

# Cave Shepherd & Co. Ltd.

## CAVE SHEPHERD & CO. LIMITED Consolidated Balance Sheet As at June 30, 2010 (With comparatives as at June 30, 2009)

|   | (Unaudited)<br>June 30,<br>2010<br>\$ | (Audited)<br>December 31,<br>2009<br>\$ | (Unaudited)<br>June 30,<br>2009<br>\$ |
|---|---------------------------------------|---|---------------------------------------|
| <b>Current Assets</b>   |                                       |   |                                       |
| Cash and cash equivalents   | 11,021,035                            | 16,058,159                              | 12,597,757                            |
| Financial assets held for trading   | 26,145,610                            | 15,736,400                              | 13,575,629                            |
| Trade and other receivables and prepayments                                   | 14,036,126                            | 17,579,059                              | 13,967,207                            |
| Inventories   | 4,027,428                             | 4,605,246                               | 6,335,802                             |
| Other current assets  | 7,937,944                             | 6,634,640                               | 8,561,650                             |
|   | <u>63,168,143</u>                     | <u>60,613,504</u>                       | <u>55,038,045</u>                     |
| <b>Current Liabilities</b>  |                                       |   |                                       |
| Trade and other payables  | 3,486,722                             | 2,913,915                               | 3,670,303                             |
| Other current liabilities   | 1,261,054                             | 5,691,544                               | 1,543,507                             |
|   | <u>4,747,776</u>                      | <u>8,605,459</u>                        | <u>5,213,810</u>                      |
| <b>Working Capital</b>  | <u>58,420,367</u>                     | <u>52,008,045</u>                       | <u>49,824,235</u>                     |
| <b>Investment in Associates and at Fair Value through Profit and Loss</b>     | 71,760,609                            | 72,045,397                              | 72,439,973                            |
| <b>Intangible Assets and Goodwill</b>   | 8,881,464                             | 12,503,724                              | 13,945,924                            |
| <b>Investment Property</b>  | 2,560,000                             | 2,560,000                               | 2,519,446                             |
| <b>Property, Plant and Equipment</b>  | 1,638,479                             | 2,040,917                               | 2,429,537                             |
| <b>Loan due by associate</b>  | 8,800,000                             | 8,800,000                               | 10,400,000                            |
| <b>Other Long Term Assets</b>   | 627,649                               | 627,649                                 | 627,649                               |
| <b>Fixed Income Certificates Payable and Other Long Term Liabilities</b>      | (27,274,405)                          | (24,463,096)                            | (20,750,048)                          |
|   | <u>125,414,163</u>                    | <u>126,122,636</u>                      | <u>131,436,716</u>                    |
| <b>Capital and Reserves attributable to the equity holders of the company</b> |                                       |   |                                       |
| Share capital   | 39,572,958                            | 39,584,581                              | 39,584,581                            |
| Retained earnings   | 80,313,216                            | 81,379,218                              | 86,342,655                            |
|   | <u>119,886,174</u>                    | <u>120,963,799</u>                      | <u>125,927,237</u>                    |
| <b>Non-controlling interest</b>   | 5,527,989                             | 5,158,837                               | 5,509,479                             |
|   | <u>125,414,163</u>                    | <u>126,122,636</u>                      | <u>131,436,716</u>                    |

## CAVE SHEPHERD & CO. LIMITED Consolidated Statement of Income For the Six Months Ended June 30, 2010 (With comparatives for the six months ended June 30, 2009)

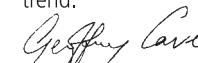
|  | (Unaudited)<br>June 30, 2010<br>\$ | (Unaudited)<br>June 30, 2009<br>\$ |
|--|------------------------------------|------------------------------------|
| <b>Income</b>                                      |                                    |                                    |
| Revenue from operations                            | 7,747,079                          | 8,435,632                          |
| Other gains/(losses)                               | 967,997                            | -                                  |
| <b>Total Income</b>                                | <u>8,715,076</u>                   | <u>8,435,632</u>                   |
| <b>Expenses</b>                                    |                                    |                                    |
| Other operating expenses                           | 6,828,897                          | 8,327,019                          |
| Depreciation, amortisation and impairment          | 2,879,156                          | 888,431                            |
|  | <u>9,708,053</u>                   | <u>9,215,450</u>                   |
| <b>Net Operating (Loss)/Profit</b>                 | (992,977)                          | (779,818)                          |
| Share of Results of Associates                     | 771,482                            | (1,316,253)                        |
| <b>(Loss)/Income Before Taxation</b>               | (221,495)                          | (2,096,071)                        |
| Corporation Tax                                    | (456,349)                          | (387,020)                          |
| <b>(Loss)/Net Income for the Period</b>            | <u>(677,844)</u>                   | <u>(2,483,091)</u>                 |
| <b>Attributable to:</b>                            |                                    |                                    |
| Equity holders of the company                      | (1,046,995)                        | (2,798,457)                        |
| Non-controlling interest                           | 369,151                            | 315,366                            |
|  | <u>(677,844)</u>                   | <u>(2,483,091)</u>                 |
| Earnings per share (EPS) – basic and fully diluted | <u>\$(0.06)</u>                    | <u>\$(0.15)</u>                    |

### DIRECTORS' STATEMENT

The Cave Shepherd Group recorded a net loss of \$678 thousand for the first half of the 2010 financial year, which was a considerable improvement over the net loss of \$2.5 million for the same period in 2009. Indeed, were it not for the provision of \$2 million for impairment of goodwill in our Tortola retail operations, the Group would have returned to profitability in the period. Underlying this better result was the improved performance of our principal retail business, Duty Free Caribbean (Holdings) Ltd, where a modest improvement in duty-free sales, combined with the benefits of strong expense controls resulted in a much reduced loss in that operation. This, together with continued commendable performances from our financial services operations, Fortress Mutual Fund, Signia Financial Group and DGM Bank & Trust, meant that at the operational level, before amortization and impairment of goodwill, the overall Group result was positive. The \$2 million provision for impairment represents approximately half of the total goodwill associated with our Tortola retail operations and it is likely that a further \$2 million charge to fully provide against the remaining goodwill will be necessary in the second half of the year.

Our Balance Sheet has further strengthened, with Working Capital of \$58.4 million, up from \$49.8 million a year ago, as we have maintained a tight control over inventory and capital expenditures. As noted in our last Annual Report we have shifted some funds from bank deposits to higher yielding yet still conservative, liquid investments. Collectively these amount to \$37.1 million at the end of June 2010.

Although the domestic demand within the Caribbean territories where we do business remains depressed, the sales from our duty-free operations over the period are reflecting modest yet encouraging increases. This improvement in our important retail operations together with the continued strength of our financial services businesses, gives rise to our optimism that the second half of 2010 will continue the improved trend.

  
**R. Geoffrey Cave**  
Chairman

  
**John M. B. Williams**  
Chief Executive Officer

24 August 2010