

MARGARITAVILLE®

CARIBBEAN GROUP

Interim Report to our Shareholders Second Quarter 2017

The Directors are pleased to present the Unaudited Results of the Group for the second Quarter ended November 30, 2016. Revenue for the Quarter was US\$7.13 million, compared to US\$7.78 million in the prior year's Quarter. The US\$656,000 decline in revenue was a direct result of unusual weather patterns, resulting in rough seas across the Caribbean. This saw the Turks and Caicos location, in particular, coming up US\$450,000 short in revenue for the period when compared to prior year's Quarter and short over US\$500,000 when compared with plans. A total of 22 ship calls were cancelled at that location alone for the quarter. The Montego Bay location lost US\$150,000 in revenue while the Negril location was down by US\$93,000 in revenues as well, for the Quarter.

The Caribbean tourism product is always susceptible to disruptions associated with changes in weather patterns. However, the cancellation of twenty-two (22) ship calls in one location is the highest that we have ever recorded for any one Quarter. EBITDA for the Quarter was US\$ 37,700 compared to US\$ 178,000 in the prior year Quarter.

Revenue for the half year is recorded at US\$16.34 million compared to US\$16.45 million in the prior half year, a marginal reduction of US\$ 100,000. The St Thomas location contributed additional revenues of US\$557,000 over prior half year and the Airport location improved by US\$115,000 as well; however, this was nullified by the loss in revenue at the other locations. EBITDA for the half year was US\$ 963,366 compared to US\$ 1,002,130 in the prior half year. The decline in EBITDA for the year to date is concentrated in the second Quarter and is associated with the many ship call cancellations in the period.

Total expenditure increased marginally and in line with plans. Cost of sales of 25.58% for the half year improved marginally compared to 25.77% in the prior half year. Administrative, Promotional and Other Operating Expenses incurred increases associated with contractual obligations for leases and in line with plans for the year. Expenses that vary directly with revenue, such as hourly paid wages, saw the expected reductions but that was not enough to offset the increase in fixed expenditures.

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.

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

John Byles



Director



Consolidated statement of financial position as at
November 30, 2016

	Unaudited November 30, 2016 US\$	Audited May 31, 2016 US\$
Assets		
Non-current assets		
Property, plant and equipment	21,373,096	21,429,258
Deferred tax asset	1,796,182	1,796,182
Other intangible assets	2,899,940	3,040,266
Goodwill arising on consolidation	3,972,366	246,547
	<u>30,041,585</u>	<u>26,512,253</u>
Current assets		
Trade and other receivables	4,367,694	3,818,873
Prepayments	223,735	61,312
Inventories	4,117,236	3,802,647
Owing by related companies	2,338,852	2,067,379
Income tax recoverable	-	-
Certificates of deposit	790,085	565,354
Cash and bank balance	291,944	450,307
	<u>12,129,546</u>	<u>10,765,872</u>
Total assets	<u>42,171,131</u>	<u>37,278,125</u>
Equity and Liabilities		
Capital and reserves attributable to the company's owners		
Share capital	50,000	50,000
Capital reserves	32,616	32,616
Retained profits	7,023,600	6,843,251
	<u>7,106,216</u>	<u>6,925,867</u>
Non-controlling interests	1,320,293	2,130,053
Total equity	<u>8,426,509</u>	<u>9,055,920</u>
Liabilities		
Non-current liabilities		
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	13,258,812	7,691,936
Lease obligation	593,566	672,558
	<u>25,105,545</u>	<u>19,617,662</u>
Current liabilities		
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	6,012,598	5,799,869
Bank overdrafts	135,181	240,404
Income tax payable	38,251	111,214
	<u>8,639,077</u>	<u>8,604,543</u>
Total liabilities	<u>33,744,622</u>	<u>28,222,205</u>
Total equity and liabilities	<u>42,171,131</u>	<u>37,278,125</u>

Director.....

Director.....



Consolidated statement of comprehensive income for 6 Months to November 30, 2016

	6 Months to November 30, 2016	3 Months to November 30, 2016	6 Months to November 30, 2015	3 Months to November 30, 2015	Audited 12 Mth May 31, 2016
	US\$	US\$	US\$	US\$	US\$
Revenue	16,337,292	7,128,497	16,449,156	7,784,864	38,316,049
Cost of sales	(4,178,376)	(1,895,507)	(4,237,442)	(2,086,893)	(10,675,681)
Gross profit	12,158,916	5,232,989	12,211,714	5,697,971	27,640,368
Other operating income	931,884	700,216	591,397	472,535	794,604
(Loss)/gain on sale of fixed assets	-	-	-	-	1,247
Administrative expenses	(11,528,225)	(5,577,085)	(11,282,567)	(5,710,084)	(23,559,054)
Promotional expenses	(497,332)	(271,093)	(417,290)	(224,745)	(901,486)
Depreciation	(845,144)	(413,415)	(866,374)	(453,977)	(1,835,386)
Amortisation of licences and franchises	(81,520)	(56,288)	(50,907)	(25,675)	(166,630)
Other operating expenses	(221,095)	(126,783)	(148,403)	(73,239)	(161,040)
Operating profit (Loss) for the YTD	(82,517)	(511,459)	37,569	(317,214)	1,812,623
Finance costs	(747,632)	(430,074)	(587,741)	(303,927)	(1,396,375)
Finance income	-	-	-	-	2,324
Foreign exchange adjustment Gain/(Loss)	200,738	129,757	98,188	41,377	227,306
Total comprehensive Profit/Loss Before Tax for the YTD	(629,411)	(811,776)	(451,985)	(416,596)	645,878
Income tax credit/(expense)	-	-	-	-	327,500
Profit for the year	(629,411)	(811,776)	(451,985)	(416,596)	973,378
Attributable to:	-	-	-	-	-
Owners of Margaritaville Caribbean Ltd	(686,297)	(703,201)	(696,448)	(659,697)	413,051
Non-Controlling Interests	56,886	(108,576)	244,463	79,932	560,327
	(629,411)	(811,776)	(451,985)	(579,765)	973,378
Earnings per share - US \$	(13.73)	(14.06)	(13.93)	(13.19)	8.26



Consolidated statement of cash flows for YTD
November 30, 2016

	6 Months to November 30, 2016 US \$	6 Months to November 30, 2015 US \$
Cash flows from operating activities:		
Profit before tax	(629,411)	(451,985)
Adjustments for:		
Depreciation	845,144	866,374
Intangible Assets Amortisation	81,520	50,907
Gain on sale of fixed assets		
Interest income	-	-
Interest expense	747,632	587,741
Foreign exchange translation adjustment	(44,600)	(75,527)
	1,000,286	977,511
(Increase)/decrease in Receivable/Prepayments/Deposits	(711,244)	(137,723)
Decrease/(increase) in owing by related companies	(271,473)	175,828
Increase in inventories	(314,589)	(91,684)
Increase/(Decrease) in trade and other payables	212,729	1,230,463
Cash (used in)/generated from operations	(84,292)	2,154,395
Interest paid	(747,632)	(587,741)
Income tax paid	(72,963)	(124,123)
Net cash (used in)/provided by operating activities	(904,887)	1,442,531
Cash flows from investing activities		
Purchase of fixed assets	(730,177)	(378,005)
Development cost	-	(487,176)
Purchase of Minority Interest	(3,823,250)	
Sale proceeds	-	
Net cash used in investing activities	(4,553,427)	(865,180)
Cash flows from financing activities		
Proceed From Preference Share Issues	-	
Proceeds from long-term loan	6,323,250	340,000
Net Adjustment to Lease & Other Long Term Obligations	(78,992)	(198,126)
Repayment of Long-term Loan	(614,352)	(603,283)
Increase in Directors' loan	(0)	1
Net cash provided by/(used in) financing activities	5,629,905	(461,408)
Increase in cash and cash equivalents	171,591	115,942
Cash and cash equivalents at beginning of year	775,257	611,051
Cash and cash equivalents at end of year	946,848	726,993



Consolidated statement of changes in equity for the Second Quarter ended November 30, 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 November YTD					
Transaction between owners			866,646	(866,646)	-
Profit for the YTD November 2016 being total Comprehensive Income	-	-	(686,297)	56,886	(629,411)
	<u>50,000</u>	<u>32,616</u>	<u>7,023,600</u>	<u>1,320,293</u>	<u>8,426,509</u>

Consolidated statement of changes in equity for the second quarter ended November 30, 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 November YTD					
Profit for the YTD November 2015 being total Comprehensive Income	-	-	(696,448)	244,463	(451,985)
	<u>50,000</u>	<u>32,616</u>	<u>6,748,065</u>	<u>1,017,788</u>	<u>7,848,469</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 Cummulative Redeemable Preference Shares

As at November 30, 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%
		60,059,955	98.8%

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, 2016

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

Total Ordinary Share in issue - 50,000

Total Number of Share Holders - 2

Directors ShareHoldings

As at November 30, 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 November 30, 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%