Mair Russell
Grant Thornton

Express Catering Limited

(Expressed in United States Dollars)
Financial Statements
May 31, 2019

Contents

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Independent auditor's report

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To the Members of
Express Catering Limited

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Express Catering Limited ("the Company") which comprise the statement of financial position as at May 31, 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at May 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgement; were of most significance in our audit of the financial statements of the current period. These matters are addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. We have determined that there are no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Independent auditor's report (cont'd)

To the Members of
Express Catering Limited

Report on the audit of the Financial Statements

Other information (cont'd)

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and those charged with governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report (cont'd)

To the Members of
Express Catering Limited

Report on the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Mair Russell
Grant Thornton

Independent auditor's report (cont'd)

To the Members of
Express Catering Limited

Report on the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sixto Coy.

Montego Bay, Jamaica

July 29, 2019

Mair Russell Grant Thornton
Chartered Accountants

Statement of financial position
May 31, 2019

	Note	2019 US$	2018 US$
Assets			
Non-current			
Property, plant and equipment	(3)	**4,394,696**	4,654,112
Intangible assets	(4)	**1,019,150**	900,130
		5,413,846	5,554,242
Current			
Inventories	(5)	**395,253**	334,726
Trade and other receivables	(6)	**937,666**	131,522
Owing by related companies	(7)	**1,526,144**	5,998,558
Cash and bank balances	(8)	**258,152**	392,136
		3,117,215	6,856,942
Total assets		**8,531,061**	12,411,184
Equity and liabilities			
Equity			
Share capital	(9)	**73,861**	73,861
Capital reserve	(10)	**43,490**	43,490
Retained earnings		**3,096,576**	6,366,236
Total equity		**3,213,927**	6,483,587
Liabilities			
Non-current			
Preference shares	(11)	**3,500,000**	3,500,000
Lease obligations	(12)	**29,261**	7,972
Deferred tax liability	(13)	**89,150**	89,150
		3,618,411	3,597,122
Current			
Bank overdraft	(14)	**185,522**	178,991
Trade and other payables	(15)	**1,460,746**	2,051,198
Current portion of lease obligation	(12)	**17,450**	8,461
Income tax payable		**35,005**	91,825
		1,698,723	2,330,475
Total liabilities		**5,317,134**	5,927,597
Total equity and liabilities		**8,531,061**	12,411,184

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

Approved for issue by the Board of Directors on July 29, 2019 and signed on its behalf by:

_____) Director
Ian Dear

_____) Director
John Byles

Statement of profit or loss and other comprehensive income
Year ended May 31, 2019

	Note	2019 US$	2018 US$
Revenue		**17,316,372**	15,705,421
Cost of sales		**(5,065,453)**	(4,604,887)
Gross profit		**12,250,919**	11,100,534
Administrative expenses	(16)	**(7,625,785)**	(6,605,341)
Promotional expenses		**(47,794)**	(35,931)
Depreciation and amortisation		**(554,827)**	(511,804)
Operating profit		**4,022,513**	3,947,458
Finance income	(17)	**440**	812
Finance costs	(17)	**(342,047)**	(341,131)
Gain/(loss) on foreign exchange		**50,565**	(44,379)
Profit before tax		**3,731,471**	3,562,760
Income tax expense	(18)	**-**	(114,969)
Profit for the year being total comprehensive income for the year		**3,731,471**	3,447,791
Earnings per share	(19)	**0.0022**	0.0021

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

Statement of changes in equity
Year ended May 31, 2019

	Share Capital US$	Capital Reserve US$	Retained Earnings US$	Total US$
Balance at May 31, 2017	73,861	43,490	4,428,722	4,546,073
Dividends (Note 20)	-	-	(1,510,277)	(1,510,277)
Transaction with owners	-	-	(1,510,277)	(1,510,277)
Profit for the year being total comprehensive income for the year	-	-	3,447,791	3,447,791
Balance at May 31, 2018	73,861	43,490	6,366,236	6,483,587
Dividends (Note 20)	-	-	(7,001,131)	(7,001,131)
Transaction with owners	-	-	(7,001,131)	(7,001,131)
Profit for the year being total comprehensive income for the year	-	-	3,731,471	3,731,471
Balance at May 31, 2019	**73,861**	**43,490**	**3,096,576**	**3,213,927**

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

Statement of cash flows
Year ended May 31, 2019

	2019 US$	2018 US$
Cash flows from operating activities:		
Profit before tax	**3,731,471**	3,562,760
Adjustments for:		
Depreciation and amortisation	**554,827**	511,743
Interest expenses	**342,047**	341,131
Interest income	**(440)**	(812)
	4,627,905	4,414,822
(Increase)/decrease in inventories	**(60,527)**	5,665
Increase in receivables	**(806,144)**	(35,416)
Decrease/(increase) in owing by related companies	**4,472,414**	(2,354,333)
(Decrease)/increase in trade and other payables	**(590,452)**	955,480
Cash generated from operations	**7,643,196**	2,986,218
Overdraft interest paid	**(6,759)**	(6,028)
Income tax paid	**(56,820)**	(215,259)
Net cash provided by operating activities	**7,579,617**	2,764,931
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(211,194)**	(636,481)
Purchase of intangible assets	**(203,237)**	(335,157)
Interest received	**440**	812
Net cash used in investing activities	**(413,991)**	(970,826)
Cash flows from financing activities		
Repayment of lease obligations	**(11,033)**	(14,792)
Proceeds from lease obligations	**41,311**	-
Interest and dividends on preference shares paid	**(335,288)**	(335,103)
Dividends paid	**(7,001,131)**	(1,510,277)
Net cash used in financing activities	**(7,306,141)**	(1,860,172)
Decrease in cash and cash equivalents	**(140,515)**	(66,067)
Cash and cash equivalents at beginning of year	**213,145**	279,212
Cash and cash equivalents at end of year (Note12)	**72,630**	213,145

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

Notes to the financial statements
Year ended May 31, 2019

1. Identification and nature of operations

The company was incorporated under the Laws of Jamaica on June 26, 2001. Its registered office is Unit 16 M19 Southern Cross Boulevard, Montego Freeport, Montego Bay.

Its main activities during the year were the operation of branded sports bars and restaurants at Sangster International Airport, Montego Bay. The company is a subsidiary of Margaritaville St. Lucia Inc, whose ultimate parent is Margaritaville Caribbean Group Ltd., a company registered under the Bahamas IBC Act of 2000.

The company was listed on the Junior Market of the Jamaica Stock Exchange in July 2017.

2. Summary of significant accounting policies

a Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities.

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the 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 are as shown in Note 2(c).

b Standards, interpretations and amendments to published standards 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 have adopted the following:

IFRS 9 'Financial Instruments'
IFRS 9 replaces IAS 39 'Financial Instruments' Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of

financial assets and liabilities introduces an 'expected credit loss' model for the impairment of financial assets that replaces the current incurred loss impairment model.

The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. Receivables classified under financial asset are the most affected due to the new expected credit loss models. The company applies a simplified approach in calculating ECL.

Management uses a provision matrix for the trade receivables reflecting past experience of losses incurred due to default as well as forward looking information in arriving at an assessment of impairment. The adoption of IFRS 9 resulted in changes in the accounting policies and disclosures arising from the adoption of consequential amendments to IFRS 7 Financial Instruments: Disclosures, these changes were applied for 2019 but have not been applied to the comparative information. No allowance for impairment over financial assets was recognised in opening retained earnings at June 1, 2018 on transition to IFRS 9, because the company has determined that the resulting change in impairment was not material.

The adoption of IFRS 9 has impacted the following areas:

- the classification and measurement of the company's financial assets. Management holds financial assets to hold and collect the associated cash flows. Financial assets previously classified as loans and receivables under IAS 39 are non-accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9.

On the date of initial application, June 1, 2018, the financial instruments of the company were reclassified as follows:

	Measurement Category		Carrying Amount		
	Original (IAS 39) Category	New IFRS 9 Category	Closing Balance May 31, 2018 (IAS 39)	Adoption of (IFRS 9)	Opening Balance June 1, 2018 (IFRS 9)
Current financial assets:					
Trade and other receivables	Loans and receivable	Amortised cost	131,522	-	131,522
Owing by related company	Loans and receivable	Amortised cost	5,998,558	-	5,998,558
Cash and cash equivalents	Loans and receivable	Amortised cost	392,136	-	392,136
Total financial assets balances			**6,522,216**	**-**	**6,522,216**

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 replaces IAS 18 'Revenue', IAS 11 – 'Construction Contracts', and several revenue related interpretations. IFRIC 15 defines a comprehensive framework for determining when and to what extent revenue can be recognised. In accordance with IFRS 15, an entity shall recognise revenue as a monetary amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services in question.

According to the standard, revenue must be allocated to performance obligations based on relative transaction prices. A performance obligation is defined as a promise to transfer goods and/or services to customers. The revenue recognition takes place over time or at a point in time, with the transfer of control as the key criterion. The company's revenue stream, consists of the sale of food and beverage. In the sale of these goods, control of the goods is transferred when the physical possession of the product has been transferred to the customer, which typically occurs at delivery. Application of the standard did not have an impact on the revenue or results of the company.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
IFRIC 22 (effective for annual periods beginning on or after January 1, 2018). The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of non-monetary asset or non-monetary liability relating to advance consideration, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. The entity must determine the transaction date for each payment or receipt of advance consideration, if there are multiple payments or receipts in advance. The adoption of this interpretation had no impact on the company's financial statements.

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

At the date of authorisation 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. Information on those expected to be relevant to the company's financial statements are provided below.

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, amendments and interpretations not early adopted or listed below have not been disclosed as they are not expected to have a material impact on the company's financial statements.

IFRS 16 'Leases'
IFRS 16 Leases', (effective for annual periods beginning on or after January 1, 2019). In January 2018, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. 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. There is an optional exemption for lessees applicable to certain short-term leases and leases of low-value assets. The company is assessing the impact of future adoption of the measurements on its financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatment'
IFRIC 23 (effective for annual periods beginning on or after January 1, 2019). The IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax treatments. The IFRIC (IFRIC 23) explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The company is currently assessing the impact that the interpretation will have on its 2019 financial statements.

Amendments to IFRS 9, Financial Instruments', on prepayment features with negative compensation
Amendments to IFRS 9 (effective for annual period beginning on or after January 1, 2019). This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

The adoption of this amendments is not expected to have an impact on the company.

d Property, plant and equipment

(i) Carrying amount

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

(ii) Depreciation

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, five to ten (5 - 10) years for furniture, fixtures, machinery and equipment, three (3) years for computers and five (5) years for motor vehicle.

Leasehold building and improvements are 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 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.

f Intangible assets

These represent amounts spent on the development of new products, processes and systems which is being amortised over 6 years.

g Functional and presentation currency

Functional and presentation currency

The financial statements are prepared and presented in United States dollars, which is the functional currency of the company.

Foreign currency translations and balances

(i) Foreign currency monetary balances at the end of the reporting period have been translated at the rates of exchange ruling at that date.

(ii) Foreign currency transactions are translated into the functional currency at the exchange rate ruling at the dates of those transactions.

(iii) Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items are included in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical rates except for those measured fair value which are translated using the exchange rates at the date when the fair value was determined.

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 Owing to related company

Amounts owing to related company are carried at cost.

n Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
- amortised cost
- fair value through profit or loss (FVTPL)

The classification is determined by both:
- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. 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 as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The company's AFS financial assets include listed equity securities, debentures, and the equity investment in the company.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.
Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead the company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified company.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

o 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.

p Income taxes

Income tax on the profit or loss for the year 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 date of the statement of financial position, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the 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.

q Borrowings

Borrowings 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.

r 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 revenue. The amount incurred is expensed in the period to which it relates. Associated costs such as insurance and maintenance are expensed as incurred.

s 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.

t 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.

3. Property, plant and equipment comprise:

The carrying amounts for property, plant and equipment for the years included in the financial statements as at May 31, 2019, can be analysed as follows:

	Leasehold Improvement US$	Motor Vehicle US$	Ent and PR Equipment US$	Computer US$	Furniture and Fixtures US$	Bar and Kitchen Equipment US$	Total US$
Gross carrying amount							
Balance as at June 1, 2018	2,819,299	56,761	149,785	473,988	2,655,555	2,320,644	8,476,032
Additions	41,713	-	17,281	11,332	118,375	22,493	211,194
Balance as at May 31, 2019	**2,861,012**	**56,761**	**167,066**	**485,320**	**2,773,930**	**2,343,137**	**8,687,226**
Depreciation and impairment							
Balance as at June 1, 2018	(1,033,808)	(56,138)	(127,463)	(350,026)	(1,194,034)	(1,060,451)	(3,821,920)
Depreciation	(99,319)	-	(3,403)	(40,287)	(163,059)	(164,542)	(470,610)
Balance as at May 31, 2019	**(1,133,127)**	**(56,138)**	**(130,866)**	**(390,313)**	**(1,357,093)**	**(1,224,993)**	**(4,292,530)**
Carrying amount as at May 31, 2019	**1,727,885**	**623**	**36,200**	**95,007**	**1,416,837**	**1,118,144**	**4,394,696**

	Leasehold Improvement US$	Motor Vehicle US$	Entertainment and PR Equipment US$	Computer US$	Furniture and Fixtures US$	Bar and Kitchen Equipment US$	Total US$
Gross carrying amount							
Balance as at June 1, 2017	2,717,519	56,761	147,496	449,810	2,271,617	2,196,348	7,839,551
Additions	101,780	-	2,289	24,178	383,938	124,296	636,481
Balance as at May 31, 2018	2,819,299	56,761	149,785	473,988	2,655,555	2,320,644	8,476,032
Depreciation and impairment							
Balance as at June 1, 2017	(936,368)	(56,138)	(124,179)	(313,311)	(1,064,099)	(903,020)	(3,397,115)
Depreciation	(97,440)	-	(3,284)	(36,715)	(129,935)	(157,431)	(424,805)
Balance as at May 31, 2018	(1,033,808)	(56,138)	(127,463)	(350,026)	(1,194,034)	(1,060,451)	(3,821,920)
Carrying amount as at May 31, 2018	1,785,491	623	22,322	123,962	1,461,521	1,260,193	4,654,112

4. Intangible assets

These represents amounts spent on the development of new products, processes and systems and amounts paid for licenses and franchises are being amortised over 7 years.

	Development Cost US$	Licenses and Franchises US$	Total US$
Gross carrying amount			
Balance as at June 1, 2018	261,225	1,333,231	1,594,456
Additions	203,237	-	203,237
Balance as at May 31, 2019	**464,462**	**1,333,231**	**1,797,693**
Amortisation			
Balance as at June 1, 2018	(10,574)	(683,752)	(694,326)
Amortisation	-	(84,217)	(84,217)
Balance as at May 31, 2019	**(10,574)**	**(767,969)**	**(778,543)**
Carrying amount as at May 31, 2019	**453,888**	**565,262**	**1,019,150**

	Development Cost US$	Licenses and Franchises US$	Total US$
Gross carrying amount			
Balance as at June 1, 2017	26,689	1,232,610	1,259,299
Additions	234,536	100,621	335,157
Balance as at May 31, 2018	261,225	1,333,231	1,594,456
Amortisation			
Balance as at June 1, 2017	(10,574)	(596,814)	(607,388)
Amortisation	-	(86,938)	(86,938)
Balance as at May 31, 2018	(10,574)	(683,752)	(694,326)
Carrying amount as at May 31, 2018	250,651	649,479	900,130

5. Inventories

	2019 US$	2018 US$
Food	**135,280**	113,185
Beverage	**65,439**	52,659
Gift Shop	**59,318**	77,740
Other	**135,216**	91,142
Total	**395,253**	334,726

6. Trade and other receivables

	2019 US$	2018 US$
Receivables	**68,585**	42,659
Staff loan	**10,042**	2,696
Deposit	**764,373**	53,031
Other receivables	**69,055**	32,155
Prepayments	**25,611**	981
Total	**937,666**	131,522

7. Related party balances and transactions

The company is related to the various companies in the Caribbean operating under the Margaritaville franchise, by way of common shareholders and directors.

i The statement of financial position includes balances arising in the normal course of business, with related parties as follows:

	2019 US$	2018 US$
Margaritaville Caribbean Limited	**-**	3,500,000
Margaritaville Limited	**1,526,144**	6,449,308
Margaritaville St. Lucia	**-**	(3,950,750)
	1,526,144	5,998,558

ii Related party balances are unsecured. Related party balances have no fixed repayment terms.

8. Cash and cash equivalents

	2019 US$	2018 US$
Cash and bank balances	**258,152**	392,136
Bank overdraft (Note 14)	**(185,522)**	(178,891)
Total	**72,630**	213,145

9. Share capital

	2019 US$	2018 US$
Authorised		
Issued and fully paid:		
1,637,500,000 ordinary shares (No par value)	**73,861**	73,861
	73,861	73,861

On June 26, 2017, the company adopted new public company Articles of Incorporation and passed (amongst others) the following resolutions with the approval of its holding company, Margaritaville St. Lucia:

- The sub-division of each Share into 250 units, for the purposes of pricing the Sale Shares in the Invitation and for the creation of liquidity in the trading market for the Shares following a successful listing on the Junior Market of the Junior Stock Exchange (JSE).
- The conversion of each fully paid Share to stock for the purposes of the application proposed to be made to list the Shares on the Junior Market of the JSE.

10. Capital reserve

The above represents net income earned two months prior to the date of incorporation as follows:

	US$
Gross income	159,538
Less: Expenses	94,303
Taxation	21,745
	43,490

11. Preference shares

These represent 35,000 9.5% Cumulative Redeemable United States Dollars Indexed Preference Shares with an issue price of US$100. These are redeemable on December 19, 2023. Dividend payment dates are March 31, July 31, October 31, and December 31 each year.

12. Lease obligations

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

	2019 US$	2018 US$
Within 1 year	**21,054**	9,643
1-5 years	**31,987**	8,698
	53,041	18,341
Less amount representing interest	**(6,330)**	(1908)
	46,711	16,433
Less: Current portion	**(17,450)**	(8,461)
Total	**29,261**	7,972

Reconciliation of liabilities arising from financing activities:

	2019 US$	2018 US$
Balance at beginning of year	**16,433**	31,225
Additional financing during the year	**41,311**	-
Repayment	**(11,033)**	(14,792)
Balance at end of year	**46,711**	16,433

13. Deferred tax liability

Deferred taxes are calculated on all temporary differences under the liability method using a tax rate of 25%. The movement on the deferred tax account is as follows:

	2019 US$	2018 US$
Balance at beginning of year	**89,150**	88,190
Charge during the year (Note 18)	**-**	960
Balance at end of year	**89,150**	89,150

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

	2019 US$	2018 US$
Deferred tax on:		
Property and equipment	**89,150**	89,150
Deferred tax liability	**89,150**	89,150

14. Bank overdraft

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

15. Trade and other payables

	2019 US$	2018 US$
Trade payables	**902,245**	1,538,826
Accrued expenses	**74,781**	111,913
Other payables	**483,720**	400,459
Total	**1,460,746**	2,051,198

16. Expenses by nature

Total direct, administrative and other operating expenses:

	2019 US$	2018 US$
Direct expenses		
Cost of inventories recognised as expense	**5,065,453**	4,604,887
Administrative expenses		
Employee benefits (Note 21)	**2,036,760**	1,794,618
Rent	**3,697,358**	3,145,697
Franchise fees	**563,708**	481,133
Audit Fees	**14,890**	14,400
Other expenses	**1,313,069**	1,169,493
Total	**7,625,785**	6,605,341
Promotional expenses		
Advertising	**47,794**	35,931
Depreciation and amortisation		
Depreciation	**470,610**	424,805
Amortisation	**84,217**	86,998
Total	**554,827**	511,804

17. (a) Finance income

Finance income includes all income from financial assets and comprises:

	2019 US$	2018 US$
Interest income from financial assets	**440**	812
Total	**440**	812

(b) Finance costs

Finance costs includes all interest related expenses which have been included in the statement of profit or loss and comprises:

	2019 US$	2018 US$
Preference dividends	**332,500**	332,500
Interest on loans and leases	**2,788**	2,786
Overdraft interest	**6,759**	5,845
Total	**342,047**	341,131

18. Income taxes

The Company will not be liable to pay corporate income tax in its first 5 years on the Junior Market. It will be liable to corporate income tax at half of the usual rate in years 6 to 10 on the Junior Market. If the Company breaches any Junior Market requirements, it may be liable to repay the tax that was remitted.

i Income tax based on profit for the year and adjusted for tax purposes and computed at the rate of 25% comprises:

	2019 US$	2018 US$
Current charge	**-**	114,009
Deferred tax (credit)/charge	**-**	960
Total	**-**	114,969

ii Reconciliation of theoretical tax charge to effective tax charge:

	2019 US$	2018 US$
Profit before tax	**3,731,471**	3,562,760
Tax at applicable tax rate of 25%	**932,868**	890,690
Tax effect of allowances and remission of tax	**(932,868)**	(775,721)
Income tax charge for the year	**-**	114,969

19. Earnings per share

Earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue for the year of 1,637,500,000 (2018 – 1,637,500,000).

20. Ordinary dividends

The Board declared dividends of US$0.0036645 and US$0.000611 per ordinary share to all shareholders on record as at June 14, 2018 and October 1, 2018 respectively. Dividends of 0.000917 per ordinary share was declared in the prior year.

21. Employee benefits

	2019 US$	2018 US$
Wages and taxes	**1,802,271**	1,613,970
Medical and other staff benefits	**234,489**	180,648
Total	**2,036,760**	1,794,618

There were three hundred and nine (309) - (2018 - Three hundred and twenty one (321)) permanent employees at year end.

22. Risk management policies

The company's activities expose it to a variety of financial risks in respect of its financial instruments: market (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The company 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 company is exposed to market risk through it use of financial instruments and specifically to currency risk, interest rate risk and certain other price risk, which result from both operating and investing activities.

i Currency risk and sensitivity

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 currency giving rise to this is the Jamaican Dollar.

The company has certain obligation in foreign currency. It is however able to manage this risk by maintaining a foreign currency bank account.

Net foreign currency at exposure at date of the statement of financial position was as follows:

	2019 US$	2018 US$
Bank overdraft	**(185,522)**	(178,991)

Foreign currency sensitivity

The sensitivity analysis is based on the company's foreign currency financial instruments held at each reporting date.

If the value of the United States Dollar appreciated by 6% against the Jamaican Dollar this would have a negative impact on earnings of approximately US$6,816 (2018 - US$11,424), while if the rate of the United States Dollar depreciated it by 1% would increase earnings by US$7,686 (2018 – 1% US$1,772).

ii Interest rate risk

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

The company is exposed to interest rate risk as follows:

Financial assets/(liabilities) :

	Range of interest rates %	**Rate sensitive within one year US$**	**Non-rate sensitive within one year US$**	**Total US$**
Bank overdraft				
Jamaican Dollars (J$)	24.75-25.0	(185,522)	-	(185,522)
Bank balances	0.10-0.15	258,152	-	258,152

Interest rate sensitivity

A reduction in interest rates by 1% basis point would increase earnings by approximately $1,095 (2018 - $1,811).

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 issue or factors affecting all instruments traded in the market.

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

b Credit risk

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.

The company faces credit risk in respect of its receivables and cash and cash equivalents held with financial institutions. It is the company's policy to deal only with credit worthy financial institutions and other counterparties, to control credit risk.

Cash and cash equivalents

Credit risk for cash and cash equivalents is managed by maintaining these balances with licensed financial institutions considered to be stable and creditworthy. Savings and current accounts held with commercial banks are insured under the Jamaica Deposit Insurance Scheme (JDIS) up to a maximum $600,000.

Receivables

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for receivables. To measure expected credit losses on a collective basis, receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the company's historical credit losses experienced over the two year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company only grants credits to Airlines. The company experienced no credit losses over the past two years and does not expect to incur any credit loss based on its current business model.

The maximum credit risk faced by the company is limited to the carrying amount of financial assets recognised at the end of the reporting period as summarised below:

	2019	2018
	US$	US$
Trade and other receivables	**937,666**	131,522
Cash and bank balances	**258,152**	392,136
Total	**1,195,818**	344,667

c Liquidity risk

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

The company 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 company maintains cash and savings deposits for up to 30-day periods to meet its liquidity requirements.

The company's financial liabilities comprise trade and other payables and borrowings. The contractual maturities (including interest where applicable) are as follows:

May 31, 2019

	Within 12 Months US$	2-5 years US$	Later than 5 year US$
Bank overdraft	185,522	-	-
Trade and other payables	1,460,746	-	-
Lease obligations	21,054	31,987	-
Preference shares	-	-	3,500,000
Total	1,667,322	31,987	3,500,000

May 31, 2018

	Within 12 Months US$	2-5 years US$	Later than 5 year US$
Bank overdraft	178,991	-	-
Trade and other payables	2,051,198	-	-
Lease obligations	9,643	8,698	
Preference shares	-	-	3,500,000
Total	2,239,832	8,698	3,500,000

23. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

Financial instruments that, subsequent to initial recognition, are measured at fair value are grouped into levels 1 to 3 based on the degree to which the fair values are observable, as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities. (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices). (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). (Level 3).

The company's assets and liabilities are measured at amortised costs and the carrying amounts for these are disclosed at Note 22.

24. Summary of financial assets and liabilities by category

The carrying amount of the company's financial assets and liabilities are recognised at the end of the reporting period under review may also be categorised as follows:

	2019 US$	2018 US$
	IFRS 9 Amortised costs	IAS 39 Loans and receivables
Financial assets measured at amortised costs		
Trade and other receivables	**937,666**	131,522
Owing by related companies	**1,526,144**	5,998,558
Cash and bank balances	**258,152**	392,136
Total	**2,721,962**	6,522,216
Financial liabilities		
Non-current liabilities		
At amortised cost		
Preference shares	**3,500,000**	3,500,000
Lease obligations	**29,261**	7,972
	3,529,261	3,507,972
Current liabilities		
At amortised cost		
Bank overdraft	**185,522**	178,991
Trade and other liabilities	**1,460,746**	2,051,198
Current portion of borrowing	**17,450**	8,461
	1,663,718	2,238,650

25. Segment information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions.

The two operating segments are food and beverage which are normally priced together as a meal and therefore no segment reporting is disclosed in these financial statements.

26. Capital management, policies and procedures

The company's capital management objectives are to ensure the company's ability to 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.

The company is not subject to any externally imposed capital requirements.

27. Operating leases

The Company operates under a Concession Licence Agreement granted to it in December 2011 by MBJ Airports Limited which operates Sangster International Airport. This Concession Licence Agreement permits the Company to develop and use 31,570.70 square feet of space for food and beverage concessions at the post- security screening area.

The initial term ending March 2022 is, capable of extension for up to ten further years if the Company meets certain stated financial and customer number targets.

The Agreement provides for payment of a Licence Fee for the period December 2012 to 31 March 2022 as follows: (a) Minimum Annual Guaranteed Fee ('MAG'); and (b) Percentage Fee based on gross sales on food, beverage and merchandise sales. In the event of an extension of the Term MAG will increase by the rate of the Consumer Price Index.

The Company also operates under a Food and Beverage Retail Space Sub- Licence Agreement with MBJ Airports Limited, which was granted to it by the latter as operator of Sangster Airport International. This licence is for 562.31 square feet of space at the pre-security screening area.

The original licence granted 2007 was extended to March 2022 (there is no written provision for further extension and this must be negotiated separately).

The Agreement provides for payment of a Licence Fee for the period December 2012 to 31 March 2022 as follows: (a) Minimum Annual Guaranteed Fee ('MAG'); and (b) Percentage Fee based on gross sales on food, beverage and merchandise sales.

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