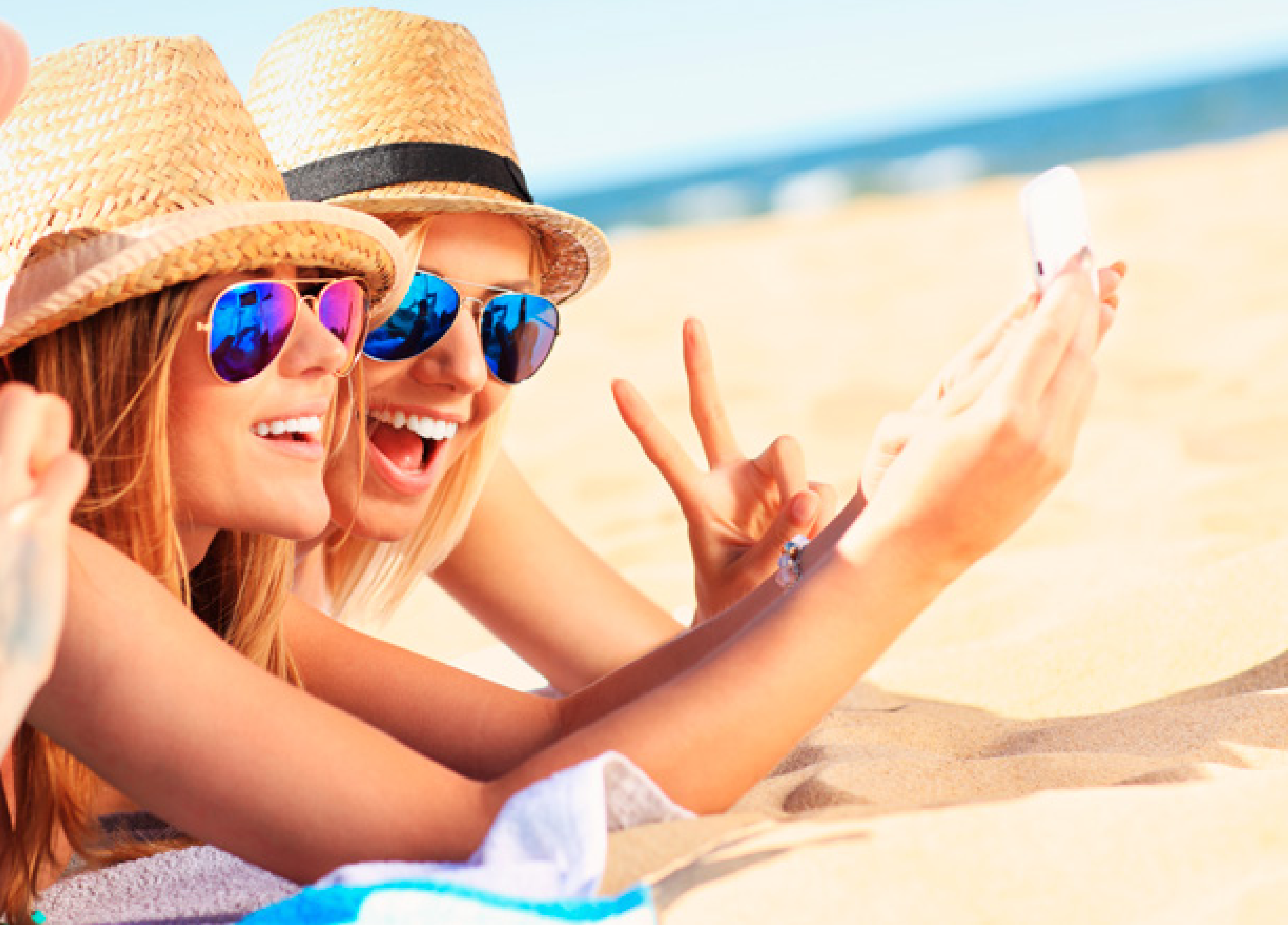
Jimmy Buffett's MARGARITAVILLE CARIBBEAN

2016 Annual Report



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notice of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Margaritaville Caribbean Ltd will be held at the Margaritaville Ltd's Board Room, #16, M19 Southern Cross Boulevard, Freeport, Montego Bay on Thursday January 5, 2017 at 1:00pm for the following purposes:

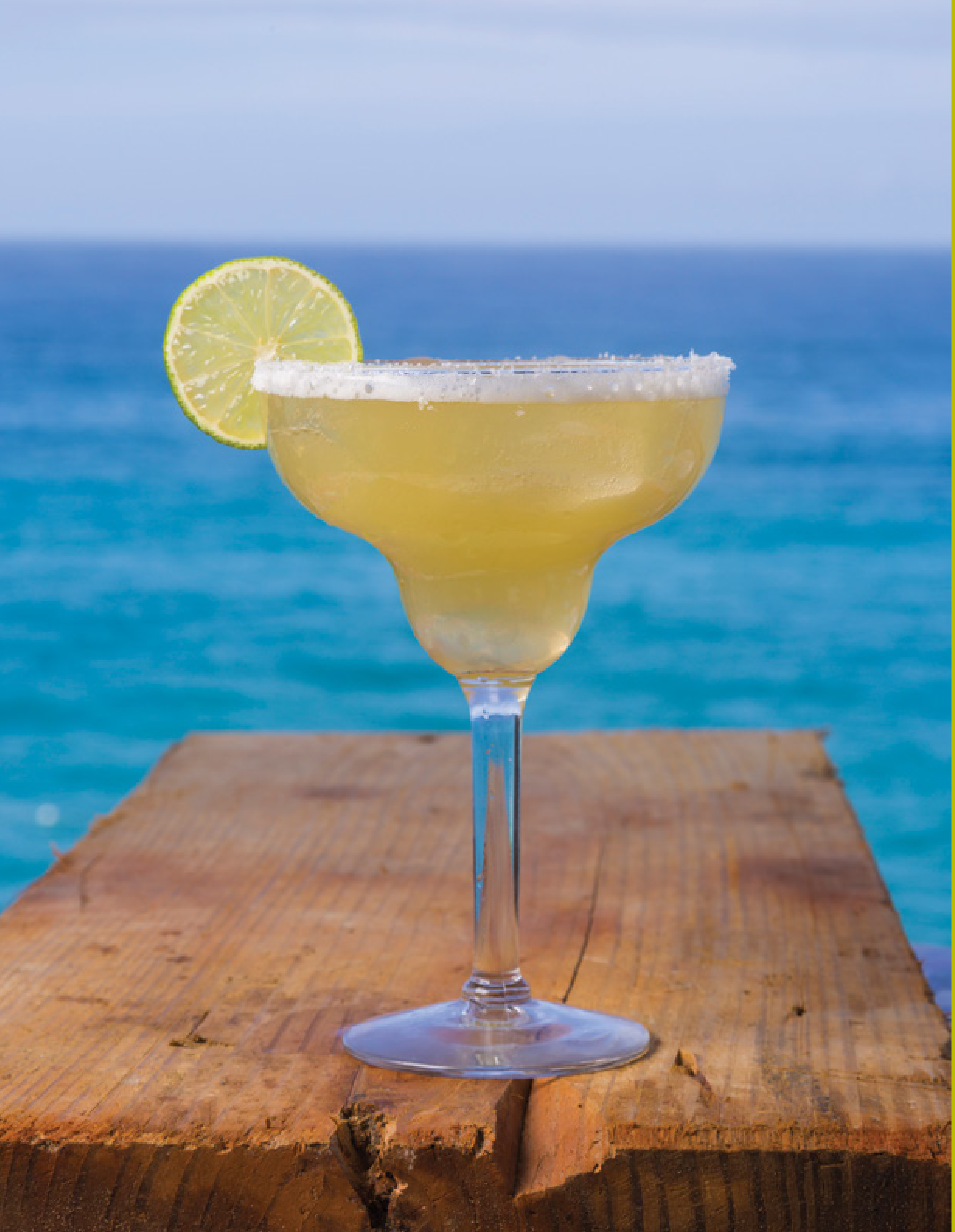
1. To consider and adopt the Financial Statements for the year ended May 31, 2016 and the report of the Directors and Auditors thereon.
2. To authorize the Directors to fix the remuneration of the Auditors for the ensuing year. The Auditors, Messrs Mair Russell Grant Thornton, Chartered Accountants, have signified their willingness to continue in office.
3. To fix the remuneration of the Directors for the year that commenced June 1, 2016.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not also be a member.

By order of the board,

....

Bryan A. Glinton
Secretary



Our VISION

To be the most recognized leader in the Caribbean hospitality industry. With a passion for excellence we are guided by our commitment to Every. Single. Guest.

Our MISSION

To deliver the BEST. DAY. EVER. One smile at a time. To every single guest.

Chairman's STATEMENT

Dear Shareholders:

We have completed our second fiscal year as a public entity. The group has experienced considerable overall growth resulting in improved earnings. We remain optimistic with respect to regional opportunities within the hospitality industry.

Overview

Margaritaville Caribbean Limited (MCL) is the parent company of multiple subsidiaries. The group owns and operates attractions, restaurants, bars, nightclubs and retail outlets throughout the Caribbean. We currently operate nine Jimmy Buffett Margaritaville locations across four islands, the most recent opening in St. Thomas (USVI) in August 2015, this fiscal year. This is a partnership with Wyndham Vacation Ownership, the largest timeshare operators in the world. The St. Thomas property is operating under the flagship of Margaritaville Vacation Club. This concept is expected to continue and grow as a part of our portfolio.

We have continued to focus our efforts and strategies on key transportation hubs and high traffic areas with captive markets by offering a full range of food, beverage and entertainment options. We have provided these services, with a portfolio of proprietary and international food and beverage franchises, including:

- Auntie Anne's Pretzels
- Cinnabon
- Dairy Queen (DQ Grill and Chill)
- Domino's Pizza
- Moe's Southwest Grill
- Nathan's Famous Hotdogs
- Wendy's
- Quizno's Subs

These internationally recognized brands, along with our proprietary brands, provide a broad range of options to our guests. Additionally, our team of industry professionals are able to develop, train and execute the requirements of our partners.

Main Business Model

Our primary business model is to provide unique hospitality and entertainment experiences focused on the tourism industry. Our customers, primarily cruise and resort guests, represent 95% of our revenue. North America represents over 70% of our customer base and our primary revenue currency is US dollars, at 95% of our intake. Therefore, the group experienced negligible effects from the devaluation of Jamaican currency against the US dollar in this fiscal year. Jamaica currently accounts for 66% of our group's current revenue. The remaining 34% of revenue outside of Jamaica is earned in US dollars.

Operational Results

Margaritaville Caribbean Limited experienced growth of 10.40% overall with revenue of $38.30 million. This is compared to the prior year of $34.70 million. EBITDA for this fiscal year was $3.81 million compared to $3.63 million of the last fiscal year. Current years EBITDA was affected by a $673,000 expense relating to a sale and leaseback transaction in the prior year. This fiscal year saw a significant increase in Net Profits of $645,878, compared to prior year of $39,656.

The group continued its efforts to open new and innovative revenue initiatives this year. Achievements are outlined below:

- **Margaritaville St. Thomas**
  Opened in August 2015 - A partnership with Wyndham Vacation Club, the largest timeshare company in the world. The Margaritaville Vacation Club, USVI is anticipated to increase room count by 30% in 2017. We expect the revenue for this location to reflect a similar increase.
- **Beached Whale Bar and Grill, Grand Turk**
  Opened in July 2016. This concept's contribution will be recognized in fiscal 2017. We are encouraged by early customer support of this concept.
- **Beach Break Tours**
  This effort has been well received by our guests and partners with tours established in Falmouth and Ocho Rios. Partners include Royal Caribbean Cruise Lines and Norwegian Cruise Lines, with additional cruise lines slated to participate in the upcoming winter season. The upcoming fiscal year will see the full benefit of this effort.
- **Upgraded Website**
  MargaritavilleCaribbean.com was overhauled to give potential guests a visual tour of Caribbean locations through photography and videography. A complete digital strategy is now a core focus as it is a critical component towards brand awareness.
- **Bars and Point-of-Sales**
  Additional service areas were rolled out at Margaritaville Grand Turk, with continued roll outs for this upcoming fiscal year. The new service areas have improved overall efficiency and service delivery.
- **Menu Redesign**
  The beverage menu received a complete overhaul to include new drink selections, souvenir upgrade opportunities and creative graphic design. Training the staff for a successful roll-out of the new menu is the current focus.
- **New Concepts**
  Currently under negotiation. Finalization is expected in the near future. When introduced, the new brands will make a significant contribution to our group.
- **Margaritaville (Turks) Ltd**
  Listed on the Jamaica Stock Exchange (JSE), continued last year's trend by providing an attractive return of 10.30% to our shareholders of record.

The cash position of the group improved by $164,000 this fiscal year. Debt service continues to utilize the largest portion of our cash flow, which is expected as a result of current expansion efforts. The group's balance sheet has improved with the cash balance increasing, improvement in receivables and inventories and liabilities are down by under US $1 million. Loans are current and trade payables are within acceptable parameters.

Plans for Fiscal 2017

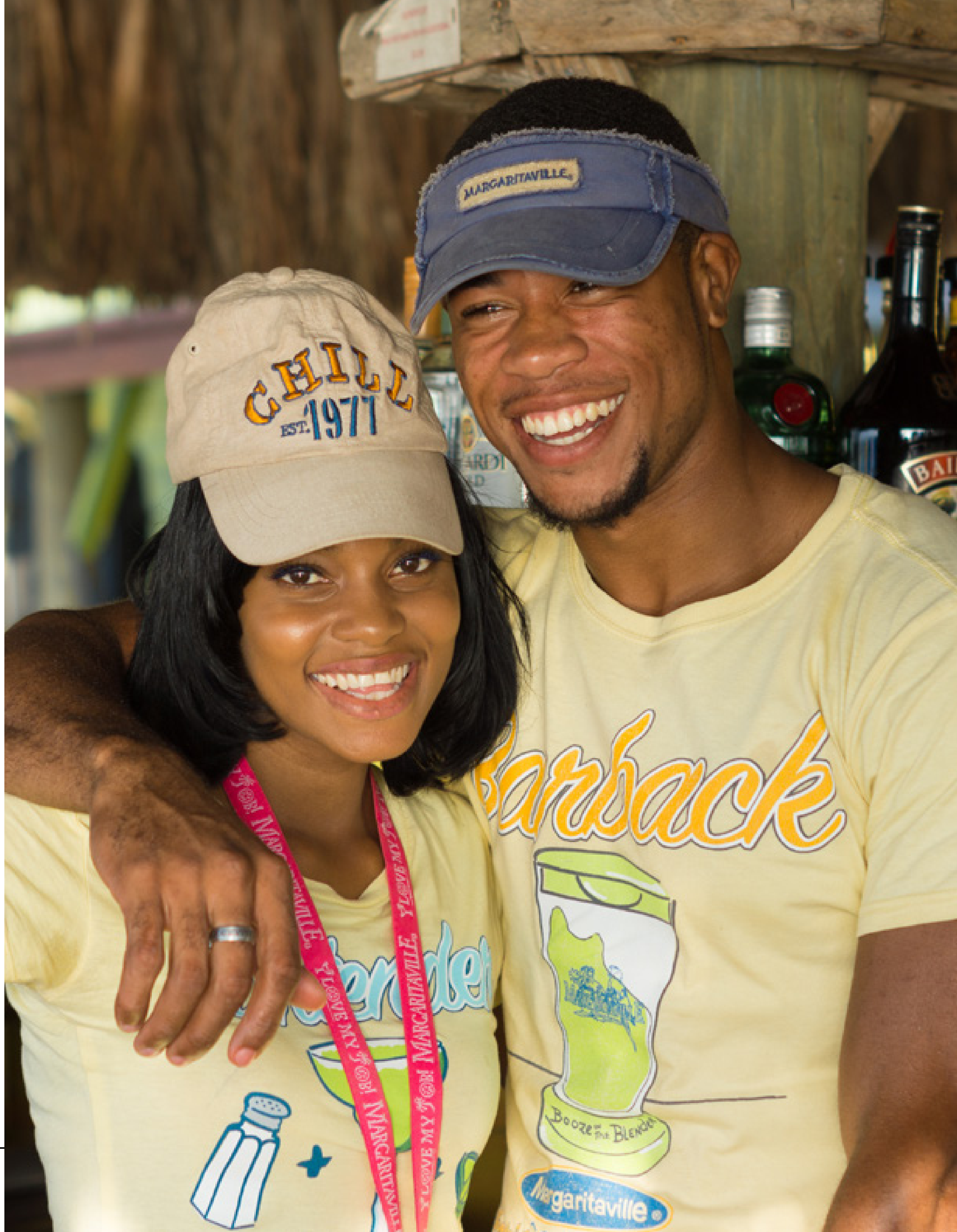
We foresee a number of strategic ventures and partnerships coming to fruition and enhancing our growth opportunities. Our primary banker, The National Commercial Bank, continues to be an excellent partner for these plans.

We are proud of our team and remain confident they will surpass the expecations in executing our plans for the future. Our greatest strength is our people. To further enhance the expertise of our team members, a new training and development program will be launched in the coming months. We anticipate this will greatly enhance the guest experience, improve sales and maintain our reputation as a world class hospitality leader in the region.

Thank you for your continued confidence and support of the group. We are committed to improving value for employees, shareholders and partners..

Yours sincerely,

Ian Dear
Chairman



Directors' PROFILE

IAN DEAR

CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF MARGARITAVILLE CARIBBEAN LTD.

Ian Dear is the Chief Executive Officer and Chairman of Margaritaville Caribbean Ltd., operators of themed restaurants, bars and attractions spread across various Caribbean islands. Jimmy Buffet's Margaritaville is the flagship brand but there are a number of other international brands including Nathans Hot Dogs, Wendys, Quiznos Subs, Auntie Annies Pretzels and DQ Grill & Chill to name a few.

In addition, there are a number of locally developed branded concepts included in the group, comprising of a fine dining restaurant, jazz clubs, night clubs etc.

Mr. Dear is the founder and owner of Jimmy Buffets Margaritaville Caribbean, which started some 20 years ago. The company grew from 2 locations and 1 island in 1995 to 9 locations and 4 islands in 2015. The group is currently overseeing expansion plans that will result in overall 900 plus employees with over 40 locations.

In addition to Ian's involvement with Margaritaville Caribbean, he has been involved in Real Estate developments and is responsible for some of the residential developments in western Jamaica.

He has been recognized by the Government of Jamaica by being appointed a Lay Magistrate in 1996. He holds Executive and Board positions in a number of private and public organizations, and was up to recently, also a member the Young Presidents Organization, which is a global organization of leaders across the world.

HERRICK WINSTON RUSSELL DEAR OD, C.L.S, J.P.

DIRECTOR

Commission Land Surveyor, City Planner, Entrepreneur, Businessman. Winston Dear has dedicated his life to the development of Montego Bay and Western Jamaica. He is married to Denise and together they have three Children and eight Grandchildren, all living in Montego Bay.

Since 1966 he has been an integral part of the life of Montego Bay and Jamaica. Particularly his pioneering work in resort Development: Montego Freeport, Rose Hall Development, Montego South Development, Ironshore and The Greater Montego Bay Development Plan.

Herrick Dear was popularly known as a City Father of Montego Bay. During the mid 1970's the economy of Montego Bay was at an all time low, when most hotels were closed and resort villas were abandoned, he was instrumental in developing a new economic model where the city would never completely be dependent on tourism exclusively again. The model consisted of three prongs – Tourism, Light Industry and Commerce. Today we have fulfilled all the aspirations of that model and are the leading destination in tourism, the leaders in the ICT industry, the major player in the hotel distribution firms and the center of commerce for Western Jamaica.

He was instrumental in forming the Port Authorities,"Montego Bay Freezone" and lobbied for the establishment of the current Montego Freeport Cruise Ship terminal.

In the 1980's he was deeply involved in the 807 garment industry and at the zenith of this industry employed over 3,000 workers. Under his watch, the Government established the earth station within the zone which set the course for us to become the leading ICT centre of Jamaica.

He was instrumental in forming a national body to represent the private sector interests in cruise shipping. The body was formed in May 2008 and registered as the "NATIONAL CRUISE COUNCIL OF JAMAICA".

He perceived the idea of a toll highway system that would eventually connect Kingston to Montego Bay. This idea was shared with the then Prime Minister, the Hon. PJ Patterson, out of which Highway 2000 was built.

Winston Dear is a patriot and proud citizen of Jamaica and was awarded The Order of Distinction on the 18th October 2010.

PETER K. MELHADO

DIRECTOR

Peter Melhado is the President and CEO of the ICD Group, a Jamaican-based conglomerate with interests in real estate, construction, property management, general insurance and business process outsourcing.

Mr. Melhado began his career as a project engineer with the UK-based construction firm, Kier International. He subsequently worked in the manufacturing sector with brewer and beverage producer Desnoes and Geddes, before entering the banking sector in 1993 with the Manufacturers Group. Mr. Melhado became the CEO of the Manufacturers Group in 1995, led the company's acquisition of Sigma Investment Managers in 2001 and held that position until merging Manufacturers Sigma with Pan Caribbean in 2004.

Mr. Melhado currently serves as Chairman of Sagicor Bank Jamaica, West Indies Home Contractors, Industrial Chemical Company, CGM Gallagher Group, Kingston Container Terminal and American International School of Kingston. His current directorships include British Caribbean Insurance Company, Red Stripe, Sagicor Investments Jamaica, Sagicor Group Jamaica Company, and House of Issa Ltd. & Subsidiaries.

He is a former Vice President of the Private Sector Organization of Jamaica.

Mr. Melhado attained a B.Sc. in Mechanical Engineering from McGill University (1985) and an MBA from Columbia University Graduate School of Business (1990), with a concentration in Finance.

JOHN G. BYLES

NON-EXECUTIVE DIRECTOR

John G Byles is a graduate of the Florida International University where he pursued a degree in Business Administration with focus in Finance and International Business. Since then, his career has lead him through several fields in the Corporate Finance in the banking and finance sector for over fifteen (15) years, working with Business Leaders in several growing and successful companies across dynamic industries before joining the tourism field fifteen (15) years ago.

He joined the Chukka Caribbean Adventures family fourteen (14) years ago, utilizing his previous years of experience to contribute with a dynamic team of fellow directors, to the extensive growth and development of the business. Today as Chief Executive Officer, he leads the daily operations of the group across locations in Belize, Turks & Caicos Islands, Jamaica and the Dominican Republic.

John Byles has served on a number of boards to include the Tourism Enhancement Fund, National Cruise Council of Jamaica, Association of Jamaica Attractions, Montego Bay Chamber of Commerce and Cargo Handlers.

John is also a committed father of three (3) and an avid polo enthusiast in his down time

ROLAND CLARKE

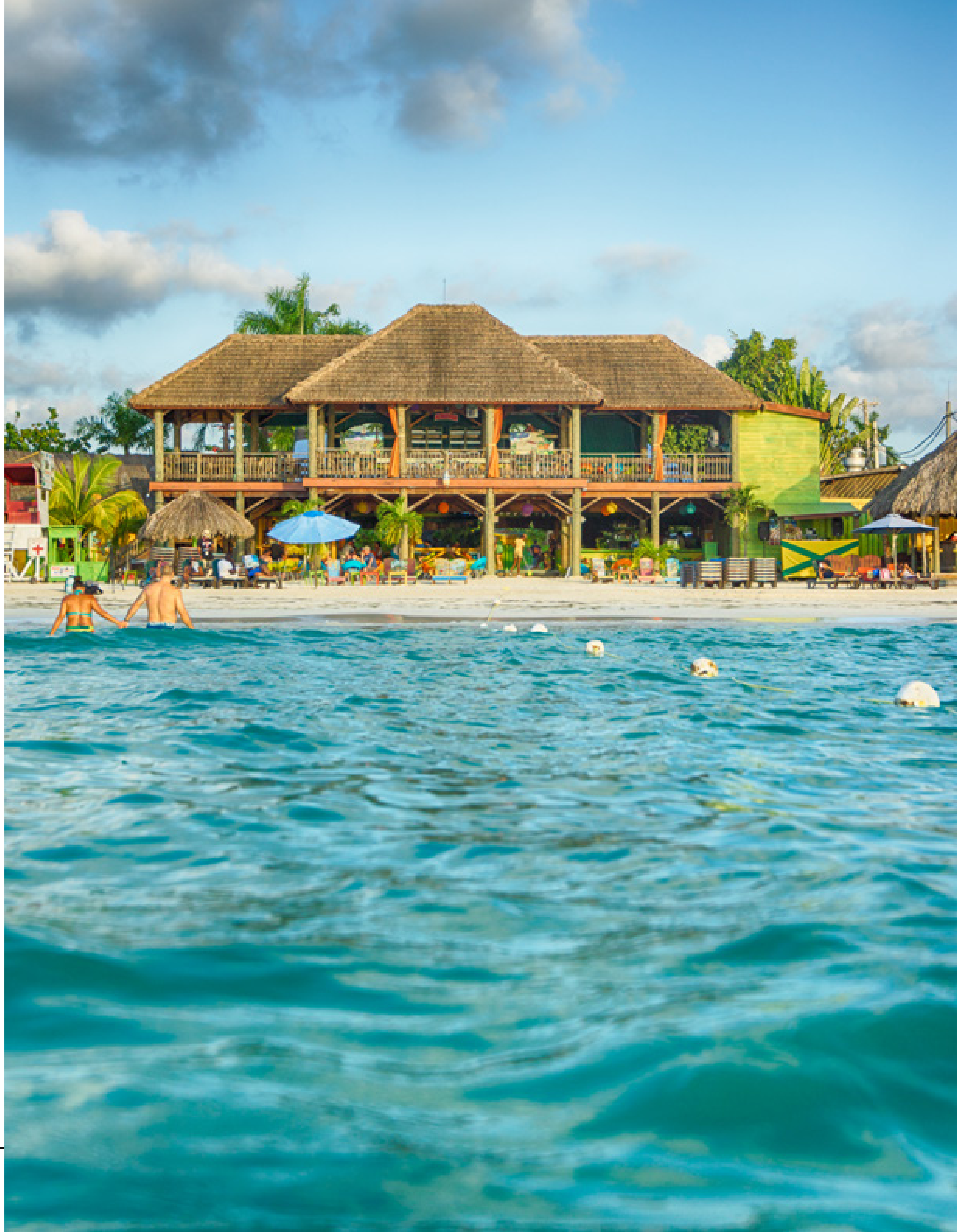
DIRECTOR AND CHIEF FINANCIAL OFFICER

Roland is a Chartered Accountant with over twenty years experience in accounting and finance covering Retail, Manufacturing, and Telecom Logistics.

Roland joined the group in August 2010 in the capacity of Chief Financial Officer. He was appointed to the board of associated company Express Catering Ltd. in the same year and serves as the Secretary as well.

For the previous five years he was employed to Facey Commodity Company Ltd. with direct responsibility for the Finance functions of the Telecoms Division. During the period he led implementation of Financial Systems for the groups' subsidiaries in Germany, Trinidad and Tobago, Honduras, Panama and El Salvador. Roland spent 18 months in Trinidad and Tobago in the capacity of Financial Controller while performing his other corporate duties. Prior to joining Facey Commodity, Roland spent 5 years as the Managing Director for Custom Paint Solutions, a distributor of Paints and Finishing products for the building and automobile industries.

Roland is a Fellow of the Association of Certified Chartered Accountants of England and Wales and holds a Bsc. (Hons) in Accounting from the University of the West Indies.



Key INDIVIDUALS

IAN DEAR
CHIEF EXECUTIVE OFFICER

Ian has been a part of Margaritaville Caribbean since its inception as a co-founder, CEO and Chairman. He leads a dynamic group of professionals with experiences covering various business sectors and food and beverage operations. He coordinates the day to day activities of all the functionalities in addition to his direct activities in the areas of marketing, media relations, and strategic development. Ian is well-known for his role as a businessman in real estate development and tourism in Jamaica.

He also brings over 20 years of experience in project management and site selection; a key factor in the success of the existing Margaritaville Caribbean locations.

ROLAND CLARKE
CHIEF FINANCIAL OFFICER

Roland joined the group in August 2010 in the capacity of Chief Financial Officer. He leads a dynamic team of professionals covering Treasury, Accounting, Information Technology, Risk Management, Management Accounting and Cost Control.

He has over 20 years of experience covering a wide range of business sectors including Retail and Distribution, Manufacturing and Telecom Logistics. These experiences were gained primarily in Jamaica but include short stints in Trinidad and Tobago, Germany, Honduras, El Salvador and Panama.

Prior to joining the group, Roland performed similar function at Facey Commodity and ICD Group. He also ran a paint distribution business that was based in Kingston. Roland is a Fellow of the Association of Certified Chartered Accountants of England and Wales and holds a Bsc. (Hons) in Accounting from the University of the West Indies.

MARK SUTHERLAND
DIRECTOR OF OPERATIONS

His wealth of experience spans over 27 years, most of which were spent with Applebee's Neighborhood Bar & Grill. Here, he operated in many different capacities which include Director of Recruiting, Director of H.R. and Regional Director of Operations.

Mark's "coaching" approach to management has ensured superb levels of productivity in all of our current brands by providing an environment which fosters teamwork and open communication. Under his guidance, team members are eager to perform to their highest abilities; "One team, no limits."

Mark ensures that all of our brands exceed the suggested policies and procedures, which alleviates complacency and maintains the lifeblood of the organization. He recognizes future talent and leaders who are attuned to the company's vision and core values, which is a key aspect to the success of our organization.

PATRICK MULLET
DIRECTOR OF NEW DEVELOPMENT AND BRAND MANAGEMENT

Pat has well over 35 years in the restaurant industry with major concepts like Applebee's, LongHorn Steak House, Bennigan's, where he has held positions such Vice President of Operations, Operations Leader, Regional Director of Operations and Area Manager.

Pat was instrumental in the introduction of a Spanish based Italian concept to the US developing four locations within ten months. He was closely involved with every aspect from site selection, design layout to the opening.

Pat's leadership style over the years has help foster and develop many individuals who today hold positions from General Manager to Regional Directors. He always succeeded through his ability to build and lead strong teams.

VOLKER HABIG
DIRECTOR OF SALES AND MARKETING

Volker joined Margaritaville in February 2016 after working with Diageo, the world's largest Spirits company, for 14 years. His roles included Head of Key Account for Diageo Germany, Commercial Manager, Head of Customer Marketing and Commercial Business Development Manager for Red Stripe Jamaica, Route-to-Consumer Project Manager for Diageo Brazil and Head of Sales Modern Trade for Celebration Brands Jamaica.

With an MBA in Marketing, Volker enjoys the challenge of establishing best practices with new approaches to transform a business, resulting in significant bottom line growth. Leveraging his experience in different markets and functions, along with a passion to grow individuals are key drivers on that journey.

TERRY ANN HATHAWAY
DIRECTOR OF HUMAN RESOURCES AND TRAINING

Teri is an accomplished, hospitality professional specializing in HR, Training and International Operations with over 25 years of experience.

She has diverse experience specializing in restaurants and food service hospitality industries, she has experience in all aspects of operation and the creation, design and implementation of HR systems and Training programs. She has vast experience working in the international market and has worked in numerous countries including Turkey, UAE, Egypt, Kuwait and Qatar.

Teri has designed, written and implemented HR Systems, Training Programs and Operational Programs for many well known brands, including El Tortio, Acapulco, Carino's, Carluccio's as well as Porto Sonkna and Porto Marina Hotels.

Shareholdings of DIRECTORS

AS AT MAY 31, 2015

Names	Direct	Connected	Total	Percentage
Ian B. Dear*	—	25,000	25,000	50%
Peter K. Melhado	—	—	—	0.0%
Herrick Winston Dear	—	—	—	0.0%
John G. Byles	—	—	—	0.0%
Roland P. Clarke	—	—	—	0.0%
	—	**25,000**	**25,000**	**50%**

** Connected to Quantum Investment Holdings Ltd.*

Top 10 SHAREHOLDINGS

(Ordinary Shares) **AS AT MAY 31, 2015**

Names	Volume	Percentage
Mville Investment Limited (Nassau)	25,000	50%
Quantum Investments Holdings Ltd. (Nassau)	25,000	50%
	50,000	**100%**

Total Ordinary Share in issue - 50,000
Total Number of Share Holders - 2

Top 10 SHARE HOLDINGS

(9% Fixed rate Cummulative Redeemable Preference Shares)
AS AT MAY 31, 2015

Names	Volume	Percentage
Grace Kennedy Limited Pension Scheme	20,000,000	32.9%
ATL Group Pension Fund Trustees Nominee Limited	15,000,000	24.7%
JCSD Trustee Services Ltd - Sigma Solution	9,841,629	16.2%
NCB Insurance Co. Ltd. A/C Wt157	4,250,000	7.0%
NCB Insurance Co. Ltd. A/C Wt161	4,000,000	6.6%
NCB Insurance Co. Ltd A/C Wt109	2,000,000	3.3%
Maurice Clarke	1,968,326	3.2%
NCB Insurance Co. Ltd. A/C Wt064	1,000,000	1.6%
NCB Insurance Co. Ltd A/C Wt184	1,000,000	1.6%
NCB Insurance Co. Ltd. A/C Wt185	1,000,000	1.6%
	60,059,955	**98.8%**

Total 9% Preference Share in issue - 60,809,955
Total Number of Preference Share Holders - 13

Corporate GOVERNANCE

REPORT OF MANAGEMENTS RESPONSIBILITY & INTERNAL CONTROLS

The management of Margaritaville Caribbean is responsible for the fairness and accuracy of the financial statements. The financial statements and the accompanying notes were prepared in accordance with the rules of the International Financial Reporting Standards and include such estimates as management deemed necessary to give a true and accurate view of the financial affairs of the group.

Management has established a system of internal controls over financial reporting that provides reasonable assurance that assets are adequately safeguarded and transactions are recorded accurately, in all material respects. Our internal controls provide for appropriate segregation of duties and responsibilities and there are documented policies regarding utilization of our assets and proper financial reporting. We also maintain a strong audit program that independently evaluates the adequacy of the design and effectiveness of these internal controls.

The Board of Directors provides oversight guidance to the management of the group in fulfilling their financial reporting duties and is assisted in their oversight responsibilities by the Audit Committee of the Board. Currently the Board of Directors meets on a quarterly basis and is prepared to revise the frequency should the need arise. The accompanying Management Discussion and Analysis were prepared under the direction and guidance of the Board of Directors.

THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors was established to assist the Board of Directors in their oversight responsibility. The committee is comprised of three members, two of whom are non-executive directors. The Audit Committee has complete access to the financial records of the group and has direct access to the Vice President of Internal Controls and Systems and our External Auditors.

The Audit Committee meets on a quarterly basis to carry out their roles and responsibilities, inclusive of the following;

- Monitor the financial performance of the company against objectives.
- Ensure that the company is compliant with statutory and regulatory reporting requirements.
- Ensure that the company is compliant with covenants relating to banking and other creditor requirements.
- Monitor and review the effectiveness of the internal audit function.
- Consider, approve and recommend to the board the group's annual operating and capital budgets.
- Review internal and external audit reports
- Assess operational risks and make recommendations to the board for decision.

The Audit Committee will always be a mix of non-executive and executive directors but will at all times be comprised of more non-executive directors and be chaired by one of them.

The members of the committee for the year just ended were;
John Byles
(Non-executive director)
Chairman

Peter Malhado
(Non-executive director)

Roland Clarke
(Executive director)

Ian Dear
Chairman

Herrick Dear
Director

Management DISCUSSION &ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis for Margaritaville Caribbean Ltd. (the group and company) that follows should be read in conjunction with the audited consolidated financial statements and related consolidated financial statement notes found elsewhere in this report. The company reports on a 12 month basis from June 1 to May 31. Financial data is reported in US Dollars. The discussions are on the results for the year ending May 31, 2016 and the comparative year ending May 31, 2015.

Overview of Operations

Margaritaville Caribbean Ltd. is the parent company of multiple subsidiaries that own and operate restaurant, bar and night club facilities throughout the Caribbean. The group is the owner and franchise operator of Jimmy Buffett's Margaritaville locations throughout the Caribbean. The brand is globally recognized, and MCL currently has nine locations on four islands:

Jamaica – six locations
Cayman Islands – one location
Grand Turk – one location
St. Thomas – one location

St. Thomas is the newest location in the US Virgin Islands. The location, a partnership with Wyndham Vacation Ownership, - the largest timeshare operator in the world, was opened to the public in August 2015.

In addition to our anchor brand, Jimmy Buffet's Margaritaville, the group has franchise licenses for the following international brands:

- Auntie Anne's Pretzels
- Cinnabon
- Dairy Queen (DQ Grill and Chill)
- Domino's Pizza
- Moe's Southwest Grill
- Nathan's Famous Hotdogs
- Wendy's
- Quizno's Subs

These franchises currently operate in the Sangster International Airport and/or Falmouth Cruise Port. The group has access to launch these brands in any new captive market locations that are developed.

Operating Environment

Seasonality

Margaritaville Caribbean's business model is tourism based with revenues primarily generated from cruise passengers or stop-over, hotel visitors. 70% percent of our patrons originate from the United States, and historically, sales volumes fluctuate with North America's seasonal weather. Average sales per restaurant are highest in the winter and spring, followed by the summer. Our lowest season is the fall. Holidays, election activities, economy, severe weather and similar conditions impact sales volumes. Due to the seasonality of our business, results for one quarter are not necessarily indicative of the results that may be achieved for the year. For the current year, 57% of total revenues were earned in the third and fourth quarters combined. All profitability was earned in these quarters as well. Revenue performance at the Grand Turk location ran counter to this trend; with revenues earned evenly over the quarters, at an average of US$1.7 million per quarter. The newest location in St. Thomas is expected to follow suit with timeshare bookings expected to be consistent throughout the year.

Various tourism authorities across the Caribbean have been positioning for a year-round tourism market that is less characterized by high and low seasons.

Currency Risks and Taxation

The group's operations are exposed to minimal foreign exchange fluctuation risks. For 2016, 34% of the revenue was earned in jurisdictions with a fixed exchange rate or where the formal currency is US Dollars.

Jamaica accounts for 66% of the group's revenue. Although Jamaica has had continuous managed depreciation for a number of years, the group is protected from currency risks as all prices are in US Dollars. 95% of the settlement is in US Dollars or other major currencies. The remaining 5% is collected in Jamaican dollars but the group is not affected by devaluation as we have immediate needs for expenses incurred in Jamaica.

The group has a mixed tax structure. Operations are spread over four territories with different tax regimes. Jamaica has a corporation tax rate currently of 25% while the Turks and Caicos Islands and the Cayman Islands have corporation tax rates of zero. The rate in St Thomas varies between 15% and 39%.

Market & Competition

The Caribbean tourism market has slight variances between territories although it is primarily supplied by cruise passengers and stop-over, hotel visitors. In Jamaica, where the majority of our venues operate, large all-inclusive properties dominate the hotel landscape as European plan hotels are limited.

When considering competition we view traditional food and beverage providers, including casual dining and bar concepts secondary. The Margaritaville concept differs from a conventional restaurant because it is a destination venue providing an entertainment experience. Our primary competition is the expanded offerings of all inclusive hotels, and tour operators. Competing for the time and spend of each Caribbean tourist in a market diluted with options is a daily focus for our traditional business. As we transition our focus to transportation hubs and captive markets we actively seek opportunities similar to those established in Falmouth, Grand Turk, Sangster International Airport and St. Thomas.

Maintenance and Growth Strategies – (Key Success Factors)

The group's success and growth is divided into two distinct paths.

1. **Maintenance of existing businesses.**
   - Focus on Improving Product Offerings

   To improve the guest experience and product satisfaction, the group is currently overhauling the beverage program to add more variety to existing options, and utilizing new concepts in bar management.
   - Technology for Efficient Delivery of Services

   The group is exploring options to upgrade our Point of Sale system to streamline the guest experience. The technology is not yet certified in the Caribbean. However, we are making the necessary preparations to access the technology once available.
   - Trained and Motivated Staff

   A comprehensive Training Program to address all aspects of operations is expected to be rolled out during fiscal 2017. Additionally, an Incentive Program to engage and motivate staff will launch in the same time frame.
   - Effective Contact with Stakeholders

   Strategies are in place to effectively communicate with and engage industry players, to include hotels, cruise lines, tour operators, local transportation providers and destination management companies.
   - State of the Art Equipment

   Cutting edge technology in sound and lighting equipment for the nightclub business.
   - Market Products

   Designing products to compliment the all-inclusive hotel plan is a key focus.
   - Exposure

   The main website was overhauled to give potential guests a visual tour of Margaritaville Caribbean locations. A core focus is a comprehensive digital strategy as it is a critical component towards brand awareness.
   - Repeat Customers

   A broad loyalty card program to include strategies for locals, tourism professionals and employees of major transportation hubs is expected to launch during fiscal 2017. The program promotes guest counts, member frequency, average spend and brand loyalty.

2. **Expansions into Transportation Hubs, Captive and Non-traditional Markets.**
   - New business

   The group is seeking partnerships similar to that with Wyndham Vacation Club, St Thomas. The location offers traditional food and beverage options of a hotel, with offerings tailored to the specific needs of the facility including breakfast and room service menus.

   The group is currently negotiating with one airport management company in the Antilles and actively searching for others.

Fiscal 2015 Financial Highlights

Revenue for the year was US$ 38.30 million. This represented a 10.40% increase over prior year revenues of US$ 34.70 million. Revenue from one new location of US$ 1. 7 million is included in the overall increase. Same store revenue increase was 5.50%.

EBITDA for the year returned US$ 3.81 million compared to US$ 3.63 million in the prior year. Current year EBITDA was impacted by an additional $673,000 of expenses relating to a sale and leaseback transaction in the prior year.

Net profits returned US $645,878 compared to US $39,656 in the prior year. Interest expense improvement of US $400,000 during the year was the main contributor. The US $7.0 million injection of equity by the shareholders, in the form of a loan in the prior year, contributed towards paying down interest bearing bank debt. The shareholders loan is interest free and has no fixed repayment term.

Investment in Fixed and Intangible Assets during the year was just under US $1.8 million, and included the new St. Thomas location and the completion of the Beached Whale Bar and Grill in Grand Turk. There was also some replacement of fully depreciated assets.

Results of Operations for Fiscal 2016 and 2015

Below is a summary of the operating matrix in relation to revenues for the current and prior year. The information was prepared from the statement of profit and loss, and other comprehensive income found elsewhere in this report.

	2016	2015
Revenue	**100.00%**	**100.00%**
Cost of sales	-27.86%	-26.95%
Gross profit	**72.14%**	**73.05%**
Other income	2.07%	1.94%
Administrative expenses	-61.49%	-61.98%
Promotional expenses	-2.35%	-2.07%
Depreciation	-4.79%	-5.26%
Amortisation of other intangible assets	-0.43%	-0.31%
Other operating expenses	-0.42%	-0.49%
Operating profit	**4.73%**	**4.87%**
Finance costs	-3.64%	-5.25%
Finance income	0.01%	0.00%
Foreign exchange gains	0.59%	0.50%
Gain/(loss) on sale of property, plant and equipment	0.00%	-0.01%
Profit before tax	**1.69%**	**0.11%**
Income taxes	0.85%	1.39%
Net profit for the year being total comprehensive income for the year	**3%**	**1.51%**

MD&A CONT'D

Revenues
Revenue for the year was US $38.30 million, an increase of US $3.62 million or 10.40% over the prior year. This was driven mainly by the following;

- **St. Thomas revenue of US $1.7 million**
- **Grand Turk, same store revenue growth of US $684,000.**
- **Falmouth location, same store revenue growth of US$540,000.**
  » The new tour initiative with Royal Caribbean Cruise lines contributed US $240,000 of the increase.

All other locations had marginal increases with the exception of Negril where a marginal reduction in revenue was seen. The Cayman location continues to be a challenge even with revenues being up 5% over prior year. The location covers its operating costs but requires revenue growth of a higher percentage to achieve profitability. Changes made to the Cayman management team from the prior year have steadied operations.

The group undertook and completed a number of additional revenue increasing initiatives in fiscal 2016;

- **The Beached Whale Bar and Grill, Grand Turk**
  » Completed July 2016. This did not add to revenue for the year but will give a full years contribution for fiscal 2017.
- **Bars and Point of Sales**
  » Additional service areas were added to improve service in Grand Turk.
- **Tours**
  » Launched a new tour product with MSC Cruise Lines at the Ocho Rios location in the last quarter of the fiscal year.
- **Drink Menu**
  » Features a new design, clear call-to-action, souvenir and refills options with new drink recipes.
- **Website**
  » Completed the upgrade and launch of the group's website to include the online retail store.

The new location in St. Thomas will be adding 30% more timeshare units in 2017. Revenues are expected to reflect this increase.

The group continues its search for a coffee concept. An international coffee concept appeals to a broad spectrum of travelers in the airport and cruise ports. The plan will be to create an opportunity within the selected coffee concept to showcase Jamaica's premium Blue Mountain coffee..

Cost of Sales and Operating Expenses

Cost of sales returned a 27.86% ratio to revenue for current year compared to 26.95% in the prior year. With more than 50% of the food input sourced from North America, forward purchase arrangements made by the group was instrumental in keeping prices for ingredients down in the face of increases in the US market.

Margaritaville St. Thomas contributed to the 1% increase over prior year because cost of sales is slightly higher than other locations. The offerings in St. Thomas include additional menu items including breakfast, a menu no other location offers. Diversity in the St. Thomas menu is required as the typical time share guest is on the property for one week.

The initiative to reduce the number of ingredients used in the kitchens that commenced in 2013 continues to positively impact the cost of sales margin. The group continues to seek bulk buying opportunities.

Other operating expenses up to the EBITDA line accounted for 64.26% of revenues. This compares favourably to a ratio of 64.55% of revenues for fiscal 2015. Combined Cost of Sales and operating expenses were 92.12% of revenues compared to 91.50% for the prior year, a marginal decline. The increase in the combined cost ratio up to the EBITDA line was a result of reorganizing our financing towards the end of the prior year. This resulted in an additional US $673,000 in lease costs during the current year.

Financing cost was US $1.4 million for fiscal 2016 compared with US $1.8 million in the prior year, a savings of US$ 400,000. The trend is consistent with the paying down of interest bearing debt capital. Depreciation and amortization costs increased marginally and are in line with the replacement of fixed assets and the commencement of intangible assets amortization.

Savings in interest and financing costs, combined with other operating gains, resulted in a net profit after tax of US $645,878, an increase of US $606,000 compared to the prior year.

Investment and Financing Initiatives
Just under US$ 1.8 million was invested in assets during the year. The expenditure includes:

- The opening of Margaritaville St. Thomas, USVI.
- Completion work on the Beached Whale Bar and Grill, Grand Turk.
- The addition of more Bar and Point of Sale service areas.
- Creating Beach Break facilities for the new tour package with Royal Caribbean Cruises Lines in Falmouth.
- Adding Beach Break furniture and fixtures for the Ocho Rios location.
- The general replacement and upgrade of existing equipment and facilities.

There was marginal change in the combined loan balances during the year. The group renegotiated the loan with our banking partner, National Commercial Bank Jamaica Limited (NCBJ), to include a larger portion of term loans with a longer amortization period, and also reduced the amount of the revolving line. An additional US $1 million was raised in the renegotiation. The long term loans with NCBJ are denominated in Jamaican Dollars.

The group paid dividends of US $217,933 to minority shareholders of Margaritaville Turks Ltd. during the year.

Financial Condition

The cash position of the group improved by US $164,000 thousand during the year. Debt servicing continues to utilize the largest portion of free cash flows. This is expected given the group's expansion efforts. The total balance sheet has improved, cash balance has increased, total liabilities are down by under US $1.0 million, inventory balances have improved substantially, loans are up to date and trade payables are within acceptable trading limits.

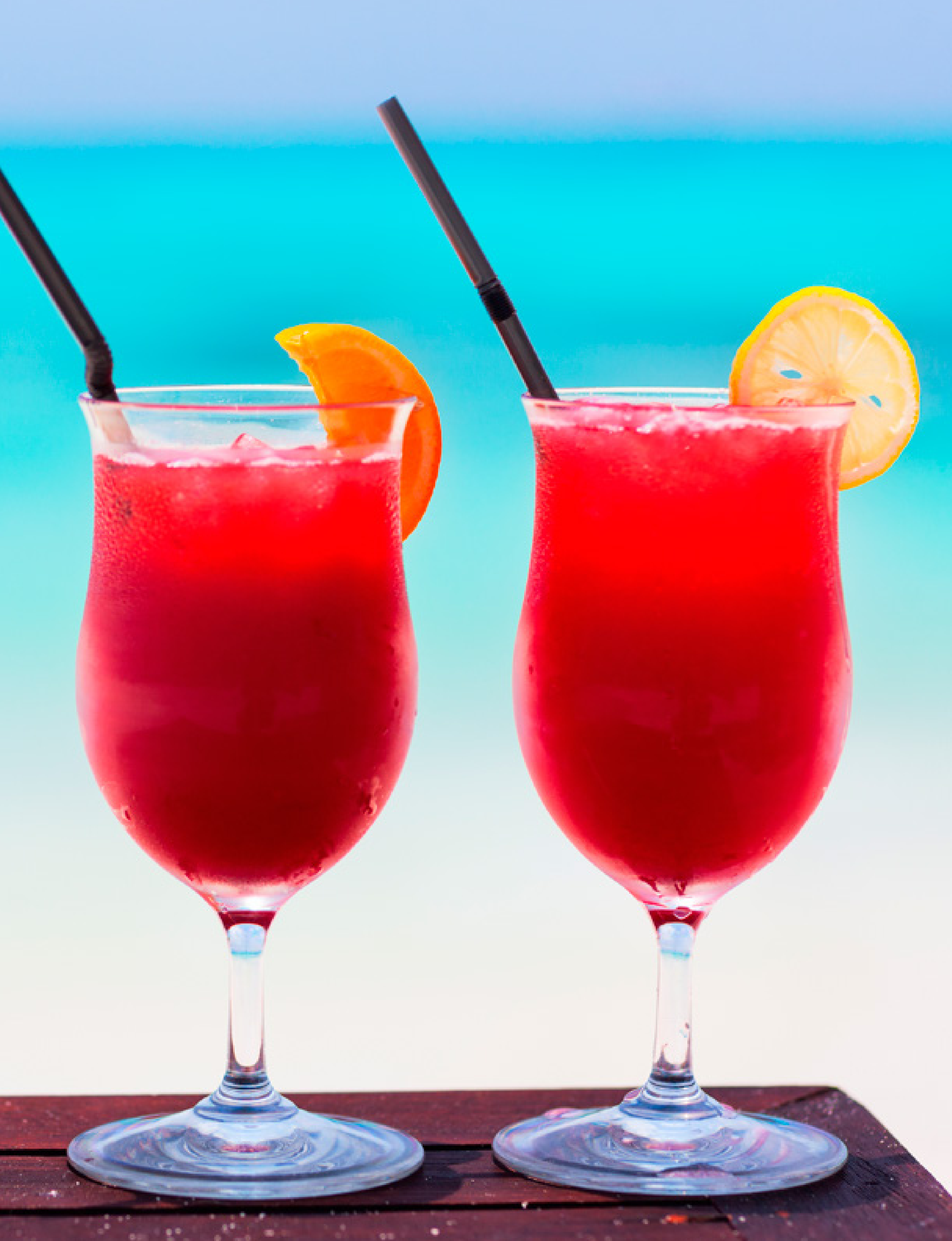
Future Outlook
Revenues for fiscal 2016 are expected to increase by 9% over prior year for same location businesses. No new locations are projected for 2017 but there are plans for new revenue streams within existing businesses.

- Beached Whale Bar and Grill is projected to add US $500,000 of new revenues to the Grand Turk location. Existing Grand Turk business will remain consistent.
- The addition of 30% more rooms at the St Thomas location is expected to add US $1.0 million in revenue.
- Tour business development in conjunction with various cruise lines is expected to continue at Falmouth and Ocho Rios. These will add new revenues to go along with an expected increase in existing businesses.
- The group continues to search for an international coffee concept for Sangster International Airport, and are hopeful we will conclude negotiations with one this calendar year.

The other locations are expecting general revenue increases in line with inflation and general growth in the tourism industry.

Operating Costs are expected to continue along the trend of 2016 with improvements in the efficiency of those expenditures. Total costs are expected to increase but at a slower rate than the growth in revenues. Costs of Sales are expected to maintain their existing ratio to revenues for 2017, and there are no major price increases being projected for ingredients.

EBITDA ratio to revenues was 9.95% for 2016; we project to improve this to a minimum of 10.50%. In addition, lower finance costs, due to the lower debt burden for 2017, will result in overall increased profitability.



Mair Russell
Grant Thornton

Financial STATEMENTS

Margaritaville Caribbean Limited May 31, 2016

Mair Russell
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Independent auditor's report

To the Members of
Margaritaville Caribbean Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Margaritaville Caribbean Limited and its subsidiaries, which comprise the consolidated statement of financial position as at May 31, 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements
Management is responsible for the preparation and fair presentation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Independent auditors' report (cont'd)

To the Members of
Margaritaville Caribbean Limited

Auditors' Responsibility (Cont'd)
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Margaritaville Caribbean Limited and its subsidiaries as at May 31, 2016, and of their financial performance, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Montego Bay, Jamaica

August 22, 2016

Mair Russell Grant Thornton
Chartered Accountants

Statement of FINANCIAL POSITION

as at May 31, 2016

	Note	2016 US$	2015 US$
Assets			
Non-current			
Property, plant and equipment	(3)	**21,429,258**	22,108,340
Goodwill	(4)	**246,547**	246,547
Other intangible assets	(5)	**3,040,266**	2,516,571
Deferred tax asset	(6)	**1,796,182**	1,237,126
Non-current assets		**26,512,253**	26,108,584
Current			
Inventories	(7)	**3,802,647**	4,807,919
Trade and other receivables	(8)	**3,818,873**	3,661,403
Prepayments		**61,312**	89,917
Owing by related companies	(9)	**2,067,379**	2,017,202
Certificates of deposit	(10)	**565,354**	388,488
Cash and bank balances	(10)	**450,307**	416,011
Current assets		**10,765,872**	11,380,940
Total assets		**37,278,125**	37,489,524
Equity and liabilities			
Capital and reserves attributable to the company's owners			
Share capital	(11)	**50,000**	50,000
Capital reserve	(12)	**32,616**	32,616
Retained earnings		**6,843,251**	6,430,199
		6,925,867	6,512,815
Non-controlling interests		**2,130,053**	1,787,639
Total equity		**9,055,920**	8,300,454
Liabilities			
Non-current			
Preference shares	(13)	**3,040,498**	3,040,498
Long-term loans	(14)	**7,691,936**	6,395,065
Lease obligations	(15)	**672,558**	753,905
Directors' loans	(16)	**7,449,638**	7,449,638
Shareholders loans	(16)	**763,032**	763,032
Non-current liabilities		**19,617,662**	18,402,138
Current			
Trade and other payables	(17)	**5,799,869**	6,729,996
Short-term loans	(14)	**1,000,009**	2,700,000
Current portion of long-term loans	(14)	**1,002,655**	594,029
Current portion of lease obligations	(15)	**450,392**	421,781
Income tax payable		**111,214**	147,678
Bank overdraft	(18)	**240,404**	193,448
Current liabilities		**8,604,543**	10,786,932
Total liabilities		**28,222,205**	29,189,070
Total equity and liabilities		**37,278,125**	37,489,524

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

Approved for issue by the Board of Directors on August 22, 2016 and signed on its behalf by:

_______________) Director Ian Dear

_______________) Director Herrick Dear

Statement of PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

for the year ended May 31, 2016

	Note	2016 US$	2015 US$
Revenue		**38,316,049**	34,698,418
Cost of sales		**(10,675,681)**	(9,351,996)
Gross profit		**27,640,368**	25,346,422
Other income		**794,604**	672,416
Administrative expenses	(19)	**(23,559,054)**	(21,507,073)
Promotional expenses		**(901,486)**	(719,609)
Depreciation		**(1,835,386)**	(1,824,697)
Amortisation of other intangible assets		**(166,630)**	(107,558)
Other operating expenses		**(161,040)**	(169,509)
Operating profit		**1,811,376**	1,690,392
Finance costs	(20)	**(1,396,375)**	(1,821,834)
Finance income	(20)	**2,324**	1,186
Foreign exchange gains		**227,306**	173,938
Gain/(loss) on sale of property, plant and equipment		**1,247**	(4,026)
Profit before tax		**645,878**	39,656
Income taxes	(21)	**327,500**	483,724
Net profit for the year being total comprehensive income for the year		**973,378**	523,380
Attributable to:			
Owners of Margaritaville Caribbean Limited		**413,051**	336,474
Non-controlling interests		**560,327**	186,906
		973,378	523,380
Earnings per share attributable to owners of Margaritaville Caribbean Limited	(22)	**8.26**	6.73

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

Statement of CHANGES IN EQUITY

for the year ended May 31, 2016

	Attributable to owners of the parent company				
	Share Capital US$	Capital Reserve US$	Retained Earnings US$	Non-controlling Interests US$	Total US$
Balance at May 31, 2014	50,000	32,616	7,108,039	762,118	7,952,773
Transactions with owners					
Dividends paid by subsidiary to non-controlling interests (Note 23)	-	-	-	(175,699)	(175,699)
Total transactions with owners	-	-	-	(175,699)	(175,699)
Profit for the year being total comprehensive income for the year	-	-	336,474	186,906	523,380
Balance at May 31, 2015 - As previously reported	50,000	32,616	7,444,513	773,325	8,300,454
Prior year adjustment (Note 24)					
Increase in non-controlling interests	-	-	(1,014,314)	1,014,314	-
Balance at May 31, 2015 - Restated	50,000	32,616	6,430,199	1,787,639	8,300,454
Transactions with owners					
Dividends paid by subsidiary to non-controlling interests (Note 23)	-	-	-	(217,913)	(217,913)
Total transactions with owners	-	-	-	(217,913)	(217,913)
Profit for the year being total comprehensive income for the year	-	-	413,052	560,327	973,379
Balance at May 31, 2016	**50,000**	**32,616**	**6,843,251**	**2,130,053**	**9,055,920**

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

Statement of CASH FLOWS

for the year ended May 31, 2016

	2016 US$	2015 US$
Cash flows from operating activities:		
Profit before tax	**645,878**	39,656
Adjustments for:		
Depreciation	**1,835,386**	1,824,696
Amortisation	**101,919**	107,558
Interest income	**(2,324)**	(1,186)
Interest expense	**1,396,375**	1,821,834
(Gain)/loss on sale of property, plant and equipment	**(1,247)**	4,026
	3,975,987	3,796,584
Increase in trade and other receivables	**(157,470)**	(212,267)
Decrease/(increase) in prepayments	**28,604**	(26,712)
Increase in owing by related companies	**(50,185)**	(757,910)
Decrease in inventories	**1,005,272**	33,366
Decrease in trade and other payables	**(930,127)**	(471,750)
Cash generated from operations	**3,872,081**	2,361,311
Interest paid	**(1,396,375)**	(1,821,834)
Income tax paid	**(267,968)**	(26,624)
Net cash provided by operating activities	**2,207,738**	512,853
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,156,304)**	(940,755)
Intangible assets	**(625,605)**	(478,967)
Interest income	**2,324**	1,186
Proceeds from sale of property, plant and equipment	**1,247**	8,223
Net cash used in investing activities	**(1,778,338)**	(1,410,313)
Cash flows from financing activities		
Proceeds from long-term loans	**6,405,479**	3,232,699
Repayment of long-term loans	**(6,399,975)**	(8,326,522)
Net repayment of lease obligations	**(52,785)**	(419,756)
Dividends paid	**(217,913)**	(175,699)
Increase in directors' loans	**-**	6,910,665
Net cash (used in)/provided by financing activities	**(265,194)**	1,221,387
Increase in cash and cash equivalents	**164,206**	323,927
Cash and cash equivalents at beginning of year	**611,051**	287,124
Cash and cash equivalents at end of year (Note 10)	**775,257**	611,051

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

1. Identification

Margaritaville Caribbean Limited (the company) was registered on February 15, 2005 under the Bahamas IBC Act of 2000. The company is jointly owned by Quantum Investments Holdings Limited and Mville Investments Limited. The company along with its subsidiaries Margaritaville St. Lucia, Inc., Portside Restaurant Group Inc. and Restaurants of the Caribbean Inc. have controlling interests in various subsidiaries as follows:

	Percentage Ownership	Principal Activities	Geographic Location
RM Restaurant Ltd	**100%**	Operation of a bar and restaurant	Cayman
Margaritaville Turks Ltd	**68.66%**	Operation of a bar and restaurant	Turks and Caicos
Margaritaville Ocho Rios Limited	**99.7%**	Operation of a bar and restaurant	Jamaica
Margaritaville Limited	**99.99%**	Operation of a bar and restaurant	Jamaica
Express Catering Limited	**75%**	Operation of a various bars and restaurants	Jamaica
Falmouth Entertainment Brands Limited	**100%**	Operation of a various bars and restaurants	Jamaica
MWV Hospitality Inc	**100%**	Operation of a bar and restaurant	US Virgin Islands
Margaritaville St. Lucia, Inc.	**100%**	Investment in subsidiaries	St. Lucia
Portside Restaurant Group Inc.	**100%**	Investment in subsidiaries	St. Lucia
Restaurants of the Caribbean Inc.	**100%**	Investment in subsidiaries	St. Lucia
Restaurant Supplies International Inc	**100%**	Investment in subsidiaries	USA

The sports bar and restaurants are operated under the Margaritaville brand. The company and its subsidiaries are collectively referred to in these financial statements as the Group.

Margaritaville Turks Ltd, a subsidiary, was listed on the Main Market of the Jamaica Stock Exchange on April 11, 2014.

The Margaritaville Caribbean Limited issued 60,809,955 Preference Shares which were also listed on the Jamaica Stock Exchange on April 11, 2014.

2. Significant accounting policies

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The measurement bases used are more fully described in the accounting policies below.

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the consolidated 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 and amortisation periods are as shown in Notes 4(d)&(e).

New and revised standards that are 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 has determined that none would have a significant impact on its operations.

Annual Improvements to IFRS 2010 - 2012 and 2011 - 2013 cycles, effective for periods beginning on or after July 1, 2014. There was no impact from adoption of these amendments and clarifications.

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

At the date of approval 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. 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, interpretations and amendments not listed below are not expected to have a significant impact on the company's financial statements.

Amendments to IAS 1, 'Disclosure initiative'

These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is effective for accounting periods beginning on or after January 1, 2016. The amendment is not expected to have a significant impact on the financial statements.

IFRS 9 'Financial Instruments'

The IASB recently released IFRS 9 'Financial Instruments', representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The company's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The company's management have not yet assessed the impact of IFRS 15 on these financial statements.

IFRS 16 Leases *(effective for annual reporting period beginning on or after January 1, 2019)*
Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). 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. The IASB has included an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets'
Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after January 1, 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

Amendments to IAS 27, 'Associates', (effective for annual periods beginning January 1, 2016)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing whether to use the equity method in the separate financial statements of the parent company.

Annual Improvements 2014, (effective for annual periods beginning on or after January 1, 2016)
The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held-for-sale" to "held-for distribution or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

b Basis of consolidation

The Group's financial statements consolidate those of the company and all its subsidiaries, as listed in note 1.

All transactions and balances between Group companies have been eliminated on consolidation.

c 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. Since the operations are similar in all locations the resources are managed by geographic locations. Information by geographic locations are disclosed in Note 29.

d Property, plant and equipment

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

(ii) Depreciation is charged on the assets from the date of acquisition.

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, ten (10) years for machinery, furniture and fixtures and equipment , five (5) years for motor vehicles and three years for computers .

Leasehold improvement is 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 Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the Group's interests in the net fair value of the identifiable assets and liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is tested annually for impairment.

f Other intangible assets

These represent amounts spent on the acquisition of franchises and licenses and the development of new products, processes and systems. These are recorded at cost and are amortised over their estimated useful lives, which ranges from 6 to 10 years.

g Foreign currency translation

Functional and presentation currency

These consolidated financial statements are presented in United States Dollars (US$), which is the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the United States Dollars (US$) are translated into United States Dollars (US$) upon consolidation. The functional currency of the entities in Group has remained unchanged during the reporting period.

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 Financial instruments

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, the company classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. 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.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. A provision for doubtful debt is recognised when there is an indication that the debt is impaired. Impairment of trade receivables are presented within 'other operating expenses'.

Financial liabilities

The company's financial liabilities include shareholders' loans, interest-bearing borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

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.

o Borrowings

Borrowings includes bank loans and 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.

p 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 the estimated average annual cruise passengers visiting the property. The amount incurred is expensed in the period to which it relates. Associated costs such as insurance and maintenance are expensed as incurred. Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

q Income taxes

Income tax in the consolidated statement of comprehensive income 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 statement of financial position date, for the countries where the subsidiaries operate, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet 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.

The subsidiaries that are subject to tax are those operating in Jamaica, where the current tax rate is 25%.

r 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.

s 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

t Comparative information

Certain prior year figures have been restated to conform with current year's presentation. (Note 24).

3. Property, plant and equipment comprise:

The carrying amounts for property, plant and equipment for the years included in these financial statements as at May 31, 2016 can be analysed as follows:

	Leasehold Improvement US$	Land And Building US$	Furniture And Fixtures US$	Equipment US$	Computers US$	Machinery US$	Motor Vehicles US$	Construction In Progress US$	Total US$
Gross carrying amount									
Balance at June 1, 2015	16,021,935	-	7,944,230	5,286,967	1,359,495	692,881	794,323	360,064	32,459,895
Additions	154,672	-	470,664	210,228	85,538	-	72,759	162,443	1,156,304
Transfers	386,135	-	-	-	-	-	-	(386,135)	-
Disposal	-	-	-	-	-	-	(3,409)	-	(3,409)
Balance at May 31, 2016	**16,562,742**	**-**	**8,414,894**	**5,497,195**	**1,445,033**	**692,881**	**863,673**	**136,372**	**33,612,790**
Depreciation and impairment									
Balance at June 1, 2015	(3,385,136)	-	(3,425,463)	(1,951,682)	(934,723)	(215,681)	(438,870)	-	(10,351,555)
Depreciation	(583,237)	-	(591,322)	(391,847)	(152,013)	(48,949)	(68,018)	-	(1,835,386)
Disposal	-	-	-	-	-	-	3,409	-	3,409
Balance at May 31, 2016	**(3,968,373)**	**-**	**(4,016,785)**	**(2,343,529)**	**(1,086,736)**	**(264,630)**	**(503,479)**	**-**	**(12,183,532)**
Carrying amount at May 31, 2016	**12,594,369**	**-**	**4,398,109**	**3,153,666**	**358,297**	**428,251**	**360,194**	**136,372**	**21,429,258**

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

	Leasehold Improvement US$	Land and Building US$	Furniture and Fixtures US$	Equipment US$	Computer US$	Machinery US$	Motor Vehicles US$	Construction in Progress US$	Total US$
Gross carrying amount									
Balance at June 1, 2014	12,406,264	2,520,794	7,816,317	5,102,796	1,259,681	684,249	593,957	1,147,280	31,531,338
Addition	226,311		127,913	184,171	99,814	8,632	212,564	81,350	940,755
Transfer	3,389,360	(2,520,794)	-	-	-	-	-	(868,566)	-
Disposal	-	-	-	-	-	-	(12,198)	-	(12,198)
Balance at May 31, 2015	16,021,935	-	7,944,230	5,286,967	1,359,495	692,881	794,323	360,064	32,459,895
Depreciation and impairment									
Balance at June 1, 2014	(2,348,313)	(461,462)	(2,805,676)	(1,557,947)	(793,341)	(164,911)	(395,155)	-	(8,526,808)
Depreciation	(575,358)	-	(619,787)	(393,735)	(141,382)	(50,770)	(43,664)	-	(1,824,696)
Transfer	(461,465)	461,465	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	(7,370)	-	(7,370)
Disposal	-	-	-	-	-	-	7,319	-	7,319
Balance at May 31, 2015	(3,385,136)	-	(3,425,463)	(1,951,682)	(934,723)	(215,681)	(438,870)	-	(10,351,555)
Carrying balance at May 31, 2015	12,636,799	-	4,518,767	3,335,285	424,772	477,200	355,453	360,064	22,108,340

Notes to the FINANCIAL STATEMENTS

4. Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the Group's interests in the net fair value of the identifiable assets and liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. Goodwill is tested annually for impairment. There was no indication of impairment during the current year.

5. Other intangible assets

	Development costs US$	Licenses and franchises US$	Total US$
Cost at June 1, 2015	900,653	1,615,918	2,516,571
Additions during the year	657,967	-	657,967
Less: Amortisation	(32,357)	(101,915)	(134,272)
May 31, 2016	**1,526,263**	**1,514,003**	**3,040,266**
Cost at June 1, 2014	421,686	1,723,476	2,145,162
Additions during the year	478,967	-	478,967
Less: Amortisation	-	(107,558)	(107,558)
May 31, 2015	900,653	1,615,918	2,516,571

6. Deferred tax asset

Deferred taxes are applicable only to the subsidiaries operating in Jamaica and are calculated on all temporary differences using the liability method at a tax rate of 25%.The movement on the deferred tax account is as follows:

	2016 US$	2015 US$
Balance at beginning o f year	**1,237,126**	585,701
Change during the year (Note 21)	**559,056**	651,425
Balance at end of year	**1,796,182**	1,237,126

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

	2016 US$	2015 US$
Deferred tax asset on:		
Equipment:	**1,796,182**	1,237,126
Deferred tax asset	**1,796,182**	1,237,126

7. Inventories

	2016 US$	**2015 US$**
Food and beverage	**1,404,293**	1,637,585
General stores	**1,376,756**	1,704,346
Gift shop	**1,021,598**	1,465,988
Total	**3,802,647**	4,807,919

8. Trade and other receivables

	2016 US$	2015 US$
Trade receivables	**237,038**	159,270
Credit card receivables	**270,446**	292,884
Deposit on goods and refundable security deposits	**561,988**	285,817
Advances	**64,224**	39,582
Other receivables	**2,685,177**	2,883,850
Total	**3,818,873**	3,661,403

All amounts are short-term. The net carrying value of trade and other receivables is considered a reasonable approximation of fair value. Trade and credit card receivables analysed by length of time are:

	2016 US$	2015 US$
Not more than 3 months	**507,484**	452,154

9. Related party balances and transactions

Inter-company transactions and balances between companies included in the consolidated financial statements have been eliminated .

Related party balances are unsecured, interest free and have no fixed repayment terms.

10. Cash and cash equivalents

	2016 US$	2015 US$
Bank and cash	**450,307**	416,011
Certificates of deposit	**565,354**	388,488
	1,015,661	804,499
Less: Bank overdraft	**(240,404)**	(193,448)
Total	**775,257**	611,051

11. Share capital

	2016 US$	2015 US$
Authorised:		
100,000 ordinary shares	**100,000**	100,000
issued and fully paid:		
50,000 ordinary shares	**50,000**	50,000

12. Capital reserve

The above represents pre-incorporation net income earned by Express Catering Limited a subsidiary, as follows:

	US$
Gross income	**158,833**
Less: Expenses	**93,887**
Taxation	**21,649**
	43,297
Less: Minority interest	**(10,681)**
Total	**32,616**

13. Preference shares

These represent 60,809,955 units of 9% cumulative redeemable United States Dollars indexed preference shares listed on the Jamaica Stock Exchange. The shares have no par value but were listed at the Jamaican Dollar equivalent of US$0.05 per share.

14. Long-term and short-term loans

	2016 US$	2015 US$
Long-term loans		
a Dart Management Limited	**2,831,285**	2,937,736
b Goddard Catering	**404,622**	949,453
c National Peoples Co-operative Bank	**124,181**	124,084
d National Commercial Bank Jamaica Limited	**5,334,503**	2,977,821
	8,694,591	6,989,094
Less: current portion	**1,002,655**	594,029
	7,691,936	6,395,065
Short-term loans:		
e National Commercial Bank Jamaica Limited	**1,000,009**	2,700,000

a This loan represents tenant improvement loan to a subsidiary from Dart Management Limited. This is repayable over ten years. The loan is secured with an interest rate of US prime rate plus 2%.

b This represent loans from Goddard Catering, the minority shareholder in a subsidiary, denominated in United States currency. The loans attract interest rate of 7% each and are repayable over five (5) years with monthly payments totalling US$49,503. The loans are unsecured.

c This represents loan with National Peoples Co-operative Bank of Jamaica. Interest on the loans range from 9.5% to 12% and are repayable over four (4) years. The loans are secured by certain motor vehicles owned by a subsidiary.

d These represent loans denominated in Jamaican dollars with National Commercial Bank Jamaica Limited. The loans attract interest rates of nine point four percent (9.4%) per annum. Principal on the loans are repayable by quarterly payments.

e These represent revolving short-term loans denominated in United States dollars with National Commercial Bank Jamaica Limited. The loans attract interest rates of 3 months LIBOR plus 7.1% per annum.

The NCB loans are secured by Joint and Several Composite Guarantees by the Group and related companies.

15. Lease obligations

(a) Capital lease obligations

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

	2016 US$	2015 US$
Within 1 year	557,089	581,367
1 – 5 years	725,706	753,905
	1,282,795	1,335,272
Less: Amount representing interest	159,845	159,586
	1,122,950	1,175,686
Less: Current portion	450,392	421,781
Total	672,558	753,905

(b) Operating lease obligations

The Group operates from certain leased premises with lease terms ranging from 3 to 15 years with options to renew. Minimum monthly payments under these leases amount to $3,100,000. The Group also incurs lease expenses based on cruise passenger arrivals and sales.

16. Directors' and shareholders' loans

These represent amounts advanced to the Group by its Directors and shareholders. These loans are interest free and have no fixed repayment plan, however, they will not be due for repayment in the following 12 months.

17. Trade and other payables

	2016 US$	2015 US$
Trade payables	3,951,153	4,755,967
Statutory liabilities	-	2,320
Accrued expenses	876,659	819,170
Other payables	972,057	1,152,539
Total	5,799,869	6,729,996

18. Bank overdraft

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

19. Expenses by nature

Total, direct, administrative and other operating expenses:

	2016 US$	2015 US$
Direct expenses		
Cost of inventories recognised as expense	10,675,681	9,351,906
Rent and leases	5,697,326	4,895,864
Employee benefits (Note 25)	10,509,368	9,113,087
Electricity	1,063,809	1,481,857
Franchise fees	1,054,799	999,577
Repairs and maintenance	534,864	469,554
Other expenses	4,698,888	4,547,134
Total	23,559,054	21,507,073

20. Finance income and finance cost

Finance income

Finance income includes all income received from short-term deposits and cash at bank and comprises:

	2016 US$	2015 US$
Interest income from financial assets	2,324	1,186
Total	2,324	1,186

Finance costs

Finance costs include all interest related expenses which have been included in the Statement of profit or loss and other comprehensive income for the reporting periods presented and comprises:

	2016 US$	2015 US$
Preference dividends	273,645	273,645
Loan interest	982,603	1,393,243
Interest on finance lease	140,127	154,943
Total	1,396,375	1,821,831

21. Income taxes

i Income taxes are charged on the subsidiaries operating in Jamaica at the tax rate of 25% and comprises:

	2016 US$	2015 US$
Current income tax charge	231,556	167,700
Deferred tax credit (Note 6)	(559,056)	(651,425)
Total	(327,500)	(483,725)

ii Reconciliation of calculated tax charge to effective tax charge:

	2016 US$	2015 US$
Profit before tax	645,878	35,390
Taxable profit/(loss) for Jamaican subsidiaries	93,114	(186,401)
Jamaican tax rate	25%	25%
Expected tax expenses	23,279	(46,600)
Tax effect of expenses not deductible for tax purposes	318,550	334,199
Net effect of other charges and allowances	(110,273)	(119,899)
Deferred tax credit	(559,056)	(651,425)
Income tax credit for the year	(327,500)	(483,725)

22. Earnings per share

Earnings per share have been calculated using the profit attributable to shareholders of the Margaritaville Caribbean Limited as the numerator divided by the number of ordinary shares in issue during the year: 50,000 (2015 – 50,000).

23. Ordinary dividends

The Board of Margaritaville (Turks) Limited, a subsidiary, declared dividends of US$0.0103 (2015 – US$0.0083) per ordinary share. Amounts paid to Margaritaville Caribbean Limited were eliminated on consolidation.

24. Prior year adjustment – increase in non-controlling interests

This relates to the increase in allocation of retained earnings attributable to non-controlling interests to reflect the proportion of equity held by the Margaritaville Caribbean Limited at May 31, 2015. The effect on each component of equity is fully disclosed in the statement of changes in equity.

There was no effect on total equity, or earnings per share.

25. Employee benefits

	2016 US$	2015 US$
Salaries, wages and related expenses	**10,509,368**	9,113,087
Total	**10,509,368**	9,113,087

Key management compensation

Employee benefits includes key management compensation of $1,387,631 (2015 - $1,154,335). Key management includes the Chief Executive Officer, Chief Financial Officer and the general managers.

26. Risk management policies

The Group is exposed to a variety of financial risks in respect of its financial instruments: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group 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 Group 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 its operating and investing activities.

i Currency risk and sensitivity to currency risk

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 currencies giving rise to this risk is the Jamaican Dollar against the United States Dollar.

The Group has certain obligations in these two currencies. It is however able to manage this risk by maintaining bank accounts in the respective currencies, and by generating income in the two currencies identified above.

Foreign currency sensitivity

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below:

	2016 J$'000s	2015 J$'000s
Financial assets	**173,581**	109,009
Financial liabilities	**(846,044)**	(550,036)
Total exposure	**(672,193)**	(421,027)

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and USD/JMD exchange rate, all other things being equal. It assures a 6% depreciation and a 1% appreciation of the Jamaican Dollar to United States Dollar. If the Jamaican Dollar depreciated by 6% or appreciated by 1% then it would have the following impact:

	Effect on profit for the year and equity	
	2016 US$'000s	2015 US$'000s
J$ depreciated by 6%	**324**	215
J$ appreciated by 1%	**(57)**	(38)

ii Interest rate risk and sensitivity

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

The Group is exposed to interest rate risk as follows:

Financial assets/(liabilities) :

	Range of interest rates %	Rate sensitive within one year $	Non rate sensitive within one year $	Total $
Cash and cash equivalents	.5 - 15.75	603,213	-	603,213
Bank loans	8.62 - 8.63	(1,000,009)	-	(1,000,009)
Bank loans	9.4 - 12	-	(8,694,591)	(8,694,591)

Interest rate sensitivity

The following table illustrates the sensitivity of profit and equity to a reasonable possible change in interest rates of + or -1%:

	Effect on profit for the year and equity	
	+1%	**-1%**
May 31, 2016	**90,914**	**(90,914)**
May 31, 2015	91,085	(91,085)

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 issuer or factors affecting all instruments traded in the market.

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

b Credit risk analysis

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.

There is no significant concentration of credit risk as the Group's bank accounts are maintained with stable financial institutions and its debts are due from a diverse number of companies and individuals.

c Liquidity risk

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

The Group 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 Group's financial liabilities comprise loans, bank overdrafts and trade and other payables.

These amounts are due as follows:

	Within 12 months	
	2016 US$	2015 US$
Bank loans and overdraft	**2,693,460**	3,909,258
Trade and other payables	**5,799,869**	6,729,996
Total	**8,493,329**	10,639,254

27. Fair value measurement

The Group's financial assets and liabilities are measured at amortised costs, and the fair values for these are disclosed at Note 28.

28. Summary of financial assets and liabilities by category

The carrying amount of the Group's financial assets and liabilities are recognised at the date of the statement of financial position of the reporting periods may also be categorised as follows:

	2016 US$	2015 US$
Financial assets at amortised costs		
Current assets		
Loans and receivables		
Trade and other receivables	**3,818,873**	3,661,403
Certificate of deposit	**565,354**	388,488
Cash and cash equivalents	**450,307**	416,011
	4,834,534	4,465,902
Financial liabilities at amortised costs		
Non-current liabilities		
Related party loans	**8,212,670**	8,212,670
Borrowings	**11,404,992**	10,189,468
	19,617,662	18,402,138
Current liabilities		
Short-term loans	**1,000,009**	2,700,000
Bank overdraft	**240,404**	193,448
Trade and other payables	**5,799,869**	6,729,996
Current portion of borrowings	**1,453,047**	914,476
	8,493,329	10,537,920

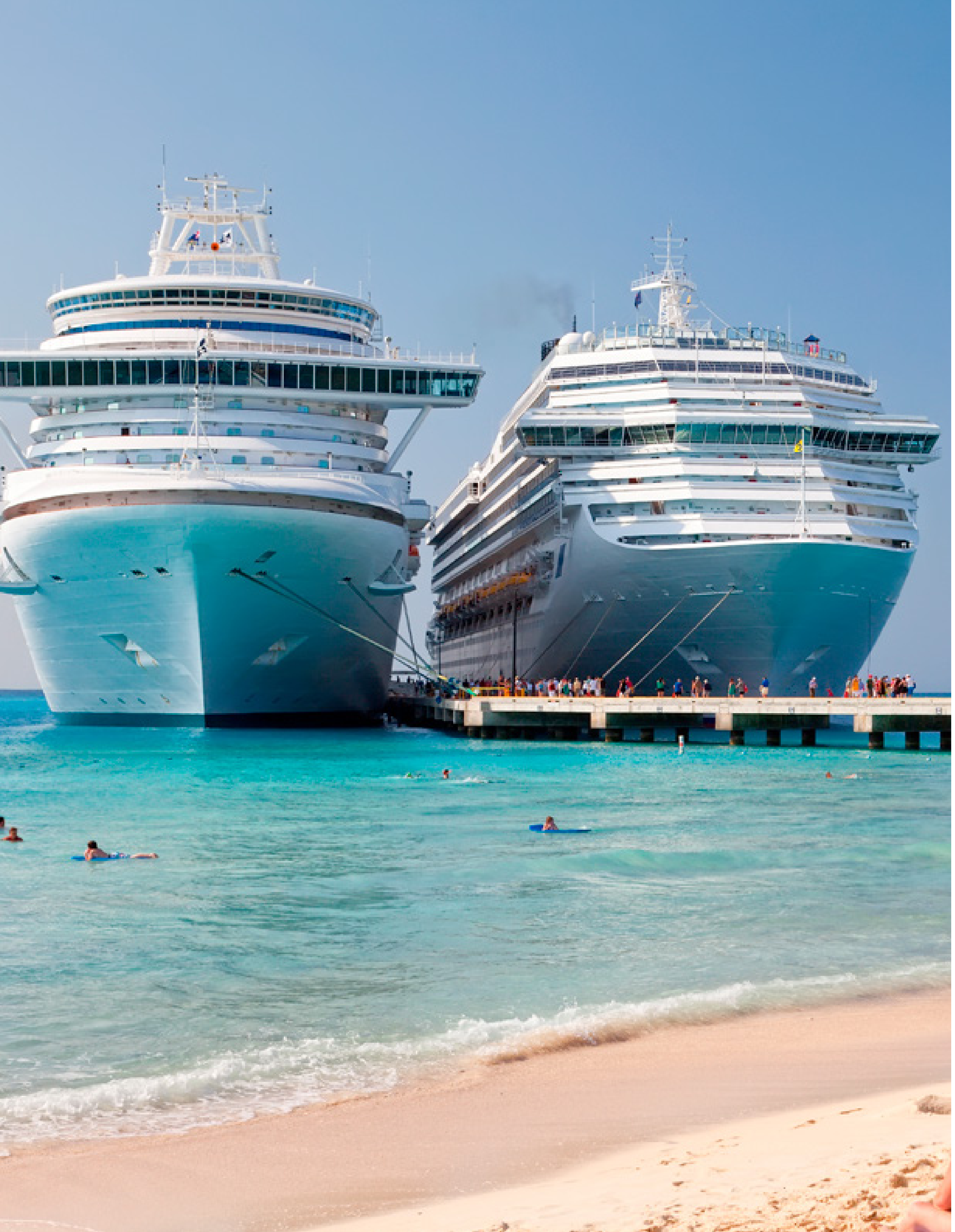
29. Capital management, policies and procedures

The Group's capital management objectives are to ensure the company and its subsidiaries 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.

30. Information by geographic location

The Group's revenue from external customers and its non-current assets are divided into the following geographical areas.

	2016 US$	2015 US$
Revenue		
Jamaica	**25,431,600**	24,372,490
Turks and Caicos	**6,855,281**	6,171,275
Others	**6,029,168**	4,154,653
	38,316,049	34,698,418
Non-current assets		
Jamaica	**20,095,630**	18,499,231
Turks and Caicos	**3,140,340**	3,137,450
Others	**1,233,554**	2,988,230
	24,469,524	24,624,911



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