

Cave Shepherd & Co. Limited

# ANNUAL REPORT & FINANCIAL STATEMENTS 2016



*Cave Shepherd & Co*

CHANGING • GROWING





# OUR VISION:

To be the most  
respected and  
sought after brand  
in the Caribbean  
by 2020.

*Cave Shepherd & Co*

CHANGING • GROWING







## Tribute To Sir Geoffrey

It is with great pride that Cave Shepherd & Co. Limited pays tribute to its Chairman, Sir Geoffrey Cave, having been awarded on the occasion of Barbados' 50th Anniversary, Barbados' highest national acclaim Knight of St. Andrew, for his outstanding contribution to business.

This award is conferred on individuals for their "extraordinary and outstanding achievement and merit in service to Barbados or to humanity at large" and there is no doubt that our Chairman, Sir Geoffrey, is deserving of this honour. When one reflects on Sir Geoffrey's prolific career it is indeed an award well-earned.

Sir Geoffrey joined Cave Shepherd, a family-run business at the time, in 1963 and was later appointed as the company's Managing Director. In 1970 he was elected Chairman, a position which he continues to hold. Under his leadership, the family-run business transformed into a public company and expanded with new retail outlets in Barbados and the region and also diversified into new sectors. His entrepreneurial spirit and sound

judgment has resulted in the Cave Shepherd that we know today; with a broad and diverse operation with interests in retail, financial services and tourism related industries. Sir Geoffrey has also served as Director and Chairman of innumerable private-sector boards in the retail, wholesale, manufacturing, insurance, tourism, telecommunications, financial and offshore sectors in Barbados and the wider region.

Sir Geoffrey is no stranger to public service having dedicated a significant amount of his time over the years to serve as a member of the Public Service Commission, Handicraft Committee, Industrial Development Corporation and more recently as an Independent Senator. He was also one of the founding members of the Tourism Development Corporation which functions today as a catalyst for positive tourism growth and sustainability. He continues to serve in the capacity of Board Member/Trustee of several charitable, educational and sporting organisations. In more recent times, he has been a passionate advocate of

renewable energy and a driving force for change to alternate energy usage.

Whilst Sir Geoffrey's achievements give testimony to his distinguished career; it is his character and integrity in business that leave the most indelible mark on those whom he has encountered throughout the years. His illustrious career has been and continues to be built on honesty, integrity, trust and mutual respect; the very principles and virtues upon which Cave Shepherd has been built. These attributes, together with continuous and open dialogue, have helped him build strong long-lasting partnerships in business and with the public of Barbados. Throughout his career, Sir Geoffrey has extensively, unselfishly and unceasingly given of his time and knowledge; always looking to build a better business, a better community and a better Barbados.

It is with great pride therefore, that the Cave Shepherd & Co. Group of Companies extends its warmest and heart felt congratulations to Sir Geoffrey, Anne, Lady Cave and the extended Cave family on an honour so richly deserved.



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# NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the **FORTY-SIXTH ANNUAL GENERAL MEETING** of the Shareholders of CAVE SHEPHERD & CO. LIMITED will be held at the **Lloyd Erskine Sandiford Centre, Two Mile Hill, St. Michael, Barbados** on **Thursday, April 20th 2017 at 5:30 p.m.** The Agenda is as follows:

1. To receive and consider the Audited Consolidated Financial Statements for the year ended December 31st 2016, together with the Reports of the Directors and Auditors thereon.
2. To elect Directors:
  - (i) the following Directors retire by rotation in accordance with paragraphs 3.9 and 3.10 of the revised by-laws and being eligible, offer themselves for re-election for the term stated:
 

|                           |         |
|---------------------------|---------|
| Prof. V. Eudine Barriteau | 3 Years |
| Mrs. Maureen D. Davis     | 3 Years |
| Mr. Adrian H. Padmore     | 3 Years |
  - (ii) the following Director, having attained the age of 72, retires in accordance with paragraph 3.10 of the revised by-laws and being eligible, offers himself for re-election for the term stated:
 

|                   |        |
|-------------------|--------|
| Sir Geoffrey Cave | 1 Year |
|-------------------|--------|
3. To appoint Auditors for the ensuing year and for Directors to fix their remuneration.
4. To discuss any other business of the Company which may properly be considered at the Annual General Meeting.

By order of the Board of Directors

*Hanna M. Chrysostom*

Hanna M. Chrysostom  
Group Corporate Secretary

## PROXIES:

Shareholders who are unable to attend the Meeting in person may complete and return the enclosed form of proxy at least 48 hours before the appointed time of the meeting, or adjourned Meeting, to any of the addresses noted below.

## DELIVERY OF PROXIES:

- Mail: Group Corporate Secretary, Cave Shepherd & Co. Limited, 1st Floor, 24 Broad Street, Bridgetown, St. Michael, Barbados
- Email: [corporatesecretary@caveshepherd.com](mailto:corporatesecretary@caveshepherd.com)



# CORPORATE INFORMATION

## DIRECTORS

Sir Geoffrey Cave, *Chairman*  
 Mr. John M. B. Williams,  
*Chief Executive Officer*  
 Professor V. Eudine Barriteau  
 Mr. Roger M. Cave  
 Mrs. Maureen D. Davis  
 Mr. Robert M. Harvey-Read  
 Mr. Edward J. L. Ince  
 Mr. Adrian H. Padmore  
 Mr. Lyden J. Ramdhanny  
 Mr. Richard G. Simpson

## GROUP CORPORATE SECRETARY

Ms. Hanna M. Chrysostom

## AUDIT COMMITTEE

Mr. Lyden J. Ramdhanny, *Chairman*  
 Mr. Robert M. Harvey-Read  
 Mr. Adrian H. Padmore

## CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Mr. Adrian H. Padmore, *Chairman*  
 Professor V. Eudine Barriteau  
 Mr. Lyden J. Ramdhanny

## REGISTERED OFFICE

10-14 Broad Street  
 Bridgetown, St. Michael  
 Barbados, BB11000  
 Telephone: +1 246 629 4261  
 Facsimile: +1 246 431 0845  
 Email: [info@caveshepherd.com](mailto:info@caveshepherd.com)  
[www.caveshepherd.com](http://www.caveshepherd.com)

## AUDITORS

Ernst & Young  
 One Welches  
 Welches  
 St. Thomas  
 Barbados

## PRINCIPAL BANKERS

CIBC FirstCaribbean International  
 Bank (Barbados) Limited  
 Warrens, St. Michael  
 Barbados

RBC Royal Bank (Barbados) Limited  
 Broad Street, Bridgetown  
 Barbados

## ATTORNEYS-AT-LAW

Clarke Gittens & Farmer  
 Parker House  
 Wildey Business Park  
 Wildey, St. Michael  
 Barbados

Sir Henry deB. Forde  
 Juris Chambers  
 Wildey Business Park  
 Wildey, St. Michael  
 Barbados

## REGISTRAR & TRANSFER AGENT

Barbados Central Securities  
 Depository Inc.  
 8th Avenue  
 Belleville, St. Michael  
 Barbados  
 Telephone: +1 246 436 9871  
 Facsimile: +1 246 429 8942

## GROUP COMPANIES

*Cave Shepherd & Co*

### SUBSIDIARIES



### ASSOCIATES





## SUBSIDIARY COMPANIES

| NAME   | CAPITAL   | PRINCIPAL COUNTRY OF OPERATION |
|--|---|--------------------------------|
| Cave Shepherd Inc.                           | Equity \$100,000 - 100% owned<br>Loan Capital - Nil     | United States                  |
| Cave Shepherd (Cayman) Ltd.                  | Equity \$20,000 - 100% owned<br>Loan Capital - Nil      | Cayman                         |
| Cave Shepherd SRL                            | Equity \$5,050,000 - 100% owned<br>Loan Capital - Nil   | Barbados                       |
| Fortress Fund Managers Limited               | Equity \$9,352,500 - 75% owned<br>Loan Capital - Nil    | Barbados                       |
| Fortress Fund Advisors Limited               | Equity \$2,000 - 75% owned<br>Loan Capital - Nil        | St. Lucia                      |
| Fortress Insurance Company Limited           | Equity \$3,000,000 - 75% owned<br>Loan Capital - Nil    | Barbados                       |
| Fortress Staff Share Scheme Inc.             | Equity \$1,000 - 75% owned<br>Loan Capital - Nil        | Barbados                       |
| Fortress Advisory & Investment Services Ltd. | Equity \$2,000 - 75% owned<br>Loan Capital - \$400,000  | Barbados                       |
| Westhelios Energy Systems Inc.               | Equity \$1,000 - 75% owned<br>Loan Capital - \$Nil      | Barbados                       |
| Cayco Ltd.                                   | Equity \$1,000,000 - 100% owned<br>Loan Capital - \$Nil | Cayman                         |
| Colombian Emeralds International Limited     | Equity \$200 - 100% owned<br>Loan Capital - Nil         | British Virgin Islands (BVI)   |
| DGM Holdings Inc.                            | Equity \$200 - 72.7% owned<br>Loan Capital - Nil        | St. Lucia                      |
| DGM Trust Corporation                        | Equity \$16,000,100 - 72.7% owned<br>Loan Capital - Nil | Barbados                       |
| DGM Securities Limited                       | Equity \$Nil - 72.7% owned<br>Loan Capital - Nil        | Barbados                       |
| DGM Directors Inc.                           | Equity \$Nil<br>Loan Capital - Nil                      | British Virgin Islands (BVI)   |
| DGM Management Services Limited              | Equity \$30,000 - 72.7% owned<br>Loan Capital - Nil     | Barbados                       |
| DGM Captive Management Inc.                  | Equity \$250,000 - 72.7% owned<br>Loan Capital - Nil    | Barbados                       |
| DGM International Consulting Inc.            | Equity \$Nil - 72.7% owned<br>Loan Capital - Nil        | St. Lucia                      |
| DGM International Consulting Inc.            | Equity \$Nil - 72.7% owned<br>Loan Capital - Nil        | Barbados                       |

## ASSOCIATE COMPANIES

|   | OWNERSHIP | JURISDICTION           |
|---|-----------|------------------------|
| Duty Free Caribbean (Holdings) Ltd.           | 40%       | Barbados               |
| Duty Free Caribbean Limited                   | 40%       | Barbados               |
| DFC Services Corp                             | 40%       | United States          |
| Duty Free Caribbean Emeralds (St. Lucia) Ltd. | 40%       | St. Lucia              |
| Duty Free Caribbean (Grenada) Ltd.            | 40%       | Grenada                |
| Ashworth Limited                              | 40%       | Bahamas                |
| Duty Free Caribbean (Cayman) Holdings Ltd.    | 40%       | Cayman                 |
| CS (Cayman) Ltd.                              | 16%       | Cayman                 |
| Emerald Distributors Limited                  | 40%       | Cayman                 |
| Duty Free Caribbean (TCI) Ltd.                | 40%       | Turks & Caicos Islands |
| Duty Free Caribbean (Jamaica) Ltd.            | 40%       | Jamaica                |
| Duty Free Caribbean (Curacao) N.V.            | 40%       | Curacao                |
| Colombian Emeralds International N.V.         | 40%       | Aruba                  |
| Colombian Emeralds International Limited      | 40%       | St. Lucia              |
| CEI Limited                                   | 40%       | Antigua                |
| Deltamar N.V.                                 | 40%       | St. Maarten            |
| DFC (USVI) Ltd.                               | 40%       | St. Thomas, USVI       |
| Caribworld Inc.                               | 20.4%     | St. Lucia              |
| Caribworld (Trinidad) Ltd.                    | 20.4%     | Trinidad               |
| Carib Home Shopping Ltd.                      | 20.4%     | Jamaica                |
| Bridgetown Cruise Terminals Inc.              | 20%       | Barbados               |
| GCS Limited                                   | 40%       | Barbados               |
| CSGK Finance (Holdings) Limited               | 40%       | Barbados               |
| Signia Financial Group Inc.                   | 40%       | Barbados               |
| CS&C Joint Venture                            | 16%       | Barbados               |
| The Sunset Joint Venture                      | 16%       | Barbados               |
| Contonou Shores Ltd.                          | 35%       | Bahamas                |
| Canouan CS&F Investments Limited              | 35%       | St. Lucia              |
| Caribbean Trade Logistics Advisors Inc.       | 44%       | Barbados               |
| FSSB Inc.                                     | 18.75%    | Barbados               |















## DIRECTORS' REPORT



We are pleased to report that the Cave Shepherd Group recorded a net profit attributable to Shareholders of \$6.4 million dollars for the year ended December 31st 2016, representing an Earnings Per Share (EPS) of \$0.35, compared to a profit in the prior year of \$3.8 million (EPS \$0.21). This reflects improved performance across most businesses within the Group and was further boosted by a strong gain on our Fortress managed investment portfolio compared to 2015.

This year, we have maintained a total dividend payout of \$0.12 per share. Our dividend represents 34% of net earnings, a level of coverage at which we are comfortable.

Our share price at December 31st 2016 was \$3.50 on the Barbados Stock Exchange, compared to \$3.01 at December 31st 2015. Although we are pleased with the increase, it is still well below the net book value of \$5.79 per share, and we expect that the market price will continue to improve in line with our improved earnings.

The Group maintained its healthy balance sheet with working capital of \$52.6 million at the end of 2016

compared to \$46.8 million at the end of the prior year. Our borrowings have increased as we issued Unsecured Fixed Income Notes to finance the expansion of our Cave Shepherd Visa Credit Card. However, even with the increased loan financing, our debt to equity ratio remained at a very conservative and reassuring 25 percent to 75 percent. Our liquidity remains strong with cash and liquid assets amounting to \$30.4 million at the year end.

### RETAIL

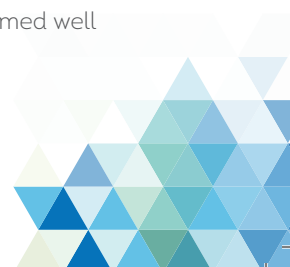
The Duty Free Caribbean Holdings Group (DFCH), under which the Cave Shepherd and Colombian Emeralds International retail businesses operate, recorded a further improvement in net earnings compared to prior year, but is still not yet performing to its potential or expected levels of profitability. During 2016, renovations of the Cave Shepherd Broad Street flagship store were largely completed and this has met with overwhelmingly positive feedback from customers. Major renovations were also undertaken at the Sunset Mall store, and this too has been well received. Nevertheless, the local economy remains sluggish and

when compounded with the negative effects of the lower exchange rate of Sterling following the BREXIT referendum, overall sales in DFCH have remained flat. We however continued our quest for expansion opportunities and during the year successfully negotiated three additional hotel store contracts in the region due to open in 2017, which are important to maintaining healthy levels of growth. We are also pleased to report that we are on target to launch an e-commerce website during the first quarter of 2017.

GCS Limited (Ganzeer) continued its trend of improved performance although at a lower rate of growth compared to previous years. Sales were helped by the influx of visitors for the Barbados' 50th Anniversary of Independence celebrations and efforts are continuing to find suitable opportunities for further expansion both within and outside of Barbados.

### FINANCIAL SERVICES

The several mutual funds within the Fortress Fund Managers Limited portfolio had their best performance in recent years, as most stock markets performed well







## DIRECTORS' REPORT

and Fortress' philosophy of value investing was rewarded. Furthermore, with uncertain economic times in Barbados and the wider Caribbean, investors can feel comfortable that they are well positioned in terms of the risk associated with Fortress' portfolios. With investment opportunities in Barbados somewhat limited, we continue to explore our options for our mutual funds and pension business across the wider Caribbean and further afield.

In last year's report to Shareholders, we noted that we were looking to further enhance the Cave Shepherd Card in 2016. On September 26th 2016 we were very pleased to launch the Cave Shepherd Visa Credit Card and subsequently transfer our entire cardholding base to being Visa Cardholders. This was a significant project for the Group and an important milestone in the history of the Card, which began as charge accounts in the 1960s, and our Card Services Team must be congratulated for their laudable efforts in this regard. Our Cardholders have welcomed the new card and the performance in the first few months has been beyond our expectations.

Of particular note is that Cave Shepherd & Co. Limited is the first non-financial institution in the English speaking Caribbean to have this direct working relationship with Visa, which is a testament to our strength and reputation.

Signia Financial Group Inc. had another solid year of performance albeit recording a lower profit. A further increase in the rate of the recently imposed Asset Tax contributed to a decline in profitability. At the same time the reduction in rates of interest paid on savings and deposits also translated into reduced loan rates during the year. Importantly, delinquency levels are well managed and non-performing loans remained well below the levels of the industry as a whole. This Company is well positioned for growth outside of Barbados and we are continuing to explore opportunities.

DGM Financial Group produced a much better performance than prior year and we expect this business to further improve its results in the coming year.

### OTHER

Bridgetown Cruise Terminals Inc. recorded a lower profit than in the prior year. In accordance with the interim lease agreement, Bridgetown Cruise Terminals Inc. gave the required notice to Barbados Port Inc. of its wish to renew the lease for a further three years from January 1st 2017.

The two property joint ventures in which we have an interest, CS & C Joint Venture and The Sunset Joint Venture, both recorded creditable results. Just before the end of the financial year, an agreement was executed by the CS & C Joint Venture for the sale of the three properties occupied by Carters & Co. Ltd to be sold to the tenants at their request, for an acceptable profit.

There has been limited progress on the wind energy project REPower (Barbados) in which we have an interest. Faced with planning permission challenges related to the existing radar system at Grantley Adams International Airport, REPower will soon be in a position to resubmit its application with fresh data to take into account a new radar system which is due to be installed at the airport.







## DIRECTORS' REPORT

We are hopeful that this new system will remove the obstacles to granting approval for this excellent and much needed renewable energy project.

### GROUP INITIATIVES

The Cave Shepherd Group continues to give back to the communities through annual covenants, donations and sponsorships to charities, sporting organizations as well as educational, cultural and service clubs.

In 2016, the Group entered a three-year sponsorship agreement with the Barbados Tourism Marketing Inc. (BTMI) as the official title sponsor of the annual Run Barbados Marathon Weekend series. The six-race event was held December 1st to 3rd 2016 and was a tremendous success, increasing overall participation by 25.6% and attracting a total of 861 overseas runners. For the duration of the sponsorship, the races will be branded as the Cave Shepherd Marathon, Fortress Half Marathon, Cave Shepherd Visa Credit Card 5K Run, Colombian Emeralds International 10K Run, Ganzee 5K Walk for Charity, and the Signia Fun Mile. The Group is pleased to be associated with this very worthwhile event that

not only brings many visitors to our Island but also promotes healthy and socially positive activities.

In partnership with National Initiative for Service Excellence (NISE), the Group hosted eight customer service sensitization workshops. Five hundred and eighty team members at all levels participated using the Cave Shepherd Group Customer Service and Performance Guide. The key objective was to reinforce the delivery of exceptional customer service across the Group.

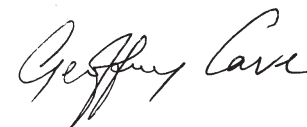
### CONCLUSION

We are pleased to be able to report another year of improved performance for the Company and that the underlying businesses have improved their results which, together with the very strong performance of our investment portfolio, resulted in a welcomed increase in profitability. We must, however, caution that Barbados' macroeconomic position is very worrying and it is difficult for businesses to perform well on a consistent basis in such an environment. Having said that, much of our retail business is targeted at visitors and a significant portion of it

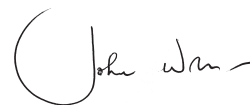
is located throughout the rest of the Caribbean. As such, our Shareholders can feel comforted that the Group's performance is not solely reliant on the fortunes of the Barbados economy.

We continue to look for new opportunities to expand our businesses and to earn an acceptable return for our Shareholders.

In closing, we wish to thank the team members within our Group, as well as our Shareholders, customers and by extension the public in general for their continued support.



Sir Geoffrey Cave  
Chairman



Mr. John M. B. Williams  
Chief Executive Officer

March 9th 2017





## CORPORATE GOVERNANCE

The Board of Directors ("the Board") of Cave Shepherd & Co. Limited ("the Company") is committed to exercising strong corporate governance practices that enhance all stakeholders' value and promote the long-term growth and financial viability of the Company. The Company adheres to all legal and regulatory requirements, guidelines and recommendations applicable to it as outlined by the Barbados Stock Exchange and the Financial Services Commission.

### BOARD OF DIRECTORS

The Board is comprised of knowledgeable and experienced Directors. The maximum number of Directors permitted by the Company's revised by-Laws is ten (10) with a minimum of three (3). The Board currently consists of ten (10) members; six (6) of whom are non-executive (of whom three (3) are independent) and four (4) are executive.

The following outlines the biographical details, experience and shareholdings of the Directors.

#### NON-EXECUTIVE CHAIRMAN



**Sir Geoffrey Cave,**  
**KA,CBE, BCH, Hon. LLD (UWI)**  
Non-Executive Chairman  
Born 1942

**NATIONALITY:** Barbadian  
**DATE OF FIRST ELECTION:** 1970  
**TERM OF OFFICE:** 2017

Sir Geoffrey Cave is currently Non-Executive Chairman of Cave Shepherd & Co. Limited. He was first elected Chairman of the Board of Directors in 1970. Sir Geoffrey chairs the Boards of associates, Duty Free Caribbean (Holdings) Ltd and Signia Financial Group Inc. He also serves as Chairman of subsidiaries, DGM Holdings Inc., Fortress Fund Managers Limited and Fortress Caribbean Property Fund Limited SCC.

On the occasion of Barbados' 50th Anniversary of Independence in November 2016, he was conferred the honour of Knight of St. Andrew in recognition of his outstanding contribution to business. Sir Geoffrey served as Independent Senator from 2009 until 2013. The University of the West Indies conferred on him an Honorary Degree of Doctor of Laws (LLD) in 2007 and in 2003, he was awarded Commander of the Most Excellent Order of the British Empire. His notable career in business in Barbados and the region was recognized in 2001 when he was honoured with a Caribbean Master Entrepreneur Award. At the turn of the century, Sir Geoffrey was awarded the Barbados Centennial Honour.

Sir Geoffrey holds a B. Comm. from McGill University in Canada.

#### CHIEF EXECUTIVE OFFICER



**John M. B. Williams, FCA**  
Chief Executive Officer  
Born 1959

**NATIONALITY:** Barbadian  
**DATE OF FIRST ELECTION:** 2007  
**TERM OF OFFICE:** 2018

John Williams joined Cave Shepherd & Co. Limited as Chief Executive Officer in 2006 and was appointed to the Board in 2007. Mr. Williams serves as a Director on the Boards of Bridgetown Cruise Terminal Inc., Caribbean Trade Logistics Advisors Inc., Duty Free Caribbean (Holdings) Ltd, GCS Limited and Signia Financial Group Inc. associates of Cave Shepherd & Co. Limited. He is also a Director of subsidiaries, DGM Holdings Inc., Fortress Fund Managers Limited and Fortress Caribbean Property Fund Limited SCC.

Mr. Williams has over 25 years' experience in senior management positions in both services and manufacturing industries. Mr. Williams served as Chairman of the Barbados Private Sector Association from 2011 until 2014. Previously, he has served as President of the Barbados Chamber of Commerce and Industry and Deputy President of the Institute of Chartered Accountants of Barbados.

Mr. Williams is a Mathematics graduate of Manchester University, UK. He is a fellow of the Institute of Chartered Accountants of England and Wales (FCA) and the Institute of Chartered Accountants of Barbados (FCA).

**INDEPENDENT DIRECTOR**

**Professor V. Eudine Barriteau, GCM**  
Pro-Vice Chancellor & Principal,  
University of the West Indies,  
Cave Hill Campus  
Born 1954

**NATIONALITY:** Grenadian/Barbadian  
**DATE OF FIRST ELECTION:** 2008  
**TERM OF OFFICE:** 2017

Eudine Barriteau was elected to serve on the Board of Cave Shepherd & Co. Limited in 2008. She is a member of the Corporate Governance & Nomination Committee.

Professor Barriteau is an academic with numerous scholarly writings to her credit. She serves on a number of Boards and Committees regionally and internationally.

Professor Barriteau is currently the Pro-Vice Chancellor & Principal of the University of the West Indies (UWI), Cave Hill Campus. She has previously held the positions of Pro-Vice Chancellor & Principal of UWI, Open Campus and Deputy Principal, Cave Hill Campus as well as Head of the Centre for Gender and Development Studies, University of the West Indies, a position she held for fifteen (15) years.

In 2013, Prof. Barriteau was awarded a Gold Crown Merit, for her contribution to gender and development, and in 2016, Prof. Barriteau was awarded The Order of Grenada Gold Award for Excellence, in recognition of her contribution to education.

**EXECUTIVE DIRECTOR**

**Maureen D. Davis**  
Chief Development Officer,  
Duty Free Caribbean (Holdings) Ltd.  
Born 1964

**NATIONALITY:** Barbadian  
**DATE OF FIRST ELECTION:** 2007  
**TERM OF OFFICE:** 2017

Maureen Davis joined the Board of Cave Shepherd & Co. Limited in 2007. She is currently the Chief Development Officer of Duty Free Caribbean (Holdings) Ltd, a position she has held since that company's formation in the year 2000. Mrs. Davis serves as a Director on the Board of Fortress Caribbean Property Fund Limited SCC.

She also serves on the Board of the Tourism Development Corporation and is a Council member of the Barbados Museum and Historical Society.

**EXECUTIVE DIRECTOR**

**Roger M. Cave, CA, CFA**  
Investment Director  
Fortress Fund Managers Limited  
Born 1966

**NATIONALITY:** Barbadian  
**DATE OF FIRST ELECTION:** 1997  
**TERM OF OFFICE:** 2018

Roger Cave joined the Board of Cave Shepherd & Co. Limited in 1997. He is the Founder and Investment Director of Fortress Fund Managers Limited, a subsidiary of Cave Shepherd & Co. Limited. Fortress manages a suite of mutual funds, including Fortress Caribbean Growth Fund, Fortress Caribbean Property Fund Limited SCC, Fortress Caribbean Pension Fund and Fortress Caribbean High Interest Fund.

Mr. Cave serves as a Director on the Board of associate, Duty Free Caribbean (Holdings) Ltd and subsidiary, DGM Holdings Inc. He is also a board member of the Barbados Stock Exchange.

Mr. Cave is a graduate of Bishop's University, Canada where he obtained a BBA. He is a CFA charter holder as well as a Chartered Accountant. He is a fellow of the Institute of Chartered Accountants of Barbados (FCA).

**NON-EXECUTIVE DIRECTOR**

**Robert M. Harvey-Read, B. Comm**  
Retail Manager,  
Automotive Art  
Born 1964

**NATIONALITY:** Barbadian  
**DATE OF FIRST ELECTION:** 2008  
**TERM OF OFFICE:** 2018

Robert Harvey-Read was elected to the Board of Cave Shepherd & Co. Limited in 2008. He is a member of the Audit Committee.

Mr. Harvey-Read is the South Florida Retail Manager for the US Retail Division of Automotive Art Group. He has spent a number of years in full-time Christian Ministry in Barbados, Grenada and the USA.

Mr. Harvey-Read holds a B.Comm in Business Management from Ryerson University in Canada.



**NON-EXECUTIVE DIRECTOR**

**Edward J. L. Ince, BSc**  
Senior Partner/Co-Founder,  
Frontlight Ventures  
Born 1962

**NATIONALITY:** Barbadian  
**DATE OF FIRST ELECTION:** 2012  
**TERM OF OFFICE:** 2019

Edward Ince joined the Board of Cave Shepherd & Co. Limited in 2012.

Mr Ince is currently Senior Partner/Co-Founder with Frontlight Ventures, a regional investment and consulting firm. He was formerly Managing Director of Prism Services Inc., a company that he co-founded in 1993, which has operations throughout the Caribbean and Central America and prior to that General Manager of Fujitsu-ICL Caribbean Limited, Eastern Caribbean.

Mr. Ince is a graduate of York University, Canada where he obtained a BSc. (Hons) in Computer Science.

**INDEPENDENT DIRECTOR**

**Lyden J. Ramdhanny**  
Business Executive,  
L.L. Ramdhanny & Co.  
Born 1952

**NATIONALITY:** Grenadian  
**DATE OF FIRST ELECTION:** 2008  
**TERM OF OFFICE:** 2019

Lyden Ramdhanny was appointed to the Board of Cave Shepherd & Co. Limited in 2008. He is the Chairman of the Audit Committee and a member of the Corporate Governance & Nomination Committee. Mr. Ramdhanny previously served as a Director on the Board of Duty Free Caribbean (Holdings) Ltd an associate of the company for five years from its inception in the year 2000.

Mr. Ramdhanny is a prominent businessman in Grenada having held numerous Private Enterprise and Public Service/ Governmental posts.

**INDEPENDENT DIRECTOR**

**Adrian H. Padmore**  
General Manager, WIBISCO  
Born 1967

**NATIONALITY:** Barbadian  
**DATE OF FIRST ELECTION:** 2016  
**TERM OF OFFICE:** 2017

Adrian Padmore was elected to serve on the Board of Cave Shepherd & Co. Limited in 2016. He is the Chairman of the Corporate Governance & Nomination Committee and a member of the Audit Committee.

Mr. Padmore serves as Director on the Board of the Barbados Investment & Development Corporation and is a member of the Council of Management of the Barbados Manufacturers' Association. He is the General Manager of the West India Biscuit Company Limited (WIBISCO), a position he has held since 2002. He has over twenty-five (25) years' experience in the manufacturing, export and retail and distribution sectors.

Mr. Padmore is a graduate of Coventry University, UK where he obtained a HND in Mechanical Engineering.

**EXECUTIVE DIRECTOR**

**Richard G. Simpson**  
Business Executive,  
Duty Free Caribbean (Holdings) Ltd.  
Born 1959

**NATIONALITY:** Barbadian  
**DATE OF FIRST ELECTION:** 2007  
**TERM OF OFFICE:** 2019

Richard Simpson was elected to serve on the Board of Cave Shepherd & Co. Limited in 2007. He joined Cave Shepherd & Co. Limited in 1983 and has worked in several departments of retail operations.

Mr. Simpson is a member of the Executive Committee of Duty Free Caribbean (Holdings) Ltd with responsibility for premises and facilities.

## DIRECTORS' SHAREHOLDINGS

Directors' shareholdings in Cave Shepherd & Co. Limited as at December 31st 2016 and as at March 9th 2017, are as follows:

|                   | Shares as at December 31st, 2016 |                | Shares as at March 9th, 2017 |                |
|-------------------|----------------------------------|----------------|------------------------------|----------------|
|                   | Beneficial                       | Non-Beneficial | Beneficial                   | Non-Beneficial |
| R. G. Cave        | 5,858,534                        | -              | 5,858,534                    | -              |
| V. E Barriteau    | -                                | -              | -                            | -              |
| R. M. Cave        | 320,235                          | -              | 322,378                      | -              |
| M. D. Davis       | 79,184                           | -              | 79,184                       | -              |
| R. M. Harvey-Read | 22,465                           | -              | 22,465                       | -              |
| E. J. L. Ince     | 143,687                          | -              | 143,687                      | -              |
| A. H. Padmore     | -                                | -              | -                            | -              |
| L. J. Ramdhanny   | -                                | -              | -                            | -              |
| R. G. Simpson     | 68,816                           | -              | 68,816                       | -              |
| J. M. B. Williams | 56,602                           | -              | 58,745                       | -              |

Directors' Interest in the Share Option Plan of Cave Shepherd & Co. Limited as at December 31st 2016 is as follows:

| Year | Granted        | Vested         | Exercised | Unvested      | Expired       | Total          | Exercise Price |
|------|----------------|----------------|-----------|---------------|---------------|----------------|----------------|
| 2016 | 65,000         | 43,333         | -         | 21,667        | -             | <b>65,000</b>  | \$3.01         |
| 2015 | 65,000         | 65,000         | -         | -             | -             | <b>65,000</b>  | \$3.00         |
| 2014 | 65,000         | 65,000         | -         | -             | -             | <b>65,000</b>  | \$2.60         |
| 2012 | 62,000         | 62,000         | -         | -             | -             | <b>62,000</b>  | \$4.60         |
| 2011 | 62,000         | 62,000         | -         | -             | 62,000        | -              | \$4.48         |
|      | <b>319,000</b> | <b>297,333</b> | <b>-</b>  | <b>21,667</b> | <b>62,000</b> | <b>257,000</b> |                |

The market price of Cave Shepherd & Co. Limited shares at December 31st 2016 was \$3.50.

### SUBSTANTIAL SHAREHOLDINGS OTHER THAN DIRECTORS HOLDING MORE THAN 5% OF THE ISSUED SHARES

|                  |           |
|------------------|-----------|
| Landview Limited | 2,193,517 |
| Aerie Limited    | 2,148,649 |



## BOARD OPERATIONS

The Board's key responsibilities which it exercises through decision making and oversight are strategic planning, risk management, succession planning, shareholder communications and public disclosures, corporate governance, legal and regulatory compliance and performance evaluations. The position description for the Chairman is clearly defined.

The Board determines its own organization. The Board has Audit and Corporate Governance & Nomination Committees to assist it in fulfilling its duties.

During 2016, the Board had four (4) formal meetings. The Board manages an annual schedule of critical items designed to ensure that it fulfils its obligations. The Board reviewed and approved financial statements, interim and final dividend payments and the progress of Cave Shepherd's strategy. The Board also considered different business opportunities, reviewed and managed Company risk and received reports on the work carried out by its Audit and Corporate Governance & Nomination Committees. The Board reviewed and approved a Management By Objectives ("MBO") plan for key management employees, as recommended by the Corporate Governance & Nomination Committee. The MBO seeks to reward key management employees based on individual strategic objectives and the overall performance of the Company.

Directors' record of attendance at Board and Committee Meetings are reflected in the table below.

|                   | Board Meetings | Audit Committee Meetings | Corporate Governance & Nomination Committee Meetings | Total |
|-------------------|----------------|--------------------------|--|-------|
| R. G. Cave        | 4/4            |                          |  | 4/4   |
| V. E. Barriteau   | 1/4            |                          | 2/2  | 3/6   |
| R. M. Cave        | 3/4            |                          |  | 3/4   |
| M. D. Davis       | 4/4            |                          |  | 4/4   |
| R. M. Harvey-Read | 4/4            | 2/2                      |  | 6/6   |
| E. J. L. Ince     | 4/4            |                          |  | 4/4   |
| A. H. Padmore     | 3/3            | 1/1                      | 1/1  | 5/5   |
| L. J. Ramdhanny   | 4/4            | 2/2                      | 2/2  | 8/8   |
| R. G. Simpson     | 4/4            |                          |  | 4/4   |
| J. M. B. Williams | 4/4            |                          |  | 4/4   |

### ONGOING DIRECTOR DEVELOPMENT

During 2016 ongoing Directors' education focused on anti-money laundering and terrorist financing, financial developments and recent trends in corporate governance. The Board is committed to ongoing education of its Directors.

### BOARD EVALUATIONS

In 2016 the Board undertook its annual performance evaluation. The Board delegated this function to the Corporate Governance & Nomination Committee with the assistance of the Group Corporate Secretary. The performance evaluation addressed the performance and effectiveness of the individual directors and the Board's performance as a whole.

The performance evaluation was conducted electronically and results of the survey were submitted by each Director on a confidential basis to the Group Corporate Secretary who compiled a report. The survey confirmed that the Board is operating effectively and the report was submitted to the Board for discussion.



## BOARD COMMITTEES

There are two (2) committees of the Board – the Audit Committee and the Corporate Governance & Nomination Committee. These Committees play an integral part in the governance process of the Company in that they assist the Board with the proper discharge of its functions by providing an opportunity for more in-depth discussions. The Committees are required to regularly report back to the Board on findings, assessments and proposed courses of action. The position descriptions for the Chairmen of the Committees are clearly defined.

### THE AUDIT COMMITTEE

**Members:** Lyden J. Ramdhanny, Chairman  
Robert M. Harvey-Read  
Adrian H. Padmore

The majority of the members of the Audit Committee are independent directors. An independent member is an individual who meets the independence requirements of the Company's Corporate Governance Policy. The majority of members are financially literate with a sound understanding of the accounting principles and who possess the experience in analyzing and evaluating financial statements. During 2016, the Audit Committee undertook training which focused on the developments in the presentation of financial statements and the key consideration and optimal approaches to reviewing and interpreting financial statements. In addition, the Audit Committee also received a refresher course on its governance role in the Company.

The Audit Committee assists the Board in overseeing the external audit process and managing all aspects of the relationship with the Auditors. It provides a direct channel of communication between the Auditors and the Board and assists the Board in ensuring that the audits are conducted in a thorough, objective and cost-effective manner. The Committee also reviews interim and audited financial statements and oversees the internal audit process, reviewing the Internal Auditor's assessment of the adequacy and effectiveness of the Company's internal controls, legal and regulatory compliance and risk management.

The Charter of the Audit Committee can be found on the Company's website at [www.caveshepherd.com](http://www.caveshepherd.com)

### AUDIT COMMITTEE OPERATIONS

The principal business for 2016 included:

- Reviewing and approving the external audit plan and timetable and approving external audit fees;
- Reviewing and approving the internal audit plan and approving internal audit fees;
- Reviewing and recommending for approval to the Board interim and annual audited financial statements;
- Reviewing and recommending for approval to the Board the Risk and Operational Risk Policies;
- Reviewing and recommending for amendment the Audit Committee's Charter;
- Reviewing and recommending for approval to the Board the Chairman's Position Description;
- Conducting its annual performance evaluation.



## BOARD COMMITTEES CONT'D

### AUDIT FEES

Audit Fees for the Cave Shepherd Group are as follows:

|                    | <b>2016</b><br><b>(000's)</b> | <b>2015</b><br><b>(000's)</b> |
|--------------------|-------------------------------|-------------------------------|
| Audit fees         | \$240                         | \$245                         |
| Audit related fees | \$18                          | \$34                          |
| Tax fees           | \$32                          | \$10                          |
| <b>TOTAL</b>       | <b>\$290</b>                  | <b>\$289</b>                  |

### THE CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Members: Adrian H. Padmore, Chairman  
V. Eudine Barriteau  
Lyden J. Ramdhanny

The members of the Corporate Governance & Nomination Committee are independent directors. An independent member is an individual who meets the independence requirements of the Company's Corporate Governance Policy.

The Corporate Governance & Nomination Committee develops and recommends to the Board policies and procedures to establish and maintain good corporate governance practices. The Committee is also responsible for reviewing and advising the Board on the nomination and appointment of Directors and assists the Board in creating a culture of honesty, integrity, transparency and accountability.

The Corporate Governance & Nomination Committee's Charter can be found on the Company's website at [www.caveshepherd.com](http://www.caveshepherd.com)

### CORPORATE GOVERNANCE & NOMINATION COMMITTEE OPERATIONS

The principal business for 2016 included:

- Review and recommending for amendment to the Board various Company policies, Board and Corporate Governance & Nominations Committee Charters and the Chairmen Position Descriptions for the Board of Directors and the Corporate Governance & Nomination Committee;
- Reviewing and recommending for approval to the Board the Compliance Programme for the Company;
- Reviewing compliance with legal and regulatory requirements;
- Reviewing and recommending for approval to the Board the nomination process for new Directors;
- Overseeing and conducting the Board and Committee performance evaluations

## EXECUTIVE MANAGEMENT & CORPORATE SECRETARY

The following table sets forth the name and year of appointment of the current four (4) members of Executive Management and the Group Corporate Secretary, as well as a short description of their business experience, education and activities:

### CHIEF EXECUTIVE OFFICER



**John M. B. Williams, FCA**  
Chief Executive Officer  
Born 1959

**NATIONALITY:** Barbadian

**YEAR OF APPOINTMENT:** 2006

John Williams is the Chief Executive Officer of Cave Shepherd & Co. Limited. He is responsible for the management of the day-to-day operations of the Company as delegated by the Board.

Mr. Williams serves as a Director on the Boards of Bridgetown Cruise Terminal Inc., Caribbean Trade Logistics Advisors Inc., Duty Free Caribbean (Holdings) Ltd, GCS Limited and Signia Financial Group Inc. associates of Cave Shepherd & Co. Limited. He is also a Director of subsidiaries, DGM Holdings Inc., Fortress Fund Managers Limited and Fortress Caribbean Property Fund Limited SCC.

Mr. Williams is a mathematics graduate of Manchester University, UK. He is a fellow of the Institute of Chartered Accountants of England and Wales (FCA) and the Institute of Chartered Accountants of Barbados (FCA).

### GROUP CORPORATE SECRETARY



**Hanna M. Chrysostom, LLB, MBA**  
Group Corporate Secretary  
Born 1977

**NATIONALITY:** Trinidadian

**YEAR OF APPOINTMENT:** 2013

Hanna Chrysostom is the Group Corporate Secretary of Cave Shepherd & Co. Limited. She is responsible for ensuring the integrity of the Company's governance framework and as In-House Counsel she also offers legal and regulatory advice and conducts legal research for the Company.

Ms. Chrysostom is admitted to practice as an Attorney-at-Law in Barbados and Trinidad & Tobago. She has had a diverse legal career with over ten (10) years of experience in corporate and commercial law and litigation. She has worked in private practice and as In-House Counsel for a major international telecommunications company.

Ms. Chrysostom holds a Masters of Business Administration from the University of Durham, UK.

### CHIEF FINANCIAL OFFICER



**Ian P. Gibson, FCA, CPA-CGA**  
Chief Financial Officer  
Born 1962

**NATIONALITY:** Barbadian

**YEAR OF APPOINTMENT:** 2000

Ian Gibson is the Chief Financial Officer (CFO) of Cave Shepherd & Co. Limited. He also serves as Director of the Board of Bridgetown Cruise Terminal Inc., Caribbean Trade Logistics Advisors Inc. and GCS Limited, associates of the Company. As CFO, he is responsible for the administrative, financial and risk management operations of the Company.

Mr. Gibson joined the Company in 1995 as Financial Controller. Prior to this, he was employed with a leading audit firm.

Mr. Gibson is a Fellow of the Institute of Chartered Accountants of Barbados (FCA) - Practising Member and a member of the Chartered Professional Accountants of Canada (CPA-CGA).

### DIRECTOR - CARD SERVICES



**Alison Browne-Ellis, MBA**  
Director - Card Services  
Born 1979

**NATIONALITY:** Barbadian

**YEAR OF APPOINTMENT:** 2011

Alison Browne-Ellis is the Director of the Card Services division. She is responsible for the overall management of the Cave Shepherd Card including strategic planning and execution; business development, coaching and professional development, budgeting and forecasting, customer service management, credit portfolio management and project management.

Mrs. Browne-Ellis' background includes over fifteen (15) years' experience in the financial services and credit card management industry.

Mrs. Browne-Ellis holds a Masters of Business Administration from the University of Surrey, UK.



**DIRECTOR**

**Roger M. Cave, CA, CFA**  
 Investment Director  
 Fortress Fund Managers Limited  
 Born 1966

**NATIONALITY:** Barbadian

**YEAR OF APPOINTMENT:** 1997

Mr. Roger Cave is the Founder and Investment Director of Fortress Fund Managers Limited, a subsidiary of Cave Shepherd & Co. Limited. Fortress manages a suite of mutual funds, namely the Fortress Caribbean Growth Fund, Fortress Caribbean Property Fund Limited SCC, Fortress Caribbean Pension Fund and Fortress Caribbean High Interest Fund. He also serves as a Director on the Board of associate Duty Free Caribbean (Holdings) Ltd and subsidiary DGM Holdings Inc.

Mr. Cave is a graduate of Bishop's University, Canada where he obtained a BBA. He is a CFA charter holder as well as a Chartered Accountant. He is a fellow of the Institute of Chartered Accountants of Barbados (FCA).

## EXECUTIVE MANAGEMENT'S SHAREHOLDINGS (All Beneficial)

Executive Management's shareholdings as at December 31st 2016 and as at March 9th 2017, are as follows:

|                    | Shares as at December 31st, 2016<br>No. of Shares held<br>Common Shares | Shares as at March 9th, 2017<br>No. of Shares held<br>Common Shares |
|--------------------|---|---|
| J. M. B. Williams  | 56,602  | 58,745  |
| I. P. Gibson       | 33,434  | 35,577  |
| H. M. Chrysostom   | 4,000   | 6,143   |
| R. M. Cave         | 320,235   | 322,378   |
| A. E. Browne-Ellis | 2,413   | 3,842   |

# MANAGEMENT PROXY CIRCULAR

Management is required by the Companies Act Cap. 308 of the Laws of Barbados ("the Act") to send forms of proxy with the Notice convening the Meeting. By complying with the Act, Management is deemed to be soliciting proxies within the meaning of the Act.

This Management Proxy Circular accompanies the Notice of the Forty-Sixth Annual General Meeting of Shareholders of Cave Shepherd & Co. Limited ("the Company") to be held at the **Lloyd Erskine Sandiford Centre on Thursday April 20th 2017 at 5.30 p.m.**

## 1. APPOINTMENT AND REVOCATION OF PROXY

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to complete, sign, date and return the proxy. **Proxies to be exercised at the Meeting must be deposited no later than 4:00 p.m. on Tuesday April 18th 2017.**

Any Shareholder having given a proxy has the right to revoke it by

depositing an instrument in writing, executed by the Shareholder or his/her attorney authorised in writing, or if the Shareholder is a body corporate, partnership, estate, trust or association, by any officer or attorney thereof duly authorised at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, with the Group Corporate Secretary of the Company at the addresses listed for delivery of proxy in the Notice of the Meeting.

The persons named in the enclosed form of proxy are Directors of the Company. If you wish to appoint some other person to represent you at the Meeting, you may do so by inserting the name of your appointee, who need not be a Shareholder, in the blank space provided on the proxy form.

## 2. RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed **Tuesday March 21st 2017** as the Record Date for determining

the Shareholders entitled to receive Notice of the Meeting, and have given notice thereof by advertisement as required by the Act. Only the Shareholders of the Company at the close of business on that day will be entitled to receive Notice of the Meeting.

Shareholders are voting on the following:

1. the adoption of the Audited Consolidated Financial Statements for the year ended December 31st 2016;
2. the election of Directors; and
3. the appointment of Auditors for the ensuring year and for Directors to fix their remuneration.

Only Shareholders of the Company will be entitled to vote at the Meeting. On a show of hands, each Shareholder has one vote. On a poll, each Shareholder is entitled to one vote for each share held. As at the date hereof there are 18,288,139 common shares without par value of the Company issued and outstanding.



# MANAGEMENT PROXY CIRCULAR

## ITEM 1 PRESENTATION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS REPORT

The Audited Consolidated Financial Statements of the Company for the year ended December 31st 2016 and the Auditors' Report thereon can be found on the Company's website [www.caveshepherd.com](http://www.caveshepherd.com).

## ITEM 2 ELECTION OF DIRECTORS

**The maximum number of Directors permitted by the revised by-laws of the Company is ten (10) and the minimum is three (3). The Board of Directors presently consists of ten (10) Members. The number of Directors to be elected at the Meeting is four (4).**

(i) the following Directors retire by rotation in accordance with paragraph 3.9 and 3.10 of the revised by-laws and being eligible, offer themselves for re-election for the stated term:

|                           |         |
|---------------------------|---------|
| Prof. V. Eudine Barriteau | 3 Years |
| Mrs. Maureen D. Davis     | 3 Years |
| Mr. Adrian H. Padmore     | 3 Years |

(ii) the following Director, having attained the age of 72, retires in accordance with paragraph 3.10 of the revised by-laws and being eligible, offers himself for re-election for the term stated:

|                   |        |
|-------------------|--------|
| Sir Geoffrey Cave | 1 Year |
|-------------------|--------|

With respect to Prof. V. Eudine Barriteau, Mrs. Maureen D. Davis and Mr. Adrian H. Padmore, the term of office for each person so elected will expire at the close of the third Annual General Meeting of the Shareholders of the Company following his election or until his successor is elected or appointed. Each of these nominees is now a Director of the Company and will retire at the close of the Forty-Sixth Annual General Meeting in accordance with the provisions of the revised by-laws of the Company, but being qualified, is eligible for re-election. Prof. V. Eudine Barriteau and Mrs. Maureen D. Davis were elected as Directors at the Shareholders' Meeting held on April 23rd 2014.

Mr. Adrian H. Padmore was elected as Director at the Shareholders' Meeting held on April 21st 2016. These nominees are being recommended in accordance with paragraphs 3.09 and 3.10 of the revised by-laws.

Sir Geoffrey Cave is currently a Director of the Company and is being proposed for election as a Director. This nominee, having attained the age of 72, is being recommended by the Board in accordance with paragraph 3.10 of the revised by-laws.

The Management of the Company does not contemplate that any persons named above will, for any reason, become unable or be unwilling to serve as a Director.

*A simple majority of votes cast by Shareholders present and voting at the Meeting, whether by proxy or otherwise is required to elect the above-named Nominees.*

*The Directors recommend that Shareholders VOTE FOR the election of the above-named Nominees.*



# MANAGEMENT PROXY CIRCULAR

## ITEM 3 APPOINTMENT OF AUDITORS

Ernst & Young of One Welches, St. Thomas, Barbados are the incumbent Auditors of the Company. It is proposed to re-appoint, Ernst & Young as Auditors of the Company to hold office until the next Annual General Meeting of Shareholders.

*A simple majority of votes cast by Shareholders present and voting at the Meeting, whether by proxy or otherwise is required to appoint the incumbent Auditors.*

*The Directors recommend that Shareholders VOTE FOR the re-appointment of Ernst & Young.*

### Discretionary Authority

The enclosed form of proxy confers discretionary authority upon the persons named with respect to amendments to or variations in

matters identified in the Notice of Meeting, or other matters that may properly come before the Meeting.

Management knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the shares represented by proxies in favour of management nominees will be voted on any such matter in accordance with the best judgement of the proxy nominee. Similar discretionary authority is conferred with respect to amendments to the matters identified in the Notice of the Meeting.

The contents of this Management Proxy Circular and the sending thereof to the Shareholders of the Company have been approved by the Directors of the Company.

No Directors' statement is submitted pursuant to Section 17 (2) of the Act.

No Auditors' statement is submitted pursuant to Section 163 (1) of the Act.

No Shareholders' proposal and/or statement is submitted pursuant to Sections 112 (a) and 113 (2) of the Act.

Dated March 9th 2017

*Hanna M. Chrysostom.*

Hanna M. Chrysostom  
Group Corporate Secretary





# FINANCIAL HIGHLIGHTS

**For the year ended December 31, 2016**  
Expressed in Barbados dollars

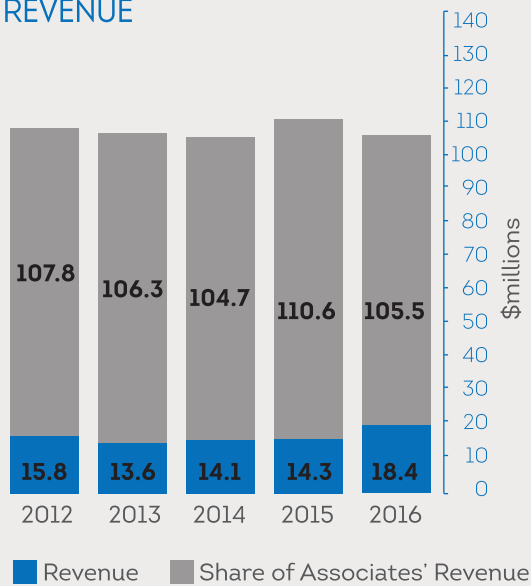
|  | <b>2016</b>   | 2015*          | 2014*          |
|--|---------------|----------------|----------------|
|  | \$            | restated<br>\$ | restated<br>\$ |
| <b>RESULTS FOR THE YEAR (in \$ millions)</b>             |               |                |                |
| Revenue from operations and other gains                  | <b>18.38</b>  | 14.32          | 14.10          |
| Profit before taxation                                   | <b>7.54</b>   | 4.83           | 4.32           |
| Net profit attributable to equity holders of the Company | <b>6.35</b>   | 3.77           | 3.09           |
| <b>YEAR END POSITION (in \$ millions)</b>                |               |                |                |
| Working capital  | <b>52.62</b>  | 46.83          | 47.91          |
| Total assets   | <b>141.29</b> | 134.42         | 141.14         |
| Total equity   | <b>105.61</b> | 101.92         | 100.89         |
| <b>PER SHARE OF CAPITAL STOCK (in dollars)</b>           |               |                |                |
| Profit before taxation and non-controlling interests     | <b>0.41</b>   | 0.26           | 0.24           |
| Net profit attributable to equity holders of the Company | <b>0.35</b>   | 0.21           | 0.17           |
| Dividends declared                                       | <b>0.12</b>   | 0.12           | 0.12           |
| Equity   | <b>5.79</b>   | 5.59           | 5.50           |
| Market price per share                                   | <b>3.50</b>   | 3.01           | 3.00           |
| <b>FINANCIAL RATIOS (in percentages)</b>                 |               |                |                |
| Return on average equity                                 | <b>6.2%</b>   | 3.7%           | 3.1%           |

*\*Prior year comparatives have been restated to reflect a change in accounting treatment.*

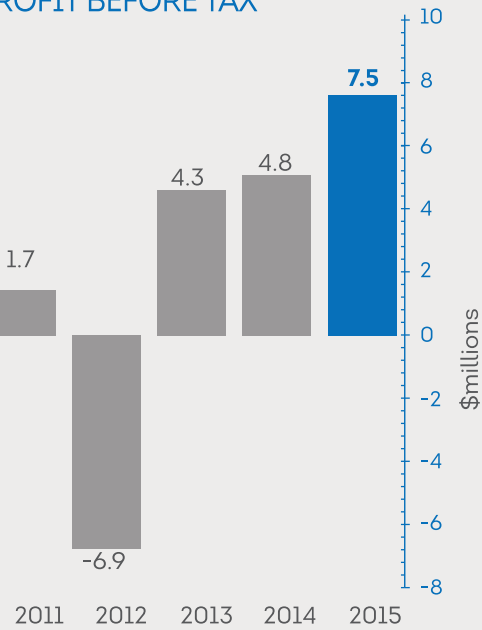


## FINANCIAL HIGHLIGHTS

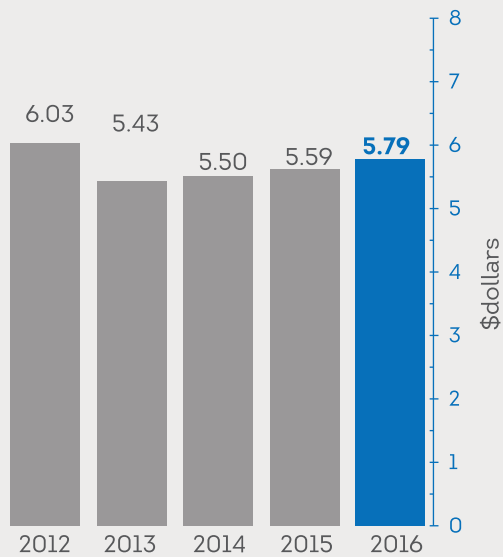
GROUP REVENUE INCLUDING  
SHARE OF ASSOCIATES  
REVENUE



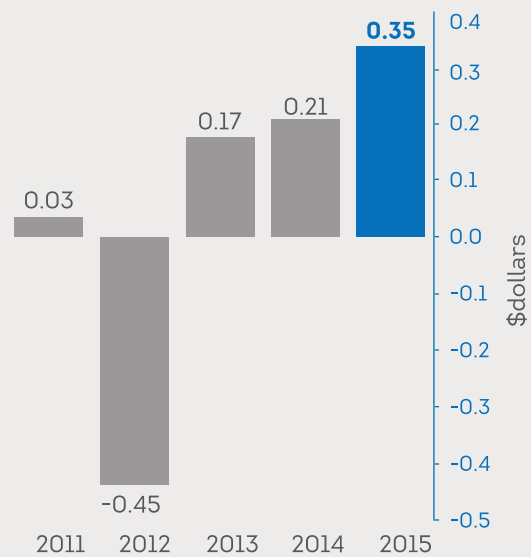
PROFIT BEFORE TAX



BOOK VALUE PER SHARE



EARNINGS PER SHARE



EARNINGS  
PER SHARE

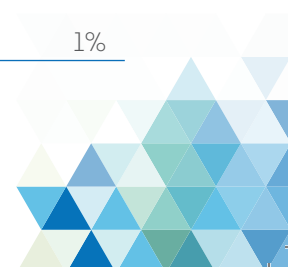
**\$0.35**



## FIVE YEAR SUMMARY

|   | 2016  | 2015*<br>restated | 2014*<br>restated | 2013*<br>restated | 2012*<br>restated |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| <b>Year End Position (in \$ millions)</b>                                     |       |                   |                   |                   |                   |
| <b>Current Assets</b>   |       |                   |                   |                   |                   |
| Cash and cash equivalents   | 13.2  | 12.9              | 15.1              | 12.4              | 21.1              |
| Financial assets held for trading   | 17.2  | 16.5              | 18.0              | 16.6              | 15.9              |
| Financial assets at fair value through profit and loss                        | 0.3   | 0.7               | 0.7               | 0.8               | 0.3               |
| Trade and other receivables and prepayments                                   | 28.4  | 24.8              | 21.3              | 20.9              | 19.9              |
| Other current assets  | 3.7   | 3.6               | 11.4              | 10.7              | 10.5              |
| Total current assets  | 62.8  | 58.5              | 66.5              | 61.4              | 67.7              |
| <b>Less Current Liabilities</b>   |       |                   |                   |                   |                   |
| Working capital   | 10.2  | 11.7              | 18.5              | 17.2              | 17.0              |
| Investments and other assets  | 52.6  | 48.8              | 48.0              | 44.2              | 50.7              |
|   | 79.0  | 76.0              | 74.7              | 73.9              | 81.5              |
|   | 131.6 | 122.8             | 122.7             | 118.1             | 132.2             |
| <b>Financed By:</b>   |       |                   |                   |                   |                   |
| Long-term borrowings  | 25.9  | 20.8              | 21.8              | 18.6              | 21.4              |
| Total equity  | 105.7 | 102.0             | 100.9             | 99.5              | 110.8             |
|   | 131.6 | 122.8             | 122.7             | 118.1             | 132.2             |
| No. of Shares Outstanding (in millions)                                       | 18.3  | 18.2              | 18.3              | 18.3              | 18.4              |
| <b>Share of Associates Revenue (in \$ millions)</b>                           | 105.5 | 110.6             | 104.7             | 106.3             | 107.8             |
| <b>Results For The Year (in \$ millions)</b>                                  |       |                   |                   |                   |                   |
| Revenue from operations and other gains                                       | 18.4  | 14.3              | 14.1              | 13.6              | 15.8              |
| Net operating profit including results of associates                          | 7.0   | 5.3               | 4.4               | 7.9               | (2.2)             |
| Profit/(loss) before taxation and non-controlling interests                   | 7.5   | 4.8               | 4.3               | (6.9)             | 1.7               |
| Net comprehensive income/(loss) attributable to equity holders of the Company | 6.4   | 3.8               | 3.1               | (8.3)             | 0.5               |
| Dividends declared  | 2.2   | 2.2               | 2.2               | 2.6               | 3.7               |
| <b>Per Share Of Capital Stock (in dollars)</b>                                |       |                   |                   |                   |                   |
| Earnings/(loss)   | 0.35  | 0.21              | 0.17              | (0.45)            | 0.03              |
| Dividends declared  | 0.12  | 0.12              | 0.12              | 0.14              | 0.20              |
| Net book value  | 5.79  | 5.59              | 5.50              | 5.43              | 6.03              |
| <b>Financial Ratios</b>   |       |                   |                   |                   |                   |
| Current ratio   | 6.14  | 5.02              | 3.59              | 3.57              | 3.98              |
| Gearing ratio   | 0.11  | 0.08              | 0.06              | 0.06              | 0.01              |
| <b>Returns (%)</b>  |       |                   |                   |                   |                   |
| On average equity   | 6%    | 4%                | 3%                | (8)%              | 1%                |

\*Prior year comparatives have been restated to reflect a change in accounting treatment.





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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Cave Shepherd & Co. Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, consolidated statement of income and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.





INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

**Report on the Audit of the Consolidated Financial Statements (Continued)**

**Key Audit Matters (Continued)**

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Investments in associated companies</b></p> <p>Investments in associates represents approximately 47% of the assets on the consolidated statement of financial position. As detailed in Note 2 <i>Summary of Significant Accounting Policies</i>, under the equity method of accounting for associates, these associates are initially stated at cost, and are adjusted thereafter for the Group's share of its associates' post-acquisition profits or losses which is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves which is recognised in other comprehensive income and accumulated in reserves.</p> <p>In prior years, a number of associates incurred losses and the Group recorded impairment charges which gives rise to the potential risk of a material misstatement.</p> | <p>We analyzed the Group's methodology and equity pick-up calculations of the underlying associates for the year ended 31 December 2016 which included the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated the reasonableness of Management's assessment of control versus significant influence</li> <li>• We issued instructions and performed independent reviews of the working papers of the non-EY auditors of the Group's material associates</li> <li>• We tested the reasonableness of the year end equity pickup calculations in the consolidated accounts, including compliance with accounting policies consistent with Group reporting, where applicable</li> <li>• We assessed Management's assumptions over the carrying values of the associates and related balances</li> <li>• Additionally, we considered whether the Group's disclosures related to these investments were appropriately reflected in the notes to the consolidated financial statements</li> </ul> |



INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

**Report on the Audit of the Consolidated Financial Statements (Continued)**

**Key Audit Matters (Continued)**

| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <b>Prior period adjustment</b>  |  |
| <p>As detailed in Note 36, Prior Period Adjustment, the Group recorded a restatement to its 2015 and 2014 balance sheets as a result of a material adjustment in Fortress Insurance Company Ltd., (FICO), one of the subsidiaries within the Fortress Fund Managers Group.</p> <p>FICO's principal activity is the sale of registered retired savings plans ('RRSPs') and drawdown annuity contracts. The adjustment recorded was as a result of Management's assessment of the Company's control over the assets/liabilities of the annuity contracts where it was deemed that the subsidiary acts as an agent in the agreement over the management of the assets of the policy holders.</p> | <p>As part of our audit response, we have assessed Management's position of the impact and subsequent application of IFRS 10 "<i>Consolidated Financial Statements</i>" with support from our IFRS experts.</p> <p>This assessment included determining whether the subsidiary possess control over the assets/liabilities of the RRSPs and drawdown annuity contracts and if the Company is acting as a principal or agent in the relationship as governed by IFRS 10.</p> <p>We also analyzed the revised positions and evaluated the accounting impact, including assessing that proper disclosures have been made in accordance with IAS 8 "<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>".</p> |



INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

**Report on the Audit of the Consolidated Financial Statements (Continued)**

**Other information included in the Group's 2016 Annual Report**

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

**Report on the Audit of the Consolidated Financial Statements (Continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

**Report on the Audit of the Consolidated Financial Statements (Continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

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

**Other Legal and Regulatory Requirements**

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's members shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner in charge of the audit resulting in this independent auditor's report is Mr. John-Paul Kowlessar.

*Ernst & Young Ltd*

Chartered Accountants  
Barbados  
9 March 2017

# Consolidated Statement of Financial Position

As at December 31, 2016

Expressed in thousands of Barbados dollars

|  | 2016<br>\$     | 2015<br>restated<br>\$ | 2014<br>restated<br>\$ |
|--|----------------|------------------------|------------------------|
| <b>Current Assets</b>  |                |                        |                        |
| Cash and cash equivalents (note 4)                               | 13,227         | 12,874                 | 15,100                 |
| Financial assets held for trading (note 5)                       | 17,189         | 16,517                 | 17,956                 |
| Financial assets at fair value through profit and loss (note 12) | 318            | 650                    | 705                    |
| Trade and other receivables and prepayments (note 6)             | 28,426         | 24,822                 | 21,333                 |
| Due by associates (note 7)                                       | 3,497          | 3,397                  | 11,130                 |
| Due by affiliates (note 8)                                       | 195            | 223                    | 171                    |
|  | <b>62,852</b>  | <b>58,483</b>          | <b>66,395</b>          |
| <b>Current Liabilities</b>                                       |                |                        |                        |
| Borrowings (note 21)   | 907            | 1,413                  | -                      |
| Trade and other payables (note 9)                                | 3,490          | 3,123                  | 3,194                  |
| Due to associates (note 7)                                       | 1,957          | 3,559                  | 10,765                 |
| Due to affiliates (note 8)                                       | 152            | 191                    | 2,149                  |
| Loans payable to non-controlling interest (note 19)              | 913            | 908                    | 932                    |
| Deferred income  | 543            | 443                    | -                      |
| Current income tax liability                                     | 392            | 373                    | 342                    |
| Dividends payable (note 20)                                      | 1,878          | 1,641                  | 1,101                  |
|  | <b>10,232</b>  | <b>11,651</b>          | <b>18,483</b>          |
| <b>Working Capital</b>   | <b>52,620</b>  | <b>46,832</b>          | <b>47,912</b>          |
| Investments in associates (note 10)                              | 67,336         | 63,527                 | 61,846                 |
| Held-to-maturity investments                                     | 952            | 982                    | 976                    |
| Intangible assets (note 13)                                      | 1,197          | 2,041                  | 2,885                  |
| Property, plant and equipment (note 14)                          | 2,647          | 2,366                  | 1,935                  |
| Loans due by associate (note 15)                                 | 5,800          | 5,800                  | 5,800                  |
| Pension plan surplus (note 16)                                   | 1,007          | 1,219                  | 1,303                  |
| Fixed income certificates payable (note 17)                      | (15,838)       | (15,732)               | (16,661)               |
| Unsecured fixed income notes payable (note 18)                   | (9,000)        | (4,000)                | (4,000)                |
| Redeemable preference shares (note 22)                           | (1,097)        | (1,097)                | (1,097)                |
| Deferred tax liability (note 23)                                 | (15)           | (15)                   | (7)                    |
| <b>Net Assets</b>  | <b>105,609</b> | <b>101,923</b>         | <b>100,892</b>         |

The accompanying notes form an integral part of these consolidated financial statements.



# Consolidated Statement of Financial Position

As at December 31, 2016

Expressed in thousands of Barbados dollars

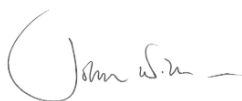
|   | 2016<br>\$     | 2015<br>restated<br>\$ | 2014<br>restated<br>\$ |
|---|----------------|------------------------|------------------------|
| <b>Capital and Reserves attributable to the Equity holders of the Company</b> |                |                        |                        |
| Share capital (note 24)   | 38,475         | 38,458                 | 38,596                 |
| Share option reserve (note 25)  | 301            | 282                    | 199                    |
| Retained earnings (note 26)   | 65,023         | 61,064                 | 59,661                 |
|   | <b>103,799</b> | 99,804                 | 98,456                 |
| <b>Non-controlling interests</b>  | <b>1,810</b>   | 2,119                  | 2,436                  |
| <b>Total Equity</b>   | <b>105,609</b> | 101,923                | 100,892                |

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board of Directors on March 9<sup>th</sup> 2017.



**Sir Geoffrey Cave**  
Director



**Mr. John M. B. Williams**  
Director

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

Expressed in thousands of Barbados dollars

|   | Attributable to equity holders of the Company |                         |                            | Non-controlling Interests | Total          |
|---|---|-------------------------|----------------------------|---------------------------|----------------|
|   | Share Capital<br>\$                           | Retained Earnings<br>\$ | Share Option Reserve<br>\$ | \$                        |                |
| <b>Balance as at December 31, 2014</b>      | 38,596  | 59,661                  | 199                        | 2,436                     | <b>100,892</b> |
| Net profit for the year                     | -   | 3,769                   | -                          | 287                       | <b>4,056</b>   |
| Other comprehensive loss for the year       | -   | (87)                    | -                          | -                         | <b>(87)</b>    |
| Total comprehensive income for the year     | -   | 3,682                   | -                          | 287                       | <b>3,969</b>   |
|   | 38,596  | 63,343                  | 199                        | 2,723                     | <b>104,861</b> |
| Dividends (12¢ per share)                   | -   | (2,206)                 | -                          | -                         | <b>(2,206)</b> |
| Dividends paid to non-controlling interests | -   | -                       | -                          | (926)                     | <b>(926)</b>   |
| Acquisition of subsidiary (note 11)         | -   | -                       | -                          | 322                       | <b>322</b>     |
| Employee share options (note 25)            | -   | -                       | 83                         | -                         | <b>83</b>      |
| Repurchase of shares (note 24)              | (138)   | (73)                    | -                          | -                         | <b>(211)</b>   |
| <b>Balance as at December 31, 2015</b>      | 38,458  | 61,064                  | 282                        | 2,119                     | <b>101,923</b> |
| Net profit for the year                     | -   | 6,349                   | -                          | 391                       | <b>6,740</b>   |
| Other comprehensive loss for the year       | -   | (271)                   | -                          | -                         | <b>(271)</b>   |
| Total comprehensive income for the year     | -   | 6,078                   | -                          | 391                       | <b>6,469</b>   |
|   | 38,458  | 67,142                  | 282                        | 2,510                     | <b>108,392</b> |
| Dividends (12¢ per share)                   | -   | (2,189)                 | -                          | -                         | <b>(2,189)</b> |
| Dividends paid to non-controlling interests | -   | -                       | -                          | (700)                     | <b>(700)</b>   |
| Employee share options (note 25)            | -   | -                       | 98                         | -                         | <b>98</b>      |
| Expired share options                       | -   | 79                      | (79)                       | -                         | <b>-</b>       |
| Issue of shares (note 24)                   | 31  | -                       | -                          | -                         | <b>31</b>      |
| Repurchase of shares (note 24)              | (14)  | (9)                     | -                          | -                         | <b>(23)</b>    |
| <b>Balance as at December 31, 2016</b>      | 38,475  | 65,023                  | 301                        | 1,810                     | <b>105,609</b> |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Income

For the year ended December 31, 2016

Expressed in thousands of Barbados dollars

|  | 2016<br>\$    | 2015<br>\$    |
|--|---------------|---------------|
| <b>Revenue and other gains</b>   |               |               |
| Revenue from operations (note 27)  | 18,342        | 14,238        |
| Other gains (note 29)  | 35            | 83            |
|  | <b>18,377</b> | <b>14,321</b> |
| <b>Expenses</b>  |               |               |
| Payroll costs (note 30)  | 6,852         | 4,573         |
| Depreciation (note 14)   | 514           | 417           |
| Amortisation of intangible assets (note 13)  | 844           | 844           |
| Other operating expenses   | 6,032         | 4,278         |
| Redeemable preference shares dividends to non-controlling interests                                    | 751           | 926           |
|  | <b>14,993</b> | <b>11,038</b> |
| <b>Profit before undernoted items</b>  | <b>3,384</b>  | <b>3,283</b>  |
| Finance costs  | (1,080)       | (1,024)       |
| <b>Net Operating Profit</b>  | <b>2,304</b>  | <b>2,259</b>  |
| Share of results of associates (note 10)   | 4,694         | 3,033         |
| Gains/(losses) on financial assets (note 28)   | 540           | (462)         |
| <b>Profit before taxation</b>  | <b>7,538</b>  | <b>4,830</b>  |
| Income tax expense (note 31)   | (798)         | (774)         |
| <b>Net Profit for the year</b>   | <b>6,740</b>  | <b>4,056</b>  |
| <b>Attributable to:</b>  |               |               |
| Equity holders of the Company  | 6,349         | 3,769         |
| Non-controlling interests  | 391           | 287           |
|  | <b>6,740</b>  | <b>4,056</b>  |
| <b>Earnings per share for profit attributable to the equity holders of the Company during the year</b> |               |               |
| - basic (note 32)  | \$0.35        | \$0.21        |
| - diluted (note 32)  | \$0.33        | \$0.20        |

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended December 31, 2016

Expressed in thousands of Barbados dollars

|   | 2016<br>\$   | 2015<br>\$   |
|---|--------------|--------------|
| <b>Net Profit for the year</b>                                  | <b>6,740</b> | <b>4,056</b> |
| Other comprehensive loss:                                       |              |              |
| <b>Items that will not be reclassified to profit or loss:</b>   |              |              |
| Exchange difference on translation of foreign operations        | -            | 29           |
| Remeasurements of post-employment benefit obligations (note 16) | <b>(271)</b> | <b>(116)</b> |
| Other comprehensive loss for the year                           | <b>(271)</b> | <b>(87)</b>  |
| <b>Total Comprehensive Income for the year</b>                  | <b>6,469</b> | <b>3,969</b> |
| <b>Attributable to:</b>   |              |              |
| Equity holders of the Company                                   | <b>6,078</b> | <b>3,682</b> |
| Non-controlling interests                                       | <b>391</b>   | <b>287</b>   |
| <b>Total Comprehensive Income for the year</b>                  | <b>6,469</b> | <b>3,969</b> |

The accompanying notes form an integral part of these consolidated financial statements.



# Consolidated Statement of Cash Flows

For the year ended December 31, 2016  
Expressed in thousands of Barbados dollars

|  | 2016<br>\$     | 2015<br>restated<br>\$ |
|--|----------------|------------------------|
| <b>Net cash used in operations (note 33)</b>                                   | <b>(1,480)</b> | <b>(720)</b>           |
| <b>Cash flows from investing activities</b>                                    |                |                        |
| Purchase of property, plant and equipment (note 14)                            | (814)          | (676)                  |
| Acquisition of subsidiary  | -              | 692                    |
| Purchase of financial assets held for trading and held-to-maturity investments | (6)            | (9,025)                |
| Proceeds on disposal of investments in associates                              | 56             | -                      |
| Proceeds on disposal of property, plant and equipment                          | 54             | 83                     |
| Proceeds on disposal of financial assets held for trading                      | 500            | 9,109                  |
| Proceeds on disposal of other investments                                      | -              | 245                    |
| Dividends received   | 60             | 401                    |
| Dividends received from associates (note 10)                                   | 829            | 910                    |
| <b>Net cash generated from investing activities</b>                            | <b>679</b>     | <b>1,739</b>           |
| <b>Cash flows from financing activities</b>                                    |                |                        |
| Proceeds from issue of shares (note 24)  | 31             | -                      |
| Repurchase of shares (note 24)   | (23)           | (211)                  |
| Proceeds from long term borrowings   | 5,000          | -                      |
| Fixed income certificates payable (net)  | 106            | (929)                  |
| Dividends paid to shareholders   | (2,196)        | (2,202)                |
| Dividends paid to non-controlling interest                                     | (629)          | (658)                  |
| Dividends paid to preference shareholders                                      | (629)          | (658)                  |
| <b>Net cash generated from/(used in) financing activities</b>                  | <b>1,660</b>   | <b>(4,658)</b>         |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                    | <b>859</b>     | <b>(3,639)</b>         |
| <b>Cash and cash equivalents net of borrowings – beginning of year</b>         | <b>11,461</b>  | <b>15,100</b>          |
| <b>Cash and cash equivalents net of borrowings – end of year</b>               | <b>12,320</b>  | <b>11,461</b>          |
| <b>Represented by:</b>   |                |                        |
| Cash at bank and in hand (note 4)  | 11,227         | 11,384                 |
| Short-term deposits (note 4)   | 2,000          | 1,490                  |
| Borrowings (note 21)   | (907)          | (1,413)                |
|  | <b>12,320</b>  | <b>11,461</b>          |

The accompanying notes form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 1. General Information

The principal activities of Cave Shepherd & Co. Limited ('the Company') and its subsidiaries (together 'the Group') are retailing, provision of financial services and holding of investments.

The Company is a limited liability company incorporated and domiciled under the Laws of Barbados. The address of its registered office is 10-14 Broad Street, Bridgetown, Barbados.

The Company is listed on the Barbados Stock Exchange.

During 2015, the Group purchased an additional 32.7% shareholding in DGM Financial Group for no consideration, bringing its shareholding to 72.7%. As a result, DGM Financial Group has been consolidated in these financial statements as at December 31, 2015 (Note 11).

## 2. Summary of Significant Accounting Policies

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

### (a) Basis of Preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets held for trading and at fair value through profit and loss as disclosed in Note 2(h).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2(k).

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (a) Basis of Preparation ...continued

#### ***New standards and amendments adopted by the Group***

The Group applied, for the first time, certain standards and amendments that became applicable for the 2016 financial year. However there was no impact on the amounts reported and/or disclosures in the financial statements.

#### **Amendments to IFRS 10, IFRS 12 and IAS 28 – Effective 1 January 2016**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments had no impact on the Group.

#### **Amendments to IFRS 11 – Effective 1 January 2016**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments had no impact on the Group.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (a) Basis of Preparation ...continued

#### ***New standards and amendments adopted by the Group***

##### **IFRS 14, 'Regulatory Deferral Accounts' – Effective 1 January 2016**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is not subject to rate regulation, this standard does not apply.

##### **Amendments to IAS 1 – Effective 1 January 2016**

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments had no impact on the Group.



# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (a) Basis of Preparation ...continued

#### ***New standards and amendments adopted by the Group***

##### **Amendments to IAS 16 and IAS 38 – Effective 1 January 2016**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments had no impact on the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

##### **Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants – Effective 1 January 2016**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not have any bearer plants.

##### **Amendments to IAS 27 – Effective 1 January 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. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have no impact on the Group's financial statements.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (a) Basis of Preparation ...continued

#### **Annual improvements to IFRSs 2012-2014 Cycle – Published September 2014**

Certain limited amendments, which primarily consist of clarifications to existing guidance, were made to the following standards:

- IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'
- IFRS 7, 'Financial Instruments: Disclosures'
- IAS 19, 'Employee Benefits'
- IAS 34, 'Interim Financial Reporting'

These improvements were effective for annual periods beginning on or after 1 January 2016 and had no impact on the Group.

#### ***New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016 and not early adopted***

The following is a list of standards and interpretations issued that are not yet effective up to the date of the issuance of the Group's consolidated financial statements. The Group intends to adopt these standards, if applicable, when they become effective:-

- IAS 7 Disclosure Initiative - Amendments to IAS 7 (Effective 1 January 2017)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (Effective 1 January 2017)
- IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 9 Financial Instruments (Effective 1 January 2018)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (Effective 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (Effective 1 January 2018)
- IFRS 16 Leases (Effective 1 January 2019)

The Group is currently assessing the potential impact of these new standards and interpretations and will adopt them when they are effective.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (b) Consolidation

#### **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **Transactions and Non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (b) Consolidation...continued

#### Subsidiaries...continued

These consolidated financial statements include the financial statements of the Company and its subsidiary companies:

|   | Country of<br>incorporation<br>and place of<br>business | Nature of<br>business         | Ordinary<br>shares<br>held<br>(%) | Ordinary<br>shares held<br>by non-<br>controlling<br>interests<br>(%) |
|---|---|-------------------------------|-----------------------------------|---|
| Cave Shepherd Inc.                                | Florida   | Holding company               | 100                               | -   |
| Cave Shepherd<br>(Cayman) Ltd.                    | Cayman  | Holding company               | 100                               | -   |
| Cave Shepherd SRL                                 | Barbados  | Holding company               | 100                               | -   |
| Fortress Fund<br>Managers Limited                 | Barbados  | Financial services<br>company | 75                                | 25  |
| Fortress Fund<br>Advisors Limited                 | Barbados  | Financial services<br>company | 75                                | 25  |
| Fortress Insurance<br>Company Limited             | Barbados  | Financial services<br>company | 75                                | 25  |
| Fortress Staff<br>Share Scheme Inc.               | Barbados  | Financial services<br>company | 75                                | 25  |
| Fortress Advisory<br>& Investment<br>Services     | Barbados  | Financial services<br>company | 75                                | 25  |
| Westhelios Energy<br>Systems Inc.                 | Barbados  | Services company              | 75                                | 25  |
| Cayco Ltd.  | Cayman  | Holding company               | 100                               | -   |
| Colombian<br>Emeralds<br>International<br>Limited | Tortola   | Retail company                | 100                               | -   |

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (b) Consolidation...continued

#### Subsidiaries...continued

These consolidated financial statements include the financial statements of the Company and its subsidiary companies:

|                                      | Country of<br>incorporation<br>and place of<br>business | Nature of<br>business | Ordinary<br>shares<br>held<br>(%) | Ordinary<br>shares held<br>by non-<br>controlling<br>interests<br>(%) |
|--------------------------------------|---|-----------------------|-----------------------------------|---|
| DGM Holdings Inc.                    | St. Lucia   | Holding<br>company    | 72.7                              | 27.3  |
| DGM Trust<br>Corporation             | Barbados  | Services<br>company   | 72.7                              | 27.3  |
| DGM Securities<br>Limited            | Turks & Caicos  | Services<br>company   | 72.7                              | 27.3  |
| DGM Directors Inc.                   | Barbados  | Services<br>company   | 72.7                              | 27.3  |
| DGM Management<br>Services Limited   | Barbados  | Services<br>company   | 72.7                              | 27.3  |
| DGM Captive<br>Management Inc.       | Barbados  | Services<br>company   | 72.7                              | 27.3  |
| DGM International<br>Consulting Inc. | St. Lucia   | Service<br>company    | 72.7                              | 27.3  |
| DGM International<br>Consulting Inc. | Barbados  | Service<br>company    | 72.7                              | 27.3  |

The above entities are all considered part of the DGM Financial Group.



# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (b) Consolidation...continued

#### Subsidiaries...continued

Fortress Fund Managers Limited is authorised to issue 250,000 non-voting, redeemable, non-cumulative preference shares. During 2012, Fortress issued 243,750 non-voting, redeemable, non-cumulative preference shares for the amount of \$1,097 to the non-controlling interest of the Group.

#### Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income and accumulated in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The associates and interest therein are set out below:

|   |     |
|---|-----|
| Duty Free Caribbean (Holdings) Ltd.           | 40% |
| Duty Free Caribbean Limited                   | 40% |
| DFC Services Corp.                            | 40% |
| Duty Free Caribbean Emeralds (St. Lucia) Ltd. | 40% |
| Duty Free Caribbean (Grenada) Ltd.            | 40% |
| Ashworth Limited                              | 40% |
| Emerald Distributors Limited                  | 40% |
| Duty Free Caribbean (Cayman) Holdings Ltd.    | 40% |
| CS Cayman Ltd.                                | 16% |
| Duty Free Caribbean (Jamaica) Ltd.            | 40% |

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (b) Consolidation...continued

#### Associates...continued

The associates and interest therein are set out below:

|  |        |
|--|--------|
| Duty Free Caribbean (TCI) Ltd.           | 40%    |
| Duty Free Caribbean (Curacao) N.V.       | 40%    |
| Colombian Emeralds International N.V.    | 40%    |
| Colombian Emeralds International Limited | 40%    |
| CEI Limited                              | 40%    |
| Deltamar N.V.                            | 40%    |
| DFC (USVI) Ltd.                          | 40%    |
| Caribworld Inc.                          | 20.4%  |
| Caribworld (Trinidad) Ltd.               | 20.4%  |
| Carib Home Shopping Ltd.                 | 20.4%  |
| Bridgetown Cruise Terminals Inc.         | 20%    |
| GCS Limited                              | 40%    |
| CSGK Finance (Holdings) Limited          | 40%    |
| Signia Financial Group Inc.              | 40%    |
| CS&C Joint Venture                       | 16%    |
| The Sunset Joint Venture                 | 16%    |
| Caribbean Trade Logistics Advisors Inc.  | 44%    |
| Contonou Shores Ltd.                     | 35%    |
| Canouan CS&F Investments Limited         | 35%    |
| FSSB Inc.                                | 18.75% |

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (c) Revenue Recognition

Revenue earned by the Group is recognised on the following basis:

- **Interest income**  
Interest income is recognised on the accrual basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.
- **Commission income**  
Commission income on credit cards is recognised on an accrual basis upon generation of sales through merchants.
- **Dividend income**  
Dividend income is recognised when the right to receive payment is established.
- **Management fee income**  
Management fee income of Fortress Fund Managers Limited is recognised based on the actual net asset values of the Funds it manages. As Fortress Fund Managers Limited is the manager of all the Funds, a percentage of the management fees are refunded to avoid double charging on assets invested between the Funds. The refund is based on the net asset value of the investments calculated monthly and payable in arrears.
- **Sales of goods – retail**  
Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in distribution costs.

### (d) Investment Property

Investment Property is held for long-term rental yields and capital appreciation and is not substantially occupied by the Group. Investment Property is treated as a long-term investment and is carried at fair value, representing market value as determined by the Board of Directors. Under IFRS 40 – ‘Investment Property’, changes in fair value are recorded in the consolidated statement of income.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (e) **Property, Plant & Equipment**

Property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Depreciation is calculated on a straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|                         |              |
|-------------------------|--------------|
| Furniture and Equipment | 3 to 5 years |
| Motor Vehicles          | 5 years      |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

### (f) **Accounts Receivable**

Receivables from credit card holders are carried at anticipated realisable value. A provision for impairment of credit card receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of income. The credit risk of the receivables portfolio is assumed by the Group. The discount fee on these receivables is included in the consolidated statement of income when earned.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on an average basis. Net realisable value is the price at which inventories can be realised in the normal course of business after allowing for the costs of realisation. Provision is made for obsolete, slow-moving and defective inventories.

### (h) Financial Assets

The Group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### Financial assets at fair-value through profit and loss

This category has two sub-categories: 'financial assets held for trading', and those 'designated at fair value through profit or loss at inception'. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the reporting date.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are accounted for at amortized cost. They are included in current assets, except for maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables', 'due by associates' and 'loans due by associate' in the consolidated statement of financial position.

#### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. All financial assets held-to-maturity are initially recognised at fair value and are subsequently carried at amortised cost. The Group's held-to-maturity investment relates to a Government of Barbados Bond of \$952 (2015 - \$982) that carries a coupon rate of 7.25% (2015 - 7.25%) and is expected to mature in 2025.



# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (h) Financial Assets...continued

#### **Recognition and measurement**

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of income. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the consolidated statement of income in the period in which they arise.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are recognised in the consolidated statement of income.

### (i) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (i) Fair value estimation...continued

The fair value of the Group's financial assets and liabilities with non-related parties are not materially different to their carrying amounts. The fair value of the Group's financial assets and liabilities with related parties that are interest-free are not materially different to their carrying amounts given the short term nature of these balances.

### (j) Current and Deferred Income Taxes

The tax expense comprises current and deferred taxes. Tax is recognised in the consolidated statement of income, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which appropriate tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (k) Critical Accounting Estimates and Assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Estimated impairment of intangible assets and non-financial assets**

The Group tests annually whether goodwill has suffered any impairment, in accordance with accounting policies stated in Notes 2(n) and 2(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

- **Income taxes**

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

- **Pension benefits**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 16.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (k) Critical Accounting Estimates and Assumptions...continued

- **Impairment of financial assets**

Management makes judgments at each reporting date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

- **Fair value of financial instruments that are not traded**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

### (l) Foreign Currency Translation

#### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Barbados dollars, which is the Group's functional and presentation currency.

#### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items are included in the consolidated statement of income.

#### **Group companies**

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date.
- Income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting differences are recognised in the consolidated statement of other income.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (m) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 90 days or less and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the consolidated statement of financial position.

### (n) **Intangible Assets**

#### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### **Management Contracts**

Management contracts acquired in a business combination are recognised at their estimated fair values at the acquisition date. The management contracts have a finite useful life and are carried at estimated realisable value less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the management contracts which is 10 years.

### (o) **Impairment of Non-Financial Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.



# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (p) Employee Benefits

#### **Pension Plan Valuation**

The Group operates both defined benefit and defined contribution pension plans for the employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### **Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (p) Employee Benefits...continued

#### Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's average share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of income, with a corresponding adjustment to equity. When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

The granting by the Group of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (p) Employee Benefits...continued

#### Share-based payments...continued

The Fortress Group operates a staff share scheme which allows its employees to indirectly hold shares in that company. Employees can purchase shares in Fortress Staff Share Scheme Inc. at a discounted price to the calculated fair value of the shares. Employees can redeem shares previously purchased at the end of each financial year, at the fair value determined as at that date. As the shares are redeemable at the option of the employees they have been classified as financial liabilities and carried at fair value. As the fair value of the shares is determined on an annual basis, the difference is charged or credited to the consolidated statement of income with a corresponding adjustment to the financial liability.

### (q) 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, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

### (r) Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (s) **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### (t) **Trade Payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (u) **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### (v) **Dividend Distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Company's directors.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 2. Summary of Significant Accounting Policies ...continued

### (w) Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentive received from the lessor) are charged to the consolidated statement of income on a straight line basis over the period of the lease.

### (x) Redeemable preference shares

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as redeemable preference share dividends to non-controlling interest.

## 3. Financial Risk Management

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, (which includes price risk, currency risk and interest rate risk), credit risk and liquidity risk in the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

### (a) Market risk

#### (i) Price risk

The Group is exposed to market price risk arising primarily from changes in equity prices. To manage this risk the Group holds a diversified portfolio of investments in accordance with its investment policy. As at December 31, 2016, 99% (2015 - 99%) of financial assets held for trading comprise investments in other funds that have been fair valued in accordance with the policies set out in note 2(i).

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### (a) Market risk...continued

#### (i) Price risk...continued

#### Sensitivity

The effects of an across the board 10% change in equity prices of the Group's financial assets held for trading and at fair value through profit or loss are set out below:

|   | Carrying Value<br>\$ | Effect of 10%<br>change at<br>December 31, 2016<br>\$ |
|---|----------------------|---|
| Listed on Caribbean stock exchanges and markets | 405                  | 40  |
| Listed on foreign stock exchanges and markets   | 2,674                | 267   |
| Unlisted securities                             | 14,110               | 1,411   |
|   | <b>17,189</b>        | <b>1,718</b>  |

|   | Carrying Value<br>\$ | Effect of 10%<br>change at<br>December 31, 2015<br>\$ |
|---|----------------------|---|
| Listed on Caribbean stock exchanges and markets | 841                  | 84  |
| Listed on foreign stock exchanges and markets   | 2,608                | 261   |
| Unlisted securities                             | 13,068               | 1,307   |
|   | <b>16,517</b>        | <b>1,652</b>  |



# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### (a) Market risk...continued

#### (ii) Interest rate risk

The majority of the Group's interest bearing financial assets and liabilities are short-term deposits, credit card receivables, loans due by associates, unsecured fixed income notes and fixed income certificates payable. Except for short-term deposits, interest is charged on these financial assets and liabilities at fixed rates. As a result the Group is not subject to significant amounts of risk due to fluctuation in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The Group has a material interest-bearing asset in trade receivables which arises through its credit card operation. Interest is charged on all unpaid balances that are 30 days and older. Interest is charged at a fixed rate in line with industry standards. The nature of the credit card industry is such that interest rates show little variation and are stable in nature; as a result the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

The table below summaries the Group's exposure to interest rate risk. It includes the Group's financial assets and liabilities categorised by the earlier of contractual re-pricing or maturity dates.

## Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

### 3. Financial Risk Management ...continued

#### (a) Market risk...continued

#### (ii) Interest rate risk...continued

|   | 0-5 years     | Over 5 years | Non- interest<br>bearing | Total         |
|---|---------------|--------------|--------------------------|---------------|
| At December 31, 2016                                      | \$            | \$           | \$                       | \$            |
| <b>Financial assets</b>                                   |               |              |                          |               |
| Cash and cash equivalents                                 | 2,000         | -            | 11,227                   | 13,227        |
| Financial assets held for trading                         | -             | -            | 17,189                   | 17,189        |
| Financial assets at fair value<br>through profit and loss | -             | -            | 318                      | 318           |
| Trade and other receivables                               | 25,425        | -            | 2,691                    | 28,116        |
| Due by associates   | 1,760         | -            | 1,737                    | 3,497         |
| Due by affiliates   | 195           | -            | -                        | 195           |
| Held-to-maturity investments                              | -             | 952          | -                        | 952           |
| Loans due by associate                                    | -             | 5,800        | -                        | 5,800         |
| <b>Total financial assets</b>                             | <b>29,380</b> | <b>6,752</b> | <b>33,162</b>            | <b>69,294</b> |
| <b>Financial liabilities</b>                              |               |              |                          |               |
| Borrowings  | 907           | -            | -                        | 907           |
| Trade and other payables                                  | -             | -            | 3,490                    | 3,490         |
| Due to associates   | -             | -            | 1,957                    | 1,957         |
| Due to affiliates   | -             | -            | 152                      | 152           |
| Loans payable to non-controlling<br>interest              | 913           | -            | -                        | 913           |
| Deferred Income   | -             | -            | 543                      | 543           |
| Fixed income certificates payable                         | 15,838        | -            | -                        | 15,838        |
| Unsecured fixed income notes<br>payable                   | 9,000         | -            | -                        | 9,000         |
| Redeemable preference shares                              | 1,097         | -            | -                        | 1,097         |
| <b>Total financial liabilities</b>                        | <b>27,755</b> | <b>-</b>     | <b>6,142</b>             | <b>33,897</b> |
| <b>Total interest sensitivity gap</b>                     | <b>1,625</b>  | <b>6,752</b> | <b>27,020</b>            | <b>35,397</b> |

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### (a) Market risk...continued

### (ii) Interest rate risk...continued

| At December 31, 2015                                      | 0-5 years<br>\$ | Over 5 years<br>\$ | Non- interest<br>bearing<br>\$ | Total<br>\$   |
|---|-----------------|--------------------|--------------------------------|---------------|
| <b>Financial assets</b>                                   |                 |                    |                                |               |
| Cash and cash equivalents                                 | 1,490           | -                  | 11,384                         | 12,874        |
| Financial assets held for trading                         | -               | -                  | 16,517                         | 16,517        |
| Financial assets at fair value<br>through profit and loss | -               | -                  | 650                            | 650           |
| Trade and other receivables                               | 21,832          | -                  | 2,717                          | 24,549        |
| Due by associates   | 1,760           | -                  | 1,637                          | 3,397         |
| Due by affiliates   | 223             | -                  | -                              | 223           |
| Held-to-maturity investments                              | -               | 982                | -                              | 982           |
| Loans due by associate                                    | -               | 5,800              | -                              | 5,800         |
| <b>Total financial assets</b>                             | <b>25,305</b>   | <b>6,782</b>       | <b>32,905</b>                  | <b>64,992</b> |
| <b>Financial liabilities</b>                              |                 |                    |                                |               |
| Borrowings  | 1,413           | -                  | -                              | 1,413         |
| Trade and other payables                                  | -               | -                  | 3,123                          | 3,123         |
| Due to associates   | -               | -                  | 3,559                          | 3,559         |
| Due to affiliates   | -               | -                  | 191                            | 191           |
| Loan payable to non-controlling<br>interest               | 908             | -                  | -                              | 908           |
| Deferred Income   | -               | -                  | 443                            | 443           |
| Fixed income certificates payable                         | 15,732          | -                  | -                              | 15,732        |
| Unsecured fixed income notes<br>payable                   | 4,000           | -                  | -                              | 4,000         |
| Redeemable preference shares                              | 1,097           | -                  | -                              | 1,097         |
| <b>Total financial liabilities</b>                        | <b>23,150</b>   | <b>-</b>           | <b>7,316</b>                   | <b>30,466</b> |
| <b>Total interest sensitivity gap</b>                     | <b>2,155</b>    | <b>6,782</b>       | <b>25,589</b>                  | <b>34,526</b> |

### (iii)

#### Currency Risk

The Group holds financial assets denominated in currencies other than Barbados dollars, the functional currency of the Group. Consequently, except where assets and liabilities are denominated in currencies fixed to the Barbados dollar, the Group is potentially exposed to currency risk. The Group has no significant exposure to currency risk as the foreign currencies within the Group do not fluctuate noticeably against the Barbados dollar. The Group's policy is not to enter into any hedging transactions to mitigate currency risk.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### (b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment entered into with the Group.

The maximum exposure of the Group to credit risk is set out in the following table:

|                              | 2016<br>\$    | 2015<br>\$    |
|------------------------------|---------------|---------------|
| Cash and cash equivalents    | 13,227        | 12,874        |
| Trade and other receivables  | 28,116        | 24,549        |
| Due by associates            | 3,497         | 3,397         |
| Due by affiliates            | 195           | 223           |
| Held-to-maturity investments | 952           | 982           |
| Loans due by associate       | 5,800         | 5,800         |
|                              | <u>51,787</u> | <u>47,825</u> |

Significant amounts of cash at bank and short-term deposits are maintained with CIBC FirstCaribbean International Bank.

All trade receivable customers are rated by credit management who assesses the credit quality of the customer, taking into account financial position, past experience and other factors. Individual risk limits are set based on internal or external information in accordance with limits set by the board. The utilisation of credit limits and payments on account are regularly monitored. Credit limits may be adjusted upwards if management is satisfied with account performance. Risk Management utilises sophisticated reporting to constantly monitor account performance minimising default loss. All impaired or possible doubtful amounts are provided for and no loss beyond these provisions is anticipated.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has delivered payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet their obligation, the trade will fail.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### (b) Credit risk...continued

The Group's exposure to individual counterparty credit risk on its significant amounts of cash and cash equivalents is set out below:

|   | 2016<br>\$    | 2015<br>\$    |
|---|---------------|---------------|
| <b>Cash and cash equivalents</b>                                      |               |               |
| CIBC FirstCaribbean International Bank (Unrated)                      | 9,995         | 10,325        |
| Morgan Stanley Private Wealth Management (A-1 by Standard and Poor's) | 1,038         | 1,095         |
| Other banks   | 1,287         | 41            |
|   | <b>12,320</b> | <b>11,461</b> |

### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close market positions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount, as the impact of discounting is not significant.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### (c) Liquidity risk...continued

| <b>December 31, 2016</b>                  | <b>0-3 months</b> | <b>4 months –<br/>5 years</b> | <b>Over 5<br/>years</b> | <b>Total</b>  |
|---|-------------------|-------------------------------|-------------------------|---------------|
|   | <b>\$</b>         | <b>\$</b>                     | <b>\$</b>               | <b>\$</b>     |
| Borrowings                                | 907               | -                             | -                       | <b>907</b>    |
| Trade and other payables                  | 3,490             | -                             | -                       | <b>3,490</b>  |
| Due to associates                         | 1,957             | -                             | -                       | <b>1,957</b>  |
| Due to affiliates                         | 152               | -                             | -                       | <b>152</b>    |
| Loans payable to non-controlling interest | 991               | -                             | -                       | <b>991</b>    |
| Deferred income                           | -                 | 543                           | -                       | <b>543</b>    |
| Current income tax liability              | -                 | 392                           | -                       | <b>392</b>    |
| Fixed income certificates payable         | -                 | 16,729                        | -                       | <b>16,729</b> |
| Unsecured fixed income notes payable      | 1,000             | 8,250                         | -                       | <b>9,250</b>  |
| Dividends payable                         | 1,878             | -                             | -                       | <b>1,878</b>  |
| Redeemable preference shares              | -                 | 1,097                         | -                       | <b>1,097</b>  |
|   | <b>10,375</b>     | <b>27,011</b>                 | <b>-</b>                | <b>37,386</b> |

| <b>December 31, 2015</b>                  | <b>0-3 months</b> | <b>4 months -5<br/>years</b> | <b>Over 5<br/>years</b> | <b>Total</b>  |
|---|-------------------|------------------------------|-------------------------|---------------|
|   | <b>\$</b>         | <b>\$</b>                    | <b>\$</b>               | <b>\$</b>     |
| Borrowings                                | 1,413             | -                            | -                       | <b>1,413</b>  |
| Trade and other payables                  | 3,123             | -                            | -                       | <b>3,123</b>  |
| Due to associates                         | 3,559             | -                            | -                       | <b>3,559</b>  |
| Due to affiliates                         | 191               | -                            | -                       | <b>191</b>    |
| Loans payable to non-controlling interest | 986               | -                            | -                       | <b>986</b>    |
| Deferred income                           | -                 | 443                          | -                       | <b>443</b>    |
| Current income tax liability              | -                 | 373                          | -                       | <b>373</b>    |
| Fixed income certificates payable         | -                 | 16,735                       | -                       | <b>16,735</b> |
| Unsecured fixed income notes payable      | -                 | 4,150                        | -                       | <b>4,150</b>  |
| Dividends payable                         | 1,641             | -                            | -                       | <b>1,641</b>  |
| Redeemable preference shares              | -                 | 1,097                        | -                       | <b>1,097</b>  |
|   | <b>10,913</b>     | <b>22,798</b>                | <b>-</b>                | <b>33,711</b> |



# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### (c) Liquidity risk...continued

#### Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The gearing ratios at December 31, 2016 and December 31, 2015 were 11.28% and 8.26% respectively.

#### Fair value estimation

Effective January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

#### Fair values

Fair value information is based on information available to management as at the dates presented. The method and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate a value are as follows:

##### (i) Short term financial assets and liabilities

The carrying amounts of short term financial assets and liabilities comprising the Group's cash and cash equivalents, trade and other receivables, short-term borrowings, due to/from related parties, trade and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

##### (ii) Long term financial assets and liabilities

Management has determined that the fair value of all long term financial instruments substantially equate to their carrying amounts, as these instruments bear rates which are reflective of current market rates.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### Fair value estimation ...continued

The following table presents the Group's assets that are measured at fair value at December 31, 2016:

|  | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|--|---------------|---------------|---------------|-------------|
| Financial assets held for trading                      | 3,066         | 14,110        | 13            | 17,189      |
| Financial assets at fair value through profit and loss | -             | -             | 318           | 318         |
|  | 3,066         | 14,110        | 331           | 17,507      |

The following table presents the Group's assets that are measured at fair value at December 31, 2015:

|  | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|--|---------------|---------------|---------------|-------------|
| Financial assets held for trading                      | 2,937         | 13,567        | 13            | 16,517      |
| Financial assets at fair value through profit and loss | -             | -             | 650           | 650         |
|  | 2,937         | 13,567        | 663           | 17,167      |

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or industry group and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There have been no transfers between Level 1 and Level 2 instruments during the year.

The following table presents the changes in Level 3 instruments for the year ended December 31, 2016. Level 3 instruments are primarily financial assets designated at fair value through profit and loss at inception and represents the Group's investments in unquoted equity securities.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### Fair value estimation ...continued

|   | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|
| At the beginning of the year                          | 650        | 705        |
| Losses recognised in consolidated statement of income | (332)      | (55)       |
| At the end of the year                                | 318        | 650        |

In 2009, the Group categorised its investments in unquoted equity securities as Level 3 financial instruments. These investments are mainly in privately held entities whose valuation is not based on observable market inputs. The fair values of these financial assets at December 31, 2016 are materially different from their fair values at December 31, 2015 and therefore a loss of \$332 (2015 – loss of \$55) was recognised in the consolidated statement of income during the year (note 12).

The Group's Fixed Income Certificates and Unsecured Fixed Income Notes were recently issued at current market rates. Therefore the carrying value is the approximate market value.

## 4. Cash and Cash Equivalents

|                          | 2016<br>\$ | 2015<br>\$ |
|--------------------------|------------|------------|
| Cash at bank and in hand | 11,227     | 11,384     |
| Security deposit         | 500        | -          |
| Short-term deposits      | 1,500      | 1,490      |
|                          | 13,227     | 12,874     |

Short-term deposits comprise deposits with a commercial bank and another financial institution.

The interest rate on short-term deposits with the commercial bank was 0.06% (2015– 0.06%). These deposits have an average maturity of 14 days (2015 – 14 days). Cash with a financial institution is in a US daily dollar account with an interest rate of 0.06% (2015 – 0.06%) and is used to invest in equity securities in foreign stock exchanges.

During the year, the Group deposited an amount of \$500 (2015 - \$Nil) to Wells Fargo to secure a Standby Letter of Credit for \$500 to Visa International.

## Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

### 5. Financial Assets held for Trading

Included within financial assets held for trading of \$17,189 (2015 - \$16,517) is an amount of \$14,110 (2015 - \$13,068), which represents investment in mutual funds managed by a subsidiary.

Changes in fair values of financial assets held for trading are recorded in the consolidated statement of income (note 28).

### 6. Trade and Other Receivables and Prepayments

|                                | 2016          | 2015          |
|--------------------------------|---------------|---------------|
|                                | \$            | \$            |
| Credit card receivables        | 28,516        | 25,054        |
| Less: provision for impairment | (3,091)       | (3,222)       |
| Credit card receivables – net  | 25,425        | 21,832        |
| Other receivables              | 1,588         | 2,114         |
| Security deposit               | 1,000         | 500           |
| Corporation tax recoverable    | 103           | 103           |
| Prepayments                    | 310           | 273           |
|                                | <b>28,426</b> | <b>24,822</b> |

Credit card receivables are purchased at a discount from merchants, including an associate. During the year, the company migrated its credit cards from a closed-loop portfolio accepted at limited merchants to a VISA product.

During the year, the Group paid a security deposit to Visa International for \$500 (2015 - \$500) bringing the total deposit as at reporting date to \$1,000 (2015 - \$500). These deposits represent the collateral security requirements from Visa International. These amounts were repaid by Visa subsequent to the year-end.

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## 6. Trade and Other Receivables and Prepayments...continued

As of December 31, 2016, trade receivables of \$24,182 (2015 - \$20,534) were fully performing.

Trade receivables arise through the issue of credit through the credit card operations. Credit is issued on a revolving basis and ageing of accounts is monitored with reference to the number of days the minimum payment is past due. As of December 31, 2016, trade receivables of \$1,243 (2015 - \$1,298) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

|                | 2016<br>\$   | 2015<br>\$   |
|----------------|--------------|--------------|
| Up to 3 months | 1,178        | 1,254        |
| 3 to 6 months  | 52           | 43           |
| Over 6 months  | 13           | 1            |
|                | <b>1,243</b> | <b>1,298</b> |

As of December 31, 2016, trade receivables of \$3,091 (2015 - \$3,222) were impaired and fully provided for. The ageing of these receivables is as follows:

|                | 2016<br>\$   | 2015<br>\$   |
|----------------|--------------|--------------|
| Up to 3 months | 37           | 45           |
| 3 to 6 months  | 200          | 333          |
| Over 6 months  | 2,854        | 2,844        |
|                | <b>3,091</b> | <b>3,222</b> |

Movements on the Group provision for impairment of trade receivables are as follows:

|  | 2016<br>\$   | 2015<br>\$   |
|--|--------------|--------------|
| Beginning of year  | 3,222        | 3,097        |
| Provision for receivables impairment                     | 1,185        | 1,608        |
| Amounts recovered  | (1,275)      | (1,443)      |
| Receivables written off during the year as uncollectible | (41)         | (40)         |
| End of year  | <b>3,091</b> | <b>3,222</b> |

The creation and release of provisions for impaired receivables have been included in the consolidated statement of income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables are neither past due nor impaired.

The Group does not hold any material collateral as security.

## Notes to the Consolidated Financial Statements

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### 7. Due by/to Associates

An amount of \$1,760 (2015 - \$1,760) included in due by associates bears interest at a rate of 4.14% (2015 – 1.63%) per annum (see note 15 for terms). All other amounts are interest free, unsecured and have no stated terms of repayment.

### 8. Due by/to Affiliates

The amounts due to affiliates are interest free, unsecured and have no stated terms of repayment.

### 9. Trade and Other Payables

|                          | 2016         | 2015         |
|--------------------------|--------------|--------------|
|                          | \$           | \$           |
| Trade and other payables | <u>3,490</u> | <u>3,123</u> |

During 2008, the Fortress Group established a staff share scheme for its employees. Included in trade and other payables is a balance of \$309 (2015 - \$276) which relates to 489,284 (2015 – 452,689) non-voting redeemable shares in Fortress Staff Share Scheme issued to employees of that company.



# Notes to the Consolidated Financial Statements

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## 10. Investments in associates

Movement in investments in associates is as follows:

|   | 2016<br>\$     | 2015<br>\$    |
|---|----------------|---------------|
| At the beginning of the year                          | 63,527         | 61,846        |
| Disposal of investments in associates                 | (56)           | -             |
| Non-controlling interest on acquisition of subsidiary | -              | (442)         |
|   | <b>63,471</b>  | <b>61,404</b> |
| Dividends received                                    | <b>(829)</b>   | <b>(910)</b>  |
| Share of results before tax                           | <b>5,718</b>   | 4,639         |
| Share of tax  | <b>(1,024)</b> | (1,606)       |
| Share of results, net of tax                          | <b>4,694</b>   | 3,033         |
| At the end of the year                                | <b>67,336</b>  | <b>63,527</b> |

During 2008, the Group purchased a 40% interest in DGM Financial Group ("DGM"). The operations of DGM have been accounted for under the equity basis of accounting from September 1, 2008 until December 31, 2015. During 2015, the Group purchased an additional 32.7% interest in DGM for no consideration bringing their shareholding to 72.7%. As at December 31, 2015, DGM's statement of financial position has been consolidated in these financial statements.

The Group considers CS&C Joint Venture and The Sunset Joint Venture as associates as it has significant influence over these companies through representation on their Boards of Directors.

During the year, the Group disposed of its investment in The Perfect Time Ltd.

## Notes to the Consolidated Financial Statements

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### 10. Investments in Associates...continued

The Group's interests in its principal associates, all of which are unlisted, are as follows:

| Name                                   | Country of<br>Incorporation | Assets  | Liabilities | Revenues | Profit/(Loss)<br>after tax | %<br>interest<br>held |
|--|-----------------------------|---------|-------------|----------|----------------------------|-----------------------|
| <b>2016</b>                            |                             |         |             |          |                            |                       |
| Duty Free Caribbean<br>(Holdings) Ltd. | Barbados                    | 79,078  | 43,823      | 88,734   | 449                        | 40%                   |
| Bridgetown Cruise<br>Terminals Inc.    | Barbados                    | 638     | 229         | 818      | 228                        | 20%                   |
| GCS Limited                            | Barbados                    | 2,806   | 1,821       | 5,314    | 470                        | 40%                   |
| CSGK Finance (Holdings)<br>Limited     | Barbados                    | 89,530  | 76,753      | 7,919    | 1,421                      | 40%                   |
| CS&C Joint Venture                     | Barbados                    | 14,282  | 1,245       | 2,068    | 1,839                      | 16%                   |
| The Sunset Joint Venture               | Barbados                    | 2,560   | 965         | 252      | 237                        | 16%                   |
| The Perfect Time Ltd.                  | Barbados                    | -       | -           | -        | 15                         | 25%                   |
| Contonou Shores Ltd.                   | Bahamas                     | 3,002   |             | -        | -                          | 35%                   |
| Canouan CS&F Investments<br>Limited    | St. Lucia                   | 175     | -           | -        | -                          | 35%                   |
| Other                                  |                             | 289     | 188         | 375      | 35                         |                       |
|  |                             | 192,360 | 125,024     | 105,480  | 4,694                      |                       |

## Notes to the Consolidated Financial Statements

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### 10. Investments in Associates...continued

The Group's interests in its principal associates, all of which are unlisted, are as follows:

2015

| Name   | Country of<br>Incorporation | Assets         | Liabilities    | Revenues       | Profit/(Loss)<br>after tax | %<br>interest<br>held |
|--|-----------------------------|----------------|----------------|----------------|----------------------------|-----------------------|
| Duty Free Caribbean<br>(Holdings) Ltd.           | Barbados                    | 77,246         | 42,441         | 95,247         | 116                        | 40%                   |
| Bridgetown Cruise<br>Terminals Inc.              | Barbados                    | 609            | 203            | 810            | 268                        | 20%                   |
| GCS Limited                                      | Barbados                    | 2,274          | 1,759          | 5,020          | 509                        | 40%                   |
| CSGK Finance (Holdings)<br>Limited               | Barbados                    | 88,359         | 76,416         | 7,812          | 1,399                      | 40%                   |
| CS&C Joint Venture                               | Barbados                    | 12,047         | 849            | 1,103          | 1,014                      | 16%                   |
| The Sunset Joint Venture                         | Barbados                    | 1,689          | 331            | 176            | 148                        | 16%                   |
| DGM Financial Group                              | Barbados/ St.<br>Lucia      | -              | -              | -              | (423)                      | 40%                   |
| Franchise Services Corp/The<br>Perfect Time Ltd. | Barbados                    | 95             | 37             | -              | 12                         | 25%                   |
| Contonou Shores Ltd.                             | Bahamas                     | 3,002          | -              | -              | -                          | 35%                   |
| Canouan CS&F Investments<br>Limited              | St. Lucia                   | 175            | -              | -              | -                          | 35%                   |
| Other  |                             | 224            | 157            | 435            | (10)                       |                       |
|  |                             | <u>185,720</u> | <u>122,193</u> | <u>110,603</u> | <u>3,033</u>               |                       |

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 10. Investments in Associates...continued

|  | 2016 | 2015 |
|--|------|------|
|  | \$   | \$   |

The amounts recognised in the statement of financial position are as follows:

|            |               |               |
|------------|---------------|---------------|
| Associates | <u>67,336</u> | <u>63,527</u> |
|------------|---------------|---------------|

The amounts recognised in the statement of income are as follows:

|            |              |              |
|------------|--------------|--------------|
| Associates | <u>4,694</u> | <u>3,033</u> |
|------------|--------------|--------------|

Set out below are the associates of the group as at December 31, 2016, which, in the opinion of the directors, are material to the group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates 2016 and 2015:

| Name of entity                      | Place of business/country of incorporation | % of ownership interest | Nature of relationship | Measurement method |
|-------------------------------------|--|-------------------------|------------------------|--------------------|
| Duty Free Caribbean (Holdings) Ltd. | Barbados                                   | 40%                     | Note 1                 | Equity             |
| Bridgetown Cruise Terminals Inc.    | Barbados                                   | 20%                     | Note 2                 | Equity             |
| GCS Limited                         | Barbados                                   | 40%                     | Note 3                 | Equity             |
| CSGK Finance (Holdings) Limited     | Barbados                                   | 40%                     | Note 4                 | Equity             |
| The CS & C Joint Venture            | Barbados                                   | 16%                     | Note 5                 | Equity             |

Note 1: Duty Free Caribbean (Holdings) Ltd. is a travel retail business.

Note 2: Bridgetown Cruise Terminals Inc. operates cruise ship passenger facilities at the Bridgetown Port.

Note 3: GCS Limited retails destination apparel, souvenirs and gift items.

Note 4: CSGK Finance (Holdings) Limited is a financial services company which trades as Signia Financial Inc.

Note 5: The CS & C Joint Venture is an investment property holding joint venture.

These associated companies are privately held companies and there is no quoted market price for their shares.

There are no contingent liabilities related to the Group's interest in the associates.

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 10. Investments in Associates ...continued

Summarised Statement of financial position

| Name                          | Duty Free<br>Caribbean<br>(Holdings)<br>Ltd. | Bridgetown<br>Cruise<br>Terminals<br>Inc. | GCS<br>Limited | CSGK<br>Finance<br>(Holdings)<br>Limited | CS & C<br>Joint<br>Venture | Other        | Total          |
|-------------------------------|--|---|----------------|--|----------------------------|--------------|----------------|
| <b>2016</b>                   |  |   |                |  |                            |              |                |
| Current assets                | 138,268                                      | 3,155                                     | 6,665          | 204,949                                  | 6,802                      | 1,920        | <b>361,759</b> |
| Current liabilities           | 94,810                                       | 1,147                                     | 1,451          | 16,514                                   | 1,714                      | 887          | <b>116,523</b> |
| Non-current assets            | 59,426                                       | 35  | 349            | 18,877                                   | 82,458                     | 23,822       | <b>184,967</b> |
| Non-current liabilities       | 14,748                                       | -   | 3,101          | 175,369                                  | 6,066                      | 5,575        | <b>204,859</b> |
| Net assets                    | 88,136                                       | 2,043                                     | 2,462          | 31,943                                   | 81,480                     | 19,280       | <b>225,344</b> |
| <b>Interest in associates</b> | <b>35,255</b>                                | <b>409</b>                                | <b>985</b>     | <b>12,777</b>                            | <b>13,037</b>              | <b>4,873</b> | <b>67,336</b>  |

|                               | Duty Free<br>Caribbean<br>(Holdings)<br>Ltd. | Bridgetown<br>Cruise<br>Terminals<br>Inc. | GCS<br>Limited | CSGK<br>Finance<br>(Holdings)<br>Limited | CS & C<br>Joint<br>Venture | Other        | Total          |
|-------------------------------|--|---|----------------|--|----------------------------|--------------|----------------|
| <b>2015</b>                   |  |   |                |  |                            |              |                |
| Current assets                | 131,238                                      | 3,002                                     | 5,206          | 34,860                                   | 971                        | 1,558        | <b>176,835</b> |
| Current liabilities           | 86,816                                       | 1,018                                     | 796            | 16,618                                   | 253                        | 610          | <b>106,111</b> |
| Non-current assets            | 61,873                                       | 46  | 479            | 186,038                                  | 74,325                     | 18,962       | <b>341,723</b> |
| Non-current liabilities       | 19,282                                       | -   | 3,601          | 174,422                                  | 5,055                      | 1,960        | <b>204,320</b> |
| Net assets                    | 87,013                                       | 2,030                                     | 1,288          | 29,858                                   | 69,988                     | 17,950       | <b>208,127</b> |
| <b>Interest in associates</b> | <b>34,805</b>                                | <b>406</b>                                | <b>515</b>     | <b>11,943</b>                            | <b>11,198</b>              | <b>4,660</b> | <b>63,527</b>  |

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## 10. Investments in Associates...continued

Summarised statement of income

|  | <b>Duty Free<br/>Caribbean<br/>(Holdings)<br/>Ltd.</b> | <b>Bridgetown<br/>Cruise<br/>Terminals<br/>Inc.</b> | <b>GCS<br/>Limited</b> | <b>CSGK<br/>Finance<br/>(Holdings)<br/>Limited</b> | <b>CS &amp; C<br/>Joint<br/>Venture</b> | <b>Other</b> | <b>Total</b>   |
|--|--|---|------------------------|--|---|--------------|----------------|
| <b>2016</b>                                      |  |   |                        |  |   |              |                |
| Revenue  | 221,834  | 4,088   | 13,285                 | 19,797   | 12,929                                  | 2,431        | <b>274,364</b> |
| Post tax profit from<br>continuing<br>operations | 1,124  | 1,138   | 1,174                  | 3,552  | 11,492                                  | 1,620        | <b>20,100</b>  |
| Dividends received<br>from associate             | -  | (225)   | -                      | (587)  | -                                       | (17)         | <b>(829)</b>   |
| <b>2015</b>                                      |  |   |                        |  |   |              |                |
| Revenue  | 238,118  | 4,050   | 12,550                 | 19,530   | 6,894                                   | 2,089        | <b>281,142</b> |
| Post tax profit from<br>continuing<br>operations | 290  | 1,340   | 1,273                  | 3,498  | 6,338                                   | 949          | <b>12,739</b>  |
| Dividends received<br>from associate             | -  | (200)   | -                      | (460)  | -                                       | (250)        | <b>(910)</b>   |



# Notes to the Consolidated Financial Statements

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## 11. Subsidiaries

### a) Principal subsidiaries

Summarised financial information of subsidiaries with material non-controlling interests

Summarised Statement of financial position

The below financial information represents the non-controlling interests of the major subsidiaries, of which Fortress Fund Managers Limited is most significant.

|                                     | 2016<br>\$   | 2015<br>\$   |
|-------------------------------------|--------------|--------------|
| <b>Current</b>                      |              |              |
| Assets                              | 11,173       | 10,652       |
| Liabilities                         | (6,637)      | (5,923)      |
| <b>Total current net assets</b>     | <b>4,536</b> | <b>4,729</b> |
| <b>Non-current</b>                  |              |              |
| Assets                              | 2,331        | 2,711        |
| Liabilities                         | (1,111)      | (1,111)      |
| <b>Total non-current net assets</b> | <b>1,220</b> | <b>1,600</b> |
| <b>Net Assets</b>                   | <b>5,756</b> | <b>6,329</b> |

### Summarised Income Statement

|   | 2016<br>\$   | 2015<br>\$   |
|---|--------------|--------------|
| Revenue   | 10,140       | 6,675        |
| <b>Profit before income tax</b>                                   | <b>3,224</b> | <b>1,707</b> |
| Income tax expense  | (794)        | (771)        |
| Post tax profit from continuing operations                        | 2,430        | 936          |
| Other comprehensive income  | -            | (73)         |
| <b>Net profit and total comprehensive income</b>                  | <b>2,430</b> | <b>863</b>   |
| Total comprehensive income allocated to non-controlling interests | 602          | 190          |
| Dividends paid to non-controlling interests                       | 629          | 658          |
| Dividends paid to preference shareholders                         | 629          | 658          |

# Notes to the Consolidated Financial Statements

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## 11. Subsidiaries...continued

### a) Principal subsidiaries...continued

Summarised financial information on subsidiaries with material non-controlling interests...continued

Summarised Cash Flows

|   | 2016           | 2015    |
|---|----------------|---------|
|   | \$             | \$      |
| <b>Cash flows from operating activities</b>                 |                |         |
| Cash generated from operations                              | <b>4,302</b>   | 2,108   |
| Interest received   | <b>109</b>     | 73      |
| Corporation tax paid  | <b>(792)</b>   | (735)   |
| Net cash generated from operating activities                | <b>3,619</b>   | 1,446   |
| Net cash generated from investing activities                | <b>1,178</b>   | 282     |
| Net cash used in financing activities                       | <b>(3,144)</b> | (3,290) |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>1,653</b>   | (1,562) |
| Cash and cash equivalents at the beginning of the year      | <b>2,055</b>   | 3,617   |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>3,708</b>   | 2,055   |

# Notes to the Consolidated Financial Statements

December 31, 2016

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## 11. Subsidiaries...continued

### b) Business Combinations

During 2008, the Group purchased a 40% interest in DGM Financial Group ("DGM"), an offshore financial services group. On December 31, 2015, the group acquired a further 32.7% of the net assets for no consideration and obtained control of DGM Financial Group.

An amount of \$388 arising from this acquisition has been included in the statement of income as gain on re-measurement in 2015.

The fair values of the identifiable assets and liabilities of DGM Financial Group as at the date of acquisition were:

#### Consideration at December 31, 2015

|   | Fair value<br>recognised<br>on<br>acquisition<br>(100%)<br>\$ |
|---|---|
| <b>Assets</b>                                 |   |
| Cash and cash equivalents                     | 692   |
| Trade and other receivables and prepayments   | 1,453   |
| Property, plant and equipment                 | 172   |
|   | <u>2,317</u>  |
| <b>Liabilities</b>                            |   |
| Trade and other payables                      | 602   |
| Loan payable                                  | 92  |
| Deferred income                               | 443   |
|   | <u>1,137</u>  |
| <b>Total identifiable net assets</b>          | <u>1,180</u>  |
| <b>Non-controlling interest</b>               | <u>(322)</u>  |
| <b>Total identifiable net assets acquired</b> | <u>858</u>  |

# Notes to the Consolidated Financial Statements

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## 12. Financial Assets at Fair Value through Profit and Loss

Financial assets at fair value through profit and loss comprise the following:

|                              | 2016<br>\$ | 2015<br>\$ |
|------------------------------|------------|------------|
| At the beginning of the year | 650        | 705        |
| Revaluation to market value  | (332)      | (55)       |
|                              | <hr/>      | <hr/>      |
| At the end of the year       | 318        | 650        |

Financial assets at fair value through profit and loss are fair valued monthly.

## 13. Intangible Assets

Details of intangible assets are as follows:

|                             | Management<br>Contracts<br>\$ |
|-----------------------------|-------------------------------|
| <b>At December 31, 2015</b> |                               |
| Cost                        | 8,444                         |
| Accumulated amortisation    | (6,403)                       |
|                             | <hr/>                         |
| Net book value              | 2,041                         |
|                             | <hr/>                         |
| <b>At December 31, 2016</b> |                               |
| Cost                        | 8,444                         |
| Accumulated amortisation    | (7,247)                       |
|                             | <hr/>                         |
| Net book value              | 1,197                         |

## Notes to the Consolidated Financial Statements

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### 13. Intangible Assets...continued

Movement of intangible assets is as follows:

|                                       | Management<br>Contracts<br>\$ |
|---------------------------------------|-------------------------------|
| Beginning of year – December 31, 2014 | 2,885                         |
| Amortisation of intangible asset      | <u>(844)</u>                  |
| End of year – December 31, 2015       | <u>2,041</u>                  |
|                                       | Management<br>Contracts<br>\$ |
| Beginning of year – December 31, 2015 | 2,041                         |
| Amortisation of intangible asset      | <u>(844)</u>                  |
| End of year – December 31, 2016       | <u>1,197</u>                  |

Management contracts included in intangible assets relate to contracts held by Fortress Fund Managers Limited in the various Funds. These intangibles are being amortised over a period of ten years. Amortisation during the year was \$844 (2015 - \$844), of which \$211 (2015- \$211) relates to the share of non-controlling interest.

## Notes to the Consolidated Financial Statements

December 31, 2016

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### 14. Property, Plant and Equipment

|                                     | Furniture & Equipment | Motor Vehicles | Total   |
|-------------------------------------|-----------------------|----------------|---------|
| <b>Year ended December 31, 2015</b> |                       |                |         |
| Opening net book value              | 1,819                 | 116            | 1,935   |
| Additions                           | 444                   | 232            | 676     |
| Disposals                           | 119                   | 53             | 172     |
| Depreciation charge                 | (335)                 | (82)           | (417)   |
| Closing net book value              | 2,047                 | 319            | 2,366   |
| <b>At December 31, 2015</b>         |                       |                |         |
| Cost                                | 5,727                 | 904            | 6,631   |
| Accumulated depreciation            | (3,680)               | (585)          | (4,265) |
| Net book value                      | 2,047                 | 319            | 2,366   |
| <b>Year ended December 31, 2016</b> |                       |                |         |
| Opening net book value              | 2,047                 | 319            | 2,366   |
| Additions                           | 713                   | 101            | 814     |
| Disposals                           | -                     | (19)           | (19)    |
| Depreciation charge                 | (398)                 | (116)          | (514)   |
| Closing net book value              | 2,362                 | 285            | 2,647   |
| <b>At December 31, 2016</b>         |                       |                |         |
| Cost                                | 6,440                 | 905            | 7,345   |
| Accumulated depreciation            | (4,078)               | (620)          | (4,698) |
| Net book value                      | 2,362                 | 285            | 2,647   |

# Notes to the Consolidated Financial Statements

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## 15. Loans due by Associate

During 2008, the Group advanced \$10,400 to the Duty Free Caribbean group for the purchase of the operations and to assist with the working capital of Colombian Emeralds' distribution and logistics centre in Fort Lauderdale, USA. The loans totalling \$7,560 are unsecured, bear interest at rates between 4.14% and 5.96% (2015 – 1.63% to 5.96%) with \$5,800 repayable in 2022. During the year none of these loans were repaid by the Duty Free Caribbean group. The current portion of the loans amounting to \$1,760 (2015 - \$1,760), has been included in Due by Associates in current assets on the consolidated statement of financial position (note 7).

## 16. Pension Plan Surplus

The Group has established two types of pension schemes: a contributory defined benefit pension plan and a defined contribution plan. The assets of the defined benefit pension plan are primarily invested in a mutual fund managed by Fortress Fund Managers Limited. This pension plan is valued by independent actuaries every three years using the Projected Unit Credit Method. There is an interim valuation carried out by independent actuaries every year.

The plan is integrated with the National Insurance Scheme (NIS) and will provide a member retiring after 38 years of pensionable service with a pension of two-thirds of their final three years average pensionable earnings when combined with the NIS pension.

The benefits that members receive at retirement under the defined contribution plans depend on their account balances at retirement and the cost of purchasing an annuity. Most of the defined benefit pension plans are non-contributory and allow for additional voluntary contributions with benefits dependent on either career average salary or the final average salary in the last three years of membership. Annual valuations of the defined benefit pension plans are performed by independent actuaries and the companies' contributions are adjusted according to the actuaries' recommendations. The last full actuarial valuation of the plan was performed as of January 1, 2014.

The parent company, Cave Shepherd & Co. Ltd. ("CSC") is responsible for the establishment of the plans and oversight of their administration. CSC's Board has delegated the responsibility of management and administration of the plans and the investment of the plan's assets to The Trustees of the plan. A separate trust fund has been established for each plan to receive and invest contributions and pay benefits due under each plan. Each year the Trustees review the level of funding such as asset-liability matching. All benefits are calculated and paid out in accordance with the rules of the pension plans. The plan assets include significant investments in quoted equity shares and bonds.



# Notes to the Consolidated Financial Statements

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## 16. Pension Plan Surplus...continued

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

|  | 2016<br>\$   | 2015<br>\$   |
|--|--------------|--------------|
| <b>Statement of financial position surplus for:</b>                  |              |              |
| - Defined pension benefits   | <u>1,007</u> | <u>1,219</u> |
| <b>Statement of income credit included in operating profit:</b>      |              |              |
| - Defined pension benefits   | <u>59</u>    | <u>32</u>    |
| <b>Actual remeasurements included in other comprehensive income:</b> |              |              |
| - Defined pension benefits   | <u>(271)</u> | <u>(116)</u> |

The amounts recognised in the consolidated statement of financial position are as follows:

|   | 2016<br>\$     | 2015<br>\$     |
|---|----------------|----------------|
| Fair value of plan assets                                 | 10,063         | 9,978          |
| Present value of funded obligations                       | <u>(8,130)</u> | <u>(8,147)</u> |
|   | 1,933          | 1,831          |
| Impact of asset ceiling                                   | <u>(926)</u>   | <u>(612)</u>   |
| Asset in the consolidated statement of financial position | <u>1,007</u>   | <u>1,219</u>   |

The impact of the asset ceiling is that \$926 (2015 - \$612) has not been recognised in the consolidated statement of financial position because in accordance with IAS 19, this asset can only be recognised to the extent that it can be utilised by the Company.

# Notes to the Consolidated Financial Statements

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## 16. Pension Plan Surplus...continued

The table below outlines the gross obligations between active members and retired members as follows:

|                 | 2016         | 2015         |
|-----------------|--------------|--------------|
| Active members  | 2,126        | 2,015        |
| Retired members | 6,004        | 6,132        |
|                 | <b>8,130</b> | <b>8,147</b> |

The movement in the defined benefit obligation over the year is as follows:

|  | Present value of obligation<br>\$ | Fair value of Plan assets<br>\$ | Total<br>\$ | Impact of asset ceiling<br>\$ | Total<br>\$ |
|--|-----------------------------------|---------------------------------|-------------|-------------------------------|-------------|
| <b>At January 1, 2016</b>  | (8,147)                           | 9,978                           | 1,831       | (612)                         | 1,219       |
| Current service cost   | (49)                              | -                               | (49)        | -                             | (49)        |
| Net interest on the net defined benefit asset/(liability)          | (611)                             | -                               | (611)       | -                             | (611)       |
| Expected return on plan assets                                     | -                                 | 748                             | 748         | -                             | 748         |
| - Administration and other non-plan investment management expenses | -                                 | (8)                             | (8)         | -                             | (8)         |
| - Employer contributions   | -                                 | 26                              | -           | -                             | 26          |
| - Interest on impact of asset ceiling                              | -                                 | -                               | -           | (47)                          | (47)        |
|  | (660)                             | 766                             | 106         | (47)                          | 59          |
| <b>Remeasurements:</b>   |                                   |                                 |             |                               |             |
| - Experience losses on investment                                  | -                                 | (34)                            | (34)        | -                             | (34)        |
| - Experience gains on obligation                                   | 30                                | -                               | 30          | -                             | 30          |
| - Change in asset ceiling  | -                                 | -                               | -           | (267)                         | (267)       |
|  | 30                                | (34)                            | (4)         | (267)                         | (271)       |
| <b>Contributions:</b>  |                                   |                                 |             |                               |             |
| - Employees  | (14)                              | 14                              | -           | -                             | -           |
| Payments from plans:   |                                   |                                 |             |                               |             |
| - Benefit payments   | 661                               | (661)                           | -           | -                             | -           |
| <b>At December 31, 2016</b>  | (8,130)                           | 10,063                          | 1,933       | (926)                         | 1,007       |

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## 16. Pension Plan Surplus...continued

|   | Present<br>value of<br>obligation<br>\$ | Fair value<br>of<br>Plan assets<br>\$ | Total<br>\$  | Impact of<br>asset<br>ceiling<br>\$ | Total<br>\$  |
|---|---|---------------------------------------|--------------|-------------------------------------|--------------|
| <b>At January 1, 2015</b>   | (8,449)                                 | 10,431                                | 1,982        | (679)                               | 1,303        |
| Current service cost  | (49)                                    | -                                     | (49)         | -                                   | (49)         |
| Net interest on the net defined<br>benefit asset/(liability)              | (635)                                   | -                                     | (635)        | -                                   | (635)        |
| Expected return on plan assets  | -                                       | 783                                   | 783          | -                                   | 783          |
| - Administration and other non-<br>plan investment management<br>expenses | -                                       | (14)                                  | (14)         | -                                   | (14)         |
| - Interest on impact of asset<br>ceiling                                  | -                                       | -                                     | -            | (53)                                | (53)         |
|   | (684)                                   | 769                                   | 85           | (53)                                | 32           |
| Remeasurements:   |   |                                       |              |                                     |              |
| - Experience losses on investment   | -                                       | (591)                                 | (591)        | -                                   | (591)        |
| - Experience gains on obligation  | 355                                     | -                                     | 355          | -                                   | 355          |
| - Change in asset ceiling   | -                                       | -                                     | -            | 120                                 | 120          |
|   | 355                                     | (591)                                 | (236)        | 120                                 | (116)        |
| Contributions:  |   |                                       |              |                                     |              |
| - Employees   | (30)                                    | 30                                    | -            | -                                   | -            |
| - Plan participants   | -                                       | -                                     | -            | -                                   | -            |
| Payments from plans:  |   |                                       |              |                                     |              |
| - Benefit payments  | 661                                     | (661)                                 | -            | -                                   | -            |
| <b>At December 31, 2015</b>   | <b>(8,147)</b>                          | <b>9,978</b>                          | <b>1,831</b> | <b>(612)</b>                        | <b>1,219</b> |

Plan assets are comprised as follows:

|             | 2016 | 2015 |
|-------------|------|------|
| Bonds       | 4%   | 4%   |
| Equities    | 80%  | 79%  |
| Real Estate | 5%   | 5%   |
| Cash        | 11%  | 12%  |

The Plan assets are entirely invested in shares of the Company and units of funds of an affiliate.

# Notes to the Consolidated Financial Statements

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## 16. Pension Plan Surplus...continued

The significant actuarial assumptions are as follows:

|   | 2016    | 2015    |
|---|---------|---------|
| Discount rate                                       | 7.75%   | 7.75%   |
| Future salary increases – inflationary              | 4.25%   | 4.25%   |
| Future salary increases – promotional               | 2.50%   | 2.50%   |
| Future pension increases                            | 3.25%   | 3.25%   |
| Proportion of employees opting for early retirement | 0.00%   | 0.00%   |
| Future changes in NIS ceiling                       | 4.25%   | 4.25%   |
| Mortality   | UP94-AA | UP94-AA |
| Termination of active members                       | Nil     | Nil     |
| Early retirement                                    | Nil     | Nil     |
| Future expenses                                     | Nil     | Nil     |

Expected contributions to post-employment benefit plans for the year ending December 31, 2017 would amount to \$15.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| Change in Assumption                       | Benefit obligation<br>\$ |
|--|--------------------------|
| Base IAS19 results                         | 8,130                    |
| Reduce discount rate by 1% pa              | 8,909                    |
| Increase discount rate by 1% pa            | 7,465                    |
| Reduce salary increase by 0.5% pa          | 8,076                    |
| Increase salary increase by 0.5% pa        | 8,184                    |
| Increase average life expectancy by 1 year | 8,362                    |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit pension obligation to significant actuarial assumptions, the same method (present value of the defined obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension asset recognised within the statement of financial position.

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## 16. Pension Plan Surplus...continued

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit pension plans, the Group is exposed to various risks, the most significant of which are detailed below:

**Asset volatility** The plan assets are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities; which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plan matures, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

However, the Group believes that due to the long-term nature of the plan assets and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long-term strategy to manage the plan efficiently.

**Life expectancy** The majority of the plan's obligations is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's obligation.

The average life expectancy in years of a pensioner retiring at age 65 on the reporting date is as follows:

|         | 2016  | 2015  |
|---------|-------|-------|
| Males   | 20.07 | 19.99 |
| Females | 22.30 | 22.25 |

The weighted average duration of the defined benefit obligation is 8.93 (2015 – 13.19) years.

Expected maturity analysis of undiscounted pension as at December 31, 2016:

|                  | Less than<br>1 year | Between<br>1 – 2 years | Between<br>2 – 5 years | Over<br>5 years | Total |
|------------------|---------------------|------------------------|------------------------|-----------------|-------|
|                  | \$                  | \$                     | \$                     | \$              | \$    |
| Pension Benefits | 668                 | 694                    | 2,234                  | 5,128           | 8,724 |

## Notes to the Consolidated Financial Statements

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### 17. Fixed Income Certificates Payable

The Fixed Income Certificates Payable will mature on June 30, 2018 bear interest at 3.50% to 3.75% (2015 – 4.00% to 4.25%) per annum and have the option of being renewed at the end of June 2017 for a further two years.

### 18. Unsecured Fixed Income Notes Payable

During 2014, the Company issued Unsecured Fixed Income Notes for a total amount of \$4,000. These Unsecured Fixed Income Notes will mature in two years, bear interest at 4.50% per annum and have the option of being renewed for a further two years. During the year, these notes were renewed for a further two years at an interest rate of 3.75%, with the exception of two notes totalling \$1,000 which are now on demand.

During the year, the Company issued additional Unsecured Fixed Income Notes for a total amount of \$5,000 bringing the total Notes outstanding at the end of the year to \$9,000. These Unsecured Fixed Income Notes will mature in two years, bear interest at 3.75% per annum and have the option of being renewed for a further two years.

### 19. Loans Payable to non-controlling interest

The Loans payable are set out below:

|   | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|
| Loan payable to non-controlling interest (a)  | 97         | 92         |
| Loans payable to non-controlling interest (b) | 816        | 816        |
|   | <u>913</u> | <u>908</u> |

(a) The loan payable to non-controlling interest relates to DGM Holdings Inc., is unsecured, have no stated terms of repayment and bears interest at 3.00% (2015 – 3.00%) per annum.

(b) Loans payable to non-controlling interest relates to Fortress Fund Managers Ltd., are unsecured, have no stated terms of repayment and bear interest at a rate of 9.55% (2015 – 9.55%) per annum.

## Notes to the Consolidated Financial Statements

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Expressed in thousands of Barbados dollars

### 20. Dividends Payable

The Dividends payable comprise the following:

|   | 2016  | 2015  |
|---|-------|-------|
|   | \$    | \$    |
| Dividend payable to equity holders of the company | 1,098 | 1,105 |
| Dividend payable to non-controlling interest      | 390   | 268   |
| Dividend payable to preference shareholders       | 390   | 268   |
|   | <hr/> | <hr/> |
|   | 1,878 | 1,641 |

### 21. Borrowings

The Group has overdraft facilities of \$6.0 million (2015 - \$6 million) of which \$907 (2015 - \$1,413) was utilised at the reporting date.

### 22. Redeemable preference shares

Fortress Fund Managers Limited is authorised to issue 250,000 non-voting, redeemable, non-cumulative preference shares. The shares are redeemable at the option of Fortress at \$4.50 per share and must be redeemed by December 31, 2021. During 2012, Fortress issued 243,750 non-voting, redeemable, non-cumulative preference shares for the amount of \$1,097 to the non-controlling interest of Fortress.

# Notes to the Consolidated Financial Statements

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## 23. Deferred Tax Liability

The deferred tax liability on the statement of financial position consists of the following:

|                          | 2016  | 2015  |
|--------------------------|-------|-------|
|                          | \$    | \$    |
| Accelerated depreciation | (210) | (127) |
| Pension Assets           | (252) | (304) |
| Unutilised tax losses    | 447   | 416   |
| Deferred tax liability   | (15)  | (15)  |

Deferred tax assets of \$828 (2015 - \$967) are not recognised for tax loss carry-forwards in some Group companies as the realisation of the related tax benefits through future taxable profits is not probable.

The Group has tax loss carry-forwards amounting to \$5,478 (2015 - \$5,916), which have expiry dates ranging between 2017 and 2024.

## 24. Share Capital

|   | 2016          |        | 2015          |        |
|---|---------------|--------|---------------|--------|
|   | No. of shares | \$     | No. of shares | \$     |
| <b>Authorised</b>   |               |        |               |        |
| The Company is authorised to issue an unlimited number of common shares of no par value |               |        |               |        |
| <b>Issued</b>   |               |        |               |        |
| Beginning of year   | 18,248,668    | 38,458 | 18,318,651    | 38,596 |
| Issued  | 10,200        | 31     | 11,000        | -      |
| Repurchased during the year   | (6,679)       | (14)   | (80,983)      | (138)  |
| End of year   | 18,252,189    | 38,475 | 18,248,668    | 38,458 |

The Company repurchased 6,679 (2015 – 80,893) shares for a total consideration of \$23 (2015 - \$211) of which \$9 (2015 - \$73) was eliminated against the retained earnings and \$14 (2015 - \$138) against share capital.

The Company issued 10,200 (2015 – 11,000) shares for \$31 to key employees as shares in lieu of bonus.



# Notes to the Consolidated Financial Statements

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## 25. Share Based Payment

During 2015 the shareholders approved a continuation of the Employee Share Option Plan (ESOP) for key management employees within the Group. The Plan covers the issue of up to a further 900,000 shares over five years. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The options are exercisable in three equal tranches with the first tranche being immediately upon being granted, the second tranche after one year and the third tranche after two years from the date of grant. The options have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

|                                   | 2016  |                | 2015   |                |
|-----------------------------------|---|----------------|--|----------------|
|                                   | Average<br>exercise price<br>per share option | Options        | Average<br>exercise price<br>per share<br>option | Options        |
| Outstanding at beginning of year  | 3.53  | 642,000        | 3.76   | 457,000        |
| Granted                           | 3.01  | 200,000        | 3.00   | 190,000        |
| Exercised                         | -   | -              | -  | -              |
| Forfeited                         | -   | -              | 4.48   | (5,000)        |
| Expired                           | 4.48  | (126,000)      | -  | -              |
| <b>Outstanding at end of year</b> | <b>3.21</b>                                   | <b>716,000</b> | <b>3.53</b>                                      | <b>642,000</b> |
| <b>Exercisable at end of year</b> | <b>3.24</b>                                   | <b>649,333</b> | <b>3.58</b>                                      | <b>578,667</b> |

Out of the 716,000 outstanding options (2015 – 642,000), 649,333 options (2015 – 578,667) were exercisable. There were no options exercised during the year.

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### 25. Share Based Payment...continued

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

| Grant-vest | Expiry date | Exercise price | Shares  |         |
|------------|-------------|----------------|---------|---------|
|            |             |                | 2016    | 2015    |
| 2011-2011  | 2016        | 4.48           | -       | 84,000  |
| 2011-2012  | 2016        | 4.48           | -       | 42,000  |
| 2012-2012  | 2017        | 4.60           | 94,000  | 94,000  |
| 2012-2013  | 2017        | 4.60           | 47,000  | 47,000  |
| 2014-2014  | 2019        | 2.60           | 123,333 | 123,333 |
| 2014-2015  | 2019        | 2.60           | 61,667  | 61,667  |
| 2015-2015  | 2020        | 3.00           | 126,667 | 126,667 |
| 2015-2016  | 2020        | 3.00           | 63,333  | 63,333  |
| 2016-2016  | 2021        | 3.01           | 133,333 | -       |
| 2016-2017  | 2021        | 3.01           | 66,667  | -       |
|            |             |                | 716,000 | 642,000 |

The weighted average fair value of options granted during 2016 determined using the Binomial Pricing model was \$0.49 per option. The significant inputs into the model were weighted average share price of \$3.21 at the grant date, exercise price shown above, volatility 20%, dividend yield of 3% per annum, an expected option life of 4.5 years and an annual risk-free interest rate of 5.50% per annum. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

During the year, 126,000 options granted in 2011 expired.

A total expense of \$98 (2015 – \$83) is recognised in the consolidated statement of income for share options granted during the year which is attributed to the remaining 1/3 of the 2015 and 2/3 of the 2016 options granted being vested at year end. All other option grants were fully vested and expensed by December 31, 2015.

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## 26. Retained Earnings

|                      | 2016<br>\$    | 2015<br>\$    |
|----------------------|---------------|---------------|
| Parent company       | 28,526        | 27,201        |
| Subsidiary companies | (7,146)       | (5,973)       |
| Associated companies | 43,643        | 39,836        |
|                      | <b>65,023</b> | <b>61,064</b> |

## 27. Revenue from Operations

|                  | 2016<br>\$    | 2015<br>\$    |
|------------------|---------------|---------------|
| Finance income   | 5,582         | 4,520         |
| Dividend income  | 60            | 401           |
| Commissions      | 1,929         | 2,070         |
| Management fees  | 10,450        | 6,959         |
| Interchange fees | 109           | -             |
| Miscellaneous    | 212           | 288           |
|                  | <b>18,342</b> | <b>14,238</b> |

## 28. Gains/(Losses) on Financial Assets

|   | 2016<br>\$ | 2015<br>\$   |
|---|------------|--------------|
| Impairment and (loss)/gain on disposal of financial assets at fair value through profit and loss      | (630)      | 564          |
| Gain on remeasurement (note 11)   | -          | 388          |
| Unrealised gain/(loss) on financial assets held for trading and at fair value through profit and loss | 1,170      | (1,414)      |
|   | <b>540</b> | <b>(462)</b> |

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## 29. Other Losses

|   | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|
| Gain on disposal of property, plant and equipment | 35         | 83         |
|   | <u>35</u>  | <u>83</u>  |

## 30. Payroll Costs

Payroll costs comprise:

|  | 2016<br>\$   | 2015<br>\$   |
|--|--------------|--------------|
| Salaries                                       | 5,992        | 3,929        |
| National insurance, group health and life      | 243          | 182          |
| Pension – defined benefit plan costs (note 16) | (59)         | (32)         |
| Pension – defined contribution plan costs      | 188          | 124          |
| Employee share option expenses (note 25)       | 98           | 83           |
| Medical  | 90           | 48           |
| Other personnel expenses                       | 300          | 239          |
|  | <u>6,852</u> | <u>4,573</u> |

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## 31. Income Tax Expense

The income tax expense is comprised of the following:

|                                     | 2016<br>\$ | 2015<br>\$ |
|-------------------------------------|------------|------------|
| Current tax on profits for the year | 798        | 766        |
| Deferred tax charge                 | -          | 8          |
|                                     | <b>798</b> | <b>774</b> |

The tax on the loss before tax differs from the theoretical amount that would arise using the basic rate of corporation tax as follows:

|   | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|
| Profit before taxation  | 7,538      | 4,830      |
| Corporation tax calculated at 25.0% (2015 – 25.0%)            | 1,885      | 1,208      |
| Effect of lower tax rate in other countries                   | (85)       | 511        |
| Movement in deferred tax asset not recognised                 | (134)      | (734)      |
| Tax losses expiring   | 92         | 766        |
| Tax effect of items not allowed in determining taxable profit | (960)      | (977)      |
| Tax charge  | <b>798</b> | <b>774</b> |

## 32. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Parent for the year by the weighted average number of common shares in issue during the year.

|   | 2016<br>\$    | 2015<br>\$    |
|---|---------------|---------------|
| Net profit attributable to the equity holders of the parent               | 6,349         | 3,769         |
| Weighted average number of ordinary shares issued                         | 18,252,401    | 18,305,471    |
| Basic earnings per share  | <b>\$0.35</b> | <b>\$0.21</b> |
| Weighted average number of ordinary shares for diluted earnings per share | 18,968,401    | 18,947,471    |
| Diluted earnings per share  | <b>\$0.33</b> | <b>\$0.20</b> |

# Notes to the Consolidated Financial Statements

December 31, 2016

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## 33. Net Cash Generated from Operations

The reconciliation of profit before taxation to net cash generated from operations is as follows:

|  | 2016<br>\$     | 2015<br>\$   |
|--|----------------|--------------|
| <b>Cash flows from operating activities</b>  |                |              |
| Profit before taxation   | 7,538          | 4,830        |
| <b>Adjustments for:</b>  |                |              |
| Depreciation (note 14)   | 514            | 417          |
| Share of results of associates (note 10)   | (4,694)        | (3,033)      |
| Amortisation of intangible assets (note 13)  | 844            | 844          |
| Gain on remeasurement (note 11)  | -              | (388)        |
| Loss/(gain) on disposal of financial assets held for trading and at fair value through profit and loss (note 28) | 630            | (564)        |
| Unrealised (gain)/loss on financial assets held for trading and at fair value through profit and loss (note 28)  | (1,170)        | 1,414        |
| Gain on disposal of property, plant and equipment (note 29)  | (35)           | (83)         |
| Pension plan (charge)/credit (note 16)   | (59)           | (32)         |
| Employee share option plan expense (note 25)   | 98             | 83           |
| Dividend income (note 27)  | (60)           | (401)        |
| Redeemable preference shares dividends to non-controlling interest   | 751            | 926          |
| Interest expense   | 1,080          | 1,024        |
| <b>Operating profit before working capital changes</b>   | <b>5,437</b>   | <b>5,037</b> |
| Net change in non-cash working capital items related to operations:  |                |              |
| - Trade and other receivables and prepayments  | (3,604)        | (1,844)      |
| - Due by associates  | (100)          | 7,733        |
| - Due by affiliates  | 28             | (52)         |
| - Trade and other payables   | 159            | (670)        |
| - Deferred income  | 100            | -            |
| - Due to associates  | (1,602)        | (7,206)      |
| - Due to affiliates  | (39)           | (1,958)      |
| <b>Cash generated from operations</b>  | <b>379</b>     | <b>1,040</b> |
| Corporation taxes paid   | (779)          | (736)        |
| Interest paid  | (1,080)        | (1,024)      |
| <b>Net cash used in operations</b>   | <b>(1,480)</b> | <b>(720)</b> |

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### 34. Related Party Transactions

The following transactions were carried out with associates in the normal course of business:

|                    | 2016<br>\$ | 2015<br>\$ |
|--------------------|------------|------------|
| Finance income     | 389        | 380        |
| Management fees    | 7,090      | 6,959      |
| Commissions income | 772        | 877        |

#### Key Management Compensation:

|                     | 2016<br>\$ | 2015<br>\$ |
|---------------------|------------|------------|
| Salaries            | 2,150      | 2,006      |
| NIS                 | 48         | 49         |
| Medical             | 71         | 70         |
| Pension, Group Life | 7          | 8          |
| Share Option Plan   | 44         | 41         |

In addition to disclosures on related party balances in notes 7, 8 and 15, the following Fixed Income Certificates were due to related parties:

|  | 2016<br>\$ | 2015<br>\$ |
|--|------------|------------|
| Directors and Key Management – at interest rates of 3.50% to 3.75% (2015 – 4.00% to 4.25%) | 337        | 528        |

|                 | 2016<br>\$ | 2015<br>\$ |
|-----------------|------------|------------|
| Directors' fees | 89         | 98         |

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Expressed in thousands of Barbados dollars

## 35. Segmental Information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board allocates resources and assesses performance of the business from the perspective of two operating segments - retail and other services. Retail includes mainly the sale of merchandise in the Caribbean. Other services include financial, rental of property, commissions on credit card operations and management fees earned.

The Board assesses the performance of the operating segments based on a measure of operating results of the segments. Investment income and net finance income are not allocated to segments.

There are no sales or other transactions between the operating segments. Segment assets consist primarily of property, plant and equipment, trade and other receivables and prepayments, inventories, balances due by associates and operating cash and excludes financial investments and pension plan surplus.

Segment liabilities comprise operating liabilities and balances due to associates and affiliates. Capital expenditure comprises additions to property, plant and equipment.



## Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

### 35. Segmental Reporting...continued

The segment information provided to the Board for the reportable segments for the year ended December 31, 2015 and December 31, 2016 is as follows:

|   | Retail |      | Services |        | Total         |               |
|---|--------|------|----------|--------|---------------|---------------|
|   | 2016   | 2015 | 2016     | 2015   | 2016          | 2015          |
|   | \$     | \$   | \$       | \$     | \$            | \$            |
| <b>Revenue</b>  |        |      |          |        |               |               |
| Segment revenue   | -      | -    | 18,917   | 13,859 | 18,917        | 13,859        |
| <b>Total Revenue</b>  |        |      |          |        | <b>18,917</b> | <b>13,859</b> |
| <b>Results</b>  |        |      |          |        |               |               |
| Segment results   | -      | -    | 2,882    | 1,848  | 2,882         | 1,848         |
| Share of results of associates                                  | 919    | 625  | 3,775    | 2,408  | 4,694         | 3,033         |
| Employee benefits   |        |      |          |        | (38)          | (51)          |
| Profit before taxation  |        |      |          |        | 7,538         | 4,830         |
| Income tax expense  |        |      |          |        | (798)         | (774)         |
| <b>Net profit for the year</b>                                  |        |      |          |        | <b>6,740</b>  | <b>4,056</b>  |
| Non-controlling interest  |        |      |          |        | (391)         | (287)         |
| <b>Net profit attributable to equity holders of the Company</b> |        |      |          |        | <b>6,349</b>  | <b>3,769</b>  |

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 35. Segmental Reporting...Continued

|   | Retail |        | Services |        | Total          |                |
|---|--------|--------|----------|--------|----------------|----------------|
|   | 2016   | 2015   | 2016     | 2015   | 2016           | 2015           |
|   | \$     | \$     | \$       | \$     | \$             | \$             |
| <b>OTHER INFORMATION</b>                  |        |        |          |        |                |                |
| Operating assets                          | -      | -      | 53,292   | 49,483 | 53,292         | 49,483         |
| Intangible assets and goodwill            |        |        |          |        | 1,197          | 2,041          |
| Investment in associates                  | 36,240 | 35,320 | 31,096   | 28,207 | 67,336         | 63,527         |
| Unallocated corporate assets              |        |        |          |        | 19,466         | 19,369         |
| <b>Consolidated Corporate Assets</b>      |        |        |          |        | <b>141,291</b> | <b>134,420</b> |
| Operating liabilities                     | -      | -      | 7,462    | 9,638  | 7,462          | 9,638          |
| Unallocated corporate liabilities         |        |        |          |        | 28,220         | 22,857         |
| <b>Consolidated Corporate Liabilities</b> |        |        |          |        | <b>35,682</b>  | <b>32,495</b>  |
| <b>Capital Expenditure</b>                | -      | -      | 814      | 676    | 814            | 676            |
| <b>Depreciation</b>                       | -      | -      | 514      | 417    | 514            | 417            |
| <b>Amortisation of intangible assets</b>  | -      | -      | 844      | 844    | 844            | 844            |

The amounts provided to the Board with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The amounts provided to the Board with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

## Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

### 36. Prior Period Adjustment

During the year, Fortress Insurance Company Ltd. (FICO) performed a review of drawdown annuity contracts and registered retirement savings plans. Based on the terms of the contracts and plans, all risks and rewards of the ownership of the corresponding assets purchased remain with the drawdown annuity policyholder and registered retirement savings plan holder. FICO has been deemed an agent for the holders for these policies and plans.

As a result, the assets and the liabilities relating to these policies and plans have been de-recognised from the financial statements.

This has been corrected by restating the statement of financial position for the prior periods as follows:

|   | <b>2015<br/>(as<br/>previously<br/>stated)<br/>\$</b> | <b>Decrease<br/>\$</b> | <b>2015<br/>(restated)<br/>\$</b> | <b>2014<br/>(as<br/>previously<br/>stated)<br/>\$</b> | <b>Decrease<br/>\$</b> | <b>2014<br/>(restated)<br/>\$</b> |
|---|---|------------------------|-----------------------------------|---|------------------------|-----------------------------------|
| Financial assets held for trading                 | 46,163  | (29,646)               | <b>16,517</b>                     | 43,561  | (25,605)               | <b>17,956</b>                     |
| Due to registered retirement savings plan holders | 26,315  | (26,315)               | –                                 | 23,258  | (23,258)               | –                                 |
| Due to drawdown annuity policy holders            | 3,331   | (3,331)                | –                                 | 2,347   | (2,347)                | –                                 |

# Notes to the Consolidated Financial Statements

December 31, 2016

Expressed in thousands of Barbados dollars

## 37. Assets under Management

The activities of Fortress Insurance Company Ltd., a subsidiary of Fortress Fund Managers Limited, require that it commonly acts as trustees and/or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and trusts. Those assets that are held in a fiduciary capacity, and income generated by them, are not included in these financial statements. The company recognizes certain fees and commissions earned from these activities which are included in statement of income.

The following table represents the assets and related liabilities held in fiduciary capacity.

|   | 2016<br>\$ | 2015<br>\$ |
|---|------------|------------|
| Carrying amount of assets                 | 38,482     | 29,646     |
| Carrying amount of associated liabilities | (38,482)   | (29,646)   |
| Net position                              | -          | -          |

## 38. Contingencies

The Company, together with its venture partner, has provided a letter of comfort to its associate, GCS Ltd., to provide financial and technical support to allow the company to meet its financial obligations over the next twelve months.

## 39. Commitments

There are no significant capital expenditures contracted for at the statement of financial position date but not yet incurred. There are no other significant commitments at the reporting date.

## 40. Comparatives

Certain comparative figures have been presented on a basis consistent with the current year.

## NOTES

[illegible]



# PROXY FORM

**CAVE SHEPHERD & CO. LIMITED**  
**COMPANY NO: 21716**

## PROXY FORM

**FOR USE AT THE FORTY-SIXTH ANNUAL GENERAL MEETING OF SHAREHOLDERS  
 TO BE HELD ON APRIL 20TH 2017 AT 5:30 PM.**

The undersigned Shareholder(s) of Cave Shepherd & Co. Limited (the "Company") hereby appoint(s) **SIR GEOFFREY CAVE**, Chairman, or failing him, **MR. JOHN M.B. WILLIAMS**, Chief Executive Officer and Director, or instead of either of them:

.....  
 (PLEASE PRINT NAME OF PROXY ON THIS LINE ONLY IF YOU WISH TO APPOINT A PROXY  
 OTHER THAN THE CHAIRMAN OR CHIEF EXECUTIVE OFFICER)

of .....  
 (PLEASE PRINT PROXY'S ADDRESS HERE)

As my/our proxy to attend, vote and otherwise act for and on behalf of the undersigned in respect of all matters that may properly come before the **FORTY-SIXTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 20TH 2017**, and any adjournment thereof.

.....  
 Name of Shareholder(s)

.....  
 Signature of Shareholder (s)

.....  
 Date (DD/MM/YYYY)

### NOTES

1. You have the right to appoint a person (who need not be a Shareholder) to represent you at the Meeting other than the management nominee. If you wish to designate as proxy a person other than the management nominee, you should strike out their names and insert in the space provided the name of the person you wish to designate as proxy.
2. When signing in a fiduciary or representative capacity, please provide full title as such. In the event of a Joint Shareholder, each should sign. A company should sign by an officer or attorney duly authorised in writing or under corporate seal.
3. If this form of proxy is not dated in the space provided, it is deemed to bear the date on which it was mailed to the Shareholder.
4. **To be valid, this proxy must be signed and deposited with the Group Corporate Secretary at 1st Floor, 24 Broad Street, Bridgetown, St. Michael, Barbados or email [corporatesecretary@caveshepherd.com](mailto:corporatesecretary@caveshepherd.com), no later than 4.00 p.m. (Barbados time) on April 18th 2017, or if the Meeting is adjourned not less than 48 hours (excluding Sundays and Bank Holidays) before any adjourned Meeting.**

**PLEASE COMPLETE AND RETURN.**











*Cave Shepherd & Co*

Cave Shepherd & Co. Ltd,  
#24 Broad Street, Bridgetown, St. Michael, BB11000

**[www.caveshepherd.com](http://www.caveshepherd.com)**