

# MARGARITAVILLE<sup>®</sup>

## CARIBBEAN GROUP

### Interim Report to our Shareholders Third Quarter 2017

The Directors are pleased to present the Unaudited Results of the Group for the third Quarter and nine month period ended February 28, 2017. Revenue for the Quarter was US\$ 10.65 million, compared to US\$ 11.12 million in the prior year's Quarter. Revenue for the 9 months to February was US\$ 26.98 million compared to US\$ 27.56 million in the prior 9 months YTD. MWV St Thomas, the collaboration with Wyndham Vacations, produced an additional \$ 651,417 of revenues compared to prior YTD. This was, however, negated by the loss in revenue at the Turks location in particular, amounting to US\$ 512,254. That location lost over 26 ship calls for the nine month period as a result of rough seas. The Cayman, Montego Bay, Ocho Rios, Falmouth and Negril locations all suffered revenue losses compared to the prior year due to the same weather pattern that impacted the Turks and Caicos location.

Net Profits before Tax for the Quarter was US\$ 1.78 million compared to US\$ 611,871 in the prior year Quarter. The nine month period produced US\$ 1.15 million compared to US\$ 159,886 in the prior year.

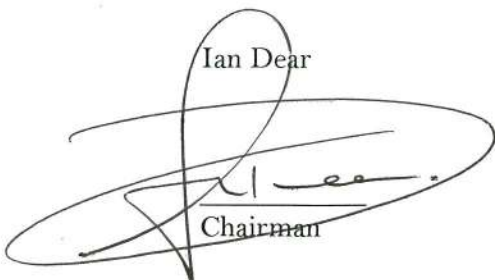
Cost of sales of 26.9% for the Quarter remained flat compared to prior year Quarter at 26.84%. This was so despite some pressure from the St Thomas location with their higher Cost of Sales structure. This location offers Breakfast, Lunch and Dinner options due to its strategic placement as the provider of all food and beverage option for the vacationers at the Wyndham Vacation Club in St Thomas. This location's Cost of Sales was 2% points higher than in the prior year quarter. Combined Cost of Sales for the nine months returned a similar flat performance of 26.1% compared to 26.2% for the prior year nine months.

Total Administrative and Operating expenses, in general, varied in line with the comparative change in revenues for the Quarter and nine months period. The St Thomas location was an exception to this pattern; revenues at this location increase by US\$ 651,417 for the nine months period while total Administrative and Operating expenses increased by US\$ 683,776. The disproportionate increase in expenditure was in keeping with plans and is a result of the phased opening of the Hotel. The increased costs were underwritten though so this had a nil effect on the combined Net Profit before Tax position.

During the Quarter, the Group paid interim dividend to Minority Interest of interest of US\$ 264,189. The Group also completed its financing plans by raising US\$ 3.5 million of Redeemable Preference Shares.

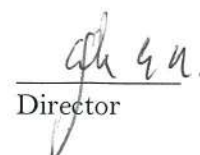
We remain confident in the group's direction and opportunities for further growth. The continued support and confidence of our shareholders and partners are appreciated.

Ian Dear



Chairman

John Byles

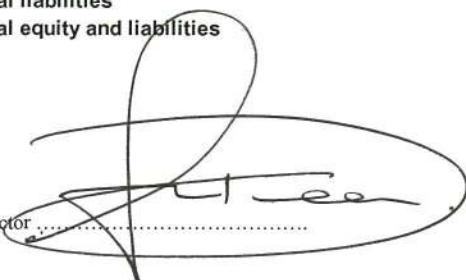


Director



Consolidated statement of financial position as at Q3,  
February 28, 2017

|  | Unaudited<br>February 28,<br>2017<br>US\$ | Audited May<br>31, 2016<br>US\$ |
|--|---|---------------------------------|
| <b>Assets</b>  |   |                                 |
| <b>Non-current assets</b>  |   |                                 |
| Property, plant and equipment                                    | 21,179,175                                | 21,429,258                      |
| Deferred tax asset   | 1,796,182                                 | 1,796,182                       |
| Other intangible assets  | 2,839,594                                 | 3,040,266                       |
| Goodwill arising on consolidation                                | 3,972,366                                 | 246,547                         |
|  | <u>29,787,317</u>                         | <u>26,512,253</u>               |
| <b>Current assets</b>  |   |                                 |
| Trade and other receivables                                      | 4,730,257                                 | 3,818,873                       |
| Prepayments  | 127,059                                   | 61,312                          |
| Inventories  | 4,155,560                                 | 3,802,647                       |
| Owing by related companies                                       | 2,480,334                                 | 2,067,379                       |
| Income tax recoverable   | -   | -                               |
| Certificates of deposit  | 2,417,716                                 | 565,354                         |
| Cash and bank balance  | 348,845                                   | 450,307                         |
|  | <u>14,259,771</u>                         | <u>10,765,872</u>               |
| <b>Total assets</b>  | <u>44,047,088</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   | 8,696,505                                 | 6,843,251                       |
|  | <u>8,779,120</u>                          | <u>6,925,867</u>                |
| Non-controlling interests  | 1,158,606                                 | 2,130,053                       |
| <b>Total equity</b>  | <u>9,937,726</u>                          | <u>9,055,920</u>                |
| <b>Liabilities</b>   |   |                                 |
| <b>Non-current liabilities</b>                                   |   |                                 |
| Preference shares  | 6,540,498                                 | 3,040,498                       |
| Directors' loans   | 7,449,638                                 | 7,449,638                       |
| Shareholders loans   | 763,032                                   | 763,032                         |
| Long term loans  | 11,443,422                                | 7,691,936                       |
| Lease obligation   | 455,812                                   | 672,558                         |
|  | <u>26,652,401</u>                         | <u>19,617,662</u>               |
| <b>Current liabilities</b>                                       |   |                                 |
| Short Term Loans   | -   | 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   | 5,859,115                                 | 5,799,869                       |
| Bank overdrafts  | 135,181                                   | 240,404                         |
| Income tax payable   | 9,617                                     | 111,214                         |
|  | <u>7,456,960</u>                          | <u>8,604,543</u>                |
| <b>Total liabilities</b>   | <u>34,109,362</u>                         | <u>28,222,205</u>               |
| <b>Total equity and liabilities</b>                              | <u>44,047,088</u>                         | <u>37,278,125</u>               |

Director 

Director 



## Consolidated statement of comprehensive income for YTD Q3 February 28, 2017

|   | 9 Months to<br>February 28, 2017 | Q3 February 28,<br>2017 | 9 Months to<br>February 29, 2016 | Q3 February 29,<br>2016 | Audited 12 Mth<br>May 31, 2016 |
|---|----------------------------------|-------------------------|----------------------------------|-------------------------|--------------------------------|
|   | US\$                             | US\$                    | US\$                             | US\$                    | US\$                           |
| Revenue   | 26,982,318                       | 10,645,026              | 27,564,354                       | 11,115,198              | 38,316,049                     |
| Cost of sales   | (7,042,135)                      | (2,863,759)             | (7,220,844)                      | (2,983,402)             | (10,675,681)                   |
| <b>Gross profit</b>   | <b>19,940,183</b>                | <b>7,781,266</b>        | <b>20,343,510</b>                | <b>8,131,796</b>        | <b>27,640,368</b>              |
| Other operating income  | 3,016,242                        | 2,084,358               | 639,796                          | 48,399                  | 794,604                        |
| (Loss)/gain on sale of fixed assets                           | -                                | -                       | -                                | -                       | 1,247                          |
| Administrative expenses                                       | (18,143,970)                     | (6,615,745)             | (17,554,459)                     | (6,271,892)             | (23,559,054)                   |
| Promotional expenses  | (863,766)                        | (366,434)               | (708,238)                        | (290,948)               | (901,486)                      |
| Depreciation  | (1,297,546)                      | (452,401)               | (1,305,725)                      | (439,351)               | (1,835,386)                    |
| Amortisation of licences and franchises                       | (107,034)                        | (25,514)                | (86,239)                         | (35,332)                | (166,630)                      |
| Other operating expenses                                      | (295,108)                        | (74,013)                | (241,876)                        | (93,472)                | (161,040)                      |
| <b>Operating profit (Loss) for the YTD</b>                    | <b>2,249,000</b>                 | <b>2,331,516</b>        | <b>1,086,768</b>                 | <b>1,049,200</b>        | <b>1,812,623</b>               |
| Finance costs   | (1,275,861)                      | (528,228)               | (1,045,451)                      | (457,710)               | (1,396,375)                    |
| Finance income  | -                                | -                       | -                                | -                       | 2,324                          |
| Foreign exchange adjustment Gain/(Loss)                       | 172,856                          | (27,882)                | 118,569                          | 20,381                  | 227,306                        |
| <b>Total comprehensive Profit/Loss Before Tax for the YTD</b> | <b>1,145,995</b>                 | <b>1,775,406</b>        | <b>159,886</b>                   | <b>611,871</b>          | <b>645,878</b>                 |
| Income tax credit/(expense)                                   | -                                | -                       | -                                | -                       | 327,500                        |
| <b>Profit for the year</b>                                    | <b>1,145,995</b>                 | <b>1,775,406</b>        | <b>159,886</b>                   | <b>611,871</b>          | <b>973,378</b>                 |
| <b>Attributable to:</b>                                       |                                  |                         |                                  |                         |                                |
| Owners of Margaritaville Caribbean Ltd                        | 986,608                          | 1,672,905               | (267,072)                        | 429,376                 | 413,051                        |
| Non-Controlling Interests                                     | 159,388                          | 102,501                 | 426,959                          | 182,495                 | 560,327                        |
|   | <b>1,145,995</b>                 | <b>1,775,406</b>        | <b>159,886</b>                   | <b>611,871</b>          | <b>973,378</b>                 |
| <b>Earnings per share - US \$</b>                             | <b>19.73</b>                     | <b>33.46</b>            | <b>(5.34)</b>                    | <b>8.59</b>             | <b>8.26</b>                    |





Consolidated statement of cash flows for YTD Q3  
February 28, 2017

|  | 9 Months to<br>February 28, 2017 | 9 Months to<br>February 29, 2016 |
|--|----------------------------------|----------------------------------|
|  | US \$                            | US \$                            |
| <b>Cash flows from operating activities:</b>               |                                  |                                  |
| Profit before tax  | 1,145,995                        | 159,886                          |
| Adjustments for:   |                                  |                                  |
| Depreciation   | 1,297,545                        | 1,305,725                        |
| Intangible Assets Amortisation                             | 107,034                          | 86,239                           |
| Gain on sale of fixed assets                               | -                                | -                                |
| Interest income  | -                                | -                                |
| Interest expense   | 1,275,861                        | 1,045,451                        |
| Foreign exchange translation adjustment                    | (16,347)                         | (106,838)                        |
|  | <b>3,810,088</b>                 | <b>2,490,464</b>                 |
| (Increase)/decrease in Receivable/Prepayments/Deposits     | (977,130)                        | (244,898)                        |
| Decrease/(increase) in owing by related companies          | (412,955)                        | 137,211                          |
| Increase in inventories                                    | (352,913)                        | 248,245                          |
| Increase/(Decrease) in trade and other payables            | 59,246                           | 857,005                          |
|  | <b>2,126,336</b>                 | <b>3,488,025</b>                 |
| <b>Cash (used in)/generated from operations</b>            |                                  |                                  |
| Interest paid  | (1,275,861)                      | (1,045,451)                      |
| Income tax paid  | (101,597)                        | (143,991)                        |
| <b>Net cash (used in)/provided by operating activities</b> | <b>748,878</b>                   | <b>2,298,584</b>                 |
| <b>Cash flows from investing activities</b>                |                                  |                                  |
| Purchase of fixed assets                                   | (953,825)                        | (733,482)                        |
| Development cost   | -                                | (466,531)                        |
| Purchase of Minority Interest                              | (3,823,250)                      | -                                |
| Sale proceeds  | -                                | -                                |
| <b>Net cash used in investing activities</b>               | <b>(4,777,075)</b>               | <b>(1,200,013)</b>               |
| <b>Cash flows from financing activities</b>                |                                  |                                  |
| Proceed From Preference Share Issues                       | 3,500,000                        | -                                |
| Proceeds from long-term loan                               | 6,323,250                        | 340,000                          |
| Net Adjustment to Lease & Other Long Term Obligations      | (216,746)                        | (171,725)                        |
| Repayment of Long-term Loan                                | (3,457,996)                      | (1,009,525)                      |
| Dividends Paid   | (264,189)                        | -                                |
| <b>Net cash provided by/(used in) financing activities</b> | <b>5,884,320</b>                 | <b>(841,250)</b>                 |
| <b>Increase in cash and cash equivalents</b>               | <b>1,856,123</b>                 | <b>257,321</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>2,631,380</b>                 | <b>868,372</b>                   |



## Consolidated statement of changes in equity for Q3 ended February 28, 2017

|  | <----Attributable to owners of the parent company----> |                         |                          |                                     |                  |
|--|--|-------------------------|--------------------------|-------------------------------------|------------------|
|  | Share Capital<br>US\$                                  | Capital Reserve<br>US\$ | Retained Profits<br>US\$ | Non-controlling<br>Interest<br>US\$ | Total<br>US\$    |
| Balance at May 31, 2016  | 50,000   | 32,616                  | 6,843,251                | 2,130,053                           | 9,055,920        |
| <b>Changes in equity 2017 February YTD</b>                           |  |                         |                          |                                     |                  |
| Transaction between owners   |  |                         | 866,646                  | (866,646)                           | -                |
| Interim Dividend   | -  | -                       | -                        | (264,189)                           | (264,189)        |
| Profit for the YTD February 2017 being total<br>Comprehensive Income | -  | -                       | 986,608                  | 159,388                             | 1,145,995        |
|  | <b>50,000</b>  | <b>32,616</b>           | <b>8,696,505</b>         | <b>1,158,605</b>                    | <b>9,937,726</b> |

## Consolidated statement of changes in equity for Q3 ended February 29, 2016

|  | <--Attributable to owners of the parent company--> |                         |                          |                                     |                  |
|--|--|-------------------------|--------------------------|-------------------------------------|------------------|
|  | Share Capital<br>US\$                              | Capital Reserve<br>US\$ | Retained Profits<br>US\$ | Non-controlling<br>Interest<br>US\$ | Total<br>US\$    |
| Balance at May 31, 2015  | 50,000   | 32,616                  | 7,444,513                | 773,325                             | 8,300,454        |
| <b>Changes in equity 2016 February YTD</b>                           |  |                         |                          |                                     |                  |
| Profit for the YTD February 2016 being total<br>Comprehensive Income | -  | -                       | (267,072)                | 426,959                             | 159,886          |
|  | <b>50,000</b>                                      | <b>32,616</b>           | <b>7,177,441</b>         | <b>1,200,284</b>                    | <b>8,460,340</b> |



## 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<br/>Ownership</b> | <b>Principal<br/>Activities</b>                           |
|---------------------------------------|---------------------------------|---|
| RM Restaurant Ltd.                    | 100%                            | Operation of a branded sports bar and restaurant          |
| Margaritaville Turks Ltd.             | 53.1%                           | 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              | 100%                            | 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 February 28, 2017

| 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 February 28, 2017

| 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 February 28, 2017

| NAMES                | DIRECT | CONNECTED     | TOTAL         | PERCENTAGE   |
|----------------------|--------|---------------|---------------|--------------|
| IAN B. DEAR *        | -      | 25,000        | 25,000        | 50.0%        |
| MICHAEL GERRARD      | -      | -             | -             | 0.0%         |
| HERRICK WINSTON DEAR | -      | -             | -             | 0.0%         |
| JOHN G. BYLES        | -      | -             | -             | 0.0%         |
| ROLAND P CLARKE      | -      | -             | -             | 0.0%         |
|                      | -      | <b>25,000</b> | <b>25,000</b> | <b>50.0%</b> |

\* Connected to Quantum Investment Holdings Ltd.

## Senior Managers ShareHoldings

As at February 28, 2017

| NAMES              | DIRECT | CONNECTED | TOTAL | PERCENTAGE  |
|--------------------|--------|-----------|-------|-------------|
| MARK SUTHERLAND    | -      | -         | -     | 0.0%        |
| ALTON THELWELL     | -      | -         | -     | 0.0%        |
| PATRICK MULLET     | -      | -         | -     | 0.0%        |
| TERRY ANN HATHAWAY | -      | -         | -     | 0.0%        |
|                    | -      | -         | -     | <b>0.0%</b> |