



Cave Shepherd & Co

Annual
Report
& Financial
Statements
2017



Cave Shepherd & Co

CHANGING • GROWING

OUR VISION

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



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NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the **FORTY-SEVENTH ANNUAL GENERAL MEETING** of the Shareholders of CAVE SHEPHERD & CO. LIMITED will be held at the **Lloyd Erskine Sandiford Centre, Two Mile Hill, St. Michael, Barbados** on **Thursday April 26th 2018 at 5:30 p.m.** The Agenda is as follows:

1. To receive and consider the Audited Consolidated Financial Statements for the year ended December 31st 2017, together with the Reports of the Directors and Auditors thereon.
2. To elect Directors:
 - (i) the following Directors retire by rotation in accordance with paragraphs 3.9 and 3.10 of the revised by-laws and being eligible, offer themselves for re-election for the term stated:

Mr. Roger M. Cave	3 Years
Mr. Robert M. Harvey-Read	3 Years
Mr. John M. B. Williams	3 Years
 - (ii) the following Director, having attained the age of 72, retires in accordance with paragraph 3.10 of the revised by-laws and being eligible, offers himself for re-election for the term stated:

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

By order of the Board of Directors

Hanna M. Chrysostom

Hanna M. Chrysostom
Group Corporate Secretary

PROXIES:

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

DELIVERY OF PROXIES:

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

CORPORATE INFORMATION

DIRECTORS

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

GROUP CORPORATE SECRETARY

Ms. Hanna M. Chrysostom

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

AUDITORS

Ernst & Young Ltd.
 One Welches
 Welches
 St. Thomas
 Barbados, BB22025

PRINCIPAL BANKERS

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

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

ATTORNEYS-AT-LAW

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

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

REGISTRAR & TRANSFER AGENT

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

GROUP COMPANIES

Cave Shepherd & Co

SUBSIDIARIES



ASSOCIATES



SUBSIDIARY COMPANIES

NAME	CAPITAL	PRINCIPAL COUNTRY OF OPERATION
Cave Shepherd Inc.	Equity \$100,000 - 100% owned 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
Westhelios Energy Systems Inc.	Equity \$1,000 - 75% owned Loan Capital - \$Nil	Barbados
Cayco Ltd.	Equity \$1,000,000 - 100% owned Loan Capital - \$Nil	Cayman
Colombian Emeralds International Limited	Equity \$200 - 100% owned Loan Capital - Nil	British Virgin Islands (BVI)
DGM Holdings Inc.	Equity \$200 - 72.7% owned Loan Capital - Nil	St. Lucia
DGM Trust Corporation	Equity \$16,000,100 - 72.7% owned Loan Capital - Nil	Barbados
DGM Directors Inc.	Equity \$1 - 72.7% owned Loan Capital - Nil	Barbados
DGM Management Services Limited	Equity \$30,000 - 72.7% owned Loan Capital - Nil	Barbados
DGM Captive Management Inc.	Equity \$250,000 - 72.7% owned Loan Capital - Nil	Barbados
DGM International Consulting Inc.	Equity \$Nil - 72.7% owned Loan Capital - Nil	St. Lucia

ASSOCIATE COMPANIES

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



Top: Cave Shepherd, Warrens, Barbados

Bottom: Colombian Emeralds International, Royalton, St. Lucia



DIRECTORS' REPORT



The Cave Shepherd Group recorded a Net Profit Attributable to Equity holders of \$6.1 million for the year ended 31 December 2017, down from \$6.4 million in the prior year. This equates to an Earnings per Share (EPS) of \$0.33 compared to \$0.35 in 2016. The majority of our businesses reported improved results other than our main retail business which recorded a decline. The Group benefited from a strong performance of our investment portfolio managed by Fortress Fund Managers (FFM). However, the retail business of Duty Free Caribbean (Holdings) Ltd (DFCH), which includes Colombian Emeralds International (CEI) suffered from the BREXIT fallout, in addition to which we wrote down part of our goodwill and incurred non-recurring charges relating to some major restructuring within DFCH that impacted our results by \$2 million.

The Group increased its final dividend to \$0.07 per Share bringing the total dividend for the 2017 financial year to \$0.13 per share compared to \$0.12 per share relating to 2016. Based on the current share price this equates to a dividend yield of 3.2%, and when compared to net earnings, reflects a comfortable dividend cover multiple of 2.5.

At 31 December 2017, the Company's share price on the Barbados Stock Exchange (BSE) was \$4.01, up from \$3.50 at the end of 2016. However the share price is still below the Net Book Value of the shares which at the end of 2017 was \$5.96 per share, and we believe that the shares offer excellent value for money. Our policy of share buyback continued in 2017 and during the year we purchased 16,841 shares on the BSE at prices ranging from \$3.50 to \$4.00.

Our Balance Sheet continues to strengthen, showing Net Assets at 31 December 2017 of \$108.7 million, an increase from last year's \$105.6 million. Our working capital, which stands at \$67.6 million compared to last year's \$52.6 million, primarily reflects a growth in our cash and financial assets as well as increase in our receivables which is being driven by increasing volumes of business generated by the Cave Shepherd Visa Card. To finance this increased business we raised a further \$6 million in Unsecured Fixed Income Notes during the year bringing the total to \$14 million. Our debt to equity ratio at 31 December 2017 was 31% to 69% and remains conservative.

RETAIL

Our associate, DFCH had a challenging year, ending 2017 at a loss. The first half of the year was particularly difficult with sales volumes continuing to be impacted by lower spending from UK visitors to the Caribbean due to a lower exchange rate of Sterling following the BREXIT referendum. This decline in sales was further exacerbated by the imposition of additional duties and taxes in Barbados to dampen domestic demand. In addition, we wrote down part of our goodwill and incurred non-recurring charges relating to some major restructuring within DFCH that impacted our results by \$2 million. On a positive note the second half of the year recorded an improved trend on sales to visitors throughout the eight islands in which we do business, and we finished the year by pulling back some of the downturn that we had suffered in the earlier months. Initial signs are that this positive trend has continued into the first part of 2018 and this will be very good news if it is maintained throughout the year.

Apart from the general sales trend, we experienced a mix of negatives and positives during the year. Several of



Top: Christmas Wishes Sponsorship 2017. Cave Shepherd is the proud sponsor of yet another Starcom Christmas Wishes. This initiative brings smiles to many children and joy to their homes

Bottom: 5th Annual Cave Shepherd Card Services Operation: Give Back Initiative - assisting Cardholders affected by the challenging environment for the Holiday Season

DIRECTORS' REPORT

our stores in the northern Caribbean were affected by hurricanes that passed through in September. At the time of writing, the only one that is still closed is the Airport Store in St. Maarten. On the positive side, we opened three new Colombian Emerald International hotel stores in 2017 – two stores at Sandals Royal in Barbados and Emerald Bay, Exuma in Bahamas; and we were invited to pursue an opportunity with Blue Diamond Resorts at the Royalton in St. Lucia. Additionally, our newest Cave Shepherd retail store at Warrens has been well received by our customers.

GCS Limited (Ganzeer) had another year of improved performance and continues to seek out opportunities to expand, both in Barbados or other parts in the Caribbean.

FINANCIAL SERVICES

Fortress Fund Managers Limited delivered a very strong year of performance both for shareholders and investors. International stock markets had an exceptional year and this propelled the performance of the Fortress managed funds with their benchmark Fortress Caribbean Growth Fund ending the year at \$5.92

an increase of 14 % for the year. Subsequent to the year end, markets had been more volatile and we may well see some decline as the long forecasted market correction takes hold.

Prior to the year-end, Fortress together with Altman Real Estate signed a non-binding Letter of Intent to sell their management shares in the Fortress Caribbean Property Fund Limited SCC to Eppley Fund Managers Limited, a wholly-owned subsidiary of Eppley Limited, a well-respected Jamaican public company. In February 2018, the Common and Cellular Fund Shareholders of the Property Fund overwhelmingly approved the change of the Fortress Caribbean Property Fund Limited SCC to Eppley Caribbean Property Fund Limited SCC, subject to regulatory and other approvals. It is the view of both the Fortress and Property Fund Directors that this development will benefit Fortress and the Property Fund investors as Fortress will focus on its core financial market and pension business while the Property Fund will benefit from the experience, expertise and regional reach of the successful Eppley business.

As reported last year, the Cave Shepherd Visa Card which had been launched in September 2016 has been received with great enthusiasm by our Cardholders. Transaction volumes increased beyond expectation as Cardholders embraced the much wider range of business partners where they can use the Card. The Card team continues to develop other avenues for broadening the use of the Card and adding value to its users.

As expected, the profitability of the Card recorded a decline due to costs associated with the development and launch, as well as operating expenses associated with a Visa card which are higher than experienced in our previous business model. Nonetheless we are confident that the partnership with Visa is the right one to support long term growth in volumes and profitability.

Signia Financial Group Inc. (Signia) produced an improved performance even as loan interest rates declined due to market movement and competitive pressures. Importantly, Signia was able to maintain business volumes while improving its delinquency position and the latter continues to trend much better than the industry average.



Run Barbados Marathon Weekend 2017. Cave Shepherd & Co. Ltd. is a proud sponsor.



DIRECTORS' REPORT

Towards the end of 2017, the Shareholders signed a non-binding Letter of Intent with the Shareholders of Globe Finance Inc. to amalgamate the two companies subject to regulatory approval and due diligence. This amalgamation if approved, will allow the combined businesses to offer a wider range of services to a larger customer base whilst retaining the customer service and competitiveness for which both businesses are known.

DGM Financial Group recorded another year of improved performance with growth in both revenues as well as net earnings. Notwithstanding the global challenges of the international business sector, this business is well run and poised for further growth.

OTHER

Bridgetown Cruise Terminals Inc. produced another year of solid results. During the year, the Barbados Port Inc. expressed its intention to take over the operations of the terminal. At the time of writing the parties were in dialogue on the matter.

Our property investments, CS&C Joint Venture and Sunset Joint Venture, had a steady performance but were down on prior year as 2016 included our profits on the sale of the Carters properties back to the tenants. Towards the end of 2017, we took a 10 percent interest in the ownership of the Emerald City Property in St. Philip together with some of the same partners in our other joint ventures.

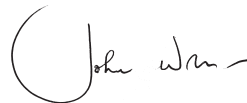
CONCLUSION

Although the Group recorded a small decline in profitability we are confident in the knowledge that our underlying businesses are financially sound and well managed. Nevertheless, the economic situation in our home island Barbados has further deteriorated and there is great uncertainty as to what will unfold in our economy in the near future. However, Cave Shepherd & Co. Limited is well-positioned as its business interests extend beyond the Barbados market; this gives us comfort and we will be prepared to take advantage of opportunities that may arise when Barbados comes to terms with addressing its economic challenges.

In closing we take this opportunity to thank our shareholders, customers, staff and management for their tremendous support and continued patronage during the year.



Sir Geoffrey Cave
Chairman



Mr. John M. B. Williams
Chief Executive Officer

March 8th 2018

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

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

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

NON-EXECUTIVE CHAIRMAN



Sir Geoffrey Cave,
K.A., C.B.E., B.C.H., Hon. LLD (UWI)
Non-Executive Chairman
Born 1942

NATIONALITY: Barbadian
DATE OF FIRST ELECTION: 1970
TERM OF OFFICE: 2018

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

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

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

CHIEF EXECUTIVE OFFICER



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

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

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

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

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

INDEPENDENT DIRECTOR

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

NATIONALITY: Grenadian
DATE OF FIRST ELECTION: 2008
TERM OF OFFICE: 2020

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

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

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

In 2013, Prof. Barriteau was awarded a Gold Crown Merit, for her contribution to gender and development.

EXECUTIVE DIRECTOR

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

NATIONALITY: Barbadian
DATE OF FIRST ELECTION: 2007
TERM OF OFFICE: 2020

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

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

EXECUTIVE DIRECTOR

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

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

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

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

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

NON-EXECUTIVE DIRECTOR

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

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

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

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

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

NON-EXECUTIVE DIRECTOR

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

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

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

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

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

INDEPENDENT DIRECTOR

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

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

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

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

INDEPENDENT DIRECTOR

Adrian H. Padmore
Managing Director,
Bryden Stokes Limited
Born 1967

NATIONALITY: Barbadian
DATE OF FIRST ELECTION: 2016
TERM OF OFFICE: 2020

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

Mr. Padmore serves as Director on the Board of the Barbados Investment & Development Corporation and is a past member of the Council of Management of the Barbados Manufacturers' Association. He is the Managing Director of Bryden Stokes Limited and previously held the position of General Manager of the West India Biscuit Company Limited (WIBISCO) from 2002 until 2017. He has over twenty-five (25) years' experience in the manufacturing, export and retail and distribution sectors.

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

EXECUTIVE DIRECTOR

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

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

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

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

DIRECTORS' SHAREHOLDINGS

Directors' shareholdings in Cave Shepherd & Co. Limited as at December 31st 2017 and as at March 8th 2018, are as follows:

	Shares as at December 31st 2017		Shares as at March 8th 2018	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
R. G. Cave	5,858,534	-	5,858,534	-
V. E Barriteau	-	-	-	-
R. M. Cave	324,239	-	324,239	-
M. D. Davis	79,184	-	79,184	-
R. M. Harvey-Read	22,465	-	22,465	-
E. J. L. Ince	143,687	-	143,687	-
A. H. Padmore	-	-	-	-
L. J. Ramdhanny	-	-	-	-
R. G. Simpson	68,816	-	68,816	-
J. M. B. Williams	60,606	-	60,606	-

Directors' interest in the Share Option Plan of Cave Shepherd & Co. Limited as at December 31st 2017 is as follows:

Year	Granted	Vested	Exercised	Unvested	Expired	Total	Exercise Price
2017	65,000	43,333	-	21,667	-	65,000	\$3.50
2016	65,000	65,000	-	-	-	65,000	\$3.01
2015	65,000	65,000	-	-	-	65,000	\$3.00
2014	65,000	65,000	-	-	-	65,000	\$2.60
2012	62,000	62,000	-	-	62,000	-	\$4.60
	322,000	300,333	-	21,667	62,000	260,000	

The market price of Cave Shepherd & Co. Limited shares at December 31st 2017 was \$4.03.

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

Landview Limited	2,193,517
Aerie Limited	2,156,649

BOARD OPERATIONS

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

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

During 2017, the Board had four (4) formal meetings. The Board manages an annual schedule of critical items designed to ensure that it fulfils its obligations. The Board reviewed and approved financial statements, interim and final dividend payments and the progress of Cave Shepherd's strategy. The Board also considered different business opportunities, reviewed and managed Company risk and received reports on the work carried out by its Audit and Corporate Governance & Nomination Committees. The Board reviewed and approved a Management By Objectives ("MBO") plan for key management employees, as recommended by the Corporate Governance & Nomination Committee. The MBO seeks to reward key management employees based on individual strategic objectives and the overall performance of the Company.

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

	Board Meetings	Audit Committee Meetings	Corporate Governance & Nomination Committee Meetings	Total
R. G. Cave	4/4			4/4
V. E. Barriteau	3/4		1/2	4/6
R. M. Cave	4/4			4/4
M. D. Davis	4/4			4/4
R. M. Harvey-Read	3/4	1/2		4/6
E. J. L. Ince	4/4			4/4
A. H. Padmore	3/4	2/2	2/2	7/8
L. J. Ramdhanny	4/4	2/2	2/2	8/8
R. G. Simpson	4/4			4/4
J. M. B. Williams	4/4			4/4

ONGOING DIRECTOR DEVELOPMENT

During 2017 ongoing Directors' education focused on anti-money laundering and terrorist financing, financial developments and recent trends in corporate governance. The Board is committed to ongoing education of its Directors.

BOARD EVALUATIONS

In 2017 the Board undertook its annual performance evaluation. The Board delegated this function to the Corporate Governance & Nomination Committee with the assistance of the Group Corporate Secretary. The performance evaluation addressed the performance and effectiveness of the individual directors and the Board's performance as a whole.

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

BOARD COMMITTEES

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

THE AUDIT COMMITTEE

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

The majority of the members of the Audit Committee are independent directors. An independent member is an individual who meets the independence requirements of the Company's Corporate Governance Policy. The majority of members are financially literate with a sound understanding of the accounting principles and who possess the experience in analyzing and evaluating financial statements.

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

The Charter of the Audit Committee can be found on the Company's website at www.caveshepherd.com

AUDIT COMMITTEE OPERATIONS

The principal business for 2017 included:

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

BOARD COMMITTEES CONT'D

AUDIT AND AUDIT RELATED FEES

Audit Fees for the Cave Shepherd Group are as follows:

	2017	2016
	(000's)	(000's)
Audit fees	\$269	\$240
Audit related fees	\$18	\$18
Tax fees	\$16	\$32
TOTAL	\$303	\$289

THE CORPORATE GOVERNANCE & NOMINATION COMMITTEE

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

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

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

The Corporate Governance & Nomination Committee's Charter can be found on the Company's website at www.caveshepherd.com

CORPORATE GOVERNANCE & NOMINATION COMMITTEE OPERATIONS

The principal business for 2017 included:

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

EXECUTIVE MANAGEMENT & CORPORATE SECRETARY

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

CHIEF EXECUTIVE OFFICER



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

NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 2006

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

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

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

GROUP CORPORATE SECRETARY



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

NATIONALITY: Trinidadian
YEAR OF APPOINTMENT: 2013

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

Ms. Chrysostom is admitted to practice as an Attorney-at-Law in Barbados and Trinidad & Tobago. She has had a diverse legal career with over fifteen (15) years of experience in corporate and commercial law and litigation. She has worked in private practice and as In-House Counsel for a major international telecommunications company.

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

CHIEF FINANCIAL OFFICER



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

NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 2000

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

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

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

DIRECTOR - CARD SERVICES



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

NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 2011

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

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

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

DIRECTOR

Roger M. Cave, CA, CFA
Investment Director
Born 1966

NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 1997

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

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

EXECUTIVE MANAGEMENT'S SHAREHOLDINGS (All Beneficial)

Executive Management's shareholdings as at December 31st 2017 and as at March 8th 2018, are as follows:

	Shares as at December 31st 2017 No. of Shares held Common Shares	Shares as at March 8th 2018 No. of Shares held Common Shares
J. M. B. Williams	60,606	60,606
I. P. Gibson	37,438	37,438
H. M. Chrysostom	8,004	8,004
R. M. Cave	324,239	324,239
A. E. Browne-Ellis	4,835	4,835

MANAGEMENT PROXY CIRCULAR

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

This Management Proxy Circular accompanies the Notice of the Forty-Seventh Annual General Meeting of Shareholders of Cave Shepherd & Co. Limited ("the Company") to be held at the **Lloyd Erskine Sandiford Centre on Thursday April 26th 2018 at 5.30 p.m.**

1. APPOINTMENT AND REVOCATION OF PROXY

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to complete, sign, date and return the proxy. **Proxies to be exercised at the Meeting must be deposited no later than 4:00 p.m. on Tuesday April 24th 2018.**

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

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

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

2. RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed **Friday March 16th 2018** as the Record Date for determining the

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

Shareholders are voting on the following:

1. the adoption of the Audited Consolidated Financial Statements for the year ended December 31st 2017;
2. the election of Directors; and
3. the appointment of Auditors for the ensuing year and for Directors to fix their remuneration.

Only Shareholders of the Company will be entitled to vote at the Meeting. On a show of hands, each Shareholder has one vote. On a poll, each Shareholder is entitled to one vote for each share held. As at the date hereof there are 18,291,144 common shares without par value of the Company issued and outstanding.

MANAGEMENT PROXY CIRCULAR

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

The Audited Consolidated Financial Statements of the Company for the year ended December 31st 2017 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 revised by-laws of the Company is ten (10) and the minimum is three (3). The Board of Directors presently consists of ten (10) Members. The number of Directors to be elected at the Meeting is four (4).

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

Mr. Roger M. Cave	3 Years
Mr. Robert M. Harvey-Read	3 Years
Mr. John M. B. Williams	3 Years

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

Sir Geoffrey Cave	1 Year
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With respect to Mr. Roger M. Cave, Mr. Robert M. Harvey-Read and Mr. John M. B. Williams, the term of office for each person so elected will expire at the close of the third Annual General Meeting of the Shareholders of the Company following his election or until his successor is elected or appointed. Each of these nominees is now a Director of the Company and will retire at the close of the Forty-Seventh Annual General Meeting in accordance with the provisions of the revised by-laws of the Company, but being qualified, is eligible for re-election. Messrs. Roger M. Cave, Robert M. Harvey-Read and John M. B. Williams were elected as Directors at the Shareholders' Meeting held on

April 21st 2015. These nominees are being recommended in accordance with paragraphs 3.09 and 3.10 of the revised by-laws.

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

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

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

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

MANAGEMENT PROXY CIRCULAR

ITEM 3 APPOINTMENT OF AUDITORS

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

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

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

Discretionary Authority

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

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

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

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

No Directors' statement is submitted pursuant to Section 71 (2) of the Companies Act.

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

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

Dated March 8th 2018

Hanna M. Chrysostom

Hanna M. Chrysostom
Group Corporate Secretary

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2017

Expressed in Barbados dollars

2017	2016
\$	\$

RESULTS FOR THE YEAR (in \$ millions)

Revenue from operations and other gains	20.95	18.38
Profit before taxation	7.75	7.54
Net profit attributable to equity holders of the Company	6.07	6.35

YEAR END POSITION (in \$ millions)

Working capital	67.62	52.62
Total assets	152.34	141.29
Total equity	108.73	105.61

PER SHARE OF CAPITAL STOCK (in dollars)

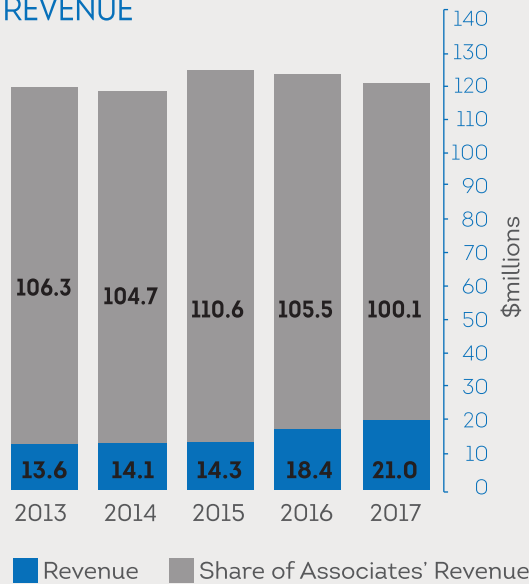
Profit before taxation and non-controlling interests	0.42	0.41
Net profit attributable to equity holders of the Company	0.33	0.35
Dividends declared	0.13	0.12
Equity	5.96	5.79
Market price per share	4.01	3.50

FINANCIAL RATIOS (in percentages)

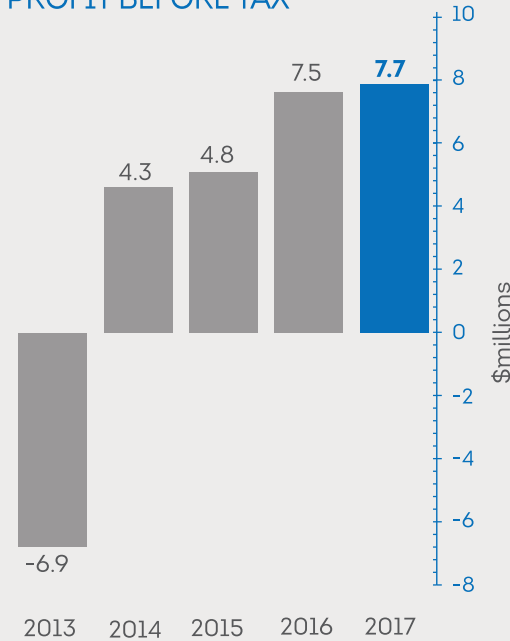
Return on average equity	5.8%	6.2%
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FINANCIAL HIGHLIGHTS

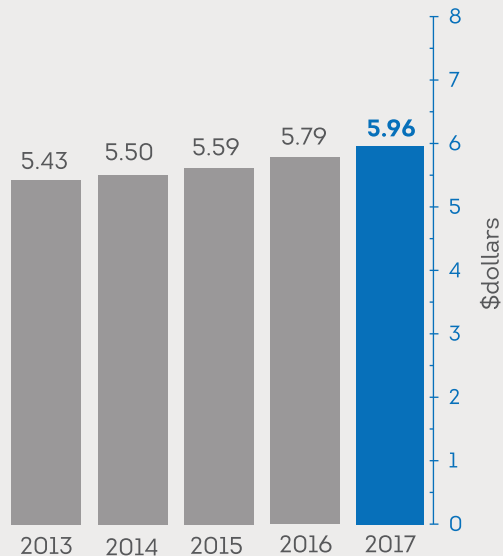
GROUP REVENUE INCLUDING
SHARE OF ASSOCIATES
REVENUE



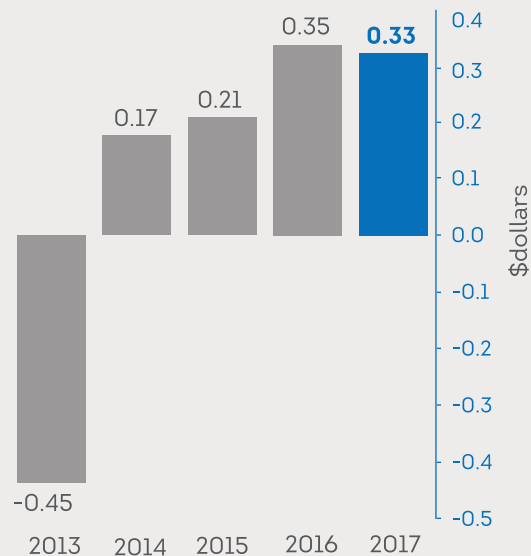
PROFIT BEFORE TAX



BOOK VALUE PER SHARE



EARNINGS PER SHARE



EARNINGS
PER SHARE

\$0.33



FIVE YEAR SUMMARY

	2017	2016	2015	2014	2013
Year End Position (in \$ millions)					
Current Assets					
Cash and cash equivalents	18.9	13.2	12.9	15.1	12.4
Financial assets held for trading	19.0	17.2	16.5	18.0	16.6
Financial assets at fair value through profit and loss	1.3	0.3	0.7	0.7	0.8
Trade and other receivables and prepayments	34.7	28.4	24.8	21.3	20.9
Other current assets	4.0	3.7	3.6	11.4	10.7
Total current assets	77.9	62.8	58.5	66.5	61.4
Less Current Liabilities	10.3	10.2	11.7	18.5	17.2
Working capital	67.6	52.6	48.8	48.0	44.2
Investments and other assets	74.5	79.0	76.0	74.7	73.9
	142.1	131.6	122.8	122.7	118.1
Financed By:					
Long-term borrowings	33.4	25.9	20.8	21.8	18.6
Total equity	108.7	105.7	102.0	100.9	99.5
	142.1	131.6	122.8	122.7	118.1
No. of Shares Outstanding (in millions)	18.3	18.3	18.2	18.3	18.3
Share of Associates Revenue (in \$ millions)	100.1	105.5	110.6	104.7	106.3
Results For The Year (in \$ millions)					
Revenue from operations and other gains	21.0	18.4	14.3	14.1	13.6
Net operating profit including results of associates	5.2	7.0	5.3	4.4	7.9
Profit/(loss) before taxation and non-controlling interests	7.7	7.5	4.8	4.3	(6.9)
Net comprehensive income/(loss) attributable to equity holders of the Company	6.1	6.4	3.8	3.1	(8.3)
Dividends declared	2.4	2.2	2.2	2.2	2.6
Per Share Of Capital Stock (in dollars)					
Earnings/(loss)	0.33	0.35	0.21	0.17	(0.45)
Dividends declared	0.13	0.12	0.12	0.12	0.14
Net book value	5.96	5.79	5.59	5.50	5.43
Financial Ratios					
Current ratio	7.53	6.14	5.02	3.59	3.57
Gearing ratio	0.13	0.11	0.08	0.06	0.06
Returns (%)					
On average equity	6%	6%	4%	3%	(8)%



Ernst & Young Ltd
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 430 3879
www.ey.com

Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cave Shepherd & Co. Limited (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2017, consolidated statement of income and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

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

Key Audit Matters

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

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

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

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Investments in associated companies	
<p>Investments in associates represents approximately 42% of the assets on the consolidated statement of financial position. As detailed in Note 2 <i>Summary of Significant Accounting Policies</i>, under the equity method of accounting for associates, these associates are initially stated at cost, and are adjusted thereafter for the Group's share of its associates' post-acquisition profits or losses which is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves which is recognised in other comprehensive income and accumulated in reserves.</p>	<p>We analyzed the Group's methodology and equity pick-up calculations of the underlying associates for the year ended 31 December 2017 which included the following audit procedures:</p> <ul style="list-style-type: none"> • We evaluated the reasonableness of Management's assessment of control versus significant influence • We issued instructions and performed independent reviews of the working papers of the non-EY auditors of the Group's material associates • We tested the reasonableness of the year end equity pickup calculations in the consolidated accounts, including compliance with accounting policies consistent with Group reporting, where applicable • We assessed Management's assumptions over the carrying values of the associates and related balances • Additionally, we considered whether the Group's disclosures related to these investments were appropriately reflected in the notes to the consolidated financial statements

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

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

Other information included in the Group's 2017 Annual Report

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

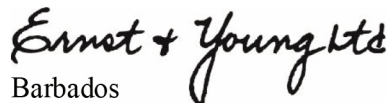
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

Other Legal and Regulatory Requirements

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

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



Barbados
8 March 2018

Consolidated Statement of Financial Position

As at December 31, 2017

Expressed in thousands of Barbados dollars

	2017	2016
	\$	\$
Current Assets		
Cash and short-term deposits (note 4)	17,965	12,727
Restricted cash (note 4)	900	500
Financial assets held for trading (note 5)	19,030	17,189
Financial assets at fair value through profit and loss (note 12)	1,348	318
Trade and other receivables and prepayments (note 6)	34,711	28,426
Due by associates (note 7)	3,855	3,497
Due by affiliates (note 8)	48	195
	<hr/> 77,857	<hr/> 62,852
Current Liabilities		
Borrowings (note 22)	2,042	907
Trade and other payables (note 9)	3,233	3,490
Due to associates (note 7)	22	1,957
Due to affiliates (note 8)	215	152
Loans payable to non-controlling interest (note 20)	915	913
Deferred income	450	543
Current income tax liability	618	392
Dividends payable (note 21)	2,742	1,878
	<hr/> 10,237	<hr/> 10,232
Working Capital	67,620	52,620
Investments in associates (note 10)	64,604	67,336
Held-to-maturity investments	994	952
Intangible assets (note 13)	353	1,197
Property, plant and equipment (note 14)	2,467	2,647
Loans due by associate (note 15)	5,800	5,800
Pension plan surplus (note 16)	270	1,007
Loan due to affiliate (note 17)	(3,000)	-
Fixed income certificates payable (note 18)	(15,273)	(15,838)
Unsecured fixed income notes payable (note 19)	(14,000)	(9,000)
Redeemable preference shares (note 23)	(1,097)	(1,097)
Deferred tax liability (note 24)	(8)	(15)
	<hr/> 108,730	<hr/> 105,609
Net Assets		

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

Consolidated Statement of Financial Position


As at December 31, 2017

Expressed in thousands of Barbados dollars

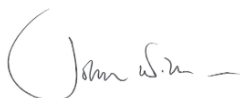
	2017 \$	2016 \$
Capital and Reserves attributable to the Equity holders of the Company		
Share capital (note 25)	38,512	38,475
Share option reserve (note 26)	338	301
Retained earnings (note 27)	68,217	65,023
	107,067	103,799
Non-controlling interests	1,663	1,810
Total Equity	108,730	105,609

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

Approved by the Board of Directors on March 8th 2018.



Sir Geoffrey Cave
Director



Mr. John M. B. Williams
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

Expressed in thousands of Barbados dollars

	Attributable to equity holders of the Company			Non-controlling Interests	Total
	Share Capital \$	Retained Earnings \$	Share Option Reserve \$	\$	
Balance as at December 31, 2015	38,458	61,064	282	2,119	101,923
Net profit for the year	-	6,349	-	391	6,740
Other comprehensive loss for the year	-	(271)	-	-	(271)
Total comprehensive income for the year	-	6,078	-	391	6,469
	38,458	67,142	282	2,510	108,392
Dividends (12¢ per share)	-	(2,189)	-	-	(2,189)
Dividends paid to non-controlling interests	-	-	-	(700)	(700)
Employee share options (note 26)	-	-	98	-	98
Expired share options	-	79	(79)	-	-
Issue of shares (note 25)	31	-	-	-	31
Repurchase of shares (note 25)	(14)	(9)	-	-	(23)
Balance as at December 31, 2016	38,475	65,023	301	1,810	105,609
Net profit for the year	-	6,073	-	868	6,941
Other comprehensive loss for the year	-	(558)	-	-	(558)
Total comprehensive income for the year	-	5,515	-	868	6,383
	38,475	70,538	301	2,678	111,992
Dividends (13¢ per share)	-	(2,378)	-	-	(2,378)
Dividends paid to non-controlling interests	-	-	-	(1,015)	(1,015)
Employee share options (note 26)	-	-	121	-	121
Expired share options	-	84	(84)	-	-
Issue of shares (note 25)	74	-	-	-	74
Repurchase of shares (note 25)	(37)	(27)	-	-	(64)
Balance as at December 31, 2017	38,512	68,217	338	1,663	108,730

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

Consolidated Statement of Income

For the year ended December 31, 2017

Expressed in thousands of Barbados dollars

	2017 \$	2016 \$
Revenue and other gains		
Revenue from operations (note 28)	20,923	18,342
Other gains (note 30)	30	35
	20,953	18,377
Expenses		
Payroll costs (note 31)	7,163	6,852
Depreciation (note 14)	649	514
Amortisation of intangible assets (note 13)	844	844
Other operating expenses	7,667	6,032
Redeemable preference shares dividends to non-controlling interests	965	751
	17,288	14,993
Profit before undernoted items	3,665	3,384
Finance costs	(1,101)	(1,080)
Net Operating Profit	2,564	2,304
Share of results of associates (note 10)	2,642	4,694
Gains on financial assets (note 29)	2,541	540
Profit before taxation	7,747	7,538
Income tax expense (note 32)	(806)	(798)
Net Profit for the year	6,941	6,740
Attributable to:		
Equity holders of the Company	6,073	6,349
Non-controlling interests	868	391
	6,941	6,740
Earnings per share for profit attributable to the equity holders of the Company during the year		
- basic (note 33)	\$0.33	\$0.35
- diluted (note 33)	\$0.32	\$0.33

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

Expressed in thousands of Barbados dollars

	2017 \$	2016 \$
Net Profit for the year	6,941	6,740
Other comprehensive loss:		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations – group (note 16)	(804)	(271)
Remeasurements of post-employment benefit obligations - associate	246	-
Other comprehensive loss for the year	(558)	(271)
Total Comprehensive Income for the year	6,383	6,469
Attributable to:		
Equity holders of the Company	5,515	6,078
Non-controlling interests	868	391
Total Comprehensive Income for the year	6,383	6,469

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

Expressed in thousands of Barbados dollars

	2017 \$	2016 \$
Net cash used in operations (note 34)	(4,267)	(1,480)
Cash flows from investing activities		
Purchase of property, plant and equipment (note 14)	(469)	(814)
Purchase of financial assets held for trading and held-to-maturity investments	(769)	(6)
Purchase of other investments	(1,017)	-
Proceeds on disposal of investments in associates	-	56
Proceeds on disposal of property, plant and equipment	30	54
Proceeds on disposal of financial assets held for trading	1,339	500
Dividends received	35	60
Dividends received from associates (note 10)	5,620	829
Net cash generated from investing activities	4,769	679
Cash flows from financing activities		
Proceeds from issue of shares (note 25)	74	31
Repurchase of shares (note 25)	(64)	(23)
Restricted cash (note 4)	(400)	(500)
Proceeds from long term borrowings	9,000	5,000
Payment of long term borrowings	(1,000)	-
Fixed income certificates payable (net)	(565)	106
Dividends paid to shareholders	(2,196)	(2,196)
Dividends paid to non-controlling interest	(624)	(629)
Dividends paid to preference shareholders	(624)	(629)
Net cash generated from financing activities	3,601	1,160
Net increase in cash and cash equivalents	4,103	359
Cash and cash equivalents net of borrowings – beginning of year	11,820	11,461
Cash and cash equivalents net of borrowings – end of year	15,923	11,820
Represented by:		
Cash at bank and in hand (note 4)	16,452	11,227
Short-term deposits (note 4)	1,513	1,500
Borrowings (note 22)	(2,042)	(907)
	15,923	11,820

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

1. General Information

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

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

The Company is listed on the Barbados Stock Exchange.

2. Summary of Significant Accounting Policies

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

(a) Basis of Preparation

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(a) Basis of Preparation ...continued

New standards and amendments adopted by the Group

The Group applied, for the first time, certain standards and amendments that became applicable for the 2017 financial year. However there was no impact on the amounts reported and/or disclosures in the financial statements.

Amendments to IAS 7 Disclosure Initiative— Effective 1 January 2017

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Transition

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

Impact

The amendments are intended to provide information to help investors better understand changes in an entity's debt.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Effective 1 January 2017

Key requirements

The IASB issued the amendments to IAS 12 *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Transition

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

Impact

The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses.

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(a) Basis of Preparation ...continued

New standards and amendments adopted by the Group

Amendments to IFRS 12 – Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosures required in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments were effective from 1 January 2017 and must be applied retrospectively.

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(b) Basis of Preparation ...continued

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2017 and not early adopted

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

- IFRS 15 Revenue from Contracts with Customers (Effective 1 January 2018)
- IFRS 9 Financial Instruments (Effective 1 January 2018)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 (Effective 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (Effective 1 January 2018)
- Transfers of Investment Property – Amendments to IAS 40 (Effective 1 January 2018)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (Effective 1 January 2018)
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters (Effective 1 January 2018)
- AIP IAS28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment – by investment choice (Effective 1 January 2018)
- IFRS 16 Leases (Effective 1 January 2019)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (Effective January 1 2019)
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (Effective 1 January 2019)
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (Effective 1 January 2019)
- AIP IFRS 3 Business Combinations – Previously held interests in a joint venture (Effective 1 January 2019)
- AIP IFRS 11 Joint Arrangements – Previously held interests in a joint operation (Effective 1 January 2019)
- AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity (Effective 1 January 2019)
- AIP IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation (Effective 1 January 2019)
- IFRS 17 Insurance Contracts (Effective 1 January 2021)

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(c) Consolidation

Subsidiaries

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

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

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

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

Transactions and Non-controlling interests

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(b) Consolidation...continued

Subsidiaries...continued

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

	Country of incorporation and place of business	Nature of business	Ordinary shares held (%)	Ordinary shares held by non- controlling interests (%)
Cave Shepherd Inc. Cave Shepherd (Cayman) Ltd.	Florida 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 Ltd.	Barbados	Financial services company	75	25
Westhelios Energy Systems Inc.	Barbados	Services company	75	25
Cayco Ltd. Colombian Emeralds International Limited	Cayman Tortola	Holding company Retail company	100	-

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(b) Consolidation...continued

Subsidiaries...continued

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(b) Consolidation...continued

Subsidiaries...continued

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

Associates

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

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

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

The associates and interest therein are set out below:

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(b) Consolidation...continued

Associates...continued

The associates and interest therein are set out below:

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(c) Revenue Recognition

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

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

(d) Investment Property

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(e) Property, Plant & Equipment

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

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

Furniture and Equipment	3 to 5 years
Motor Vehicles	5 years

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

(f) Trade Receivables

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(g) Inventories

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

(h) Financial Assets

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

Financial assets at fair-value through profit and loss

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

Loans and receivables

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. All financial assets held-to-maturity are initially recognised at fair value and are subsequently carried at amortised cost. The Group's held-to-maturity investment relates to a Government of Barbados Bond of \$994 (2016 - \$952) that carries a coupon rate of 7.25% (2016 - 7.25%) and is expected to mature in 2025.

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(h) Financial Assets...continued

Recognition and measurement

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

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

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

(i) Fair value estimation

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(i) Fair value estimation...continued

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

(j) Current and Deferred Income Taxes

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

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

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(k) Critical Accounting Estimates and Assumptions

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

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

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

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

- **Income and deferred 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.

In calculating the provision for deferred taxation, management uses judgement to determine the profitability the future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

- **Pension benefits**

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

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

- **Impairment of financial assets**

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

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

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

(l) Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(m) **Cash and cash equivalents**

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

(n) **Intangible Assets** **Goodwill**

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

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

Management Contracts

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

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

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

Notes to the Consolidated Financial Statements

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Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(p) Employee Benefits

Pension Plan Valuation

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

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

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

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

Past-service costs are recognised immediately in income.

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

Termination benefits

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

Profit-sharing and bonus plans

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(p) Employee Benefits...continued

Share-based payments

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

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

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(p) Employee Benefits...continued

Share-based payments...continued

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

(q) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(r) Provisions

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(s) **Share capital**

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

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

(t) **Trade Payables**

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

(u) **Borrowings**

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

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

(v) **Dividend Distribution**

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ...continued

(w) Leases

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

(x) Redeemable preference shares

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

3. Financial Risk Management

Financial risk factors

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

(a) Market risk

(i) Price risk

The Group is exposed to market price risk arising primarily from changes in equity prices. To manage this risk the Group holds a diversified portfolio of investments in accordance with its investment policy. As at December 31, 2017, 100% (2016 - 99%) of financial assets held for trading comprise investments in other funds that have been fair valued in accordance with the policies set out in note 2(i).

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

(a) Market risk...continued

(i) Price risk...continued

Sensitivity

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

	Carrying Value \$	Effect of 10% change at December 31, 2017 \$
Listed on Caribbean stock exchanges and markets	90	9
Listed on foreign stock exchanges and markets	2,813	281
Unlisted securities	17,475	1,748
	20,378	2,038

	Carrying Value \$	Effect of 10% change at December 31, 2016 \$
Listed on Caribbean stock exchanges and markets	405	40
Listed on foreign stock exchanges and markets	2,674	267
Unlisted securities	14,428	1,443
	17,507	1,750

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

(a) Market risk...continued

(ii) Interest rate risk

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

(a) Market risk...continued

(ii) Interest rate risk...continued

	0-5 years	Over 5 years	Non- interest bearing	Total
At December 31, 2017	\$	\$	\$	\$
Financial assets				
Cash and short-term deposits	1,513	-	16,452	17,965
Restricted cash	900	-	-	900
Financial assets held for trading	-	-	19,030	19,030
Financial assets at fair value through profit and loss	-	-	1,348	1,348
Trade and other receivables	32,496	-	1,799	34,295
Due by associates	1,760	-	2,095	3,855
Due by affiliates	48	-	-	48
Held-to-maturity investments	-	994	-	994
Loans due by associate	5,800	-	-	5,800
Total financial assets	42,517	994	40,724	84,235
Financial liabilities				
Borrowings	2,042	-	-	2,042
Trade and other payables	-	-	3,233	3,233
Due to associates	-	-	22	22
Due to affiliates	-	-	215	215
Loans payable to non-controlling interest	915	-	-	915
Deferred Income	-	-	450	450
Loan due to affiliate	3,000	-	-	3,000
Fixed income certificates payable	15,273	-	-	15,273
Unsecured fixed income notes payable	14,000	-	-	14,000
Redeemable preference shares	1,097	-	-	1,097
Total financial liabilities	36,327	-	3,920	40,247
Total interest sensitivity gap	6,190	994	36,804	43,988

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

(a) Market risk...continued

(ii) Interest rate risk...continued

	0-5 years	Over 5 years	Non- interest bearing	Total
At December 31, 2016	\$	\$	\$	\$
Financial assets				
Cash and short-term deposits	1,500	-	11,227	12,727
Restricted cash	500	-	-	500
Financial assets held for trading	-	-	17,189	17,189
Financial assets at fair value through profit and loss	-	-	318	318
Trade and other receivables	25,425	-	2,691	28,116
Due by associates	1,760	-	1,737	3,497
Due by affiliates	195	-	-	195
Held-to-maturity investments	-	952	-	952
Loans due by associate	-	5,800	-	5,800
Total financial assets	29,380	6,752	33,162	69,294
Financial liabilities				
Borrowings	907	-	-	907
Trade and other payables	-	-	3,490	3,490
Due to associates	-	-	1,957	1,957
Due to affiliates	-	-	152	152
Loan payable to non-controlling interest	913	-	-	913
Deferred Income	-	-	543	543
Fixed income certificates payable	15,838	-	-	15,838
Unsecured fixed income notes payable	9,000	-	-	9,000
Redeemable preference shares	1,097	-	-	1,097
Total financial liabilities	27,755	-	6,142	33,897
Total interest sensitivity gap	1,625	6,752	27,020	35,397

(iii)

Currency Risk

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

(b) Credit risk

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

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

	2017	2016
	\$	\$
Cash and short-term deposits	17,965	12,727
Restricted cash	900	500
Trade and other receivables	34,295	28,116
Due by associates	3,855	3,497
Due by affiliates	48	195
Held-to-maturity investments	994	952
Loans due by associate	5,800	5,800
	<hr/>	<hr/>
	63,857	51,787

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

(b) Credit risk...continued

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

	2017 \$	2016 \$
Cash and short-term deposits		
CIBC FirstCaribbean International Bank (Unrated)	12,335	9,995
Morgan Stanley Private Wealth Management (A-1 by Standard and Poor's)	2,536	1,038
Other banks	1,052	787
	15,923	11,820

(c) Liquidity risk

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

(c) Liquidity risk...continued

December 31, 2017	0-3 months	4 months – 5 years	Over 5 years	Total
	\$	\$	\$	\$
Borrowings	2,042	-	-	2,042
Trade and other payables	3,233	-	-	3,233
Due to associates	22	-	-	22
Due to affiliates	215	-	-	215
Loans payable to non-controlling interest	993	-	-	993
Deferred income	-	450	-	450
Current income tax liability	-	618	-	618
Loan due to affiliate	-	3,300	-	3,300
Fixed income certificates payable	-	16,133	-	16,133
Unsecured fixed income notes payable	3,094	11,353	-	14,447
Dividends payable	2,742	-	-	2,742
Redeemable preference shares	-	1,097	-	1,097
	12,341	32,951	-	45,292

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

(c) Liquidity risk...continued

Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The gearing ratios at December 31, 2017 and December 31, 2016 were 13.08% and 11.28% respectively.

Fair value estimation

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

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

Fair values

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

(i) Short term financial assets and liabilities

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

(ii) Long term financial assets and liabilities

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

Fair value estimation ...continued

The following table presents the Group's assets that are measured at fair value at December 31, 2017:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets held for trading	2,889	16,128	13	19,030
Financial assets at fair value through profit and loss	-	-	1,348	1,348
	2,889	16,128	1,361	20,378

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

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

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

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

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

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

The following table presents the changes in Level 3 instruments for the year ended December 31, 2017. Level 3 instruments are primarily financial assets designated at fair value through profit and loss at inception and represents the Group's investments in unquoted equity securities.

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

3. Financial Risk Management ...continued

Fair value estimation ...continued

	2017 \$	2016 \$
At the beginning of the year	318	650
Purchases	1,017	-
Gains/(losses) recognised in consolidated statement of income	13	(332)
At the end of the year	1,348	318

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, 2017 are different from their fair values at December 31, 2016 and therefore a gain of \$13 (2016 – loss of \$332) was recognised in the consolidated statement of income during the year (note 12).

During the year, the Company acquired a 10% interest in Emerald City Trust for a total consideration of \$1,017.

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

4. Cash and Short-Term Deposits and Restricted Cash

	2017 \$	2016 \$
Cash at bank and in hand	16,452	11,227
Short-term deposits (a)	1,513	1,500
	17,965	12,727
Restricted cash (b)	900	500
	18,865	13,227

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4. Cash and Short-Term Deposits and Restricted Cash...continued

- (a) Short-term deposits comprise deposits with a commercial bank and another financial institution. The interest rate on short-term deposits with the commercial bank was 0.06% (2016 – 0.06%). These deposits have an average maturity of 14 days (2016 – 14 days). Cash with a financial institution is in a US daily dollar account with an interest rate of 0.06% (2016 – 0.06%) and is used to invest in equity securities in foreign stock exchanges.
- (b) During the year, the Group deposited an amount of \$400 (2016 - \$500) to Wells Fargo to secure an increase to a Standby Letter of Credit for \$400 to Visa International. As at year end, the balance on deposit and Standby Letter of Credit was \$900.

5. Financial Assets held for Trading

Included within financial assets held for trading of \$19,030 (2016 - \$17,189) is an amount of \$15,809 (2016 - \$14,110), which represents investment in mutual funds managed by a subsidiary.

Changes in fair values of financial assets held for trading are recorded in the consolidated statement of income (note 29).

6. Trade and Other Receivables and Prepayments

	2017 \$	2016 \$
Credit card receivables	35,690	28,516
Less: provision for impairment	(3,195)	(3,091)
Credit card receivables – net	32,495	25,425
Other receivables	1,643	1,588
Security deposit	-	1,000
Corporation tax recoverable	157	103
Prepayments	416	310
	34,711	28,426

Credit card receivables comprise local and international VISA Card purchases.

During the year, the security deposits of \$1,000 were repaid by Visa International to the Company, bringing the total deposit as at reporting date to \$Nil (2016 - \$1,000). These deposits represented the collateral security requirements of Visa International.

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

As at December 31, 2017, trade receivables of \$31,087 (2016 - \$24,182) 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, 2017, trade receivables of \$1,408 (2016 - \$1,243) 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:

	2017 \$	2016 \$
Up to 3 months	1,387	1,178
3 to 6 months	18	52
Over 6 months	3	13
	1,408	1,243

As at December 31, 2017, trade receivables of \$3,195 (2016 - \$3,091) were impaired and fully provided for. The ageing of these receivables is as follows:

	2017 \$	2016 \$
Up to 3 months	7	37
3 to 6 months	362	200
Over 6 months	2,826	2,854
	3,195	3,091

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

	2017 \$	2016 \$
Beginning of year	3,091	3,222
Provision for receivables impairment	1,535	1,185
Amounts recovered	(1,123)	(1,275)
Receivables written off during the year as uncollectible	(308)	(41)
End of year	3,195	3,091

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

The other classes within trade and other receivables are neither past due nor impaired. The Group does not hold any collateral as security.

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7. Due by/to Associates

An amount of \$1,760 (2016 - \$1,760) included in due by associates bears interest at a rate of 4.14% (2016 – 4.14%) per annum (see note 15 for terms). All other amounts are interest free, unsecured and have no stated terms of repayment.

8. Due by/to Affiliates

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

9. Trade and Other Payables

	2017	2016
	\$	\$
Trade and other payables	<u>3,233</u>	3,490

During 2008, the Fortress Group established a staff share scheme for its employees. Included in trade and other payables is a balance of \$368 (2016 - \$309) which relates to 542,238 (2016 – 489,284) non-voting redeemable shares in Fortress Staff Share Scheme issued to employees of that company.

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10. Investments in associates

Movement in investments in associates is as follows:

	2017 \$	2016 \$
At the beginning of the year	67,336	63,527
Disposal of investments in associates	-	(56)
Actuarial adjustment to Other Comprehensive Income for associate	246	-
	67,582	63,471
Dividends received	(5,620)	(829)
Share of results before tax	3,664	5,718
Share of tax	(1,022)	(1,024)
Share of results, net of tax	2,642	4,694
At the end of the year	64,604	67,336

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

During 2016, the Group disposed of its investment in The Perfect Time Ltd.

Notes to the Consolidated Financial Statements

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10. Investments in Associates...continued

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

Name	Country of Incorporation	Assets	Liabilities	Revenues	Profit/(Loss) after tax	% interest held
2017						
Duty Free Caribbean (Holdings) Ltd.	Barbados	77,257	42,802	84,424	(1,046)	40%
Bridgetown Cruise Terminals Inc.	Barbados	548	220	876	319	20%
GCS Limited	Barbados	2,750	1,261	5,110	504	40%
CSGK Finance (Holdings) Limited	Barbados	91,098	77,145	8,069	1,764	40%
CS&C Joint Venture	Barbados	9,898	700	839	657	16%
The Sunset Joint Venture	Barbados	2,758	823	500	476	16%
Contonou Shores Ltd.	Bahamas	3,002	-	-	-	35%
Canouan CS&F Investments Limited	St. Lucia	175	-	-	-	35%
Other		267	198	290	(32)	
		<u>187,753</u>	<u>123,149</u>	<u>100,108</u>	<u>2,642</u>	

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

10. Investments in Associates...continued

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

2016

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

Notes to the Consolidated Financial Statements

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Expressed in thousands of Barbados dollars

10. Investments in Associates...continued

2017	2016
\$	\$

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

Associates	64,604	67,336
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The amounts recognised in the statement of income are as follows:

Associates	2,642	4,694
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Set out below are the associates of the group as at December 31, 2017, which, in the opinion of the directors, are material to the group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates 2017 and 2016:

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

10. Investments in Associates ...continued

Summarised Statement of Financial Position

Name	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Other	Total
2017							
Current assets	137,425	2,722	6,552	211,749	1,744	1,307	361,499
Current liabilities	88,052	1,102	1,052	14,984	398	492	106,080
Non-current assets	55,718	20	324	15,999	60,121	25,615	157,797
Non-current liabilities	18,954	-	2,101	177,880	3,980	5,104	208,019
Net assets	86,137	1,640	3,723	34,884	57,487	21,326	205,197
Interest in associates	34,455	328	1,489	13,953	9,198	5,181	64,604

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

Notes to the Consolidated Financial Statements

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10. Investments in Associates...continued

Summarised Statement of Income

	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Other	Total
2017							
Revenue	211,060	4,379	12,774	20,172	5,244	3,783	257,412
Post tax (loss)/profit from continuing operations	(2,614)	1,592	1,261	4,412	4,109	2,901	11,661
Dividends received from associate	-	(400)	-	(588)	(4,496)	(136)	(5,620)

	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Other	Total
2016							
Revenue	221,834	4,088	13,285	19,797	12,929	2,431	274,364
Post tax profit from continuing operations	1,124	1,138	1,174	3,552	11,492	1,620	20,100
Dividends received from associate	-	(225)	-	(587)	-	(17)	(829)

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11. Subsidiaries

a) Principal subsidiaries

Summarised financial information of subsidiaries with material non-controlling interests

Summarised Statement of Financial Position

Financial information of the major subsidiaries, Fortress Fund Managers Limited and DGM Financial Group with material non-controlling interest is presented below:

	2017 \$	2016 \$
Current		
Assets	13,874	11,173
Liabilities	(8,795)	(6,637)
Total current net assets	5,079	4,536
Non-current		
Assets	2,208	2,331
Liabilities	(1,104)	(1,111)
Total non-current net assets	1,104	1,220
Net Assets	6,183	5,756

Summarised Income Statement

	2017 \$	2016 \$
Revenue	12,946	11,588
Profit before income tax	5,093	3,224
Income tax expense	(799)	(794)
Post tax profit from continuing operations	4,294	2,430
Other comprehensive income	-	-
Net profit and total comprehensive income	4,294	2,430
Total comprehensive income allocated to non-controlling interests	1,081	602
Dividends paid to non-controlling interests	624	629
Dividends paid to preference shareholders	624	629

Notes to the Consolidated Financial Statements

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11. Subsidiaries...continued

a) Principal subsidiaries...continued

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

Summarised Cash Flows

	2017	2016
	\$	\$
Cash flows from operating activities		
Cash generated from operations	5,193	4,302
Interest received	100	109
Corporation tax paid	(593)	(792)
Net cash generated from operating activities	4,700	3,619
Net cash generated from investing activities	68	1,178
Net cash used in financing activities	(3,120)	(3,144)
Net increase in cash and cash equivalents	1,648	1,653
Cash and cash equivalents at the beginning of the year	3,708	2,055
Cash and cash equivalents at the end of the year	5,356	3,708

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12. Financial Assets at Fair Value through Profit and Loss

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

	2017 \$	2016 \$
At the beginning of the year	318	650
Purchases	1,017	-
Revaluation to market value	13	(332)
	<hr/>	<hr/>
At the end of the year	1,348	318

13. Intangible Assets

Details of intangible assets are as follows:

	Management Contracts \$
At December 31, 2016	
Cost	8,444
Accumulated amortisation	(7,247)
	<hr/>
Net book value	1,197
	<hr/>
At December 31, 2017	
Cost	8,444
Accumulated amortisation	(8,091)
	<hr/>
Net book value	353
	<hr/>

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

13. Intangible Assets...continued

Movement of intangible assets is as follows:

	Management Contracts \$
Beginning of year – December 31, 2015	2,041
Amortisation of intangible asset	<u>(844)</u>
End of year – December 31, 2016	<u>1,197</u>
	Management Contracts \$
Beginning of year – December 31, 2016	1,197
Amortisation of intangible asset	<u>(844)</u>
End of year – December 31, 2017	<u>353</u>

Management contracts included in intangible assets relate to contracts held by Fortress Fund Managers Limited in the various Funds. These intangibles are being amortised over a period of ten years. Amortisation during the year was \$844 (2016 - \$844), of which \$211 (2016 - \$211) relates to the share of non-controlling interest.

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14. Property, Plant and Equipment

	Furniture & Equipment	Motor Vehicles	Total
Year ended December 31, 2016			
Opening net book value	2,047	319	2,366
Additions	713	101	814
Disposals	-	(19)	(19)
Depreciation charge	(398)	(116)	(514)
Closing net book value	2,362	285	2,647
At December 31, 2016			
Cost	6,440	905	7,345
Accumulated depreciation	(4,078)	(620)	(4,698)
Net book value	2,362	285	2,647
Year ended December 31, 2017			
Opening net book value	2,362	285	2,647
Additions	311	158	469
Disposals	-	-	-
Depreciation charge	(526)	(123)	(649)
Closing net book value	2,147	320	2,467
At December 31, 2017			
Cost	6,735	992	7,727
Accumulated depreciation	(4,588)	(672)	(5,260)
Net book value	2,147	320	2,467

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15. Loans due by Associate

During 2008, the Group advanced \$10,400 to the Duty Free Caribbean group for the purchase of the operations and to assist with the working capital of Colombian Emeralds' distribution and logistics centre in Fort Lauderdale, USA. The loans totalling \$7,560 (2016 - \$7,560) are unsecured, bear interest at rates between 4.14% and 5.96% (2016 – 4.14% to 5.96%) with \$5,800 repayable in 2022. During the year none of these loans were repaid by the Duty Free Caribbean group. The current portion of the loans amounting to \$1,760 (2016 - \$1,760), has been included in Due by Associates in current assets on the consolidated statement of financial position (note 7).

16. Pension Plan Surplus

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

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

The benefits that members receive at retirement under the defined contribution plans depend on their account balances at retirement and the cost of purchasing an annuity. Most of the defined benefit pension plans are non-contributory and allow for additional voluntary contributions with benefits dependent on either career average salary or the final average salary in the last three years of membership. Annual valuations of the defined benefit pension plans are performed by independent actuaries and the companies' contributions are adjusted according to the actuaries' recommendations. The last full actuarial valuation of the plan was performed as of January 1, 2017.

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

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16. Pension Plan Surplus...continued

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

	2017 \$	2016 \$
Statement of financial position surplus for:		
- Defined pension benefits	270	1,007
Statement of income credit included in operating profit:		
- Defined pension benefits	67	59
Actual remeasurements included in other comprehensive income:		
- Defined pension benefits	(804)	(271)

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

	2017 \$	2016 \$
Fair value of plan assets	10,953	10,063
Present value of funded obligations	(7,804)	(8,130)
	3,149	1,933
Impact of asset ceiling	(2,879)	(926)
Asset in the consolidated statement of financial position	270	1,007

The impact of the asset ceiling is that \$2,879 (2016 - \$926) has not been recognised in the consolidated statement of financial position because in accordance with IAS 19, this asset can only be recognised to the extent that it can be utilised by the Company.

Notes to the Consolidated Financial Statements

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16. Pension Plan Surplus...continued

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

	2017	2016
Active members	2,211	2,126
Retired members	5,593	6,004
	7,804	8,130

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

	Present value of obligation \$	Fair value of Plan assets \$	Total \$	Impact of asset ceiling \$	Total \$
At January 1, 2017	(8,130)	10,063	1,933	(926)	1,007
Current service cost	(50)	-	(50)	-	(50)
Net interest on the net defined benefit asset/(liability)	(611)	-	(611)	-	(611)
Expected return on plan assets	-	757	757	-	757
- Administration and other non- plan investment management expenses	-	(12)	(12)	-	(12)
- Employer contributions	-	54	54	-	54
- Interest on impact of asset ceiling	-	-	-	(71)	(71)
	(661)	799	138	(71)	67
Remeasurements:					
- Experience losses on investment	-	719	719	-	719
- Experience gains on obligation	359	-	359	-	359
- Change in asset ceiling	-	-	-	(1,882)	(1,882)
	359	719	1,078	(1,882)	(804)
Contributions:					
- Employees	(14)	14	-	-	-
Payments from plans:					
- Benefit payments	642	(642)	-	-	-
At December 31, 2017	(7,804)	10,953	3,149	(2,879)	270

Notes to the Consolidated Financial Statements

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16. Pension Plan Surplus...continued

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

Plan assets are comprised as follows:

	2017	2016
Bonds	12%	12%
Equities	70%	70%
Real Estate	5%	5%
Cash	13%	13%

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

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16. Pension Plan Surplus...continued

The significant actuarial assumptions are as follows:

	2017	2016
Discount rate	7.75%	7.75%
Future salary increases – inflationary	4.25%	4.25%
Future salary increases – promotional	2.50%	2.50%
Future pension increases	3.25%	3.25%
Proportion of employees opting for early retirement	0.00%	0.00%
Future changes in NIS ceiling	4.25%	4.25%
Mortality	UP94-AA	UP94-AA
Termination of active members	Nil	Nil
Early retirement	Nil	Nil
Future expenses	Nil	Nil

Expected contributions to post-employment benefit plans for the year ending December 31, 2018 would amount to \$15.

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

Change in Assumption	Benefit obligation \$
Base IAS19 results	7,804
Reduce discount rate by 1% pa	8,533
Increase discount rate by 1% pa	7,181
Reduce salary increase by 0.5% pa	7,759
Increase salary increase by 0.5% pa	7,849
Increase average life expectancy by 1 year	8,030

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

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16. Pension Plan Surplus...continued

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

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

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

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

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

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

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

	2017	2016
Males	20.15	20.07
Females	22.34	22.30

The weighted average duration of the defined benefit obligation is 8.70 (2016 – 8.93) years.

Expected maturity analysis of undiscounted pension as at December 31, 2017:

	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Pension Benefits	672	700	2,255	5,342	8,969

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Expressed in thousands of Barbados dollars

17. **Loan due to Affiliate**

During 2017, the Company obtained a loan of \$3,000 from Fortress Caribbean High Interest Fund Ltd. to finance the VISA card operations. The loan is unsecured, bears interest of 5% per annum and is repayable in December 2019.

18. **Fixed Income Certificates Payable**

The Fixed Income Certificates Payable will mature on June 30, 2019 bear interest at 3.00% to 3.25% (2016 – 3.50% to 3.75%) per annum and have the option of being renewed at the end of June 2018 for a further two years.

19. **Unsecured Fixed Income Notes Payable**

During 2014, the Company issued the first tranche of the Unsecured Fixed Income Notes for a total amount of \$4,000. These Unsecured Fixed Income Notes matured in 2016 and were rolled for a further two years at an interest rate of 3.75% per annum. During 2017, one Note from this first tranche was repaid in the amount of \$1,000.

During 2016, the Company issued the second tranche of the Unsecured Fixed Income Notes for a total amount of \$5,000. These Unsecured Fixed Income Notes will mature in two years, bear interest at 3.75% per annum and have the option of being renewed for a further two years.

During 2017, the Company issued the third tranche of the Unsecured Fixed Income Notes for a total amount of \$6,000, bringing the total Notes outstanding at the end of the year to \$14,000. These Unsecured Fixed Income Notes will mature in two years, bear interest at 3.25% per annum and have the option of being renewed for a further two years.

20. **Loans Payable to non-controlling interest**

The Loans payable are set out below:

	2017 \$	2016 \$
Loan payable to non-controlling interest (a)	99	97
Loans payable to non-controlling interest (b)	816	816
	<u>915</u>	<u>913</u>

(a) The loan payable to non-controlling interest relates to DGM Holdings Inc., is unsecured, has no stated terms of repayment and bears interest at 3.00% (2016 – 3.00%) per annum.

(b) Loans payable to non-controlling interest relates to Fortress Fund Managers Ltd., are unsecured, have no stated terms of repayment and bear interest at a rate of 6.00% (2016 – 9.55%) per annum.

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

21. Dividends Payable

The Dividends payable comprise the following:

	2017	2016
	\$	\$
Dividend payable to equity holders of the company	1,280	1,098
Dividend payable to non-controlling interest	731	390
Dividend payable to preference shareholders	731	390
	<hr/>	<hr/>
	2,742	1,878

22. Borrowings

The Group has overdraft facilities of \$6.0 million (2016 - \$6 million) of which \$2,042 (2016 - \$907) was utilised at the reporting date.

23. Redeemable preference shares

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

24. Deferred Tax Liability

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

	2017 \$	2016 \$
Accelerated depreciation	(224)	(210)
Pension Assets	(68)	(252)
Stock options	84	75
Unutilised tax losses	200	372
Deferred tax liability	<u>(8)</u>	<u>(15)</u>

Deferred tax assets of \$565 (2016 - \$828) are not recognised for tax loss carry-forwards in some Group companies as the realisation of the related tax benefits through future taxable profits is not probable.

The Group has tax loss carry-forwards amounting to \$3,088 (2016 - \$5,478), which have expiry dates ranging between 2017 and 2024.

25. Share Capital

	2017		2016	
	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	18,252,189	38,475	18,248,668	38,458
Issued	19,846	74	10,200	31
Repurchased during the year	(16,841)	(37)	(6,679)	(14)
End of year	<u>18,255,194</u>	<u>38,512</u>	<u>18,252,189</u>	<u>38,475</u>

The Company repurchased 16,841 (2016 – 6,679) shares for a total consideration of \$64 (2016 - \$23) of which \$27 (2016 - \$9) was eliminated against the retained earnings and \$37 (2016 - \$14) against share capital.

The Company issued 19,846 (2016 – 10,200) shares for \$74 (2016 - \$31) to key employees as shares in lieu of bonus.

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

26. Share Based Payment

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

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

	2017		2016	
	Average exercise price per share option	Options	Average exercise price per share option	Options
Outstanding at beginning of year	3.21	716,000	3.53	642,000
Granted	3.50	200,000	3.01	200,000
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	4.60	(141,000)	4.48	(126,000)
Outstanding at end of year	3.04	775,000	3.21	716,000
Exercisable at end of year	2.99	708,333	3.24	649,333

Of the 775,000 outstanding options (2016 – 716,000), 708,333 options (2016 – 649,333) were exercisable. There were no options exercised during the year.

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

26. Share Based Payment...continued

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

Grant-vest	Expiry date	Exercise price	Shares	
			2017	2016
2012-2012	2017	4.60	-	94,000
2012-2013	2017	4.60	-	47,000
2014-2014	2019	2.60	123,333	123,333
2014-2015	2019	2.60	61,667	61,667
2015-2015	2020	3.00	126,667	126,667
2015-2016	2020	3.00	63,333	63,333
2016-2016	2021	3.01	133,333	133,333
2016-2017	2021	3.01	66,667	66,667
2017-2017	2022	3.50	133,333	-
2017-2018	2022	3.50	66,667	-
			775,000	716,000

The weighted average fair value of options granted during 2017 determined using the Binomial Pricing model was \$0.66 (2016 - \$0.49) per option. The significant inputs into the model were weighted average share price of \$3.04 (2016 - \$3.21) at the grant date, exercise price shown above, volatility 20%, dividend yield of 3% per annum, an expected option life of 4.5 years and an annual risk-free interest rate of 6.00% (2016 – 5.50%) per annum. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

During the year, 141,000 options granted in 2012 expired.

A total expense of \$121 (2016 – \$98) is recognised in the consolidated statement of income for share options granted during the year which is attributed to the remaining 1/3 of the 2016 and 2/3 of the 2017 options granted being vested at year end. All other option grants were fully vested and expensed by December 31, 2016.

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

27. Retained Earnings

	2017 \$	2016 \$
Parent company	33,811	28,526
Subsidiary companies	(7,060)	(7,146)
Associated companies	41,466	43,643
	68,217	65,023

28. Revenue from Operations

	2017 \$	2016 \$
Finance income	6,579	5,582
Dividend income	35	60
Commissions	1,327	1,929
Management fees	11,742	10,450
Interchange fees	829	109
Miscellaneous	411	212
	20,923	18,342

29. Gains on Financial Assets

	2017 \$	2016 \$
Impairment and loss on disposal of financial assets at fair value through profit and loss	(70)	(630)
Unrealised gain on financial assets held for trading and at fair value through profit and loss	2,611	1,170
	2,541	540

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

30. Other Losses

	2017 \$	2016 \$
Gain on disposal of property, plant and equipment	<u>30</u>	<u>35</u>
	30	35

31. Payroll Costs

Payroll costs comprise:

	2017 \$	2016 \$
Salaries	6,144	5,992
National insurance, group health and life	274	243
Pension – defined benefit plan costs (note 16)	(67)	(59)
Pension – defined contribution plan costs	253	188
Employee share option expenses (note 26)	121	98
Medical	102	90
Other personnel expenses	<u>336</u>	<u>300</u>
	7,163	6,852

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

32. Income Tax Expense

The income tax expense is comprised of the following:

	2017 \$	2016 \$
Current tax on profits for the year	813	798
Deferred tax credit	(7)	-
	<u>806</u>	<u>798</u>

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

	2017 \$	2016 \$
Profit before taxation	8,477	7,538
Corporation tax calculated at 25.0% (2016 – 25.0%)	2,119	1,885
Effect of lower tax rate in other countries	(303)	(85)
Movement in deferred tax asset not recognised	(392)	(134)
Tax losses expiring	661	92
Tax effect of items not allowed in determining taxable profit	(1,279)	(960)
Tax charge	<u>806</u>	<u>798</u>

33. 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.

	2017 \$	2016 \$
Net profit attributable to the equity holders of the parent	6,073	6,349
Weighted average number of ordinary shares issued	<u>18,254,918</u>	<u>18,252,401</u>
Basic earnings per share	<u>\$0.33</u>	<u>\$0.35</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>19,029,918</u>	<u>18,968,401</u>
Diluted earnings per share	<u>\$0.32</u>	<u>\$0.33</u>

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

34. Net Cash Generated from Operations

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

	2017 \$	2016 \$
Cash flows from operating activities		
Profit before taxation	7,747	7,538
Adjustments for:		
Depreciation (note 14)	649	514
Share of results of associates (note 10)	(2,642)	(4,694)
Amortisation of intangible assets (note 13)	844	844
Loss on disposal of financial assets held for trading and at fair value through profit and loss (note 29)	70	630
Unrealised gain on financial assets held for trading and at fair value through profit and loss (note 29)	(2,611)	(1,170)
Gain on disposal of property, plant and equipment (note 30)	(30)	(35)
Pension plan charge (note 16)	(67)	(59)
Employee share option plan expense (note 26)	121	98
Dividend income (note 28)	(35)	(60)
Redeemable preference shares dividends to non-controlling interest	965	751
Interest expense	1,101	1,080
Operating profit before working capital changes	6,112	5,437
Net change in non-cash working capital items related to operations:		
- Trade and other receivables and prepayments	(6,285)	(3,604)
- Due by associates	(358)	(100)
- Due by affiliates	147	28
- Trade and other payables	(275)	159
- Deferred income	(93)	100
- Due to associates	(1,935)	(1,602)
- Due to affiliates	63	(39)
Cash generated from operations	(2,624)	379
Corporation taxes paid	(588)	(779)
Interest paid	(1,055)	(1,080)
Net cash used in operations	(4,267)	(1,480)

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

35. Related Party Transactions

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

	2017 \$	2016 \$
Finance income	387	389
Management fees	8,064	7,090
Commissions income	34	772

Key Management Compensation:

	2017 \$	2016 \$
Salaries	2,321	2,150
NIS	48	48
Medical	49	7
Pension, Group Life	72	71
Share Option Plan	53	44

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

	2017 \$	2016 \$
Directors and Key Management – at interest rates of 3.00% to 3.25% (2016 – 3.50% to 3.75%)	112	337

	2017 \$	2016 \$
Directors' fees	91	89

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

36. Segmental Information

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

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

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

36. Segmental Reporting...continued

The segment information provided to the Board for the reportable segments for the year ended December 31, 2017 and December 31, 2016 is as follows:

	Retail		Services		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Revenue						
Segment revenue	-	-	23,494	18,917	23,494	18,917
Total Revenue					23,494	18,917
Results						
Segment results	-	-	5,159	2,882	5,159	2,882
Share of results of associates	(542)	919	3,184	3,775	2,642	4,694
Employee benefits					(54)	(38)
Profit before taxation					7,747	7,538
Income tax expense					(806)	(798)
Net profit for the year					6,941	6,740
Non-controlling interest					(868)	(391)
Net profit attributable to equity holders of the Company					6,073	6,349

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

36. Segmental Reporting...Continued

	Retail		Services		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
OTHER INFORMATION						
Operating assets	-	-	65,746	53,292	65,746	53,292
Intangible assets and goodwill					353	1,197
Investment in associates	35,944	36,240	28,660	31,096	64,604	67,336
Unallocated corporate assets					21,642	19,466
Consolidated Corporate Assets					152,345	141,291
Operating liabilities	-	-	6,876	7,462	6,876	7,462
Unallocated corporate liabilities					36,739	28,220
Consolidated Corporate Liabilities					43,615	35,682
Capital Expenditure	-	-	469	814	469	814
Depreciation	-	-	649	514	649	514
Amortisation of intangible assets	-	-	844	844	844	844

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

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

Notes to the Consolidated Financial Statements

December 31, 2017

Expressed in thousands of Barbados dollars

37. Assets under Management

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

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

	2017 \$	2016 \$
Carrying amount of assets	42,529	38,482
Carrying amount of associated liabilities	(42,529)	(38,482)
Net position	-	-

38. Contingencies

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

39. Commitments

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

40. Subsequent event

An agreement has been reached between Fortress Fund Managers Limited ("Fortress"), Alleyne, Aguilar & Altman Limited ("Altman Real Estate") and Eppley Fund Managers Limited ("Eppley") pursuant to which Eppley, a wholly owned subsidiary of Eppley Limited, will assume all investment management and advisory responsibilities for the Fortress Caribbean Property Fund Limited SCC ("the Fund"). Under the agreement, Eppley will acquire the unlisted common shares of the Fund now held by Fortress and Altman Real Estate and will also assume control and management of the Fund. This agreement has received the full support of the Fund's Board, but remains subject to regulatory and other approvals. The sale of the common shares will be finalised on or before April 30, 2018.

41. Comparatives

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

NOTES

[illegible]

PROXY FORM

CAVE SHEPHERD & CO. LIMITED
COMPANY NO: 21716

PROXY FORM

**FOR USE AT THE FORTY-SEVENTH ANNUAL GENERAL MEETING OF SHAREHOLDERS
 TO BE HELD ON APRIL 26TH 2018 AT 5:30 PM.**

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

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

of
 (PLEASE PRINT PROXY'S ADDRESS HERE)

As my/our proxy to attend, vote and otherwise act for and on behalf of the undersigned in respect of all matters that may properly come before the **FORTY-SEVENTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 26TH 2018**, 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 emailed to corporatesecretary@caveshepherd.com, no later than 4.00 p.m. (Barbados time) on April 24th 2018, or if the Meeting is adjourned not less than 48 hours (excluding Sundays and Bank Holidays) before any adjourned Meeting.**

PLEASE COMPLETE AND RETURN.





Cave Shepherd & Co

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

www.caveshepherd.com