725)

ii Reconciliation of calculated tax charge to effective tax charge:

	2016 US$	2015 US$
Profit before tax	**645,878**	35,390
Taxable profit/(loss) for Jamaican subsidiaries	**93,114**	(186,401)
Jamaican tax rate	**25%**	25%
Expected tax expenses	**23,279**	(46,600)
Tax effect of expenses not deductible for tax purposes	**318,550**	334,199
Net effect of other charges and allowances	**(110,273)**	(119,899)
Deferred tax credit	**(559,056)**	(651,425)
Income tax credit for the year	**(327,500)**	(483,725)

22. Earnings per share

Earnings per share have been calculated using the profit attributable to shareholders of the Margaritaville Caribbean Limited as the numerator divided by the number of ordinary shares in issue during the year: 50,000 (2015 – 50,000).

23. Ordinary dividends

The Board of Margaritaville (Turks) Limited, a subsidiary, declared dividends of US$0.0103 (2015 – US$0.0083) per ordinary share. Amounts paid to Margaritaville Caribbean Limited were eliminated on consolidation.

24. Prior year adjustment – increase in non-controlling interests

This relates to the increase in allocation of retained earnings attributable to non-controlling interests to reflect the proportion of equity held by the Margaritaville Caribbean Limited at May 31, 2015. The effect on each component of equity is fully disclosed in the statement of changes in equity.

There was no effect on total equity, or earnings per share.

25. Employee benefits

	2016 US$	2015 US$
Salaries, wages and related expenses	**10,509,368**	9,113,087
Total	**10,509,368**	9,113,087

Key management compensation

Employee benefits includes key management compensation of $1,387,631 (2015 - $1,154,335). Key management includes the Chief Executive Officer, Chief Financial Officer and the general managers.

26. Risk management policies

The Group is exposed to a variety of financial risks in respect of its financial instruments: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group seeks to manage these risks by close monitoring of each class of its financial instruments as follows:

a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risk, which result from both its operating and investing activities.

i Currency risk and sensitivity to currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The currencies giving rise to this risk is the Jamaican Dollar against the United States Dollar.

The Group has certain obligations in these two currencies. It is however able to manage this risk by maintaining bank accounts in the respective currencies, and by generating income in the two currencies identified above.

Foreign currency sensitivity

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below:

	2016 J$'000s	2015 J$'000s
Financial assets	**173,581**	109,009
Financial liabilities	**(846,044)**	(550,036)
Total exposure	**(672,193)**	(421,027)

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and USD/JMD exchange rate, all other things being equal. It assures a 6% depreciation and a 1% appreciation of the Jamaican Dollar to United States Dollar. If the Jamaican Dollar depreciated by 6% or appreciated by 1% then it would have the following impact:

	Effect on profit for the year and equity	
	2016 US$'000s	2015 US$'000s
J$ depreciated by 6%	**324**	215
J$ appreciated by 1%	**(57)**	(38)

ii Interest rate risk and sensitivity

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate. The Group's cash and cash equivalents are subject to interest rate risk. However, the Group attempts to manage this risk by monitoring its interest-bearing assets and liabilities closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible.

The Group is exposed to interest rate risk as follows:

Financial assets/(liabilities) :

	Range of interest rates %	Rate sensitive within one year $	Non rate sensitive within one year $	Total $
Cash and cash equivalents	.5 - 15.75	603,213	-	603,213
Bank loans	8.62 - 8.63	(1,000,009)	-	(1,000,009)
Bank loans	9.4 - 12	-	(8,694,591)	(8,694,591)

Interest rate sensitivity

The following table illustrates the sensitivity of profit and equity to a reasonable possible change in interest rates of + or -1%:

	Effect on profit for the year and equity	
	+1%	-1%
May 31, 2016	**90,914**	**(90,914)**
May 31, 2015	91,085	(91,085)

iii Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group is not exposed to other price risk as it has no investment in equity instruments.

b Credit risk analysis

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

There is no significant concentration of credit risk as the Group's bank accounts are maintained with stable financial institutions and its debts are due from a diverse number of companies and individuals.

c Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its commitments associated with financial liabilities.

The Group manages its liquidity risk by carefully monitoring its cash outflow needs for day-to-day business and maintaining an appropriate level of resources in liquid or near liquid form to meet its needs.

The Group's financial liabilities comprise loans, bank overdrafts and trade and other payables.

These amounts are due as follows:

	Within 12 months	
	2016	2015
	US$	US$
Bank loans and overdraft	**2,693,460**	3,909,258
Trade and other payables	**5,799,869**	6,729,996
Total	**8,493,329**	10,639,254

27. Fair value measurement

The Group's financial assets and liabilities are measured at amortised costs, and the fair values for these are disclosed at Note 28.

28. Summary of financial assets and liabilities by category

The carrying amount of the Group's financial assets and liabilities are recognised at the date of the statement of financial position of the reporting periods may also be categorised as follows:

	2016 US$	2015 US$
Financial assets at amortised costs		
Current assets		
Loans and receivables		
Trade and other receivables	**3,818,873**	3,661,403
Certificate of deposit	**565,354**	388,488
Cash and cash equivalents	**450,307**	416,011
	4,834,534	4,465,902
Financial liabilities at amortised costs		
Non-current liabilities		
Related party loans	**8,212,670**	8,212,670
Borrowings	**11,404,992**	10,189,468
	19,617,662	18,402,138
Current liabilities		
Short-term loans	**1,000,009**	2,700,000
Bank overdraft	**240,404**	193,448
Trade and other payables	**5,799,869**	6,729,996
Current portion of borrowings	**1,453,047**	914,476
	8,493,329	10,537,920

29. Capital management, policies and procedures

The Group's capital management objectives are to ensure the company and its subsidiaries continue as a going concern and to provide adequate return to shareholders by pricing products commensurately with the level of risk and current market conditions.

30. Information by geographic location

The Group's revenue from external customers and its non-current assets are divided into the following geographical areas.

	2016 US$	2015 US$
Revenue		
Jamaica	**25,431,600**	24,372,490
Turks and Caicos	**6,855,281**	6,171,275
Others	**6,029,168**	4,154,653
	38,316,049	34,698,418
Non-current assets		
Jamaica	**20,095,630**	18,499,231
Turks and Caicos	**3,140,340**	3,137,450
Others	**1,233,554**	2,988,230
	24,469,524	24,624,911