Cave Shepherd & Co

Annual Report
& Financial Statements
2018

OUR VISION

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

CONTENTS

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the **FORTY-EIGHTH ANNUAL GENERAL MEETING** of the Shareholders of CAVE SHEPHERD & CO. LIMITED will be held at the **Lloyd Erskine Sandiford Centre, Two Mile Hill, St. Michael, Barbados** on **Wednesday April 17th 2019 at 5:30 p.m.** The Agenda is as follows:

1. To receive and consider the Audited Consolidated Financial Statements for the year ended December 31st 2018, together with the Reports of the Directors and Auditors thereon.

2. To elect Directors:

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

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

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

Sir Geoffrey Cave	1 Year

3. To appoint Auditors for the ensuing year and for Directors to fix their remuneration.

4. To discuss any other business of the Company which may properly be considered at the Annual General Meeting.

By order of the Board of Directors

Hanna M. Chrysostom

Hanna M. Chrysostom
Group Corporate Secretary

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

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

CORPORATE INFORMATION

DIRECTORS

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

GROUP CORPORATE SECRETARY

Ms. Hanna M. Chrysostom

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

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

REGISTERED OFFICE

10-14 Broad Street
Bridgetown, St. Michael
Barbados, BB11000
Telephone: +1 246 629 4268
Email: info@caveshepherd.com

CORPORATE OFFICE

24 Broad Street
Bridgetown, St. Michael
Barbados, BB11000
Telephone: +1 246 629 4268
Email: info@caveshepherd.com
www.caveshepherd.com

REGISTRAR & TRANSFER AGENT

Barbados Central Securities
Depository Inc.
8th Avenue
Belleville, St. Michael
Barbados, BB11114
Telephone: +1 246 436 9871
Email: info@bse.com.bb
www.bse.com.bb

EXTERNAL AUDITORS

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

ATTORNEYS-AT-LAW

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

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

PRINCIPAL BANKERS

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

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

Cave Shepherd & Co

SUBSIDIARIES

Cave Shepherd & Co VISA CREDIT CARD
100% Ownership
Visa Classic, Visa Gold & Mobile App

Fortress FUND MANAGERS
60% Ownership
Mutual Funds, RRSPs, Pensions & Portfolio Management Services

DGM FINANCIAL GROUP
72.7% Ownership
Trust Services, Corporate & Company Management Services, Captive Management Services

ASSOCIATES

SigniaGlobe FINANCIAL
40% Ownership
Commercial & Personal Finance, Retail Vehicle Loans, Deposits & Brokerage Services

Ganzee
GCS Limited - 50% Ownership
Retail Business

Cruise Terminals Inc.
20% Ownership
Operator of cruise ship passenger facilities at the Bridgetown Port

Caribbean Kidz

Spice It Up

OUR GROUP STRUCTURE

HOW WE FUNCTION & FIT TOGETHER

ASSOCIATES

DUTY FREE CARIBBEAN HOLDINGS

40% Ownership
Travel Retail Business

COLOMBIAN EMERALDS INTERNATIONAL

Cave Shepherd

DUTY FREE CARIBBEAN

TOTAL SPORT

PAGES BOOKSTORE

SUBSIDIARY COMPANIES

NAME	CAPITAL	PRINCIPAL COUNTRY OF OPERATION
Cave Shepherd Inc.	Equity $100,000 - 100% owned Loan Capital - Nil	United States
Cave Shepherd (Cayman) Ltd.	Equity $20,000 - 100% owned Loan Capital - Nil	Cayman
Cave Shepherd SRL	Equity $5,050,000 - 100% owned Loan Capital - Nil	Barbados
Fortress Fund Managers Limited	Equity $9,352,500 - 60% owned Loan Capital - Nil	Barbados
Fortress Fund Advisors Limited	Equity $2,000 - 60% owned Loan Capital - Nil	St. Lucia
Fortress Insurance Company Limited	Equity $3,000,000 - 60% owned Loan Capital - Nil	Barbados
Fortress Staff Share Scheme Inc.	Equity $1,000 - 60% owned Loan Capital - Nil	Barbados
Fortress Advisory & Investment Services Ltd.	Equity $2,000 - 60% owned Loan Capital - $400,000	Barbados
Westhelios Energy Systems Inc.	Equity $1,000 - 60% owned Loan Capital - Nil	Barbados
Cayco Ltd.	Equity $1,000,000 - 100% owned Loan Capital - Nil	Cayman
Colombian Emeralds International Limited	Equity $200 - 100% owned Loan Capital - Nil	British Virgin Islands (BVI)
DGM Holdings Inc.	Equity $200 - 72.7% owned Loan Capital - Nil	St. Lucia
DGM Trust Corporation	Equity $16,000,100 - 72.7% owned Loan Capital - Nil	Barbados
DGM Directors Inc.	Equity $1 - 72.7% owned Loan Capital - Nil	Barbados
DGM Management Services Limited	Equity $30,000 - 72.7% owned Loan Capital - Nil	Barbados
DGM Captive Management Inc.	Equity $250,000 - 72.7% owned Loan Capital - Nil	Barbados
DGM International Consulting Inc.	Equity $Nil - 72.7% owned Loan Capital - Nil	St. Lucia

ASSOCIATE COMPANIES

	OWNERSHIP	JURISDICTION
Duty Free Caribbean (Holdings) Ltd.	40%	Barbados
Duty Free Caribbean Limited	40%	Barbados
DFC Services Corp	40%	United States
Duty Free Caribbean Emeralds (St. Lucia) Ltd.	40%	St. Lucia
Duty Free Caribbean (Grenada) Ltd.	40%	Grenada
Ashworth Limited	40%	Bahamas
Duty Free Caribbean (Cayman) Holdings Ltd.	40%	Cayman
CS (Cayman) Ltd.	16%	Cayman
Emerald Distributors Limited	40%	Cayman
Duty Free Caribbean (TCI) Ltd.	40%	Turks & Caicos Islands
Duty Free Caribbean (Jamaica) Ltd.	40%	Jamaica
Duty Free Caribbean (Curacao) N.V.	40%	Curacao
Colombian Emeralds International N.V.	40%	Aruba
Colombian Emeralds International Limited	40%	St. Lucia
CEI Limited	40%	Antigua
Deltamar N.V.	40%	St. Maarten
Colombian Emeralds Bahamas Ltd.	40%	Bahamas
Duty Free Caribbean (Bahamas) Limited	24%	Bahamas
Caribworld Inc.	20.4%	St. Lucia
Caribworld (Trinidad) Ltd.	20.4%	Trinidad
Carib Home Shopping Ltd.	20.4%	Jamaica
Bridgetown Cruise Terminals Inc.	20%	Barbados
GCS Limited	40%	Barbados
GCS (Grenada) Ltd.	40%	Grenada
GCS (St. Lucia) Ltd.	40%	St. Lucia
Ganzee (Antigua) Ltd.	40%	Antigua
CSGK Finance (Holdings) Limited	40%	Barbados
SigniaGlobe Financial Group Inc.	40%	Barbados
CS&C Joint Venture	20%	Barbados
The Sunset Joint Venture	16%	Barbados
Contonou Shores Ltd.	35%	Bahamas
Canouan CS&F Investments Limited	35%	St. Lucia
Caribbean Trade Logistics Advisors Inc.	44%	Barbados
Akela Active Swimwear Inc.	35%	Barbados

DIRECTORS' REPORT

The Cave Shepherd Group recorded a net profit attributable to equity holders of $7.5 million for the year ended December 31st, 2018, a creditable increase on the $6.1 million reported in 2017. The current year profit equates to an Earnings per Share (EPS) of $0.41 compared to $0.33 in the prior year. The majority of our businesses recorded improvements in their operating performance, and our overall profitability had an uplift from a gain relating to the amalgamation of Signia Financial Group Inc. and Globe Finance Inc. which was somewhat offset by declines in our investment portfolio as global stock markets retreated from the gains achieved in recent years.

Total dividends for the year were $0.18 per share compared to $0.13 per share in 2017. The dividend for 2018 is in line with our policy of raising dividends in line with improvements in the underlying profitability of the Group.

The company's share price on the Barbados Stock Exchange at December 31st, 2018 was $4.60 up from $4.01 where it ended the previous year. We are pleased with the continued improvement in the share price but note that when compared to the underlying net book value per share of $6.16 we still believe the share represents excellent value especially with the track record of improving earnings. During the year we continued our policy of share buy-back, purchasing 42,123 shares at a total cost of $174,575.

We have maintained our strong balance sheet with net assets at December 31st, 2018 increasing to $112.8 million compared to $108.7 million at the end of 2017. The growth of our Cave Shepherd Visa Card business is reflected in the increase in our receivables and this was funded through the raising of additional unsecured fixed income notes.

RETAIL

Our principal retail associate, Duty Free Caribbean Holdings recorded a year of improved performance. Sales and profits in our Colombian Emeralds International jewellery business were up as the Caribbean benefited from a strong year of tourism growth and spending. Our non-jewellery business, which relies on a blend of local and visitor patronage, held its own as increased visitor spend was offset by weak domestic expenditure in Barbados due to higher taxes and economic uncertainty.

We continue to explore opportunities for store expansion and plan to add two new locations in 2019.

GCS Limited (Ganzee) contributed another year of solid performance with sales and profits in line with the prior year. We are aggressively looking to expand Ganzee outside of Barbados and Grenada where we currently operate; and are planning to open a new location in another Caribbean island in 2019.


COLOMBIAN EMERALDS
INTERNATIONAL

FINANCIAL SERVICES

Fortress Fund Managers' profitability was up on the prior year as a gain on the sale of the management shares in Fortress Caribbean Property Fund was offset by a loss in Fortress' investment portfolio. The sale of the Property Fund, which we commented on in last year's report, was completed in May 2018 and we are pleased that we were able to find a purchaser of the quality and reputation of the Eppley Group from Jamaica. This sale allows Fortress to focus on its core asset management and pension businesses.

The Fortress Caribbean Growth Fund remained closed to new lump sum investments during the year as the factors which had triggered its original closure, Barbados' macroeconomic problems and a lack of investment opportunities for local dollars, continued during the year. With the decisive new macroeconomic policies adopted in Barbados in the second half of the year, combined with recent investments made by the Growth Fund in global markets, the decision was made to reopen this fund to new lump sum investments in 2019 albeit with limits to ensure that as many investors as possible can have access to the Fund.

Fortress' defensive position on government of Barbados debt, which it has held for several years, meant that its investors were well shielded from the debt restructuring exercise undertaken by the government of Barbados in the second half of the year.


MOBILE
Easy Access
on the go
with the NEW
Cane Shepherd Card
Mobile App!

The Cave Shepherd Visa Card delivered a year of excellent performance led by growth in transaction value of 22%. This improvement, together with well controlled expenses, resulted in a significant improvement in the profit performance. Notwithstanding the difficult economic climate, the levels of delinquency were maintained within historical ranges and are considerably better than the industry average.

In August 2018, we launched the Cave Shepherd Card Mobile Payment App. This App allows users to check the status of their accounts, receive and make transfers to other cardholders and pay for goods and services at businesses who have partnered with us. The latter feature will be especially attractive to micro, small and medium sized enterprises, which have often been unable to utilise traditional credit card offerings provided by commercial banks. Not only is the App easy to activate but the commission rate of 1.75% is considerably less than that normally charged by commercial banks. Less than six months after the launch, we had more than 10,000 downloads of the App by our cardholders and we are very excited about the prospects for this new feature of our credit card business.

Towards the end of the year, and as a consequence of the amalgamation of Signia Financial and Globe Finance the decision was made to close the Globe Visa Card Program and offer all Visa cardholders who were in good standing an automatic preapproved transfer to the Cave Shepherd Visa Card Program. This transfer went very smoothly, and we are pleased to welcome 1,368 former Globe Visa cardholders to the Cave Shepherd Visa Card family. Overall the Cave Shepherd Visa Card business not only has performed well financially but has also embraced technology and innovation; and we are very confident that it has a bright and prosperous future.

SigniaGlobe Financial Group Inc., the new company formed out of the amalgamation of Signia Financial Inc. and Globe Finance Inc. came into being on September 4th, 2018. Last year, we reported that a non-binding letter of intent had been signed to amalgamate the two companies, and subsequently negotiations were successfully completed, and the amalgamation finalised. The new company is headquartered in Hastings and will have branches at Haggatt Hall and in Bridgetown. The management and staff of both Signia and Globe must be congratulated on the thorough and professional manner in which the two companies have been brought together as a single, cohesive business.

From a commercial perspective, Signia had a solid year of performance in an environment where the levels of commercial activity were very subdued and where individual borrowing was also constrained by economic

uncertainty. Furthermore, the combined entity incurred various costs associated with the amalgamation which impacted profitability.

Although the Barbados economy has not yet returned to full growth, we are confident that the newly amalgamated business is well positioned to deliver improved profitability in line with our expectations.

DGM Financial Group had an excellent year with revenue and profit growth exceeding expectations. This business is now on a solid growth trajectory. The changes to the International Business Tax regime announced by the government of Barbados in late 2018 should provide further confidence to the sector as a whole and allow the growth to continue.

OTHER INVESTMENTS

Bridgetown Cruise Terminals Inc. (BCTI) had an unsettled year as its landlord Barbados Port Inc. (BPI) attempted to give it notice to terminate its lease. As a result, BCTI applied to the Court for an injunction which was granted and required the parties to go to arbitration. We are pleased to report that the position of the BPI was modified in the second half of the year and, as a result of the resumed dialogue, an agreement, in principle, has been reached to extend the lease, but with BCTI receiving a smaller share of cruise passenger head tax revenues.

Our property joint venture companies, CS&C Joint Venture and The Sunset Crest Joint Venture, both reported acceptable financial results, though reflecting a decline on the prior year. This decline was attributed to fair value losses that were recorded on the revaluation of these properties during the year, compared

to fair value gains recorded in the prior year. During the third quarter of 2018, one of the joint venture partners sold its share in the CS&C Joint Venture to the remaining partners, which resulted in us increasing our shareholding from 16% to 20%.

CONCLUSION

The year under review was politically eventful for Barbados as a new Government was elected in May 2018 with a historic mandate. Since then, the new administration has tackled some of the country's most pressing macro-economic problems over a relatively short period of time. These included restructuring of domestic public debt, negotiating an agreement with the International Monetary Fund and undertaking a major overhaul to the country's international business regime to comply with requirements of the Organisation for Economic Cooperation and Development.

The restructuring programme necessitated the reduction of the number of persons employed in the public service and introducing new taxes to reduce the fiscal deficit. Although painful and having a short term negative effect on individuals and businesses, taking decisive action was necessary and long overdue. As a company, we will suffer some immediate adverse effects, as individuals have reduced disposable income and may face financial challenges. However, we are in absolute support of the fundamental and decisive action, and are very optimistic that in the medium and long term Barbados will return to the path of recovery and sustainable growth, which will benefit businesses and individuals alike.

Additionally, the harmonization of the international and domestic tax rates is one of the boldest and most progressive policies adopted by any government in recent history. It bodes well for Barbados globally, as such a policy positions Barbados to compete formidably in the international business sector. From a domestic and regional perspective, it should lead to increased investment by domestic and regional entities and boost overall returns on investment.

We are once again looking with confidence to the future, to make new investments, create new jobs as well as value for our shareholders. We look forward to 2019 and expect the company to continue the trend of improving performance.

In closing, we wish to thank our customers, shareholders, staff and management for their loyalty, support and the tremendous goodwill that they continue extend to Cave Shepherd & Co. Limted.

Geoffrey Cave

Sir Geoffrey Cave
Chairman

John Wm

Mr. John M. B. Williams
Chief Executive Officer

March 7th 2019


TAX & DUTY FREE
GUESS
GIVENCHY
BVLGARI
Rihanna
Rihanna
DISCOVER
A world of
GIFTS
UESS
DOLCE


CaveShepherd&Co
EEKEND
EC 7-9 2018
BARBADOS
BetterHealth

CORPORATE SOCIAL RESPONSIBILITY

December 2018 marked the third year of Cave Shepherd Group's sponsorship agreement with the Barbados Tourism Marketing Inc. as the official title sponsor of the annual Run Barbados Marathon Weekend series. The six-race event branded as the Cave Shepherd Marathon, Fortress Half Marathon, Cave Shepherd Visa Credit Card 5K Run, Colombian Emeralds International 10K Run, Ganzee 5K Walk for Charity, and the Signia Fun Mile was held December 7th to 9th 2018. Run Barbados 2018 was a tremendous success with increased overall participation with a record number of diverse participants from 36 countries. This year, the inaugural Cave Shepherd Village was launched with a hive of activities to keep everyone engaged during the races. The Group is pleased to be associated with this very worthwhile event that brings a diverse range of visitors to our Island and also promotes healthy and socially positive activities in the community.

In September 2018, management and staff attended "Rock the Stage", a Talent Showcase hosted by the Cave Shepherd Group Service Standards Committee, whose aim is to improve service standards across the Group and foster employee engagement. It was an outstanding event and a memorable occasion.

Top: *Paul Schmidt (Germany)*
Winner of the Cave Shepherd Marathon

Bottom Left: *Dawnisha Best*
(Sales Professional, Sunset Crest Store, DFC)
Performing "Love on the Brain" by Rihanna

Bottom Right: *Nikita Herbert*
(Sales Professional Sandals Store, CEI)
Modelling segment - outfit from Ladies Fashions Department

Opposite: *Christopher Gilkes (Barbados)*
Cave Shepherd Visa Credit Card 5K Run

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

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

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

NON-EXECUTIVE CHAIRMAN

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

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

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

In November 2016, on the occasion of Barbados' 50th Anniversary of Independence, he was awarded the honour of Knight of St. Andrew for his outstanding contribution to business. Sir Geoffrey served as an Independent Senator appointed by the Governor-General of Barbados during the period 2009 to 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 awarded a Caribbean Master Entrepreneur Award. At the turn of the century, Sir Geoffrey was awarded the Barbados Centennial Honour.

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

CHIEF EXECUTIVE OFFICER

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

NATIONALITY: Barbadian
DATE OF FIRST ELECTION: 2007
TERM OF OFFICE: 2021

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

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

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

INDEPENDENT DIRECTOR

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

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

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

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

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

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

EXECUTIVE DIRECTOR

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

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

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

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

EXECUTIVE DIRECTOR

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

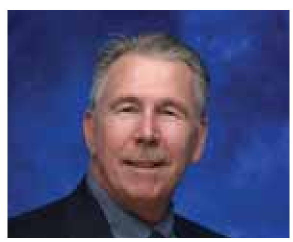
NATIONALITY: Barbadian
DATE OF FIRST ELECTION: 1997
TERM OF OFFICE: 2021

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

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

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

NON-EXECUTIVE DIRECTOR



Robert M. Harvey-Read, B. Comm
Business Executive,
Banyan Air Service
Born 1964

NATIONALITY: Barbadian
DATE OF FIRST ELECTION: 2008
TERM OF OFFICE: 2021

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

Robert works in the philanthropic division of Banyan Air Service – one of the leading private aircraft service operators in the south-eastern United States

Prior to this, Robert worked for the United States Retail Division of the Automotive Art Group managing sales and store development. He has held other developmental and leadership roles in business and Christian ministry in Barbados, Grenada, and the United States.

Robert holds a Bachelor of Business Management from Ryerson University in Canada..

NON-EXECUTIVE DIRECTOR

Edward J. L. Ince, BSc
Business Executive
Born 1962

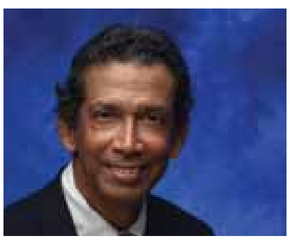
NATIONALITY: Barbadian
DATE OF FIRST ELECTION: 2012
TERM OF OFFICE: 2019

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

Mr. Ince has extensive experience in creating and managing businesses throughout the Caribbean and Central America regions. He co-founded Prism Services, a payments and operations outsourcing company and continues to sit on the Prism board. He also serves on the Boards of Republic Bank Ltd and Productive Business Solutions Limited, a listed company on the Jamaica Stock Exchange.

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

INDEPENDENT DIRECTOR



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

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

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

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

INDEPENDENT DIRECTOR

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

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

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

Mr. Padmore is the Managing Director of Bryden Stokes Limited and previously held the position of General Manager of the West India Biscuit Company Limited (WIBISCO) from 2002 until 2017. His experience in the manufacturing, export, retail and the distribution sectors span over 25 years, additionally, he has worked extensively in the Barbados, Caribbean and USA markets.

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

EXECUTIVE DIRECTOR

Richard G. Simpson
Director of Facilities & Liaison,
Duty Free Caribbean (Holdings) Ltd.
Born 1959

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

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

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

DIRECTORS' SHAREHOLDINGS

Directors' shareholdings in Cave Shepherd & Co. Limited as at December 31st 2018 and as at March 7th 2019, are as follows:

	Shares as at December 31st 2018		Shares as at March 7th 2019	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
R. G. Cave	5,858,534	-	5,858,534	-
V. E Barriteau	-	-	-	-
R. M. Cave	394,088	-	394,088	-
M. D. Davis	84,787	-	84,787	-
R. M. Harvey-Read	22,465	-	22,465	-
E. J. L. Ince	143,687	-	143,687	-
A. H. Padmore	-	-	-	-
L. J. Ramdhanny	-	-	-	-
R. G. Simpson	68,816	-	68,816	-
J. M. B. Williams	77,353	-	77,353	-

Directors' interest in the Share Option Plan of Cave Shepherd & Co. Limited as at December 31st 2018 is as follows:

Year	Granted	Vested	Exercised	Unvested	Expired	Total	Exercise Price
2018	85,000	56,667	-	28,333	-	**85,000**	$4.06
2017	65,000	65,000	-	-	-	**65,000**	$3.50
2016	65,000	65,000	-	-	-	**65,000**	$3.01
2015	65,000	65,000	-	-	-	**65,000**	$3.00
2014	65,000	65,000	65,000	-	-	**-**	$2.60
	345,000	**316,667**	**65,000**	**28,333**	-	**280,000**	

The market price of Cave Shepherd & Co. Limited shares at December 31st 2018 was $4.60.

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

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

BOARD OPERATIONS

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

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

During 2018, the Board had four (4) formal meetings. The Board manages an annual schedule of critical items designed to ensure that it fulfils its obligations. The Board reviewed and approved financial statements, interim and final dividend payments and the progress of Cave Shepherd's strategy. The Board also considered different business opportunities, reviewed and managed Company risk and received reports on the work carried out by its Audit and Corporate Governance & Nomination Committees. The Board reviewed and approved a Management By Objectives ("MBO") plan for key management employees, as recommended by the Corporate Governance & Nomination Committee. The MBO seeks to reward key management employees based on individual strategic objectives and the overall performance of the Company.

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

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

ONGOING DIRECTOR DEVELOPMENT

During 2018 ongoing Directors' education focused on anti-money laundering and terrorist financing, financial developments and recent trends in corporate governance. The Board is committed to ongoing education of its Directors.

BOARD EVALUATIONS

In 2018 the Board undertook its annual performance evaluation. The Board delegated this function to the Corporate Governance & Nomination Committee with the assistance of the Group Corporate Secretary. The performance evaluation addressed the performance and effectiveness of the individual directors and the Board's performance as a whole.

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

BOARD COMMITTEES

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

THE AUDIT COMMITTEE

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

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

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

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

AUDIT COMMITTEE OPERATIONS

The principal business for 2018 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, as well as the Corporate Fraud Policy;
- Reviewing and recommending for amendment the Audit Committee's Charter;
- Reviewing and recommending for approval to the Board the Chairman's Position Description;
- Conducting its annual performance evaluation.

BOARD COMMITTEES CONT'D

AUDIT AND AUDIT RELATED FEES

Audit Fees for the Cave Shepherd Group are as follows:

	2018 (000's)	2017 (000's)
Audit fees	$274	$269
Audit related fees	$56	$18
Tax fees	$26	$16
TOTAL	$356	$303

THE CORPORATE GOVERNANCE & NOMINATION COMMITTEE

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

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

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

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

CORPORATE GOVERNANCE & NOMINATION COMMITTEE OPERATIONS

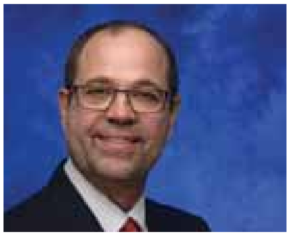
The principal business for 2018 included:

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

EXECUTIVE MANAGEMENT & CORPORATE SECRETARY

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

CHIEF EXECUTIVE OFFICER



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

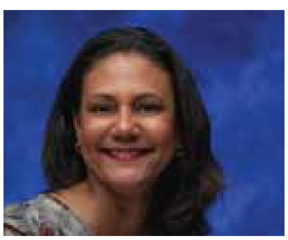
NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 2006

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

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

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

GROUP CORPORATE SECRETARY



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

NATIONALITY: Trinidadian
YEAR OF APPOINTMENT: 2013

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

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

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

CHIEF FINANCIAL OFFICER

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

NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 2000

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

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

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

DIRECTOR - CARD SERVICES

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

NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 2011

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

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

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

DIRECTOR

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

NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 1997

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

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

EXECUTIVE MANAGEMENT'S SHAREHOLDINGS (All Beneficial)

Executive Management's shareholdings as at December 31st 2018 and as at March 7th 2019, are as follows:

	Shares as at December 31st 2018 No. of Shares held Common Shares	Shares as at March 7th 2019 No. of Shares held Common Shares
J. M. B. Williams	77,353	77,353
I. P. Gibson	46,715	46,715
H. M. Chrysostom	13,546	13,546
R. M. Cave	394,088	394,088
A. E. Browne-Ellis	11,643	11,643

MANAGEMENT PROXY CIRCULAR

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

This Management Proxy Circular accompanies the Notice of the Forty-Eighth Annual General Meeting of Shareholders of Cave Shepherd & Co. Limited (the "Company") to be held at the **Lloyd Erskine Sandiford Centre on Wednesday April 17th 2019 at 5.30 p.m.**

1. APPOINTMENT AND REVOCATION OF PROXY

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to complete, sign, date and return the proxy. **Proxies to be exercised at the Meeting must be deposited no later than 4:00 p.m. on Monday April 15th 2019.**

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

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

2. RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed **Wednesday March 13th 2019** as the Record Date for determining the Shareholders entitled to receive Notice of the Meeting, and have given notice thereof by advertisement as required by the Act. Only the Shareholders of the Company at the close of business on that day will be entitled to receive Notice of the Meeting.

Shareholders are voting on the following:

1. the adoption of the Audited Consolidated Financial Statements for the year ended December 31st 2018;
2. the election of Directors; and
3. the appointment of Auditors for the ensuring year and for Directors to fix their remuneration.

Only Shareholders of the Company will be entitled to vote at the Meeting. On a show of hands, each Shareholder has one vote. On a poll, each Shareholder is entitled to one vote for each share held. As at the date hereof there are 18,328,230 common shares without par value of the Company issued and outstanding.

MANAGEMENT PROXY CIRCULAR

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

The Audited Consolidated Financial Statements of the Company for the year ended December 31st 2018 and the Auditors' Report thereon can be found on the Company's website www.caveshepherd.com.

ITEM 2
ELECTION OF DIRECTORS

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

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

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

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

Sir Geoffrey Cave	1 Year

With respect to Mr. Edward J. L. Ince, Mr. Lyden J. Ramdhanny and Mr. Richard G. Simpson, the term of office for each person so elected will expire at the close of the third Annual General Meeting of the Shareholders of the Company following his election or until his successor is elected or appointed. Each of these nominees is now a Director of the Company and will retire at the close of the Forty-Eighth Annual General Meeting in accordance with the provisions of the revised by-laws of the Company, but being qualified, is eligible for re-election. Messrs. Edward J. L. Ince, Lyden J. Ramdhanny and Richard G. Simpson were elected as Directors at the Shareholders' Meeting held on April 21st 2016. These nominees are being recommended in accordance with paragraphs 3.09 and 3.10 of the revised by-laws.

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

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

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

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

MANAGEMENT PROXY CIRCULAR

ITEM 3
APPOINTMENT OF AUDITORS

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

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

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

Discretionary Authority

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

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

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

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

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

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

Dated March 7th 2019

Hanna M. Chrysostom.

Hanna M. Chrysostom
Group Corporate Secretary

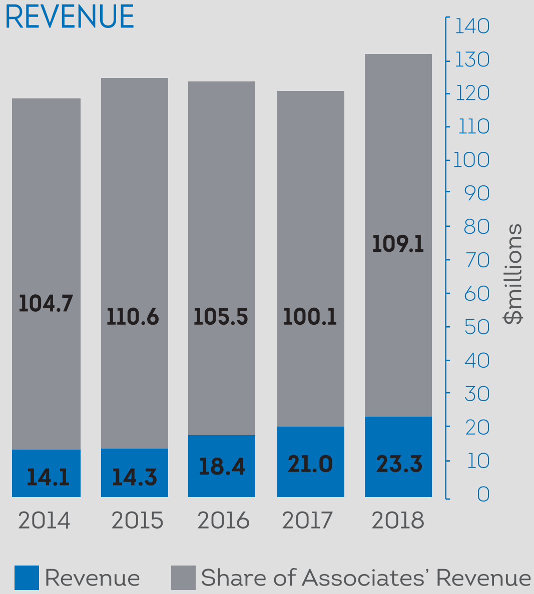
FINANCIAL HIGHLIGHTS

For the year ended December 31, 2018
Expressed in Barbados dollars

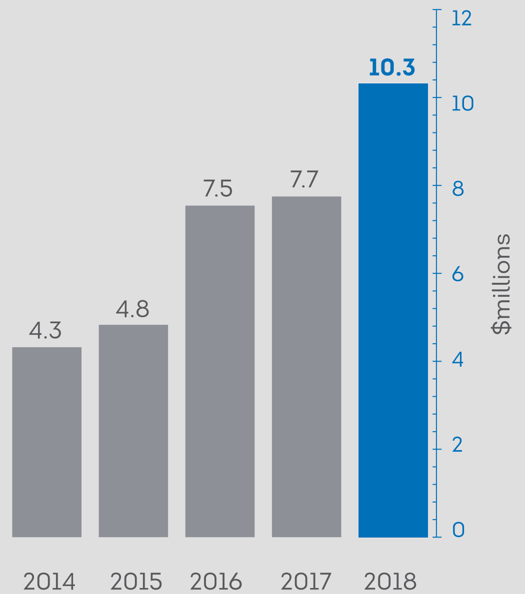
	2018 $	2017 $
RESULTS FOR THE YEAR (in $ millions)		
Revenue from operations and other gains	**23.26**	20.95
Profit before taxation	**10.32**	7.75
Net profit attributable to equity holders of the Company	**7.48**	6.07
YEAR END POSITION (in $ millions)		
Working capital	**75.88**	67.62
Total assets	**164.23**	152.34
Total equity	**112.82**	108.73
PER SHARE OF CAPITAL STOCK (in dollars)		
Profit before taxation and non-controlling interests	**0.56**	0.42
Net profit attributable to equity holders of the Company	**0.41**	0.33
Dividends declared	**0.18**	0.13
Equity	**6.16**	5.96
Market price per share	**4.60**	4.01
FINANCIAL RATIOS (in percentages)		
Return on average equity	**6.8%**	5.8%

FINANCIAL HIGHLIGHTS

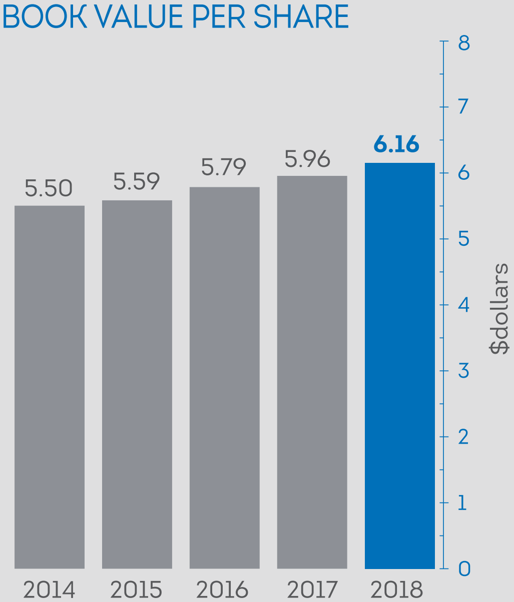
GROUP REVENUE INCLUDING SHARE OF ASSOCIATES REVENUE



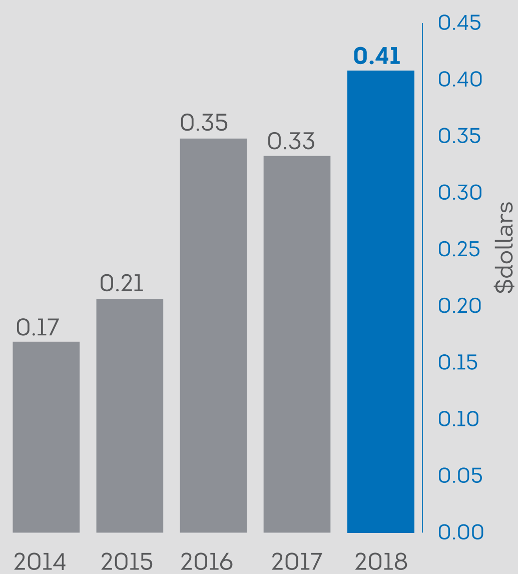
PROFIT BEFORE TAX



BOOK VALUE PER SHARE



EARNINGS PER SHARE



EARNINGS PER SHARE **$0.41**

FIVE YEAR SUMMARY

	2018	2017	2016	2015	2014
Year End Position (in $ millions)					
Current Assets					
Cash and short term deposits	**15.9**	18.9	13.2	12.9	15.1
Financial assets at fair value through profit and loss	**22.8**	20.3	17.5	17.2	18.7
Trade and other receivables and prepayments	**46.0**	34.7	28.4	24.8	21.3
Other current assets	**3.2**	4.0	3.7	3.6	11.4
Total current assets	**87.9**	77.9	62.8	58.5	66.5
Less Current Liabilities	**12.0**	10.3	10.2	11.7	18.5
Working capital	**75.9**	67.6	52.6	46.8	48.0
Investments and other assets	**76.3**	74.5	79.0	76.0	74.7
	152.2	142.1	131.6	122.8	122.7
Financed By:					
Long-term borrowings	**39.4**	33.4	25.9	20.8	21.8
Total equity	**112.8**	108.7	105.7	102.0	100.9
	152.2	142.1	131.6	122.8	122.7
No. of Shares Outstanding (in millions)	**18.3**	18.3	18.3	18.2	18.3
Share of Associates Revenue (in $ millions)	**109.1**	100.1	105.5	110.6	104.7
Results For The Year (in $ millions)					
Revenue from operations and other gains	**23.3**	21.0	18.4	14.3	14.1
Net operating profit including results of associates	**9.9**	5.2	7.0	5.3	4.4
Profit/(loss) before taxation and non-controlling interests	**10.3**	7.7	7.5	4.8	4.3
Net comprehensive income/(loss) attributable to equity holders of the Company	**7.5**	6.1	6.4	3.8	3.1
Dividends declared	**3.3**	2.4	2.2	2.2	2.2
Per Share Of Capital Stock (in dollars)					
Earnings/(loss)	**0.41**	0.33	0.35	0.21	0.17
Dividends declared	**0.18**	0.13	0.12	0.12	0.12
Net book value	**6.16**	5.96	5.79	5.59	5.50
Financial Ratios					
Current ratio	**7.32**	7.53	6.14	5.02	3.59
Gearing ratio	**0.20**	0.13	0.11	0.08	0.06
Returns (%)					
On average equity	**7%**	6%	6%	4%	3%

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

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246 430 3879
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cave Shepherd & Co. Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, consolidated statement of income and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

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

Key Audit Matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Investments in associated companies</td><td></td></tr>
<tr><td>Investments in associates represents approximately 41% of the assets on the consolidated statement of financial position.

As detailed in Note 2 Summary of Significant Accounting Policies, under the equity method of accounting for associates, these associates are initially stated at cost, and are adjusted thereafter for the Group's share of its associates' post-acquisition profits or losses which is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves which is recognised in other comprehensive income and accumulated in reserves.</td><td>We analyzed the Group's methodology and equity pick-up calculations of the underlying associates for the year ended 31 December 2018 which included the following audit procedures:

• We evaluated the reasonableness of Management's assessment of control versus significant influence

• We issued instructions and performed independent reviews of the working papers of the non-EY auditors of the Group's material associates

• We tested the reasonableness of the year end equity pickup calculations in the consolidated accounts, including compliance with accounting policies consistent with Group reporting, where applicable

• We assessed Management's assumptions over the carrying values of the associates and related balances

• Additionally, we considered whether the Group's disclosures related to these investments were appropriately reflected in the notes to the consolidated financial statements</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

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

Key Audit Matters (Continued)

Key audit matter	**How our audit addressed the key audit matter**
Expected Credit Loss Allowance	
The Group adopted IFRS 9, Financial Instruments effective 1 January 2018. The standard changes the evaluation of credit losses from an incurred approach to an expected credit loss ("ECL") model which requires significantly greater management judgment and incorporation of forward-looking information. IFRS 9 requires the Group to record an allowance for ECLs for all loans and advances to customers and other financial assets not held at fair value through profit and loss, together with loan commitments and financial guarantee contracts. The estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. Furthermore, models used to determine credit impairment are complex, and certain inputs used are not fully observable. Management compensates for any model and data deficiencies by applying judgmental overlays to ECL model outputs.	• We evaluated the modelling techniques and methodologies developed by the Group in order to estimate ECLs, and assessed their compliance with the requirements of IFRS 9 • We tested the completeness and accuracy of input data to the models used to determine the ECLs. We assessed the reasonableness of the methodologies and assumptions applied in determining 12 month and lifetime probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and staging. We assessed external source data and assumptions, particularly with respect to forward looking information (FLI) • We involved our EY valuation specialists to assess the appropriateness of the models and the assumptions used, including analyzing modelling accuracy and consistency of impairment parameters. They also assessed the reasonableness of the FLI • We assessed the reasonableness of all qualitative adjustments or overlays derived outside of specific model output • We assessed the adequacy of disclosures in the consolidated financial statements

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

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

Other information included in the Group's 2018 Annual Report

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAVE SHEPHERD & CO. LIMITED

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

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

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

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

Other Legal and Regulatory Requirements

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

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

Ernst + Young Ltd

Barbados

19 March 2019

Consolidated Statement of Financial Position

As at December 31, 2018

Expressed in thousands of Barbados dollars

	2018	2017
	$	$
Current Assets		
Cash and short-term deposits (note 4)	**14,411**	17,965
Restricted cash (note 4)	**1,500**	900
Financial assets at fair value through profit and loss (note 5)	**22,787**	20,378
Trade and other receivables and prepayments (note 6)	**45,996**	34,711
Due by associates (note 7)	**3,154**	3,855
Due by affiliates (note 8)	**42**	48
	87,890	77,857
Current Liabilities		
Borrowings (note 22)	**2,570**	2,042
Trade and other payables (note 9)	**3,462**	3,233
Due to associates (note 7)	**558**	22
Due to affiliates (note 8)	**114**	215
Loan due to associate (note 17)	**1,940**	-
Loans payable to non-controlling interest (note 20)	**816**	915
Deferred income	**442**	450
Current income tax liability	**467**	618
Dividends payable (note 21)	**1,646**	2,742
	12,015	10,237
Working Capital	**75,875**	67,620
Investments in associates (note 10)	**67,440**	64,604
Non-current financial assets at fair value through profit and loss (note 5)	**721**	994
Intangible assets (note 12)	**-**	353
Property, plant and equipment (note 13)	**2,158**	2,467
Loans due by associate (note 14)	**5,800**	5,800
Pension plan surplus (note 15)	**223**	270
Loan due to affiliate (note 16)	**(3,000)**	(3,000)
Loan due to associate (note 17)	**(1,940)**	-
Fixed income certificates payable (note 18)	**(14,954)**	(15,273)
Unsecured fixed income notes payable (note 19)	**(19,500)**	(14,000)
Redeemable preference shares (note 23)	**-**	(1,097)
Deferred tax liability (note 24)	**(8)**	(8)
Net Assets	**112,815**	108,730

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

Consolidated Statement of Financial Position

As at December 31, 2018
Expressed in thousands of Barbados dollars

	2018	2017
	$	$
Capital and Reserves attributable to the Equity holders of the Company		
Share capital (note 25)	**38,600**	38,512
Share option reserve (note 26)	**405**	338
Retained earnings (note 27)	**70,533**	68,217
	109,538	107,067
Non-controlling interests	**3,277**	1,663
Total Equity	**112,815**	108,730

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

Approved by the Board of Directors on March 7th 2019.

Geoffrey Cave

Sir Geoffrey Cave
Director

John Wi...

Mr. John M. B. Williams
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018
Expressed in thousands of Barbados dollars

	Attributable to equity holders of the Company			Non-controlling Interests	
	Share Capital	Retained Earnings	Share Option Reserve		Total
	$	$	$	$	$
Balance as at December 31, 2016	38,475	65,023	301	1,810	**105,609**
Net profit for the year	-	6,073	-	868	**6,941**
Other comprehensive loss for the year	-	(558)	-	-	**(558)**
Total comprehensive income for the year	-	5,515	-	868	**6,383**
	38,475	70,538	301	2,678	**111,992**
Dividends (13¢ per share)	-	(2,378)	-	-	**(2,378)**
Dividends paid to non-controlling interests	-	-	-	(1,015)	**(1,015)**
Employee share options (note 26)	-	-	121	-	**121**
Expired share options	-	84	(84)	-	-
Issue of shares (note 25)	74	-	-	-	**74**
Repurchase of shares (note 25)	(37)	(27)	-	-	**(64)**
Balance as at December 31, 2017	38,512	68,217	338	1,663	**108,730**
Effect of adopting IFRS9 - Group	-	(987)	-	(176)	**(1,163)**
Effect of adopting IFRS9 - Associates	-	(635)	-	-	**(635)**
As adjusted	38,512	66,595	338	1,487	**106,932**
Net profit for the year	-	7,480	-	1,925	**9,405**
Other comprehensive loss for the year	-	(38)	-	-	**(38)**
Total comprehensive income for the year	-	7,442	-	1,925	**9,367**
	38,512	74,037	338	3,412	**116,299**
Dividends (18¢ per share)	-	(3,292)	-	-	**(3,292)**
Dividends paid to non-controlling interests	-	-	-	(1,367)	**(1,367)**
Employee share options (note 26)	-	-	128	-	**128**
Expired share options	-	7	(7)	-	-
Exercised share options (note 26)	54	-	(54)	-	-
Reclassification	-	(135)	-	135	-
Issue of shares (note 25)	125	-	-	-	**125**
Issue of shares to non-controlling interest (note 23)	-	-	-	1,097	**1,097**
Repurchase of shares (note 25)	(91)	(84)	-	-	**(175)**
Balance as at December 31, 2018	38,600	70,533	405	3,277	**112,815**

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

Consolidated Statement of Income

For the year ended December 31, 2018
Expressed in thousands of Barbados dollars

	2018 $	2017 $
Revenue and other gains		
Revenue from operations (note 28)	**23,228**	20,923
Other gains (note 30)	**27**	30
	23,255	20,953
Expenses		
Payroll costs (note 31)	**7,960**	7,163
Depreciation (note 13)	**592**	649
Amortisation of intangible assets (note 12)	**353**	844
Other operating expenses	**7,721**	7,262
Credit loss expense	**612**	405
Redeemable preference shares dividends to non-controlling interests	**-**	965
	17,238	17,288
Profit before undernoted items	**6,017**	3,665
Finance costs	**(1,272)**	(1,101)
Net Operating Profit	**4,745**	2,564
Share of results of associates (note 10)	**5,118**	2,642
Gains on financial assets (note 29)	**456**	2,541
Profit before taxation	**10,319**	7,747
Income tax expense (note 32)	**(914)**	(806)
Net Profit for the year	**9,405**	6,941
Attributable to:		
Equity holders of the Company	**7,480**	6,073
Non-controlling interests	**1,925**	868
	9,405	6,941
Earnings per share for profit attributable to the equity holders of the Company during the year		
- basic (note 33)	**$0.41**	$0.33
- diluted (note 33)	**$0.39**	$0.32

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018
Expressed in thousands of Barbados dollars

	2018 $	2017 $
Net Profit for the year	**9,405**	6,941
Other comprehensive loss:		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations – group (note 15)	**(22)**	(804)
Remeasurements of post-employment benefit obligations - associate	**(16)**	246
Other comprehensive loss for the year	**(38)**	(558)
Total Comprehensive Income for the year	**9,367**	6,383
Attributable to:		
Equity holders of the Company	**7,442**	5,515
Non-controlling interests	**1,925**	868
Total Comprehensive Income for the year	**9,367**	6,383

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2018
Expressed in thousands of Barbados dollars

	2018	2017
	$	$
Net cash used in operations (note 34)	**(5,944)**	(4,267)
Cash flows from investing activities		
Purchase of property, plant and equipment (note 13)	**(301)**	(469)
Purchase of financial assets at fair value through profit and loss	**(8,078)**	(769)
Purchase of investment in associate	**(2,369)**	-
Purchase of other investments	**-**	(1,017)
Proceeds on disposal of other investments (note 29)	**1,600**	-
Proceeds on disposal of property, plant and equipment	**45**	30
Proceeds on disposal of financial assets at fair value through profit and loss	**4,347**	1,339
Dividends received	**61**	35
Dividends received from associates (note 10)	**4,000**	5,620
Net cash (used in)/generated from investing activities	**(695)**	4,769
Cash flows from financing activities		
Proceeds from issue of shares (note 25)	**125**	74
Repurchase of shares (note 25)	**(175)**	(64)
Restricted cash (note 4)	**(600)**	(400)
Proceeds from loan due to associate	**3,880**	-
Proceeds from long term borrowings	**12,000**	9,000
Payment of long term borrowings	**(6,500)**	(1,000)
Payment of non-controlling shareholder loan	**(99)**	-
Fixed income certificates payable (net)	**(319)**	(565)
Dividends paid to shareholders	**(2,926)**	(2,196)
Dividends paid to non-controlling interest	**(2,098)**	(624)
Dividends paid to preference shareholders	**(731)**	(624)
Net cash generated from financing activities	**2,557**	3,601
Net (decrease)/increase in cash and cash equivalents	**(4,082)**	4,103
Cash and cash equivalents net of borrowings – beginning of year	**15,923**	11,820
Cash and cash equivalents net of borrowings – end of year	**11,841**	15,923
Represented by:		
Cash at bank and in hand (note 4)	**14,257**	16,452
Short-term deposits (note 4)	**154**	1,513
Borrowings (note 22)	**(2,570)**	(2,042)
	11,841	15,923

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

Notes to the Consolidated Financial Statements

December 31, 2018
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) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit and loss as disclosed in Note 2(a).

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(j).

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

New standards and amendments adopted by the Group

The Group applied, for the first time, certain standards and amendments that became applicable for the 2018 financial year. However there was no impact on the amounts reported and/or disclosures in the financial statements, except for IFRS9 Financial Instruments disclosed below.

Annual IFRS Improvements Process - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters - Effective 1 January 2018

Annual IFRS Improvements Process - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice - Effective 1 January 2018

Amendments to IFRS 15 Revenue from Contracts with Customers – Effective 1 January 2018

Key requirements
IFRS 15 replaces all previous revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 Leases (or IFRS 16, once effective). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.
The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

New standards and amendments adopted by the Group

IFRS 15 Revenue from Contracts with Customers – Effective 1 January 2018

Transition

Entities can choose to apply the standard using either a full retrospective approach or a modified retrospective approach, with some limited relief provided under either approach. Early application is permitted and must be disclosed.

Impact

IFRS 15 is more prescriptive than the previous IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. The adoption of the standard had no material impact to the Group.

IFRS 9 – IFRS 9 Financial Instruments – Effective 1 January 2018

Key requirements

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability’s credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

New standards and amendments adopted by the Group

IFRS 9 – IFRS 9 Financial Instruments

Impairment
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

Impact
The impact of the adoption of IFRS9 is disclosed further in note 2(a).

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration – Effective 1 January 2018

Key requirements
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

Transition
Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

Impact
The amendments have no material impact to the Group.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

New standards and amendments adopted by the Group

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions – Effective 1 January 2018

Key requirements

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.

- The classification of a share-based payment transaction with net settlement features for withholding tax obligations. This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment.

- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

Transition

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted.

Impact

The amendments have no material impact to the Group.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

New standards and amendments adopted by the Group

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Effective 1 January 2018

Key requirements

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Transition

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

Impact

The amendments have no impact to the Group.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

New and amended standards and interpretations

In these financial statements, the Group has applied IFRS 9 and IFRS 7R, effective for annual periods beginning on or after 1 January 2018, for the first time. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments
IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

Changes to classification and measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets as follows (fair value through profit or loss (FVPL), available for sale (AFS), loans and receivables and held-to-maturity (HTM)) have been replaced by:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.
- Financial assets at FVPL.

The accounting for financial liabilities remains the same as it was under IAS 39.

The Group's classification of its financial assets and liabilities is explained below.

Changes to the impairment calculation
The adoption of IFRS 9 has fundamentally changed the Group's accounting for credit card and loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all credit cards and other debt financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Group's impairment method are disclosed below.

Expressed in thousands of Barbados dollars

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

IFRS 7R

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Group has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out below.

Reconciliations from opening to closing ECL allowances are presented below.

Transition disclosures

The following sets out the impact of adopting IFRS on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 to the balances reporting under IFRS 9 as of 1 January 2018 revealed that trade and other receivables and prepayments, which includes credit card balances was remeasured by $723 from $34,711 to $33,988, held-to-maturity investment was remeasured by $264 from $994 to $730 and investment in associates was remeasured by $635 from $64,604 to $63,969.

As at 1 January 2018, the Group has assessed its financial assets which had been previously classified at fair value through profit and loss, loans and receivables and held-to-maturity investments. Accordingly, the Group has classified these instruments as financial assets at FVPL.

The impact of transition to IFRS 9 (before non-controlling interest) on retained earnings is as follows:

Retained Earnings	
Closing balance under IAS 39 (31 December 2017)	68,217
Recognition of IFRS9 – Group	(987)
Recognition of IFRS9 – Associates	(635)
	(1,622)
Opening balance under IFRS9 (1 January 2018)	66,695
Total change in equity due to adopting IFRS9	(1,798)

Expressed in thousands of Barbados dollars

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Transition disclosures*…continued*

The following table reconciles the aggregate opening credit card loss provision allowances and financial asset debt instruments under IAS 39 to the allowances under IFRS 9.

	Amounts under IAS 39/IAS 37 at 31 December 2017	Re-measurement	Amounts under IFRS9 as at 1 January 2018
Credit card loss provision at amortised cost per IAS 39 / financial assets at amortised cost under IFRS9	3,195	723	3,918
Held-to-maturity debt instrument per IAS 39 / financial asset debt instrument at fair value through profit and loss per IFRS9	-	264	264
Associate debt instruments per IAS 39 / financial asset debt instrument at amortised cost per IFRS9	-	635	635

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Recognition of interest income

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

Interest and similar income

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as ‘Stage 3’, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Interest and similar income
For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Date of recognition
Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Measurement categories of financial assets and liabilities

From 1 January 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses o profit or loss on derecognition.
- Financial assets at FVPL.

The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies. Before 1 January 2018, the Group classified its financial assets as loans and receivables (amortised cost), FVPL, available-for-sale or held-to-maturity (amortised cost). Financial liabilities are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial assets and liabilities

Trade and Other Receivables and held-to-maturity investments

Before 1 January 2018, trade and other receivables and held-to-maturity investments included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Group intended to sell immediately or in the near term.
- That the Group, upon initial recognition, designated as at FVPL or as available-for-sale.
- For which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2018, the Group only measures financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce more than minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Financial assets held for trading

Before 1 January 2018, the Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit-taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Financial Liabilities

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

Financial assets at fair value through profit or loss

From 1 January 2018, the Group measures these financial assets at fair value through profit and loss as they have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Management has elected to designate the financial assets at fair value through profit and loss on initial recognition.

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount or premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as operating income when the right to the payment has been established.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Reclassification of financial assets and liabilities

From 1 January 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in 2018.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if it has transferred its contractual rights to receive cash flows from the financial asset or it retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients. A transfer only qualifies for derecognition if the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Derecognition other than for substantial modification*…continued*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Group’s loss impairment method by replacing IAS 39’s incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for financial assets, in this section all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Based on the above process, the Group allocates its credit card receivables and other non-current financial assets into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When credit card receivables are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a credit card receivables has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the credit card receivables has been reclassified from Stage 3.
- Stage 3: Credit card receivables considered credit-impaired. The Group records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

The calculation of ECLs

The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, a best case, a worst case). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are also assessed. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained below.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a credit card receivables has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For credit card receivables considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit- adjusted EIR.

When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

Changes in accounting policies and disclosures

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Group only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Credit card facilities

The Group's product offering includes a credit card facility, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behaviour, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is five years. The treatment outlined does not limit the calculation to the one-day period outlined in the credit card receivables agreements, but to five years instead. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest. The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as GDP growth and unemployment rates. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2. **Summary of Significant Accounting Policies …***continued*

(a) **Basis of Preparation** *…continued*

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2018 and not early adopted

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

- IFRS 16 Leases (Effective 1 January 2019)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (Effective January 1 2019)
- Prepayment Features with Negative Compensation – Amendments to IFRS 9 (Effective 1 January 2019)
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 (Effective 1 January 2019)
- IAS19 Employee Benefits - Amendment, Curtailment or Settlement (Effective 1 January 2019)
- AIP IFRS 3 Business Combinations – Previously held interests in a joint venture (Effective 1 January 2019)
- AIP IFRS 11 Joint Arrangements – Previously held interests in a joint operation (Effective 1 January 2019)
- AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity (Effective 1 January 2019)
- AIP IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation (Effective 1 January 2019)
- Definition of a Business - Amendments to IFRS3 (Effective 1 January 2020)
- Definition of Material – Amendments to IAS1 and IAS8 (Effective 1 January 2020)
- The Conceptual Framework for Financial Reporting (Effective 1 January 2020)
- IFRS 17 Insurance Contracts (Effective 1 January 2021)

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

2. **Summary of Significant Accounting Policies …***continued*

(b) **Consolidation**

Subsidiaries

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

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

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

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

Transactions and Non-controlling interests

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

Expressed in thousands of Barbados dollars

2. **Summary of Significant Accounting Policies …***continued*

(b) **Consolidation**…*continued*

Subsidiaries…*continued*

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

	Country of incorporation and place of business	Nature of business	Ordinary shares held (%)	Ordinary shares held by non-controlling interests (%)
Cave Shepherd Inc.	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	60	40
Fortress Fund Advisors Limited	Barbados	Financial services company	60	40
Fortress Insurance Company Limited	Barbados	Financial services company	60	40
Fortress Staff Share Scheme Inc.	Barbados	Financial services company	60	40
Fortress Advisory & Investment Services Ltd.	Barbados	Financial services company	60	40
Westhelios Energy Systems Inc.	Barbados	Services company	60	40
Cayco Ltd.	Cayman	Holding company	100	-
Colombian Emeralds International Limited	Tortola	Retail company	100	-

Notes to the Consolidated Financial Statements

December 31, 2018
Expressed in thousands of Barbados dollars

2. **Summary of Significant Accounting Policies …***continued*

(b) **Consolidation**…*continued*

Subsidiaries…*continued*

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

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

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

Fortress Fund Managers Limited is authorised to issue 250,000 non-voting, redeemable, non-cumulative preference shares. During 2012, Fortress issued 243,750 non-voting, redeemable, non-cumulative preference shares for the amount of $1,097 to the non-controlling interest of the Group. The redeemable preference shares were converted by election of the shareholders to common shares on November 22, 2018. As a result, the Company’s shareholding decreased from 75% to 60% in Fortress Fund Managers Limited.

Expressed in thousands of Barbados dollars

2. **Summary of Significant Accounting Policies …***continued*

(b) **Consolidation**…*continued*

Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of 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, 2018
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%
Colombian Emeralds Bahamas Ltd.	40%
Duty Free Caribbean (Bahamas) Limited	24%
Caribworld Inc.	20.4%
Caribworld (Trinidad) Ltd.	20.4%
Carib Home Shopping Ltd.	20.4%
Bridgetown Cruise Terminals Inc.	20%
GCS Limited	40%
GCS (Grenada) Ltd.	40%
GCS (St. Lucia) Ltd.	40%
Ganzee (Antigua) Ltd.	40%
CSGK Finance (Holdings) Limited	40%
SigniaGlobe Financial Group Inc.	40%
CS&C Joint Venture	20%
The Sunset Joint Venture	16%
Caribbean Trade Logistics Advisors Inc.	44%
Contonou Shores Ltd.	35%
Canouan CS&F Investments Limited	35%
Akela Active Swimwear Inc.	35%

During the year, the Company increased its investment in CS&C Joint Venture from 16% to 20% for a total consideration of $2,369.

On 4 September 2018, Signia Financial Group Inc. was amalgamated with Globe Finance Inc. with the continuing company named SigniaGlobe Financial Group Inc.

2. **Summary of Significant Accounting Policies …***continued*

(c) **Revenue Recognition**

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

- Interest income
  Interest income is recognised on the accrual basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

- Commission income
  Commission income on credit cards is recognised on an accrual basis upon generation of sales through merchants.

- Dividend income
  Dividend income is recognised when the right to receive payment is established.

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

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

(d) **Investment Property**

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

2. **Summary of Significant Accounting Policies …***continued*

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

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

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

Furniture and Equipment	3 to 5 years
Motor Vehicles	5 years

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

(f) **Trade Receivables**

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

2. **Summary of Significant Accounting Policies …***continued*

(g) **Inventories**

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

(h) **Fair value estimation**

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

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

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

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.

2. **Summary of Significant Accounting Policies …***continued*

(i) **Current and Deferred Income Taxes**

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

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

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

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

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

2. **Summary of Significant Accounting Policies …***continued*

(j) **Critical Accounting Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

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

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

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

- **Income and deferred taxes**

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

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

2. **Summary of Significant Accounting Policies …***continued*

(j) **Critical Accounting Estimates and Assumptions***…continued*

- **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.

- **Impairment of financial assets**
  The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
  The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
    - The Group's internal credit grading model, which assigns PDs to the individual grades
    - The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
    - The segmentation of financial assets when their ECL is assessed on a collective basis
    - Development of ECL models, including the various formulas and the choice of inputs
    - Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
    - Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2. **Summary of Significant Accounting Policies …***continued*

(j) **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 reporting date.

(k) **Foreign Currency Translation**

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

2. **Summary of Significant Accounting Policies …***continued*

(l) **Cash and cash equivalents**

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

(m) **Intangible Assets**

Goodwill

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

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

Management Contracts

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

(n) **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.

2. **Summary of Significant Accounting Policies …***continued*

(o) **Employee Benefits**

Pension Plan Valuation

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

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

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

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

Past-service costs are recognised immediately in income.

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

Termination benefits

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

Profit-sharing and bonus plans

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

2. **Summary of Significant Accounting Policies …***continued*

(o) **Employee Benefits**…continued

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

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

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

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

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

2. **Summary of Significant Accounting Policies …***continued*

(o) **Employee Benefits**…continued

Share-based payments...continued

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

(p) **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.

(q) **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.

2. **Summary of Significant Accounting Policies …***continued*

(r) **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.

(s) **Trade Payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

(t) **Borrowings**

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

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

(u) **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.

(v) **Leases**

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

(w) **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.

Expressed in thousands of Barbados dollars

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, 2018, 13% (2017 - 17%) of financial assets at fair value through profit and loss comprise investments in other funds that have been fair valued in accordance with the policies set out in note 2(a).

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, 2018** $
Listed on Caribbean stock exchanges and markets	103	10
Listed on foreign stock exchanges and markets	2,284	228
Unlisted securities	20,400	2,040
	22,787	**2,278**

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

3. **Financial Risk Management …***continued*

(a) **Market risk***...continued*

(ii) **Interest rate risk**

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2018

Expressed in thousands of Barbados dollars

3. **Financial Risk Management …***continued*

(a) **Market risk***...continued*

(ii) **Interest rate risk***…continued*

At December 31, 2018	0-5 years $	Over 5 years $	Non-interest bearing $	Total $
Financial assets				
Cash and short-term deposits	154	-	14,257	**14,411**
Restricted cash	1,500	-	-	**1,500**
Financial assets at fair value through profit and loss	-	-	22,787	**22,787**
Trade and other receivables	42,307	-	3,517	**45,824**
Due by associates	1,760	-	1,394	**3,154**
Due by affiliates	42	-	-	**42**
Non-current financial assets at fair value through profit and loss	-	721	-	**721**
Loans due by associate	5,800	-	-	**5,800**
Total financial assets	51,563	721	41,955	**94,239**
Financial liabilities				
Borrowings	2,570	-	-	**2,570**
Trade and other payables	-	-	3,462	**3,462**
Due to associates	-	-	558	**558**
Due to affiliates	-	-	114	**114**
Loans payable to non-controlling interest	816	-	-	**816**
Current loan due to associate	1,940	-	-	**1,940**
Deferred Income	-	-	442	**442**
Loan due to affiliate	3,000	-	-	**3,000**
Loan due to associate	1,940	-	-	**1,940**
Fixed income certificates payable	14,954	-	-	**14,954**
Unsecured fixed income notes payable	19,500	-	-	**19,500**
Total financial liabilities	44,720	-	4,576	**49,296**
Total interest sensitivity gap	6,843	721	37,379	**44,943**

Notes to the Consolidated Financial Statements

December 31, 2018
Expressed in thousands of Barbados dollars

3. **Financial Risk Management …***continued*

(a) **Market risk***...continued*

(ii) **Interest rate risk***…continued*

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

(i) **Currency Risk**

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

Expressed in 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:

	2018	2017
	$	$
Cash and short-term deposits	**14,411**	17,965
Restricted cash	**1,500**	900
Trade and other receivables	**45,824**	34,295
Due by associates	**3,154**	3,855
Due by affiliates	**42**	48
Non-current financial assets at fair value through profit and loss	**721**	994
Loans due by associate	**5,800**	5,800
	71,452	63,857

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.

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:

	2018	2017
	$	$
Cash and short-term deposits		
CIBC FirstCaribbean International Bank (Unrated)	**7,052**	12,335
Morgan Stanley Private Wealth Management (A-1 by Standard and Poor's)	**2,631**	2,536
Other banks	**2,158**	1,052
	11,841	15,923

(c) **Credit risk – Loans and Receivables**

Credit risk is the risk that the Company will incur a loss because its customers fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for customers, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the credit department of the Company. It is their responsibility to review and manage credit risk.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of customers. Customer limits are established by the use of a credit risk classification system, which assigns each customer a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Definition of default and cure

Default

The definition of default for the purpose of determining expected credit losses is consistent with the regulatory definition of default which considers following indicators:

- a customer is highly vulnerable to non-payment, e.g. a bankruptcy petition has been filed;
- a customer has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner;
- a customer has failed to pay one or more of its financial obligations (rated or unrated) - if the credit card exposure is more or equal to 90 days past due it is automatically assessed as defaulted.

3. **Financial Risk Management …***continued*

(c) **Credit risk – Loans and Receivables***…continued*

An assessment of significant increase in credit risk (SICR) incorporates all relevant, reasonable and supportable information, including forward looking information that is available without undue cost or effort. The Company assesses when a significant increase in credit risk has occurred based on the following criteria:

- Qualitative indicators: the customer is on the Watchlist and/or there are some significant adverse changes in business, financial and/or economic conditions in which the customer resides or operates;
- Backstop criteria: a backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Although the Company uses past due status information as the only borrower specific quantitative information, it also considers other reasonable and supportable forward-looking information that is available without undue cost or effort to assess whether lifetime ECL should be recognized for loans that are not more than 30 days past due. Management believes that this approach meets the objective of recognizing lifetime ECL for all significant increases in credit risk. For example, the quality of credit card portfolio is highly dependent on unemployment rate, and because of some increases in unemployment rates due to specific reasons, the risk of default might be determined to have increased significantly, even if those customers are not past due at reporting date. The Company will analyse such events case by case, apply bottom up approach and recognize loss allowance at the amount equal to lifetime ECL, while it will continue recognising a loss allowance at an amount equal to 12 months, ECL for the credit cards recently originated as they would not have experienced a significant increase in credit risk since initial recognition. While expected to be rare, it is still possible that certain risks could arise which may not immediately be identifiable or quantifiable at the instrument level and the Company will need to apply overlays in these cases.

Cure

Based on Company management's decision, assets will not move directly from Stage 3 to Stage 1. Once an asset reaches Stage 3, the account is moved over to Internal Classifications until the full outstanding balance owing is repaid in full by the customer. Subsequent to full repayment, customers are required to honor a six-month waiting period prior to being considered for re-activation of an account. Ultimately, this re-activation process follows a full credit due diligence process, in line with the Credit Management Policy.

The Company's internal rating and PD estimation process

An Internal credit rating system will be implemented based on the information currently available in the Company. This rating system will seek to assess the credit quality of the customer based on specific information available at the initial point of assessment and/or application.

The model proposed for this system will be based on income, employment length and credit limits on the accounts. These parameters are assessed, and points are assigned according to income brackets, years employed and credit limits.

3. **Financial Risk Management …***continued*

(c) **Credit risk – Loans and Receivables**…*continued*

Impairment assessment

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

Loss given default

For corporate and investment Grouping financial instruments, LGD values are assessed at least every three months and reviewed and approved by management. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Group segments its credit card receivables based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in payment status or other factors that are indicative of losses in the group. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

3. **Financial Risk Management …continued**

(c) **Credit risk – Loans and Receivables**…*continued*

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk when the credit card receivables has arrears of 30 days or greater.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer to the watch list, or the account becoming forborne. In certain cases, the Group may also consider that events are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

(d) **Liquidity risk**

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

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

Expressed in thousands of Barbados dollars

3. **Financial Risk Management …***continued*

(c) **Liquidity risk***…continued*

December 31, 2018	**0-3 months**	**4 months – 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**
Borrowings	2,570	-	-	**2,570**
Trade and other payables	3,462	-	-	**3,462**
Due to associates	558	-	-	**558**
Due to affiliates	114	-	-	**114**
Loans payable to non-controlling interest	894	-	-	**894**
Loan due to associate	-	4,307	-	**4,307**
Deferred income	-	442	-	**442**
Current income tax liability	-	467	-	**467**
Loan due to affiliate	-	3,150	-	**3,150**
Fixed income certificates payable	-	15,627	-	**15,627**
Unsecured fixed income notes payable	-	20,692	-	**20,692**
Dividends payable	1,646	-	-	**1,646**
	9,244	44,685	-	**53,929**

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

3. **Financial Risk Management …***continued*

(d) **Liquidity risk***…continued*

Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The gearing ratios at December 31, 2018 and December 31, 2017 were 20.34% and 13.08% respectively.

Fair value estimation

This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

Fair values

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

(i) Short term financial assets and liabilities

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

(ii) Long term financial assets and liabilities

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

Expressed in thousands of Barbados dollars

3. **Financial Risk Management …***continued*

Fair value estimation *…continued*

The following table presents the Group's assets that are measured at fair value at December 31, 2018:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit and loss	2,375	18,627	1,785	**22,787**
Non-current financial assets at fair value through profit and loss	-	-	721	**721**
	2,375	18,627	2,506	**23,508**

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

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

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

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

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

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

The following table presents the changes in Level 3 instruments for the year ended December 31, 2018. Level 3 instruments are primarily financial assets designated at fair value through profit and loss at inception and represents the Group's investments in unquoted equity securities.

Expressed in thousands of Barbados dollars

3. **Financial Risk Management …***continued*

Fair value estimation *…continued*

	2018	2017
	$	$
At the beginning of the year	**1,361**	331
Purchases	**-**	1,017
Transfers	**721**	-
Gains recognised in consolidated statement of income	**105**	13
At the end of the year	**2,187**	1,361

During 2017, the Company acquired a 10% interest in Emerald City Trust for a total consideration of $1,017.

During the year, the Group transferred its previously held-to-maturity financial investment of $721 to level 3 under the classification in accordance with IFRS9 disclosures.

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

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

	2018	2017
	$	$
Cash at bank and in hand	**14,257**	16,452
Short-term deposits (a)	**154**	1,513
	14,411	17,965
Restricted cash (b)	**1,500**	900
	15,911	18,865

Expressed in thousands of Barbados dollars

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

(a) Short-term deposits comprise deposits with financial institutions at an interest rate of 0.00% (2017 – 0.06%). Cash with a financial institution is in a US daily dollar account with an interest rate of 0.00% (2017 – 0.06%) and is used to invest in equity securities in foreign stock exchanges.

(b) During the year, the Group deposited an amount of $600 to Wells Fargo to secure an increase to a Standby Letter of Credit for $600 to Visa International. As at year end, the balance on deposit and Standby Letter of Credit was $1,500 (2017 - $900).

5. **Financial Assets at fair value through profit and loss**

	2018	2017
	$	$
Listed securities	**2,375**	2,889
Unlisted securities		
• Mutual funds	**18,627**	15,809
• Other	**1,785**	1,680
	22,787	20,378
Non-current financial asset at fair value through profit and loss		
• Government of Barbados bond	**721**	-
Held-to-maturity investment		
• Government of Barbados bond	**-**	994
	721	994
	23,508	21,372

Included within financial assets at fair value through profit and loss of $22,787 (2017 - $20,378) is an amount of $18,627 (2017 - $15,809), which represents investment in mutual funds managed by a subsidiary.

Changes in fair values of financial assets at fair value through profit and loss are recorded in the consolidated statement of income (note 29).

Expressed in thousands of Barbados dollars

6. **Trade and Other Receivables and Prepayments**

	2018	2017
	$	$
Credit card receivables	**46,983**	35,690
Less: provision for IFRS9 impairment (Stage 1 & 2)	**(1,044)**	-
Less: provision for impairment (IFRS9 - Stage 3/IAS39)	**(3,632)**	(3,195)
Credit card receivables – net	**42,307**	32,495
Other receivables	**1,850**	1,643
Security deposit	**1,500**	-
Corporation tax recoverable	**167**	157
Prepayments	**172**	416
	45,996	34,711

Credit card receivables comprise local and international VISA Card purchases.

During the year, the Group paid a security deposit to Visa International for $1,500. This deposit represents the collateral security requirements of Visa International.

The gross Stage 1 and Stage 2 receivable are $40,117 and $1,598 with an ECL of $909 and $135 respectively.

Expressed in thousands of Barbados dollars

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

As at December 31, 2018, trade receivables of $41,715 (2017 - $31,087) 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, 2018, trade receivables of $1,636 (2017 - $1,408) 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:

	2018	2017
	$	$
Up to 3 months	**1,584**	1,387
3 to 6 months	**21**	18
Over 6 months	**31**	3
	1,636	1,408

As at December 31, 2018, trade receivables of $3,632 (2017 - $3,195) were impaired and fully provided for. The ageing of these receivables is as follows:

	2018	2017
	$	$
Up to 3 months	**105**	7
3 to 6 months	**254**	362
Over 6 months	**3,273**	2,826
	3,632	3,195

Movements on the Group Stage 3 provision for impairment of trade receivables are as follows:

	2018	2017
	$	$
Beginning of year	**3,195**	3,091
Provision for receivables impairment	**1,647**	1,535
Amounts recovered	**(1,167)**	(1,123)
Receivables written off during the year as uncollectible	**(43)**	(308)
End of year	**3,632**	3,195

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

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

Expressed in thousands of Barbados dollars

7. Due by/to Associates

An amount of $1,760 (2017 - $1,760) included in due by associates bears interest at a rate of 4.14% (2017 – 4.14%) 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 by/to affiliates are interest free, unsecured and have no stated terms of repayment.

9. Trade and Other Payables

	2018	2017
	$	$
Trade and other payables	**3,462**	3,233

During 2008, the Fortress Group established a staff share scheme for its employees. Included in trade and other payables is a balance of $492 (2017 - $368) which relates to 565,297 (2017 – 542,238) non-voting redeemable shares in Fortress Staff Share Scheme issued to employees of that company.

Expressed in thousands of Barbados dollars

10. Investments in associates

Movement in investments in associates is as follows:

	2018	2017
	$	$
At the beginning of the year	**64,604**	67,336
Purchase of investments in associates	**2,369**	-
Share of effect of adopting IFRS9 adjustment in associate	**(635)**	-
Post employment benefit adjustment to Other Comprehensive Income for associate	**(16)**	246
	66,322	67,582
Dividends received	**(4,000)**	(5,620)
Share of results before tax	**6,018**	3,664
Share of tax	**(900)**	(1,022)
Share of results, net of tax	**5,118**	2,642
At the end of the year	**67,440**	64,604

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

During the year, the Company increased its investment in CS&C Joint Venture from 16% to 20% for a total consideration of $2,369.

Expressed in thousands of Barbados dollars

10. **Investments in Associates**…*continued*

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

Name	Country of Incorporation	Assets	Liabilities	Revenues	Profit/(Loss) after tax	% interest held
2018						
Duty Free Caribbean (Holdings) Ltd.	Barbados	**72,834**	**37,754**	**91,637**	**641**	**40%**
Bridgetown Cruise Terminals Inc.	Barbados	**832**	**174**	**899**	**330**	**20%**
GCS Limited	Barbados	**2,898**	**1,134**	**5,152**	**475**	**40%**
CSGK Finance (Holdings) Limited	Barbados	**179,229**	**163,681**	**9,927**	**2,898**	**40%**
CS&C Joint Venture	Barbados	**12,782**	**3,652**	**936**	**655**	**20%**
The Sunset Joint Venture	Barbados	**2,762**	**743**	**238**	**124**	**16%**
Contonou Shores Ltd.	Bahamas	**3,002**	**-**	**-**	**-**	**35%**
Canouan CS&F Investments Limited	St. Lucia	**175**	**-**	**-**	**-**	**35%**
Other		**301**	**237**	**331**	**(5)**	
		274,815	**207,375**	**109,120**	**5,118**	

Expressed in thousands of Barbados dollars

10. **Investments in Associates**...*continued*

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

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

Expressed in thousands of Barbados dollars

10. **Investments in Associates**...*continued*

	2018	2017
	$	$
The amounts recognised in the statement of financial position are as follows:		
Associates	**67,440**	64,604
The amounts recognised in the statement of income are as follows:		
Associates	**5,118**	2,642

Set out below are the associates of the group as at December 31, 2018, 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 2018 and 2017:

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

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

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

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

Notes to the Consolidated Financial Statements

December 31, 2018

Expressed in thousands of Barbados dollars

10. **Investments in Associates** *…continued*

Summarised Statement of Financial Position

Name	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Other	Total
2018							
Current assets	130,280	4,144	7,009	403,476	4,400	2,095	**551,404**
Current liabilities	75,486	869	1,069	26,732	709	577	**105,442**
Non-current assets	51,806	14	238	44,596	59,508	24,930	**181,092**
Non-current liabilities	18,900	-	1,768	382,469	17,549	4,609	**425,295**
Net assets	87,700	3,289	4,410	38,871	45,650	21,839	**201,759**
Interest in associates	**35,080**	**658**	**1,764**	**15,548**	**9,130**	**5,260**	**67,440**

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

Expressed in thousands of Barbados dollars

10. **Investments in Associates**...*continued*

Summarised Statement of Income

	Duty Free Caribbean (Holdings) Ltd.	Bridgetown Cruise Terminals Inc.	GCS Limited	CSGK Finance (Holdings) Limited	CS & C Joint Venture	Other	Total
2018							
Revenue	229,092	4,497	12,881	24,818	4,679	2,239	**278,206**
Post tax profit from continuing operations	1,602	1,648	1,188	7,245	3,275	764	**15,722**
Dividends received from associate	-	-	(200)	(668)	(3,092)	(40)	**(4,000)**

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

Expressed in thousands of Barbados dollars

11. **Subsidiaries**

a) **Principal subsidiaries**

Summarised financial information of subsidiaries with material non-controlling interests

Summarised Statement of Financial Position

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

	2018	2017
	$	$
Current		
Assets	**11,265**	13,874
Liabilities	**(4,281)**	(8,795)
Total current net assets	**6,984**	5,079
Non-current		
Assets	**1,795**	2,208
Liabilities	**(7)**	(1,104)
Total non-current net assets	**1,788**	1,104
Net Assets	**8,772**	6,183

Summarised Income Statement

	2018	2017
	$	$
Revenue	**13,517**	12,946
Profit before income tax	**6,252**	5,093
Income tax expense	**(898)**	(799)
Post tax profit from continuing operations	**5,354**	4,294
Other comprehensive income	**-**	-
Net profit and total comprehensive income	**5,354**	4,294
Total comprehensive income allocated to non-controlling interests	**1,925**	868
Dividends paid to non-controlling interests	**2,098**	624
Dividends paid to preference shareholders	**731**	624

Expressed in thousands of Barbados dollars

11. **Subsidiaries**...*continued*

a) **Principal subsidiaries**...*continued*

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

Summarised Cash Flows

	2018	2017
	$	$
Cash flows from operating activities		
Cash generated from operations	**3,268**	5,193
Interest received	**76**	100
Corporation tax paid	**(1,058)**	(593)
Net cash generated from operating activities	**2,286**	4,700
Net cash generated from investing activities	**5,376**	68
Net cash used in financing activities	**(7,068)**	(3,120)
Net increase in cash and cash equivalents	**594**	1,648
Cash and cash equivalents at the beginning of the year	**5,356**	3,708
Cash and cash equivalents at the end of the year	**5,950**	5,356

Expressed in thousands of Barbados dollars

12. **Intangible Assets**

Details of intangible assets are as follows:

	Management Contracts $
At December 31, 2017	
Cost	8,444
Accumulated amortisation	(8,091)
Net book value	353
At December 31, 2018	
Cost	**8,444**
Accumulated amortisation	**(8,444)**
Net book value	**-**

Movement of intangible assets is as follows:

	Management Contracts $
Beginning of year – December 31, 2016	1,197
Amortisation of intangible asset	(844)
End of year – December 31, 2017	353

	Management Contracts $
Beginning of year – December 31, 2017	**353**
Amortisation of intangible asset	**(353)**
End of year – December 31, 2018	**-**

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 $353 (2017 - $844), of which $141 (2017 - $211) relates to the share of non-controlling interest.

Expressed in thousands of Barbados dollars

13. **Property, Plant and Equipment**

	Furniture & Equipment	Motor Vehicles	Total
Year ended December 31, 2017			
Opening net book value	2,362	285	2,647
Additions	311	158	469
Depreciation charge	(526)	(123)	(649)
Closing net book value	2,147	320	2,467
At December 31, 2017			
Cost	6,735	992	7,727
Accumulated depreciation	(4,588)	(672)	(5,260)
Net book value	2,147	320	2,467
Year ended December 31, 2018			
Opening net book value	**2,147**	**320**	**2,467**
Additions	**301**	**-**	**301**
Disposals	**(18)**	**-**	**(18)**
Depreciation charge	**(494)**	**(98)**	**(592)**
Closing net book value	**1,936**	**222**	**2,158**
At December 31, 2018			
Cost	**6,693**	**933**	**7,626**
Accumulated depreciation	**(4,757)**	**(711)**	**(5,468)**
Net book value	**1,936**	**222**	**2,158**

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 (20176 - $7,560) are unsecured, bear interest at rates between 4.14% and 5.96% (2017 – 4.14% to 5.96%) with $5,800 repayable in 2022. During the year none of these loans were repaid by the Duty Free Caribbean group. The current portion of the loans amounting to $1,760 (2017 - $1,760), has been included in Due by Associates in current assets on the consolidated statement of financial position (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 benefits that members receive at retirement under the defined contribution plans depend on their account balances at retirement and the cost of purchasing an annuity. Most of the defined benefit pension plans are non-contributory and allow for additional voluntary contributions with benefits dependent on either career average salary or the final average salary in the last three years of membership. Annual valuations of the defined benefit pension plans are performed by independent actuaries and the companies' contributions are adjusted according to the actuaries' recommendations. The last full actuarial valuation of the plan was performed as of January 1, 2017.

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

Notes to the Consolidated Financial Statements

December 31, 2018

Expressed in thousands of Barbados dollars

15. **Pension Plan Surplus**...*continued*

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

	2018 **$**	2017 $
Statement of financial position surplus for:		
- Defined pension benefits	**223**	270
Statement of income credit included in operating profit:		
- Defined pension benefits	**(25)**	67
Actual remeasurements included in other comprehensive income:		
- Defined pension benefits	**(22)**	(804)

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

	2018 **$**	2017 $
Fair value of plan assets	**10,043**	10,953
Present value of funded obligations	**(7,474)**	(7,804)
	2,569	3,149
Impact of asset ceiling	**(2,346)**	(2,879)
Asset in the consolidated statement of financial position	**223**	270

The impact of the asset ceiling is that $2,346 (2017 - $2,879) has not been recognised in the consolidated statement of financial position because in accordance with IAS 19, this asset can only be recognised to the extent that it can be utilised by the Company.

Expressed in thousands of Barbados dollars

15. **Pension Plan Surplus**...*continued*

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

	2018	2017
	$	$
Active members	**2,310**	2,211
Retired members	**5,164**	5,593
	7,474	7,804

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

	Present value of obligation	**Fair value of Plan assets**	**Total**	**Impact of asset ceiling**	**Total**
	$	$	$	$	$
At January 1, 2018	(7,804)	10,953	3,149	(2,879)	**270**
Current service cost	(51)	-	(51)	-	**(51)**
Net interest on the net defined benefit asset/(liability)	(586)	-	(586)	-	**(586)**
Expected return on plan assets	-	826	826	-	**826**
- Administration and other non-plan investment management expenses	-	(15)	(15)	-	**(15)**
- Employer contributions	-	23	23	-	**23**
- Interest on impact of asset ceiling	-	-	-	(222)	**(222)**
	(637)	834	197	(222)	**(25)**
Remeasurements:					
- Experience losses on investment	-	(1,141)	(1,141)	-	**(1,141)**
- Experience gains on obligation	364	-	364	-	**364**
- Change in asset ceiling	-	-	-	755	**755**
	364	(1,141)	(777)	755	**(22)**
Contributions:					
- Employees	(15)	15	-	-	**-**
Payments from plans:			-	-	**-**
- Benefit payments	618	(618)	-	-	**-**
At December 31, 2018	(7,474)	10,043	2,569	(2,346)	**223**

Expressed in thousands of Barbados dollars

15. **Pension Plan Surplus**...*continued*

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

Plan assets are comprised as follows:

	2018	2017
Bonds	**12%**	12%
Equities	**70%**	70%
Real Estate	**5%**	5%
Cash	**13%**	13%

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

Expressed in thousands of Barbados dollars

15. **Pension Plan Surplus**...*continued*

The significant actuarial assumptions are as follows:

	2018	2017
Discount rate	**7.00%**	7.75%
Future salary increases – inflationary	**4.00%**	4.25%
Future salary increases – promotional	**2.00%**	2.50%
Future pension increases	**2.50%**	3.25%
Proportion of employees opting for early retirement	**0.00%**	0.00%
Future changes in NIS ceiling	**3.50%**	4.25%
Mortality	**UP94-AA**	UP94-AA
Termination of active members	**Nil**	Nil
Early retirement	**Nil**	Nil
Future expenses	**Nil**	Nil

Expected contributions to post-employment benefit plans for the year ending December 31, 2019 would amount to $15.

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

Change in Assumption	**Benefit obligation $**
Base IAS19 results	7,474
Reduce discount rate by 1% pa	8,157
Increase discount rate by 1% pa	6,891
Reduce salary increase by 0.5% pa	7,439
Increase salary increase by 0.5% pa	7,510
Increase average life expectancy by 1 year	7,738

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

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 obligation.

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

	2018	2017
Males	**20.23**	20.15
Females	**22.38**	22.34

The weighted average duration of the defined benefit obligation is 8.54 (2017 – 8.70) years.

Expected maturity analysis of undiscounted pension as at December 31, 2018:

	Less than 1 year	**Between 1 – 2 years**	**Between 2 – 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Pension Benefits	656	684	2,407	5,148	**8,895**

Expressed in thousands of Barbados dollars

16. **Loan due to Affiliate**

During 2017, the Company obtained a loan of $3,000 from Fortress Caribbean High Interest Fund Ltd. to finance the VISA card operations. The loan is unsecured, bears interest of 5% per annum and is repayable in December 2020.

17. **Loan due to Associate**

During the year, the Company borrowing $3,880 from SigniaGlobe Financial Inc. to finance the purchase of the Globe Visa portfolio. This loan bears interest at 5.5% per annum which is paid monthly. The principal is being repaid in quarterly instalments of $970 beginning June 2019 with the last payment in December 2020.

The loan due to associate is set out below:

	2018	2017
	$	$
Loan amount	**3,880**	-
Current portion	**(1,940)**	-
Balance at end of year	**1,940**	-

An amount of $1,940 has been included in current liabilities in the statement of financial position.

18. **Fixed Income Certificates Payable**

The Fixed Income Certificates Payable will mature on June 30, 2020 bear interest at 3.00% to 3.25% (2017 – 3.00% to 3.25%) per annum and have the option of being renewed at the end of June 2019 for a further two years.

Expressed in thousands of Barbados dollars

19. Unsecured Fixed Income Notes Payable

The Unsecured Fixed Income Notes payable are set out below:

	2018	2017
	$	$
Balance at beginning of year	**14,000**	9,000
Issued	**9,000**	6,000
Repaid	**(3,500)**	(1,000)
Balance at end of year	**19,500**	14,000

These Unsecured Fixed Income Notes are comprised as follows:

	2018	2017
	$	$
(a) $15 million Note facility		
• 1st tranche	**-**	3,000
• 2nd tranche	**4,500**	5,000
• 3rd tranche	**6,000**	6,000
(b) $20 million Note facility		
• 1st tranche	**5,000**	-
• 2nd tranche	**4,000**	-
Balance at end of year	**19,500**	14,000

(a) These Unsecured Fixed Income Notes will mature in two years, bear interest at 3.25% (2017 - 3.75%) per annum and have the option of being renewed for a further two years. During the year, $3,000 of the first tranche and $500 of the second tranche of the $15 million facility were repaid.

(b) During the year, the Company issued a new Note $20 million facility. These Unsecured Fixed Income Notes will mature in two years, bear interest at 3.25% per annum and have the option of being renewed for a further two years. During the year, the Company issued a first tranche for $5,000 and a second tranche for $4,000.

Expressed in thousands of Barbados dollars

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

The Loans payable are set out below:

	2018	2017
	$	$
Loan payable to non-controlling interest (a)	**-**	**99**
Loans payable to non-controlling interest (b)	**816**	**816**
	816	**915**

(a) The loan payable to DGM Holdings Inc. was repaid during the year.

(b) Loans payable to non-controlling interest relates to Fortress Fund Managers Ltd., are unsecured, have no stated terms of repayment and bear interest at a rate of 6.0% (2017 – 6.0%) per annum.

21. **Dividends Payable**

The Dividends payable comprise the following:

	2018	2017
	$	$
Dividend payable to equity holders of the company	**1,646**	1,280
Dividend payable to non-controlling interest	**-**	731
Dividend payable to preference shareholders	**-**	731
	1,646	2,742

22. **Borrowings**

The Group has overdraft facilities of $6 million (2017 - $6 million) of which $2,570 (2017 - $2,042) was utilised at the reporting date.

23. **Redeemable preference shares**

Fortress Fund Managers Limited is authorised to issue 250,000 non-voting, redeemable, non-cumulative preference shares. The shares are redeemable at the option of Fortress at $4.50 per share and must be redeemed by December 31, 2021. During 2012, Fortress issued 243,750 non-voting, redeemable, non-cumulative preference shares for the amount of $1,097 to the non-controlling interest of Fortress. The redeemable preference shares were converted by election of the shareholders to common shares on November 22, 2018.

Expressed in thousands of Barbados dollars

24. Deferred Tax Liability

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

	2018	2017
	$	$
Accelerated depreciation	**(56)**	(224)
Pension Assets	**(9)**	(68)
Stock options	**16**	84
Unutilised tax losses	**-**	200
IFRS9 Stage 1 & 2	**41**	-
Deferred tax liability	**(8)**	(8)

Deferred tax assets of $101 (2017 - $565) are not recognised for tax loss carry-forwards in some Group companies as the realisation of the related tax benefits through future taxable profits is not probable.

The Group has tax loss carry-forwards amounting to $2,100 (2017 - $3,088), which have expiry dates ranging between 2018 and 2025.

25. Share Capital

	2018		2017	
	No. of shares	**$**	No. of shares	$
Authorised				
The Company is authorised to issue an unlimited number of common shares of no par value				
Issued				
Beginning of year	**18,255,194**	**38,512**	18,252,189	38,475
Issued	**44,793**	**125**	19,846	74
Exercised share options (note 26)	**70,366**	**54**	-	-
Repurchased during the year	**(42,123)**	**(91)**	(16,841)	(37)
End of year	**18,328,230**	**38,600**	18,255,194	38,512

The Company repurchased 42,123 (2017 – 16,841) shares for a total consideration of $175 (2017 - $64) of which $84 (2017 - $27) was eliminated against the retained earnings and $91 (2017 - $37) against share capital.

The Company issued 8,843 (2017 – 19,846) shares for $37 (2017 - $74) to key employees as shares in lieu of bonus. During the year, a subsidiary sold 35,950 shares of the Company for $88.

Expressed in thousands of Barbados dollars

26. **Share Based Payment**

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

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

	2018		2017	
	Average exercise price per share option	**Options**	Average exercise price per share option	Options
Outstanding at beginning of year	**3.04**	**775,000**	3.21	716,000
Granted	**4.06**	**200,000**	3.50	200,000
Exercised	**2.60**	**(180,000)**	-	-
Forfeited	**-**	**-**	-	-
Expired	**2.87**	**(15,000)**	4.60	(141,000)
Outstanding at end of year	**3.40**	**780,000**	3.04	775,000
Exercisable at end of year	**3.34**	**713,333**	2.99	708,333

Of the 780,000 outstanding options (2017 – 775,000), 713,333 options (2017 – 708,333) were exercisable.

Notes to the Consolidated Financial Statements

December 31, 2018

Expressed in thousands of Barbados dollars

26. **Share Based Payment**...*continued*

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

			Shares	
Grant-vest	**Expiry date**	**Exercise price**	**2018**	**2017**
2014-2014	2019	2.60	-	123,333
2014-2015	2019	2.60	-	61,667
2015-2015	2020	3.00	123,334	126,667
2015-2016	2020	3.00	61,666	63,333
2016-2016	2021	3.01	130,000	133,333
2016-2017	2021	3.01	65,000	66,667
2017-2017	2022	3.50	133,333	133,333
2017-2018	2022	3.50	66,667	66,667
2018-2018	2023	4.06	133,333	-
2018-2019	2023	4.06	66,667	-
			780,000	775,000

The weighted average fair value of options granted during 2018 determined using the Binomial Pricing model was $0.63 (2017 - $0.66) per option. The significant inputs into the model were weighted average share price of $3.04 (2017 - $3.04) at the grant date, exercise price shown above, volatility 20%, dividend yield of 3% per annum, an expected option life of 4.5 years and an annual risk-free interest rate of 6.00% (2017 – 6.00%) per annum. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last five years.

During the year, 180,000 options granted in 2014 were exercised and 5,000 options granted in 2015 and 5,000 options granted in 2016 expired. The exercised options resulted in 70,366 shares being issued with a value of $54 being transferred from share option reserve to share capital.

A total expense of $128 (2017 – $121) is recognised in the consolidated statement of income for share options granted during the year which is attributed to the remaining 1/3 of the 2017 and 2/3 of the 2018 options granted being vested at year end. All other option grants were fully vested and expensed by December 31, 2018.

Expressed in thousands of Barbados dollars

27. Retained Earnings

	2018	2017
	$	$
Parent company	**36,183**	33,811
Subsidiary companies	**(6,799)**	(7,060)
Associated companies	**41,149**	41,466
	70,533	68,217

28. Revenue from Operations

	2018	2017
	$	$
Finance income	**7,833**	6,579
Dividend income	**61**	35
Commissions	**1,151**	1,327
Management fees	**12,559**	11,742
Interchange fees	**1,070**	829
Miscellaneous	**554**	411
	23,228	20,923

Expressed in thousands of Barbados dollars

29. Gains on Financial Assets

	2018 **$**	2017 $
Gain/(loss) on disposal of financial assets at fair value through profit and loss	**1,341**	(70)
Unrealised (loss)/gain on financial assets at fair value through profit and loss	**(885)**	2,611
	456	2,541

During the year, the agreement was completed whereby Fortress Fund Managers Limited ("Fortress"), Alleyne, Aguilar & Altman Limited ("Altman Real Estate") and Eppley Fund Managers Limited ("Eppley") pursuant to which Eppley, a wholly owned subsidiary of Eppley Limited, assumed all investment management and advisory responsibilities for the Fortress Caribbean Property Fund Limited SCC ("the Fund"). Under the agreement, Eppley acquired the unlisted common shares of the Fund held by Fortress and Altman Real Estate and also assumed control and management of the Fund. The sale of the common shares was also finalised resulting in a gain on sale of $1,600 which has been included under gain/(loss) on disposal of financial assets at fair value through profit and loss above.

30. Other Gains

	2018 **$**	2017 $
Gain on disposal of property, plant and equipment	**27**	30

31. Payroll Costs

Payroll costs comprise:

	2018 **$**	2017 $
Salaries	**6,675**	6,144
National insurance, group health and life	**282**	274
Pension – defined benefit plan costs (note 15)	**25**	(67)
Pension – defined contribution plan costs	**200**	253
Employee share option expenses (note 26)	**128**	121
Medical	**204**	102
Other personnel expenses	**446**	336
	7,960	7,163

Expressed in thousands of Barbados dollars

32. **Income Tax Expense**

The income tax expense is comprised of the following:

	2018 $	2017 $
Current tax on profits for the year	**914**	813
Deferred tax credit	**-**	(7)
	914	806

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

	2018 $	2017 $
Profit before taxation	**10,319**	7,747
Corporation tax calculated at 30.0% (2017 – 25.0%)	**3,095**	1,937
Effect of lower tax rate in other countries	**144**	(303)
Movement in deferred tax asset not recognised	**(633)**	(392)
Tax losses expiring	**-**	661
Tax effect of items not allowed in determining taxable profit	**(1,692)**	(1,097)
Tax charge	**914**	806

33. **Earnings per share**

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

	2018 $	2017 $
Net profit attributable to the equity holders of the parent	**7,480**	6,073
Weighted average number of ordinary shares issued	**18,283,055**	18,254,918
Basic earnings per share	**$0.41**	$0.33
Weighted average number of ordinary shares for diluted earnings per share	**19,063,055**	19,029,918
Diluted earnings per share	**$0.39**	$0.32

Expressed in thousands of Barbados dollars

34. Net Cash Generated from Operations

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

	2018	2017
	$	$
Cash flows from operating activities		
Profit before taxation	**10,319**	7,747
Adjustments for:		
Depreciation (note 13)	**592**	649
Share of results of associates (note 10)	**(5,118)**	(2,642)
Amortisation of intangible assets (note 12)	**353**	844
(Gain)/Loss on disposal of financial assets held for trading and at fair value through profit and loss (note 29)	**(1,341)**	70
Unrealised loss/(gain) on financial assets held for trading and at fair value through profit and loss (note 29)	**885**	(2,611)
Gain on disposal of property, plant and equipment (note 30)	**(27)**	(30)
Pension plan surplus/(charge) (note 15)	**25**	(67)
Employee share option plan expense (note 26)	**128**	121
Dividend income (note 28)	**(61)**	(35)
Redeemable preference shares dividends to non-controlling interest	**-**	965
Interest expense	**1,272**	1,101
Operating profit before working capital changes	**7,027**	6,112
Net change in non-cash working capital items related to operations:		
- Trade and other receivables and prepayments	**(12,008)**	(6,285)
- Due by associates	**701**	(358)
- Due by affiliates	**6**	147
- Trade and other payables	**229**	(275)
- Deferred income	**(8)**	(93)
- Due to associates	**536**	(1,935)
- Due to affiliates	**(101)**	63
Cash (used in)/generated from operations	**(3,618)**	(2,624)
Corporation taxes paid	**(1,072)**	(588)
Interest paid	**(1,254)**	(1,055)
Net cash used in operations	**(5,944)**	(4,267)

Expressed in thousands of Barbados dollars

35. **Related Party Transactions**

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

	2018	2017
	$	$
Finance income	**424**	424
Management fees	**8,442**	7,919
Commissions income	**17**	34

Key Management Compensation:

	2018	2017
	$	$
Salaries	**2,272**	2,321
NIS	**43**	48
Medical	**52**	49
Pension, Group Life	**73**	72
Share Option Plan	**70**	53

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

	2018	2017
	$	$
Directors and Key Management – at interest rates of 3.00% to 3.25% (2017 – 3.00% to 3.25%)	**-**	112

	2018	2017
	$	$
Directors' fees	**89**	91

36. **Segmental Information**

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

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

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

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

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

Expressed in thousands of Barbados dollars

36. **Segmental Reporting…***continued*

The segment information provided to the Board for the reportable segments for the year ended December 31, 2018 and December 31, 2017 is as follows:

	Retail		Services		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
Revenue						
Segment revenue	**-**	-	**23,711**	23,494	**23,711**	23,494
Total Revenue					**23,711**	23,494
Results						
Segment results	**-**	-	**5,355**	5,159	**5,355**	5,159
Share of results of associates	**1,116**	(542)	**4,002**	3,184	**5,118**	2,642
Employee benefits					**(154)**	(54)
Profit before taxation					**10,319**	7,747
Income tax expense					**(914)**	(806)
Net profit for the year					**9,405**	6,941
Non-controlling interest					**(1,925)**	(868)
Net profit attributable to equity holders of the Company					**7,480**	6,073

Notes to the Consolidated Financial Statements

December 31, 2018
Expressed in thousands of Barbados dollars

36. **Segmental Reporting…***Continued*

	Retail		Services		Total	
	2018	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$
OTHER INFORMATION						
Operating assets	**-**	-	**73,062**	65,746	**73,062**	65,746
Intangible assets and goodwill					**-**	353
Investment in associates	**36,845**	35,944	**30,595**	28,660	**67,440**	64,604
Unallocated corporate assets					**23,730**	21,642
Consolidated Corporate Assets					**164,232**	152,345
Operating liabilities	**-**	-	**11,842**	6,876	**11,842**	6,876
Unallocated corporate liabilities					**39,575**	36,739
Consolidated Corporate Liabilities					**51,417**	43,615
Capital Expenditure	**-**	-	**301**	469	**301**	469
Depreciation	**-**	-	**592**	649	**592**	649
Amortisation of intangible assets	**-**	-	**352**	844	**352**	844

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

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

37. Assets under Management

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

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

	2018 **$**	2017 $
Carrying amount of assets	**41,407**	42,529
Carrying amount of associated liabilities	**(41,407)**	(42,529)
Net position	**-**	-

38. Commitments

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

39. Comparatives

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

NOTES

PROXY FORM

CAVE SHEPHERD & CO. LIMITED
COMPANY NO: 21716

PROXY FORM

FOR USE AT THE FORTY-EIGHTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 17TH 2019 AT 5:30 PM.

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

....

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

of ....

(PLEASE PRINT PROXY'S ADDRESS HERE)

As my/our proxy to attend, vote and otherwise act for and on behalf of the undersigned in respect of all matters that may properly come before the **FORTY-EIGHTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 17TH 2019,** and any adjournment thereof.

....
Name of Shareholder(s)

....
Signature of Shareholder (s)

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

NOTES

1. You have the right to appoint a person (who need not be a Shareholder) to represent you at the Meeting other than the management nominee. If you wish to designate as proxy a person other than the management nominee, you should strike out their names and insert in the space provided the name of the person you wish to designate as proxy.
2. When signing in a fiduciary or representative capacity, please provide full title as such. In the event of a Joint Shareholder, each should sign. A company should sign by an officer or attorney duly authorised in writing or under corporate seal.
3. If this form of proxy is not dated in the space provided, it is deemed to bear the date on which it was mailed to the Shareholder.
4. **To be valid, this proxy must be signed and deposited with the Group Corporate Secretary at 1st Floor, 24 Broad Street, Bridgetown, St. Michael, Barbados or emailed to corporatesecretary@caveshepherd.com, no later than 4.00 p.m. (Barbados time) on April 15th 2019, 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. Ltd,
#24 Broad Street, Bridgetown, St. Michael, BB11000

www.caveshepherd.com