



Express Catering Limited

Financial Statements
(Expressed in United States Dollars)

May 31, 2021

Express Catering Limited

May 31, 2021

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Independent auditor's report

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, 2021, 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, 2021, 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.

Material Uncertainty Related to Going Concern

We draw our attention to note 2 (b) in the financial statements, which indicate that the operations, financial position, financial performance and cash flows of the company, have been affected by the outbreak of the Coronavirus (COVID – 19) pandemic. As described in note 2 (b) these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

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Independent auditor's report (cont'd)

To the Members of
Express Catering Limited

Report on the audit of the Financial Statements (cont'd)

Other information (cont'd)

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.

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.

Independent auditor's report (cont'd)

To the Members of
Express Catering Limited

Report on the Financial Statements (cont'd)

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

- 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.

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

September 23, 2021



HLB Mair Russell
Chartered Accountants

Express Catering Limited

Statement of financial position

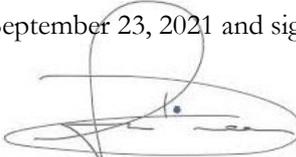
May 31, 2021

	Note	2021 US\$	2020 US\$
Assets			
Non-current			
Property, plant and equipment	(3a)	3,933,553	4,200,757
Right-of-use asset	(3b)	26,215,975	22,928,960
Intangible assets	(4)	940,556	1,004,100
		31,090,084	28,133,817
Current			
Inventories	(5)	463,782	332,281
Trade and other receivables	(6)	190,194	181,061
Due from related companies	(7)	7,638,784	3,636,499
Cash and bank balances	(8)	424,365	182,700
		8,717,125	4,332,541
Total assets		39,807,209	32,466,358
Equity and liabilities			
Equity			
Share capital	(9)	73,861	73,861
Capital reserve	(10)	43,490	43,490
Retained earnings		2,123,973	3,858,485
Total equity		2,241,324	3,975,836
Liabilities			
Non-current			
Preference shares	(11)	-	3,500,000
Borrowings	(12)	8,036,324	-
Lease liabilities	(13)	24,628,804	22,941,901
Deferred tax liability	(14)	89,150	89,150
		32,754,278	26,531,051
Current			
Bank overdraft	(15)	67,382	7,424
Trade and other payables	(16)	2,821,072	1,456,331
Current portion of lease liabilities	(13)	1,923,153	495,716
		4,811,607	1,959,471
Total liabilities		37,565,885	28,490,522
Total equity and liabilities		39,807,209	32,466,358

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

Approved for issue by the Board of Directors on September 23, 2021 and signed on its behalf by:

) Director
John Byles

) Director
Ian Dear

Express Catering Limited

Statement of profit or loss and Other comprehensive income

Year ended May 31, 2021

	Note	2021 US\$	2020 US\$
Revenue		4,412,511	14,001,360
Cost of sales		(1,526,305)	(4,326,339)
Gross profit		2,886,206	9,675,021
Administrative expenses	(17)	(2,005,997)	(4,414,748)
Promotional expenses		(13,996)	(46,034)
Depreciation and amortisation		(2,410,656)	(2,378,389)
Operating (loss)/profit		(1,544,443)	2,835,850
Rent concessions		1,791,536	-
Finance income	(18)	2,855	597
Finance costs	(18)	(1,925,082)	(1,293,316)
(Loss)/gain on foreign exchange		(59,378)	21,153
(Loss)/profit for the year being total comprehensive (loss)/income for the year		(1,734,512)	1,564,284
(Loss)/earnings per share	(19)	(0.001)	0.0009

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

Express Catering Limited

Statement of changes in equity

Year ended May 31, 2021

	Share Capital US\$	Capital Reserve US\$	Retained Earnings US\$	Total US\$
Balance at May 31, 2019	73,861	43,490	3,096,576	3,213,927
Dividends (Note 21)	-	-	(802,375)	(802,375)
Transaction with owners	-	-	(802,375)	(802,375)
Profit for the year being total comprehensive income for the year	-	-	1,564,284	1,564,284
Balance at May 31, 2020	73,861	43,490	3,858,485	3,975,836
Loss for the year being total Comprehensive loss for the year	-	-	(1,734,512)	(1,734,512)
Balance at May 31, 2021	73,861	43,490	2,123,973	2,241,324

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

Express Catering Limited

Statement of cash flows

Year ended May 31, 2021

	2021 US\$	2020 US\$
Cash flows from operating activities:		
(Loss)/profit before tax	(1,734,512)	1,564,284
Adjustments for:		
Depreciation and amortisation	2,410,656	2,378,389
Interest expense	1,925,082	1,293,316
Rent concessions	(1,791,536)	-
Interest income	(2,855)	(597)
	806,835	5,235,392
(Increase)/decrease in inventories	(131,501)	62,972
(Increase)/decrease in receivables	(9,133)	756,605
Increase in owing by related companies	(4,002,285)	(2,110,355)
Increase/(decrease) in trade and other payables	1,364,742	(4,415)
Cash (used in)/generated from operations	(1,971,342)	3,940,199
Interest paid	(1,595,315)	(960,816)
Income tax paid	-	(35,005)
Net cash (used in)/provided by operating activities	(3,566,657)	2,944,378
Cash flows from investing activities:		
Purchase of property, plant and equipment	(179,247)	(253,135)
Purchase of intangible assets	(85,709)	(134,203)
Interest received	2,855	597
Net cash used in investing activities	(262,101)	(386,741)
Cash flows from financing activities		
Repayment of lease obligations	(159,768)	(1,320,116)
Proceeds from borrowing	8,000,000	-
Repayment of preference share	(3,500,000)	-
Interest on preference shares paid	(329,767)	(332,500)
Dividends paid	-	(802,375)
Net cash provided by/(used in) financing activities	4,010,465	(2,454,991)
Increase in cash and cash equivalents	181,707	102,646
Cash and cash equivalents at beginning of year	175,276	72,630
Cash and cash equivalents at end of year (Note 8)	356,983	175,276

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

Express Catering Limited

Notes to the financial statements

Year ended May 31, 2021

1. General information 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

The financial statements have been prepared using the significant accounting policies and measurement basis summarised below:

a Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are expressed in United States Dollars (USD).

b Going concern

The preparation of the financial statements in conformity with IFRS assumes that the company and the group will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate or terminate operations. This is commonly referred to as the going concern basis.

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

As a result of travel restrictions around the globe, including restrictions to enter the island, the company operation was suspended at the end of March 2020. During the suspension, a number of cost saving initiatives were introduced, including temporary layoff of staff. Some of these layoffs were eventually terminated through redundancy due to prolonged travel restrictions. The company reopened for business June 2020.

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the pandemic on the operations and measures taken by the government to contain the pandemic have negatively affected the company's results in the reporting period. The currently known impacts of COVID-19 on the company are:

- A decline in revenues for the 2021 financial year compared with the financial year in 2020.
- A net loss compared with profit in the financial year 2020.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

b Going concern (cont'd)

In response to the COVID-19 pandemic, the company has taken and continues to take significant measures to preserve cash and control costs including the following:

- Deferral of planned non-essential capital expenditure
- Negotiated extended credit terms with suppliers
- Acted diligently on collection of its receivables
- Implementation of measures to reduce staff costs, including the termination of line staff

The Company is optimistic that with vaccines being available since November 2020 and with the continuous increase in vaccination rates in source markets, confidence is returning. We see this in the increasing revenue trend from month to month and expect this to continue into the upcoming busy tourist season and beyond. The company is prepared for what it believes, will be a full recovery in the near future.

Any future financial support required will be dependent on the evolution of the pandemic and its implications on the company's operations, however, the good credit reputation and the excellent business model will allow it access to additional financing. Based on sales projections, reflecting the estimated impact of the stressed conditions currently experienced and other initiatives undertaken, management expects to continue in operations, meeting its obligations as and when they fall due, for at least twelve months from the reporting date. Consequently, management is of the opinion that the going concern basis of accounting applied in preparation of these financial statements remains appropriate.

As at the date of approval of these financial statements, the ultimate impact of the pandemic on the company remains unknown as it is uncertain how long it will take to fully control the virus and return to normalcy.

c New standards, interpretations and amendments to published standards that became effective in the current year

Certain new and amended standards came into effect during the current financial year. The adoption of those standards and amendments did not have a significant impact on the financial statements:

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it.

This may bring liabilities on statement of financial position earlier than at present.

- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

c New Standards, interpretations and amendments to published standards that became effective in the current year (cont'd)

- Amendment to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, effective for annual accounting periods beginning on or after January 1, 2020, address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The amendments apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

Additional disclosures will be required for hedging relationships directly affected by IBOR reform.

- Amendments to IFRS 16 Leases is effective for annual reporting periods beginning on or after June 1, 2020, with early application permitted. It provides guidance for COVID-19 related rent concessions.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before June 30, 2022; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The company received concession during the year.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

d Standards, interpretations and amendments 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 and amended standards have been issued which were not effective for the current year and which the company has not early-adopted. The company has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance contracts and IFRS 16 Leases, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

The company is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 37 Provision, Contingent Liabilities and Contingent Assets is effective for annual reporting periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The company is assessing the impact that the amendment will have on its financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 41 Agriculture, and are effective for annual reporting periods beginning on or after January 1, 2022.
 - (i) IFRS 9 Financial Instruments amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - (ii) IFRS 16 Leases amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The Company is assessing the impact that the amendment will have on its financial statements.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

d Standards, interpretations and amendments issued but not yet effective and have not been adopted early by the Company (cont'd)

- Amendments to IAS 1 Presentation of Financial Statements, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023.

The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The company is assessing the impact that the amendment will have on its financial statements.

d Basis for measurement

These financial statements have been prepared on the historical cost basis, except for land and buildings that are measured at revalued amounts, or fair values, as explained in the accounting policies below.

e 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.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

f Intangible assets

These represent amounts spent on the development of new products, processes and systems which is being amortised over 7 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 the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of refunds and discounts. To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

For Step 1 to be achieved, the following five criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and
- collection of the consideration in exchange of the goods and services is probable.

The Company derives revenue from sale of goods and rendering of services either at point in time or over time, when (or as) the Company satisfies performance obligations by transferring control of the promised goods or rendering of the promised services to its customers.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

h Revenue recognition (cont'd)

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale of goods

Sales to customers are recognised at point in time upon delivery of goods and customer acceptance.

Rendering of services

Revenue arising from the provision of island tours, adventure activities and photo shop services is recognised either at point in time or overtime upon the performance of services or the delivery of products and customer acceptance. Revenue arising from the provision of hotel accommodation, restaurant and bar services and activities is recognised upon the performance of services or the delivery of products and customer acceptance. Consideration received in advance to secure hotel room bookings is initially deferred, included in contract liabilities and is recognised as revenue in the period when the service is performed.

Other income

Other income is recognised at point in time on the accrual basis.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

i Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses, directly attributable to goods sold. Net realisable value is the estimated selling price in the ordinary course of business less any related selling expenses.

j 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.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

k 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.

l Due from related company

Amounts due from related company are carried at cost.

m 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 measured at amortised cost.

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:

- 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.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

m Financial instruments (cont'd)

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.

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 bank loans and overdraft, trade and other payables.

n Trade and other payables

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

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

o 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.

p Leased assets

As described in Note 2c, the company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

For any new contracts entered into on or after June 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Company has the right to direct the use of the identified asset throughout the period of use.

The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

p Leased assets (cont'd)

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on straight-line basis over the lease term.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

q 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.

r 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.

Express Catering Limited

Notes to the financial statements

May 31, 2021

2. Summary of significant accounting policies (cont'd)

s Use of estimates and judgements

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(e).

Expected credit loss

In assessing provision for doubtful debts, management estimates the recoverable amount of overdue balances. Estimation uncertainty relates to assumptions about future collectability of these overdue balances.

Express Catering Limited

Notes to the financial statements

May 31, 2021

3a. 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, 2021, can be analysed as follows:

	Work in progress	Building and Leasehold Improvement US\$	Motor Vehicle US\$	Entertainment Equipment US\$	Computer US\$	Furniture and Fixtures US\$	Bar and Restaurant Equipment US\$	Total US\$
Gross carrying amount								
Balance as at June 1, 2020	-	2,862,343	56,761	178,235	522,546	2,855,767	2,464,709	8,940,361
Additions	144,302	-	-	-	34,945	-	-	179,247
Balance as at May 31, 2021	144,302	2,862,343	56,761	178,235	557,491	2,855,767	2,464,709	9,119,608
Depreciation and impairment								
Balance as at June 1, 2020	-	(1,229,489)	(56,761)	(135,675)	(412,632)	(1,522,835)	(1,382,212)	(4,739,604)
Depreciation	-	(96,362)	-	(4,809)	(22,319)	(165,742)	(157,219)	(446,451)
Balance as at May 31, 2021	-	(1,325,851)	(56,761)	(140,484)	(434,951)	(1,688,577)	(1,539,431)	(5,186,055)
Carrying amount as at May 31, 2021	144,302	1,536,492	-	37,751	122,540	1,167,190	925,278	3,933,553

Express Catering Limited

Notes to the financial statements

May 31, 2021

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

	Leasehold Improvement US\$	Motor Vehicle US\$	Entertainment Equipment US\$	Computer US\$	Furniture and Fixtures US\$	Bar and Restaurant Equipment US\$	Total US\$
Gross carrying amount							
Balance as at June 1, 2019	2,861,012	56,761	167,066	485,320	2,773,930	2,343,137	8,687,226
Additions	1,331	-	11,169	37,226	81,837	121,572	253,135
Balance as at May 31, 2020	2,862,343	56,761	178,235	522,546	2,855,767	2,464,709	8,940,361
Depreciation and impairment							
Balance as at June 1, 2019	(1,133,127)	(56,138)	(130,866)	(390,313)	(1,357,093)	(1,224,993)	(4,292,530)
Depreciation	(96,362)	(623)	(4,809)	(22,319)	(165,742)	(157,219)	(447,074)
Balance as at May 31, 2020	(1,229,489)	(56,761)	(135,675)	(412,632)	(1,522,835)	(1,382,212)	(4,739,604)
Carrying amount as at May 31, 2020	1,632,853	-	42,560	109,914	1,332,932	1,082,497	4,200,757

Express Catering Limited

Notes to the financial statements

May 31, 2021

3b. Right-of-use asset

	2021 US\$
Gross carrying amount	
Balance as at June 1, 2020	24,711,022
Increase in asset	5,101,967
Carrying amount at May 31, 2021	29,812,989
Amortisation	
Balance as at June 1, 2020	(1,782,062)
Amortised during the year	(1,814,952)
Carrying amount at May 31, 2021	(3,597,014)
Carrying amount as at May 31, 2021	26,215,975
	2020 US\$
First time adoption of IFRS 16	24,711,022
Amortised during the year	(1,782,062)
Carrying amount at May 31, 2020	22,928,960

Right-of-use asset represents property spaces leased.

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, 2020	598,665	1,333,231	1,931,896
Additions	50,709	35,000	85,709
Balance as at May 31, 2021	649,374	1,368,231	2,017,605
Amortisation			
Balance as at June 1, 2020	(70,862)	(856,934)	(927,796)
Amortisation	(60,288)	(88,965)	(149,253)
Balance as at May 31, 2021	(131,150)	(945,899)	(1,077,049)
Carrying amount as at May 31, 2021	518,224	422,332	940,556

Express Catering Limited

Notes to the financial statements

May 31, 2021

4. Intangible assets (cont'd)

	Development Cost US\$	Licenses and Franchises US\$	Total US\$
Gross carrying amount			
Balance as at June 1, 2019	464,462	1,333,231	1,797,693
Additions	134,203	-	134,203
Balance as at May 31, 2020	598,665	1,333,231	1,931,896
Amortisation			
Balance as at June 1, 2019	(10,574)	(767,969)	(778,543)
Amortisation	(60,288)	(88,965)	(149,253)
Balance as at May 31, 2020	(70,862)	(856,934)	(927,796)
Carrying amount as at May 31, 2020	527,803	476,297	1,004,100

5. Inventories

	2021 US\$	2020 US\$
Food	135,234	89,534
Beverage	34,831	58,041
Gift Shop	31,983	52,607
Other	261,734	132,099
Total	463,782	332,281

6. Trade and other receivables

	2021 US\$	2020 US\$
Receivables	9,230	26,672
Staff loan	11,166	13,896
Deposit	42,000	90,962
Other receivables	60,737	25,861
Prepayments	67,061	23,670
Total	190,194	181,061

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:

	2021 US\$	2020 US\$
Margaritaville Limited	7,638,784	3,636,499
	7,638,784	3,636,499

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

Express Catering Limited

Notes to the financial statements

May 31, 2021

8. Cash and cash equivalents

	2021 US\$	2020 US\$
Cash and bank balances	424,365	182,700
Bank overdraft (Note 15)	(67,382)	(7,424)
Total	356,983	175,276

9. Share capital

	2021 US\$	2020 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 were repaid during the financial year.

Express Catering Limited

Notes to the financial statements

May 31, 2021

12. Borrowing

	2021 US\$
Balance at June 1, 2020	-
Addition	8,000,000
Deferred interest	36,324
Balance at May 31, 2021	8,036,324

Sygnus Credit Investment Limited (SCI) loan of \$8,000,000 commenced on December 15, 2021. The loan is to assist with the refinance of preference shares and business expansion and is to be repaid at the end of 60 months with an interest rate of 8% cash and 4% deferred quarterly and payable at maturity.

If the EBITA is greater than \$5.5 million after the second anniversary (year 2), the deferred coupon shall fall to 3.5%.

Express Catering Limited is to maintain financial covenants of a minimum Debt Service Coverage ratio of 1.25 times and a maximum Debt to EBITDA ratio of 4 times.

13. Lease liabilities

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.

Information about leases for which the company is a lessee is presented below:

(a) Lease liabilities

	2021 \$	2020 \$
Current	1,923,153	495,716
Non-current	24,628,804	22,941,901
Total	26,551,957	23,437,617

Future minimum lease payments are as follows:

	Within 1 year \$	1 to 5 Years \$	Over 5 Years \$	Total \$
Lease payments	(2,931,479)	(14,546,640)	(15,450,856)	(32,928,975)
Finance charges	1,008,326	3,840,947	1,527,745	6,377,018
Net present values	(1,923,153)	(10,705,693)	(13,923,111)	(26,551,957)

Express Catering Limited

Notes to the financial statements

May 31, 2021

13. Lease liabilities (cont'd)

Information about leases for which the company is a lessee is presented below:

(b) Amounts recognised in the profit or loss

	2021	2020
	\$	\$
Amortisation charged on right-of-use assets	1,814,952	1,782,062
Interest expense on lease liabilities	1,081,164	949,341
Concessions on rent	(1,791,536)	-
	1,104,580	2,731,403

(c) Amounts recognised in the statement of cash flow

	2021	2020
	\$	\$
Principal payments	159,767	1,273,405
Interest payments	1,057,748	949,341
Concessions on rent	1,791,536	-
Cash out flows for leases	3,009,051	2,222,746

14. 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:

	2021	2020
	US\$	US\$
Balance at beginning of year	89,150	89,150
Balance at end of year	89,150	89,150

15. Bank overdraft

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

16. Trade and other payables

	2021	2020
	US\$	US\$
Trade payables	2,235,224	951,047
Accrued expenses	260,904	159,375
Other payables	324,944	345,909
Total	2,821,072	1,456,331

Express Catering Limited

Notes to the financial statements

May 31, 2021

17. Expenses by nature

Total direct, administrative and other operating expenses:

	2021 US\$	2020 US\$
Direct expenses		
Cost of inventories recognised as expense	1,526,305	4,326,339
Administrative expenses		
Employee benefits (Note 22)	922,452	1,852,723
Lease expense	382,626	932,815
Franchise fees	121,221	456,028
Audit Fees	14,400	14,157
Other expenses	565,298	1,159,025
Total	2,005,997	4,414,748
Promotional expenses		
Advertising	13,996	46,034
Depreciation and amortisation		
Depreciation	446,451	447,074
Amortisation	1,964,205	1,931,315
Total	2,410,656	2,378,389

18. (a) Finance income

Finance income includes all income from financial assets and comprises:

	2021 US\$	2020 US\$
Interest income from financial assets	2,855	597
Total	2,855	597

(b) Finance costs

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

	2021 US\$	2020 US\$
Preference dividends	329,767	332,500
Interest on property lease (note 13)	1,057,748	949,504
Overdraft and loan interest	537,567	11,312
Total	1,925,082	1,293,316

Express Catering Limited

Notes to the financial statements

May 31, 2021

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.

	2021 US\$	2020 US\$
(Loss)/profit attributable to shareholders	(1,734,512)	1,564,284
Weighted average number of shares	1,637,500,000	1,637,500,000
(Loss)/earnings per share	(0.001)	0.0009

20. 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.

Reconciliation of theoretical tax charge to effective tax charge:

	2021 US\$	2020 US\$
(Loss)/profit before tax	(1,734,512)	1,586,076
Tax at applicable tax rate of 25%	(433,628)	396,519
Tax effect of expenses not deductible for tax purpose	599,868	534,241
Tax effect of allowances and remission of tax	(166,240)	(932,860)
Income tax charge for the year	-	-

21. Ordinary dividends

The Board did not declare a dividend for the current year. Dividend of US\$0.000245 and US\$0.000245 per ordinary share was declared in the prior year.

22. Employee benefits

	2021 US\$	2020 US\$
Wages and taxes	781,767	1,594,336
Medical and other staff benefits	140,685	258,387
Total	922,452	1,852,723

There were One hundred and forty-five (145) - (2020 - Three hundred and five (305)) permanent employees at year end.

Express Catering Limited

Notes to the financial statements

May 31, 2021

23. 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 its 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.

However, the company's financial statements are denominated in United States Dollar and as such there is no exposure to this risk.

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.

Interest rate sensitivity

Due to the fact that interest earned from the company's interest earning bank accounts is immaterial, there would be no material impact on the results of the company's operations as a result of fluctuations in interest rates.

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. However, this risk is controlled by close monitoring of these assets by the company. In addition these deposits are maintained with commercial banks that are insured under the Jamaica Deposit Insurance Scheme (JDIS).

Express Catering Limited

Notes to the financial statements

May 31, 2021

23. Risk management policies (cont'd)

b Credit risk (cont'd)

Receivables and other 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:

	2021 US\$	2020 US\$
Trade and other receivables	190,194	181,061
Cash and bank balances	424,365	182,700
Total	614,559	363,761

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, bank overdraft, preference shares and lease obligation. The contractual maturities (including interest where applicable) are as follows:

May 31, 2021

	Current Within 12 Months US\$	Non-current 1 to 5 years US\$	Over 5 years US\$
Bank overdraft	67,382	-	-
Trade and other payables	2,821,072	-	-
Lease liabilities	1,923,153	10,705,693	13,923,111
Borrowings	-	8,036,324	-
Total	4,811,607	18,742,017	13,923,111

Express Catering Limited

Notes to the financial statements

May 31, 2021

23. Risk management policies (cont'd)

c Liquidity risk (cont'd)

May 31, 2020

	Current Within 12 Months US\$	Non-current 1 to 5 years US\$	Over 5 years US\$
Bank overdraft	7,424	-	-
Trade and other payables	1,434,539	-	-
Lease liabilities	1,420,045	9,612,106	19,199,606
Preference shares	-	3,500,000	-
Total	2,862,008	13,112,106	19,199,606

24. 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 25.

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Notes to the financial statements

May 31, 2021

25. 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:

	2021 US\$	2020 US\$
Financial assets measured at amortised costs		
Trade and other receivables	190,194	181,061
Due from related companies	7,638,784	3,636,499
Cash and bank balances	424,365	182,700
Total	8,253,343	4,000,260
Financial liabilities		
Non-current liabilities		
At amortised cost		
Preference shares	-	3,500,000
Lease liabilities	25,949,657	22,941,902
Borrowing	8,036,324	-
	33,985,981	26,441,902
Current liabilities		
At amortised cost		
Bank overdraft	67,382	7,424
Trade and other payables	2,821,072	1,434,539
Current portion of lease liabilities	1,923,153	495,716
	4,811,607	1,937,679

26. 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.

27. 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.