Jimmy Buffett's MARGARITAVILLE®
GRAND TURK

2016 Annual Report

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Notice of ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Margaritaville (Turks) 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 11 am for the following purposes:

1 To receive the report of the Directors and Financial Statements for the year ended May 31, 2016 and the report of the 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 pursuant to section 154 of the companies act.

3 To ratify the interim dividends and declare them final.

4 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,

Easthaven Limited
Company Secretary

REGISTERED OFFICE
P.O. Box 127,
Richmond House, Leeward Highway, Providenciales,
Turks and Caicos Islands, British West Indies

Chairman's STATEMENT

Dear Shareholders:

We are pleased to present the operating results for Margaritaville Turks Ltd. for fiscal year 2016. The company continued its improved performance in sales, efficiency and profitability.

Fiscal 2016 saw revenue increases over the prior year of 11%, or $684,000, on gross sales of $6.85 million versus $6.17 million. Net income for this fiscal year was $934,000, compared to the prior year of $660,000. This represents an increase in profitability of 41% or $274,000. We are particularly pleased with the increased yield per customer from $6.36 to $7.46. This is a 17% increase year over year in per passenger spend. Additionally, the company was able to achieve an improved cost of sales of .5%, from 30.85% to 30.37%, contributing to improved earnings.

We were pleased to declare a dividend of $695,250 to all shareholders on record at February 22, 2016. This was paid March 16, 2016.

IN JULY 2016, AN ADDITIONAL RESTAURANT CONCEPT – "THE BEACHED WHALE BAR AND GRILL" —OPENED. WE ARE VERY PLEASED WITH THE FINAL PRODUCT, INITIAL RESULTS AND CRUISE SHIP PASSENGERS' INTEREST IN THE NEW VENUE.

Margaritaville (Turks) Limited continues to leverage the expertise of Margaritaville Caribbean Group's Marketing & Sales department. New and innovative approaches to service and sales are consistently being developed, and activated. Beach and pool service bars have been added to the venue's footprint to increase consumption and improve service levels and guest experience. We will see the benefits of these efforts in the upcoming year. In July 2016, an additional restaurant concept – "The Beached Whale Bar and Grill" – opened. We are very pleased with the final product, initial results and cruise ship passengers' interest in the new venue.

Although we have seen improvement year over year, we continue to experience challenges with illegal beach vending and diligently work with the local government and Carnival Corporation to address the issue.

The company continues to support responsible corporate citizenship through active participation in a number of educational and social organizations on island. We have been embraced as a community partner in the development of Grand Turk. Training and the ongoing development of our team, with a focus on the local populace, is key to our continued success.

The Board is pleased with the performance of Fiscal Year 2016 and remains confident that the continued growth of the company will maintain its upward performance in the upcoming fiscal year. We are appreciative of the continued support and confidence of our shareholders and bankers, and proud of the Grand Turk team who embody the spirit of our mission to deliver the BEST. DAY. EVER. One smile at a time. To every single guest.

Directors' PROFILE

Herrick Winston Russell Dear
OD;C.L.S; J.P.
CHAIRMAN

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.

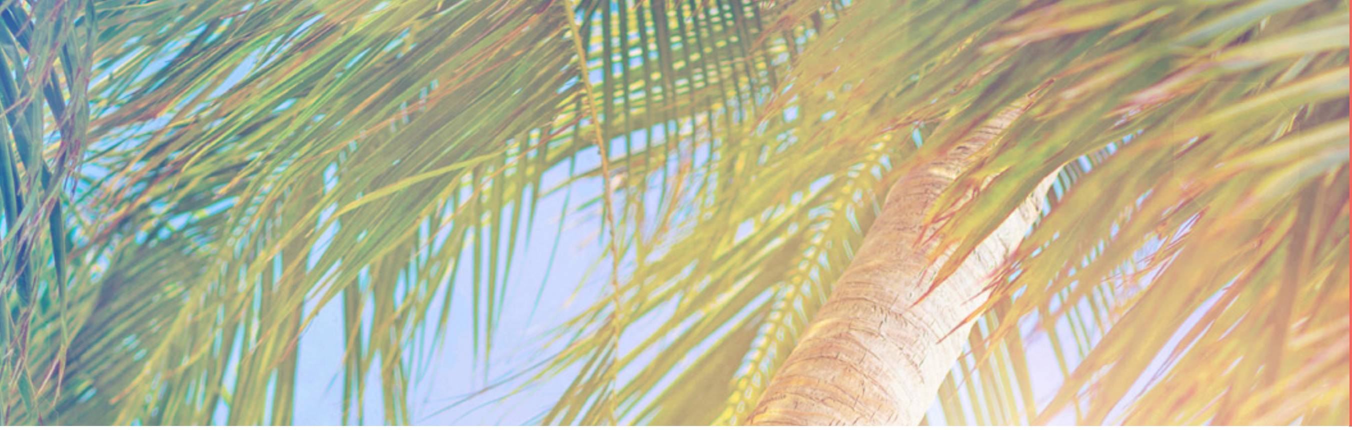
In the 1980's he was deeply involved in the 807 garment industry and at the zenith of this industry employed over 3,000 workers.

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.

Ian Dear

CHIEF EXECUTIVE OFFICER and CHAIRMAN of MARGARITAVILLE CARIBBEAN LIMITED

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.

Roland Clarke

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 six 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.

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 (15) 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.

Directors SHAREHOLDINGS

AS AT MAY 31, 2016

	DIRECT	CONNECTED	TOTAL	%
Herrick Winston Dear	–	–	–	0.0%
Peter K. Melhado	–	–	–	0.0%
Ian B. Dear	–	46,343,445	46,343,445	68.7%
John G. Byles	–	–	–	0.0%
Roland P Clarke	40,000	–	40,000	0.1%
	40,000	**46,343,445**	**46,383,445**	**68.72%**

Top Ten SHAREHOLDINGS

AS AT MAY 31, 2016

		VOL.	%
Margaritaville Caribbean Limited	Nassau, Bahamas	46,343,445	68.7
Lannaman & Morris (Shipping) Limited	Kingston	3,531,074	5.2
Lacy, Donald S.	Kingston	2,180,720	3.2
Fraser, Paul	Manchester	1,993,117	3.0
National Supply Co. Ltd	Kingston	1,200,000	1.8
Prime Asset Management Ltd. - JPS	Kingston	1,000,000	1.5
Nekia Limited	Kingston	1,000,000	1.5
Liao, Huixiong	Clarendon	1,000,000	1.5
JCSD Trustee Services Ltd - Sigma Venture	Kingston	920,000	1.4
Bernard, Trevor	Kingston	750,000	1.1
		59,918,356	88.8

Corporate GOVERNANCE

Report of Managements Responsibility and Internal Controls

The management of Margaritaville (Turks) Ltd. 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 company.

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 company 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 company 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 company'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

THE BELOW DISCUSSION AND ANALYSIS FOR MARGARITAVILLE TURKS SHOULD BE READ IN CONJUNCTION WITH THE AUDITED FINANCIAL STATEMENTS AND RELATED FINANCIAL STATEMENT NOTES. THE COMPANY REPORTS ON A 12 MONTH BASIS FROM JUNE 1 TO MAY 31. FINANCIAL DATA IS REPORTED IN US DOLLARS, THE CURRENCY OF THE TURKS AND CAICOS ISLANDS. THE DISCUSSIONS ARE BASED ON THE RESULTS FOR THE YEAR ENDED MAY 31, 2016 AND COMPARATIVE PRIOR YEARS.

Overview of Operations

Margaritaville (Turks) Ltd is a subsidiary of Margaritaville Caribbean Ltd., owners and franchise operators of Jimmy Buffett's Margaritaville locations throughout the Caribbean. The company is located on the Grand Turk Cruise Center, Turks and Caicos Islands.

Prior to March 2014, Margaritaville Turks was a fully owned subsidiary of Margaritaville Caribbean Ltd. The ownership of the company is now shared between Margaritaville Caribbean and 272 shareholders (as of May 31, 2016). The total number of shareholders as of May 31, 2015 was 203. The Turks and Caicos Islands are colonies of Great Britain and operate a zero income tax regime. However, Consumption Taxes and Employee Benefit levies are charged and paid to the relevant authorities.

Since Carnival Corporation developed the port in 2006, Margaritaville Turks Ltd. has provided world-class entertainment and food and beverage options for cruise passengers. In 2014/2015 the port welcomed 970,000 passengers, the highest total to date in any 12 month period.

Carnival Corporation, the world's largest cruise operator, currently operates ten cruise lines including Carnival Cruises, Princess Cruises, AIDA Cruises, Costa Cruises and Holland America. Annually, over 10 million cruise passengers choose Carnival. The industry leader operates 24 ships sailing more than 1,500 voyages each year. With 222 visits, the Grand Turk Cruise Center received 15% of Carnival's total itineraries in the2015/2016 year. In the prior year Carnival delivered 212 port calls, which translated to 14% of total itineraries. The dominant share of all the cruise calls into the port are Carnival Corporation owned cruise lines.

2014 delivered 900,000 passengers to the port, 970,000 in 2015 and 918,000 passengers in the current year. Although we have seen slight fluctuations in total ship calls over the last three years, we believe the mark of 900,000 passengers will be maintained.

Revenue per passenger and overall revenue can be inconsistent as it is impacted by the cruise line's demographic, and the ship's time in port. Our observation and analysis indicates a Carnival Cruise Line passenger is our target demographic. These passengers produce higher check averages and are engaged in onsite entertainment and activities. 2016 fiscal year had more Carnival Cruise Line passengers in terms of actual count, as well as a component of the overall number of ships. The increased revenue supports this position. See Ship Call Comparison by cruise line for 2016 versus 2015 below.

GRAND TURK CRUISE CENTER SHIP CALL COMPARISON

2014/2015 Fiscal Year			Rank	2015/2016 Fiscal Year		
Cruise Line	Passengers	%		Cruise Line	Passengers	%
Carnival Cruse Lines	704,442	72.6	1	Carnival Cruse Lines	741,875	80.8
Holland America Lines	99,261	10.2	2	Holland America Lines	90,372	9.8
Princess Cruise Lines	76,637	7.9	3	Princess Cruise Lines	45,818	5.0
Cosla Cruise Lines	30,633	3.2	4	P&O Cruise Lines	17,025	1.9
P&O Cruise Lines	24,500	2.5	5	Royal Caribbean Cruise Lines	5,595	0.6
MSC Cruise Lines	21,802	2.2	6	Crystal Cruise Lines	3,741	0.4
Others	13,059	1.3	7	Others	13,765	1.5
	970,334	**100**			**918,191**	**100**

Operational Highlights

The fiscal year delivered 311 cruise calls and 918,000 passengers to the Grand Turk Cruise Center. Revenue generated was $6.85 million or $7.46 per passenger. The previous year delivered 330 calls with 970,000 passengers and total revenues of $6.17 million or $6.36 per passenger.

The makeup of the cruise calls was a key factor to our improved performance. Over 80% of the cruise calls, or 741,000 passengers were from Carnival cruises. In the prior year the cruise operator supplied 73% of the total cruise calls and 704,000 passengers. This significant variance in Carnival guests is how we determined the cruise line's passengers generate higher check averages and better customer yield per ship call. We constantly position additional Carnival calls in our review meetings with the operators of the port.

In line with our focus of "turning" tables and serving as many patrons as possible, we have continued the work on efficiency initiatives:

- **The Beached Whale Bar and Grill, Grand Turk**

  Completed July 2016. Although the opening did not impact the revenues for fiscal 2016, we will have an almost full year contribution from this new initiative for fiscal 2017.

- **Bars and Point of Sales**

  Service bars have been added to the venue's beach and pool areas to increase consumption and improve service levels and the guest experience. Staffing these areas has presented a challenge as the workforce available in the Turks and Caicos is limited. We continue to work with the local government to see how to best address this staffing issue.

The General Manager who lead the company since 2008 has returned to Jamaica and now manages the group's Flagship Montego Bay location. The new General Manager made an easy transition as the location's core management team is thoroughly trained and proficient in daily operating procedures.

Fiscal 2016 Financial Highlights

Revenue for the year was $6.85 million. This represented an 11% or $684,000 increase compared to prior year revenues of $6.17 million.

Net income for the year was $934,000 compared to prior year net profits of $ 660,000, an increase of 41% or $274,000. In addition to the increased revenue, the company benefited from savings in energy costs associated with reduced oil prices, rental charges associated with reduced passenger counts and stable ingredient costs.

Total fixed asset investments during the year was $280,000. Expenditure to complete the Beached Whale Bar and Grill accounts for the largest portion of the cost.

The company declared and paid dividends of $695,250.00 to all shareholders on record at February 22, 2016. Distribution was made from prior year reserves and payment date was March 16, 2016.

Results of Operations for Fiscal 2016 and comparative 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 audited Statement of Profit and Loss and other Comprehensive Income found elsewhere in this report.

Revenues

Revenue for the year achieved $ 6.85 million. This was $684,000 or 11% more than prior year revenues of $6.17 million. The main factors influencing the improved performance were:

- Carnival Cruise Line
- Carnival delivered higher numbers as a percentage of total cruises to port, and total Carnival Cruise Line passengers. Carnival passengers are typically more engaged in venue entertainment and produce higher check averages. The cruise operator finished the year with 80% of total ship visits in 2016 compared to 73% for 2015. Carnival passenger count was 741,000 vs. 704,000 in the prior year.
- The addition of more Bar and Point of Sale service areas.

Although much improved over prior years, illegal beach vending still presents challenges.

We are diligent in addressing the issue with key stakeholders as the loss of revenue in the prior year had a significant impact on earnings.

We are in active discussions with the port operators in regard to how ship arrival and departure schedules impact revenue. For example, a ship that arrives at 9 and leaves at 5 results in higher revenue than one that arrives at 7 and leaves at 3. Even though both will have spent eight hours in port, the first ship with a longer lunch time opportunity generates more revenue.

	2016	2015
Revenue	**100.00%**	**100.00%**
Cost of sales	**-30.37%**	**-30.85%**
Gross profit	**69.63%**	**69.15%**
Administrative expenses	-51.07%	-54.00%
Promotional expenses	-0.39%	-0.42%
Depreciation & Amortisation	-4.52%	-4.00%
Operating profit for the year	**13.66%**	**10.74%**
Finance costs	-0.03%	-0.04%
Profit being total comprehensive income for the year	**13.63%**	**10.70%**
Earnings per share ($)	**0.014**	**0.010**

Cost of Sales and Expenses

Cost of sales and operating expenses accounted for 86.3% of the overall revenue compared to 89.3% in the prior year. Cost of sales is the cost of the various ingredients used in the preparation of all the food and beverage items sold, along with the cost associated with retail items. This accounted for 30.37% points of this total. This is compared to 30.85% in 2015, an improvement of .5%. The projection was for flat cost of sale results for 2016, notwithstanding any global impact.

The full year effect of the new menu which was designed to improve efficiency in ingredient use was also a factor in this effort.

There are no expectations for increased prices in fiscal 2017 so we project a similar cost of sales ratio.

Administrative and operational expenses, with their high variable nature, were increased generally to support the increase in revenue. However, there were some exceptions. Utility costs reduced by approximately $40,000 compared to prior year. This was a direct result of reduced oil prices on the world market. Lease cost relating to use of the premises also saw savings of $22,000 compared to prior year. Lease expense is charged based on the number of passenger arrivals and this year saw 52,000 fewer passengers compared to the prior year.

Expenses with the larger dollar increases were as follows;

- **$86,000 in employee wages and benefits compared to the prior year**. The increase was 5% over prior year but would be necessary to achieve the 11% increase in revenues. In addition, the government granted a substantial increase to minimum wages in September 2015. The impact to the company was less than the actual rate increase as most team members were already paid at a rate above the increased rate.
- **$25,000 increase in franchise fees.** This was in line with a revenue increase of 11%.
- **$63,000 in depreciation and amortization costs.** Development costs incurred in previous years commenced write off in the current year.

Administration and operating expenses of $ 3.53 million were 51.4% of revenues compared to $ 3.36 million and 54.4% in the prior year. Net profit for the year was $ 936,000, an increase of $ 270,000 over prior year. EPS was 1.4 cents compared to 1.0 cent in the prior year.

Investments

Investment in fixed assets totaled $ 280,000 during the fiscal year and included expenditure to complete bar upgrades and Point of Sale upgrades, and expenditure on the Beached Whale Bar and Grill.

Financial Condition

The company has no loan obligations and marginal other term obligations in the form of a lease for $ 14,000. Current ratio is greater than 2:1 at balance sheet date. This provides sufficient liquid assets to enable the company to operate effectively.

Future Outlook

Revenue from same store facilities are projected to be similar to current year totals as no growth is expected for total ship calls to the port. The Beached Whale Bar and Grill is an addition to the existing facilities and is geared towards a new demographic. Projected revenue from this venue is $500,000 which will all be incremental revenue to the company. This represents a projected increase in revenue of 7% for the group. The current cost structures are expected to remain for fiscal year 2017.

Except for the additional bar stations that are currently being constructed, the improvement initiatives are now complete and Margaritaville Turks is fully equipped and prepared to serve customers in the new fiscal year.

IT'S 5 O'CLOCK

SOMEWHERE!

Mair Russell
Grant Thornton

Financial STATEMENTS

MARGARITAVILLE (TURKS) LIMITED | MAY 31 2016

Independent AUDITORS' REPORT

To the Members of
Margaritaville (Turks) Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of Margaritaville (Turks) Ltd, which comprise the statement of financial position as at May 31, 2016, statement of comprehensive income, statement of changes in equity and 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 Financial Statements

Management is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Partners:
Kenneth L.Lewis,CD
Morsia E.Francis
Sixto P.Coy
Audrey C. Hoyte
Karen A. Lewis

Chartered Accountants
Member of Grant Thornton International Ltd

Independent AUDITORS' REPORT

To the Members of
Margaritaville (Turks) Ltd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Margaritaville (Turks) Ltd, as at May 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Montego Bay, Jamaica

July 29, 2016

Chartered Accountants

Chartered Accountants
Member of Grant Thornton International Ltd

Statement of FINANCIAL POSITION

AS AT MAY 31, 2016

	Note	**2016 US$**	2015 US$
Assets			
Non-current			
Property, plant and equipment	(3)	**2,946,196**	2,943,306
Intangible assets	(4)	**161,787**	194,144
Non-current assets		**3,107,983**	3,137,450
Current			
Inventories	(5)	**745,585**	699,788
Trade and other receivables	(6)	**125,969**	156,040
Owing by related companies	(7)	**685,147**	242,541
Cash and bank balances	(8)	**31,425**	78,463
Current assets		**1,588,126**	1,176,832
Total assets		**4,696,109**	4,314,282
Equity and liabilities			
Equity			
Share capital	(9)	**522,360**	522,360
Retained earnings		**3,504,006**	3,265,066
Total equity		**4,026,366**	3,787,426
Liabilities			
Non-current			
Lease obligation	(10)	**1,778**	10,810
Non-current liabilities		**1,778**	10,810
Current			
Trade and other payables	(11)	**655,993**	503,931
Current portion of lease obligation	(10)	**11,972**	12,115
Current liabilities		**667,965**	516,046
Total liabilities		**669,743**	526,856
Total equity and liabilities		**4,696,109**	4,314,282

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

Approved for issue by the Board of Directors on July 29, 2016 and signed on its behalf by:

________________) Director
Ian Dear

________________) Director
Herrick Dear

Statement of COMPREHENSIVE INCOME

FOR THE YEAR ENDED MAY 31, 2016

	Note	2016 US$	2015 US$
Revenue		**6,855,281**	6,171,277
Cost of sales		**(2,081,832)**	(1,903,644)
Gross profit		**4,773,449**	4,267,633
Administrative expenses	(12)	**(3,500,963)**	(3,332,379)
Promotional expenses		**(26,575)**	(25,949)
Depreciation and amortisation		**(309,783)**	(246,750)
Operating profit		**936,128**	662,555
Finance costs	(13)	**(1,938)**	(2,224)
Profit for the year being total comprehensive income for the year		**934,190**	660,331
Earnings per share	(14)	**0.014**	0.010

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

	Share Capital US$	Retained Earnings US$	Total US$
Balance at May 31, 2014	522,360	3,164,985	3,687,345
Dividends (Note 15)	-	(560,250)	(560,250)
Transactions with owners	-	(560,250)	(560,250)
Profit for the year 2015 being total comprehensive income	-	660,331	660,331
Balance at May 31, 2015	522,360	3,265,066	3,787,426
Dividends (Note 15)	-	(695,250)	(695,250)
Transactions with owners	-	(695,250)	(695,250)
Profit for the year 2016 being total comprehensive income	-	934,190	934,190
Balance at May 31, 2016	**522,360**	**3,504,006**	**4,026,366**

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

	Note	2016 US$	2015 US$
Cash flows from operating activities:			
Profit for the year		**934,190**	660,331
Adjustments for:			
Depreciation and amortisation	(3)	**309,783**	246,750
Interest expense		**1,938**	2,224
		1,245,911	909,305
(Increase)/decrease in inventories		**(45,797)**	68,552
Decrease in trade and other receivables		**30,071**	49,694
(Increase)/decrease in owing by related companies		**(442,606)**	181,656
Increase/(decrease) in trade and other payables		**152,062**	(212,042)
Cash generated from operations		**939,641**	997,165
Cash flows from investing activities			
Purchase of property and equipment	(3)	**(280,315)**	(222,414)
Development costs	(6)	**-**	(194,144)
Net cash used in investing activities		**(280,315)**	(416,558)
Cash flows from financing activities			
Dividends paid		**(695,250)**	(560,250)
Interest paid		**(1,938)**	(2,224)
Proceeds from lease obligation		**-**	10,575
Payment of lease obligation		**(9,176)**	(8,714)
Net cash used in financing activities		**(706,364)**	(560,613)
(Decrease)/increase in cash and bank balances		**(47,038)**	19,994
Cash and bank balances at beginning of year		**78,463**	58,469
Cash and bank balances at end of year	(10)	**31,425**	78,463

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

Notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2016

1. Identification and nature of operations

The company was incorporated under the Laws of Turks and Caicos Islands on July 15, 2004 and commenced operations in February 2006. Its registered office is P.O. Box 127, Richmond House, Leeward Highway, Providentials, Turks and Caicos Islands. The company's shares were listed on the Main Market of the Jamaica Stock Exchange on April 11, 2014.

The company's principal place of business is located at Grand Turks Cruise Centre, White Sands, Turks and Caicos Island. The company is a subsidiary of Margaritaville Caribbean Limited, a company registered under the Bahamas IBC Act of 2000.

Its main activity during the year was the operation of a Margaritaville branded bar and restaurant.

2. Summary of 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

These 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 financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements. These estimates are based on historical experience and management's best knowledge of current events and actions. Actual results may differ from these estimates and assumptions.

There were no critical judgements, apart from those involving estimation, that management has made in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Depreciation and amortisation of property, plant and equipment and intangible assets

Depreciation and amortisation are provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 2(c).

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.

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.

b 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.

c Property, plant and equipment

(i) Carrying amount

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

(ii) Depreciation

Depreciation is provided on the straight line basis at such rates as will write off the cost of the various assets over the period of their expected useful lives. The useful lives approximate to forty (40) years for buildings, five to ten (5 - 10) years for furniture, fixtures, machinery and equipment, three (3) years for computers and five (5) years for motor vehicle.

Leasehold building and improvements are being amortised over twenty years.

(iii) Repairs and renewals

The costs of repairs and renewals which do not enhance the carrying value of existing assets are written off to profit or loss as they are incurred.

d Intangible assets

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

e Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

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

f 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.

g Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or the receipt on the goods or as incurred.

h 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.

i 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.

j 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.

k 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 recognized 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'.

l 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.

m 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.

n 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.

o 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.

p Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are included in equity as a deduction from proceeds

3. Property, plant and equipment comprise:

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

	Leasehold Building and Improvements US$	Furniture and Fixtures US$	Computer Equipment US$	Motor Vehicle US$	Machinery US$	Kitchen and Bar Entertainment Equipment US$	Construction in Progress US$	Total US$
Gross carrying amount								
Balance as at June 1, 2015	2,893,963	1,101,640	186,440	107,076	11,478	320,212	9,389	4,630,198
Additions	8,042	82,956	13,927	-	-	82,607	92,783	280,315
Balance as at May 31, 2016	**2,902,005**	**1,184,596**	**200,367**	**107,076**	**11,478**	**402,819**	**102,172**	**4,910,513**
Depreciation								
Balance as at June 1, 2015	(633,083)	(700,072)	(127,257)	(92,568)	(10,973)	(122,939)	-	(1,686,892)
Charge for the year	(84,487)	(110,164)	(29,308)	(2,901)	(505)	(50,060)	-	(277,425)
Balance as at May 31, 2016	**(717,570)**	**(810,236)**	**(156,565)**	**(95,469)**	**(11,478)**	**(172,999)**	**-**	**(1,964,317)**
Carrying amount as at May 31, 2016	**2,184,435**	**374,360**	**43,802**	**11,607**	**-**	**229,820**	**102,172**	**2,946,196**

Included in property, plant and equipment are equipment with a net book value of $36,544 that are accounted for as finance leases.

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

	Leasehold Building and Improvements US$	Furniture And Fixtures US$	Computer Equipment US$	Motor Vehicle US$	Machinery US$	Kitchen and Bar Entertainment Equipment US$	Construction in progress US$	Total US$
Gross carrying amount								
Balance as at June 1, 2014	2,890,515	994,461	148,984	92,569	11,478	269,777	-	4,407,784
Additions	3,448	107,179	37,456	14,507	-	50,435	9,389	222,414
Balance as at May 31, 2015	2,893,963	1,101,640	186,440	107,076	11,478	320,212	9,389	4,630,198
Depreciation, amortisation and impairment								
Balance as at June 1, 2014	(548,677)	(600,626)	(110,437)	(92,568)	(10,467)	(77,367)	-	(1,440,142)
Charge for the year	(84,406)	(99,446)	(16,820)	-	(506)	(45,572)	-	(246,750)
Balance as at May 31, 2015	(633,083)	(700,072)	(127,257)	(92,568)	(10,973)	(122,939)	-	(1,686,892)
Carrying amount as at May 31, 2015	2,260,880	401,568	59,183	14,508	505	197,273	9,389	2,943,306

4. Intangible assets

These represent amounts spent on the development of new menu items that is being amortised over 6 years. Amortisation commenced in the current year.

	2016 US$	2015 US$
Balance at beginning of year	**194,144**	-
Additions	**-**	194,144
Amortisation	**(32,357)**	-
Total	**161,787**	194,144

5. Inventories

	2016 US$	2015 US$
Food	**128,218**	90,172
Beverage	**142,417**	147,039
General stores	**259,790**	209,448
Gift shop inventory	**215,160**	253,129
Total	**745,585**	699,788

6. Trade and other receivables

	2016 US$	2015 US$
Trade receivables	**198**	889
Deposits	**700**	1,500
Other receivables	**125,071**	153,651
Total	**125,969**	156,040

7. Related party balances and transactions

i The company is related to other Margaritaville companies operating in the Caribbean by virtue of common shareholders and Directors.

ii The amount owing to/(by) related companies are interest free and unsecured with no fixed terms of repayment.

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

	2016 US$	2015 US$
Margaritaville Caribbean Limited	**-**	(453)
Margaritaville Limited	**685,147**	242,994
Total	**685,147**	242,541

8. Cash and bank balances

	2016 US$	2015 US$
Cash on hand at bank	**31,425**	78,463
Total	**31,425**	78,463

9. Share capital

	2016 US$	2015 US$
Authorised:		
100,000,000 ordinary shares	**100,000,000**	100,000,000
1 "A" ordinary share	**1**	1
	100,000,001	100,000,001
Issued and fully paid:		
67,500,000 ordinary shares comprising:		
67,499,999 ordinary shares	**67,499,999**	67,499,999
1 "A" ordinary share	**1**	1
	67,500,000	67,500,000
Stated capital		
1 "A" ordinary share	**1**	1
Shares issued:		
Bonus shares 62,239,259 (0.0025 per share)	**155,598**	155,598
5,260,740 ordinary shares (0.10 per share)	**526,074**	526,074
	681,672	681,672
Less: Transaction costs of shares issued	**(159,313)**	(159,313)
	522,359	522,359
	522,360	522,360

The company on February 20, 2014 adopted a new Memorandum and Articles of Association in conformity with the requirements of the Jamaica Stock Exchange and passed (amongst others) the following resolutions with the approval of its sole shareholder, Margaritaville Caribbean Limited:

- Increase the Authorised Share Capital to 100,000,000 Ordinary Shares with par value of US$0.0025 each by the creation of a new class of shares, being the Ordinary Shares the subject of the Invitation, each with nominal value of US$ 0.0025.
- The one original "A" ordinary share with nominal value of US$1 that was issued on Incorporation to Margartaville Caribbean Limited to be retained.
- Issue 62,239,259 Ordinary Shares with par value of US$0.0025 to Margaritaville Caribbean Limited by way of the bonus issue each fully paid, by way of capitalisation of the amount of US$155,598 standing to the credit of the company in its reserves.
- The Ordinary Shares and the original "A" ordinary shares rank *pari passu* with respect to the rights to participate in any dividend declared by the Board, and the right to receive notice of, attend and vote at general meetings of the company.
- Issue 5,260,740 new ordinary shares at $0.10 per share.
- Margaritaville Caribbean Limited to make available to the public from its shareholdings, 15,895,815 ordinary shares.

The additional issue of shares would bring the total number of issued shares to 67,500,000. The shares were issued to the public during March 2014.

10. Capital lease obligation

Certain equipments are held under finance lease arrangements. As of May 31, 2016, the net carrying amount included in equipment is $36,544. Finance lease liabilities are secured by the related assets held under the finance lease. Future minimum lease payments at May 31, 2016 were as follows:

	2015 US$	2015 US$
Within 1 year	**11,972**	12,115
1– 5 years	**3,226**	14,624
Amount representing interest	**(1,448)**	(3,814)
	13,750	22,925
Less : Current portion	**(11,972)**	(12,115)
Total	**1,778**	10,810

11. Trade and other payables

	2016 US$	2015 US$
Trade payables	**429,453**	367,065
Accrued expenses	**44,344**	34,049
Other payables	**182,196**	102,817
Total	**655,993**	503,931

12. Expenses by nature

Total direct, administrative and other operating expenses:

	2016 US$	2015 US$
Direct expenses		
Cost of inventories recognised as expense	**2,081,832**	1,903,644
Administrative expenses		
Group management fees	**250,000**	250,000
Employee benefits (Note 16)	**1,710,956**	1,625,303
Franchise fees and licences	**273,986**	246,065
Auditors' remuneration	**13,500**	15,500
Bank charges	**15,746**	18,063
Property lease expense	**524,377**	546,404
Utilities	**257,574**	284,813
Fuel	**33,672**	43,460
Repairs and maintenance	**81,370**	52,798
Insurance	**71,059**	72,054
Credit card commission	**77,566**	67,725
Bad debts	**-**	2,409
Other expenses	**191,157**	105,376
	3,500,963	3,332,379
Promotional expenses		
Advertising	**26,575**	25,949
Depreciation and amortisation	**309,784**	246,750
Total	**5,919,154**	5,508,722

13. Finance costs

	2016 US$	2015 US$
Interest on lease	**1,938**	2,224
Total	**1,938**	2,224

14. Earnings per share

Earnings per share is calculated by dividing profit for the year by the number of ordinary shares in issue for the year 67,500,000 (2015 - 67,500,000).

15. Ordinary dividends

	2016 US$	2015 US$
US$0.0083	**-**	560,250
US$0.0103	**695,250**	-
Total	**695,250**	560,250

The Board declared dividends of US$0.0103 per ordinary share to all shareholders on record as at February 22, 2016. The dividends were paid in March 2016.

16. Employee benefits

	2016 US$	2015 US$
Salaries, wages and related expenses	**1,390,680**	1,309,529
Commission	**28,223**	28,264
Medical and other staff benefits	**292,053**	287,510
Total	**1,710,956**	1,625,303

17. Operating lease obligations

The company has a ten (10) years operating lease agreement which was effective from February 2006, with an option to renew for a further ten (10) years. The lease is for the property where its principal operations are located. Under the lease agreement the company pays annual property lease expense based on estimated average cruise passenger arrivals, and is expensed in the period to which it relates. Property lease expense for the year amounted to $524,377 (2015 - $546,404).

18. Risk management policies

The company's activities expose it 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 company seeks to manage these risks by close monitoring of each class of its financial instruments as follows:

a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risk, which result from both its operating and investing activities.

i 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 company is not exposed to currency risk.

ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates

Interest rate sensitivity

Interest rates on the company's bank loans are fixed up to the dates of repayment of the loans and interest on the company's bank accounts is immaterial. As such, there would be no material impact on the results of the company's operations as a result of fluctuations in interest rates.

iii Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company's financial instruments are substantially independent of changes in market prices.

b Credit risk

The company faces credit risk in respect of its receivables and cash and cash equivalents. However, this risk is controlled by close monitoring of these assets by the company. In addition, cash and cash equivalents are maintained with licensed financial institutions considered to be stable.

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

	2016 US$	2015 US$
Trade and other receivables	**125,969**	156,040
Owing by related companies	**685,148**	242,541
Cash and cash equivalents	**31,425**	78,463
Total	**842,542**	477,044

The age of trade and other receivables past due but not impaired is as follows:

	2016 US$	2015 US$
Not more than 30 days	**125,969**	156,040
Total	**125,969**	156,040

The company does not require collateral or other credit enhancements in respect of trade and other receivables.

c Liquidity risk

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

The company manages its liquidity risk by carefully monitoring its cash outflow needs for day-to-day business and maintaining an appropriate level of resources in liquid or near liquid form to meet its needs. The company maintains cash and cash equivalents for up to three months or less to meet its liquidity requirements.
The company's financial liabilities comprise borrowings and trade and other payables. These amounts are due as follows:

	Current	Non current	
	Within 12 Months	2 to 5 Years	Later than 5 Years
	$	$	$
Lease obligation	**11,972**	**1,778**	**-**
Trade and other payables	**655,993**	**-**	**-**
Total	**667,965**	**1,778**	**-**

This compares to the maturity of the company's financial liabilities in the previous reporting period as follows:

	Current	Non current	
	Within12 Months	2 to 5 Years	Later than 5 Years
	$	$	$
Lease obligation	12,115	10,810	-
Trade and other payables	503,931		-
Total	516,046	10,810	-

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the end of the reporting period.

d Capital management, policies and procedures

The company's capital management objectives are to ensure the company's ability to continue as a going concern and to provide adequate return to shareholders by pricing products commensurately with the level of risk and current market conditions.

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

The property was not revalued at the reporting date even though a revaluation is due. Management is in the process of having the revaluation exercise carried out by professionally qualified valuators.

e Fair value of financial instruments

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

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

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

The amounts included in the financial statements for cash and cash equivalents, trade and other receivables, group companies, short-term loans and trade and other payables reflect their approximate fair values because of the short-term maturity of these instruments.

The fair values of capital leases approximate their carrying values because interest rates at the year-end were at market rates.

19. Summary of financial assets and liabilities by category

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

	2016 US$	2015 US$
Financial assets measured at amortised costs		
Current assets		
Loans and receivables		
Trade and other receivables	**125,969**	156,040
Owing by related companies	**685,148**	242,541
Cash and cash equivalents	**31,425**	78,463
	842,542	477,044
Financial liabilities measured at amortised costs		
Current liabilities		
Lease obligation	**13,750**	22,925
Trade and other payables	**655,993**	503,931
	669,743	526,856

20. Segment information

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

The two operating segments are food and beverage and gift shop. However, the revenue from the sale of gift shop items is not considered material and therefore no segment reporting is disclosed in these financial statements.

Notes

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