

# MARGARITAVILLE®

## CARIBBEAN GROUP

### First Quarter 2017 Interim Report to our Shareholders

The Directors are pleased to present the unaudited results of the group for the first Quarter ended August 31, 2016. The group increased this Quarter's revenues to USD \$9.2 million compared to the prior period of USD \$8.7 million. The most recent addition to the group, the St Thomas location, contributed \$ 600,000 of the total. We are very pleased with the performance of this location and the possibilities that it holds. Construction is ongoing at this location therefore the full complement of rooms at this resort property will not be available until the third quarter of calendar 2017. Margaritaville (Turks) Ltd had a \$ 112,000 or 6.5% decline in revenue as a result of an 11.9% decline in cruise passenger arrivals. All other locations combined remained consistent with prior year quarter revenues.

Net profit of US\$ 182,365 was generated for the quarter compared to net profit of US\$ 127,779 in the prior year quarter. There were improved performances from the Cayman as well as the Falmouth locations. All other locations combined maintained their prior year Quarters results.

Cost of sales of 24.8% for the Quarter remained the same compared to prior year Quarter. This was so despite some pressure from the St Thomas location with their higher cost of sales structure. This location was not included in prior year's Quarter results. General administrative and other operating costs combined maintained their ratio to revenue with the exception of utilities where there were savings compared to prior year.

The group successfully negotiated and concluded in September the purchase of all the minority shares in subsidiary company Express Catering Ltd. Express Catering Ltd owns and manages all of the group's food and beverage interests at the Sangster International Airport in Montego Bay. Revenue for this location was US \$ 14 million in fiscal 2016. The financial effects of this transaction will be reflected in the second Quarter's results.

We remain confident in the group's direction and opportunities for further growth. The continued support and confidence of our shareholders and partners are appreciated.

Ian Dear  
  
Chairman

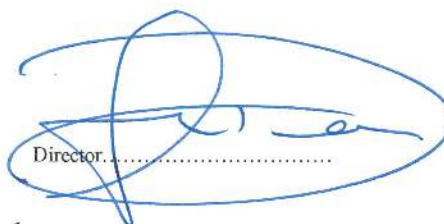
Herrick Dear  
  
Director



## Consolidated statement of financial position as at August 31, 2016

	Unaudited August 31, 2016 US\$	Audited May 31, 2016 US\$
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	21,580,383	21,429,258
Deferred tax asset	1,796,182	1,796,182
Other intangible assets	2,904,339	3,040,266
Goodwill arising on consolidation	246,547	246,547
	<u>26,527,450</u>	<u>26,512,253</u>
<b>Current assets</b>		
Trade and other receivables	3,758,273	3,818,873
Prepayments	334,191	61,312
Inventories	4,082,861	3,802,647
Owing by related companies	2,001,577	2,067,379
Income tax recoverable	-	-
Certificates of deposit	565,354	565,354
Cash and bank balance	351,311	450,307
	<u>11,093,567</u>	<u>10,765,872</u>
<b>Total assets</b>	<u>37,621,018</u>	<u>37,278,125</u>
<b>Equity and Liabilities</b>		
<b>Capital and reserves attributable to the company's owners</b>		
Share capital	50,000	50,000
Capital reserves	32,616	32,616
Retained profits	6,860,155	6,843,251
	<u>6,942,771</u>	<u>6,925,867</u>
Non-controlling interests	2,295,515	2,130,053
<b>Total equity</b>	<u>9,238,285</u>	<u>9,055,920</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Preference shares	3,040,498	3,040,498
Directors' loans	7,449,638	7,449,638
Shareholders loans	763,032	763,032
Long term loans	7,436,264	7,691,936
Lease obligation	676,104	672,558
	<u>19,365,536</u>	<u>19,617,662</u>
<b>Current liabilities</b>		
Short Term Loans	1,000,000	1,000,009
Current portion of long-term loans	1,002,655	1,002,655
Current portion of lease obligation	450,392	450,392
Trade and other payables	6,320,776	5,799,869
Bank overdrafts	173,268	240,404
Income tax payable	70,105	111,214
	<u>9,017,196</u>	<u>8,604,543</u>
<b>Total liabilities</b>	<u>28,382,732</u>	<u>28,222,205</u>
<b>Total equity and liabilities</b>	<u>37,621,018</u>	<u>37,278,125</u>

Director 

Director 



## Consolidated statement of comprehensive income for 3 Months to August 31, 2016

	August 31, 2016	August 31, 2015	Audited 12 Mth May 31, 2016
	US\$	US\$	US\$
Revenue	9,208,795	8,664,291	38,316,049
Cost of sales	(2,282,868)	(2,150,549)	(10,675,681)
<b>Gross profit</b>	<b>6,925,927</b>	<b>6,513,743</b>	<b>27,640,368</b>
Other operating income	231,668	118,862	794,604
(Loss)/gain on sale of fixed assets	-	-	1,247
Administrative expenses	(5,951,141)	(5,572,483)	(23,559,054)
Promotional expenses	(226,239)	(192,545)	(901,486)
Depreciation	(431,730)	(412,398)	(1,835,386)
Amortisation of licences and franchises	(25,232)	(25,232.37)	(166,630)
Other operating expenses	(94,312)	(75,164)	(161,040)
<b>Operating profit (Loss) for the YTD</b>	<b>428,942</b>	<b>354,783</b>	<b>1,812,623</b>
Finance costs	(317,558)	(283,814)	(1,396,375)
Finance income	-	-	2,324
Foreign exchange adjustment (Gain)/Loss	70,982	56,811	227,306
<b>Total comprehensive Profit/Loss Before Tax for the YTD</b>	<b>182,365</b>	<b>127,780</b>	<b>645,878</b>
Income tax credit/(expense)	-	-	327,500
<b>Profit for the year</b>	<b>182,365</b>	<b>127,780</b>	<b>973,378</b>
<b>Attributable to:</b>			
Owners of Margaritaville Caribbean Ltd	16,903	(36,751)	413,051
Non-Controlling Interests	165,462	164,531	560,327
	<b>182,365</b>	<b>127,780</b>	<b>973,378</b>
<b>Earnings per share - US \$</b>	<b>0.34</b>	<b>(0.74)</b>	<b>8.26</b>





## Consolidated statement of cash flows for YTD August 31, 2016

	3 Months to August 31, 2016 US \$	3 Months to August 31, 2015 US \$
<b>Cash flows from operating activities:</b>		
Profit before tax	182,365	127,780
Adjustments for:		
Depreciation	423,958	412,397
Intangible Assets Amortisation	33,004	25,232
Gain on sale of fixed assets	-	-
Interest income	-	-
Interest expense	317,558	283,814
Foreign exchange translation adjustment	(80,999)	(39,080)
	<b>875,887</b>	<b>810,144</b>
(Increase)/decrease in Receivable/Prepayments/Deposits	(212,279)	243,339
Decrease/(increase) in owing by related companies	65,802	(33,259)
Increase in inventories	(280,214)	51,816
Increase/(Decrease) in trade and other payables	520,907	376,383
	<b>970,103</b>	<b>1,448,422</b>
<b>Cash (used in)/generated from operations</b>	<b>970,103</b>	<b>1,448,422</b>
Interest paid	(317,558)	(283,814)
Income tax paid	(41,109)	(74,463)
<b>Net cash (used in)/provided by operating activities</b>	<b>611,436</b>	<b>1,090,145</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(472,159)	(393,028)
Interest income	-	-
Sale proceeds	-	-
<b>Net cash used in investing activities</b>	<b>(472,159)</b>	<b>(393,028)</b>
<b>Cash flows from financing activities</b>		
Proceed From Preference Share Issues	-	-
Proceeds from long-term loan	-	-
Net Addition to Lease & Other Long Term Obligations	3,546	(145,296)
Repayment of Long-term Loan	(174,682)	(507,405)
Increase in Directors' loan	-	6,686
<b>Net cash provided by/(used in) financing activities</b>	<b>(171,136)</b>	<b>(646,016)</b>
<b>Increase in cash and cash equivalents</b>	<b>(31,860)</b>	<b>51,101</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>775,257</b>	<b>611,051</b>
<b>Cash and cash equivalents at end of year</b>	<b>743,397</b>	<b>662,152</b>



## Consolidated statement of changes in equity for the Quarter ended August 31, 2016

	<----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, 2016	50,000	32,616	6,843,251	2,130,053	9,055,920
Changes in equity 2016 August YTD					
Profit for the YTD August 2016 being total Comprehensive Income	-	-	16,903	165,462	182,365
	<u>50,000</u>	<u>32,616</u>	<u>6,860,154</u>	<u>2,295,515</u>	<u>9,238,285</u>

## Consolidated statement of changes in equity for the quarter ended August 31, 2015

	<----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, 2015	50,000	32,616	7,444,513	773,325	8,300,454
Changes in equity 2015 August YTD					
Profit for the YTD August 2015 being total Comprehensive Income	-	-	(36,751)	164,531	127,780
	<u>50,000</u>	<u>32,616</u>	<u>7,407,762</u>	<u>937,856</u>	<u>8,428,234</u>



## 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:

	Percentage Ownership	Principal Activities
RM Restaurant Ltd.	100%	Operation of a branded sports bar and restaurant
Margaritaville Turks Ltd.	68.66%	Operation of a branded sports bar and restaurant
Margaritaville Ocho Rios Limited	99.7%	Operation of a branded sports bar and restaurant
Margaritaville Limited	99.99%	Operation of a branded sports bar and restaurant
Margaritaville St. Maarten Ltd.	100%	(Not operating)
Express Catering Limited	75%	Operation of a branded sports bar and restaurant
Falmouth Entertainment Brands Limited	100%	Operation of a branded sports bar and restaurant
Margaritaville St. Lucia, Inc.	100%	Investment in subsidiaries
Portside Restaurant Group Inc.	100%	Investment in subsidiaries
Restaurants of the Caribbean Inc.	100%	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, 2016.

### 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.

# Margaritaville Caribbean Ltd

## Top Ten ShareHoldings

### 9% Fixed rate Cumulative Redeemable Preference Shares

As at August 31, 2016

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 August 31, 2016

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 August 31, 2016

NAMES	DIRECT	CONNECTED	TOTAL	PERCENTAGE
IAN B. DEAR *	-	25,000	25,000	50.0%
PETER K. MELHADO	-	-	-	0.0%
HERRICK WINSTON DEAR	-	-	-	0.0%
JOHN G. BYLES	-	-	-	0.0%
ROLAND P CLARKE	-	-	-	0.0%
	-	25,000	25,000	50.0%

\* Connected to Quantum Investment Holdings Ltd.

## Senior Managers ShareHoldings

As at August 31, 2016

NAMES	DIRECT	CONNECTED	TOTAL	PERCENTAGE
MARK SUTHERLAND	-	-	-	0.0%
BRYAN KNIPP	-	-	-	0.0%
PATRICK MULLET	-	-	-	0.0%
TERRY ANN HATHAWAY	-	-	-	0.0%
	-	-	-	0.0%