

Cave Shepherd & Co. Limited

# ANNUAL REPORT & FINANCIAL STATEMENTS 2014

*Cave Shepherd & Co*

CHANGING • GROWING





our vision

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

*Cave Shepherd & Co*

CHANGING • GROWING

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# NOTICE OF ANNUAL GENERAL MEETING

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Notice is hereby given that the FORTY-FOURTH 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 **Tuesday the 21<sup>st</sup> day of April, 2015 at 5:30 p.m.** The Agenda is as follows:

1. To receive and consider the Audited Consolidated Financial Statements for the year ended 31 December 2014. Together with the reports of the Directors and Auditors thereon.
2. (a) To consider and, if thought fit, approve the:
  - i. Renewal of the Key Employee Stock Option Plan for a further five (5) years commencing 1 January 2016 for a total allocation of up to 900,000 common shares;
  - ii. Exercise price under the Plan to be the average closing price for four (4) trading days before and four (4) trading days after the beginning of the financial year to which the stock option relates;
  - iii. Allocation of up to 100,000 common shares for the purpose of enabling eligible employees to acquire shares in the Company in part payment of an annual Profit Sharing Bonus Scheme as permitted under the Income Tax Act Cap 73; and
  - iv. Issue price for eligible employees to acquire shares in the Company as permitted under the Income Tax Act Cap 73 to be the full market price at the time of allocation.

(b) To authorize the Directors and/or Officers of the Company to do all things necessary or desirable in connection with foregoing resolutions.\*
3. To elect Directors:
  - (i) the following Directors retire by rotation in accordance with paragraphs 3.9 and 3.10 of the revised by-laws and being eligible, offer themselves for re-election for the term stated:

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

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

By order of the Board of Directors

  
Hanna M. Chrysostom  
Group Corporate Secretary

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*\*The full text of the resolution to be submitted to the Meeting and referred to in item 2 above is attached to the Notice as Appendix A*

## PROXIES:

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

## DELIVERY OF PROXIES:

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



# APPENDIX A

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## TEXT OF RESOLUTION

**WHEREAS:** At their Annual General Meeting held on the 23 April 2009 the Shareholders approved a Key Employee Share Option Plan (“the Plan”) which permitted the allocation of 900,000 common shares over a five (5) year period to senior management of Cave Shepherd & Co. Limited (“the Company”) and key management employees of its subsidiaries and associated companies (“key employees”) and the first grant of options was made on the 1 January 2011;

**WHEREAS:** As at the date hereof there is one (1) year remaining on the term of the Plan; six hundred and sixty seven thousand (667,000) options were granted, twenty thousand (20,000) of which expired and no options have yet been exercised by key employees during the period;

**WHEREAS:** The Board of Directors (“the Directors”) of the Company considers the extension of the Plan to be in the best interest of the Company and its shareholders as a whole;

**WHEREAS:** The Directors wish to renew the Plan for a further five (5) years commencing 1 January 2016 for a total allocation of 900,000 common shares;

**WHEREAS:** The exercise price under the Plan shall be the average closing price for four (4) trading days before and four (4) trading days after the beginning of the financial year to which the stock option relates;

**AND WHEREAS:** The Income Tax Act Cap 73 permits employees to acquire shares in the Company in part payment of an annual Profit Sharing Bonus Scheme (“the Scheme”);

**WHEREAS:** The Directors are of the opinion that eligible employees should participate in the Scheme and that to do so is in the best interest of the Company and its shareholders;

**WHEREAS:** The Directors wish to allocate a total of 100,000 common shares under the Scheme;

**WHEREAS:** The issue price for the purchase of 100,000 common shares under the Scheme shall be the full market price at the time of allotment

### NOW BE IT RESOLVED AS FOLLOWS:

**THAT** the Plan be renewed for a further five (5) years commencing 1 January 2016 for a total allocation of up to 900,000 common shares;

**THAT** the exercise price under the Plan shall be the average closing price for four (4) trading days before and four (4) trading days after the beginning of the financial year to which the option relates;

**THAT** the allocation of up to 100,000 commons shares under the Scheme be confirmed;

**THAT** the full market price at the time of allotment is the issue price for the purchase of 100,000 common shares under the Scheme be confirmed;

**THAT** the Directors and/or Officers of the Company be and are hereby authorized to do all that is necessary to give effect to the foregoing resolutions.

# CORPORATE INFORMATION

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## 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: +1 246 227 1330  
Facsimile: +1 246 431 0845  
Email: [info@caveshepherd.com](mailto:info@caveshepherd.com)  
[www.caveshepherd.com](http://www.caveshepherd.com)

## AUDITORS

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

## PRINCIPAL BANKERS

CIBC FirstCaribbean International Bank  
(Barbados) Limited  
Rendezvous, Christ Church  
Barbados

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

## ATTORNEYS-AT-LAW

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

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

## REGISTRAR & TRANSFER AGENT

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



# GROUP COMPANIES

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## SUBSIDIARY COMPANIES

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

## ASSOCIATED COMPANIES

	OWNERSHIP	JURISDICTION
Duty Free Caribbean (Holdings) Ltd.	40%	Barbados
Duty Free Caribbean Limited	40%	Barbados
DFC Services Corp	40%	United States
Duty Free Caribbean Emeralds (St. Lucia) Ltd.	40%	St. Lucia
Duty Free Caribbean (Grenada) Ltd.	40%	Grenada
Ashworth Limited	40%	Bahamas
Duty Free Caribbean (Cayman) Holdings Ltd.	40%	Cayman
CS (Cayman) Ltd.	16%	Cayman
Emerald Distributors Limited	40%	Cayman
Duty Free Caribbean (TCI) Ltd.	40%	Turks & Caicos Islands
Duty Free Caribbean (Jamaica) Ltd.	40%	Jamaica
Duty Free Caribbean (Curacao) N.V.	40%	Curacao
Colombian Emeralds International N.V.	40%	Aruba
Colombian Emeralds International Limited	40%	St. Lucia
CEI Limited	40%	Antigua
Deltamar N.V.	40%	St. Maarten
DFC (USVI) Ltd.	40%	St. Thomas, USVI
DFC Investments Ltd.	40%	Barbados
Amoro Holdings Ltd.	20%	Barbados
Caribworld Inc.	20.4%	St. Lucia
Caribworld (Trinidad) Ltd.	20.4%	Trinidad
Carib Home Shopping Ltd.	20.4%	Jamaica
Bridgetown Cruise Terminals Inc.	20%	Barbados
DGM Holdings (Canada) Inc.	40%	Canada
DGM Bank & Trust Inc.	40%	Barbados
DGM Trust Corporation	40%	Barbados
DGM Insurance Corporation	40%	Barbados
DGM Securities Limited	40%	Barbados
Fowling Overseas Limited	40%	British Virgin Islands (BVI)
DGM Management Services Limited	40%	Barbados
DGM Captive Management Inc.	40%	Barbados
DGM Holdings Inc.	40%	St. Lucia
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



Fortress Fund Managers' Marketing Manager Kim Howard (right) presents a medal to Xavier Lawrence, winner of the Boys Under-16 and 18 Divisions at the 2014 Fortress/NASSCO Junior Tennis Series.



# ASSOCIATE COMPANIES



**Top:** Fortress Fund Managers' Pensions Director, René Delmas responds to a question from the audience at the Annual Fortress Investment Forum

**Bottom(L):** Audience at Annual Forum

**Bottom(R):** Fortress Managers chat with Forum guests

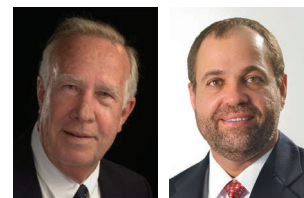


# DIRECTORS' REPORT



Cave Sheperd Broad Street Fragrance Department

# DIRECTORS' REPORT



Cave Shepherd & Co. Limited improved its earnings for the year ended 31 December 2014 recording a net profit of \$3.1 million and Earnings per Share (EPS) of \$0.17 compared to a net loss of \$(8.3) million and negative EPS of \$(0.45) in the prior year. However, if the large, one-off expense of \$(10.1) million relating to DGM Bank in the 2013 results was excluded, last year would have reflected a profit of \$1.8 million with EPS of \$0.10. Although the Company's financial performance has not yet returned to historical levels, or indeed to its full potential, we are pleased to report continued improvements in the operational results. This profitability was largely driven by consistent performance of our local financial services businesses, Fortress Fund Managers Limited and Signia Financial Group Inc., together with improvements in our retail businesses of Duty Free Caribbean (Holdings) Ltd and GCS Limited (Ganzeer).

Our Balance Sheet remains strong with more than comfortable levels of working capital and excellent liquidity. At 31 December 2014 our cash and marketable securities, excluding amounts held on behalf of Fortress Pension Fund clients, was \$35.4 million. During the year, the Company issued its first tranche for \$4 million of an Unsecured Fixed Income Note and we are pleased to report that this was fully subscribed. The funds were raised to finance the continued expansion of the Cave Shepherd Card portfolio and additional tranches will be issued to support the future growth of the Card.

The Company maintained the dividend at \$0.06 per share for both interim and final dividend payments, totaling

\$0.12 per share for the full year. Our expectation is that with the continued trend of improving profitability we can start to increase the dividend again. Throughout the year the Company continued the Share Buy Back program repurchasing 24,869 shares at prices ranging from \$2.32 to \$3.00. At 31 December 2014 the closing share price on the Barbados Stock Exchange was \$3.00 per share, compared to \$2.70 at the end of 2013.

## RETAIL

Our associate, Duty Free Caribbean (Holdings) Ltd, produced an improved result albeit still recording a net loss. Overall regional sales were down 2.6%, but we were encouraged by our Colombian Emeralds International division which recorded a 5.9% increase in sales. This division mainly caters to visitors to the Caribbean and benefited from the increased passenger numbers and the spending power of these tourists as economies in their home markets strengthened. On the other hand, local sales in Barbados continue to be depressed as there was little change in the sluggish local economy. Strong cost controls remained a priority and during the year a 170kW photovoltaic system and energy efficient air conditioning units were installed at our Broad Street main store. These, together with the 120kW system installed at our Sunset Crest store in 2013 have greatly reduced our utility costs. Further investment is planned for the Broad Street store including a new food court on the top floor which is scheduled for completion in 2015.

GCS Limited (Ganzeer) recorded an improvement in



# DIRECTORS' REPORT

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# DIRECTORS' REPORT

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profitability as it benefited from almost a full year's contribution from the Cave Shepherd souvenir business which it acquired in late 2013, as well as commendable sales growth in its existing stores. Towards the end of the year, Ganzee opened its newest store at Quayside and this is performing to expectations.

## FINANCIAL SERVICES

Fortress Fund Managers Limited recorded another solid year of performance. The largest and best known of its funds, the Fortress Caribbean Growth Fund, produced a modest 2% return but this should be judged in the context of regional stock market declines in the three major territories where it invests - Barbados, Trinidad & Tobago and Jamaica. The Fortress pension business continues to perform well and the Fortress International Funds, although relatively new, are giving investors good returns.

The Cave Shepherd Card performed well with continued growth driven by the new merchant partners which have been added in the previous year. In 2014, we welcomed two new merchant partners further expanding the opportunities for our Cardholders to make use of the Card. Delinquency levels remain well controlled. The Cave Shepherd Card offers many prospects for growth and we are actively pursuing these areas.

Signia Financial Group Inc. recorded a creditable performance albeit with profitability slightly down on the prior year as a new asset tax was imposed on financial institutions. The Signia team continues to manage

the business well in difficult market conditions and we continue to explore opportunities for growth in this line of business.

DGM's focus in 2014 was on stabilization and repositioning itself for future profitability. Towards the end of the year, the decision was taken to close down the banking side of the business which was no longer profitable, and to retain and refocus on the corporate, trust and insurance management businesses that are profitable. Overall, DGM recorded a significant loss in 2014 arising from the continued operations of the banking business and the substantial restructuring expenses incurred in closing the bank. Management expects to have the restructuring completed in the first half of 2015, and thereafter the refocused entity should return to profitability.

## OTHER

From the beginning of 2014 Bridgetown Cruise Terminals Inc. has operated under a new short-term lease. It has performed to expectations under the new lease arrangement. The timing of the proposed new Sugar Point Development has not yet been finalized and so we are not in a position to determine how long Bridgetown Cruise Terminals Inc. will operate under the interim lease arrangement.

REPower (Barbados) Inc., the wind turbine project in which we have invested, continues to gather valuable wind data from various sites around the island and has formally submitted an application for permission to construct its

## DONATIONS AT WORK



Mrs. Alison Browne-Ellis, Director - Card Services Division, making a donation to the Boy Scout Pack of St. Gilkes Primary School.



# DIRECTORS' REPORT

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first turbine. Regrettably, in the absence of regulations for the new Electric Light & Power Act, REPower has not been able to progress its application to be an Independent Power Producer. We are hopeful that this will be in place in early 2015 to allow Barbados to further progress in its move towards renewable energy.

Radnor Hospital Inc. in which we have a minority investment experienced considerable delays in its first phase, which entails the establishment of a surgery and birthing center in Belleville. However, work is far advanced and we anticipate that the centre will be opened shortly.

## COMMUNITY SPIRITEDNESS

The Cave Shepherd Group maintained its support to a number of organizations that respond to the needs that exist within our communities through our annual covenants and donations. The Group's sponsorship focus was primarily in the areas of health, education, youth, sports and cultural development. Collectively as the Cave Shepherd Group we continue to uphold the principle of giving back to the people of our nation who have remained supportive of all of our businesses over the years.

## CONCLUSION

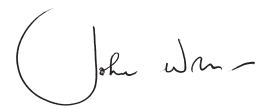
We are pleased to report to Shareholders a much improved performance for the year ended 31 December 2014, but we also recognize that more has to be done. Our retail businesses benefited from the improved tourism numbers and spending and if these trends continue then this will

be to our advantage. Our overall strategy remains to continue to pursue growth and increased profitability in existing retail and financial services businesses, whilst at the same time seeking investment opportunities in new sectors. We recognize that this strategy may take some time to develop but our conviction is that these are critical elements to ensure a profitable and sustainable Cave Shepherd in the future.

In closing, we wish to thank our shareholders, customers, staff, management and the communities in which we do business for their ongoing support for the Company over the past year.



R. Geoffrey Cave  
Chairman



John M. B. Williams  
Chief Executive Officer

12 March 2015



# CORPORATE GOVERNANCE

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The Board of Directors (“the Board”) of Cave Shepherd 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 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, DGM Bank & Trust Inc., Duty Free Caribbean (Holdings) Ltd, and Signia Financial Group Inc. He also serves as Chairman of subsidiaries, Fortress Fund Managers Limited and Fortress Caribbean Property Fund Limited, SCC. Mr. Cave also serves as Pension Plan Trustee.

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**  
1970

**TERM OF OFFICE**  
2014

**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., DGM Bank & Trust Inc., Duty Free Caribbean (Holdings) Ltd, GCS Limited and Signia Financial Group Inc. associates of Cave Shepherd. He is also a Director on the following subsidiary companies; 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 Chairman of the Barbados Investment & Development Corporation, President of the Barbados Chamber of Commerce and Industry and Deputy President of the Institute of Chartered Accountants of Barbados.

Mr. Williams 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**  
2014



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**Professor V. Eudine Barriteau, GCM**

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



Eudine Barriteau was elected to serve on the Board of Cave Shepherd in 2008. She is 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) Open Campus. She has previously held the positions of Deputy Principal,

Cave Hill Campus and Head of the Centre for Gender and Development Studies, University of the West Indies, a position she held for fifteen (15) years.

**NATIONALITY**  
Grenadian

**POSITION WITH CAVE SHEPHERD**  
Independent Director

**DATE OF FIRST ELECTION**  
2008

**TERM OF OFFICE**  
2017

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**Roger M. Cave, CA, CFA**

Investment Director  
Fortress Fund  
Managers Limited  
Born 1966



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

Mr. Cave serves as a Director on the Board of Duty Free Caribbean (Holdings) Ltd and DGM Trust & Bank Inc., associates of Cave Shepherd. 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 also a fellow of the Institute of Chartered Accountants of Barbados (FCA).

**NATIONALITY**  
Barbadian

**POSITION WITH CAVE SHEPHERD**  
Executive Director

**DATE OF FIRST ELECTION**  
1997

**TERM OF OFFICE**  
2014

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**Maureen D. Davis**

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



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

**NATIONALITY**  
Barbadian

**POSITION WITH CAVE SHEPHERD**  
Executive Director

**DATE OF FIRST ELECTION**  
2007

**TERM OF OFFICE**  
2017

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**Robert M. Harvey-Read, B. Comm**

Retail Manager,  
Automotive Art  
Born 1964



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

Mr. Harvey-Read recently joined the Automotive Art Group as the South Florida Retail Manager for the US Retail Division. He is the founder of CS LED Inc. and Cornerstone Builders Direct. 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**  
2014

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**Edward J. L. Ince, BSc**

Joint Managing Director,  
Prism Services Group Inc.  
Born 1962



Edward Ince joined the Cave Shepherd Board 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

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



Lyden Ramdhanny was appointed to the Cave Shepherd Board in 2008. He is the Chairman of the Audit Committee and a member of the Corporate Governance & Nomination Committee. Mr. Ramdhanny previously served as a Director on the Board of Duty Free Caribbean (Holdings) Ltd an associate of the company for five (5) 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

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



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

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

**NATIONALITY**  
Barbadian

**POSITION WITH CAVE SHEPHERD**  
Executive Director

**DATE OF FIRST ELECTION**  
2007

**TERM OF OFFICE**  
2015

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**M. Grantley Taylor**  
Retired Business  
Executive  
Born 1939



Grantley Taylor has served on the Board of Cave Shepherd 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 retired having spent most of his working career at Cave Shepherd. He also served as the Company's Corporate Secretary 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**  
Barbadian

**POSITION WITH CAVE SHEPHERD**  
Independent Director

**DATE OF FIRST ELECTION**  
1991

**TERM OF OFFICE**  
2014

## DIRECTORS' SHAREHOLDINGS

Directors' shareholdings in Cave Shepherd & Co. Limited as at December 31, 2014 and as at March 12, 2015, are as follows:

	Shares as at December 31, 2014		Shares as at March 12, 2015	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
R. G. Cave	5,858,534	-	5,858,534	-
V. E Barriteau	-	-	-	-
R. M. Cave	315,235	-	317,735	-
M. D. Davis	79,184	-	79,184	-
R. M. Harvey-Read	22,465	-	22,465	-
E. J. L. Ince	121,407	-	121,407	-
L. J. Ramdhanny	-	-	-	-
R. G. Simpson	68,816	-	68,816	-
M. G. Taylor	54,034	-	54,034	-
J. M. B. Williams	51,602	-	54,102	-

Directors' Interest in the Company's Share Option Plan as at December 31, 2014 is as follows:

Year	Granted	Vested	Exercised	Unvested	Total	Exercise Price
2014	40,000	26,667	-	13,333	40,000	\$2.60
2012	40,000	40,000	-	-	40,000	\$4.60
2011	40,000	40,000	-	-	40,000	\$4.48
	120,000	106,667	-	13,333	120,000	

The market price of Cave Shepherd shares at December 31, 2014 was \$3.00.

## 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

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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 Mandate can be found on the Company's website at [www.caveshepherd.com](http://www.caveshepherd.com)

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

During 2014 the Board had four (4) formal meetings and on at least two (2) occasions requests for round robin decisions were made in between 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 Cave Shepherd's strategy for the next five (5) years. 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.

	<b>Board Meetings</b>	<b>Audit Committee Meetings</b>	<b>Corporate Governance &amp; Nomination Committee Meetings</b>	<b>Total</b>
R. G. Cave	5/5			5/5
V. E. Barriteau	4/5		3/3	7/8
R. M. Cave	5/5			5/5
M. D. Davis	4/5			4/5
R. M. Harvey-Read	5/5	2/3		7/8
E. J. L. Ince	5/5			5/5
L. J. Ramdhanny	5/5	3/3	3/3	11/11
R. G. Simpson	5/5			5/5
G. M. Taylor	5/5	3/3	3/3	11/11
J. M. B. Williams	5/5			5/5

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## ONGOING DIRECTOR DEVELOPMENT

During 2014 ongoing Directors' education focused on Foreign Account Tax Compliance Act (FATCA), 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 2014 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

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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 Director 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 External 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 function, reviewing the Internal Auditor's assessment of the adequacy and effectiveness of Cave Shepherd's internal controls, legal and regulatory compliance and risk management.

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

## AUDIT COMMITTEE OPERATIONS

The principal business for 2014 included:

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

## AUDIT FEES

Audit Fees for the Group are as follows:

	2014 (000's)	2013 (000's)
Audit fees	\$177	\$184
Audit related fees	\$22	\$31
Tax fees	\$16	\$16
TOTAL	\$215	\$231

# BOARD COMMITTEES CONT'D

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## 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 Director is an individual who meets the independence requirements of the Company's Corporate Governance Policy.

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

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

## CORPORATE GOVERNANCE & NOMINATION COMMITTEE OPERATIONS

The Committee's principal business for 2014 included:

- Reviewing and recommending for amendment to the Board various Company policies and Committee charters;
- Reviewing compliance with legal and regulatory requirements; and
- Overseeing the conduct of the Board and Committees performance evaluations

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## EXECUTIVE MANAGEMENT & GROUP CORPORATE SECRETARY

The following sets forth the name and year of appointment of the current four (4) members of the 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., DGM Bank & Trust Inc., Duty Free Caribbean (Holdings) Ltd, GCS Limited and Signia Financial Group Inc. associates of Cave Shepherd. He is also a Director on the following subsidiary companies; 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**  
2006

**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 a Director on the Boards of Bridgetown Cruise Terminal Inc. and GCS Limited, associates of the Company. As CFO, he is responsible for the administrative, financial and risk management operations of the Company.

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

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

**NATIONALITY**  
Barbadian

**POSITION WITH CAVE SHEPHERD**  
Chief Financial Officer

**YEAR OF APPOINTMENT**  
2000

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**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 Cave Shepherd's governance framework and as Cave Shepherd's In-House Counsel, she also offers legal and regulatory advice and conducts legal research for the benefit of 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

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



Alison Browne-Ellis is employed as 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 card management industry.

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

**NATIONALITY**  
Barbadian

**POSITION WITH CAVE SHEPHERD**  
Director - Card Services

**YEAR OF APPOINTMENT**  
2011

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**Roger M. Cave,  
CA, CFA**

Investment Director  
Fortress Fund  
Managers Limited  
Born 1966



Mr. Roger Cave is founder and Investment Director of Fortress Fund Managers Limited, a subsidiary of Cave Shepherd. The firm manages a suite of mutual funds, namely the Fortress Caribbean Growth Fund, Fortress Caribbean Property Fund, Fortress Caribbean Pension Fund and Fortress Caribbean High Interest Fund. Mr. Cave also serves as a Director on the Board of Duty Free Caribbean (Holdings) Ltd and DGM Bank & Trust Inc., associates of Cave Shepherd.

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 also a fellow of the Institute of Chartered Accountants of Barbados (FCA).

**NATIONALITY**

Barbadian

**POSITION WITH CAVE SHEPHERD**

Director

**YEAR OF APPOINTMENT**

1997

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## EXECUTIVE MANAGEMENT'S SHAREHOLDINGS (All Beneficial)

Executive Management's shareholdings as at December 31, 2014 and as at March 12, 2015, are as follows:

	<b>Shares as at December 31, 2014 Common Shares</b>	<b>Shares as at March 12, 2015 Common Shares</b>
J. M. B. Williams	51,602	54,102
I. P. Gibson	28,934	31,434
H. M. Chrysostom	-	2,000
R. M. Cave	315,235	317,735
A. E. Browne-Ellis	213	1,713

# MANAGEMENT PROXY CIRCULAR

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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-Fourth Annual General Meeting of Shareholders of Cave Shepherd & Co. Limited (“the Company”) to be held at the **Lloyd Erskine Sandiford Centre on Tuesday the 21st day of April 2015 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 Friday 17th April 2015.**

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

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

## 2. RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed **Wednesday the 18th day of March 2015** as the Record Date for determining the Shareholders entitled to receive Notice of the Meeting, and have given notice thereof by advertisement as required by the Companies Act. Only the Shareholders of the Company at the close of business on that day will be entitled to receive Notice of the Meeting.

Shareholders are voting on the following the:

1. a) renewal of the Key Employee Stock Option Plan for a further five (5) years commencing 1 January 2016 for a total allocation of up to 900,000 common shares;  
b) exercise price under the Plan shall be the average closing price for four (4) trading days before and four (4) trading after the beginning of the financial year to which the option relates;  
c) allocation of up to 100,000 common shares for the purpose of enabling eligible employees to acquire shares in the Company in part payment of an annual Profit Sharing Bonus Scheme as permitted under the Income Tax Act Cap 73;  
d) issue price for eligible employees to acquire shares in the Company as permitted under the Income Tax Cap 73 to be the full market price at the time of allocation; and  
e) to authorise the Directors and/or Officers of the Company to do all things necessary or desirable in connection with the foregoing resolutions
2. the adoption of the Audited Consolidated Financial Statements for the year ended 31 December 2014;
3. the election of Directors; and
4. 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 18,365,601 common shares without par value of the Company issued and outstanding.

# MANAGEMENT PROXY CIRCULAR

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

The Audited Consolidated Financial Statements of the Company for the year ended 31 December 2014 and the Auditor's Report thereon can be found on the Company's website [www.caveshepherd.com](http://www.caveshepherd.com).

## ITEM 2 - ALLOCATION OF SHARES FOR ALLOTMENT UNDER VARIOUS COMPANY SCHEMES

1. At their Annual General Meeting held on 23 April 2009 Shareholders approved the Key Employee Stock Option Plan ("the Plan") which permitted the allocation of up to 900,000 common shares over a five (5) year period. The first grant was made on the 1 January 2011. As at the date hereof there is one (1) year remaining under the Plan and approximately 233,000 common shares remain for allocation from the said 900,000 common shares authorised in 2009. The Company is desirous of renewing the Plan on the same terms and that the exercise price shall be the average closing price for four (4) trading days before and four (4) trading days after the beginning of the financial year to which the option relates.
2. The Income Tax Act Cap 73 permits eligible employees to acquire shares in the Company in part payment of an annual Profit Sharing Bonus Scheme ("the Scheme"). The Company is desirous of allocating 100,000 common shares under the Scheme for its eligible employees and that the issue price shall be the full market price at the time of allocation.

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

*The Board of Directors is of the opinion that the proposed Resolutions are in the best interest of the Company and its Shareholders and recommend that Shareholders VOTE FOR the adoption of the Resolutions.*

## ITEM 3 - ELECTION OF DIRECTORS

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

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

- (ii) the following Directors, having attained the age of 72, retire in accordance with paragraph 3.10 of the revised by-laws and being eligible, offer themselves for re-election for the term stated:

Mr. R. Geoffrey Cave	1 year
Mr. M. Grantley Taylor	1 year

With respect to the first three (3) persons nominated, namely **Mr. Roger M. Cave, Mr. Robert M. Harvey-Read and Mr. John M. B. Williams**, the term of office for each person so elected will expire at the close of the third annual meeting of the Shareholders of the Company following his election or until his successor is elected or appointed. Each of the first three (3) nominees is now a Director of the Company and will retire at the close of the forty-fourth annual meeting in accordance with the provisions of the By-Laws of the Company, but being qualified, is eligible for re-election. **Mr. Roger M. Cave, Mr. Robert M. Harvey-Read and Mr. John M. B. Williams** were elected as Directors at the Shareholders meeting held on 26 April 2012. These nominees are being recommended in accordance with paragraphs 3.9 and 3.10 of the revised By-Laws.

# MANAGEMENT PROXY CIRCULAR

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The remaining nominees, **Mr. R. Geoffrey Cave** and **Mr. M. Grantley Taylor**, are currently Directors of the Company and are being proposed for election. These nominees, having attained the age of 72, are being recommended by the Board in accordance with paragraph 3.10 of the By-Laws.

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

## ITEM 4 - APPOINTMENT OF AUDITORS

The Company's Auditors, PricewaterhouseCoopers, SRL ("PwC") retire at the close of the forty-fourth Annual General Meeting. At the end of the financial year the Audit Committee ("the Committee") invited and considered fee proposals from three (3) audit firms namely PwC, BDO and Ernst & Young. The audit firms made presentations to the Committee and each proposal and presentation was carefully assessed. On completion of the exercise the Committee recommended to the Board of Directors ("the Board") that Ernst & Young be appointed as the Auditors of the Company and the Board has accepted this recommendation.

It is therefore proposed that Shareholders confirm the appointment of Ernst & Young as the Auditors of the Company until the next Annual General Meeting.

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

*The Directors recommend that Shareholders VOTE FOR the appointment of Ernst & Young, Chartered Accountants, as the Auditors of the Company until the next Annual General Meeting.*

## DISCRETIONARY AUTHORITY

The enclosed form of proxy confers discretionary authority upon the persons named with respect to amendments to or variations in matters identified in the Notice of Meeting, or other matters that may properly come before the Meeting.

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

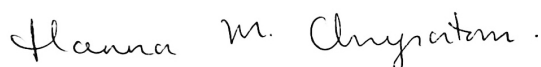
The contents of this Management Proxy Circular and the sending thereof to the Shareholders of the Company have been approved by the Directors of the Company.

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

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

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

Dated 12th March 2015



Hanna M. Chrysostom  
Group Corporate Secretary

## FINANCIAL HIGHLIGHTS

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# FINANCIAL HIGHLIGHTS

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For the year ended December 31, 2014  
Expressed in Barbados dollars

	2014	2013
	\$	\$
<b>RESULTS FOR THE YEAR (in \$ millions)</b>		
Revenue from operations and other gains	<b>14.00</b>	14.62
Profit/(Loss) before taxation	<b>4.32</b>	(6.94)
Net profit excluding DGM Bank & Trust write-off	<b>3.09</b>	1.90
Total DGM write-off	-	(10.16)
Net profit/(loss) attributable to equity holders of the Company	<b>3.09</b>	(8.26)

## YEAR END POSITION (in \$ millions)

Working capital	<b>73.63</b>	62.41
Total assets	<b>166.75</b>	153.49
Equity	<b>100.89</b>	99.55

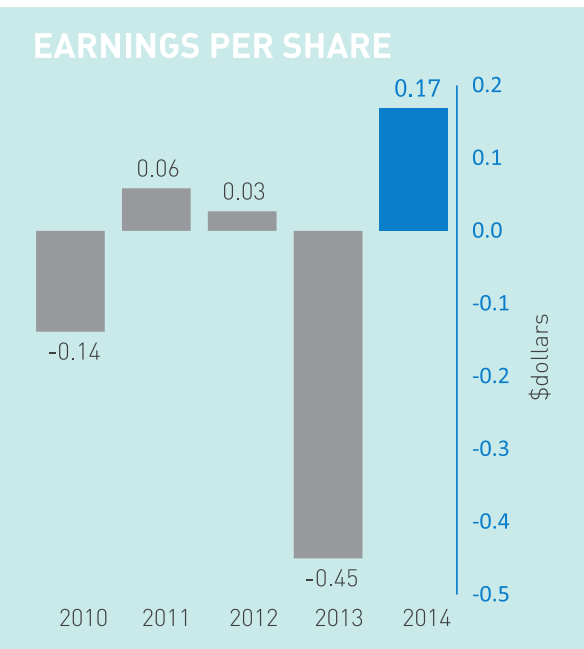
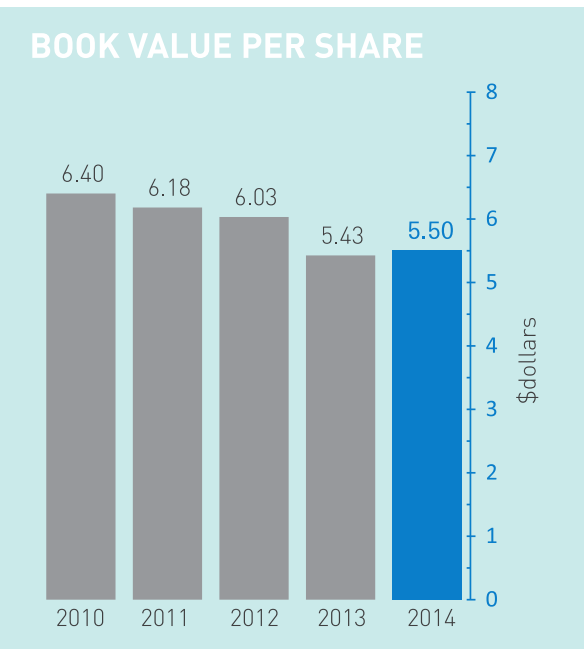
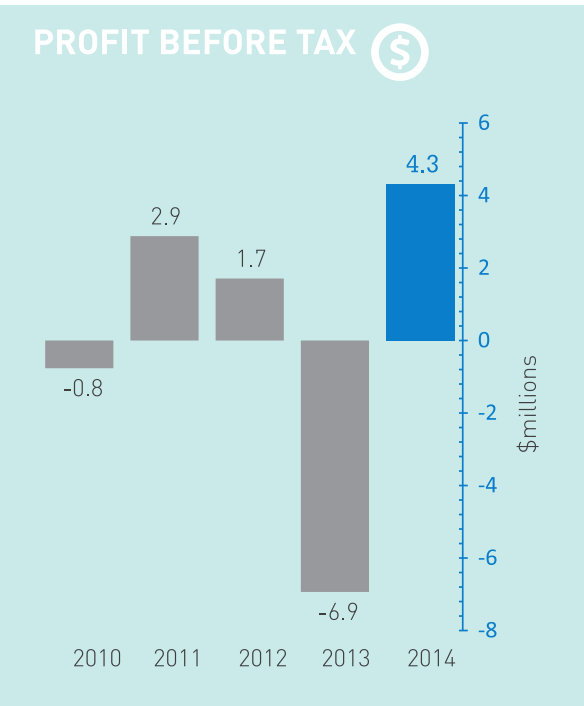
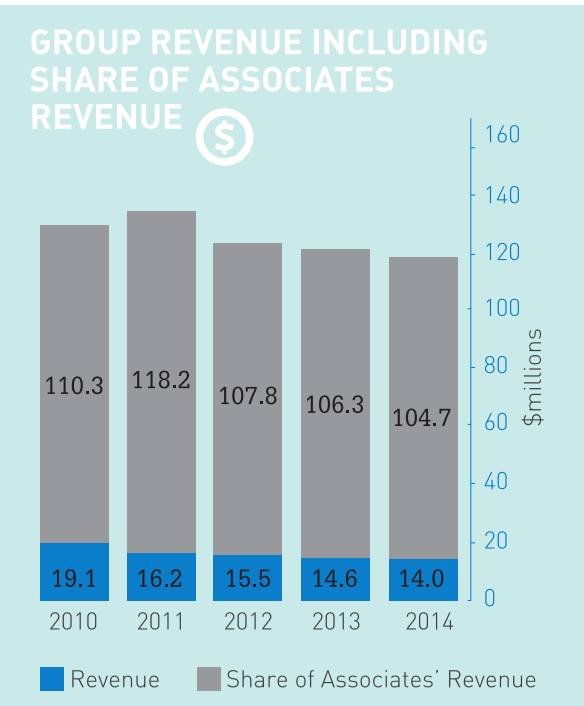
## PER SHARE OF CAPITAL STOCK (in dollars)

Profit/(loss) before taxation and non-controlling interest	<b>0.24</b>	(0.38)
Net profit/(loss) attributable to equity holders of the Company	<b>0.17</b>	(0.45)
Dividends declared	<b>0.12</b>	0.14
Equity	<b>5.50</b>	5.43
Market price per share	<b>3.00</b>	2.70

## FINANCIAL RATIOS (in percentages)

Return on average equity	<b>3.1%</b>	(7.9)%
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# FINANCIAL HIGHLIGHTS



EARNINGS  
PER SHARE

**\$0.17**



# FIVE YEAR SUMMARY

	2014	2013	2012	2011	2010
<b>Year End Position (in \$ millions)</b>					
<b>Current Assets</b>					
Cash and cash equivalents	15.1	12.4	21.1	14.8	19.2
Financial assets held for trading	43.6	34.8	30.3	29.4	22.3
Inventories	0.0	0.0	0.0	4.9	4.1
Trade and other receivables and prepayments	21.3	20.9	19.9	19.1	17.2
Other current assets	11.3	10.7	10.6	9.8	4.4
Total Current Assets	91.3	78.8	81.9	78.0	67.2
<b>Less Current Liabilities</b>	17.7	16.4	16.2	17.8	10.7
Working capital	73.6	62.4	65.7	60.2	56.5
Investments and other assets	75.5	74.7	81.8	83.8	87.5
	149.1	137.1	147.5	144.0	144.0
<b>Financed By:</b>					
Long-term borrowings	48.2	37.6	36.8	30.5	25.2
Shareholders' equity	100.9	99.5	110.7	113.5	118.8
	149.1	137.1	147.5	144.0	144.0
No. of Shares Outstanding (in millions)	18.3	18.3	18.4	18.4	18.6
<b>Share of Associates Revenue (in \$ millions)</b>	104.7	106.3	107.8	118.2	110.3
<b>Results For The Year (in \$ millions)</b>					
Revenue from operations and other gains	14.0	14.6	15.5	16.2	19.1
Profit/(loss) before interest, taxes etc.	3.9	(4.8)	2.1	3.0	(1.8)
Profit/(loss) before taxation and non-controlling Interest	4.3	(6.9)	1.7	2.9	(0.8)
Net comprehensive income/(loss) attributable to equity holders of the Company	3.1	(8.3)	0.5	1.1	(2.6)
Dividends Declared	2.2	2.6	3.7	3.7	3.7
<b>Per Share Of Capital Stock (in dollars)</b>					
Earnings/(loss)	0.17	(0.45)	0.03	0.06	(0.14)
Dividends declared	0.12	0.14	0.20	0.20	0.20
Net book value	5.50	5.43	6.03	6.18	6.40
<b>Financial Ratios</b>					
Current ratio	5.17	4.82	5.05	4.40	6.28
Gearing ratio	0.02	0.06	0.01	0.06	0.00
<b>Returns (%)</b>					
On average equity	3%	(8)%	1%	1%	(2%)



## **Independent Auditor's Report**

### **To the Shareholders of Cave Shepherd & Co. Limited**

We have audited the accompanying consolidated financial statements of Cave Shepherd & Co. Limited and its subsidiaries as shown on pages 36 to 105, which comprise the consolidated balance sheet as at December 31, 2014, the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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.

#### ***Auditor's Responsibility***

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

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

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



### ***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cave Shepherd & Co. Limited and its subsidiaries as at December 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### ***Other Matter***

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 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 shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

*PricewaterhouseCoopers SRL*

PricewaterhouseCoopers SRL  
March 18, 2015  
Bridgetown, Barbados

# Consolidated Balance Sheet

As at December 31, 2014

Expressed in thousands of Barbados dollars

	2014 \$	2013 \$
<b>Current Assets</b>		
Cash and cash equivalents (note 4)	15,100	12,378
Financial assets held for trading (note 5)	43,561	34,796
Trade and other receivables and prepayments (note 6)	21,333	20,885
Due by associates (note 7)	11,130	10,704
Due by affiliates (note 8)	171	-
	<b>91,295</b>	<b>78,763</b>
<b>Current Liabilities</b>		
Borrowings (note 21)	-	233
Trade and other payables (note 9)	3,194	2,462
Due to associates (note 7)	10,765	10,065
Due to affiliates (note 8)	2,149	1,941
Current income tax liability	342	433
Loan due to associate (note 19)	116	116
Dividend payable on common shares	1,101	1,102
	<b>17,667</b>	<b>16,352</b>
<b>Working Capital</b>	<b>73,628</b>	<b>62,411</b>
Investments in associates (note 10)	61,846	61,744
Financial assets at fair value through profit and loss (note 11)	705	779
Held-to-maturity investments	976	935
Intangible assets (note 12)	2,885	3,729
Property, plant and equipment (note 13)	1,935	667
Loans due by associate (note 14)	5,800	5,800
Pension plan surplus (note 15)	1,303	1,072
Fixed income certificates payable (note 16)	(16,661)	(17,482)
Unsecured fixed income notes payable (note 17)	(4,000)	-
Loans due to non-controlling interest (note 18)	(816)	(816)
Due to registered retirement savings plan holders (note 20)	(23,258)	(17,225)
Due to drawdown annuity policy holders	(2,347)	(958)
Redeemable preference shares (note 22)	(1,097)	(1,097)
Deferred income tax liability (note 23)	(7)	(5)
<b>Net Assets</b>	<b>100,892</b>	<b>99,554</b>

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

## Consolidated Balance Sheet

As at December 31, 2014

Expressed in thousands of Barbados dollars

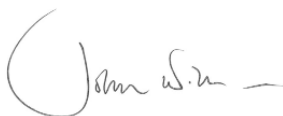
	2014 \$	2013 \$
<b>Capital and Reserves attributable to the Equity holders of the Company</b>		
Share capital (note 24)	38,596	38,648
Share option reserve (note 25)	199	163
Retained earnings (note 26)	59,661	57,586
	<b>98,456</b>	96,397
<b>Non-controlling interest</b>	<b>2,436</b>	3,157
<b>Total Equity</b>	<b>100,892</b>	99,554

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

Approved by the Board of Directors on March 12, 2015.



R. Geoffrey Cave  
Director



John M. B. Williams  
Director

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

Expressed in thousands of Barbados dollars

	Attributable to equity holders of the Company			Non-controlling Interest	Total
	Share Capital \$	Retained Earnings \$	Share Option Reserve \$	\$	\$
<b>Balance as at December 31, 2012</b>	38,689	68,490	137	3,423	<b>110,739</b>
Loss for the year	-	(8,259)	-	452	<b>(7,807)</b>
Other comprehensive income for the year	-	(31)	-	-	<b>(31)</b>
Total comprehensive income for the year	-	(8,290)	-	452	<b>(7,838)</b>
	38,689	60,200	137	3,875	<b>102,901</b>
Dividends (14¢ per share)	-	(2,575)	-	-	<b>(2,575)</b>
Dividends paid to non-controlling interest	-	-	-	(718)	<b>(718)</b>
Employee share options (note 25)	-	-	26	-	<b>26</b>
Repurchase of shares (note 24)	(41)	(39)	-	-	<b>(80)</b>
<b>Balance as at December 31, 2013</b>	38,648	57,586	163	3,157	<b>99,554</b>
Income for the year	-	3,091	-	454	<b>3,545</b>
Other comprehensive income for the year	-	237	-	-	<b>237</b>
Total comprehensive income for the year	-	3,328	-	454	<b>3,782</b>
	38,648	60,914	163	3,611	<b>103,336</b>
Dividends (12¢ per share)	-	(2,204)	-	-	<b>(2,204)</b>
Dividends paid to non-controlling interest	-	-	-	(214)	<b>(214)</b>
Reclassification (note 26)	-	961	-	(961)	<b>-</b>
Employee share options (note 25)	-	-	36	-	<b>36</b>
Repurchase of shares (note 24)	(52)	(10)	-	-	<b>(62)</b>
<b>Balance as at December 31, 2014</b>	38,596	59,661	199	2,436	<b>100,892</b>

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



# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

Expressed in thousands of Barbados dollars

	2014 \$	2013 \$
<b>Revenue and other gains</b>		
Revenue from operations (note 27)	14,006	14,660
Other losses (note 28)	(3)	(44)
	<b>14,003</b>	<b>14,616</b>
<b>Expenses</b>		
Payroll costs (note 29)	4,132	4,075
Depreciation (note 13)	331	448
Amortisation of intangible assets (note 12)	844	844
Impairment of goodwill in associate (note 32)	-	4,457
Write off of investment (note 32)	-	2,536
Write off of loan receivable (note 32)	-	2,291
Other operating expenses	4,573	4,329
Redeemable preference shares dividends to non-controlling interest	232	390
	<b>10,112</b>	<b>19,370</b>
<b>Profit/(Loss) before interest and taxes</b>	<b>3,891</b>	<b>(4,754)</b>
Finance costs	(976)	(1,074)
<b>Net Operating Profit/(Loss)</b>	<b>2,915</b>	<b>(5,828)</b>
Share of results of associates (note 10)	1,406	(1,107)
<b>Profit/(Loss) before taxation</b>	<b>4,321</b>	<b>(6,935)</b>
Income tax expense (note 30)	(776)	(872)
<b>Net Profit/(Loss) for the year</b>	<b>3,545</b>	<b>(7,807)</b>
<b>Attributable to:</b>		
Equity holders of the Company	3,091	(8,259)
Non-controlling interest	454	452
	<b>3,545</b>	<b>(7,807)</b>
<b>Earnings per share for profit/(loss) attributable to the equity holders of the Company during the year</b>		
- basic (note 31)	\$0.17	\$(0.45)
- diluted (note 31)	\$0.16	\$(0.44)

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

## Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2014

Expressed in thousands of Barbados dollars

	2014 \$	2013 \$
<b>Net Profit/(Loss) for the year</b>	<b>3,545</b>	<b>(7,807)</b>
Other comprehensive income:		
<b>Items that will not be reclassified to profit or loss:</b>		
Remeasurements of post-employment benefit obligations	<u>237</u>	<u>(31)</u>
Other comprehensive income for the year (note 15)	<u>237</u>	<u>(31)</u>
<b>Total Comprehensive Income/(Loss) for the year</b>	<b><u>3,782</u></b>	<b><u>(7,838)</u></b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>3,328</b>	<b>(8,290)</b>
Non-controlling interest	<u>454</u>	<u>452</u>
<b>Total Comprehensive Income/(Loss) for the year</b>	<b><u>3,782</u></b>	<b><u>(7,838)</u></b>

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

# Consolidated Statement of Cash Flows

For the year ended December 31, 2014

Expressed in thousands of Barbados dollars

	2014 \$	2013 \$
<b>Net cash generated from operations</b> (note 33)	<b>3,345</b>	<b>2,477</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (note 13)	(1,604)	(187)
Purchase of investment in DGM (note 32)	-	(2,536)
Purchase of investment (note 10)	(175)	-
Purchase of other investments (note 11)	-	(400)
Purchase of financial assets held for trading and held-to-maturity investments	(9,719)	(9,902)
Reduction of capital in associates	700	-
Proceeds on disposal of property, plant and equipment	1	40
Proceeds on disposal of financial assets held for trading	1,955	6,521
Dividends received (note 27)	366	164
Dividends received from associates (note 10)	779	1,891
<b>Net cash used in investing activities</b>	<b>(7,697)</b>	<b>(4,409)</b>
<b>Cash flows from financing activities</b>		
Repurchase of shares (note 24)	(62)	(80)
Proceeds from long term borrowings	4,000	-
Payments on loan due to associate (note 19)	-	(660)
Issue of loan receivable (note 32)	-	(2,291)
Fixed income certificates payable (net)	(821)	(2,173)
Dividends paid to shareholders	(2,204)	(3,312)
Dividends paid to non-controlling interest	(214)	(718)
Dividends paid to preference shareholders	(232)	(726)
Registered retirement savings plan holders	5,503	2,603
Due to drawdown annuity policy holders	1,337	957
Loan due to associate (note 19)	-	116
<b>Net cash generated from/(used in) financing activities</b>	<b>7,307</b>	<b>(6,284)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,955</b>	<b>(8,216)</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>12,145</b>	<b>20,361</b>
<b>Cash and cash equivalents – end of year</b>	<b>15,100</b>	<b>12,145</b>
<b>Represented by:</b>		
Cash at bank and in hand (note 4)	8,504	5,627
Short-term deposits (note 4)	6,596	6,751
Borrowings (note 21)	-	(233)
	<b>15,100</b>	<b>12,145</b>

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

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

## 1. General Information

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

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

The Company is listed on the Barbados Stock Exchange.

## 2. Summary of Significant Accounting Policies

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

### (a) Basis of Preparation

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

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

# Notes to the Consolidated Financial Statements

December 31, 2014

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 did not adopt any new or amended standards for the financial year.

#### ***New standards, amendments and interpretations mandatory for the first time for financial year beginning January 1, 2014 but not currently relevant to the Group***

- IAS 27 (amendment) 'Separate financial statements' on consolidation for investment entities, (effective January 1, 2014)
- IAS 32 (amendment) 'Financial instruments: Presentation', on asset and liability offsetting (effective January 1, 2014)
- IAS 36 (amendment) 'Impairment of assets' on recoverable amount disclosures (effective January 1, 2014)
- IAS 39 (amendment) 'Financial instruments: recognition and measurement' on novation of derivatives (effective January 1, 2014)
- IFRIC 21 'Levies' (effective January 1, 2014)

#### ***New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted***

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Group's operations. The Group has not early adopted the new standards, amendments and interpretations.

- IAS 16 (amendment) 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. (effective July 1, 2014). The Group is yet to assess the full impact of the amendment.
- IAS 24 (amendment) 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required (effective July 1, 2014). The Group is yet to assess the full impact of the amendment.

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

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

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

#### **New and amended standards adopted by the Group:**

- IFRS 9 'Financial instruments' simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value where the basis of classification depends on the Group's business model and the contractual cash flow characteristics of the financial asset (effective January 1, 2018). The Group is yet to assess the full impact of the standard.
- IFRS 15 'Revenue from contracts with customers'. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers (effective January 1, 2017). The Group is yet to assess the full impact of the standard.

# Notes to the Consolidated Financial Statements

December 31, 2014

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.

# Notes to the Consolidated Financial Statements

December 31, 2014

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



# Notes to the Consolidated Financial Statements

December 31, 2014

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 thousand non-voting, redeemable, non-cumulative preference shares. During 2012, Fortress issued 244 thousand non-voting, redeemable, non-cumulative preference shares for the amount of \$1,097 to the non-controlling interest of the Group.

#### Associates

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

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

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

The associates and interest therein are set out below:

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

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

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

### (b) Consolidation...continued

#### Associates...continued

The associates and interest therein are set out below:

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

# Notes to the Consolidated Financial Statements

December 31, 2014

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

### (d) Investment Property

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

# Notes to the Consolidated Financial Statements

December 31, 2014

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.

# Notes to the Consolidated Financial Statements

December 31, 2014

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 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 \$976 (2013 - \$935) that carries a coupon rate of 7.25% (2013 - 7.25%) and is expected to mature in 2025.

# Notes to the Consolidated Financial Statements

December 31, 2014

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

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

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

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

### (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.

# Notes to the Consolidated Financial Statements

December 31, 2014

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 or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax is realised or the deferred income tax liability is settled.

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

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

# Notes to the Consolidated Financial Statements

December 31, 2014

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 15.



# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

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

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

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

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

### (l) Foreign Currency Translation

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

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

#### **Transactions and balances**

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

#### **Group companies**

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

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

# Notes to the Consolidated Financial Statements

December 31, 2014

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.

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

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

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

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

### (p) Employee Benefits

#### **Pension Plan Valuation**

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

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

The liability recognised in the 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.

# Notes to the Consolidated Financial Statements

December 31, 2014

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.

# Notes to the Consolidated Financial Statements

December 31, 2014

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.

# Notes to the Consolidated Financial Statements

December 31, 2014

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.

# Notes to the Consolidated Financial Statements

December 31, 2014

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, 2014, 74% (2013 - 70%) of financial assets held for trading comprise investments in other funds that have been fair valued in accordance with the policies set out in note 2(i).

# Notes to the Consolidated Financial Statements

December 31, 2014

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, 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
	<hr/> 44,266	<hr/> 4,427

	Carrying Value \$	Effect of 10% change at December 31, 2013 \$
Listed on Caribbean stock exchanges and markets	1,644	164
Listed on foreign stock exchanges and markets	9,736	974
Unlisted securities	24,195	2,419
	<hr/> 35,575	<hr/> 3,557



# Notes to the Consolidated Financial Statements

December 31, 2014

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.

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

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

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

	0-5 years	Over 5 years	Non- interest bearing	Total
At December 31, 2014	\$	\$	\$	\$
<b>Financial assets</b>				
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	171	-	-	171
Financial assets at fair value through profit and loss	-	-	705	705
Held-to-maturity investments	-	976	-	976
Loans due by associate	5,800	-	-	5,800
<b>Total financial assets</b>	<b>35,171</b>	<b>976</b>	<b>62,502</b>	<b>98,649</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	3,194	3,194
Due to associates	-	-	10,765	10,765
Due to affiliates	-	-	2,149	2,149
Current loans due to associate	116	-	-	116
Loans due to non-controlling interest	816	-	-	816
Fixed income certificates payable	16,661	-	-	16,661
Unsecured fixed income notes payable	4,000	-	-	4,000
Due to registered retirement savings plans holders	-	-	23,258	23,258
Due to drawdown annuity policy holders	-	-	2,347	2,347
<b>Total financial liabilities</b>	<b>21,593</b>	<b>-</b>	<b>41,713</b>	<b>63,306</b>
<b>Total interest sensitivity gap</b>	<b>13,578</b>	<b>976</b>	<b>20,789</b>	<b>35,343</b>

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

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

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

	0-5 years	Over 5 years	Non- interest bearing	Total
At December 31, 2013	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	6,751	-	5,627	12,378
Financial assets held for trading	-	-	34,796	34,796
Trade and other receivables	19,487	-	1,302	20,789
Due by associates	1,760	-	8,944	10,704
Financial assets at fair value through profit and loss	-	-	779	779
Held-to-maturity investments	-	935	-	935
Loans due by associate	5,800	-	-	5,800
<b>Total financial assets</b>	<b>33,798</b>	<b>935</b>	<b>51,448</b>	<b>86,181</b>
<b>Financial liabilities</b>				
Borrowings	233	-	-	233
Trade and other payables	-	-	2,462	2,462
Due to associates	-	-	10,065	10,065
Due to affiliates	-	-	1,941	1,941
Long term loan due to associate	116	-	-	116
Loans due to non-controlling interest	816	-	-	816
Fixed income certificates payable	17,482	-	-	17,482
Dividends payable to preference shareholders	-	-	17,225	17,225
Due to registered retirement savings plans holders	-	-	958	958
<b>Total financial liabilities</b>	<b>18,647</b>	<b>-</b>	<b>32,651</b>	<b>51,298</b>
<b>Total interest sensitivity gap</b>	<b>15,151</b>	<b>935</b>	<b>18,797</b>	<b>34,883</b>

### (iii) Currency Risk

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

# Notes to the Consolidated Financial Statements

December 31, 2014

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:

	2014 \$	2013 \$
Cash and cash equivalents	15,100	12,378
Trade and other receivables	21,206	20,789
Due by associates	11,130	10,704
Due by affiliates	171	-
Held-to-maturity investments	976	935
Loans due by associate	5,800	5,800
	<hr/>	<hr/>
	54,383	50,606

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

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

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

# Notes to the Consolidated Financial Statements

December 31, 2014

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:

	2014	2013
	\$	\$
<b>Cash and cash equivalents</b>		
CIBC FirstCaribbean International Bank (Unrated)	11,984	9,486
Morgan Stanley Private Wealth Management (A-1 by Standard and Poor's)	2,891	2,598
	<hr/>	<hr/>
	14,875	12,084
	<hr/>	<hr/>

### (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.

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

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

December 31, 2014	0-3 months \$	4 months – 5 years \$	Over 5 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
	17,209	23,471	26,702	67,382

December 31, 2013	0-3 months \$	4 months -5 years \$	Over 5 years \$	Total \$
Borrowings	-	233	-	233
Trade and other payables	2,462	-	-	2,462
Due to associates	10,065	-	-	10,065
Due to affiliates	1,941	-	-	1,941
Current income tax liability	-	119	-	119
Loans due to associate	-	433	-	433
Loans due to non-controlling interest	-	894	-	894
Fixed income certificates payable	-	18,793	-	18,793
Due to registered retirement savings plan holders	-	-	17,225	17,225
Dividend payable	-	-	958	958
Dividends payable to preference shareholders	1,102	-	-	1,102
Redeemable preference shares	-	-	1,097	1,097
	15,570	20,472	19,280	55,322

# Notes to the Consolidated Financial Statements

December 31, 2014

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, 2014 and December 31, 2013 were 2.41% and 5.92% 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).



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## 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, 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 following table presents the Group's assets that are measured at fair value at December 31, 2013:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets held for trading	10,167	24,629	-	34,796
Financial assets at fair value through profit and loss	-	-	779	779
	10,167	24,629	779	35,575

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, 2014. 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.

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

## 3. Financial Risk Management ...continued

### Fair value estimation ...continued

	2014 \$	2013 \$
At the beginning of the year	779	333
Categorisation as Level 3	-	400
(Losses)/Gains recognised in consolidated statement of comprehensive income	(74)	46
At the end of the year	705	779

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, 2014 are materially different from their fair values at December 31, 2013 and therefore a loss of \$74 (2013 – gain of \$46) was recognised in the consolidated statement of comprehensive income during the year (note 11).

## 4. Cash and Cash Equivalents

	2014 \$	2013 \$
Cash at bank and in hand	8,504	5,627
Short-term deposits	6,596	6,751
	15,100	12,378

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

The interest rate on short-term deposits with the commercial bank was 0.02% to 2.50% (2013– 0.02% to 2.50%). These deposits have an average maturity of 14 days (2013 – 14 days). Short-term deposits with the financial institution were in a US daily dollar account with an interest rate of 0.05% to 0.20% (2013 – 0.05% to 0.20%). The funds in this account are used to invest in equity securities in foreign stock exchanges.

## Notes to the Consolidated Financial Statements

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### 5. Financial Assets held for Trading

Included within financial assets held for trading of \$43,561 (2013 - \$34,796) is an amount of \$32,309 (2013 - \$24,129), 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 27).

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 \$23,258 (2013 - \$17,225) is pledged to registered retirement savings plan holders (note 20).

### 6. Trade and Other Receivables and Prepayments

	2014	2013
	\$	\$
Credit card receivables	23,941	22,236
Less: provision for impairment	(3,097)	(2,749)
Credit card receivables – net	20,844	19,487
Other receivables	259	1,200
Corporation tax recoverable	103	103
Prepayments	127	95
	21,333	20,885

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

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

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

As of December 31, 2014, trade receivables of \$19,517 (2013 - \$18,465) 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, 2014, trade receivables of \$1,327 (2013 - \$1,022) 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:

	2014 \$	2013 \$
Up to 3 months	1,303	1,008
3 to 6 months	21	10
Over 6 months	3	4
	<b>1,327</b>	<b>1,022</b>

As of December 31, 2014, trade receivables of \$3,097(2013 - \$2,749) were impaired and fully provided for. The ageing of these receivables is as follows:

	2014 \$	2013 \$
Up to 3 months	36	58
3 to 6 months	336	209
Over 6 months	2,725	2,482
	<b>3,097</b>	<b>2,749</b>

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

	2014 \$	2013 \$
Beginning of year	2,749	2,759
Provision for receivables impairment	1,572	1,453
Amounts recovered	(1,200)	(1,405)
Receivables written off during the year as uncollectible	(24)	(58)
End of year	<b>3,097</b>	<b>2,749</b>

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.

## Notes to the Consolidated Financial Statements

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### 7. Due by/to Associates

An amount of \$1,760 (2013 - \$1,760) included in due by associates bears interest at a rate of 4.27% (2013 – 4.27%) per annum (see note 14 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

	2014	2013
	\$	\$
Trade and other payables	<u>3,194</u>	<u>2,462</u>

During 2008, the Fortress Group established a staff share scheme for its employees. Included in trade and other payables is a balance of \$251 (2013 - \$234) which relates to 415 thousand (2013 – 376 thousand) non-voting redeemable shares in Fortress Staff Share Scheme issued to employees of that company.

# Notes to the Consolidated Financial Statements

December 31, 2014

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:

	2014 \$	2013 \$
At the beginning of the year	61,744	69,199
Acquisitions	175	-
Reduction of capital in associates	(700)	-
Impairment of goodwill in DGM	-	(4,457)
	<b>61,219</b>	<b>64,742</b>
Dividends received	<b>(779)</b>	<b>(1,891)</b>
Share of results before tax	<b>2,527</b>	<b>(362)</b>
Share of tax	<b>(1,121)</b>	<b>(745)</b>
Share of results, net of tax	<b>1,406</b>	<b>(1,107)</b>
At the end of the year	<b>61,846</b>	<b>61,744</b>

During 2008, the Company purchased a 40% interest in DGM Holdings (Canada) Inc. ("DGM"), an offshore investment bank, 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. The Company is committed to purchase another 20% of DGM after six years from September 1, 2008 at an agreed valuation formula as set out in the purchase agreement. This option was not exercised during the year. During 2013, goodwill of \$4,457 in DGM Holdings (Canada) Inc. was deemed impaired as a result of an impairment review conducted by management and was written off to the statement of comprehensive income (note 32).

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

During the year, 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.

# Notes to the Consolidated Financial Statements

December 31, 2014

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
<b>2014</b>						
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%
DGM Holdings (Canada) Inc.	Canada	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	
<b>2013</b>						
Duty Free Caribbean (Holdings) Ltd.	Barbados	82,633	47,505	90,672	(2,367)	40%
Bridgetown Cruise Terminals Inc.	Barbados	809	237	1,188	281	20%
GCS Limited	Barbados	2,026	2,428	3,395	123	40%
CSGK Finance (Holdings) Limited	Barbados	74,620	64,462	6,900	1,282	40%
CS&C Joint Venture	Barbados	11,551	1,972	642	397	16%
The Sunset Joint Venture	Barbados	1,597	563	134	96	16%
DGM Holdings (Canada) Inc.	Canada	12,922	11,018	2,848	(1,024)	40%
Franchise Services Corp/The Perfect Time Ltd.	Barbados	810	37	60	92	25%
Contonou Shores Ltd.	Bahamas	3,002	-	-	-	35%
Other		94	98	472	13	
		190,064	128,320	106,311	(1,107)	



# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

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

### a) Investments in Associates...continued

	2014 \$	2013 \$
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The amounts recognised in the balance sheet are as follows:

Associates	<u>61,846</u>	<u>61,744</u>
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The amounts recognised in the statement of comprehensive income are as follows:

Associates	<u>1,406</u>	<u>(1,107)</u>
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Set out below are the associates of the group as at December 31, 2014, 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 2014 and 2013:

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

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

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

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

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

Note 5: DGM Holdings (Canada) Inc., through its subsidiary, DGM Bank & Trust, provides comprehensive financial services to individuals, trusts and corporate clients throughout the world.

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

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

# Notes to the Consolidated Financial Statements

December 31, 2014

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

### a) Investments in Associates...continued

#### Summarised Balance Sheet

Name	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	DGM Holdings (Canada) Inc.	Total
<b>2014</b>						
Cash and cash equivalents	16,308	1,806	155	20,339	1,653	<b>40,261</b>
Other current assets (excluding cash)	124,003	853	4,737	50,342	1,206	<b>181,141</b>
<b>Total current assets</b>	<b>140,311</b>	<b>2,659</b>	<b>4,892</b>	<b>70,681</b>	<b>2,859</b>	<b>221,402</b>
Financial liabilities (excluding trade payables)	22,255	-	605	-	-	<b>22,860</b>
Other current liabilities (including trade payables)	76,743	985	1,295	77,720	1,352	<b>158,095</b>
<b>Total current liabilities</b>	<b>98,998</b>	<b>985</b>	<b>1,900</b>	<b>77,720</b>	<b>1,352</b>	<b>180,955</b>
<b>Non-current</b>						
Assets	64,658	16	624	124,412	1,300	<b>191,010</b>
Financial liabilities	19,248	-	3,601	89,863	-	<b>112,712</b>
Other liabilities	-	-	-	-	645	<b>645</b>
<b>Total non-current liabilities</b>	<b>19,248</b>	<b>-</b>	<b>3,601</b>	<b>89,863</b>	<b>645</b>	<b>113,357</b>
<b>Net assets</b>	<b>86,723</b>	<b>1,690</b>	<b>15</b>	<b>27,510</b>	<b>2,162</b>	<b>118,100</b>

# Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

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

### a) Investments in Associates...continued

#### Summarised Balance Sheet

	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	DGM Holdings (Canada) Inc.	Total
<b>2013</b>						
Cash and cash equivalents	16,655	2,639	87	28,938	2,536	<b>50,855</b>
Other current assets (excluding cash)	119,992	1,117	4,489	2,600	1,962	<b>130,160</b>
<b>Total current assets</b>	<b>136,647</b>	<b>3,756</b>	<b>4,576</b>	<b>31,538</b>	<b>4,498</b>	<b>181,015</b>
Financial liabilities (excluding trade payables)	38,499	188	771	-	-	<b>39,458</b>
Other current liabilities (including trade payables)	59,769	996	2,097	2,794	1,620	<b>67,276</b>
<b>Total current liabilities</b>	<b>98,268</b>	<b>1,184</b>	<b>2,868</b>	<b>2,794</b>	<b>1,620</b>	<b>106,734</b>
<b>Non-current</b>						
Assets	69,934	291	489	155,014	27,807	<b>253,535</b>
Financial liabilities	20,494	-	3,201	158,362	25,354	<b>207,411</b>
Other liabilities	-	-	-	-	572	<b>572</b>
<b>Total non-current liabilities</b>	<b>20,494</b>	<b>-</b>	<b>3,201</b>	<b>158,362</b>	<b>25,926</b>	<b>207,983</b>
<b>Net assets/(liabilities)</b>	<b>87,819</b>	<b>2,863</b>	<b>(1,004)</b>	<b>25,396</b>	<b>4,759</b>	<b>119,833</b>

# Notes to the Consolidated Financial Statements

December 31, 2014

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## 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	DGM Holdings (Canada) Inc.	Total
<b>2014</b>						
Revenue	221,262	4,803	11,096	18,303	4,940	<b>260,404</b>
Depreciation and amortization	(7,891)	(98)	(183)	(606)	(268)	<b>(9,046)</b>
Interest income	80	107	-	16,955	-	<b>17,142</b>
Interest expense	(1,867)	-	(44)	(7,064)	-	<b>(8,975)</b>
<b>Profit/(loss) from continuing operations</b>	<b>337</b>	<b>1,793</b>	<b>1,035</b>	<b>4,391</b>	<b>(2,581)</b>	<b>4,975</b>
Income tax expense	(1,433)	(366)	(16)	(1,131)	(16)	<b>(2,962)</b>
<b>Post tax (loss)/profit from continuing operations</b>	<b>(1,096)</b>	<b>1,427</b>	<b>1,019</b>	<b>3,260</b>	<b>(2,597)</b>	<b>2,013</b>
<b>Dividends received from associate</b>	<b>-</b>	<b>(220)</b>	<b>-</b>	<b>(458)</b>	<b>-</b>	<b>(678)</b>
<b>2013</b>						
Revenue	226,680	5,942	8,487	17,251	7,121	<b>265,481</b>
Depreciation and amortization	(8,818)	(362)	(139)	(771)	(327)	<b>(10,417)</b>
Interest income	133	74	-	14,541	-	<b>14,748</b>
Interest expense	(2,278)	(2)	(44)	(6,323)	-	<b>(8,647)</b>
<b>(Loss)/profit from continuing operations</b>	<b>(5,482)</b>	<b>2,116</b>	<b>344</b>	<b>4,268</b>	<b>(2,588)</b>	<b>(1,342)</b>
Income tax expense	(437)	(712)	(36)	(1,063)	28	<b>(2,220)</b>
<b>Post tax (loss)/profit from continuing operations</b>	<b>(5,919)</b>	<b>1,404</b>	<b>308</b>	<b>3,205</b>	<b>(2,560)</b>	<b>(3,562)</b>
<b>Dividends received from associate</b>	<b>-</b>	<b>(575)</b>	<b>-</b>	<b>(437)</b>	<b>(504)</b>	<b>(1,516)</b>

# Notes to the Consolidated Financial Statements

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## 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	DGM Holdings (Canada) Inc.	Total
<b>2014</b>						
<b>Opening net assets –</b>						
<b>January 1, 2014</b>	87,819	2,863	(1,004)	25,396	4,759	<b>119,833</b>
(Loss)/profit for the year	(1,096)	1,427	1,019	3,260	(2,597)	<b>2,013</b>
Dividends paid	-	(1,100)	-	(1,146)	-	<b>(2,246)</b>
Capital Reduction	-	(1,500)	-	-	-	<b>(1,500)</b>
<b>Closing net assets</b>	<b>86,723</b>	<b>1,690</b>	<b>15</b>	<b>27,510</b>	<b>2,162</b>	<b>118,100</b>
<b>Interest in associates</b>	<b>34,689</b>	<b>338</b>	<b>6</b>	<b>11,004</b>	<b>865</b>	<b>46,902</b>
<b>Carrying Value</b>	<b>34,689</b>	<b>338</b>	<b>6</b>	<b>11,004</b>	<b>865</b>	<b>46,902</b>

	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Ltd.	CSGK Finance (Holdings) Limited	DGM Bank	Total
<b>2013</b>						
<b>Opening net assets –</b>						
<b>January 1, 2013</b>	93,738	4,334	(1,312)	23,284	8,579	<b>128,623</b>
Profit/(loss) for the year	(5,919)	1,404	308	3,205	(2,560)	<b>(3,562)</b>
Dividends paid	-	(2,875)	-	(1,093)	(1,260)	<b>(5,228)</b>
<b>Closing net assets</b>	<b>87,819</b>	<b>2,863</b>	<b>(1,004)</b>	<b>25,396</b>	<b>4,759</b>	<b>119,833</b>
<b>Interest in associates</b>	<b>35,128</b>	<b>572</b>	<b>(402)</b>	<b>10,158</b>	<b>1,904</b>	<b>47,360</b>
<b>Carrying Value</b>	<b>35,128</b>	<b>572</b>	<b>(402)</b>	<b>10,158</b>	<b>1,904</b>	<b>47,360</b>

# Notes to the Consolidated Financial Statements

December 31, 2014

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## 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

	2014 \$	2013 \$
<b>Current</b>		
Assets	3,989	4,209
Liabilities	(3,159)	(2,937)
<b>Total current net assets</b>	<b>830</b>	<b>1,272</b>
<b>Non-current</b>		
Assets	34,857	25,256
Liabilities	(28,830)	(21,406)
<b>Total non-current net assets</b>	<b>6,027</b>	<b>3,850</b>
<b>Net Assets</b>	<b>6,857</b>	<b>5,122</b>

##### Summarised Income Statement

	2014 \$	2013 \$
Revenue	6,426	6,644
<b>Profit before income tax</b>	<b>3,534</b>	<b>3,523</b>
Income tax expense	(872)	(839)
<b>Net profit and total comprehensive income</b>	<b>2,662</b>	<b>2,684</b>
Total comprehensive income allocated to non-controlling interests	665	671
Dividends paid to non-controlling interests	214	718

# Notes to the Consolidated Financial Statements

December 31, 2014

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

### b) Principal subsidiaries...continued

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

#### Summarised Cash Flows

	2014 \$	2013 \$
<b>Cash flows from operating activities</b>		
Cash generated from operations	10,969	6,697
Interest received	39	113
Corporation tax paid	(962)	(680)
Net cash generated from operating activities	10,046	6,130
Net cash used in investing activities	(8,273)	(3,348)
Net cash used in financing activities	(1,158)	(3,757)
<b>Net increase/(decrease) in cash and cash equivalents</b>	615	(975)
Cash and cash equivalents at the beginning of the year	3,002	3,977
<b>Cash and cash equivalents at the end of the year</b>	3,617	3,002



# Notes to the Consolidated Financial Statements

December 31, 2014

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

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

	2014 \$	2013 \$
At the beginning of the year	779	333
Acquisitions	-	400
Revaluation to market value	(74)	46
	<hr/>	<hr/>
At the end of the year	705	779

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 2014 mainly comprise its investment in privately held entities. The fair values of these financial assets at December 31, 2014 are materially different from their fair values at December 31, 2013 and therefore a loss of \$74 (2013 – gain of \$46) was recognised in the consolidated statement of comprehensive income during the year.

During 2013, the Company purchased additional investments in RE Power Barbados Inc. for \$150 and Radnor Hospital Inc. for \$250.

## 12. Intangible Assets

Details of intangible assets are as follows:

	Management Contracts \$
<b>At December 31, 2014</b>	
Cost	8,444
Accumulated amortisation	(5,559)
	<hr/>
Net book value	2,885
<b>At December 31, 2013</b>	
Cost	8,444
Accumulated amortisation	(4,715)
	<hr/>
Net book value	3,729

## Notes to the Consolidated Financial Statements

December 31, 2014

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### 12. Intangible Assets...continued

Movement of intangible assets is as follows:

	Management Contracts \$
Beginning of year – December 31, 2012	4,573
Amortisation of intangible asset	<u>(844)</u>
End of year – December 31, 2013	<u>3,729</u>
	Management Contracts \$
Beginning of year – December 31, 2013	3,729
Amortisation of intangible asset	<u>(844)</u>
End of year – December 31, 2014	<u>2,885</u>

Management contracts included in intangible assets relate to contracts held by Fortress Fund Managers Limited in the various Funds. These intangibles are being amortised over a period of ten years. Amortisation during the year was \$844 (2013 - \$844), of which \$211 (2013- \$211) relates to the share of non-controlling interest.

## Notes to the Consolidated Financial Statements

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### 13. Property, Plant and Equipment

	Furniture & Equipment	Motor Vehicles	Total
<b>At January 1, 2013</b>			
Cost	4,920	851	5,771
Accumulated depreciation	(4,188)	(571)	(4,759)
Net book value	732	280	1,012
<b>Year ended December 31, 2013</b>			
Opening net book value	732	280	1,012
Additions	112	75	187
Disposals	-	(84)	(84)
Depreciation charge	(348)	(100)	(448)
Closing net book value	496	171	667
<b>At December 31, 2013</b>			
Cost	4,805	681	5,486
Accumulated depreciation	(4,309)	(510)	(4,819)
Net book value	496	171	667
<b>Year ended December 31, 2014</b>			
Opening net book value	496	171	667
Additions	1,604	-	1,604
Disposals	(5)	-	(5)
Depreciation charge	(276)	(55)	(331)
Closing net book value	1,819	116	1,935
<b>At December 31, 2014</b>			
Cost	6,351	681	7,032
Accumulated depreciation	(4,532)	(565)	(5,097)
Net book value	1,819	116	1,935

# Notes to the Consolidated Financial Statements

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## 14. Loans due by Associate

During 2008, the Group advanced \$10,400 to the Duty Free Caribbean group for the purchase of the operations and to assist with the working capital of Colombian Emeralds' distribution and logistics centre in Fort Lauderdale, USA. The loans totalling \$7,560 are unsecured, bear interest at rates between 4.27% and 5.96% (2013 – 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 (2013 - \$1,760), has been included in Due by Associates in current assets on the consolidated balance sheet (note 7).

## 15. Pension Plan Surplus

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

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

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

	2014 \$	2013 \$
<b>Balance sheet surplus for:</b>		
- Defined pension benefits	<u>1,303</u>	<u>1,072</u>
<b>Statement of comprehensive income (credit)/ charge included in operating profit:</b>		
- Defined pension benefits	<u>(6)</u>	<u>1</u>
<b>Actual Remeasurements included in other comprehensive income:</b>		
- Defined pension benefits	<u>237</u>	<u>(31)</u>

## Notes to the Consolidated Financial Statements

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### 15. Pension Plan Surplus...continued

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

	2014 \$	2013 \$
Fair value of plan assets	10,431	10,800
Present value of funded obligations	(8,449)	(8,953)
	<hr/>	<hr/>
Impact of asset ceiling	1,982 (679)	1,847 (775)
	<hr/>	<hr/>
Asset in the consolidated balance sheet	1,303	1,072
	<hr/>	<hr/>

The impact of the asset ceiling is that \$679 (2013 - \$775) 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.

## Notes to the Consolidated Financial Statements

December 31, 2014

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### 15. Pension Plan Surplus...continued

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

	Present value of obligation \$	Fair value of Plan assets \$	Total \$	Impact of asset ceiling \$	Total \$
<b>At January 1, 2014</b>	(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)	731	124	-	124
- Administration and other non- plan investment management expenses	-	(27)	(27)	-	(27)
- Interest on impact of asset ceiling	-	-	-	(54)	(54)
	(656)	704	48	(54)	(6)
Remeasurements:					
- Experience losses on investment	-	(390)	(390)	-	(390)
- Loss from change in financial assumptions	22	-	22	-	22
- Experience gains on obligation	455	-	455	-	455
- Change in asset ceiling	-	-	-	150	150
	477	(390)	87	150	237
Contributions:					
- Employees	(43)	43	-	-	-
- Plan participants	-	-	-	-	-
Payments from plans:					
- Benefit payments	726	(726)	-	-	-
<b>At December 31, 2014</b>	(8,449)	10,431	1,982	(679)	1,303

# Notes to the Consolidated Financial Statements

December 31, 2014

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## 15. Pension Plan Surplus...continued

	Present value of obligation \$	Fair value of Plan assets \$	Total \$	Impact of asset ceiling \$	Total \$
<b>At January 1, 2013</b>	(9,009)	11,704	2,695	(1,593)	1,102
Current service cost	(49)	-	(49)	-	(49)
Net interest on the net defined benefit asset/(liability)	(631)	822	191	-	191
- Administration and other non- plan investment management expenses	-	(26)	(26)	-	(26)
- Interest on impact of asset ceiling	-	-	-	(115)	(115)
	(680)	796	116	(115)	1
<b>Remeasurements:</b>					
- Experience losses on investment	-	(992)	(992)	-	(992)
- Loss from change in financial assumptions	(7)	-	(7)	-	(7)
- Experience gains on obligation	35	-	35	-	35
- Change in asset ceiling	-	-	-	933	933
	28	(992)	(964)	933	(31)
<b>Contributions:</b>					
- Employees	(14)	14	-	-	-
- Plan participants	-	-	-	-	-
Payments from plans:					
- Benefit payments	722	(722)	-	-	-
<b>At December 31, 2013</b>	(8,953)	10,800	1,847	(775)	1,072

Plan assets are comprised as follows:

	2014	2013
Bonds	6.86%	8.12%
Equities	81.57%	78.50%
Real Estate	0.00%	4.95%
Cash	11.57%	8.10%
Other	0.00%	0.34%

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



# Notes to the Consolidated Financial Statements

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## 15. Pension Plan Surplus...continued

The significant actuarial assumptions are as follows:

	2014	2013
Discount rate	7.75%	7.00%
Expected return on plan assets	7.75%	7.00%
Future salary increases – inflationary	4.25%	3.50%
Future salary increases – promotional	2.50%	2.50%
Future pension increases	3.25%	2.50%
Proportion of employees opting for early retirement	0.00%	0.00%
Future changes in NIS ceiling	4.25%	3.50%
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, 2015 would amount to \$42.

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

Change in Assumption	Benefit obligation \$
Base IAS19 results	8,450
Reduce discount rate by 1% pa	9,303
Increase discount rate by 1% pa	7,728
Reduce salary increase by 0.5% pa	8,383
Increase salary increase by 0.5% pa	8,519
Increase average life expectancy by 1 year	8,471

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.

# Notes to the Consolidated Financial Statements

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Expressed in thousands of Barbados dollars

## 15. Pension Plan Surplus...continued

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

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

### Asset volatility

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

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

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

### Life expectancy

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

The weighted average duration of the defined benefit obligation is 9.35 years.

Expected maturity analysis of undiscounted pension as at December 31, 2014:

	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Pension Benefits	686	712	2,284	4,829	8,511

# Notes to the Consolidated Financial Statements

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## 16. Fixed Income Certificates Payable

The Fixed Income Certificates Payable will mature on June 30, 2016, bear interest at 4.25% to 4.50% (2013 – 4.25% to 4.50%) per annum and have the option of being renewed at the end of June 2015 for a further two years.

## 17. Unsecured Fixed Income Notes Payable

During the year, 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.

## 18. Loans Due to Non-controlling Interest

Loans due to non-controlling interest are unsecured, have no stated terms of repayment and bear interest at a rate of 9.55% (2013 – 9.55%) per annum. This represents amounts due to non-controlling interest of a subsidiary.

## 19. Loan Due to Associate

During 2013, the Group obtained a loan from DGM Management Services Ltd. for \$116. This loan is unsecured, bears interest at a rate of 3.00% (2013 – 3.00%) per annum. The loan has been classified as a current liability.

## 20. Due to Registered Retirement Savings Plan Holders

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

	2014	2013
	\$	\$
Fortress Select Fund Option	5,545	4,504
Fortress Managed Option	17,713	12,721
	<u>23,258</u>	<u>17,225</u>

These liabilities are secured by 'Financial Assets held for Trading' of \$23,258 (2013 - \$17,225), (note 5).

## 21. Borrowings

The Group has overdraft facilities of \$6.0 million (2013 - \$2 million) of which \$Nil (2013 - \$233) was utilised at the balance sheet date.

# Notes to the Consolidated Financial Statements

December 31, 2014

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## 22. Redeemable preference shares

Fortress Fund Managers Limited is authorised to issue 250 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 244 non-voting, redeemable, non-cumulative preference shares for the amount of \$1,097 to the non-controlling interest of Fortress.

## 23. Deferred Taxation

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

	2014 \$	2013 \$
Accelerated tax depreciation	<u>7</u>	<u>5</u>

Deferred tax assets of \$1,380 (2013 - \$1,436) 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 \$7,253 (2013 - \$6,768), which have expiry dates ranging between 2015 and 2023, have not been recognised in these consolidated financial statements.

## 24. Share Capital

	2014		2013	
	No. of shares (000's)	\$	No. of shares (000's)	\$
<b>Authorised</b>				
The Company is authorised to issue an unlimited number of common shares of no par value				
<b>Issued</b>				
Beginning of year	18,338	38,648	18,358	38,689
Repurchased during the year	(25)	(52)	(20)	(41)
End of year	<u>18,313</u>	<u>38,596</u>	<u>18,338</u>	<u>38,648</u>

The Company repurchased 25 thousand (2013 – 20 thousand) shares for a total consideration of \$62 (2013 - \$80) of which \$10 (2013 - \$39) was eliminated against the retained earnings and \$52 (2013 - \$41) against share capital.

## Notes to the Consolidated Financial Statements

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### 25. Share Based Payment

During 2009 the shareholders approved an Employee Share Option Plan (ESOP) for key management employees within the Group. The Plan covers the issue of up to 900 thousand 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:

	2014		2013	
	Average exercise price per share option	Options (000's)	Average exercise price per share option	Options (000's)
Outstanding at beginning of year	4.54	292	4.54	292
Granted	2.60	185	-	-
Exercised	-	-	-	-
Forfeited	-	(20)	-	-
Expired	-	-	-	-
<b>Outstanding at end of year</b>	<b>3.76</b>	<b>457</b>	4.54	292
<b>Exercisable at end of year</b>	<b>3.94</b>	<b>395</b>	4.54	292

Out of the 457 thousand outstanding options (2013 – 292 thousand), 395 thousand options (2013 – 292 thousand) were exercisable. There were no options exercised during the year.

## Notes to the Consolidated Financial Statements

December 31, 2014

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

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

Grant-vest	Expiry date	Exercise price	Shares (000's)	
			2014	2013
2011-2011	2016	4.48	81	101
2011-2012	2016	4.48	50	50
2012-2012	2017	4.60	97	97
2012-2013	2017	4.60	44	44
2014-2014	2019	2.60	123	-
2014-2015	2019	2.60	62	-
			457	292

The weighted average fair value of options granted during 2014 determined using the Binomial Pricing model was \$0.29 per option. The significant inputs into the model were weighted average share price of \$3.76 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 \$36 (2013 – \$26) is recognised in the consolidated statement of comprehensive income for share options granted during the year which is attributed to the remaining 2/3 of the 2014 options granted being vested at year end. All other option grants were fully vested and expensed by December 31, 2013.

### 26. Retained Earnings

	2014	2013
	\$	\$
Parent company	26,496	27,158
Subsidiary companies	(1,769)	(4,278)
Associated companies	34,934	34,706
	59,661	57,586

During the year, 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.

## Notes to the Consolidated Financial Statements

December 31, 2014

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### 27. Revenue from Operations

	2014 \$	2013 \$
Finance income	4,488	4,117
Gain on disposal of financial assets held for trading and at fair value through profit and loss	-	1,012
Loss on disposal of other investments	(450)	-
Unrealised gain/(loss) on financial assets held for trading and at fair value through profit and loss	426	(73)
Unrealised (loss)/gain on other investments	(74)	46
Dividend income	366	164
Commissions	2,053	1,825
Management fees	6,876	7,094
Miscellaneous	321	475
	<b>14,006</b>	<b>14,660</b>

### 28. Other Losses

	2014 \$	2013 \$
Loss on disposal of property, plant and equipment	(3)	(44)
	<b>(3)</b>	<b>(44)</b>

### 29. Payroll Costs

Payroll costs comprise:

	2014 \$	2013 \$
Salaries	3,614	3,451
National insurance, group health and life	169	183
Pension – defined benefit plan costs	6	(1)
Pension – defined contribution plan costs	134	133
Employee share option expenses (note 25)	36	26
Medical	115	194
Other personnel expenses	58	89
	<b>4,132</b>	<b>4,075</b>
No. of employees	<b>35</b>	<b>33</b>

## Notes to the Consolidated Financial Statements

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### 30. Income Tax Expense

The income tax expense is comprised of the following:

	2014 \$	2013 \$
Current tax on profits for the year	774	872
Deferred tax charge	2	-
	<u>776</u>	<u>872</u>

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

	2014 \$	2013 \$
Profit/(Loss) before taxation	4,321	(6,935)
Corporation tax calculated at 25.0% (2013 – 25.0%)	1,080	(1,734)
Effect of lower tax rate in other countries	(93)	1,641
Movement in deferred tax asset not recognised	(5)	(24)
Tax effect of items not allowed in determining taxable profit	(206)	989
	<u>776</u>	<u>872</u>



# Notes to the Consolidated Financial Statements

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## 31. 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.

	2014 \$	2013 \$
Net profit/(loss) attributable to the equity holders of the parent	3,091	(8,259)
Weighted average number of ordinary shares issued (000's)	18,330	18,346
Basic earnings per share	\$0.17	\$(0.45)
Diluted earnings per share	\$0.16	\$(0.44)

## 32. Write off of goodwill, investment and loan receivable

		2014 \$	2013 \$
Write off of investment	(Note 1)	-	2,536
Write off of loan receivable	(Note 1)	-	2,291
Impairment of goodwill in associate	(Note 2)	-	4,457
Share of investment loss in DGM Bank & Trust	(Note 3)	-	874
		-	10,158

Note 1: During 2013, a discrepancy was identified within two Money Market Assets administered by our associated company, DGM Bank & Trust. To cover its agreed share of the shortfall, the Group injected funds totalling \$4,827, of which \$2,536 was by way of investment and \$2,291 was by way of loan. The investment and loan receivable were deemed to be impaired and were written off to the statement of comprehensive income.

Note 2: During 2013, the goodwill of \$4,457 in DGM Holdings (Canada) Inc. was also considered to be impaired and was written off to the statement of comprehensive income.

Note 3: Included in share of results of associates in the prior year in the statement of comprehensive income is an amount of \$874 which represents the Group's share of investment losses in DGM Bank & Trust relating to the above discrepancy in the Money Market Assets.

# Notes to the Consolidated Financial Statements

December 31, 2014

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## 33. Net Cash Generated from Operations

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

	2014 \$	2013 \$
<b>Cash flows from operating activities</b>		
Profit/(Loss) before taxation	4,321	(6,935)
<b>Adjustments for:</b>		
Depreciation (note 13)	331	448
Share of results of associates (note 10)	(1,406)	1,107
Amortisation of intangible assets (note 12)	844	844
Impairment of goodwill in associate	-	4,457
Gain on disposal of financial assets held for trading and at fair value through profit and loss (note 27)	-	(1,012)
Loss on disposal of other investments	450	-
Unrealised (gain)/loss on financial assets held for trading and at fair value through profit and loss (note 27)	(426)	73
Unrealised loss/(gain) on other investments (note 11)	74	(46)
Write off of investment (note 32)	-	2,536
Write off of loan receivable (note 32)	-	2,291
Loss on disposal of property, plant and equipment (note 28)	3	44
Pension plan credit/(charge) (note 15)	6	(1)
Employee share option plan expense (note 25)	36	26
Dividend income (note 27)	(366)	(164)
Redeemable preference shares dividends to non-controlling interest	232	390
Interest expense	976	1,074
<b>Operating profit before working capital changes</b>	<b>5,075</b>	<b>5,132</b>
Net change in non-cash working capital items related to operations:		
- Trade and other receivables and prepayments	(448)	(992)
- Due by associates	(426)	(133)
- Due by affiliates	(171)	-
- Trade and other payables	281	(618)
- Due to associates	700	1,189
- Due to affiliates	208	(420)
<b>Cash generated from operations</b>	<b>5,219</b>	<b>4,158</b>
Corporation taxes paid	(862)	(680)
Interest paid	(1,012)	(1,001)
<b>Net cash generated from operations</b>	<b>3,345</b>	<b>2,477</b>

## Notes to the Consolidated Financial Statements

December 31, 2014

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### 34. Related Party Transactions

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

	2014 \$	2013 \$
Interest earned	427	488
Management fees received	6,876	7,094
Factoring fees earned	865	814

#### Key Management Compensation:

	2014 \$	2013 \$
Salaries	1,249	1,200
NIS	48	43
Medical	7	34
Pension, Group Life	67	70
Share Option Plan	17	11

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

	2014 \$	2013 \$
Directors and Key Management – at interest rates of 4.25% to 4.50% (2013 – 4.25% to 4.50%)	516	892

	2014 \$	2013 \$
Directors' fees	95	94

# Notes to the Consolidated Financial Statements

December 31, 2014

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## 35. Segmental Information

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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## 35. Segmental Reporting...continued

The segment information provided to the Board for the reportable segments for the year ended December 31, 2014 and December 31, 2013 is as follows:

	Retail		Services		Total	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Segment revenue	-	-	9,247	9,349	9,247	9,349
Finance income (note 27)					4,488	4,117
Investment income					268	1,150
<b>Total Revenue</b>					<b>14,003</b>	<b>14,616</b>
<b>Results</b>						
Segment results	-	-	22	132	22	132
Share of results of associates	(30)	(2,244)	1,436	1,137	1,406	(1,107)
Finance income (net)					3,512	3,044
Employee benefits					(43)	(25)
Dividend income (note 27)					366	164
Investment income (net)					(942)	(9,143)
Profit/(loss) before taxation					4,321	(6,935)
Income tax expense					(776)	(872)
<b>Net profit/(loss) for the year</b>					<b>3,545</b>	<b>(7,807)</b>
Non-controlling interest					(454)	(452)
<b>Net profit/(loss) attributable to equity holders of the Company</b>					<b>3,091</b>	<b>(8,259)</b>

# Notes to the Consolidated Financial Statements

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## 35. Segmental Reporting...Continued

	Retail		Services		Total	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
<b>OTHER INFORMATION</b>						
Operating assets	-	-	55,470	50,435	55,470	50,435
Intangible assets and goodwill					2,885	3,729
Investment in associates	34,696	34,726	27,150	27,017	61,846	61,743
Unallocated corporate assets					46,546	37,581
<b>Consolidated Corporate Assets</b>					<b>166,747</b>	<b>153,488</b>
Operating liabilities	-	-	17,040	16,591	17,040	16,591
Unallocated corporate liabilities					48,815	37,344
<b>Consolidated Corporate Liabilities</b>					<b>65,855</b>	<b>53,935</b>
Capital Expenditure	-	-	1,604	187	1,604	187
Depreciation	-	-	331	448	331	448
Amortisation of intangible assets	-	-	844	844	844	844
Impairment of goodwill	-	-	-	4,457	-	4,457

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

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

## Notes to the Consolidated Financial Statements

December 31, 2014

Expressed in thousands of Barbados dollars

### 36. Contingencies

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

### 37. Commitments

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

## NOTES



# PROXY FORM

CAVE SHEPHERD & CO. LIMITED  
COMPANY NO: 21716

## PROXY FORM

FOR USE AT THE FORTY-FOURTH ANNUAL GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON THE 21ST DAY OF APRIL 2015 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)

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

As my/our proxy to attend, vote and otherwise act for and on behalf of the undersigned in respect  
of all matters that may properly come before the **FORTY-FOURTH ANNUAL GENERAL MEETING OF  
SHAREHOLDERS TO BE HELD ON THE 21ST DAY OF APRIL 2015**, and any adjournment thereof.

.....  
Name of Shareholder(s)

.....  
Signature of Shareholder (s)

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

### NOTES

1. You have the right to appoint a person (who need not be a Shareholder) to represent you at the Meeting other than the management nominee. If you wish to designate as proxy a person other than the management nominee, you should strike out their names and insert in the space provided the name of the person you wish to designate as proxy.
2. When signing in a fiduciary or representative capacity, please provide full title as such. In the event of a Joint Shareholder, each should sign. A company should sign by an officer or attorney duly authorised in writing or under corporate seal.
3. If this form of proxy is not dated in the space provided, it is deemed to bear the date on which it was mailed to the Shareholder.
4. **To be valid, this proxy must be signed and deposited with the Group Corporate Secretary at 1st Floor, 24 Broad Street, Bridgetown, St. Michael, Barbados or email [corporatesecretary@caveshepherd.com](mailto:corporatesecretary@caveshepherd.com) , no later than 4.00 p.m. (Barbados time) on the 17th day of April 2015, or if the Meeting is adjourned not less than 48 hours (excluding Sundays and Bank Holidays) before any adjourned Meeting.**

**PLEASE COMPLETE AND RETURN.**



*Cave Shepherd & Co*

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

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

