ANNUAL REPORT & FINANCIAL STATEMENTS 2013

Cave Shepherd & Co. Ltd.

Cave Shepherd & Co. Ltd.

ANNUAL REPORT 2013

OUR VISION

"To be the leading Caribbean public company in the services arena."

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the FORTY-THIRD 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 Wednesday the 23rd day of April, 2014 at 5:30 p.m. The Agenda is as follows:

1. To receive and consider the reports of the Directors and Auditor and the Audited Financial Statements for the year ended 31st December, 2013.

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:

Mr. R. Geoffrey Cave	3 years
Professor V. Eudine Barriteau	3 years
Mrs. Maureen D. Davis	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:

Mr. M. Grantley Taylor	1 year

3. To appoint an Auditor for the ensuing year.

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

13th March, 2014

CORPORATE INFORMATION

DIRECTORS
Mr. R. 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. Lyden J. Ramdhanny
Mr. Richard G. Simpson
Mr. M. Grantley Taylor

GROUP CORPORATE SECRETARY
Ms. Hanna M. Chrysostom

AUDIT COMMITTEE
Mr. Lyden J. Ramdhanny, *Chairman*
Mr. Robert M. Harvey-Read
Mr. M. Grantley Taylor

GOVERNANCE COMMITTEE
Mr. M. Grantley Taylor, *Chairman*
Professor V. Eudine Barriteau
Mr. Lyden J. Ramdhanny

REGISTERED OFFICE
10-14 Broad Street
Bridgetown, St. Michael
Barbados, BB11000
Telephone: +1 246 227 1330
Facsmile: +1 246 431 0845
Email: info@caveshepherd.com
www.caveshepherd.com

AUDITORS
PricewaterhouseCoopers SRL
The Financial Services Centre
Bishop's Court Hill
St. Michael
Barbados, BB14004

PRINCIPAL BANKERS
CIBC FirstCaribbean International Bank
(Barbados) Limited
Rendezvous, Christ Church
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
Facsmile: +1 246 429 8942

ASSOCIATED COMPANIES

SUBSIDIARY COMPANIES

NAME	CAPITAL	PRINCIPAL COUNTRY OF OPERATION
Cave Shepherd Inc.	Equity $100,000 - 100% owned Loan Capital - Nil	United States
Cave Shepherd (Cayman) Ltd.	Equity $20,000 - 100% owned Loan Capital - Nil	Cayman
Cave Shepherd SRL	Equity $5,050,000 - 100% owned Loan Capital - Nil	Barbados
Fortress Fund Managers Limited	Equity $9,352,500 - 75% owned Loan Capital - Nil	Barbados
Fortress Fund Advisors Limited	Equity $2,000 - 75% owned Loan Capital - Nil	St. Lucia
Fortress Insurance Company Limited	Equity $3,000,000 - 75% owned Loan Capital - Nil	Barbados
Fortress Staff Share Scheme Inc.	Equity $1,000 - 75% owned Loan Capital - Nil	Barbados
Fortress Advisory & Investment Services Ltd.	Equity $2,000 - 75% owned Loan Capital - $400,000	Barbados
Fortress Overseas Asset Management	Equity $Nil - 75% owned Loan Capital - $Nil	British Virgin Islands (BVI)
Cayco Ltd.	Equity $1,000,000 - 100% owned Loan Capital - $6,100,000	Cayman
Colombian Emeralds International Limited	Equity $200 - 100% owned Loan Capital - Nil	British Virgin Islands (BVI)

ASSOCIATED 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
DFC Investments Ltd.	40%	Barbados
Amoro Holdings Ltd.	20%	Barbados
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
DGM Holdings (Canada) Inc.	40%	Canada
DGM Bank & Trust Inc.	40%	Barbados
DGM Trust Corporation	40%	Barbados
DGM Insurance Holdings Corporation	40%	Barbados
DGM Insurance Corporation	40%	Barbados
DGM Securities Limited	40%	Barbados
Fowling Overseas Limited	40%	British Virgin Islands (BVI)
Breakwater Management Services Limited	40%	Barbados
DGM Captive Management Inc.	40%	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
Franchise Services Corporation	25%	Barbados
The Perfect Time Ltd.	25%	Barbados
Contonou Shores Ltd.	35%	Bahamas
Caribbean Trade Logistics Advisors Inc.	44%	Barbados
FSSB Inc.	18.75%	Barbados

DIRECTORS' REPORT

R. Geoffrey Cave

John Williams

DIRECTORS' REPORT

The year ended 2013 turned out to be a difficult one for Cave Shepherd & Co. Ltd. At the operational level there was some improvement in the trading results for our businesses as a whole, but a significant loss of $(10.1) million associated with our investment in DGM Bank & Trust has resulted in an overall loss attributable to shareholders of the company of $(8.3) million. This equates to a negative Earnings per Share (EPS) of $(0.45) compared to a positive EPS of $0.04 in the prior year. The impact of the DGM write-off was communicated in a letter to our shareholders on December 19th, 2013 and without this item the Group would have recorded a profit of $1.8 million, a positive EPS of $0.10, in the current year.

In summary, the financial results were:

	$ Million	$ EPS
Net profit excluding DGM Bank & Trust write-off	1.8	0.10
Write-offs relating to DGM Bank & Trust	(10.1)	(0.55)
Net loss attributable to the equity holders of the Company	(8.3)	(0.45)

Generally our financial services businesses, with the exception of DGM Bank & Trust, performed to expectations but our retail businesses continued to underperform as the modest recovery in our tourism business was offset by declining local sales as domestic economies in the Caribbean continued to weaken. Our investment portfolio of marketable securities also showed a better performance than in the prior year.

Our Balance Sheet remains strong and our emphasis in recent years on maintaining healthy reserves of cash allowed us to meet our obligations to DGM without putting any strain on the cash needed for operating purposes. At the year-end our working capital stood at $62.4 million, a decline of 5% on last year's $65.6 million.

Our cash and liquid assets, after injecting the money related to DGM, but excluding amounts held on behalf of Fortress pension clients, amounted to $30.0 million.

Given the underlying improvement in our trading results and the comfortable level of our cash position, the Company continued to pay both interim ($0.08 per share) and final ($0.06 per share) dividends, albeit at lower levels than in the previous year. We will continue our policy of determining dividends based on the trend of our underlying profit together with the adequacy of our cash reserves, to ensure that our dividend policy is sustainable and in no way compromises our ongoing operations.

RETAIL

Our principal retail associate Duty Free Caribbean Holdings recorded a marginal decline in sales, as well as a higher net loss as restructuring costs outweighed the excellent efforts at controlling operational expenses. As noted last year, the decision was taken to make significant changes to the retail business model to place a greater focus on its travel retail business. This included the expansion of the concessionaire program in the main Cave Shepherd store on Broad Street, whereby a number of departments were made available to individual operators. These restructuring efforts as well as ongoing efforts in cost control will continue through 2014 whilst at the same time management is also actively seeking avenues for profitable growth in the region.

Our other retail associate GCS Limited trading as Ganzee returned to profitability in 2013 on the strength of an improved sales trend. This company took over the running of the souvenir category at all Cave Shepherd locations in November 2013, and this together with organic growth should allow them to improve their performance in the year ahead.

RETAIL

FINANCIAL SERVICES

Fortress Fund Managers contributed a solid performance for the year. Although several international stock markets performed very well during 2013, our Caribbean Funds continue to be challenged by the lacklustre performance of most Caribbean capital markets, with Trinidad being the one exception, and the general economic malaise in our economies. As a result our benchmark Fortress Caribbean Growth Fund recorded only a slight gain in Net Asset Value (NAV) for the year. Similarly the Fortress High Income Fund achieved only modest returns as the focus was on protection of investors' capital rather than on chasing high returns. Fortress' management strongly believes this policy to be in the best interest of their investors and recent events support their position. During the year, the Fortress Caribbean Property Fund was split into two separate cells, Development Shares and Value Shares which is intended to appeal to investors with different objectives and so increase shareholders' value.

The Cave Shepherd Card had an excellent year. The number of cardholders grew by 14% and in 2013 four new merchant partners, SOL Barbados, KFC, Trimart Supermarkets, and Barbados Reference Laboratories Ltd were added, contributing to both growth in revenues as well as an increase in cardholder satisfaction. Avenues for further widening the acceptance of the Card are being explored.

Signia celebrated its 10th anniversary in 2013 with continued growth in its loan portfolio and revenues, which showed a modest increase in net earnings. The Haggatt Hall branch which was opened earlier in the year has performed beyond expectation and contributed to this top-line growth. There has been some increase in loan arrears as local economic conditions have worsened, but this situation is being carefully managed and Signia's levels of delinquency continue to be better than that of the banking industry as a whole.

Over the last few years of recession DGM Bank & Trust has faced a number of challenges in the international business sector in which it operates. During 2013 a discrepancy in the valuation of certain assets administered by DGM was identified. The discovery followed an extensive reconciliation process covering several years of data. The reconciliation has uncovered no evidence of fraud or malfeasance and although the process is not complete, it appears likely that the difference resulted from erroneous calculations of asset values prior to our investment in DGM in 2008.

After careful consideration, in particular after considering the potential impact on the good name of DGM, the financial system of Barbados under which we operate and indeed the reputation of the international business sector in this jurisdiction in general, Cave Shepherd and the other shareholders of DGM concluded that it would be prudent to honour the shortfall and make good the assets , thereby ensuring that the Bank's clients suffered no financial loss, notwithstanding that the error pre-dated our investment in DGM . We will however, be pursuing any legal and other remedies available to us to recover whatever funds we can. Unfortunately, the transaction has led to a write-off of $(4.4) million of goodwill relating to our investment in the DGM Group in addition to a further $(5.7) million write-down in the value of our investment. Although the goodwill is charged as an expense, it is important to note that this is a book entry only, and there is no cash involved in this part of the expense. The actual cash injection from Cave Shepherd was $5 million to meet its share of the shortfall. The shareholders in DGM are now examining how to restructure this business to best position it for the future.

OTHER

Last year we reported that we purchased equity in RE Power Barbados Inc a company set up to generate

CAVE SHEPHERD CARD

electricity as an Independent Power Producer (IPP) using renewable sources, in particular wind power. During the year we added to our investment and increased our shareholding to 15%. This company is not yet operational but during the year it continued to collect wind data using measurement towers at prospective sites on the Island. In December 2013 the revised Electric Light and Power Act was passed which makes provision for IPP's and we are hopeful that the necessary regulations and other matters will soon be in place to allow this very worthwhile project to move forward.

During the year we also made an investment in Radnor Hospital Inc., a company formed to provide facilities for specialist surgeries. Our fellow partners are Nueterra Healthcare, a USA-based health services operator, together with several local physicians. The first phase of this project is the establishment of a Surgery & Birthing Centre in Belleville, St. Michael through renovations and upgrade of an existing facility.

COMMUNITY SPIRITEDNESS

Cave Shepherd maintained its support to organizations that respond to the needs that exist within our communities through our annual covenants and donations. Additionally, our subsidiaries and associate companies sustained steady levels of sponsorship in areas of education, sports and cultural events despite the economic conditions experienced during the year. Our Group continues to hold to the principle of giving back to the communities that have supported us over many years.

CONCLUSION

We have continued our approach of restructuring our businesses to operate in the current tough economic times and, were it not for the DGM loss, shareholders would have seen an improvement, albeit modest, in our operating results. As is well documented, economic conditions in Barbados and the other neighbouring territories in which we operate are very difficult, and we do not expect to see any rapid improvement in their fortunes. Indeed there is likely to be increased pressure on those businesses that rely on the domestic market. However, the generally brighter picture in our source tourist markets does give reason to believe that we will see an upturn in our main duty free business in the near future. Certainly if this materializes it will make a positive impact to our Groups' financial performance.

At the same time that we are dealing with the several challenges that face our existing businesses we are also seeking out new opportunities for the future. Our investments in Healthcare and Renewable Energy are two such projects, and we will continue our search for other areas which can contribute to earnings. It is our belief that this approach is the best way of positioning the Company for balanced, sustainable and profitable growth in the years ahead.

We wish to thank our customers, staff and the public as a whole for their continued support for our Company over the years and their confidence in us going forward.

Geoffrey Cave   John Williams

R. Geoffrey Cave — John M. B. Williams
Chairman — Chief Executive Officer

13th March, 2014

CORPORATE GOVERNANCE

BOARD COMPOSITION & STRUCTURE

The following table sets forth the name and year of appointment of the current members of the Board of Directors, followed by a short description of each member's business experience, education and activities:

MEMBERS OF THE BOARD OF DIRECTORS

NAME	PROFESSION	NATIONALITY	POSITION WITH CAVE SHEPHERD	DATE OF FIRST ELECTION	TERM OF OFFICE
R. Geoffrey Cave	Business Executive	Barbadian	Non-Executive Chairman	1970	2014
John M. B. Williams	Business Executive	Barbadian	Chief Executive Officer	2007	2015
V. Eudine Barriteau	Deputy Principal, UWI Cave Hill Campus	Grenadian	Independent Director	2008	2014
Roger M. Cave	Business Executive, Fortress Fund Managers Limited	Barbadian	Executive Director	1997	2015
Maureen D. Davis	Business Executive, Duty Free Caribbean (Holdings) Ltd.	Barbadian	Executive Director	2007	2014
Robert M. Harvey-Read	Business Executive, Cornerstone Builders Direct Inc.	Barbadian	Non-Executive Director	2008	2015
Edward J. L. Ince	Business Executive, Prism Services Group Inc.	Barbadian	Non-Executive Director	2012	2016
Lyden J. Ramdhanny	Business Executive, L.L. Ramdhanny & Co.	Grenadian	Independent Director	2008	2016
Richard G. Simpson	Business Executive, Duty Free Caribbean (Holdings) Ltd.	Barbadian	Executive Director	2007	2016
M. Grantley Taylor	Business Executive	Barbadian	Independent Director	1991	2014

EDUCATION, PROFESSIONAL BACKGROUND, OTHER ACTIVITIES AND FUNCTIONS

Mr. R. Geoffrey Cave
CBE, BCH,
Hon. LLD (UWI)
Chairman
Born 1942

Geoffrey Cave is currently Chairman of Cave Shepherd & Co. Limited. Mr. Cave was first elected Chairman of the Board of Directors in 1975, after having served as Managing Director for five years.

He has served as an Independent Senator of Barbados in the Upper House from October 2009 until February 2013. In 2007, the University of the West Indies conferred on him an Honorary Degree of Doctor of Laws (LLD) and in the Queen's New Years' Honour's List in 2003, he was appointed Commander of the Most Excellent Order of the British Empire. His distinguished career in business in Barbados and the region was recognized in 2011 when he was honoured with the Caribbean Master Entrepreneur Award.

Mr. Cave holds a B. Comm. from McGill University in Canada.

Mr. John M. B. Williams
FCA
Chief Executive Officer
Born 1959

John Williams joined Cave Shepherd & Co. Ltd as Chief Executive Officer in 2006. He has over 25 years' experience in senior management positions in both services and manufacturing.

In 2011, he was appointed Chairman of the Barbados Private Sector Association, a position he held until January 2014. Previously, he has served as Chairman of the Barbados Investment & Development Corporation, President of the Barbados Chamber of Commerce and Industry and Deputy President of the Institute of Chartered Accountants of Barbados.

Mr. Williams holds a BSc. in Mathematics from 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).

Prof. V. Eudine Barriteau
Independent Director
Born 1954

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

Prof. Barriteau is currently the Deputy Principal of the University of the West Indies, Cave Hill Campus. Previously, she was the Head of the Centre for Gender and Development Studies, a position she held for fifteen years.

Mr. Roger M. Cave
CA, CFA
Executive Director
Born 1966

Roger Cave is the founder and Managing Director of Fortress Fund Managers Limited which manages the Fortress Caribbean Growth Fund, Fortress Caribbean Property Fund, Fortress Caribbean Pension Fund and Fortress Caribbean High Interest Fund.

Mr. Cave is a Chartered Financial Analyst (CFA) as well as a Chartered Accountant. He is a board member of the Barbados Stock Exchange.

Mrs. Maureen D. Davis
Executive Director
Born 1964

Maureen Davis joined the Cave Shepherd Board in 2007. She is currently the Chief Development Officer of one of Cave Shepherd's major associated companies, Duty Free Caribbean (Holdings) Ltd, a position she has held since that company's formation in the year 2000.

Mrs. Davis serves on the Boards of the Tourism Development Corporation, Fortress Caribbean Property Fund and is a Council member of the Barbados Museum and Historical Society.

Mr. Robert M. Harvey-Read
Non-Executive Director
Born 1964

Robert Harvey-Read was elected to the Cave Shepherd Board in April 2008. He is a member of the Audit Committee. Mr. Harvey-Read is the founder and Managing Director of CS LED Inc. and Cornerstone Builders Direct LLC.

Mr. Harvey-Read 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.

Mr. Edward J. L. Ince
Non-Executive Director
Born 1962

Edward Ince joined the Cave Shepherd Board in April 2012.

He is joint Managing Director of Prism Services Inc., a company that he co-founded in 1993, which has operations throughout the Caribbean and Central America.

He is a graduate of York University, Canada where he obtained a BSc. (Hons) in Computer Science in 1984.

Mr. Lyden J. Ramdhanny
Independent Director
Born 1952

Lyden Ramdhanny was appointed to the Cave Shepherd Board in April 2008. He is the Chairman of the Audit Committee and a member or the Corporate Governance Committee. Mr. Ramdhanny previously served as a Director on the Board of retail associate, Duty Free Caribbean (Holdings) Ltd for five years from inception.

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

Mr. Richard G. Simpson
Executive Director
Born 1959

Richard Simpson was elected to serve on the Board of Directors of Cave Shepherd & Co. Limited in 2007. He is a member of the Executive Committee of Duty Free Caribbean (Holdings) Ltd. Mr. Simpson joined Cave Shepherd in 1983 and has worked in several departments of retail operations.

Mr. M. Grantley Taylor
Independent Director
Born 1939

Grantley Taylor has served on the Cave Shepherd Board since 1991. He is the Chairman of the Corporate Governance Committee and a member of the Audit Committee and currently serves as a Pension Plan Trustee.

Mr. Taylor is now retired having spent most of his working career at Cave Shepherd. Mr. Taylor also served as Corporate Secretary of the company during the period 1970 to 1980. Mr. Taylor served on the steering committee of the Barbados Stock Exchange when the Barbados Central Securities Depository Inc. was formed in 1999.

Mr. Taylor holds a diploma in management from Irish Institute of Management.

DIRECTORS' SHAREHOLDINGS (ALL BENEFICIAL)

Directors' interests as at December 31, 2013 and as at March 13, 2014, are as follows:

	Shares as at 31-Dec-13	Shares as at 13-Mar-2014
	Common Shares	Common Shares
R. G. Cave	5,858,534	5,858,534
R. M. Cave	315,235	315,235
M. D. Davis	79,184	79,184
R. M. Harvey-Read	22,465	22,465
E. J. L. Ince	109,186	109,186
R. G. Simpson	68,816	68,816
M. G. Taylor	54,034	54,034
J. M. B. Williams	51,602	51,602

Note: There was no change in directors' shares between the period January 1, 2013 and March 13, 2014.

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

During 2013, the Board of Directors (BOD) met four times. The Audit Committee (AC) met twice and the Corporate Governance Committee (GC) met once. Directors' record of attendance was as follows:

	BOD	AC	GC	TOTAL
R. G. Cave	4/4			4/4
V. E. Barriteau	3/4		1/1	4/5
R. M. Cave	4/4			4/4
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
L. J. Ramdhanny	4/4	2/2	1/1	7/7
R. G. Simpson	4/4			4/4
M. G. Taylor	4/4	2/2		6/6
J. M. B. Williams	4/4			4/4

COMMITTEES

AUDIT COMMITTEE

Members: Lyden Ramdhanny, Chairman
Robert M. Harvey-Read
M. Grantley Taylor

The majority of the members of the Audit Committee are independent Directors. An independent member is someone who is inter alia, independent of a significant shareholding in Cave Shepherd & Co. Ltd and/or someone who has not been an executive member of the Company in the last two years.

The Audit Committee assists the Board in meeting its responsibilities in ensuring an effective system of financial reporting, internal control and risk management. It provides a direct channel of communication between the Auditors and the Board and assists the Board in ensuring that the audit is conducted in a thorough, objective and cost-effective manner.

CORPORATE GOVERNANCE COMMITTEE

Members: M. Grantley Taylor, Chairman
V. Eudine Barriteau
Lyden J. Ramdhanny

The Corporate Governance Committee is comprised of independent Directors. An independent member is someone who is inter alia, independent of a significant shareholding in Cave Shepherd & Co. Ltd and/or someone who has not been an executive member of the Company in the last two years.

The purpose of the Committee is to ensure that corporate fairness, transparency and accountability is promoted in the pursuit of the company's goals and objectives. To this end, the Committee is to obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings if it considers this necessary.

For further information, please refer to our website www.caveshepherd.com

EXECUTIVE MANAGEMENT & CORPORATE SECRETARY

The following table sets forth the name and year of appointment of the current four members of the Executive Management and the Group Corporate Secretary, followed by a short description of each member's business experience, education and activities:

NAME	NATIONALITY	POSITION	APPOINTED IN YEAR
John M. B. Williams	Barbadian	Chief Executive Officer, Cave Shepherd & Co. Ltd	2006
Ian P. Gibson	Barbadian	Chief Financial Officer, Cave Shepherd & Co. Ltd	1995
Hanna M. Chrysostom	Trinidadian	Group Corporate Secretary, Cave Shepherd & Co. Ltd	2013
Roger M. Cave	Barbadian	Investment Director, Fortress Fund Managers Limited	1996
Alison Browne-Ellis	Barbadian	Director, Cave Shepherd Card Services	2011

Mr. John M. B. Williams
FCA
Chief Executive Officer
Born 1959

John Williams joined Cave Shepherd & Co. Ltd as Chief Executive Officer in 2006. He has over 25 years' experience in senior management positions in both services and manufacturing.

In 2011, he was appointed Chairman of the Barbados Private Sector Association, a position he held until January 2014. Previously, he has served as Chairman of the Barbados Investment & Development Corporation, President of the Barbados Chamber of Commerce and Industry and Deputy President of the Institute of Chartered Accountants of Barbados.

Mr. Williams holds a BSc. in Mathematics from 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).

Mr. Ian P. Gibson
FCA, CGA
Chief Financial Officer
Born 1962

Ian Gibson joined Cave Shepherd & Co. Limited in 1995 as Financial Controller and assumed his current position in the year 2000. He was previously employed with Coopers & Lybrand.

Mr. Gibson is a Fellow of the Institute of Chartered Accountants of Barbados (FCA) – Practising Member and a member of the Certified General Accountants Association of Canada (CGA).

Ms. Hanna M. Chrysostom
LLB
Group Corporate Secretary
Born 1977

Hanna Chrysostom joined Cave Shepherd & Co. Limited as Group Corporate Secretary in July 2013. Ms. Chrysostom is admitted to practice as an Attorney-at-Law in Barbados and Trinidad and 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 also holds a Masters in Business Administration from Durham University.

Mr. Roger Cave
CA, CFA
Investment Director
Born 1966

Roger Cave is the founder and Managing Director of Fortress Fund Managers Limited which manages the Fortress Caribbean Growth Fund, Fortress Caribbean Property Fund, Fortress Caribbean Pension Fund and Fortress Caribbean High Interest Fund.

Mr. Cave is a Chartered Financial Analyst (CFA) as well as a Chartered Accountant. He is a board member of the Barbados Stock Exchange.

Mrs. Alison Browne-Ellis
MBA
Director
Card Services
Born 1979

Alison Browne-Ellis joined Cave Shepherd & Co. Limited as Director, Card Services in June 2011. She holds a MBA from the University of Surrey, UK. Mrs. Browne-Ellis's background includes over 12 years' experience in the financial services and credit card management industry.

EXECUTIVE MANAGEMENT'S SHAREHOLDINGS (ALL BENEFICIAL)

Executive Management's shareholdings as at December 31, 2013 and as at March 13, 2014, are as follows:

	Shares as at 31-Dec-13	Shares as at 13-Mar-2014
	Common Shares	Common Shares
J. M. B. Williams	51,602	51,602
I. P. Gibson	28,934	28,934
R. M. Cave	315,235	315,235
A. E. Browne-Ellis	213	213

Note: There was no change in executive management's shares between the period January 1, 2013 and March 13, 2014.

MANAGEMENT PROXY CIRCULAR

Company No. 21716

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-third Annual General Meeting of Shareholders of Cave Shepherd & Co. Limited ("the Company") to be held at the Lloyd Erskine Sandiford Centre on Wednesday, April 23rd, 2014 at 5:30 p.m.

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 not later than 4:30 p.m. on Thursday 17th April, 2014.**

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 an 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.

Record Date and Voting of Shares

The Directors of the Company have fixed **Monday, 24th March, 2014** 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 Companies 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

1) the adoption of the Audited Consolidated Financial Statements for the year ended December 31st, 2013;
2) the election of Directors; and
3) the re-appointment of the incumbent Auditors for the ensuing year.

Only shareholders of the Company will be entitled to vote at the Meeting. On a show of hand, 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 18,379,470 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 Consolidated Financial Statements of the Company for the year ended December 31st, 2013 and the Auditors Report thereon can be found on the Company's website www.caveshepherd.com.

Item 2: Election of Directors

The maximum number of Directors permitted by the By Laws of the Company is ten (10) and the minimum is three (3). The Board of Directors presently consists of 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 By Laws and being eligible, offer themselves for re election for the stated term:

Mr. R. Geoffrey Cave	3 years
Professor. V. Eudine Barriteau	3 years
Mrs. Maureen D. Davis	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:

Mr. M. Grantley Taylor	1 year

With respect to the first three persons nominated, namely **Mr. R. Geoffrey Cave, Professor V. Eudine Barriteau** and **Mrs. Maureen D. Davis**, the term of office for each person so elected will expire at the close of the third annual meeting of the shareholders of the Company following his election or until his successor is elected or appointed. Each of the first three nominees is now a director of the Company and will retire at the close of the forty third annual meeting in accordance with the provisions of the by laws of the Company, but being qualified, is eligible for re election. Mr. R. Geoffrey Cave, Professor V. Eudine Barriteau and Mrs. Maureen D. Davis were elected as directors at the shareholders meeting held on April 19th, 2011. These nominees are being recommended in accordance with paragraphs 3.09 and 3.10 of the revised by laws.

The remaining nominee, **Mr. M. Grantley Taylor**, is currently a director of the Company and is being proposed for election as an independent director. This nominee, having attained the age of 72, is being recommended by the Board in accordance with paragraph 3.10 of the 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

PricewaterhouseCoopers SRL, of The Financial Services Centre, Bishops Court Hill, St. Michael, Barbados are the incumbent Auditors of the Company. It is proposed to re-appoint, PricewaterhouseCoopers SRL 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 PricewaterhouseCoopers SRL.

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 71 (2) of the Companies Act.

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

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

Dated 13th March, 2014

Hanna M. Chrysostom.

Hanna M. Chrysostom
Group Corporate Secretary

FINANCIAL HIGHLIGHTS

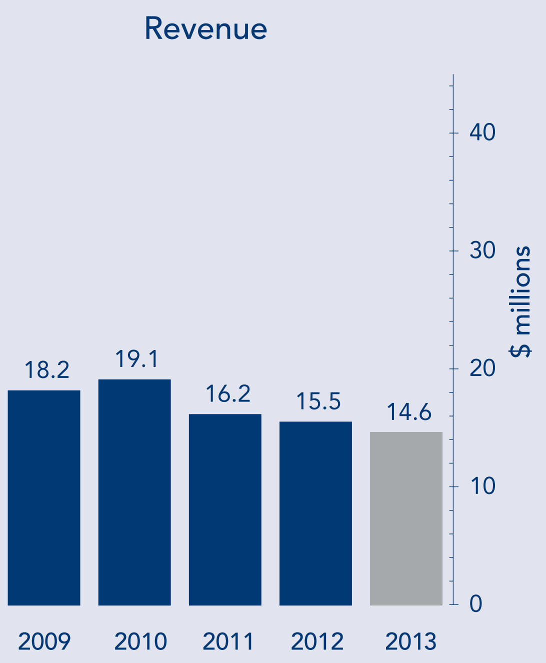
FINANCIAL HIGHLIGHTS

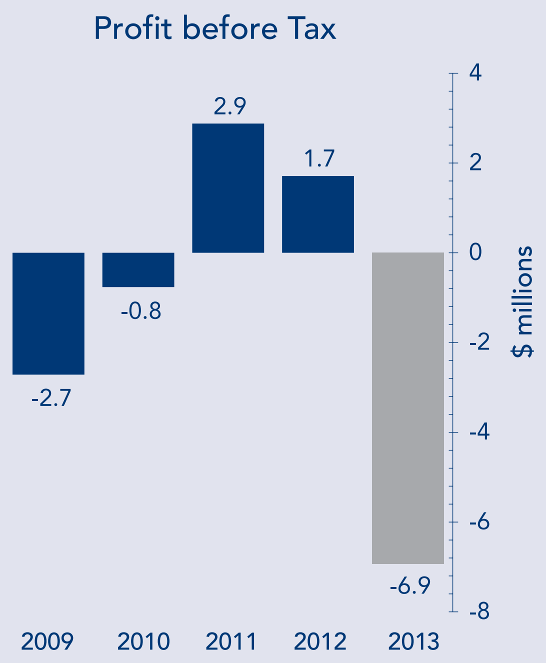
For the year ended December 31, 2013
Expressed in Barbados dollars

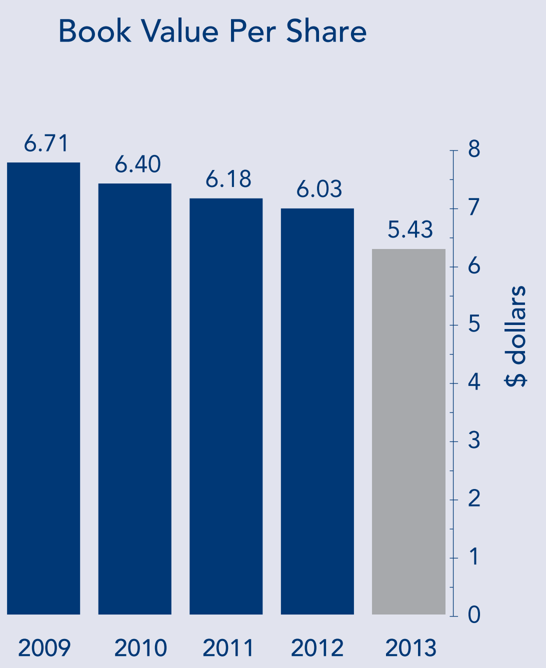
	2013 $	Restated 2012 $
Results For The Year (In $ Millions)		
Revenue from operations and other gains	**14.62**	15.52
Operating Profit before taxation, excluding DGM write-off	**3.22**	1.71
Total DGM write-off	**(10.16)**	-
(Loss)/Profit before taxation	**(6.94)**	1.71
Income tax expense	**(0.87)**	(0.76)
Net (loss)/profit attributable to equity holders of the Company	**(8.26)**	0.49
Year End Position (In $ Millions)		
Working capital	**62.41**	65.65
Total assets	**153.49**	163.66
Equity	**99.55**	110.74
Per Share Of Capital Stock (In Dollars)		
(Loss)/Profit before taxation and non-controlling interest	**(0.38)**	0.09
Net (loss)/profit attributable to equity holders of the Company	**(0.45)**	0.03
Dividends declared	**0.14**	0.20
Equity	**5.43**	6.03
Market price per share	**2.70**	4.68
Financial Ratios (In Percentages)		
Return on average equity	**(7.9)%**	0.6%

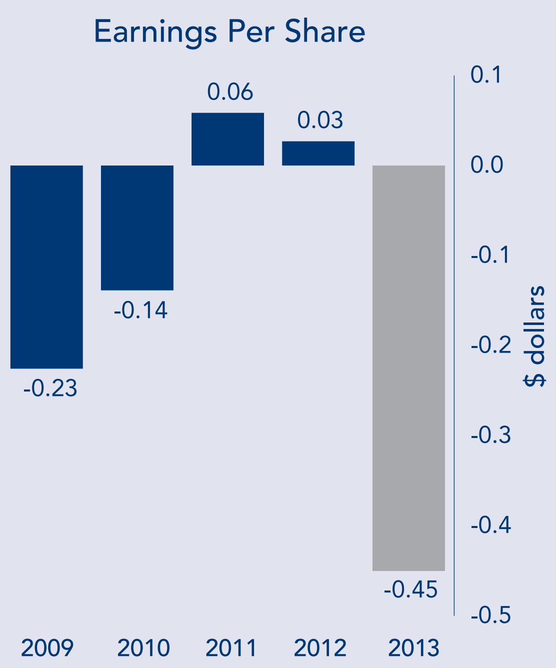
FINANCIAL HIGHLIGHTS

For the year ended December 31, 2013
Expressed in Barbados dollars









FINANCIAL HIGHLIGHTS

Five Year Summary

	2013	Restated 2012	2011	2010	2009
Year End Position (in $ millions)					
Total Current Assets					
Cash and cash equivalents	**12.4**	21.1	14.8	19.2	16.1
Financial assets held for trading	**34.8**	30.3	29.4	22.3	15.7
Inventories	**0.0**	0.0	4.9	4.1	4.6
Trade and other receivables and prepayments	**20.9**	19.9	19.1	17.2	17.6
Other current assets	**10.7**	10.6	9.8	4.4	6.6
Total current assets	**78.8**	81.9	78.0	67.2	60.6
Less Current Liabilities	**16.4**	16.2	17.8	10.7	8.6
Working capital	**62.4**	65.7	60.2	56.5	52.0
Investments and other assets	**74.7**	81.8	83.8	87.5	98.6
	137.1	147.5	144.0	144.0	150.6
Financed By:					
Long-term borrowings	**37.6**	36.8	30.5	25.2	24.5
Shareholders' equity	**99.5**	110.7	113.5	118.8	126.1
	137.1	147.5	144.0	144.0	150.6
No. of shares outstanding (in millions)	**18.3**	18.4	18.4	18.6	18.8
Share of Associates Revenue (in $ millions)	**106.3**	107.8	118.2	110.3	109.3
Results For The Year (in $ millions)					
Revenue from operations and other gains	**14.6**	15.5	16.2	19.1	18.2
(Loss)/profit before interest, taxes etc.	**(4.8)**	2.1	3.0	(1.8)	1.1
(Loss)/profit before taxation and non-controlling Interest	**(6.9)**	1.7	2.9	(0.8)	(2.7)
Net comprehensive (loss)/income attributable to equity holders of the Company	**(8.3)**	0.5	1.1	(2.6)	(4.2)
Dividends Declared	**2.6**	3.7	3.7	3.7	3.8
Per Share Of Capital Stock (in dollars)					
(Loss)/earnings	**(0.45)**	0.03	0.06	(0.14)	(0.23)
Dividends declared	**0.14**	0.20	0.20	0.20	0.20
Net book value	**5.43**	6.03	6.18	6.40	6.71
Financial Ratios					
Current ratio	**4.82**	5.05	4.40	6.28	7.04
Gearing ratio	**0.06**	0.01	0.06	0.00	0.04
Returns (%)					
On average equity	**(8)%**	1%	1%	(2%)	(3%)

Independent Auditor's Report

To the Shareholders of Cave Shepherd & Co. Limited

We have audited the accompanying consolidated financial statements of Cave Shepherd & Co. Limited, which comprise the consolidated balance sheet as at December 31, 2013, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cave Shepherd & Co. Limited as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
March 26, 2014
Bridgetown, Barbados

PricewaterhouseCoopers SRL, The Financial Services Centre, Bishop's Court Hill, P.O. Box 111, St. Michael, BB14004, Barbados, West Indies
T: +246-626-6700, F: 246-436-1275, www.pwc.com/bb

CONSOLIDATED BALANCE SHEET

As at December 31, 2013
Expressed in Barbados dollars

	2013 $	Restated 2012 $
Current Assets		
Cash and cash equivalents (note 4)	12,377,863	21,083,673
Financial assets held for trading (note 5)	34,795,776	30,325,201
Trade and other receivables and prepayments (note 6)	20,885,212	19,892,799
Due by associates (note 7)	10,704,288	10,571,462
	78,763,139	81,873,135
Current Liabilities		
Borrowings (note 20)	232,534	722,779
Trade and other payables (note 9)	2,462,183	3,044,100
Due to associates (note 7)	10,065,329	7,676,060
Due to affiliates (note 8)	1,940,895	2,360,851
Current income tax liability	432,836	240,998
Current loan due to associate (note 18)	116,000	-
Dividend payable to preference shareholders	-	336,375
Dividend payable on common shares	1,102,467	1,839,405
	16,352,244	16,220,568
Working Capital	62,410,895	65,652,567
Investments in associates (note 10)	61,743,408	69,199,100
Financial assets at fair value through profit and loss (note 11)	778,512	332,380
Held-to-maturity investments	934,473	965,027
Intangible assets (note 12)	3,729,433	4,573,833
Property, plant and equipment (note 13)	667,169	1,011,882
Loans due by associate (note 14)	5,800,000	4,600,000
Pension plan surplus (note 15)	1,072,389	1,102,360
Fixed income certificates payable (note 16)	(17,481,653)	(19,654,464)
Loans due to non-controlling interest (note 17)	(815,625)	(815,625)
Loan due to associate (note 18)	-	(660,000)
Due to registered retirement savings plan holders (note 19)	(17,224,920)	(14,464,847)
Due to drawdown annuity policy holders	(958,047)	-
Redeemable preference shares (note 21)	(1,096,875)	(1,096,875)
Deferred income tax liability (note 22)	(5,165)	(5,480)
Net Assets	99,553,994	110,739,858
Capital and Reserves attributable to the Equity holders of the Company		
Share capital (note 23)	38,648,384	38,689,673
Share option reserve (note 24)	162,623	136,651
Retained earnings (note 25)	57,586,217	68,490,730
	96,397,224	107,317,054
Non-controlling interest	3,156,770	3,422,804
Total Equity	99,553,994	110,739,858

The accompanying notes form an integral part of these consolidated financial statements.
Approved by the Board of Directors on March 13, 2014.

Geoffrey Cave .... Director

John Ward .... Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2013
Expressed in Barbados dollars

	Attributable to equity holders of the Company			Non-controlling Interest	
	Share Capital	Retained Earnings	Share Option Reserve		Total
	$	$	$	$	$
Balance as at December 31, 2011	38,689,673	71,509,425	52,506	3,233,045	113,484,649
Profit for the year	-	493,426	-	459,759	953,185
Other comprehensive income for the year	-	166,689	-	-	166,689
Total comprehensive income for the year	-	660,115	-	459,759	1,119,874
	38,689,673	72,169,540	52,506	3,692,804	114,604,523
Dividends (20¢ per share)	-	(3,678,810)	-	-	(3,678,810)
Dividends paid to non-controlling interest	-	-	-	(270,000)	(270,000)
Employee share options (note 24)	-	-	84,145	-	84,145
Balance as at December 31, 2012 - as restated (note 15)	38,689,673	68,490,730	136,651	3,422,804	110,739,858
Loss for the year	-	(8,259,540)	-	452,466	(7,807,074)
Other comprehensive loss for the year	-	(30,820)	-	-	(30,820)
Total comprehensive loss for the year	-	(8,290,360)	-	452,466	(7,837,894)
	38,689,673	60,200,370	136,651	3,875,270	102,901,964
Dividends (14¢ per share)	-	(2,574,894)	-	-	(2,574,894)
Dividends paid to non-controlling interest	-	-	-	(718,500)	(718,500)
Employee share options (note 24)	-	-	25,972	-	25,972
Repurchase of shares (note 23)	(41,289)	(39,259)	-	-	(80,548)
Balance as at December 31, 2013	38,648,384	57,586,217	162,623	3,156,770	99,553,994

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2013
Expressed in Barbados dollars

	2013 $	Restated 2012 $
Revenue and other gains		
Revenue from operations (note 26)	14,660,033	15,377,939
Other (losses)/gains (note 27)	(44,038)	140,452
	14,615,995	15,518,391
Expenses		
Cost of sales from retail operations	-	1,746,462
Payroll costs (note 28)	4,074,653	4,854,551
Depreciation (note 13)	448,223	463,984
Amortisation of intangible assets (note 12)	844,400	844,400
Impairment of goodwill in associate (note 31)	4,456,688	-
Write off of investment (note 31)	2,536,000	-
Write off of loan receivable (note 31)	2,290,910	-
Other operating expenses	4,328,750	4,840,567
Redeemable preference shares dividends to non-controlling interest	390,000	628,875
	19,369,624	13,378,839
(Loss)/Profit before interest and taxes	(4,753,629)	2,139,552
Finance costs	(1,073,992)	(1,215,604)
Net operating (loss)/profit	(5,827,621)	923,948
Share of results of associates (note 10)	(1,107,586)	786,068
(Loss)/Profit before taxation	(6,935,207)	1,710,016
Income tax expense (note 29)	(871,867)	(756,831)
Net (loss)/profit for the year	(7,807,074)	953,185
Attributable to:		
Equity holders of the Company	(8,259,540)	493,426
Non-controlling interest	452,466	459,759
	(7,807,074)	953,185
Earnings per share for profit attributable to the equity holders of the Company during the year.		
- basic (note 30)	$(0.45)	$0.03
- diluted (note 30)	$(0.44)	$0.03

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2013
Expressed in Barbados dollars

	2013 $	Restated 2012 $
Net (loss)/profit for the year	(7,807,074)	953,185
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	(30,820)	166,689
Other comprehensive income for the year (note 15)	(30,820)	166,689
Total comprehensive income for the year	(7,837,894)	1,119,874
Attributable to:		
Equity holders of the Company	(8,290,360)	660,115
Non-controlling interest	452,466	459,759
Total comprehensive income for the year	(7,837,894)	1,119,874

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2013
Expressed in Barbados dollars

	2013 $	Restated 2012 $
Net cash generated from operations (note 32)	2,476,595	3,655,994
Cash flows from investing activities		
Purchase of property, plant and equipment (note 13)	(187,548)	(512,001)
Purchase of investment (note 31)	(2,536,000)	(220,400)
Purchase of other investments (note 11)	(400,000)	(150,000)
Purchase of financial assets held for trading and held-to-maturity investments	(9,901,849)	(7,119,950)
Proceeds on disposal of property, plant and equipment	40,000	189,002
Proceeds on disposal of financial assets held for trading	6,520,730	6,398,725
Dividends received (note 26)	164,422	566,367
Dividends received from associates (note 10)	1,891,418	1,320,400
Net cash (used in)/generated from investing activities	(4,408,827)	472,143
Cash flows from financing activities		
Repurchase of shares (note 23)	(80,548)	-
Proceeds from issue of preference shares	-	1,096,875
Payments on loan due to associate (note 18)	(660,000)	-
Issue of loan receivable (note 31)	(2,290,910)	-
Fixed income certificates payable (net)	(2,172,811)	604,919
Dividends paid to shareholders	(3,311,832)	(3,678,810)
Dividends paid to non-controlling interest	(718,500)	(270,000)
Dividends paid to preference shareholders	(726,375)	(292,500)
Registered retirement savings plan holders	2,602,639	5,084,105
Due to drawdown annuity policy holders	959,004	-
Loans due to non-controlling interest	-	(1,096,875)
Loan due to associate (note 18)	116,000	20,000
Net cash (used in)/generated from financing activities	(6,283,333)	1,467,714
Net (decrease)/increase in cash and cash equivalents	(8,215,565)	5,595,851
Cash and cash equivalents - beginning of year	20,360,894	14,765,043
Cash and cash equivalents - end of year	12,145,329	20,360,894
Represented by:		
Cash at bank and in hand (note 4)	5,626,879	12,839,337
Short-term deposits (note 4)	6,750,984	8,244,336
Borrowings (note 20)	(232,534)	(722,779)
	12,145,329	20,360,894

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

Expressed in 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.

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) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property, as disclosed in Note 2(d) and financial assets 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).

New and amended standards adopted by the Group:

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the group:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). (effective July 1, 2012).

- IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 15 and 34 for the impact on the financial statements. (effective January 1, 2013).

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offseting. (effective January 1, 2013).

2. Summary of Significant Accounting Policies ... continued

(a) Basis of Preparation .... continued

New and amended standards adopted by the Group .... continued

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. (effective January 1, 2013).

- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. (effective January 1, 2013).

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. (effective January 1, 2013).

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. (effective January 1, 2013).

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted:

- Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting address the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet (effective January 1, 2014).

- IFRS 9, 'Financial instruments', simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value where the basis of classification depends on the Company's business model and the contractual cash flow characteristics of the financial asset. (effective January 1, 2015).

2. Summary of Significant Accounting Policies ... continued

(a) Basis of Preparation .... continued

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013 and not early adopted .... continued

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. (effective January 1, 2014).

- Amendments to IAS 36, 'Impairment of assets', addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal (effective January 1, 2014).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(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 comprehensive 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

Expressed in Barbados dollars

2. Summary of Significant Accounting Policies ... continued

(b) Consolidation .... continued

Subsidiaries .... continued

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.

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

	Country of incorporation and place of business	Nature of business	Ordinary shares directly held by parent (%)	Ordinary shares held by the group (%)	Ordinary shares held by non-controlling interests (%)
Cave Shepherd Inc.	Florida	Holding Company	100	-	-
Cave Shepherd (Cayman) Ltd.	Cayman	Holding Company	-	100	-
Cave Shepherd SRL	Barbados	Holding Company	100	-	-
Fortress Fund Managers Limited	Barbados	Financial Services Company	75	-	25
Fortress Fund Advisors Limited	Barbados	Financial Services Company	-	75	25
Fortress Insurance Company Limited	Barbados	Financial Services Company	-	75	25
Fortress Staff Share Scheme Inc.	Barbados	Financial Services Company	-	75	25
Fortress Advisory & Investment Services	Barbados	Financial Services Company	-	75	25
Fortress OAM Overseas Fund Ltd.	Barbados	Financial Services Company	-	75	25
Cayco Ltd.	Cayman	Holding Company	-	100	-
Colombian Emeralds International Limited	Tortola	Retail Company	-	100	-

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 $1,096,875 to the non-controlling interest of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies ... continued

(b) Consolidation .... continued

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 comprehensive 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%
Duty Free Caribbean (Cayman) Holdings Ltd.	40%
CS (Cayman) Ltd.	16%
Emerald Distributors Limited	40%
Duty Free Caribbean (TCI) Ltd.	40%
Duty Free Caribbean (Jamaica) Ltd.	40%
Duty Free Caribbean (Curacao) N.V.	40%
Colombian Emeralds International N.V.	40%
Colombian Emeralds International Limited	40%
CEI Limited	40%

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2. Summary of Significant Accounting Policies ... continued

(b) Consolidation .... continued
Associates .... continued

The associates and interest therein are set out below:

Deltamar N.V.	40%
DFC (USVI) Ltd.	40%
DFC Investments Ltd.	40%
Amoro Holdings Ltd.	20%
Caribworld Inc.	20.4%
Caribworld (Trinidad) Ltd.	20.4%
Carib Home Shopping Ltd.	20.4%
Bridgetown Cruise Terminals Inc.	20%
DGM Holdings (Canada) Inc.	40%
DGM Bank & Trust Inc.	40%
DGM Trust Corporation	40%
DGM Insurance Holdings Corporation	40%
DGM Insurance Corporation	40%
DGM Securities Limited	40%
Fowling Overseas Limited	40%
Breakwater Management Services Limited	40%
DGM Captive Management Inc.	40%
GCS Limited	40%
CSGK Finance (Holdings) Limited	40%
Signia Financial Group Inc.	40%
CS&C Joint Venture	16%
The Sunset Joint Venture	16%
Franchise Services Corporation	25%
The Perfect Time Ltd.	25%
Contonou Shores Ltd.	35%
Caribbean Trade Logistics Advisors Inc.	44%
FSSB Inc.	18.75%

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 a time-proportion 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 (factoring) income
  Commission income on credit cards is recognised on an accrual basis upon generation of sales through merchants, mainly Duty Free Caribbean.

- 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 comprehensive income.

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 comprehensive 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 balance sheet 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 comprehensive 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 Company 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 comprehensive income. The credit risk of the receivables portfolio is assumed by the Company. The discount fee on these receivables is included in the consolidated statement of comprehensive income when earned.

(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. Consignment inventory has been included in inventories in the consolidated balance sheet and the corresponding liability has been included in payables in the consolidated balance sheet.

(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.

2. Summary of Significant Accounting Policies ... continued

(h) Financial Assets ... continued

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 balance sheet 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 included in current assets, except for maturities greater than twelve months after the balance sheet 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 balance sheet.

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 $934,473 (2012 - $965,027) that carries a coupon rate of 7.25% (2012 - 7.25%) and is expected to mature in 2025.

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 or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive 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 comprehensive income in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value 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 assesses at each balance sheet 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 comprehensive income.

2. Summary of Significant Accounting Policies ... continued

(i) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet 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.

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 comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet 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 or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet 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.

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 goodwill**

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 15.

- **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 balance sheet 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.

2. Summary of Significant Accounting Policies ... continued

(l) Foreign Currency Translation ... continued

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 comprehensive 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 comprehensive 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 balance sheet presented are translated at the closing rate at the date of the balance sheet.
- Income and expenses for each statement of comprehensive 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 comprehensive income.

(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 balance sheet.

(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.

2. Summary of Significant Accounting Policies ... continued

(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.

(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 balance sheet 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.

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2. Summary of Significant Accounting Policies ... continued

(p) Employee Benefits ... continued

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 Company'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.

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 Company. 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 comprehensive income, with a corresponding adjustment to equity. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

The granting by the Company 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.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

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 comprehensive income with a corresponding adjustment to the financial liability.

2. Summary of Significant Accounting Policies ... continued

(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.

(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 comprehensive 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 balance sheet 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.

(w) Due to registered retirement savings plans holders

The Group sells registered retirement savings plans through the subsidiary, Fortress Insurance Company Limited. The liability to the plan holders is classified as a long term liability. Through the plan, options holders can invest in the Fortress Caribbean Pension Fund, the Fortress Mutual Fund and the Fortress Caribbean High Interest Fund. As a result, the value of the long term liability is dependent on the fair value of these underlying financial assets. The Group charges an annual administration fee for each plan. This fee is waived for the first two years of holding a plan.

Expressed in Barbados dollars

2. Summary of Significant Accounting Policies ... continued

(x) 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 comprehensive income on a straight line basis over the period of the lease.

(y) 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, 2013, 70% (2012 - 73%) 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).

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 $	Effect of 10% change at December 31, 2013 $
Listed on Caribbean stock exchanges and markets	1,643,025	164,303
Listed on foreign stock exchanges and markets	9,736,328	973,633
Unlisted securities	24,194,935	2,419,494
	35,574,288	3,557,429

	Carrying Value $	Effect of 10% change at December 31, 2012 $
Listed on Caribbean stock exchanges and markets	3,106,941	310,694
Listed on foreign stock exchanges and markets	7,496,804	749,680
Unlisted securities	20,053,836	2,005,384
	30,657,581	3,065,758

Expressed in 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 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.

At December 31, 2013	0-5 years $	Over 5 years $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents	6,750,984	-	5,626,879	12,377,863
Financial assets held for trading	-	-	34,795,776	34,795,776
Trade and other receivables	19,487,643	-	1,302,392	20,790,035
Due by associates	1,760,000	-	8,944,288	10,704,288
Financial assets at fair value through profit and loss	-	-	778,512	778,512
Held-to-maturity investments	-	934,473	-	934,473
Loans due by associate	5,800,000	-	-	5,800,000
Total financial assets	33,798,627	934,473	51,447,847	86,180,947
Financial liabilities				
Borrowings	232,534	-	-	232,534
Trade and other payables	-	-	2,462,183	2,462,183
Due to associates	-	-	10,065,329	10,065,329
Due to affiliates	-	-	1,940,895	1,940,895
Current loans due to associate	116,000	-	-	116,000
Loans due to non-controlling interest	815,625	-	-	815,625
Fixed income certificates payable	17,481,653	-	-	17,481,653
Due to registered retirement savings plans holders	-	-	17,224,920	17,224,920
Due to drawdown annuity policy holders	-	-	958,047	958,047
Total financial liabilities	18,645,812	-	32,651,374	51,297,186
Total interest sensitivity gap	15,152,815	934,473	18,796,473	34,883,761

Expressed in Barbados dollars

3. Financial Risk Management ... continued

(a) Market risk ... continued

(ii) Interest rate risk ... continued

At December 31, 2012	0-5 years $	Over 5 years $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents	8,244,336	-	12,839,337	21,083,673
Financial assets held for trading	-	-	30,325,201	30,325,201
Trade and other receivables	17,829,768	-	1,616,630	19,446,398
Due by associates	2,960,000	-	7,611,462	10,571,462
Financial assets at fair value through profit and loss	-	-	332,380	332,380
Held-to-maturity investments	-	965,027	-	965,027
Loans due by associate	4,600,000	-	-	4,600,000
Total financial assets	33,634,104	965,027	52,725,010	87,324,141
Financial liabilities				
Borrowings	722,779	-	-	722,779
Trade and other payables	-	-	3,044,100	3,044,100
Due to associates	-	-	7,676,060	7,676,060
Due to affiliates	-	-	2,360,851	2,360,851
Long term loan due to associate	640,000	-	20,000	660,000
Loans due to non-controlling interest	815,625	-	-	815,625
Fixed income certificates payable	19,654,464	-	-	19,654,464
Dividends payable to preference shareholders	-	-	336,375	336,375
Due to registered retirement savings plans holders	-	-	14,464,847	14,464,847
Total financial liabilities	21,832,868	-	27,902,233	49,735,101
Total interest sensitivity gap	11,801,236	965,027	24,822,777	37,589,040

(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.

Expressed in 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:

	2013	2012
	$	$
Cash and cash equivalents	**12,377,863**	21,083,673
Trade and other receivables	**20,790,035**	19,446,398
Due by associates	**10,704,288**	10,571,462
Held-to-maturity investments	**934,473**	965,027
Loans due by associate	**5,800,000**	4,600,000
	50,606,659	56,666,560

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.

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

	2013	2012
	$	$
Cash and cash equivalents		
CIBC FirstCaribbean International Bank (Unrated)	**9,485,863**	16,078,541
Morgan Stanley Private Wealth Management (A-1 by Standard and Poor's)	**2,597,807**	4,605,195
	12,083,670	20,683,736

Expressed in Barbados dollars

3. Financial Risk Management ... continued

(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 balance sheet 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.

December 31, 2013	0-3 months $	4 months - 5 years $	Over 5 years $	Total $
Borrowings	-	232,534	-	232,534
Trade and other payables	2,462,183	-	-	2,462,183
Due to associates	10,065,329	-	-	10,065,329
Due to affiliates	1,940,895	-	-	1,940,895
Current loan due to associate	-	119,480	-	119,480
Current income tax liability	-	432,836	-	432,836
Loans due to non-controlling interest	-	893,517	-	893,517
Fixed income certificates payable	-	18,792,777	-	18,792,777
Due to registered retirement savings plan holders	-	-	17,224,920	17,224,920
Due to drawdown annuity policy holders	-	-	958,047	958,047
Dividend payable	1,102,467	-	-	1,102,467
Redeemable preference shares	-	-	1,096,875	1,096,875
	15,570,874	20,471,144	19,279,842	55,321,860

December 31, 2012	0-3 months $	4 months - 5 years $	Over 5 years $	Total $
Borrowings	-	722,779	-	722,779
Trade and other payables	3,044,100	-	-	3,044,100
Due to associates	7,676,060	-	-	7,676,060
Due to affiliates	2,360,851	-	-	2,360,851
Current income tax liability	-	240,998	-	240,998
Loans due to associate	-	679,800	-	679,800
Loans due to non-controlling interest	-	893,517	-	893,517
Fixed income certificates payable	-	21,128,549	-	21,128,549
Due to registered retirement savings plan holders	-	-	14,464,847	14,464,847
Dividend payable	1,839,405	-	-	1,839,405
Dividends payable to preference shareholders	-	336,375	-	336,375
Redeemable preference shares	-	-	1,096,875	1,096,875
	14,920,416	24,002,018	15,561,722	54,484,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

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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 balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratios at December 31, 2013 and December 31, 2012 were 5.92% and 0.69% respectively.

Fair value estimation

Effective January 1, 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet 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).

Expressed in 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, 2013:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets held for trading	9,819,929	24,975,847	-	**34,795,776**
Financial assets at fair value through profit and loss	-	-	778,512	**778,512**
	9,819,929	24,975,847	778,512	**35,574,288**

The following table presents the Group's assets that are measured at fair value at December 31, 2012:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets held for trading	7,575,180	22,750,021	-	**30,325,201**
Financial assets at fair value through profit and loss	-	-	332,380	**332,380**
	7,575,180	22,750,021	332,380	**30,657,581**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet 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, 2013. Level 3 instruments are financial assets designated at fair value through profit and loss at inception and represents the Group's investments in unquoted equity securities.

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December 31, 2013
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3. Financial Risk Management ... continued

Fair value estimation ... continued

	2013	2012
	$	$
At the beginning of the year	332,380	182,380
Categorisation as Level 3	400,000	150,000
Gains and losses recognised in consolidated statement of comprehensive income	46,132	-
At the end of the year	778,512	332,380

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, 2013 are different from their fair values at December 31, 2012 and therefore a gain of $46,132 was recognised in the consolidated statement of comprehensive income during the year. However in 2012, no gain or loss was recognised in the consolidated statement of comprehensive income (note 11).

4. Cash and Cash Equivalents

	2013	2012
	$	$
Cash at bank and in hand	5,626,879	12,839,337
Short-term deposits	6,750,984	8,244,336
	12,377,863	21,083,673

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 0.02% to 2.50% (2012 - 0.02% to 2.50%). These deposits have an average maturity of 14 days (2012 - 14 days). Short-term deposits with the financial institution were in a US daily dollar account with an interest rate of 0.05% to 0.20% (2012 - 0.05% to 0.20%). The funds in this account are used to invest in equity securities in foreign stock exchanges.

5. Financial Assets held for Trading

Included within financial assets held for trading of $34,795,776 (2012 - $30,325,201) is an amount of $24,475,847 (2012 - $22,185,021), 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 comprehensive income (note 26).

The fair value of all equity securities is based on their current bid prices on their respective Stock Exchanges at the year end.

A portion of financial assets held for trading of $17,224,920 (2012 - $14,464,847) is pledged to registered retirement savings plan holders (note 19).

Expressed in Barbados dollars

6. Trade and Other Receivables and Prepayments

	2013	2012
	$	$
Credit card receivables	22,236,146	20,588,550
Less: provision for impairment	(2,748,503)	(2,758,782)
Credit card receivables - net	19,487,643	17,829,768
Other receivables	1,199,662	1,466,681
Corporation tax recoverable	102,730	149,949
Prepayments	95,177	446,401
	20,885,212	19,892,799

Credit card receivables are purchased at a discount rate from merchants, including an associate.

As of December 31, 2013, trade receivables of $18,465,907 (2012 - $16,764,925) 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, 2013, trade receivables of $1,021,736 (2012 - $1,064,843) 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:

	2013	2012
	$	$
Up to 3 months	1,008,137	1,042,222
3 to 6 months	9,813	20,018
Over 6 months	3,786	2,603
	1,021,736	1,064,843

As of December 31, 2013, trade receivables of $2,748,503 (2012 - $2,758,782) were impaired and fully provided for. The ageing of these receivables is as follows:

	2013	2012
	$	$
Up to 3 months	58,075	46,704
3 to 6 months	209,105	249,073
Over 6 months	2,481,323	2,463,005
	2,748,503	2,758,782

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December 31, 2013
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6. Trade and Other Receivables and Prepayments ... continued

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

	2013	2012
	$	$
Beginning of year	2,758,782	2,700,377
Provision for receivables impairment	1,453,414	1,590,800
Amounts recovered	(1,404,775)	(1,508,380)
Receivables written off during the year as uncollectible	(58,918)	(24,015)
End of year	2,748,503	2,758,782

The creation and release of provisions for impaired receivables have been included in the consolidated statement of comprehensive 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.

7. Due by/to Associates

An amount of $1,760,000 (2012 - $2,960,000) included in due by associates bears interest at a rate of 4.27% (2012 - 4.27% and 5.93%) per annum (see note 14 for terms). All other amounts are interest free, unsecured and have no stated terms of repayment.

8. Due to Affiliates

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

9. Trade and Other Payables

	2013	2012
	$	$
Trade and other payables	2,462,183	3,044,100

During 2008, the Fortress Group established a staff share scheme for employees. Included in trade and other payables is a balance of $233,508 (2012 - $189,462) which relates to 375,853 (2012 - 325,308) non-voting redeemable shares in Fortress Staff Share Scheme issued to employees of that company.

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10. Investments accounted for using the equity method

(a) Investments in Associates

Movement in investments in associates is as follows:

	2013	2012
	$	$
At the beginning of the year	69,199,100	69,513,032
Acquisitions	-	220,400
Impairment of goodwill in DGM	(4,456,688)	-
	64,742,412	69,733,432
Dividends received	(1,891,418)	(1,320,400)
Share of results before tax	(362,017)	1,328,531
Share of tax	(745,569)	(542,463)
Share of results, net of tax	(1,107,586)	786,068
At the end of the year	61,743,408	69,199,100

During 2008, the Company purchased a 40% interest in DGM Holdings (Canada) Inc. ("DGM"), an offshore investment bank, for $11,599,200. Included in this investment was goodwill of $4,456,688. The operations of DGM have been accounted for under the equity basis of accounting from September 1, 2008. The Company is committed to purchase another 20% of DGM after six years from September 1, 2008 at an agreed valuation formula as set out in the purchase agreement.

During 2012, the Group made additional investments in DGM Captive Management Inc. for $20,400 and Breakwater Management Services Limited of $200,000.

During 2013, goodwill of $4,456,688 in DGM Holdings (Canada) Inc. was deemed impaired as a result of an impairment review conducted by management and was written off to the comprehensive statement of income (note 31).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013
Expressed in Barbados dollars

10. Investments accounted for using the equity method ... continued

(a) Investments in Associates ... continued

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

Name	Country of incorporation	Assets $	Liabilities $	Revenues $	(Loss)/Profit after tax $	% Interest held
2013						
Duty Free Caribbean (Holdings) Ltd.	Barbados	82,632,686	47,505,093	90,671,964	(2,367,447)	40%
Bridgetown Cruise Terminals Inc.	Barbados	809,395	236,870	1,188,458	280,788	20%
GCS Limited	Barbados	2,025,794	2,427,443	3,394,864	123,053	40%
CSGK Finance (Holdings) Limited	Barbados	74,620,587	64,462,229	6,900,532	1,281,966	40%
CS&C Joint Venture	Barbados	11,550,872	1,971,710	641,716	396,846	16%
The Sunset Joint Venture	Barbados	1,597,398	563,564	133,632	96,035	16%
DGM Holdings (Canada) Inc.	Canada	12,921,946	11,018,136	2,848,512	(1,024,105)	40%
Franchise Services Corp/ The Perfect Time Ltd.	Barbados	810,201	37,395	60,414	92,300	25%
Contonou Shores Ltd.	Bahamas	3,002,376	-	-	-	35%
Other		92,845	98,252	470,546	12,978	
		190,064,100	128,320,692	106,310,638	(1,107,586)	
2012						
Duty Free Caribbean (Holdings) Ltd.	Barbados	85,250,277	47,755,238	92,082,448	(1,825,240)	40%
Bridgetown Cruise Terminals Inc.	Barbados	1,061,067	194,330	1,116,919	241,841	20%
GCS Limited	Barbados	1,607,031	2,131,733	3,075,051	64,483	40%
CSGK Finance (Holdings) Limited	Barbados	67,262,282	57,948,690	6,783,159	1,189,588	40%
CS&C Joint Venture	Barbados	11,841,391	2,659,075	932,974	706,285	16%
The Sunset Joint Venture	Barbados	1,599,545	661,746	177,320	131,418	16%
DGM Holdings (Canada) Inc.	Canada	18,462,868	10,574,037	3,183,492	263,208	40%
Franchise Services Corp/ The Perfect Time Ltd.	Barbados	1,081,818	26,330	93,806	67,322	25%
Contonou Shores Ltd.	Bahamas	3,002,376	-	-	-	35%
Other		86,155	104,531	307,657	(52,837)	
		191,254,810	122,055,710	107,752,826	786,068	

Expressed in Barbados dollars

10. Investments accounted for using the equity method ... continued

(a) Investments in Associates ... continued

	2013	2012
	$	$
The amounts recognised in the balance sheet are as follows:		
Associates	61,743,408	69,199,100
The amounts recognised in the income statement are as follows		
Associates	(1,107,586)	786,068

Set out below are the associates of the group as at December 31, 2013, 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 investments in associates 2013 and 2012:

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
DGM Holdings (Canada) Inc.	Barbados	40%	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: DGM Holdings (Canada) Inc., through its subsidiary, DGM Bank & Trust, provides comprehensive financial services to individuals, trusts and corporate clients throughout the world.

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, 2013

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10. Investments accounted for using the equity method ... continued

(a) Investments in Associates ... continued

Summarised Balance Sheet

Name	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK (Holdings) Limited	DGM Holdings (Canada) Inc.	Total
2013						
Cash and cash equivalents	16,655,156	2,638,470	87,319	28,937,551	2,536,372	50,854,868
Other current assets (excluding cash)	119,992,360	1,116,781	4,489,422	2,599,812	1,961,632	130,160,007
Total current assets	136,647,516	3,755,251	4,576,741	31,537,363	4,498,004	181,014,875
Financial liabilities (excluding trade payables)	38,498,690	188,358	770,795	-	-	39,457,843
Other current liabilities (including trade payables)	59,769,508	995,988	2,097,214	2,793,511	1,620,078	67,276,299
Total current liabilities	98,268,198	1,184,346	2,868,009	2,793,511	1,620,078	106,734,142
Non-current Assets	69,934,197	291,720	487,746	155,014,103	27,806,861	253,534,627
Financial liabilities	20,494,536	-	3,200,600	158,362,062	25,353,640	207,410,838
Other liabilities	-	-	-	-	571,622	571,622
Total non-current liabilities	20,494,536	-	3,200,600	158,362,062	25,925,262	207,982,460
Net assets/(liabilities)	87,818,979	2,862,625	(1,004,122)	25,395,893	4,759,525	119,832,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. Investments accounted for using the equity method ... continued

(a) Investments in Associates ... continued

Summarised Balance Sheet

Name	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK (Holdings) Limited	DGM Holdings (Canada) Inc.	Total
2012						
Cash and cash equivalents	13,003,028	2,642,530	111,736	15,438,284	4,486,304	35,681,882
Other current assets (excluding cash)	124,885,950	2,162,922	3,372,356	13,180,601	1,895,668	145,497,497
Total current assets	137,888,978	4,805,452	3,484,092	28,618,885	6,381,972	181,179,379
Financial liabilities (excluding trade payables)	37,048,270	189,346	791,089	1,382,696	-	39,411,401
Other current liabilities (including trade payables)	57,727,070	746,684	1,101,883	3,567,311	937,216	64,080,164
Total current liabilities	94,775,340	936,030	1,892,972	4,950,007	937,216	103,491,565
Non-current Assets	75,236,714	499,883	297,725	139,536,819	28,633,478	244,204,619
Financial liabilities	20,760,000	35,620	3,200,600	139,804,893	24,944,298	188,745,411
Other liabilities	3,852,754	-	-	116,824	553,578	4,523,156
Total non-current liabilities	24,612,754	35,620	3,200,600	139,921,717	25,497,876	193,268,567
Net assets/(liabilities)	93,737,598	4,333,685	(1,311,755)	23,283,980	8,580,358	128,623,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. Investments accounted for using the equity method ... continued

(a) Investments in Associates ... continued

Summarised statement of comprehensive income

Name	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK (Holdings) Limited	DGM Holdings (Canada) Inc.	Total
2013						
Revenue	226,679,910	5,942,292	8,487,159	17,251,331	7,121,280	265,481,972
Depreciation and amortization	(8,818,250)	(362,095)	(138,504)	(771,467)	(327,450)	(10,417,766)
Interest income	132,788	73,864	-	14,541,482	-	14,748,134
Interest expense	(2,277,696)	(2,507)	(44,209)	(6,322,760)	-	(8,647,172)
Profit/(loss) from continuing operations	(5,481,733)	2,115,872	344,207	4,267,531	(2,588,383)	(1,342,506)
Income tax expense	(436,886)	(711,932)	(36,574)	(1,062,618)	28,120	(2,219,890)
Post tax profit/(loss) from continuing operations	(5,918,619)	1,403,940	307,633	3,204,913	(2,560,263)	(3,562,396)
Dividends received from associate	-	(575,000)	-	(437,200)	(504,238)	(1,516,438)
2012						
Revenue	230,206,120	5,584,597	7,687,627	16,957,898	7,958,730	268,394,972
Depreciation and amortization	(8,800,430)	(430,671)	(271,472)	(748,364)	(347,758)	(10,598,695)
Interest income	20,692	95,985	-	13,557,917	-	13,674,594
Interest expense	(2,531,324)	(6,547)	(20,097)	(6,063,338)	-	(8,621,306)
Profit/(loss) from continuing operations	(4,558,638)	1,745,553	198,759	4,008,190	669,770	2,063,634
Income tax expense	(4,462)	(536,349)	(37,549)	(1,034,220)	(11,750)	(1,624,330)
Post tax profit/(loss) from continuing operations	(4,563,100)	1,209,204	161,210	2,973,970	658,020	439,304
Dividends received from associate	-	(300,000)	-	(500,000)	(20,400)	(820,400)

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10. Investments accounted for using the equity method ... continued

(a) Investments in Associates ... continued

Reconciliation of summarised financial information

Name	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK (Holdings) Limited	DGM Holdings (Canada) Inc.	Total
2013						
Opening net assets - January 1, 2013	93,737,598	4,333,685	(1,311,755)	23,283,980	8,580,358	128,623,866
Profit/(loss) for the year	(5,918,619)	1,403,940	307,633	3,204,913	(2,560,263)	(3,562,396)
Dividends paid	-	(2,875,000)	-	(1,093,000)	(1,260,570)	(5,228,570)
Closing net assets	87,818,979	2,862,625	(1,004,122)	25,395,893	4,759,525	119,832,900
Interest in associates	35,127,593	572,525	(401,649)	10,158,358	1,903,810	47,360,637
Goodwill	-	-	-	-	-	-
Carrying Value	35,127,593	572,525	(401,649)	10,158,358	1,903,810	47,360,637

Name	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK (Holdings) Limited	DGM Holdings (Canada) Inc.	Total
2012						
Opening net assets - January 1, 2012	98,300,698	4,624,480	(1,472,963)	21,560,010	7,422,338	130,434,563
Profit/(loss) for the year	(4,563,100)	1,209,205	161,208	2,973,970	658,020	439,303
Dividends paid	-	(1,500,000)	-	(1,250,000)	(51,000)	(2,801,000)
Purchase of investments	-	-	-	-	551,000	551,000
Closing net assets	93,737,598	4,333,685	(1,311,755)	23,283,980	8,580,358	128,623,866
Interest in associates	37,495,039	866,737	(524,702)	9,313,592	3,432,143	50,582,809
Goodwill	-	-	-	-	4,456,688	4,456,688
Carrying Value	37,495,039	866,737	(524,702)	9,313,592	7,888,831	55,039,497

Expressed in Barbados dollars

10. Investments accounted for using the equity method ... continued

(b) Principal subsidiaries

Summarised financial information on subsidiaries with material non-controlling interests

Summarised Balance Sheet

	2013 $	2012 $
Current		
Assets	**4,208,977**	4,858,725
Liabilities	**(2,937,468)**	(4,916,850)
Total current net assets	**1,271,509**	(58,125)
Non-current		
Assets	**25,255,898**	21,743,770
Liabilities	**(21,405,632)**	(17,687,827)
Total non-current net assets	**3,850,266**	4,055,943
Net Assets	**5,121,775**	3,997,818

Summarised Income Statement

	2013 $	2012 $
Revenue	**6,644,280**	6,532,972
Profit before income tax	**3,522,837**	3,436,318
Income tax expense	**(838,882)**	(782,578)
Net profit and total comprehensive income	**2,683,955**	2,653,740
Total comprehensive income allocated to non-controlling interests	**670,989**	663,435
Dividends paid to non-controlling interests	**718,500**	270,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. Investments accounted for using the equity method … continued

(b) Principal subsidiaries … continued

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

Summarised Cash Flows

	2013 $	2012 $
Cash flows from operating activities		
Cash generated from operations	6,696,636	8,630,915
Interest received	113,500	77,266
Corporation tax paid	(680,347)	(1,004,304)
Net cash generated from operating activities	6,129,789	7,703,877
Net cash used in investing activities	(3,348,301)	(5,832,988)
Net cash used in financing activities	(3,756,675)	(1,462,500)
Net (decrease)/increase in cash and cash equivalents	(975,187)	408,389
Cash and cash equivalents at the beginning of the year	3,977,559	3,569,170
Cash and cash equivalents at the end of the year	3,002,372	3,977,559

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11. Financial Assets at Fair Value through Profit and Loss

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

	2013	2012
	$	$
At the beginning of the year	332.380	182,380
Acquisitions	400,000	150,000
Revaluation to market	46,132	-
At the end of the year	778,512	332,380

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

The Group's financial assets at fair value through profit and loss at the end of 2013 mainly comprise its investment in privately held entities. The fair values of these financial assets at December 31, 2013 are different from their fair values at December 31, 2012 and therefore a gain of $46,132 was recognised in the consolidated statement of comprehensive income during the year. However in 2012, no gain or loss was recognised in the consolidated statement of comprehensive income.

During the year, the Company purchased additional investments in RE Power Barbados Inc. for $150,000 and Radnor Hospital Inc. for $250,000.

12. Intangible Assets

Details of intangible assets are as follows:

	Management Contracts
	$
At December 31, 2012	
Cost	8,444,000
Accumulated amortisation	(3,870,167)
Net book value	4,573,833
At December 31, 2013	
Cost	8,444,000
Accumulated amortisation	(4,714,567)
Net book value	3,729,433

Expressed in Barbados dollars

12. Intangible Assets ... continued

Movement of intangible assets and goodwill is as follows:

	Management Contracts $
Beginning of year - December 31, 2011	5,418,233
Amortisation of intangible asset	(844,400)
End of year - December 31, 2012	4,573,833

	Management Contracts $
Beginning of year - December 31, 2012	4,573,833
Amortisation of intangible asset	(844,400)
End of year - December 31, 2013	3,729,433

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 $844,400 (2012 - $844,400), of which $211,100 (2012 - $211,100) relates to the share of non-controlling interest.

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13. Property, Plant and Equipment

	Furniture & Equipment	Motor Vehicles	Total
At January 1, 2012			
Cost	4,508,502	835,046	5,343,548
Accumulated depreciation	(3,785,953)	(545,180)	(4,331,133)
Net book value	722,549	289,866	1,012,415
Year ended December 31, 2012			
Opening net book value	722,549	289,866	1,012,415
Additions	411,647	100,354	512,001
Disposals	(48,550)	-	(48,550)
Depreciation charge	(354,007)	(109,977)	(463,984)
Closing net book value	731,639	280,243	1,011,882
At December 31, 2012			
Cost	4,920,149	850,913	5,771,062
Accumulated depreciation	(4,188,510)	(570,670)	(4,759,180)
Net book value	731,639	280,243	1,011,882
Year ended December 31, 2013			
Opening net book value	731,639	280,243	1,011,882
Additions	112,634	74,914	187,548
Disposals	-	(84,038)	(84,038)
Depreciation charge	(347,999)	(100,224)	(448,223)
Closing net book value	496,274	170,895	667,169
At December 31, 2013			
Cost	4,804,820	680,859	5,485,679
Accumulated depreciation	(4,308,546)	(509,964)	(4,818,510)
Net book value	496,274	170,895	667,169

Expressed in Barbados dollars

14. Loans due by Associate

During 2008, the Group advanced $10,400,000 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 are unsecured, bear interest at rates between 4.27% and 5.96% (2012 - 4.27% to 5.93%) and are repayable in 2022. During the year $Nil (2012 - $1,240,000) of these loans were repaid by the Duty Free Caribbean group. The current portion of the loans amounting to $1,760,000 (2012 - $2,960,000), has been included in Due by Associates in current assets on the consolidated balance sheet (note 7).

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

	2013 $	Restated 2012 $
Balance sheet obligations for:		
- Defined pension benefits	1,072,389	1,102,360
Statement of comprehensive income charge included in operating profit:		
- Defined pension benefits	849	30,479
Remeasurements for:		
- Defined pension benefits	(30,820)	166,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. Pension Plan Surplus ... continued

The movement in the defined benefit obligation is as follows:

	2013 $	Restated 2012 $
Fair value of plan assets	10,800,479	11,703,965
Present value of funded obligations	(8,952,845)	(9,008,892)
	1,847,634	2,695,073
Impact of asset ceiling	(775,245)	(1,592,713)
Asset in the consolidated balance sheet	1,072,389	1,102,360

The impact of the asset ceiling is that $775,245 (2012 - $1,592,713) has not been recognised in the consolidated balance sheet because in accordance with IAS 19, this asset can only be recognised to the extent that if it can be utilised by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013
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15. Pension Plan Surplus ... continued

The movement in the defined benefit obligation is as follows:

	Present value of obligation $	Fair value of Plan assets $	Total $	Impact of asset ceiling $	Total $
At January 1, 2013	(9,008,892)	11,703,965	2,695,073	(1,592,713)	1,102,360
Current service cost	(48,486)	-	(48,486)	-	(48,486)
Net interest on the net defined benefit asset/(liability)	(631,531)	821,945	190,414	-	190,414
- Administration and other non-plan investment management expenses	-	(25,607)	(25,607)	-	(25,607)
- Interest on impact of asset ceiling	-	-	-	(115,472)	(115,472)
	(680,017)	796,338	116,321	(115,472)	849
Remeasurements:					
- Experience losses on investment	-	(991,839)	(991,839)	-	(991,839)
- Loss from change in financial assumptions	(7,227)	-	(7,227)		(7,227)
- Experience gains on obligation	35,306	-	35,306	-	35,305
- Change in asset ceiling	-	-	-	932,940	932,940
	28,079	(991,839)	(963,760)	932,940	(30,820)
Contributions:					
- Employees	(14,765)	14,765	-	-	-
- Plan participants	-	-	-	-	-
Paymens from plans:		-	-	-	
- Benefit payments	722,750	(722,750)	-	-	-
At December 31, 2013	(8,952,845)	10,800,479	1,847,634	(775,245)	1,072,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

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15. Pension Plan Surplus ... continued

The movement in the defined benefit obligation is as follows:

	Present value of obligation $	Fair value of Plan assets $	Total $	Impact of asset ceiling $	Total $
At January 1, 2012 (restated)	(9,150,634)	12,196,391	3,045,757	(2,140,565)	905,192
Current service cost	(32,070)	-	(32,070)	-	(32,070)
Net interest on the net defined benefit asset/(liability)	(625,931)	843,669	217,738	-	217,738
- Interest on impact of asset ceiling	-	-	-	(155,189)	(155,189)
	(658,001)	843,669	185,668	(155,189)	30,479
Remeasurements:					
- Experience losses on investment	-	(216,950)	(216,950)	-	(216,950)
- Loss from change in financial assumptions	(311,263)	-	(311,263)		(311,263)
- Experience losses on obligation	(8,139)	-	(8,139)	-	(8,139)
- Change in asset ceiling	-	-	-	703,041	703,041
	(319,402)	(216,950)	(536,352)	703,041	166,689
Contributions:					
- Employees	(20,795)	20,795	-	-	-
- Plan participants	-	-	-	-	-
Paymens from plans:		-	-	-	
- Benefit payments	1,139,940	(1,139,940)	-	-	-
At December 31, 2012 (restated)	(9,008,892)	11,703,965	2,695,073	(1,592,713)	1,102,360

Plan assets are comprised as follows:

	2013	2012
Bonds	**8.12%**	10.79%
Equity	**78.50%**	75.44%
Real Estate	**4.95%**	4.54%
Cash	**8.10%**	8.16%
Other	**0.34%**	1.08%

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

Expressed in Barbados dollars

15. Pension Plan Surplus ... continued

Principal actuarial assumptions used for accounting purposes are as follows:

	2013	2012
Discount rate	7.00%	7.25%
Expected return on plan assets	7.00%	7.25%
Future salary increases - inflationary	3.50%	3.75%
Future salary increases - promotional	2.50%	2.50%
Future pension increases	2.50%	2.75%
Proportion of employees opting for early retirement	0.00%	0.00%
Future changes in NIS ceiling	3.50%	3.75%
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, 2014 amount to $14,732.

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

Change in Assumption	Benefit obligation $
Base IAS19 results	8,952,845
Reduce discount rate by 1% pa	9,870,351
Increase discount rate by 1% pa	8,178,989
Reduce salary increase by 0.5% pa	8,878,960
Increase salary increase by 0.5% pa	9,029,264
Increase average life expectancy by 1 year	8,972,110

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 balance sheet.

15. 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 assets.

The weighted average duration of the defined benefit obligation is 10.53 years.

Expected maturity analysis of undiscounted pension and post-employment medical benefits as at December 31, 2013:

	Less than 1 year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	$	$	$	$	$
Pension Benefits	721,470	721,470	2,164,410	3,607,350	7,214,700

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16. Fixed Income Certificates Payable

The Fixed Income Certificates Payable will mature on June 30, 2015, bear interest at 4.25% to 4.50% (2012 - 5.00% to 5.25%) per annum and have the option of being renewed at the end of June 2014 for a further two years.

17. Loans Due to Non-controlling Interest

Loans due to non-controlling interest are unsecured, have no stated terms of repayment and bear interest at a rate of 9.55% (2012 - 9.55%) per annum. This represents amounts due to non-controlling interest of a subsidiary.

18. Loan Due to Associate

During the year, the Group repaid $660,000 to DGM Bank & Trust Inc. and obtained a new loan from DGM Management Services Ltd. for $116,000. This loan is unsecured, bears interest at a rate of 3.00% (2012 - 3.00%) per annum and is repayable in full on December 11, 2014.

19. Due to Registered Retirement Savings Plan Holders

The amount due to registered retirement savings plan holders is set out below:

	2013 $	2012 $
Fortress Select Fund Option	4,503,891	3,653,960
Fortress Managed Option	12,721,029	10,810,887
	17,224,920	14,464,847

These liabilities are secured by 'Financial Assets held for Trading' of $17,224,920 (2012 - $14,464,847), (note 5).

20. Borrowings

The Group has an overdraft facility of $2.0 million (2012 - $3.5 million) of which $232,534 (2012 - $722,779) was utilised at the balance sheet date.

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21. 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 $1,096,875 to the non-controlling interest of Fortress.

22. Deferred Taxation

The deferred tax liability on the balance sheet consists of the following:

	2013	2012
	$	$
Accelerated tax depreciation	5,165	5,480

Deferred tax assets of $1,692,056 (2012 - $1,778,328) 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.

Tax loss carry forwards amounting to $6,768,222 (2012 - $7,113,312), which have expiry dates ranging between 2014 and 2019, have not been recognised in these consolidated financial statements.

23. Share Capital

	2013		2012	
	No. of shares	$	No. of shares	$
Authorised				
The Company is authorised to issue an unlimited number of common shares of no par value				
Issued				
Beginning of year	18,358,098	38,689,673	18,358,098	38,689,673
Repurchased during the year	(19,597)	(41,289)	-	-
End of year	18,338,501	38,648,384	18,358,098	38,689,673

During 2013, the Company repurchased 19,597 shares for a total consideration of $80,548 of which $39,259 was eliminated against the retained earnings and $41,289 against share capital. No repurchase of shares was made in 2012.

Expressed in Barbados dollars

24. Share Based Payment

During 2009 the shareholders approved an Employee Share Option Plan (ESOP) for key management employees within the Group. The Plan covers the issue of up to 900,000 shares over five years. During the year, no share options were granted. 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:

	2013		2012	
	Average excercise price per share option	Options	Average exercise price per share option	Options
Outstanding at beginning of year	4.54	292,000	4.48	151,000
Granted	-	-	4.60	141,000
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	4.54	292,000	4.54	292,000
Exercisable at end of year	4.54	292,000	4.53	245,000

Out of the 292,000 outstanding options (2012 - 292,000), 292,000 options (2012 - 245,000) were exercisable. There were no options exercised during the year. During 2013, it was determined that the actual number of options granted in 2012 should have been reported as 141,000 and not 146,000 as previously indicated. This has been corrected in the current year disclosure and the adjustment has no material impact on the balance sheet or statement of comprehensive income.

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

			Shares	
Grant-vest	Expiry date	Exercise price	2013	Restated 2012
2011-2011	2016	4.48	100,667	100,667
2011-2012	2017	4.48	50,333	50,333
2012-2012	2018	4.60	97,333	97,333
2012-2013	2019	4.60	43,667	43,667
			292,000	292,000

The weighted average fair value of options granted during 2012 determined using the Binomial Pricing model was $0.59 per option. The significant inputs into the model were weighted average share price of $4.53 at the grant date, exercise price shown above, volatility 15%, dividend yield of 3% per annum, an expected option life of 4.5 years and an annual risk-free interest rate of 6.0% 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.

A total expense of $25,972 (2012 - $84,145) is recognised in the consolidated statement of comprehensive income for share options granted during the year which is attributed to the remaining 1/3 of the 2012 options granted being vested at year end. These options are now 100% vested at December 31, 2013. As the company has not granted any options during 2013, no key inputs or assumptions are applicable for the year.

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25. Retained Earnings

	2013 $	2012 $
Parent company	27,158,202	26,485,264
Subsidiary companies	(4,278,242)	3,707,857
Associated companies	34,706,257	38,297,609
	57,586,217	68,490,730

26. Revenue from Operations

	2013 $	2012 $
Sales from retail operations	-	2,497,066
Finance income	4,117,752	3,814,854
Gain/(loss) on disposal of financial assets held for trading and at fair value through profit and loss	1,012,268	(1,125,161)
Unrealised (loss)/gain on financial assets held for trading and at fair value through profit and loss	(73,593)	840,744
Unrealised gain on other investments	46,132	-
Dividend income	164,422	566,367
Commissions	1,824,787	1,680,831
Management fees	7,094,280	7,017,976
Miscellaneous	473,985	85,262
	14,660,033	15,377,939

27. Other (Losses)/Gains

	2013 $	2012 $
(Loss)/gain on disposal of property, plant and equipment	(44,038)	140,452
	(44,038)	140,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. Payroll Costs

Payroll costs comprised:

	2013 $	2012 $
Salaries	3,451,346	4,157,025
National insurance, group health and life	182,628	234,652
Pension - defined benefit plan costs	(849)	(30,479)
Pension - defined contribution plan costs	133,184	282,687
Employee share option expenses (note 24)	25,972	84,145
Medical	193,862	70,892
Other personnel expenses	88,510	55,629
	4,074,653	4,854,551
No. of employees	33	34

29. Income Tax Expense

The income tax expense is comprised of the following:

	2013 $	2012 $
Current tax on profits for the year	872,202	756,712
Deferred tax charge	(335)	119
	871,867	756,831

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

	2013 $	2012 $
(Loss)/Profit before taxation	(6,935,207)	1,710,016
Corporation tax calculated at 25.0% (2012 - 25.0%)	(1,733,802)	427,504
Effect of lower tax rate in other countries	1,641,047	(110,089)
Movement in deferred tax asset not recognised	(23,837)	92,440
Tax effect of items not allowed in determining taxable profit	988,459	346,976
Tax charge	871,867	756,831

Expressed in Barbados dollars

30. 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.

	2013 $	Restated 2012 $
Net (loss)/profit attributable to the equity holders of the parent	(8,259,540)	493,426
Weighted average number of ordinary shares issued	18,345,857	18,358,098
Basic earnings per share	$(0.45)	$0.03
Diluted earnings per share	$(0.44)	$0.03

31. Write off of goodwill, investment and loan receivable

		2013 $	2012 $
Write off of investment	(Note 1)	2,536,000	-
Write off of loan receivable	(Note 1)	2,290,910	-
Impairment of goodwill in associate	(Note 2)	4,456,688	-
Share of investment loss in DGM Bank & Trust	(Note 3)	874,098	-
		10,157,696	-

Note 1: During the year, a discrepancy was identified within two Money Market Assets administered by our associated company, DGM Bank & Trust. To cover its agreed share of the shortfall, the Group injected funds totalling $4,826,910, of which $2,536,000 was by way of investment and $2,290,910 was by way of loan. The investment and loan receivable were deemed to be impaired and were written off to the comprehensive statement of income.

Note 2: The goodwill of $4,456,688 in DGM Holdings (Canada) Inc. was also considered to be impaired and was written off to the statement of comprehensive income.

Note 3: Included in share of results of associates in the consolidated statement of comprehensive income is an amount of $874,098 which represents the Group share of investment loss in DGM Bank & Trust records relating to the above discrepancy in the Money Market Assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. Net Cash Generated from Operations

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

	2013	Restated 2012
	$	$
Cash flows from operating activities		
Profit before taxation(Loss)/Profit before taxation	(6,935,207)	1,710,016
Adjustments for:		
Depreciation (note 13)	448,223	463,984
Share of results of associates (note 10)	1,107,586	(786,068)
Amortisation of intangible assets (note 12)	844,400	844,400
Impairment of goodwill in associate	4,456,688	-
(Gain)/loss on disposal of financial assets held for trading and at fair value through profit and loss (note 26)	(1,012,268)	1,125,161
Unrealised loss/(gain) on financial assets held for trading and at fair value through profit and loss (note 26)	73,593	(840,744)
Unrealised gain on other investments (note 11)	(46,132)	-
Write off of investment (note 31)	2,536,000	-
Write off of loan receivable (note 31)	2,290,910	-
Loss/(gain) on disposal of property, plant and equipment (note 27)	44,038	(140,452)
Pension plan credit (note 15)	(849)	(30,479)
Employee share option plan expense (note 24)	25,972	84,145
Dividend income (note 26)	(164,422)	(566,367)
Redeemable preference shares dividends to non-controlling interest	390,000	628,875
Interest expense	1,073,992	1,215,604
Operating profit before working capital changes	5,132,524	3,708,075
Net change in non-cash working capital items related to operations:		
- Trade and other receivables and prepayments	(992,413)	(746,686)
- Inventories	-	4,845,896
- Due by associates	(132,826)	441,871
- Trade and other payables	(618,167)	(2,011,294)
- Due to associates	1,189,269	(363,677)
- Due to affiliates	(419,956)	137,718
Cash generated from operations	4,158,431	6,011,903
Corporation taxes paid	(680,344)	(1,159,505)
Interest paid	(1,001,492)	(1,196,404)
Net cash generated from operations	2,476,595	3,655,994

Expressed in Barbados dollars

33. Related Party Transactions

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

	2013 $	2012 $
Interest earned	487,788	411,249
Management fees received	7,094,280	7,017,976
Factoring fees earned	813,906	772,461
Merchandise purchased	-	445,218
Processing fees paid	-	48,974
License fees paid	-	43,876

Key Management Compensation:

	2013 $	2012 $
Salaries	1,200,093	1,373,502
NIS	42,684	28,215
Medical	34,006	4,976
Pension, Group Life	70,535	71,343
Share Option Plan	11,563	40,343

In addition to disclosures on related party balances in notes 7, 8 and 14, the following Fixed Income Certificates were due to related parties:

	2013 $	2012 $
Directors and Key Management - at interest rates of 4.25% to 4.50% (2012 - 5.00% to 5.25%)	892,455	2,091,968

	2013 $	2012 $
Directors fees	94,000	75,000

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34. Change in accounting policy

The restatements of the prior period financial statements arising from the change in accounting policy summarized in note 2 are set out in the following tables:

	As previously stated December 31, 2012 $	Adoption of IAS19 (revised) $	As restated December 31, 2012 $
Consolidated Balance Sheet			
Pension Plan Surplus	1,102,360	-	1,102,360
Retained Earnings	68,490,730	-	68,490,730
Consolidated Statement of Comprehensive Income			
Defined benefit expense (note 15)	197,168	(166,689)	30,479
Net profit for the year	1,119,874	(166,689)	953,185
Net profit attributable to equity holders of the Company	660,115	(166,689)	493,426
Basic and diluted earnings per share	$0.04	$0.01	$0.03
Consolidated Statement of other Comprehensive Income			
Remeasurements of post-employment benefit obligations	-	166,689	166,689
Total comprehensive income attributable to equity holders of the Company	660,115	(166,689)	493,426

Adoption of IAS19 (revised 2011)

The revised employee benefit standard introduces changes to the recognition, measurement presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

Per IAS1 40A(b), the 2011 restated balance sheet is only required if the change is material. The 2011 cumulative adjustment is not by management to be material to opening retained earnings, hence the 2011 restated balance sheet does not require disclosure and is not reflected in the consolidated financial statements or opening retained earnings.

No change in the Pension Plan Surplus at December 31, 2012 was noted as a result of the adoption of IAS19 (revised). Additionally, no deferred tax impact was noted in relation to the remeasurements of post-employment benefit obligations in the Consolidated Statement of other Comprehensive Income as the pension related deferred tax asset is not recognised. The deferred tax asset is not recognised for tax loss carry-forwards as the realisation of the related tax benefits through future taxable profits is not probable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

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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 investment property, 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.

Revenue from external customers primarily arise in Barbados except for sales from retail operations of $Nil (2012 - $2,497,066) that originated in Tortola, BVI. Non-current assets reside mainly in Barbados.

Expressed in Barbados dollars

35. Segmental Information ... continued

The segment information provided to the Board for the reportable segments for the year ended December 31, 2013 and December 31, 2012 is as follows:

	Retail		Services		Total	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
Revenue						
Segment revenue	-	2,497,066	9,349,014	8,924,521	9,349,014	11,421,587
Finance income (note 26)					4,117,752	3,814,854
Investment income					1,149,229	281,950
Total Revenue					14,615,995	15,518,391
Results						
Segment results	-	(768,826)	132,511	(290,360)	132,511	(1,059,186)
Share of results of associates	(2,244,394)	1,693,435	1,136,808	2,479,503	(1,107,586)	786,068
Finance income (net)					(3,043,760)	2,599,250
Employee benefits					(25,123)	(53,666)
Dividend income (note 26)					164,422	566,367
Investment income (net)					(9,143,191)	(1,128,817)
Profit before taxation					(6,935,207)	1,710,016
Income tax expense					(871,867)	(756,831)
Net (loss)/profit for the year					(7,807,074)	953,185
Non-controlling interest					(452,466)	(459,759)
Net (loss)/profit attributable to equity holders of the Company					(8,259,540)	493,426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. Segmental Information ... continued

	Retail		Services		Total	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
OTHER INFORMATION						
Operating assets	-	11,007,430	50,434,532	46,152,386	50,434,532	57,159,816
Intangible assets and goodwill					3,729,433	4,573,833
Investment in associates	34,725,943	38,025,825	27,017,465	31,173,275	61,743,408	69,199,100
Unallocated corporate assets					37,581,150	32,724,968
Consolidated Corporate Assets					153,488,523	163,657,717
Operating liabilities	-	625,560	16,590,613	14,653,855	16,590,613	15,279,415
Unallocated corporate liabilities					37,343,916	37,638,444
Consolidated Corporate Liabilities					53,934,529	52,917,859
Capital Expenditure	-	-	187,548	512,001	187,548	512,001
Depreciation	-	10,320	448,223	453,664	448,223	463,984
Amortisation of intangible assets	-	-	844,400	844,400	844,400	844,400
Impairment of goodwill	-	-	4,456,688	-	4,456,688	-

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.

36. 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.

37. Commitments

There are no significant capital expenditures contracted for at the balance sheet date but not yet incurred. There are no other significant commitments at the balance sheet date.

NOTES

PROXY FORM

CAVE SHEPHERD & CO. LIMITED
COMPANY NO: 21716

PROXY FORM

For use at the Forty-Third Annual General Meeting of Shareholders
to be held on 23rd April, 2014 at 5:30 p.m.

The undersigned Shareholder(s) of Cave Shepherd & Co. Limited (the "Company") hereby appoint(s) **R. GEOFFREY CAVE**, Chairman, or failing him, **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-THIRD ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 23rd APRIL, 2014**, 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 to **corporatesecretary@caveshepherd.com**, no later than 4:30 p.m. (Barbados time) on the 17th April, 2014, or if the Meeting if adjourned not **less than 48 hours (excluding Sundays and Bank Holidays) before any adjourned Meeting.**

PLEASE COMPLETE AND RETURN.

Cave Shepherd & Co. Ltd.

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