

CHANGING • GROWING



ANNUAL REPORT & FINANCIAL STATEMENTS 2015

Cave Shepherd & Co. Limited

TO BE THE MOST RESPECTED AND SOUGHT AFTER BRAND IN THE CARIBBEAN BY 2020.

CaveShepherdsCo

CHANGING • GROWING

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NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the FORTY-FIFTH 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 21st 2016 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 2015. 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. Edward J. L. Ince	3 Years
Mr. Lyden J. Ramdhanny	3 Years
Mr. Richard G. Simpson	3 Years

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

Mr. R. Geoffrey Cave 1 Year

(iii) it is recommended that the following nominee be elected to membership of the Board in accordance with paragraph 3.6(a) of the revised by-laws for the term stated:

Mr. Adrian H. Padmore 1 Year

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

By order of the Board of Directors

M. anyratom. Ilanna

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

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

GROUP CORPORATE SECRETARY

Ms. Hanna M. Chrysostom

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

AUDITORS

Ernst & Young Worthing, Christ Church Barbados, BB15008

PRINCIPAL BANKERS

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

GROUP COMPANIES



SUBSIDIARY COMPANIES

NAMF CAPITAI **PRINCIPAL COUNTRY OF OPERATION** Cave Shepherd Inc. Equity \$100,000 - 100% owned United States Loan Capital - Nil Cave Shepherd (Cayman) Ltd. Equity \$20,000 - 100% owned Cayman Loan Capital - Nil **Cave Shepherd SRL** Equity \$5,050,000 - 100% owned Barbados Loan Capital - Nil Fortress Fund Managers Limited Equity \$9,352,500 - 75% owned Barbados Loan Capital - Nil Fortress Fund Advisors Limited Equity \$2,000 - 75% owned St. Lucia Loan Capital - Nil Fortress Insurance Company Limited Equity \$3,000,000 - 75% owned Barbados Loan Capital - Nil Fortress Staff Share Scheme Inc. Equity \$1,000 - 75% owned Barbados Loan Capital - Nil Fortress Advisory & Investment Equity \$2,000 - 75% owned Barbados Services Ltd. Loan Capital - \$400,000 Westhelios Energy Systems Inc. Equity \$1,000 - 75% owned Barbados Loan Capital - \$Nil Cayco Ltd. Equity \$1,000,000 - 100% owned Cayman Loan Capital - \$6,100,000 Colombian Emeralds International Limited Equity \$200 - 100% owned British Virgin Islands (BVI) Loan Capital - Nil DGM Holdings (Canada) Inc. Equity \$7,392,000 - 72.7% owned Loan Capital - Nil Canada DGM Bank & Trust Inc. Equity \$9,794,000 - 72.7% owned Loan Capital - Nil Barbados **DGM Trust Corporation** Equity \$16,000,100 - 72.7% owned Loan Capital - Nil Barbados **DGM** Securities Limited Equity \$Nil - 72.7% owned Loan Capital - Nil Turks & Caicos Fowling Overseas Limited Equity \$2 - 72.7% owned Loan Capital - Nil British Virgin Islands (BVI) **DGM Management Services Limited** Equity \$30,000 - 72.7% owned Loan Capital - Nil Barbados DGM Captive Management Inc. Equity \$250,000 - 72.7% owned Barbados Loan Capital - Nil DGM Holdings Inc. Equity \$200 - 72.7% owned

Loan Capital - Nil

St. Lucia

ASSOCIATE COMPANIES

Duty Free Caribbean (Holdings) Ltd.	OWNERSHIP	JURISDICTION Barbados
Duty Free Caribbean Limited	40%	Barbados
, DFC Services Corp	40%	United States
Duty Free Caribbean Emeralds (St. Lucia) Ltd.	40%	St. Lucia
Duty Free Caribbean (Grenada) Ltd.	40%	Grenada
Ashworth Limited	40%	Bahamas
Duty Free Caribbean (Cayman) Holdings Ltd.	40%	Cayman
CS (Cayman) Ltd.	16%	Cayman
Emerald Distributors Limited	40%	Cayman
Duty Free Caribbean (TCI) Ltd.	40%	Turks & Caicos Islands
Duty Free Caribbean (Jamaica) Ltd.	40%	Jamaica
Duty Free Caribbean (Curacao) N.V.	40%	Curacao
Colombian Emeralds International N.V.	40%	Aruba
Colombian Emeralds International Limited	40%	St. Lucia
CEI Limited	40%	Antigua
Deltamar N.V.	40%	St. Maarten
DFC (USVI) Ltd.	40%	St. Thomas, USVI
DFC Investments Ltd.	40%	Barbados
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
Franchise Services Corporation	25%	Barbados
The Perfect Time Ltd.	25%	Barbados
Contonou Shores Ltd.	35%	Bahamas
Canouan CS&F Investments Limited	35%	St. Lucia
Caribbean Trade Logistics Advisors Inc.	44%	Barbados
FSSB Inc.	18.75%	Barbados

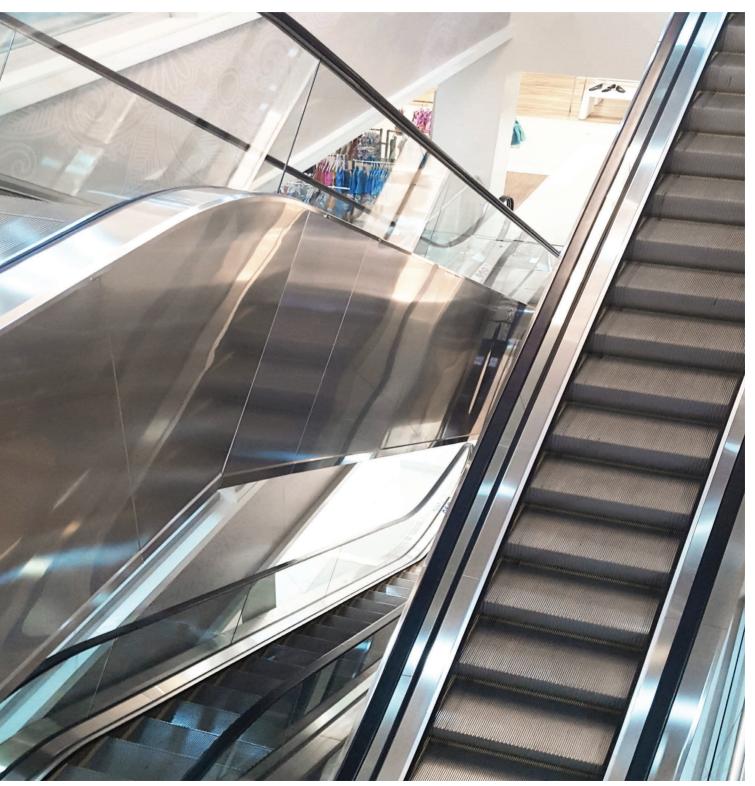


Presentation of school supplies by Card Services Management to officially endorse the St Philips Primary School under our Community Outreach Program in September 2015.

ASSOCIATE COMPANIES



Top: Fortress Fund Managers' participation at the Barbados International Business Association Secondary Schools Symposium Bottom(L): Ganzee, Cave Shepherd Broad Street, Bridgetown Bottom (R): Colombian Emeralds International, aboard The Escape, Norwegian Cruise Line - Launched in October 2015



Cave Shepherd Broad Street, Bridgetown - Escalator Upgrade



The Cave Shepherd Group made a profit of \$3.8 million for the year ending December 31st 2015, an improvement on the prior year which was \$3.1 million. This represents Earnings per Share (EPS) of \$0.21 compared to an EPS of \$0.17 in 2014. The improved profit was driven by better results in most of our operating companies offset somewhat by losses suffered on the decline of our international investment portfolio reflecting the decline in global stock markets which occurred in 2015.

The Group maintained its dividend in 2015, paying a total of \$0.12 per share. We will continue to review our dividend level with the intention of increasing the dividend in line with sustained improvements in profitability.

Our Balance Sheet remains in good shape with working capital at the end of 2015 standing at \$76.6 million compared to \$73.6 million in 2014. Our cash and liquid assets excluding those attributable to Fortress Pension Fund clients totaled \$30.8 million demonstrating our continued strong liquidity position. Our gearing, reflecting our ration of debt to equity, remains at very conservative levels.

During the year, the Company repurchased 80,983 shares as part of our share buyback policy. At year-end, the Cave Shepherd share price on the Barbados Stock Exchange stood at \$3.01 with little change from the closing price of \$3.00 at the end of 2014. It is our expectation that our improved profitability will be translated into increased confidence and a better share price that will reflect the underlying value of the Company.

RETAIL

The Duty Free Caribbean Holdings (DFCH) Group recorded further improvement in performance in 2015, making a modest net profit. Although the business is not yet at historical or expected levels of profitability, it continues a steady trend of improved results. During the year we closed a number of underperforming stores in several Caribbean islands, but also opened new locations in Antigua, Bahamas and Grenada, all of which are performing well. Most impactful in 2015 was the significant investment in our Broad Street flagship store where over \$6 million was spent by the landlord and DFCH in an upgraded Food Lounge, new escalators and improved flooring, ceiling and lighting. We have received overwhelmingly favourable responses from the Barbadian public to this upgrade and are very appreciative of the positive sentiments expressed. Importantly, this translated into much improved sales in the last guarter of 2015. The project will continue in 2016 with further floor and ceiling upgrades to bring the entire store up to the highest standards. We are hopeful that this demonstration of tangible investment in Bridgetown will be supported by wider national efforts to revitalize our capital city.

GCS Ltd, (Ganzee) maintained the positive trend of recent years and achieved healthy sales growth in both the Barbados and Grenada operations. These increased revenues together with strong cost controls resulted in an improved profit performance. Efforts have been initiated to identify new opportunities for expansion, as we look to grow this business further throughout the Caribbean.



Cave Shepherd Broad Street, Bridgetown - Newly Renovated Food Lounge

FINANCIAL SERVICES

Fortress Fund Managers Limited produced an acceptable result especially in light of the decline in international stock markets. Regional stock markets recorded mixed fortunes with excellent growth in Jamaica, a more modest improvement in Barbados, whilst Trinidad & Tobago remained flat. Our pension business continues its momentum, but we view the decision by the Government of Barbados to remove the tax allowance for pension deduction as an unfortunate development in light of the needs of the population to adequately provide for their retirement years. We see opportunities for the growth of the Fortress business outside of Barbados and are exploring these.

Our Cave Shepherd Card business recorded a 4% growth in revenues and a modest improvement in profitability. During the year we added Carlton and A-One Supermarkets as well as Ashley Furniture Homestore to our suite of merchant partners - a move welcomed by our Cave Shepherd cardholders. Our delinquency levels remained well controlled as a result of the diligent efforts of management and staff in this regard. We continue to work towards improving the benefits to our cardholders and are expecting to further enhance the Cave Shepherd Card offering in 2016.

Our associate, Signia Financial Group Inc., performed creditably during the year recording a commendable profit despite the continued burden of the Asset Tax that was imposed in 2014. Delinquency remains well controlled and we have continued to be conservative in our loan

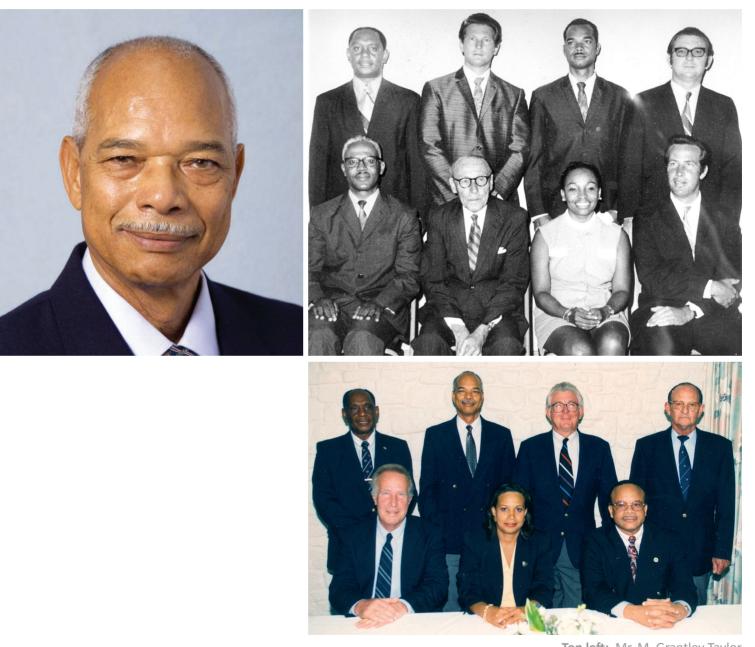
provisioning. Management and staff continue to do an excellent job in a subdued domestic economy.

Although DGM Financial Group recorded a loss in 2015, this was a result of the final winding up costs associated with the closure of the banking side of the business. That aspect of the operations closed at the end of April 2015 and by the end of the financial year we had dealt with the legal, regulatory and residual aspects of the banking business. The non-banking operations, which include Trusts, Corporate Administration and Captive Insurance Management were profitable and form the core services of DGM Financial Group going forward. In accordance with the agreements surrounding our injection of funds in 2013, we acquired at no further cost our proportionate share of the equity owned by the original management team bringing our ownership to 72.7% of DGM as at December 31st 2015.

OTHER

Bridgetown Cruise Terminals Inc., in which we have a 20% equity holding, performed well during the year albeit at lower levels of profitability in line with the lower share of Head Tax which this entity now earns. It is currently operating under an interim lease agreement and any continuation of this lease would be on renegotiated terms.

The REPower (Barbados) wind energy project, in which we have a 15% ownership, made only limited progress during the year as it encountered difficulties in obtaining the necessary planning permissions. Solutions have been



Top left: Mr. M. Grantley Taylor **Top right:** New store's Board of Directors, 1972 Standing left to right - Mr. C. Gill, Mr. J. B. Simpson, Mr. M. G. Taylor, Secty., Mr. W. A. Harvey-Read Sitting left to right - Mr. L. Richards. Mr. R. M. Cave, Chairman, Mrs. E. Greaves, Mr. R. G. Cave **Bottom right:** Board of Directors, 1996 Standing left to right - Mr. C. Gill, Mr. M. G. Taylor, Mr. W. A. Harvey-Read, Mr. W. G. Simpson Sitting left to right - Mr. C. Gill, Mr. M. G. Taylor, Mr. W. A. Harvey-Read, Mr. W. G. Simpson Sitting left to right - Mr. R. G. Cave, Chairman, Cheryl Lady Forde, Mr. J. Holder

identified to overcome these challenges and we are hopeful that in 2016 this project will achieve the necessary approvals to move forward and become a reality. It is very important that Barbados continues to invest in renewable energy infrastructure even in the current situation where oil prices are depressed.

Regrettably, the Radnor Hospital project in which we have a 5% interest encountered challenges during the year and although substantially complete, the facility has not yet opened. This is a first rate well-equipped medical facility and we hope that these problems can be addressed to permit the opening for the benefit of Barbados and Barbadians.

Towards the end of the year we disposed of our 10% holdings in Magna Rewards Inc., recording a gain on doing so. Our retail business had discontinued the Magna Rewards program some time ago and this was no longer a strategic shareholding for us.

BOARD OF DIRECTORS

One of our longstanding Directors, Mr. M. Grantley Taylor will not be offering himself for re-election as Director. Mr. Taylor has been a Director since 1991 but his contribution to Cave Shepherd spans almost 60 years. He started with the Company in the late 1950s and quickly rose through the ranks. Mr. Taylor was a key player in rebuilding the Company and taking the Company public after the fire of 1969. Shortly thereafter, he assumed the dual role of Accountant and Corporate Secretary. He was later appointed General Manager in 1980, a position he held

until his retirement in 1999. The Board extends its deepest appreciation for his excellent and committed service to Cave Shepherd and wishes him the very best in retirement.

The Board is proposing that the vacancy be filled by Mr. Adrian H. Padmore. Mr. Padmore is the General Manager of West India Biscuit Company Limited, a position he has held since 2002. He has extensive experience in the manufacturing, sales, retail, distribution and export sectors in Barbados, the Caribbean and the USA. The Board believes that Mr. Padmore's regional perspective and business insight will be a great asset to the Company.

CONCLUSION

We are pleased to report a year of improved profits but we know we are not yet at acceptable levels of performance. However, we are comfortable that our underlying businesses are trending to deliver further improved results to our Shareholders going forward. We continue to pursue expansion and growth opportunities both in our existing and new businesses. It is our belief that a blend of growth in our core businesses as well as the pursuit of new opportunities will position us for the levels of consistent performance that will best serve our Shareholders.

We thank our customers, staff and the community as a whole for supporting our Company and will continue to work in the best interest of all.

lave

R. Geoffrey Cave Chairman

John M. B. Williams Chief Executive Officer

March 10th 2016

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.

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



Geoffrey Cave is currently Non-Executive Chairman of Cave Shepherd & Co. Limited. Mr. Cave was first elected Chairman of the Board of Directors in 1970. Mr. Cave 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.

Mr. Cave served as an Independent Senator of Barbados in the Upper House from October 2009 until February 2013. In 2007, the University of the West Indies conferred on him an

Honorary Degree of Doctor of Laws (LLD) and in the Queen's New Years' Honour's List in 2003, he was appointed Commander of the Most Excellent Order of the British Empire. His distinguished career in business in Barbados and the region was recognized in 2001 when he was honoured with the Caribbean Master Entrepreneur Award.

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

NATIONALITY Barbadian **POSITION WITH CAVE SHEPHERD** Non-Executive Chairman DATE OF FIRST ELECTION

TERM OF OFFICE 2015

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



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., Duty Free Caribbean (Holdings) Ltd, GCS Limited and Signia Financial Group Inc. associates of Cave Shepherd & Co. Limited. He is also a Director of 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).

NATIONALITY Barbadian **POSITION WITH CAVE SHEPHERD** Chief Executive Officer DATE OF FIRST ELECTION 2007

TERM OF OFFICE 2018

Professor V. Eudine Barriteau, GCM

Pro-Vice Chancellor & Principal, University of the West Indies, Cave Hill Campus Born 1954



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.

NATIONALITY	POSITION WITH CAVE SHEPHERD	DATE OF FIRST ELECTION	TERM OF OFFICE
Grenadian	Independent Director	2008	2017

Roger M. Cave, CA, CFA

N

Investment Director Fortress Fund Managers Limited Born 1966



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 Boards of Duty Free Caribbean (Holdings) Ltd and DGM Holdings Inc. He is 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).

NATIONALITY

Barbadian

Executive Director

POSITION WITH CAVE SHEPHERD

DATE OF FIRST ELECTION 1997 **TERM OF OFFICE** 2018

Maureen D. Davis

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

> NATIONALITY Barbadian



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 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.

POSITION WITH CAVE SHEPHERD	DATE OF FIRST ELECTION	TERM OF OFFICE
Executive Director	2007	2017

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



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.

NATIONALITY Barbadian **POSITION WITH CAVE SHEPHERD** Non-Executive Director DATE OF FIRST ELECTION 2008

TERM OF OFFICE 2018

Edward J. L. Ince, BSc

Joint Managing Director, Prism Services Group Inc. Born 1962



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

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

NATIONALITY Barbadian **POSITION WITH CAVE SHEPHERD** Non-Executive Director DATE OF FIRST ELECTION 2012 TERM OF OFFICE 2015

Lyden J. Ramdhanny

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



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 or 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 2000.

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

NATIONALITY Grenadian

POSITION WITH CAVE SHEPHERD Independent Director

DATE OF FIRST ELECTION 2008

TERM OF OFFICE 2015

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



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.

NATIONALITY Barbadian POSITION WITH CAVE SHEPHERDDATE OF FIRST ELECTIONTERM OF OFFICEExecutive Director20072015

M. Grantley Taylor Retired Business Executive Born 1939



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

Mr. Taylor is now retired having spent most of his working career at Cave Shepherd & Co. Limited. He also served as the Corporate Secretary of Cave Shepherd & co. Limited during the period 1970 to 1980.

Mr. Taylor served on the steering committee of the Barbados Stock Exchange when the Barbados Central Securities Depository Inc. was formed in 1999.

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

NATIONALITY	POSITION WITH CAVE SHEPHERD	DATE OF FIRST ELECTION	TERM OF OFFICE
Barbadian	Independent Director	1991	2015

DIRECTORS' SHAREHOLDINGS

Directors' shareholdings in Cave Shepherd & Co. Limited as at December 31st 2015 and as at March 10th 2016, are as follows:

	Shares as at I Beneficial	December 31, 2015 Non-Beneficial	Shares as at N Beneficial	larch 10, 2016 Non-Beneficial
R. G. Cave	5,858,534	_	5,858,534	-
V. E Barriteau	_	-	-	-
R. M. Cave	317,735	-	320,235	-
M. D. Davis	79,184	-	79,184	-
R. M. Harvey-Read	22,465	-	22,465	-
E. J. L. Ince	143,687	-	143,687	-
L. J. Ramdhanny	-	-	-	-
R. G. Simpson	68,816	-	68,816	-
M. G. Taylor	54,034	-	54,034	-
J. M. B. Williams	54,102	-	56,602	-

Directors' Interest in the Share Option Plan of Cave Shepherd & Co. Limited as at December 31st 2015 is as follows:

Year	Granted	Vested	Exercised	Unvested	Total	Exercise Price
2015	65,000	43,333	-	21,667	65,000	\$3.00
2014	65,000	65,000	-	-	65,000	\$2.60
2012	62,000	62,000	-	-	62,000	\$ 4.60
2011	62,000	62,000	-	-	62,000	\$ 4.48
	254,000	232,333	-	21,667	254,000	

The market price of Cave Shepherd & Co. Limited shares at December 31st 2015 was \$3.01.

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

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

BOARD OPERATIONS

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

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

During 2015, the Board had five (5) 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, final and interim 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.

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	5/5			5/5
V. E. Barriteau	3/5		3/3	6/8
R. M. Cave	5/5			5/5
M. D. Davis	4/5			4/5
R. M. Harvey-Read	5/5	3/4		8/9
E. J. L. Ince	5/5			5/5
L. J. Ramdhanny	5/5	4/4	3/3	12/12
R. G. Simpson	5/5			5/5
M. G. Taylor	5/5	4/4	3/3	12/12
J. M. B. Williams	5/5			5/5

ONGOING DIRECTOR DEVELOPMENT

During 2015 ongoing Directors' education focused on anti-money laundering and terrorist financing and application of the Barbados Stock Exchange Corporate Governance Recommendations. The Board is committed to ongoing education of its Directors.

BOARD EVALUATIONS

In 2015 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 M. Grantley Taylor

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 audit is 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 2015 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;
- Conducting its annual performance evaluation.

AUDIT FEES

Audit Fees for the Cave Shepherd Group are as follows:

	2015 (000's)	2014 (000's)
Audit fees	\$165	\$177
Audit related fees	\$34	\$22
Tax fees	\$10	\$16
TOTAL	\$209	\$215

BOARD COMMITTEES CONT'D

THE CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Members:

M. Grantley Taylor, 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 2015 included:

- Reviewing and recommending for amendment to the Board various Company policies and Committee charters;
- Reviewing compliance with legal and regulatory requirements;
- 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:

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



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., Duty Free Caribbean (Holdings) Ltd, GCS Limited and Signia Financial Group Inc. associates of Cave Shepherd & Co. Limited. He is also a Director of 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).

NATIONALITY Barbadian **POSITION WITH CAVE SHEPHERD** Chief Executive Officer YEAR OF APPOINTMENT

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



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. and GCS Ltd. 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 (CFA-CGA).

NATIONALITY Barbadian



YEAR OF APPOINTMENT

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



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

Ms. Chrysostom is admitted to practice as an Attorney-at-Law in Barbados and Trinidad & Tobago. She has had a diverse legal career with over ten (10) years of experience in corporate

and commercial law and litigation. She has worked in private practice and as In-House Counsel for a major international telecommunications company.

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

NATIONALITY Trinidadian **POSITION WITH CAVE SHEPHERD** Group Corporate Secretary YEAR OF APPOINTMENT 2013

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



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's 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.

NATIONALITY Barbadian **POSITION WITH CAVE SHEPHERD** Director - Card Services YEAR OF APPOINTMENT 2011

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



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 Boards of Duty Free Caribbean (Holdings) Ltd and 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).

NATIONALITY Barbadian **POSITION WITH CAVE SHEPHERD** Director YEAR OF APPOINTMENT

EXECUTIVE MANAGEMENT'S SHAREHOLDINGS (All Beneficial)

Executive Management's shareholdings as at December 31st 2015 and as at March 10th 2016, are as follows:

	Shares as at December 31, 2015 No. of Shares held Common Shares	Shares as at March 10, 2016 No. of Shares held Common Shares
J. M. B. Williams	54,102	56,602
I. P. Gibson	31,434	33,434
H. M. Chrysostom	2,000	4,000
R. M. Cave	317,735	320,235
A. E. Browne-Ellis	1,713	2,413

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-Fifth Annual General Meeting of Shareholders of Cave Shepherd & Co. Limited ("the Company") to be held at the Lloyd Erskine Sandiford Centre on **Thursday, April 21st 2016 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 Monday April 18th 2016.**

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

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

2. RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed **Tuesday March 22nd 2016** 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 the:

- 1. the adoption of the Audited Consolidated Financial Statements for the year ended December 31st 2015;
- 2. the election of Directors; and
- 3. the appointment of Auditors for the ensuing year and for the 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 18,294,818 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 2015 and the Auditors' Report thereon can be found on the Company's website www.caveshepherd.com.

ITEM 2 - ELECTION OF DIRECTORS

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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 five (5).

(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. Edward J.L Ince	3 Years
Mr. Lyden J. Ramdhanny	3 Years
Mr. Richard G. Simpson	3 Years

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

Mr. R. Geoffrey Cave 1 Year

- (iii) it is recommended that the following nominee be elected to membership of the Board in accordance with paragraph 3.6(a) of the revised by-laws for the term stated:
 - Mr. Adrian H. Padmore 1 Year

With respect to **Messrs Edward J.L Ince, Lyden J. Ramdhanny** and **Richard G. Simpson**, 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-Fifth 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 Edward J.L. Ince, Lyden J. Ramdhanny** and **Richard G. Simpson** were elected as Directors at the Shareholders' Meeting held on April 25th 2013. These nominees are being recommended in accordance with paragraphs 3.09 and 3.10 of the revised by-laws.

Mr. R. Geoffrey Cave is currently a Director of the Company and is being proposed for election as a Non-Executive 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 remaining nominee is being proposed to be appointed to fill the vacancy as a result of the retirement of Mr. M. Grantley Taylor. **Mr. Adrian H. Padmore** is being proposed for election as an Independent Director and is being recommended by the Board in accordance with paragraph 3.6(a) of the revised by-laws. Mr. Padmore is the General Manager of West India Biscuit Company Limited a position he has held since 2002. He has over 20 years experience in manufacturing, sales and distribution, and retail in Barbados, as well as in developing brands and export markets throughout the Caribbean and wider afield.

He is currently a Vice President of the Barbados Manufacturers' Association as well as a Director of Barbados Young Men's Christian Association and Barbados Investment and Development Corporation.

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

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.

MANAGEMENT PROXY CIRCULAR

ITEM 3 - APPOINTMENT OF AUDITORS

Ernst & Young of Worthing, Christ Church, 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.

The Company is in receipt of a Directors' statement pursuant to Section 71 (2) of the Act whereby Mr. M. Grantley Taylor has submitted his resignation and indicated that he will not seek re-appointment at the Forty-Fifth Annual General Meeting.

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 10th 2016

M. Chypatem. Ilanna

Hanna M. Chrysostom Group Corporate Secretary

FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

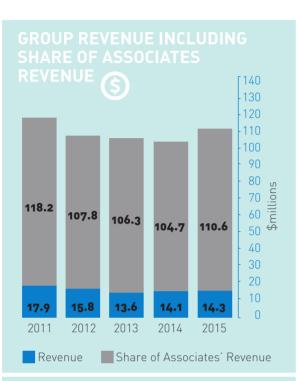
For the year ended December 31, 2015 Expressed in Barbados dollars

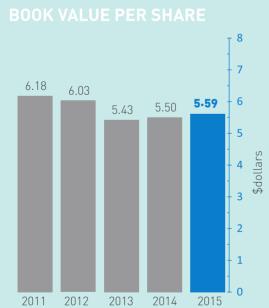
	2015	2014
	\$	\$
RESULTS FOR THE YEAR (in \$ millions)		
Revenue from operations and other gains	14.32	14.10
Profit before taxation	4.83	4.32
Net profit attributable to equity holders of the Company	3.77	3.09
YEAR END POSITION (in \$ millions)		
Working capital	76.64	73.63
Total assets	164.07	166.75
Total Equity	101.92	100.89
PER SHARE OF CAPITAL STOCK (in dollars)		
Profit before taxation and non-controlling interest	0.26	0.24
Net profit attributable to equity holders of the Company	0.21	0.17
Dividends declared	0.12	0.12
Equity	5.59	5.50
Market price per share	3.01	3.00

FINANCIAL RATIOS (in percentages)

Return on average equity	_	3.7%	3.1%

FINANCIAL HIGHLIGHTS







EARNINGS PER SHARE



EARNINGS PER SHARE \$0.21

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FIVE YEAR SUMMARY

	2015	2014	2013	2012	2011
Year End Position (in \$ millions)	2015	2014	2015	2012	2011
Current Assets					
Cash and cash equivalents	12.9	15.1	12.4	21.1	14.8
Financial assets held for trading	46.2	43.6	34.8	30.3	29.4
Inventories	0.0	0.0	0.0	0.0	4.9
Trade and other receivables and prepayments	24.8	21.3	20.9	19.9	19.1
Other current assets	3.6	11.3	10.7	10.6	9.8
Total Current Assets	87.5	91.3	78.8	81.9	78.0
	10.0	477		46.2	17.0
Less Current Liabilities	<u>10.9</u> 76.6	<u>17.7</u> 73.6	<u>16.4</u> 62.4	<u>16.2</u> 65.7	<u>17.8</u> 60.2
Working capital Investments and other assets	76.6	75.5	62.4 74.7	81.8	83.8
	153.2	149.1	137.1	147.5	144.0
	100.2	140.1	107.1	147.5	144.0
Financed By:					
Long-term borrowings	51.3	48.2	37.6	36.8	30.5
Total equity	101.9	100.9	99.5	110.7	113.5
	153.2	149.1	137.1	147.5	144.0
No. of Shares Outstanding (in millions)	18.2	18.3	18.3	18.4	18.4
Share of Associates Revenue (in \$ millions)	110.6	104.7	106.3	107.8	118.2
Desults For The Veer (in Émillions)					
Results For The Year (in \$ millions) Revenue from operations and other gains	14.3	14.1	13.6	15.8	17.9
Net operating profit including results of Associates	5.3	4.4	7.9	(2.2)	(4.6)
Profit/(loss) before taxation and non-controlling Interest	4.8	4.3	(6.9)	1.7	2.9
Net comprehensive income/(loss) attributable to equity	110	1.0	(0.0)	1.7	2.5
holders of the Company	3.8	3.1	(8.3)	0.5	1.1
Dividends Declared	2.2	2.2	2.6	3.7	3.7
Per Share Of Capital Stock (in dollars)	0.24	0.17		0.02	0.00
Earnings/(loss) Dividends declared	0.21 0.12	0.17 0.12	(0.45) 0.14	0.03 0.20	0.06 0.20
Net book value	5.59	5.50	5.43	6.03	6.18
Net book value	5.55	5.50	5.45	0.05	0.10
Financial Ratios					
Current ratio	8.07	5.17	4.82	5.05	4.40
Gearing ratio	0.08	0.06	0.06	0.01	0.06
Returns (%)					
On average equity	4%	3%	(8)%	1%	1%



Ernst & Young P.O. Box 261, Bridgetown, BB11000 Barbados, W.I. Street Address Worthing,

Christ Church, BB15008 Barbados, W.I. Tel: 246 430 3900 Fax: 246 426 9551 246 435 2079 246 430 3879 www.ey.com

AUDITORS' REPORT

To the Shareholders of Cave Shepherd & Co. Limited

We have audited the accompanying consolidated financial statements of **Cave Shepherd & Co. Limited**, which comprise the consolidated balance sheet as at 31 December 2015 and the consolidated statement of comprehensive income, consolidated statement of other comprehensive income, consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Cave Shepherd & Co. Limited** as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

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 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, 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 consolidated financial statements for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 18 March 2015.

Ernst & young

CHARTERED ACCOUNTANTS Barbados 10 March 2016

Consolidated Balance Sheet

As at December 31, 2015

Expressed in thousands of Barbados dollars

	2015	2014
	\$	\$
Current Assets		
Cash and cash equivalents (note 4)	12,874	15,100
Financial assets held for trading (note 5)	46,163	43,561
Trade and other receivables and prepayments (note 6)	24,822	21,333
Due by associates (note 7)	3,397	11,130
Due by affiliates (note 8)	223	171
	87,479	91,295
Current Liabilities		
Borrowings (note 22)	1,413	-
Trade and other payables (note 9)	3,123	3,194
Due to associates (note 7)	3,559	10,765
Due to affiliates (note 8)	191	2,149
Loans payable (note 19)	92	116
Deferred income	443	-
Current income tax liability	373	342
Dividends payable (note 20)	1,641	1,101
	10 025	17 667
Working Conital	10,835	17,667
Working Capital	76,644	73,628
Investments in associates (note 10)	63,527 650	61,846 705
Financial assets at fair value through profit and loss (note 12)	982	976
Held-to-maturity investments Intangible assets (note 13)	2,041	
Property, plant and equipment (note 14)	2,041 2,366	2,885
Loans due by associate (note 15)	2,300 5,800	1,935 5,800
Pension plan surplus (note 16)	5,800 1,219	3,800 1,303
Fixed income certificates payable (note 17)	(15,732)	(16,661)
Unsecured fixed income notes payable (note 17)	(13,732) (4,000)	(10,001) (4,000)
	(4,000) (816)	(4,000) (816)
Loans payable (note 19) Due to registered retirement savings plan holders (note 21)	(26,315)	(23,258)
Due to drawdown annuity policy holders Redeemable preference shares (note 23)	(3,331) (1,097)	(2,347) (1,097)
Deferred income tax liability (note 24)	(1,097) (15)	(1,097) (7)
	(13)	(7)
Net Assets	101,923	100,892

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

Consolidated Balance Sheet

As at December 31, 2015 Expressed in thousands of Barbados dollars

	2015	2014
	\$	\$
Capital and Reserves attributable to the Equity holders of the Company		
Share capital (note 25)	38,458	38,596
Share option reserve (note 26)	282	199
Retained earnings (note 27)	61,064	59,661
	99,804	98,456
Non-controlling interest	2,119	2,436
Total Equity	101,923	100,892

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

Approved by the Board of Directors on March 10, 2016.

Geofing Cave.

R. Geoffrey Cave Director

John w.m.

John M. B. Williams Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2015 Expressed in thousands of Barbados dollars

	Attributable to equity holders of the Company			Non- controlling Interest		
	Share Capital	Retained Earnings	Share Option Reserve		Total	
	\$	\$	\$	\$	\$	
Balance as at December 31, 2013	38,648	57,586	163	3,157	99,554	
Net profit for the year	-	3,091	-	454	3,545	
Other comprehensive income for the year	-	237	-	-	237	
Total comprehensive income for the year	-	3,328	-	454	3,782	
	38,648	60,914	163	3,611	103,336	
Dividends (12¢ per share)	-	(2,204) -	-	(2,204)	
Dividends paid to non-controlling interest	-			(214)	(214)	
Reclassification (note 27)	-	961	-	(961)	-	
Employee share options (note 26)	-	-	36	-	36	
Repurchase of shares (note 25)	(52)	(10)	-	-	(62)	
Balance as at December 31, 2014	38,596	59,661	199	2,436	100,892	
Net profit for the year	_	3,769	-	287	4,056	
Other comprehensive loss for the year	-	(87)	-		(87)	
Total comprehensive income for the year	-	3,682	-	287	3,969	
	38,596	63,343	199	2,723	104,861	
Dividends (12¢ per share)	-	(2,206) -	-	(2,206)	
Dividends paid to non-controlling interest	-	-	-	(926)	(926)	
Acquisition of subsidiary (note 11)	-	-	-	322	322	
Employee share options (note 26) Repurchase of shares (note 25)	- (138)	- (73)	83	-	83 (211)	
Balance as at December 31, 2015	38,458	61,064	282	2,119	101,923	

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2015 Expressed in thousands of Barbados dollars

	2015	2014
	\$	\$
Revenue and other gains		
Revenue from operations (note 28)	14,238	14,104
Other gains/(losses) (note 30)	83	(3)
	14,321	14,101
Expenses	4 5 7 2	4 4 2 2
Payroll costs (note 31) Depreciation (note 14)	4,573 417	4,132 332
Amortisation of intangible assets (note 13)	844	844
Other operating expenses	4,278	4,572
Redeemable preference shares dividends to non-controlling interest	926	232
	11,038	10,112
Profit before interest and taxes	3,283	3,989
Finance costs	(1,024)	(976)
Net Operating Profit	2,259	3,013
Share of results of associates (note 10)	3,033	1,406
Losses on financial assets (note 29)	(462)	(98)
Profit before taxation	4,830	4,321
Income tax expense (note 32)	(774)	(776)
Net Profit for the year	4,056	3,545
Attributable to:		
Equity holders of the Company	3,769	3,091
Non-controlling interest	287	454
	4,056	3,545
Earnings per share for profit attributable to the equity holders of the		
Company during the year - basic (note 33)	\$0.21	\$0.17
- diluted (note 33)	\$0.20	\$0.16

Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2015 Expressed in thousands of Barbados dollars

	2015 \$	2014 \$
Net Profit for the year	4,056	3,545
Other comprehensive (loss)/ income:		
Items that will not be reclassified to profit or loss:		
Exchange difference on translation of foreign operations	29	-
Remeasurements of post-employment benefit obligations (note 16)	(116)	237
Other comprehensive (loss)/income for the year	(87)	237
Total Comprehensive Income for the year	3,969	3,782
Attributable to:		
Equity holders of the Company	3,682	3,328
Non-controlling interest	287	454
Total Comprehensive Income for the year	3,969	3,782

Consolidated Statement of Cash Flows

For the year ended December 31, 2015 Expressed in thousands of Barbados dollars

	2015	2014
	\$	\$
Net cash (used in)/generated from operations (note 34)	(720)	3,345
Cash flows from investing activities		
Purchase of property, plant and equipment (note 14)	(676)	(1,604)
Acquisition of subsidiary	692	-
Purchase of investment (note 10)	-	(175)
Purchase of financial assets held for trading and held-to-maturity		
investments	(14,249)	(9,719)
Reduction of capital in associates	-	700
Proceeds on disposal of property, plant and equipment	83	1
Proceeds on disposal of financial assets held for trading	10,732	1,955
Proceeds on disposal of other investments	245	-
Dividends received (note 28)	401	366
Dividends received from associates (note 10)	910	779
Net cash used in investing activities	(1,862)	(7,697)
Cash flows from financing activities		
Repurchase of shares (note 25)	(211)	(62)
Proceeds from long term borrowings	-	4,000
Fixed income certificates payable (net)	(929)	(821)
Dividends paid to shareholders	(2,202)	(2,204)
Dividends paid to non-controlling interest	(658)	(214)
Dividends paid to preference shareholders	(658)	(232)
Registered retirement savings plan holders	2,664	5,503
Due to drawdown annuity policy holders	937	1,337
Net cash (used in)/generated from financing activities	(1,057)	7,307
Net (decrease)/increase in cash and cash equivalents	(3,639)	2,955
Cash and cash equivalents – beginning of year	15,100	12,145
Cash and cash equivalents – end of year	11,461	15,100
Represented by:		
Cash at bank and in hand (note 4)	11,384	8,504
Short-term deposits (note 4)	1,490	6,596
Borrowings (note 22)	(1,413)	
	11,461	15,100

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1. General Information

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

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

The Company is listed on the Barbados Stock Exchange.

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

2. Summary of Significant Accounting Policies

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

(a) **Basis of Preparation**

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

December 31, 2015 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, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This accounting treatment was adopted by the Group prior to the effective date of this amendment and therefore there will be no impact on the financial statements.

New standards, amendments and interpretations mandatory for the first time for financial year beginning January 1, 2015 but not currently relevant to the Group

- Annual Improvements 2010-2012 Cycle:-
 - IFRS 2 Share-based Payment
 - IFRS 3 Business Combinations
 - IFRS 8 Operating Segments
 - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
 - IAS 24 Related Party Disclosures
- Annual Improvements 2011 2013 Cycle:-
 - IFRS 3 Business Combinations
 - IFRS 13 Fair Value Measurement
 - IAS 40 Investment Property

December 31, 2015 Expressed in thousands of Barbados dollars

- 2. Summary of Significant Accounting Policies ... continued
 - (a) **Basis of Preparation** ... continued

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2015 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 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception Amendments to IFRS 10, IFRS 12 and IAS 28
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations Amendments to IFRS 11
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 Disclosure Initiative Amendments to IAS 1 9
- IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation -Amendments to IAS 16 and IAS 38
- IAS 16 and IAS 41 Agriculture Bearer Plants Amendments to IAS 16 and IAS 41
- IAS 27 Equity Method in Separate Financial Statements Amendments to IAS 27
- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Annual Improvements to IFRSs 2012-2014 Cycle

December 31, 2015 Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ... continued

(a) Consolidation

Subsidiaries

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

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

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

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

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.

December 31, 2015 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 directly held by parent (%)	Ordinary shares held by the group (%)	Ordinary shares held by non- controlling interests (%)
Cave Shepherd Inc. Cave Shepherd	Florida	Holding company	100	-	-
(Cayman) Ltd.	Cayman	Holding company	-	100	-
Cave Shepherd SRL Fortress Fund	Barbados	Holding company Financial services	100	-	-
Managers Limited Fortress Fund	Barbados	company Financial services	75	-	25
Advisors Limited Fortress Insurance	Barbados	company Financial services	-	75	25
Company Limited Fortress Staff	Barbados	company Financial services	-	75	25
Share Scheme Inc. Fortress Advisory	Barbados	company	-	75	25
& Investment		Financial services			
Services Westhelios Energy	Barbados	company	-	75	25
Systems Inc.	Barbados	Services company	-	75	25
Cayco Ltd. Colombian Emeralds International	Cayman	Holding company	-	100	-
Limited	Tortola	Retail company	-	100	-

December 31, 2015 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 directly held by parent (%)	Ordinary shares held by the group (%)	Ordinary shares held by non- controlling interests (%)
DGM Holdings		Holding			
(Canada) Inc. DGM Bank & Trust	Canada	company	-	72.7	27.3
Inc.	Barbados	Offshore bank	-	72.7	27.3
DGM Trust		Services			
Corporation	Barbados	company	-	72.7	27.3
DGM Securities		Services			
Limited	Turks & Caicos	company	-	72.7	27.3
Fowling Overseas	British Virgin	Services			
Limited	Islands (BVI)	company	-	72.7	27.3
DGM Management		Services			
Services Limited	Barbados	company	-	72.7	27.3
DGM Captive		Services			
Management Inc.	Barbados	company Holding	-	72.7	27.3
DGM Holdings Inc.	St. Lucia	company	-	72.7	27.3

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

December 31, 2015 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, noncumulative preference shares. During 2012, Fortress issued 243,750 non-voting, redeemable, noncumulative preference shares for the amount of \$1,097 to the non-controlling interest of the Group.

Associates

D

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

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

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

The associates and interest therein are set out below:

uty 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%

December 31, 2015 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%
	40%
Colombian Emeralds International N.V.	40%
Colombian Emeralds International Limited	40%
CEI Limited	40%
Deltamar N.V.	40%
DFC (USVI) Ltd.	40%
DFC Investments Ltd.	40%
Caribworld Inc.	20.4%
Caribworld (Trinidad) Ltd.	20.4%
Carib Home Shopping Ltd.	20.4%
Bridgetown Cruise Terminals Inc.	20%
GCS Limited	40%
CSGK Finance (Holdings) Limited	40%
Signia Financial Group Inc.	40%
CS&C Joint Venture	16%
The Sunset Joint Venture	16%
Franchise Services Corporation	25%
The Perfect Time Ltd.	25%
Caribbean Trade Logistics Advisors Inc.	44%
Contonou Shores Ltd.	35%
Canouan CS&F Investments Limited	35%
FSSB Inc.	18.75%

December 31, 2015 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, mainly Duty Free Caribbean.
- Dividend income Dividend income is recognised when the right to receive payment is established.
- Management fee income

Management fee income of Fortress Fund Managers Limited is recognised based on the actual net asset values of the Funds it manages. As Fortress Fund Managers Limited is the manager of all the Funds, a percentage of the management fees are refunded to avoid double charging on assets invested between the Funds. The refund is based on the net asset value of the investments calculated monthly and payable in arrears.

• Sales of goods – retail

Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in distribution costs.

(d) Investment Property

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

December 31, 2015 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 comprehensive income during the financial period in which they are incurred.

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

Furniture and Equipment	3 to 5 years
Motor Vehicles	5 years

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

(f) Accounts Receivable

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

December 31, 2015 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. Consignment inventory has been included in inventories in the consolidated balance sheet and the corresponding liability has been included in payables in the consolidated balance sheet.

(h) Financial Assets

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

Financial assets at fair-value through profit and loss

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

Loans and receivables

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intention and ability to hold to maturity. All financial assets held-to-maturity are initially recognised at fair value and are subsequently carried at amortised cost. The Group's held-to-maturity investment relates to a Government of Barbados Bond of \$982 (2014 - \$976) that carries a coupon rate of 7.25% (2014 - 7.25%) and is expected to mature in 2025.

December 31, 2015 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 comprehensive income. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

(i) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

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

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

December 31, 2015 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 comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is recognised directly in equity.

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

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

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

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

December 31, 2015 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 goodwill

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

Income taxes

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

• Pension benefits

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

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

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

December 31, 2015 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 balance sheet date.

(I) 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 comprehensive income. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items are included in the consolidated statement of comprehensive income.

Group companies

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

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

December 31, 2015 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 balance sheet.

(n) Intangible Assets

Goodwill

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

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

Management Contracts

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

December 31, 2015 Expressed in thousands of Barbados dollars

Summary of Significant Accounting Policies ... continued

(p) Employee Benefits

2.

Pension Plan Valuation

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

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

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

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

Past-service costs are recognised immediately in income.

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

Termination benefits

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

Profit-sharing and bonus plans

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

December 31, 2015 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 Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

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

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

December 31, 2015 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 comprehensive 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.

December 31, 2015 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 comprehensive income over the period of the borrowings using the effective interest method.

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

(v) Dividend Distribution

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

(w) Due to registered retirement savings plans holders

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

(x) Due to drawdown annuity policy holders

The Group sells drawdown annuity policy plans through the subsidiary, Fortress Insurance Company Ltd. The Company's drawdown annuity policy plans are classified as a long term liability. This liability is supported by investments held by the company in Fortress Caribbean Pension Fund Limited. The value of the long term liability is dependent on the fair value of these underlying financial assets. Contributions are recorded directly as liabilities. Monthly withdrawals/drawdowns are deducted from the liability. The Company charges an administration fee for the set-up of each plan and a monthly fee for each drawdown.

December 31, 2015 Expressed in thousands of Barbados dollars

2. Summary of Significant Accounting Policies ... continued

(y) Leases

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

(z) 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, 2015, 99% (2014 - 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).

December 31, 2015 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, 2015 \$
Listed on Caribbean stock exchanges and markets	841	84
Listed on foreign stock exchanges and markets	2,608	261
Unlisted securities	43,364	4,336
	46,813	4,681
	Carrying Value \$	Effect of 10% change at December 31, 2014 \$
Listed on Caribbean stock exchanges and markets	1,631	163
Listed on foreign stock exchanges and markets	10,348	1,035
Unlisted securities	32,287	3,229

44,266

4,427

December 31, 2015 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 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.

December 31, 2015 Expressed in thousands of Barbados dollars

3. Financial Risk Management ... continued

- (a) Market risk...continued
- (ii) Interest rate risk...continued

	Non- interest			
	0-5 years	Over 5 years	bearing	Total
At December 31, 2015	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	1,490	-	11,384	12,874
Financial assets held for trading	-	-	46,163	46,163
Trade and other receivables	21,832	-	2,717	24,549
Due by associates	1,760	-	1,637	3,397
Due by affiliates	223	-	-	223
Financial assets at fair value				
through profit and loss	-	-	650	650
Held-to-maturity investments	-	982	-	982
Loans due by associate	-	5,800	-	5,800
Total financial assets	25,305	6,782	62,551	94,638
Financial liabilities				
Borrowings	1,413	-	-	1,413
Trade and other payables	-	-	3,123	3,123
Due to associates	-	-	3,559	3,559
Due to affiliates	-	-	191	191
Loan payable	95	-	-	95
Deferred Income	-	-	443	443
Loans due to non-controlling				
interest	816	-	-	816
Fixed income certificates payable	15,732	-	-	15,732
Unsecured fixed income notes				
payable	4,000	-	-	4,000
Due to registered retirement			26.245	
savings plans holders	-	-	26,315	26,315
Due to drawdown annuity policy holders	_	-	3,331	3,331
Total financial liabilities	22,056	-	36,962	59,018
Total interest sensitivity gap	3,249	6,782	25,589	35,620
iotai intelest sensitivity gap	5,249	0,702	23,303	55,020

December 31, 2015 Expressed in thousands of Barbados dollars

3. Financial Risk Management ... continued

- (a) Market risk...continued
- (ii) Interest rate risk...continued

			lon- interest	
	0-5 years	Over 5 years	bearing	Tota
At December 31, 2014	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	6,596	-	8,504	15,100
Financial assets held for trading	-	-	43,561	43,561
Trade and other receivables	20,844	-	362	21,206
Due by associates	1,760	-	9,370	11,130
Due by affiliates Financial assets at fair value	171	-	-	171
through profit and loss	-	-	705	705
Held-to-maturity investments	-	976	-	970
Loans due by associate	-	5,800	-	5,800
Total financial assets	29,371	6,776	62,502	98,64
Financial liabilities				
Borrowings	-	-	3,194	3,194
Trade and other payables	-	-	10,765	10,76
Due to associates	-	-	2,149	2,14
Due to affiliates	116	-	-	110
Long term loan due to associate Loans due to non-controlling	816	-	-	81
interest	16,661	-	-	16,66
Fixed income certificates payable Due to registered retirement	4,000	-	-	4,00
savings plans holders Due to drawdown annuity policy	-	-	23,258	23,25
holders			2,347	2,34
Total financial liabilities	21,593	-	41,713	63,30
Total interest sensitivity gap	7,778	6,776	20,789	35,343

(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.

December 31, 2015 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:

	2015	2014
	\$	\$
Cash and cash equivalents	12,874	15,100
Trade and other receivables	24,549	21,206
Due by associates	3,397	11,130
Due by affiliates	223	171
Held-to-maturity investments	982	976
Loans due by associate	5,800	5,800
	47,825	54,383

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.

December 31, 2015 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:

	2015	2014
	\$	\$
Cash and cash equivalents		
CIBC FirstCaribbean International Bank (Unrated)	8,226	11,984
Morgan Stanley Private Wealth Management (A-1 by Standard and	-	·
Poor's)	3,193	2,891
	11,419	14,875

(c) Liquidity risk

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

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

December 31, 2015 Expressed in thousands of Barbados dollars

3. Financial Risk Management ... continued

(c) Liquidity risk...continued

		4 months –	Over 5	
December 31, 2015	0-3 months	5 years	years	Total
	\$	\$	\$	\$
Borrowings	1,413	-	-	1,413
Trade and other payables	3,123	-	-	3,123
Due to associates	3,559	-	-	3,559
Due to affiliates	191	-	-	191
Loan payable	95	-	-	95
Deferred income	-	443	-	443
Current income tax liability	-	373	-	373
Loans due to non-controlling interest	894	-	-	894
Fixed income certificates payable	-	16,735	-	16,735
Unsecured fixed income notes payable	-	4,150	-	4,150
Due to registered retirement savings plan	-	-	26,315	26,315
holders				
Due to drawdown annuity policy holders	-	-	3,331	3,331
Dividends payable	1,641	-	-	1,641
Redeemable preference shares		1,097	-	1,097
	10,916	22,798	29,646	63,360

December 31, 2015 Expressed in thousands of Barbados dollars

3. Financial Risk Management ... continued

(c) Liquidity risk...continued

	0-3	4 months -5	Over 5	
December 31, 2014	months	years	years	Total
	\$	\$	\$	\$
Trade and other payables	3,194	-	-	3,194
Due to associates	10,765	-	-	10,765
Due to affiliates	2,149	-	-	2,149
Current portion of loan due to associate	-	119	-	119
Current income tax liability	-	342	-	342
Loans due to non-controlling interest	894	-	-	894
Fixed income certificates payable	-	17,786	-	17,786
Unsecured fixed income notes payable	-	4,330	-	4,330
Due to registered retirement savings plan holders	-	-	23,258	23,258
Due to drawdown annuity policy holders	-	-	2,347	2,347
Dividend payable	1,101	-	-	1,101
Redeemable preference shares	-	-	1,097	1,097
	18,103	22,577	26,702	67,382

December 31, 2015 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 balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratios at December 31, 2015 and December 31, 2014 were 8.26% and 6.05% respectively.

Fair value estimation

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

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

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 Company's cash and cash equivalents, trade and other receivables, short-term borrowings, 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.

December 31, 2015 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, 2015:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets held for trading	2,937	43,213	13	46,163
Financial assets at fair value through profit and loss		-	650	650
	2,937	43,213	663	46,813

The following table presents the Group's assets that are measured at fair value at December 31, 2014:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets held for trading	10,675	32,873	13	43,561
Financial assets at fair value through profit and loss	-	-	705	705
	10,675	32,873	718	44,266

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

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

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

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

The following table presents the changes in Level 3 instruments for the year ended December 31, 2015. Level 3 instruments are financial assets designated at fair value through profit and loss at inception and represents the Group's investments in unquoted equity securities.

December 31, 2015 Expressed in thousands of Barbados dollars

3. Financial Risk Management ... continued

Fair value estimation ... continued

	2015 \$	2014 \$
At the beginning of the year Losses recognised in consolidated statement of comprehensive income	705 (55)	779 (74)
At the end of the year	650	705

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, 2015 are materially different from their fair values at December 31, 2014 and therefore a loss of \$55 (2014 – loss of \$74) was recognised in the consolidated statement of comprehensive income during the year (note 12).

4. Cash and Cash Equivalents

	2015 \$	2014 \$
Cash at bank and in hand	11,384	8,504
Short-term deposits	1,490	6,596
	12,874	15,100

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% (2014– 0.02% to 2.50%). These deposits have an average maturity of 14 days (2014 – 14 days). Short-term deposits with the financial institution were in a US daily dollar account with an interest rate of 0.06% (2014 – 0.05% to 0.20%). The funds in this account are used to invest in equity securities in foreign stock exchanges.

December 31, 2015 Expressed in thousands of Barbados dollars

5. Financial Assets held for Trading

Included within financial assets held for trading of \$46,163 (2014 - \$43,561) is an amount of \$42,713 (2014 - \$32,309), which represents investment in mutual funds managed by a subsidiary.

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

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

A portion of financial assets held for trading of \$26,315 (2014 - \$23,258) is pledged to registered retirement savings plan holders (note 21).

6. Trade and Other Receivables and Prepayments

	2015 \$	2014 \$
Credit card receivables	25,054	23,941
Less: provision for impairment	(3,222)	(3,097)
Credit card receivables – net	21,832	20,844
Other receivables	2,614	259
Corporation tax recoverable	103	103
Prepayments	273	127
	24,822	21,333

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

December 31, 2015 Expressed in thousands of Barbados dollars

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

As of December 31, 2015, trade receivables of \$20,535 (2014 - \$19,517) 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, 2015, trade receivables of \$1,298 (2014 - \$1,327) 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:

	2015 \$	2014 \$
Up to 3 months 3 to 6 months Over 6 months	1,254 43 1	1,303 21 3
	1,298	1,327

As of December 31, 2015, trade receivables of \$3,222 (2014 - \$3,097) were impaired and fully provided for. The ageing of these receivables is as follows:

	2015 \$	2014 \$
Up to 3 months	45	36
3 to 6 months	333	336
Over 6 months	2,844	2,725
	3,222	3,097

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

	2015 \$	2014 \$
Beginning of year	3,097	2,749
Provision for receivables impairment Amounts recovered	1,608 (1,443)	1,572 (1,200)
Receivables written off during the year as uncollectible	(40)	(24)
End of year	3,222	3,097

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

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

The Group does not hold any material collateral as security.

December 31, 2015 Expressed in thousands of Barbados dollars

7. Due by/to Associates

An amount of \$1,760 (2014 - \$1,760) included in due by associates bears interest at a rate of 1.63% (2014 – 4.27%) per annum (see note 15 for terms). All other amounts are interest free, unsecured and have no stated terms of repayment.

8. Due by/to Affiliates

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

9. Trade and Other Payables

	2015 \$	2014 \$
Trade and other payables	3,123	3,194

During 2008, the Fortress Group established a staff share scheme for its employees. Included in trade and other payables is a balance of \$276 (2014 - \$251) which relates to 452,689 (2014 - 414,925) non-voting redeemable shares in Fortress Staff Share Scheme issued to employees of that company.

December 31, 2015 Expressed in thousands of Barbados dollars

10. Investments accounted for using the equity method

a) Investments in Associates

Movement in investments in associates is as follows:

	2015	2014
	\$	\$
At the beginning of the year	61,846	61,744
Acquisitions	-	175
Non-controlling interest on acquisition of subsidiary	(442)	-
Reduction of capital in associates	-	(700)
	61,404	61,219
Dividends received	(910)	(779)
Share of results before tax	4,639	2,527
Share of tax	(1,606)	(1,121)
Share of results, net of tax	3,033	1,406
At the end of the year	63,527	61,846

During 2008, the Company purchased a 40% interest in DGM Financial Group ("DGM"), for \$11,599. Included in this investment was goodwill of \$4,457. The operations of DGM have been accounted for under the equity basis of accounting from September 1, 2008 until December 31, 2015. During the year, the Company purchased an additional 32.7% interest in DGM for no consideration bringing their shareholding to 72.7%. As at December 31, 2015, DGM balance sheet has been consolidated in these financial statements.

During 2014, the group purchased a 35% interest in Canouan CS&F Investment Limited for \$175.

During 2014, the Group received proceeds from capital reductions in Franchise Services Corporation of \$400 and Bridgetown Cruise Terminals Inc. of \$300.

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.

December 31, 2015 Expressed in thousands of Barbados dollars

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

a) 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
2015						
Duty Free Caribbean						
(Holdings) Ltd.	Barbados	77,246	42,441	95,247	116	40%
Bridgetown Cruise						
Terminals Inc.	Barbados	609	203	810	268	20%
GCS Limited	Barbados	2,274	1,759	5,020	509	40%
CSGK Finance (Holdings)						
Limited	Barbados	88,359	76,416	7,812	1,399	40%
CS&C Joint Venture	Barbados	12,047	849	1,103	1,014	16%
The Sunset Joint Venture	Barbados	1,689	331	176	148	16%
	Canada/					
	Barbados/ St.					
DGM Financial Group	Lucia	-	-	-	(423)	40%
Franchise Services Corp/The						
Perfect Time Ltd.	Barbados	95	37	-	12	25%
Contonou Shores Ltd.	Bahamas	3,002	-	-	-	35%
Canouan CS&F Investments						
Limited	St. Lucia	175	-	-	-	35%
Other		224	157	435	(10)	
	-	185,720	122,193	110,603	3,033	

December 31, 2015 Expressed in thousands of Barbados dollars

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

a) Investments in Associates...continued

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

	Country of					%
Name	Incorporation	Assets	Liabilities	Revenues	Profit/(Loss) after tax	interest held
Duty Free Caribbean						
(Holdings) Ltd.	Barbados	81,988	47,299	88,505	(438)	40%
Bridgetown Cruise						
Terminals Inc.	Barbados	535	197	961	285	20%
GCS Limited	Barbados	2,206	2,200	4,439	408	40%
CSGK Finance (Holdings)						
Limited	Barbados	78,037	67,033	7,321	1,304	40%
CS&C Joint Venture	Barbados	11,618	1,434	799	605	16%
The Sunset Joint Venture	Barbados	1,700	490	229	176	16%
	Canada/					
	Barbados/ St.					
DGM Financial Group	Lucia	1,663	798	1,976	(1,039)	40%
Franchise Services Corp/The						
Perfect Time Ltd.	Barbados	343	47	61	24	25%
Contonou Shores Ltd.	Bahamas	3,002	-	-	-	35%
Canouan CS&F Investments						
Limited	St. Lucia	175	-	-	-	35%
Other		234	157	435	81	_
		181,501	119,655	104,726	1,406	

December 31, 2015 Expressed in thousands of Barbados dollars

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

a) Investments in Associates...continued

The amounts recognised in the balance sheet are as follows:	2015 \$	2014 \$
Associates	63,527	61,846
The amounts recognised in the statement of comprehensive income are as follows:		
Associates	3,033	1,406

Set out below are the associates of the group as at December 31, 2015, 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 2015 and 2014:

	Place of	% of		
	business/country	ownership	Nature of	
Name of entity	of incorporation	interest	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.

December 31, 2015 Expressed in thousands of Barbados dollars

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

(d) Investments in Associates...continued

Summarised Balance Sheet

Name 2015	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Total
Current assets	131,238	3,002	5,206	34,860	971	175,277
Current liabilities	86,816	1,018	796	16,618	253	105,501
Non-current assets	61,873	46	479	186,038	74,325	322,761
Non-current liabilities	19,282	-	3,601	174,422	5,055	202,360
Net assets	87,013	2,030	1,288	29,858	69,988	190,177
	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Total
2014						
Current assets	140,311	2,659	4,892	70,681	2,829	221,072
Current liabilities	98,998	985	1,900	77,720	1,080	180,683
Non-current assets	64,658	16	624	124,412	10,081	259,791
Non-current liabilities						
	19,248	-	3,601	89,863	7,880	120,592

During 2015, the Group acquired an additional shareholding of 32.7% in DGM Financial Group to bring their total shareholding at the end of the year to 72.7%. As a result, DGM has been consolidated in these financial statements for 2015. Therefore, DGM has been removed for comparative purposes from this note.

December 31, 2015 Expressed in thousands of Barbados dollars

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

a) Investments in Associates...continued

Summarised statement of comprehensive income

	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Total
2015						
Revenue	238,118	4,050	12,550	19,530	6,894	281,142
Profit from continuing						
operations	2,268	1,813	1,365	5,207	6,338	16,991
Income tax expense	(1,978)	(473)	(92)	(1,709)	-	(4,252)
Post tax profit from						
continuing operations	290	1,340	1,273	3,498	6,338	12,739
Dividends received						
from associate	-	(200)	-	(460)	-	(660)

2014	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Total
Revenue	221,262	4,803	11,096	18,303	4,995	260,459
Profit from continuing						
operations	337	1,793	1,035	4,391	3,780	11,336
Income tax expense	(1,433)	(366)	(16)	(1,131)	-	(2,946)
Post tax (loss)/profit						
from continuing						
operations	(1,096)	1,427	1,019	3,260	3,780	8,390
Dividends received						
from associate	-	(220)	-	(458)	-	(678)

December 31, 2015 Expressed in thousands of Barbados dollars

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

a) Investments in Associates...continued

Reconciliation of summarised financial information

	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Total
2015						
Opening net assets –						
January 1, 2015	86,723	1,690	15	27,510	63,650	179,588
Profit for the year	290	1,340	1,273	3,498	6,338	12,739
Dividends paid	-	(1,000)	-	(1,150)	-	(2,150)
Closing net assets	87,013	2,030	1,288	29,858	69,988	190,177
Interest in associates	34,805	406	515	11,943	11,198	58,867
Carrying Value	34,805	406	515	11,943	11,198	58,867

	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Total
2014						
Opening net assets –						
January 1, 2014 (Loss)/profit for the	87,819	2,863	(1,004)	25,396	59,870	174,944
year	(1,096)	1,427	1,019	3,260	3,780	8,390
Dividends paid	-	(1,100)	-	(1,146)	-	(2,246)
Capital Reduction		(1,500)	-	-	-	(1,500)
Closing net assets	86,723	1,690	15	27,510	63,650	179,588
Interest in associates	34,689	338	6	11,004	10,184	56,221
Carrying Value	34,689	338	6	11,004	10,184	56,221

December 31, 2015 Expressed in thousands of Barbados dollars

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

b) Principal subsidiaries

Summarised financial information of subsidiaries with material non-controlling interests

Summarised Balance Sheet

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

	2015	2014
	\$	\$
Current		
Assets	4,645	3,989
Liabilities	(3,803)	(3,159)
Total current net assets	842	830
Non-current		
Assets	38,364	34,857
Liabilities	(32,877)	(28,830)
Total non-current net assets	5,487	6,027
Net Assets	6,329	6,857
Summarised Income Statement		
	2015	2014
	\$	\$
Revenue	6,675	6,426
Profit before income tax	3,824	3,534
Income tax expense	(771)	(872)
Post tax profit from continuing operations	3,053	2,662
Other comprehensive income	(73)	-
Net profit and total comprehensive income	2,980	2,662
- Total comprehensive income allocated to non-controlling interests	1,090	665
- Dividends paid to non-controlling interests	658	214
Dividends paid to preference shareholders	658	232

December 31, 2015 Expressed in thousands of Barbados dollars

- 10. Investments accounted for using the equity method...continued
 - b) Principal subsidiaries...continued

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

Summarised Cash Flows

	2015	2014
	\$	\$
Cash flows from operating activities		
Cash generated from operations	5,633	10,969
Interest received	73	39
Corporation tax paid	(735)	(962)
Net cash generated from operating activities	4,971	10,046
Net cash used in investing activities	(3,243)	(8,273)
Net cash used in financing activities	(3,290)	(1,158)
Net (decrease)/increase in cash and cash equivalents	(1,562)	615
Cash and cash equivalents at the beginning of the year	3,617	3,002
Cash and cash equivalents at the end of the year	2,747	3,617

December 31, 2015 Expressed in thousands of Barbados dollars

11. Business Combinations

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

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

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

Consideration at December 31, 2015

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

December 31, 2015 Expressed in thousands of Barbados dollars

12. Financial Assets at Fair Value through Profit and Loss

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

	2015 \$	2014 \$
At the beginning of the year Revaluation to market value	705 (55)	779 (74)
At the end of the year	650	705

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

The Group's financial assets at fair value through profit and loss at the end of 2015 mainly comprise its investment in privately held entities. The fair values of these financial assets at December 31, 2015 are materially different from their fair values at December 31, 2014 and therefore a loss of \$55 (2014 – loss of \$74) was recognised in the consolidated statement of comprehensive income during the year.

During the year, the Group sold its investment in Magna Rewards Inc. realising a gain on disposal of \$309 which has been included in the statement of comprehensive income.

13. Intangible Assets

Details of intangible assets are as follows:

	Management
	Contracts
	\$
At December 31, 2015	
Cost	8,444
Accumulated amortisation	(6,403)
Net book value	2,041
At December 31, 2014	
Cost	8,444
Accumulated amortisation	(5,559)
	2.005
Net book value	2,885

December 31, 2015 Expressed in thousands of Barbados dollars

13. Intangible Assets...continued

Movement of intangible assets is as follows:

	Management Contracts \$
Beginning of year – December 31, 2013 Amortisation of intangible asset	3,729 (844)
End of year – December 31, 2014	2,885
	Management Contracts \$
Beginning of year – December 31, 2014 Amortisation of intangible asset	2,885 (844)
End of year – December 31, 2015	2,041

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 (2014 - \$844), of which \$211 (2014 - \$211) relates to the share of non-controlling interest.

December 31, 2015 Expressed in thousands of Barbados dollars

14. **Property, Plant and Equipment**

	Furniture & Equipment	Motor Vehicles	Total
At January 1, 2014			
Cost	4,805	681	5,486
Accumulated depreciation	(4,309)	(510)	(4,819)
Net book value	496	171	667
Year ended December 31, 2014			
Opening net book value	496	171	667
Additions	1,604	-	1,604
Disposals	(4)	-	(4)
Depreciation charge	(277)	(55)	(332)
Closing net book value	1,819	116	1,935
At December 31, 2014			
Cost	6,351	681	7,032
Accumulated depreciation	(4,532)	(565)	(5,097)
Net book value	1,819	116	1,935
Year ended December 31, 2015			
Opening net book value	1,819	116	1,935
Additions	444	232	676
Acquisition of subsidiary	119	53	172
Depreciation charge	(335)	(82)	(417)
Closing net book value	2,047	319	2,366
At December 31, 2015			
Cost	5,727	904	6,631
Accumulated depreciation	(3,680)	(585)	(4,265)
Net book value	2,047	319	2,366

December 31, 2015 Expressed in thousands of Barbados dollars

15. Loans due by Associate

During 2008, the Group advanced \$10,400 to the Duty Free Caribbean group for the purchase of the operations and to assist with the working capital of Colombian Emeralds' distribution and logistics centre in Fort Lauderdale, USA. The loans totalling \$7,560 are unsecured, bear interest at rates between 1.63% and 5.96% (2014 – 4.27% 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 (2014 - \$1,760), has been included in Due by Associates in current assets on the consolidated balance sheet (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 table below outlines where the Group's post-employment amounts and activity are included in the financial statements.

	2015 \$	2014 \$
Balance sheet surplus for:		
- Defined pension benefits	1,219	1,303
Statement of comprehensive income charge/(credit) included in operating profit:		
- Defined pension benefits	32	(6)
Actual remeasurements included in other comprehensive income: - Defined pension benefits	(116)	237

December 31, 2015 Expressed in thousands of Barbados dollars

16. **Pension Plan Surplus**...continued

The amounts recognised in the consolidated balance sheet are as follows:

	2015 \$	2014 \$
Fair value of plan assets Present value of funded obligations	9,978 (8,147)	10,431 (8,449)
Impact of asset ceiling	1,831 (612)	1,982 (679)
Asset in the consolidated balance sheet	1,219	1,303

The impact of the asset ceiling is that \$612 (2014 - \$679) has not been recognised in the consolidated balance sheet because in accordance with IAS 19, this asset can only be recognised to the extent that it can be utilised by the Company.

December 31, 2015 Expressed in thousands of Barbados dollars

16. **Pension Plan Surplus**...continued

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

\$ \$ \$ \$ \$ At January 1, 2015 Current service cost (8,449) 10,431 1,982 (679) 1,303 Current service cost (49) - (49) - (49) Net interest on the net defined benefit asset/(liability) (635) - (635) - (635) Expected return on plan assets - 783 783 - 783 - Administration and other non- plan investment management expenses - (14) (14) - (14) - Interest on impact of asset - (14) (14) - (14) - Interest on impact of asset - (591) - (533) 322 Remeasurements: - (591) - (591) - (591) - Loss from change in financial assumptions - <t< th=""><th></th><th>Present value of obligation</th><th>Fair value of Plan assets</th><th>Total</th><th>Impact of asset ceiling</th><th>Total</th></t<>		Present value of obligation	Fair value of Plan assets	Total	Impact of asset ceiling	Total
Current service cost (49) - (49) - (49) Net interest on the net defined benefit asset/(liability) (635) - (635) - (635) Expected return on plan assets - 783 783 - 783 - Administration and other non- plan investment management expenses - (14) (14) - (14) - Interest on impact of asset - - (53) (53) 32 Remeasurements: - - - (53) 32 Remeasurements: - (591) (591) - (591) - Experience losses on investment - (591) - (591) - Experience gains on obligation 355 - 355 - 355 - Change in asset ceiling - - - 120 120 Octrributions: - - - - - - - Employees (30) 30 - - - - - Plan participants - - - - - -		\$	\$	\$	\$	\$
Net interest on the net defined benefit asset/(liability) (635) - (635) - (635) Expected return on plan assets - 783 783 - 783 - Administration and other non- plan investment management expenses - (14) (14) - (14) - Interest on impact of asset - (14) (14) - (14) - Interest on impact of asset - - (53) (53) ceiling - - (53) (53) Remeasurements: - (591) (591) - (591) - Experience losses on investment - (591) (591) - (591) - Experience gains on obligation 355 - 355 - 355 - Change in asset ceiling - - 120 120 355 (591) (236) 120 (116) Contributions: - - - - - Employees (30) 30 - - - - Plan participants - - - -<	At January 1, 2015	(8,449)	10,431	1,982	(679)	1,303
benefit asset/(liability) (635) - (635) - (635) Expected return on plan assets - 783 783 - 783 - Administration and other non-plan investment management - 783 783 - 783 expenses - (14) (14) - (14) - (14) - Interest on impact of asset - - (53) (53) 32 Remeasurements: - - - (53) 32 Remeasurements: - (591) (591) - (591) - Experience losses on investment - (591) (591) - - - Experience losses on obligation 355 - 355 - - - - Experience gains on obligation 355 - 355 - 355 - <td></td> <td></td> <td>-</td> <td></td> <td>-</td> <td></td>			-		-	
Expected return on plan assets - 783 783 - 783 - Administration and other non-plan investment management - (14) (14) - (14) expenses - (14) (14) - (14) - Interest on impact of asset - - (53) (53) ceiling - - - (53) (53) Remeasurements: - - - (53) 32 Remeasurements: - (591) (591) - (591) - Experience losses on investment - (591) (591) - - - Experience gains on obligation 355 - 355 - 355 - Change in asset ceiling - - - 120 120 Ocntributions: - - - - - - - Employees (30) 30 - - - - - Plan participants - - - - - - - Payments from plans: - <	Net interest on the net defined					
- Administration and other non- plan investment management expenses - (14) (14) - (14) - Interest on impact of asset ceiling <u> (53) (53)</u> (684) 769 85 (53) 32 Remeasurements: - Experience losses on investment - (591) (591) - (591) - Loss from change in financial assumptions <u></u>		(635)	-		-	(635)
plan investment management		-	783	783	-	783
expenses - (14) (14) - (14) - Interest on impact of asset - - (53) (53) ceiling - - - (53) (53) (684) 769 85 (53) 32 Remeasurements: - (684) 769 85 (53) 32 Remeasurements: - (591) - (591) - (591) - Experience losses on investment - (591) (591) - (591) - Loss from change in financial assumptions - - - - - - Experience gains on obligation 355 - 355 - 355 - Change in asset ceiling - - 120 120 355 (591) (236) 120 (116) Contributions: - - - - - Employees (30) 30 - - - - Plan participants - - - - - - Benefit payments 66						
- Interest on impact of asset ceiling <u> (53) (53)</u> (684) 769 85 (53) 32 Remeasurements: - Experience losses on investment - (591) (591) - (591) - Loss from change in financial assumptions - Experience gains on obligation 355 - 355 - Change in asset ceiling <u> 120 120</u> 355 (591) (236) 120 (116) Contributions: - Employees (30) 30 - Plan participants <u></u> - Payments from plans: - Benefit payments <u>661 (661)</u>						
ceiling - - (53) (53) (684) 769 85 (53) 32 Remeasurements: - (591) (591) - (591) - Experience losses on investment - (591) (591) - (591) - Loss from change in financial assumptions - - - - - - Experience gains on obligation 355 - 355 - 355 - Change in asset ceiling - - - 120 120 355 (591) (236) 120 (116) Contributions: - - - - - - Employees (30) 30 - - - - - Plan participants - - - - - - - - Payments from plans: - - - - - - - - Benefit payments 661 (661) - - - - -	-	-	(14)	(14)	-	(14)
(684) 769 85 (53) 32 Remeasurements: - (591) (591) - (591) - Experience losses on investment - (591) (591) - (591) - Loss from change in financial assumptions - - - - - - Experience gains on obligation 355 - 355 - 355 - Change in asset ceiling - - - 120 120 Contributions: - - - - - - - Employees (30) 30 - - - - - Plan participants - - - - - - - Payments from plans: - - - - - - - Benefit payments 661 (661) - - - -	-				(50)	(50)
Remeasurements: - Experience losses on investment-(591)(591)-(591)- Loss from change in financial assumptions Experience gains on obligation - Experience gains on obligation355-355-355-355- Change in asset ceiling120120120Contributions: - Employees Plan participants Benefit payments661(661)	celling	-	-	-		
- Experience losses on investment-(591)(591)-(591)- Loss from change in financial assumptions Experience gains on obligation355-355-355- Change in asset ceiling120120355(591)(236)120(116)Contributions:- Employees(30)30 Plan participants Benefit payments661(661)	-	(684)	769	85	(53)	32
- Experience losses on investment-(591)(591)-(591)- Loss from change in financial assumptions Experience gains on obligation355-355-355- Change in asset ceiling120120355(591)(236)120(116)Contributions:- Employees(30)30 Plan participants Benefit payments661(661)	Remeasurements:					
- Loss from change in financial assumptions		-	(591)	(591)	-	(591)
assumptions - - - - - - - - - - - 355 - 355 - 355 - 355 - 355 - 355 - 355 - 355 120 120 120 120 116) -	-		(002)	(00-)		(001)
- Experience gains on obligation 355 - 355 - 355 - Change in asset ceiling - - - 120 120 355 (591) (236) 120 (116) Contributions: - - - - - Employees (30) 30 - - - - Plan participants - - - - - Payments from plans: - - - - - - Benefit payments 661 (661) - - -	0	-	-	-	-	-
355 (591) (236) 120 (116) Contributions: -	•	355	-	355	-	355
Contributions:- Employees(30)30 Plan participantsPayments from plans: Benefit payments661(661)	- Change in asset ceiling	-	-	-	120	120
- Employees(30)30 Plan participantsPayments from plans: Benefit payments661(661)	-	355	(591)	(236)	120	(116)
- Employees(30)30 Plan participantsPayments from plans: Benefit payments661(661)	Contributions					
- Plan participantsPayments from plans: Benefit payments661(661)		(20)	20			
Payments from plans: Benefit payments661(661)		(30)	30	-	-	-
- Benefit payments 661 (661)		-	-	-	-	-
		661	(661)	-	-	-
	At December 31, 2015	(8,147)	9,978	1,831	(612)	1,219

December 31, 2015 Expressed in thousands of Barbados dollars

16. Pension Plan Surplus...continued

	Present value of obligation	Fair value of Plan assets	Total	Impact of asset ceiling	Total
	\$	\$	\$	\$	\$
At January 1, 2014	(8,953)	10,800	1,847	(775)	1,072
Current service cost	(49)	-	(49)	-	(49)
Net interest on the net defined					
benefit asset/(liability)	(607)	-	(607)	-	(607)
Expected return on plan assets	-	731	731	-	731
- Administration and other non-					
plan investment management		(27)	(27)		(27)
expenses	-	(27)	(27)	-	(27)
 Interest on impact of asset ceiling 				(54)	(54)
	(656)	704	48	(54)	(54)
-	(050)	704	40	(54)	(0)
Remeasurements:					
- Experience losses on investment	-	(390)	(390)	-	(390)
- Loss from change in financial		ζ, γ	. ,		
assumptions	22	-	22		22
- Experience gains on obligation	455	-	455	-	455
 Change in asset ceiling 	-	-	-	150	150
_	477	(390)	87	150	237
Contributions:	(42)	12			
- Employees	(43)	43	-	-	-
- Plan participants	-	-	-	-	-
Paymens from plans: - Benefit payments	726	(726)	-	-	-
At December 31, 2014	(8,449)	10,431	- 1,982	(679)	1,303
AL DECEMBER 31, 2014	(0,449)	10,451	1,902	(079)	1,505

Plan assets are comprised as follows:

	2015	2014
Bonds	3.92%	6.86%
Equities	79.46%	81.57%
Real Estate	5.30%	0.00%
Cash	11.52%	11.57%
Other	(0.20)%	0.00%

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

December 31, 2015 Expressed in thousands of Barbados dollars

16. Pension Plan Surplus...continued

The significant actuarial assumptions are as follows:

	2015	2014
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, 2016 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	8,147
Reduce discount rate by 1% pa	8,951
Increase discount rate by 1% pa	7,464
Reduce salary increase by 0.5% pa	8,087
Increase salary increase by 0.5% pa	8,208
Increase average life expectancy by 1 year	8,376

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

December 31, 2015 Expressed in thousands of Barbados dollars

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 assets.

The weighted average duration of the defined benefit obligation is 13.19 years.

Expected maturity analysis of undiscounted pension as at December 31, 2015:

	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Pension Benefits	663	689	2,218	5,074	8,644

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17. Fixed Income Certificates Payable

The Fixed Income Certificates Payable will mature on June 30, 2017 bear interest at 4.00% to 4.25% (2014 - 4.25% to 4.50%) per annum and have the option of being renewed at the end of June 2016 for a further two years.

18. Unsecured Fixed Income Notes Payable

During 2014, the Company issued Unsecured Fixed Income Notes for a total amount of \$4,000. These Unsecured Fixed Income Notes will mature in two years, bear interest at 4.50% per annum and have the option of being renewed for a further two years.

19. Loan Payable

The Loan payable is set out below:

	2015 \$	2014 \$
Current Liabilities		
Loan due to non-controlling interest (a)	92	-
Loan due to an associate (b)		116
	92	116
Long Term Liabilities		
Loans due to non-controlling interest (c)	816	816
	908	932

- (a) The loan due to non-controlling interest relates to DGM Holdings Inc., is unsecured, bears interest at 3.00% per annum.
- (b) The loan due to an associate relates to DGM Management Services Ltd., is unsecured, bears interest at a rate of 3.00% (2014 3.00%) per annum. This loan was eliminated on consolidation in 2015 since the Group obtained control of DGM as at December 31, 2015.
- (c) Loans due to non-controlling interest relates to Fortress Fund Managers Ltd., are unsecured, have no stated terms of repayment and bear interest at a rate of 9.55% (2014 9.55%) per annum.

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20. Dividends Payable

The Dividends payable comprise the following:

	2015	2014
	\$	\$
Dividend payable to equity holders of the company	1,105	1,101
Dividend payable to non-controlling interest	268	-
Dividend payable to preference shareholders	268	-
	1,641	1,101

21. Due to Registered Retirement Savings Plan Holders

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

	2015	2014
	\$	\$
Fortress Select Fund Option	5,768	5,545
Fortress Managed Option	20,547	17,713
	26,315	23,258

These liabilities are secured by 'Financial Assets held for Trading' of \$26,315 (2014 - \$23,258), (note 5).

22. Borrowings

The Group has overdraft facilities of \$6.0 million (2014 - \$6 million) of which \$1,413 (2014 - \$Nil) was utilised at the balance sheet 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.

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24. Deferred Taxation

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

	2015 \$	2014 \$
Accelerated tax depreciation	15	7

Deferred tax assets of \$749 (2014 - \$1,380) are not recognised for tax loss carry-forwards in some Group companies as the realisation of the related tax benefits through future taxable profits is not probable.

Tax loss carry-forwards amounting to \$5,911 (2014 - \$7,253), which have expiry dates ranging between 2016 and 2023, have not been recognised in these consolidated financial statements.

25. Share Capital

	2015		2014	
	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	18,318,651	38,596	18,343,520	38,648
Issued	11,000	-	-	-
Repurchased during the year	(80,983)	(138)	(24,869)	(52)
End of year	18,248,668	38,458	18,318,651	38,596

The Company repurchased 80,893 (2014 – 24,869) shares for a total consideration of \$211 (2014 - \$62) of which \$73 (2014 - \$10) was eliminated against the retained earnings and \$138 (2014 - \$52) against share capital.

The company issued 11,000 (2014 - Nil) shares to key employees as shares in lieu of bonus.

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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:

	2015		201	4
			Average	
	Average		exercise price	
	exercise price	Options	per share	Options
	per share option		option	
Outstanding at beginning of year	3.76	457,000	4.54	292,000
Granted	3.00	190,000	2.60	185,000
Exercised	-	-	-	-
Forfeited	4.48	(5,000)	-	(20,000)
Expired	-	-	-	-
Outstanding at end of year	3.53	642,000	3.76	457,000
Exercisable at end of year	3.58	578,667	3.94	395,333

Out of the 642,000 outstanding options (2014 – 457,000), 578,667 options (2014 – 395,333) were exercisable. There were no options exercised during the year.

December 31, 2015 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:

			Shares	
Grant-vest	Expiry date	Exercise price	2015	2014
2011-2011	2016	4.48	84,000	87,333
2011-2012	2016	4.48	42,000	43,667
2012-2012	2017	4.60	94,000	94,000
2012-2013	2017	4.60	47,000	47,000
2014-2014	2019	2.60	123,333	123,333
2014-2015	2019	2.60	61,667	61,667
2015-2015	2020	3.00	126,667	-
2015-2016	2020	3.00	63,333	-
Т			642,000	457,000

The weighted average fair value of options granted during 2015 determined using the Binomial Pricing model was \$0.51 per option. The significant inputs into the model were weighted average share price of \$3.53 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 6.0% per annum. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

A total expense of \$83 (2014 - \$36) is recognised in the consolidated statement of comprehensive income for share options granted during the year which is attributed to the remaining 1/3 of the 2014 and 2/3 of the 2015 options granted being vested at year end. All other option grants were fully vested and expensed by December 31, 2014.

December 31, 2015 Expressed in thousands of Barbados dollars

27. Retained Earnings

	2015 \$	2014 \$
Parent company	27,201	26,496
Subsidiary companies	(5,973)	(1,769)
Associated companies	39,836	34,934
	61,064	59,661

During 2014, the Company reclassified the prior year non-controlling interest of \$961 in Fortress Fund Managers Ltd. as a result of the increase in the Company's shareholding from 60% to 75% in the 2011 year.

28. **Revenue from Operations**

	2015 \$	2014 \$
Finance income	4,520	4,488
Dividend income	401	366
Commissions	2,070	2,053
Management fees	6,959	6,876
Miscellaneous	288	321
	14,238	14,104

29. Losses on Financial Assets

	2015 \$	2014 \$
Gain/(loss) on disposal of financial assets at fair value through profit and loss Gain on remeasurement (note 11) Unrealised (loss)/gain on financial assets held for trading and at fair value	564 388	(450) -
through profit and loss	(1,414)	352
	(462)	(98)

December 31, 2015 Expressed in thousands of Barbados dollars

30. Other Losses

	2015 \$	2014 \$
Gain/(loss) on disposal of property, plant and equipment	83	(3)
	83	(3)

31. Payroll Costs

Payroll costs comprise:

	2015	2014
	\$	\$
Salaries	3,929	3,614
National insurance, group health and life	182	169
Pension – defined benefit plan costs	(32)	6
Pension – defined contribution plan costs	124	134
Employee share option expenses (note 26)	83	36
Medical	239	115
Other personnel expenses	48	58
	4,573	4,132

December 31, 2015 Expressed in thousands of Barbados dollars

32. Income Tax Expense

The income tax expense is comprised of the following:

	2015 \$	2014 \$
Current tax on profits for the year Deferred tax charge	766 8	774 2
	774	776

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

	2015 \$	2014 \$
Profit before taxation	4,830	4,321
Corporation tax calculated at 25.0% (2014 – 25.0%)	1,208	1,080
Effect of lower tax rate in other countries	511	(93)
Movement in deferred tax asset not recognised	(734)	(5)
Tax losses expiring unutilised	766	-
Tax effect of items not allowed in determining taxable profit	(977)	(206)
Tax charge	774	776

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.

	2015 \$	2014 \$
Net profit attributable to the equity holders of the parent Weighted average number of ordinary shares issued	3,769 18,305,471	3,091 18,330,758
Basic earnings per share	\$0.21	\$0.17
Weighted average number of ordinary shares for diluted earnings per share	18,947,471	18,787,758
Diluted earnings per share	\$0.20	\$0.16

December 31, 2015 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:

	2015 \$	2014 \$
Cash flows from operating activities		
Profit before taxation	4,830	4,321
Adjustments for:		
Depreciation (note 14)	417	332
Share of results of associates (note 10)	(3,033)	(1,406)
Amortisation of intangible assets (note 13)	844	844
Gain on remeasurement (note 11)	(388)	-
(Gain)/loss on disposal of financial assets held for trading and at fair		
value through profit and loss (note 29)	(564)	450
Unrealised loss/(gain) on financial assets held for trading and at fair		
value through profit and loss (note 29)	1,414	(352)
(Gain)/loss on disposal of property, plant and equipment (note 30)	(83)	3
Pension plan (charge)/credit (note 16)	(32)	6
Employee share option plan expense (note 26)	83	36
Dividend income (note 28)	(401)	(366)
Redeemable preference shares dividends to non-controlling interest	926	231
Interest expense	1,024	976
Operating profit before working capital changes	5,037	5,075
Net change in non-cash working capital items related to operations:		
- Trade and other receivables and prepayments	(1,844)	(448)
- Due by associates	7,733	(426)
- Due by affiliates	(52)	(171)
- Trade and other payables	(670)	281
- Due to associates	(7,206)	700
- Due to affiliates	(1,958)	208
Cash generated from operations	1,040	5,219
Corporation taxes paid	(736)	(862)
Interest paid	(1,024)	(1,012)
Net cash (used in)/generated from operations	(720)	3,345

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35. Related Party Transactions

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

	2015 \$	2014 \$
Finance income	380	427
Management fees	6,959	6,876
Commissions income	877	865
Key Management Compensation:	2015 \$	2014 \$
Salaries	1,399	1,326
NIS	48	48
Medical	70	58
Pension, Group Life	9	7
Share Option Plan	39	28

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

	2015 \$	2014 \$
Directors and Key Management – at interest rates of 4.00% to 4.25% (2014 – 4.25% to 4.50%)	(624)	(619)
	2015 \$	2014 \$
Directors' fees	98	95

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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.

December 31, 2015 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, 2014 and December 31, 2015 is as follows:

	Reta	il	Servi	ces	Tot	al
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Revenue						
Segment revenue	-	-	9,400	9,247	9,400	9,247
Finance income (note 28)					4,520	4,488
Investment income				_	(61)	269
Total Revenue				-	13,858	14,004
Results						
Segment results	-	-	(742)	22	(742)	22
Share of results of associates	625	(30)	2,408	1,436	3,033	1,406
Finance income (net)					3,496	3,512
Employee benefits					(51)	(43)
Dividend income (note 28)					401	366
Investment income (net)				_	(1,307)	(942)
Profit before taxation					4,830	4,321
Income tax expense				_	(774)	(776)
Net profit for the year					4,056	3,545
Non-controlling interest				_	(287)	(454)
Net profit attributable to						
equity holders of the Company				_	3,769	3,091

December 31, 2015 Expressed in thousands of Barbados dollars

36. Segmental Reporting...Continued

	Retail		Services		Total	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
OTHER INFORMATION						
Operating assets Intangible assets and	-	-	49,483	55,470	49,483	55,470
goodwill					2,041	2,885
Investment in associates	35,320	34,696	28,207	27,150	63,527	61,846
Unallocated corporate assets					49,014	46,546
Consolidated Corporate Assets				-	164,065	166,747
Operating liabilities Unallocated corporate	-	-	9,638	17,040	9,638	17,040
liabilities				-	52,504	48,815
Consolidated Corporate Liabilities				_	62,142	65,855
Capital Expenditure	-	-	848	1,604	848	1,604
Depreciation	-	-	417	331	417	331
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.

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37. Contingencies

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

38. Commitments

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

39. Comparatives

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

NOTES

PROXY FORM

CAVE SHEPHERD & CO. LIMITED COMPANY NO: 21716

PROXY FORM

FOR USE AT THE FORTY-FIFTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 21ST 2016 AT 5:30 PM.

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

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

(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-FIFTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 21ST 2016, and any adjournment thereof.

Name of Shareholder(s)

of

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.
- 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.
 To be valid, this proxy must be signed and deposited with the Group Corporate Secretary at 1st Floor, 24 Broad Street, Bridgetown, St. Michael, Barbados or email corporatesecretary@caveshepherd.com, no later than 4.00 p.m. (Barbados time) on April 18th 2016, or if the Meeting is adjourned not less than 48 hours (excluding Sundays and Bank Holidays) before any adjourned Meeting.

PLEASE COMPLETE AND RETURN.



CaveShepherdeCo

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

www.caveshepherd.com