ANNUAL REPORT 2019

Cave Shepherd & Co. Limited

Cave Shepherd & Co

2019 Annual Report and Financial Statements

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REPORTS

FINANCIALS

OTHER INFORMATION

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the **FORTY-NINTH ANNUAL GENERAL MEETING** of the Shareholders of CAVE SHEPHERD & CO. LIMITED will be held at the **Lloyd Erskine Sandiford Centre, Two Mile Hill, St. Michael, Barbados** on **Thursday April 23rd 2020 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 2019, together with the Reports of the Directors and Auditors thereon.

2. (a) To consider and, if thought fit, approve the:
    i. Renewal of the Key Employee Stock Option Plan (the "Plan") for a further five (5) years commencing 1 January 2020 for a total allocation of up to 1,200,000 common shares;
    ii. Exercise price under the Plan to be the average closing price for four (4) trading days before and four (4) trading days after the beginning of the financial year to which the stock option relates;
    iii. Allocation of up to 100,000 common shares for the purpose of enabling eligible employees to acquire shares in the Company in part payment of an annual Profit Sharing Bonus Scheme as permitted under the Income Tax Act Cap 73; and
    iv. Issue price for eligible employees to acquire shares in the Company as permitted under the Income Tax Act Cap 73 to be the full market price at the time of allocation.

    (b) To authorize the Directors and/or Officers of the Company to do all things necessary or desirable in connection with foregoing resolutions.*

3. To elect Directors:

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

Prof. The Most Honourable V. Eudine Barriteau	3 Years
Mrs. Maureen D. Davis	3 Years
Mr. Adrian H. Padmore	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

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

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

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

APPENDIX A

TEXT OF RESOLUTION

WHEREAS: At their Annual General Meeting held on April 21st 2015 the shareholders approved:

a. the renewal of the Key Employee Share Option Plan (the "Plan") which permitted the allocation of 900,000 common shares over a 5 year period to senior management of Cave Shepherd & Co. Limited (the Company") and key management employees of its subsidiaries and associated companies ("Key Employees") commencing the January 1st 2016; and
b. the allocation of a total of 100,000 common shares to the annual Profit Sharing Bonus Scheme (the "Scheme") as permitted by the Income Tax Act of Barbados.

WHEREAS: As at the date hereof:

a. there is 1 year remaining on the term of the Plan;
b. options on 805,000 common shares were granted;
c. 36,931 common shares were issued under the Scheme during the period 2016-2019.

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

WHEREAS: The Directors wish to renew the Plan for a further 5 years commencing January 1st 2020 for a total allocation of 1,200,000 common shares;

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

WHEREAS: The Income Tax Act Cap 73 permits employees to acquire shares in the Company in part payment of the Scheme;

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

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

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

NOW BE IT RESOLVED AS FOLLOWS:

THAT the Plan be renewed for a further 5 years commencing January 1st 2020 for a total allocation of up to 1,200,000 common shares;

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

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

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

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

CORPORATE INFORMATION

DIRECTORS

Sir Geoffrey Cave, *Chairman*
Mr. John M. B. Williams,
Chief Executive Officer
Prof. The Most Honourable 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*
Prof. The Most Honourable 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

PRINCIPAL BANKERS

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

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

BUILDING STRONG PARTNERSHIPS

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 - 40% Ownership
Retail Business

Bridgetown Cruise Terminals Inc.

20% Ownership
Operator of cruise ship passenger facilities at the Bridgetown Port

Caribbean Kidz

Spice It Up Lil Darlin'

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

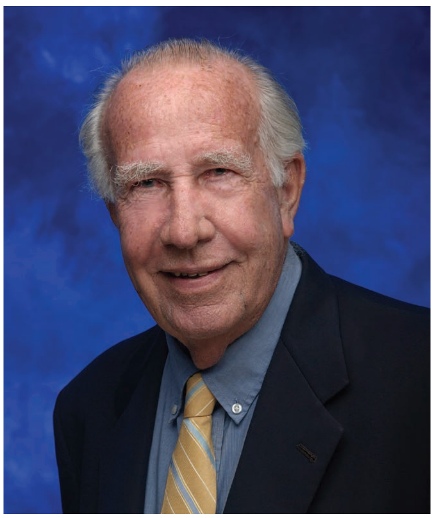
SUBSIDIARY COMPANIES

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
Akela Active Swimwear Inc.	35%	Barbados

DIRECTORS' REPORT



Sir Geoffrey Cave, K.A. Chairman and
Mr. John M. B. Williams, Chief Executive Officer

The Cave Shepherd Group recorded a net profit attributable to shareholders of $8.5 million for the year ended 31 December 2019, compared to $7.5 million in the prior year. This equates to an Earnings per Share (EPS) of $0.47 compared to $0.41 in 2018. Total dividends of $0.20 cents per Share were paid in 2019 and the Share Price showed a modest improvement ending the year at $4.65.

The improved overall Group performance was driven by better results from the Financial Services companies offset by a downturn in the performance of our main retail business as it continued to struggle in an environment of dampened domestic demand. Management remains focused on achieving further growth in our Financial Services businesses while at the same time bringing our Duty Free Caribbean operations up to an acceptable level of profitability.

Net Assets of the Group at 31 December 2019 were $117.3 million representing book value per share of $6.40. The main changes to our Balance Sheet are reflected in the growth of our Credit Card Receivables Portfolio which is in line with the continued growth of that business unit and the return on our Financial Assets Portfolio. As a consequence, our Fixed Income Unsecured Notes also increased as we raised funds to finance that expansion.

FINANCIAL SERVICES

Fortress Fund Managers recorded an excellent year both in terms of the performance of its various mutual funds as well as its own profitability. The flagship Fortress Caribbean Growth Fund recorded an annual return of 14.9% for its investors, aided by the Fund's two largest holdings in the Fortress International Equity Fund and the Fortress Emerging Markets Fund. These two US$ funds were up 25.7% and 18.9% respectively in 2019.

In early 2019, the Growth Fund was reopened to new subscriptions as the outlook for Barbados' economy improved and the opportunities for investment became more positive. Towards the end of 2019, the Government of Barbados relaxed the regulations surrounding the holding of Foreign Exchange bank accounts by Barbadians and therefore residents who hold such accounts will now have access to investing in the Fortress US Dollar denominated Global Funds for the first time.

In November 2019, Fortress launched its latest pension product, the Fortress Multi-Employer Pension Plan. This Plan will greatly assist small and large companies in offering pensions to their employees without the need for each company to duplicate all the administrative and regulatory burdens and costs of standalone pension plans.

Fortress Fund Managers' new office in Radley Court is more modern and provides a template for further growth and expansion.

The Cave Shepherd Card business delivered another year of excellent growth and performance. Overall transaction growth was 24% and with that our Portfolio grew by 7%. Notwithstanding the growth, our delinquency levels remain low and are better than industry norms.

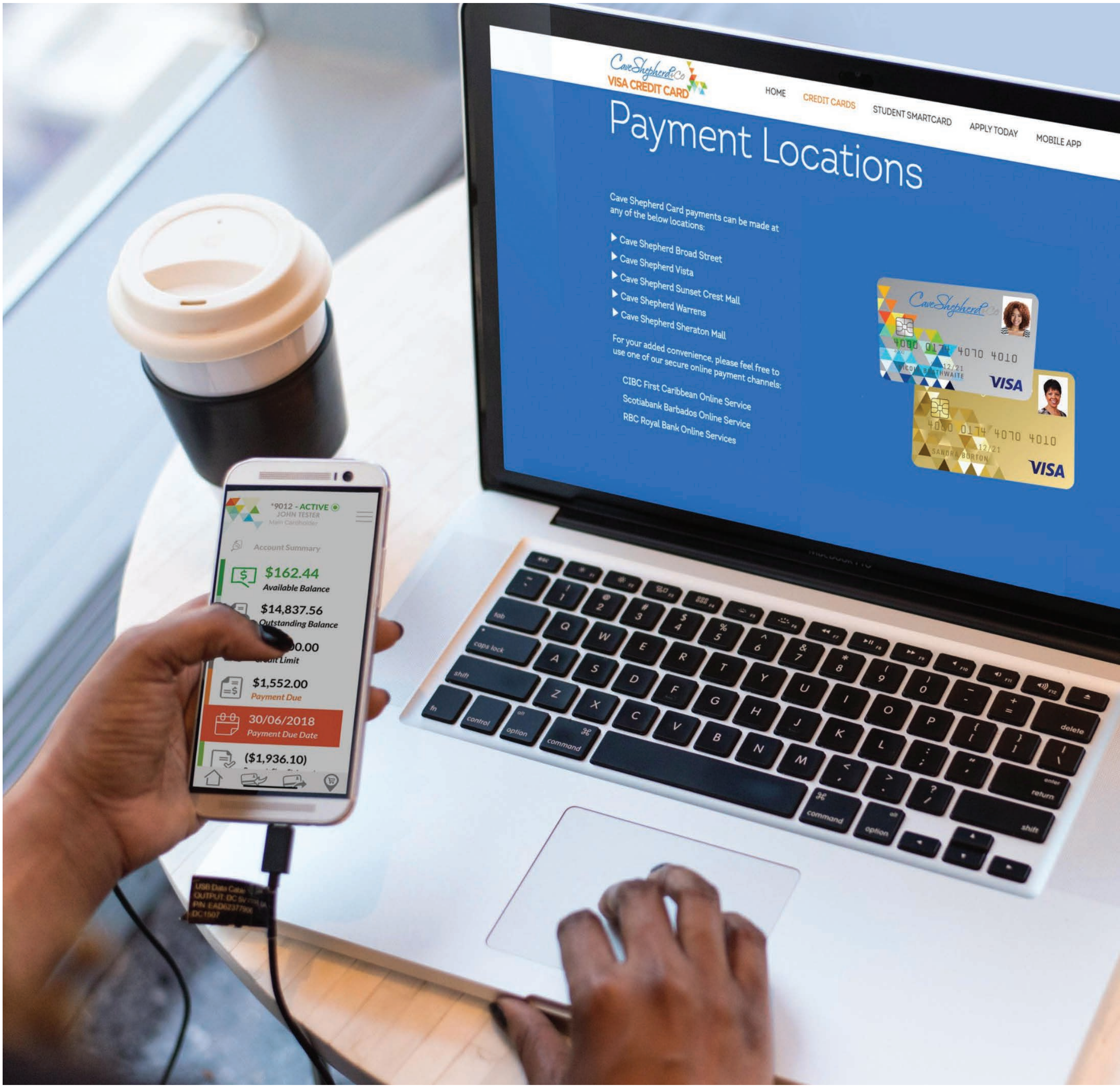
During the year, great focus was placed on our Cave Shepherd Mobile App which was launched in August 2018, and by the end of the year downloads had tripled, reaching nearly twenty thousand users. This App allows for person-to-person (P2P) payments between Cave Shepherd Card holders as well as allowing users to make purchases from registered businesses. We also worked with Government Agencies during the year to support the drive for digital payments for public services and were pleased to partner with the Trust Loan Fund to allow for digital issue of funds, and also to partner with the Barbados Revenue Authority (BRA) to allow persons to pay their land tax bills via the App without having to visit a BRA office. We recognize that adoption of new technologies and new ways of doing business can take time but are very confident that our innovative approaches are establishing a sound foundation for the future of this business.

SigniaGlobe Financial Group had a year of solid performance as the integration of the former Signia Financial and Globe Finance businesses continued during 2019. As happens with mergers, there were some challenges but we are very pleased that these were minimal and well managed. With the business now running as a single unit our focus again turns to opportunities for growth, particularly outside of Barbados.

DGM Financial Group turned in an improved performance as it continued to build on the growth of recent years. Although some uncertainty continues around the International Business sector, DGM is focused on providing excellent service to businesses of substance which has contributed to top line and bottom line growth, and positions it well for the future.

The SigniaGlobe merger was well-managed with minimal disruption to business and our focus turns to growth opportunities, particularly outside of Barbados

The Cave Shepherd Card Mobile App offers small business owners a new digital method for collecting customer payments.



RETAIL

Expansion of the Cave Shepherd inbound store at the Grantley Adams International Airport was completed and now offers an improved customer experience.

Duty Free Caribbean Holdings had another challenging year as subdued domestic demand as well as new and one-off costs impacted its profitability. The latter included an adverse change to the VAT regime in Barbados which added considerable expense to the operations of approximately $0.8 million in higher costs from April 2019 when it took effect. In addition, restructuring of the Colombian Emeralds International business model resulted in considerable write-offs of obsolete inventory and receivables, costing the business $5.8 million. In aggregate the Cave Shepherd Group share of these expenses was $2.6 million. On a positive note, this restructuring has led to a considerable reduction of asset inventory and a move to receiving merchandise on consignment, which in turn substantially reduces the payables and risk, and improves the net working capital position of this business.

The business continued to develop profitable expansion opportunities and during 2019 a deal was finalized to acquire a controlling interest in the Colombian Emeralds International franchisee in the Bahamas, and also to open three new shops at the airport in Nassau. We also completed the expansion of our inbound store at the Grantley Adams International Airport which now offers an improved customer experience.

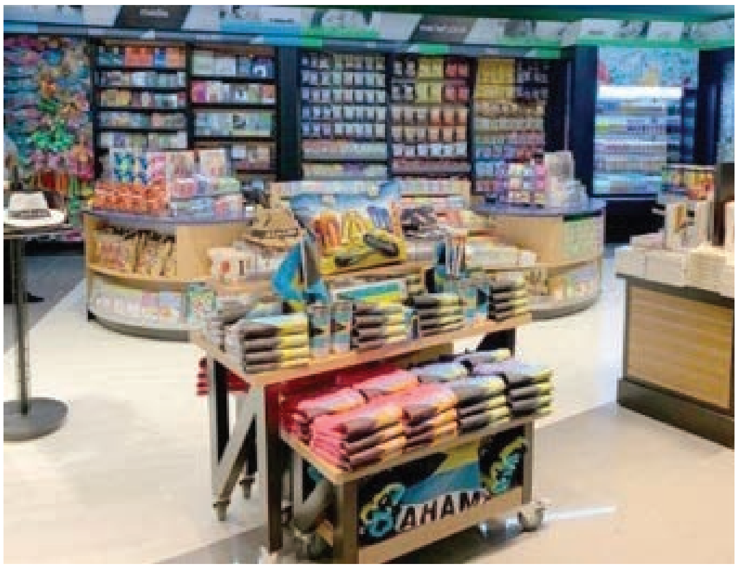
GCS Limited (Ganzee) reported another year of solid performance as increased sales contributed to a much improved bottom line. Regrettably, we were unable to bring to fruition the further regional expansion that we had hoped for in 2019, but continue our search for opportunities for growth within the Caribbean.

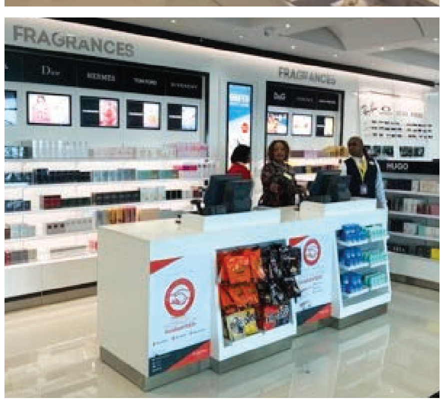
OTHER INVESTMENTS

During the year, Bridgetown Cruise Terminals Inc. finalized the new agreement with the Barbados Port Inc. which allows for continuation of operation of the Cruise Terminal through to 31 December 2021. As noted in last year's Report, the share of Head Tax attributable to the Cruise Terminal will be gradually reduced and finally eliminated in 2021, and so the profitability of this entity will be affected as a result of this.

Our Property Investments; CS&C Joint Venture, Sunset Joint Venture and Emerald City Trust all performed well and in line with expectations, with the first two benefiting from valuation gains during the year.

Our Investment Portfolio performed well in the first quarter of the year, at which time we took the decision to switch our investment profile from Equities to Bonds, investing in Fortress Fixed Income Fund to reduce the volatility which could impact our Group Earnings.





New stores in Departures Terminals at Lynden Pindling International Airport, Nassau, Bahamas.

CONCLUSION

Overall, we are pleased with the continuing trend of improved performance of the Group but are mindful that this has been driven by our Financial Services businesses and there is work to be done in the area of our Retail operations. Although we have not yet seen a rebound of consumer spending in the Barbadian economy, we remain confident that we are on the right track to achieve this and so have a level of cautious optimism for the future.

We take this opportunity to thank the public, whether Barbadians or visitors to the Caribbean, for their great support for our businesses and we also thank our Management and Staff for their commitment and efforts in continuing the growth of our Group.

Geoffrey Cave

Sir Geoffrey Cave
Chairman

Mr. John M. B. Williams
Chief Executive Officer

March 5th 2020

CORPORATE SOCIAL RESPONSIBILITY

CAVE SHEPHERD GROUP SERVICE STANDARDS

During the year 2019, the Cave Shepherd Group made great strides towards fostering a culture of service excellence. To date, we trained over 700 team members on our desired Standards to be adopted. Our Service Standards Committee, which comprises representatives from across the Group, also presented several Service Excellence Awards to reward and recognize our outstanding team members who excelled in serving our valued customers. As we continue our efforts at hosting social engagement activities across the Group, our Team Members enjoyed a movie and karaoke evening at the Barbados Museum & Historical Society in late September.

RUN BARBADOS 2019

The Cave Shepherd Group continued its sponsorship of the annual Run Barbados Marathon Series which took place during the weekend of December 6th 2019. Overall participation was similar to 2018 with higher local entries recorded than any other year in its history. A wide range of countries were represented from as far as New Zealand, Africa and Europe, and there was also participation from the Caribbean region including Antigua, Aruba, Bahamas, Guadeloupe, Jamaica, Martinique, St. Vincent, Suriname and Trinidad & Tobago.

Group CEO, Mr. John Williams with the Service Standards Committee and our Service Champions from across the Cave Shepherd Group of Companies.

Run Barbados Marathon Weekend 2019 had higher local entries recorded than any other year in its history.

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: 2020

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, G.C.S. 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 30 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

Prof. The Most Honourable V. Eudine Barriteau, PhD, FB, 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

V. 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.

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

Prof. The Most Honourable 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 November 2019 on the occasion of Barbados' 53rd Anniversary of Independence, she was awarded Barbados' highest national honour - the Order of the Freedom of Barbados for her outstanding contribution to tertiary education and pioneering leadership in the development of gender studies and the promotion of gender equality. In 2013, Prof. The Most Honourable Barriteau was awarded a Gold Crown Merit for her contribution to gender and development.

EXECUTIVE DIRECTOR

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

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

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

Mrs. Davis 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 ("Fortress"), 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.

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.

Mr. Harvey-Read 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, he 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.

Mr. Harvey-Read 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: 2022

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. 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: 2022

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 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 spans over 30 years, additionally, he has worked extensively in Barbados, the 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: 2022

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 2019 and as at March 5th 2020, are as follows:

	Shares as at December 31st 2019		Shares as at March 5th 2020	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
R. G. Cave	5,858,534	-	5,858,534	-
V. E. Barriteau	-	-	-	-
R. M. Cave	395,701	-	395,701	-
M. D. Davis	90,110	-	90,110	-
R. M. Harvey-Read	2,465	-	2,465	-
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	93,160	-	93,160	-

Directors' interest in the Share Option Plan of Cave Shepherd & Co. Limited as at December 31st 2019 is as follows:

Year	Granted	Vested	Exercised	Unvested	Expired	Total	Exercise Price
2019	85,000	56,667	-	28,333	-	**85,000**	$4.60
2018	85,000	85,000	-	-	-	**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	23,066	-	41,934	**-**	$3.00
	365,000	**336,667**	**23,066**	**28,333**	**41,934**	**300,000**	

The market price of Cave Shepherd & Co. Limited shares at December 31st 2019 was $4.65.

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

Landview Limited	2,213,517
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 2019, 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	3/4			3/4
M. D. Davis	3/4			3/4
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 2019 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 2019 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 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. During 2019, the Audit Committee undertook training which focused on financial statement interpretation and recent trends affecting audit committees. In addition, the Audit Committee also received a refresher course on its governance role in the Company.

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 2019 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 approval the Audit Committee's Charter;
- Reviewing and recommending for approval to the Board the Chairman's Position Description; and
- Conducting its annual performance evaluation.

BOARD COMMITTEES CONT'D

AUDIT AND AUDIT RELATED FEES

Audit Fees for the Cave Shepherd Group are as follows:

	2019 (000's)	2018 (000's)
Audit fees	$275	$274
Audit related fees	$69	$56
Tax fees	$28	$26
TOTAL	$363	$356

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 2019 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 Data Protection Policy;
- Reviewing compliance with legal and regulatory requirements; and
- 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, G.C.S. 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 Legal 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

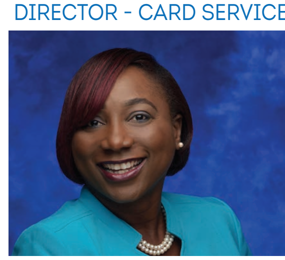
NATIONALITY: Barbadian
YEAR OF APPOINTMENT: 2000

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 G.C.S. 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 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 ("Fortress"), 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 2019 and as at March 5th 2020, are as follows:

	Shares as at December 31st 2019 No. of Shares held Common Shares	Shares as at March 5th 2020 No. of Shares held Common Shares
J. M. B. Williams	93,160	93,160
I. P. Gibson	55,425	55,425
H. M. Chrysostom	18,708	18,708
R. M. Cave	395,701	395,701
A. E. Browne-Ellis	18,041	18,041

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-Ninth Annual General Meeting of Shareholders of Cave Shepherd & Co. Limited (the "Company") to be held at the **Lloyd Erskine Sandiford Centre on Thursday April 23rd 2020 at 5.30 p.m.**

1. APPOINTMENT AND REVOCATION OF PROXY

A form of proxy is enclosed and, if it is not your intention to be present at the Meeting, you are asked to complete, sign, date and return the proxy. **Proxies to be exercised at the Meeting must be deposited no later than 4:00 p.m. on Tuesday April 21st 2020.**

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

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

2. RECORD DATE AND VOTING OF SHARES

The Directors of the Company have fixed **Tuesday March 17th 2020** 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. (a) renewal of the Key Employee Stock Option Plan for a further five (5) years commencing 1st January, 2020 for an allocation of up to 1,200,000 common shares;
   (b) exercise price under the Plan shall be the average closing price for four(4) trading days before and four (4) trading after the beginning of the financial year to which the option relates;
   (c) allocation of up to 100,000 common shares for the purpose of enabling eligible employees to acquire shares in the Company in part payment of an annual Profit Sharing Bonus Scheme as permitted under the Income Tax Act Cap 73;
   (d) issue price for eligible employees to acquire shares in the Company as permitted under the Income Tax Cap 73 to be the full market price at the time of allocation; and
   (e) to authorise the Directors and/or Officers of the Company to do all things necessary or desirable in connection with the foregoing resolutions
2. the adoption of the Audited Consolidated Financial Statements for the year ended December 31st 2019;
3. the election of Directors; and
4. 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 18,405,058 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 2019 and the Auditors' Report thereon can be found on the Company's website www.caveshepherd.com.

ITEM 2
ALLOCATION OF SHARES FOR ALLOTMENT UNDER VARIOUS COMPANY SCHEMES

i. At their Annual General Meeting held on April 21st 2015 the shareholders approved the renewal of the Key Employee Stock Option Plan (the "Plan") which permitted the allocation of up to 900,000 common shares over a 5 year period commencing on the January 1st 2016. As at the date hereof, there is 1 year remaining under the Plan and approximately 95,000 common shares remain for allocation from the said 900,000 common shares authorised in 2016. The Company is desirous of renewing the Plan for 5 years commencing January 1st 2020 for a total allocation of 1,200,000 common shares and that the exercise price shall be the average closing price for 4 trading days before and 4 trading days after the beginning of the financial year to which the option relates.

ii. The Income Tax Act Cap 73 permits eligible employees to acquire shares in the Company in part payment of an annual Profit Sharing Bonus Scheme (the "Scheme"). The Company is desirous of allocating 100,000 common shares under the Scheme for its eligible employees and that the issue price shall be the full market price at the time of allocation.

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

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

ITEM 3
ELECTION OF DIRECTORS

The maximum number of Directors permitted by the 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:

Prof. The Most Honourable V. Eudine Barriteau	3 Years
Mrs. Maureen D. Davis	3 Years
Mr. Adrian H. Padmore	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 Prof. The Most Honourable V. Eudine Barriteau, Mrs. Maureen D. Davis and Mr. Adrian H. Padmore, 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-Ninth Annual General Meeting in accordance with the provisions of the revised by-laws of the Company, but being qualified, is eligible for re-election. Prof. The Most Honourable V. Eudine Barriteau, Mrs. Maureen D. Davis and Mr. Adrian H. Padmore

MANAGEMENT PROXY CIRCULAR

were elected as Directors at the Shareholders' Meeting held on April 20th 2017. 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.

ITEM 4
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 Ltd.

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 5th 2020

Hanna M. Chrysostom.

Hanna M. Chrysostom
Group Corporate Secretary

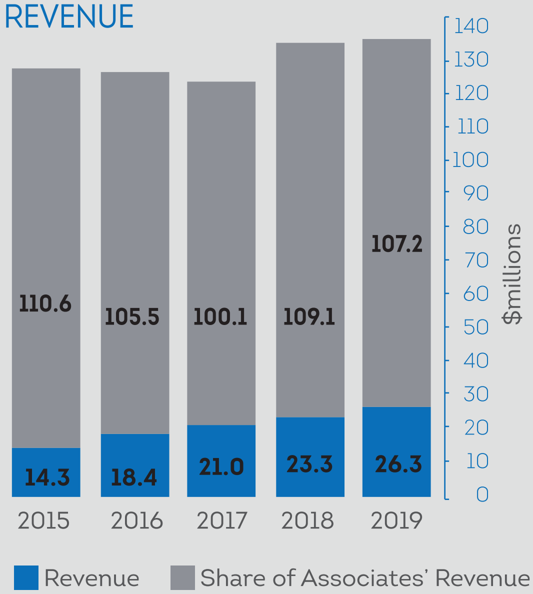
FINANCIAL HIGHLIGHTS

For the year ended December 31, 2019
Expressed in Barbados dollars

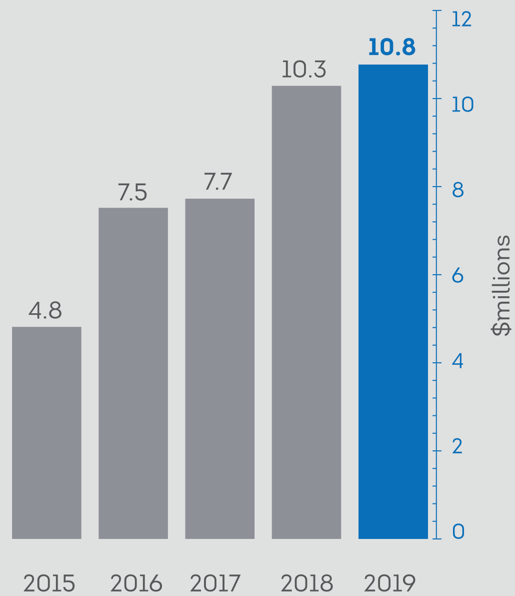
	2019 $	2018 $
RESULTS FOR THE YEAR (in $ millions)		
Revenue from operations and other gains	**26.26**	23.26
Profit before taxation	**10.80**	10.32
Net profit attributable to equity holders of the Company	**8.54**	7.48
YEAR END POSITION (in $ millions)		
Working capital	**73.45**	69.88
Total assets	**176.42**	164.23
Total equity	**117.26**	112.82
PER SHARE OF CAPITAL STOCK (in dollars)		
Profit before taxation and non-controlling interests	**0.59**	0.56
Net profit attributable to equity holders of the Company	**0.47**	0.41
Dividends declared	**0.20**	0.18
Equity	**6.40**	6.16
Market price per share	**4.65**	4.60
FINANCIAL RATIOS (in percentages)		
Return on average equity	**7.4%**	6.8%

FINANCIAL HIGHLIGHTS

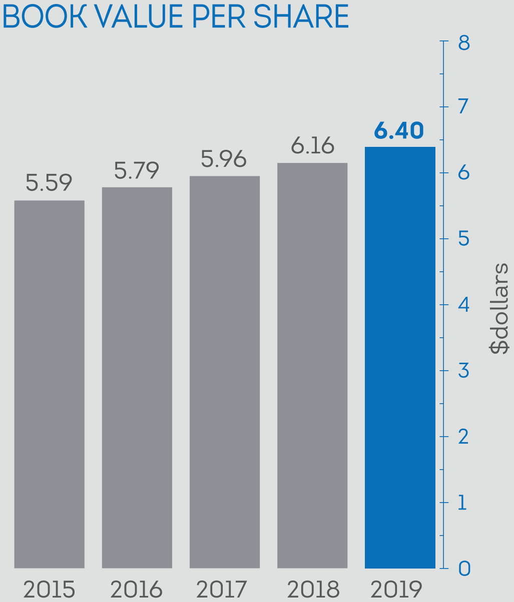
GROUP REVENUE INCLUDING SHARE OF ASSOCIATES REVENUE



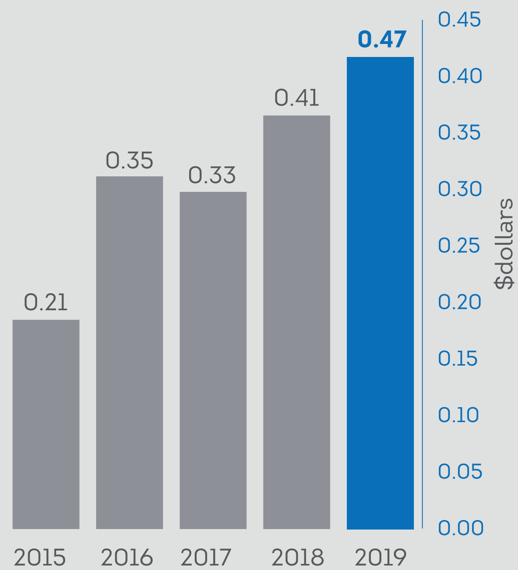
PROFIT BEFORE TAX



BOOK VALUE PER SHARE



EARNINGS PER SHARE



EARNINGS PER SHARE **$0.47**

FIVE YEAR SUMMARY

	2019	2018	2017	2016	2015
Year End Position (in $ millions)					
Current Assets					
Cash and short term deposits	**20.1**	15.9	18.9	13.2	12.9
Financial assets at fair value through profit and loss	**27.5**	22.8	20.3	17.5	17.2
Trade and other receivables and prepayments	**47.3**	46.0	34.7	28.4	24.8
Other current assets	**4.2**	3.2	4.0	3.7	3.6
Total current assets	**99.1**	87.9	77.9	62.8	58.5
Less Current Liabilities	**25.6**	18.0	10.3	10.2	11.7
Working capital	**73.5**	69.9	67.6	52.6	46.8
Investments and other assets	**77.4**	76.3	74.5	79.0	76.0
	150.9	146.2	142.1	131.6	122.8
Financed By:					
Long-term borrowings	**33.6**	33.4	33.4	25.9	20.8
Total equity	**117.3**	112.8	108.7	105.7	102.0
	150.9	146.2	142.1	131.6	122.8
No. of Shares Outstanding (in millions)	**18.4**	18.3	18.3	18.3	18.3
Share of Associates Revenue (in $ millions)	**107.2**	109.1	100.1	105.5	110.6
Results For The Year (in $ millions)					
Revenue from operations and other gains	**26.3**	23.3	21.0	18.4	14.3
Net operating profit including results of associates	**8.4**	9.9	5.2	7.0	5.3
Profit before taxation and non-controlling interests	**10.8**	10.3	7.7	7.5	4.8
Net comprehensive income attributable to equity holders of the Company	**8.5**	7.5	6.1	6.4	3.8
Dividends declared	**3.7**	3.3	2.4	2.2	2.2
Per Share Of Capital Stock (in dollars)					
Earnings	**0.47**	0.41	0.33	0.35	0.21
Dividends declared	**0.20**	0.18	0.13	0.12	0.12
Net book value	**6.40**	6.16	5.96	5.79	5.59
Financial Ratios					
Current ratio	**8.18**	7.32	7.53	6.14	5.02
Gearing ratio	**0.20**	0.20	0.13	0.11	0.08
Returns (%)					
On average equity	**7%**	7%	6%	6%	4%

Building a better working world

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

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Welches
St. Thomas, BB22025
Barbados, W.I.

Tel: 246 430 3900
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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 2019, 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 2019 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.

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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 (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 38% 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 2019 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>

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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 (Continued)

Key Audit Matters (Continued)

Key audit matter	**How our audit addressed the key audit matter**
Expected Credit Loss Allowance	
IFRS 9 requires the Group to record an allowance for expected credit losses (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 updates to 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.

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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 (Continued)

Other information included in the Group's 2019 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.

Building a better working world

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
6 March 2020

Consolidated Statement of Financial Position

As at December 31, 2019

Expressed in thousands of Barbados dollars

	2019	2018
	$	$
Current Assets		
Cash and short-term deposits (note 4)	**18,623**	14,411
Restricted cash (note 4)	**1,500**	1,500
Financial assets at fair value through profit and loss (note 5)	**27,480**	22,787
Trade and other receivables and prepayments (note 6)	**47,307**	45,996
Due by associates (note 7)	**4,084**	3,154
Due by affiliates (note 8)	**67**	42
	99,061	87,890
Current Liabilities		
Borrowings (note 22)	**-**	2,570
Trade and other payables (note 9)	**4,773**	3,462
Current lease obligation liabilities (note 23)	**374**	-
Due to associates (note 7)	**1,237**	558
Due to affiliates (note 8)	**571**	114
Loan due to associate (note 17)	**1,940**	1,940
Loans payable to non-controlling interest (note 20)	**816**	816
Current portion of fixed income certificates payable (note 19)	**13,500**	6,000
Deferred income	**452**	442
Current income tax liability	**111**	467
Dividends payable (note 21)	**1,841**	1,646
	25,615	18,015
Working Capital	**73,446**	69,875
Investments in associates (note 10)	**67,005**	67,440
Non-current financial assets at fair value through profit and loss (note 5)	**734**	721
Property, plant and equipment and Right of Use Assets (note 13)	**3,650**	2,158
Loans due by associate (note 14)	**5,800**	5,800
Pension plan surplus (note 15)	**172**	223
Lease obligation liabilities (note 23)	**(1,351)**	-
Loan due to affiliate (note 16)	**(2,500)**	(3,000)
Loan due to associate (note 17)	**-**	(1,940)
Fixed income certificates payable (note 18)	**(14,699)**	(14,954)
Unsecured fixed income notes payable (note 19)	**(15,000)**	(13,500)
Deferred tax liability (note 25)	**(2)**	(8)
Net Assets	**117,255**	112,815

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

Consolidated Statement of Financial Position

As at December 31, 2019
Expressed in thousands of Barbados dollars

	2019	2018
	$	$
Capital and Reserves attributable to the Equity holders of the Company		
Share capital (note 26)	**38,711**	38,600
Share option reserve (note 27)	**412**	405
Retained earnings (note 28)	**75,130**	70,533
	114,253	109,538
Non-controlling interests	**3,002**	3,277
Total Equity	**117,255**	112,815

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

Approved by the Board of Directors on March 5th 2020.

Sir Geoffrey Cave
Director

Mr. John M. B. Williams
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019
Expressed in thousands of Barbados dollars

	Attributable to equity holders of the Company			Non-controlling Interests	Total
	Share Capital $	Retained Earnings $	Share Option Reserve $	$	$
Balance as at December 31, 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)**
	-	(1,622)	-	(176)	**(1,798)**
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 27)	-	-	128	-	**128**
Expired share options	-	7	(7)	-	-
Exercised share options (note 27)	54	-	(54)	-	-
Reclassification	-	(135)	-	135	-
Issue of shares (note 26)	125	-	-	-	**125**
Issue of shares to non-controlling interest (note 24)	-	-	-	1,097	**1,097**
Repurchase of shares (note 26)	(91)	(84)	-	-	**(175)**
Balance as at December 31, 2018	38,600	70,533	405	3,277	**112,815**
Net profit for the year	-	8,535	-	2,098	**10,633**
Other comprehensive loss for the year	-	(3)	-	-	**(3)**
Total comprehensive income for the year	-	8,532	-	2,098	**10,630**
	38,600	79,065	405	5,375	**123,445**
Dividends (20¢ per share)	-	(3,677)	-	-	**(3,677)**
Dividends paid to non-controlling interests	-	-	-	(1,634)	**(1,634)**
Employee share options (note 27)	-	-	138	-	**138**
Expired share options	-	23	(23)	-	-
Exercised share options (note 27)	108	-	(108)	-	-
Reclassification	-	(256)	-	256	-
Issue of shares (note 26)	24	-	-	-	**24**
Sale of shares by non-controlling interest (note 11)	-	-	-	(995)	**(995)**
Repurchase of shares (note 26)	(21)	(25)	-	-	**(46)**
Balance as at December 31, 2019	38,711	75,130	412	3,002	**117,255**

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

Consolidated Statement of Income

For the year ended December 31, 2019
Expressed in thousands of Barbados dollars

	2019	2018
	$	$
Revenue and other gains		
Revenue from operations (note 29)	**26,219**	23,228
Other gains (note 31)	**41**	27
	26,260	23,255
Expenses		
Payroll costs (note 32)	**7,806**	7,960
Depreciation and Right of Use depreciation (note 13)	**866**	592
Amortisation of intangible assets (note 12)	**-**	353
Other operating expenses	**7,769**	7,721
Credit loss expense	**751**	612
	17,192	17,238
Profit before undernoted items	**9,068**	6,017
Finance costs	**(1,882)**	(1,272)
Net Operating Profit	**7,186**	4,745
Share of results of associates (note 10)	**1,184**	5,118
Gains on financial assets (note 30)	**2,427**	456
Profit before taxation	**10,797**	10,319
Income tax expense (note 33)	**(164)**	(914)
Net Profit for the year	**10,633**	9,405
Attributable to:		
Equity holders of the Company	**8,535**	7,480
Non-controlling interests	**2,098**	1,925
	10,633	9,405
Earnings per share for profit attributable to the equity holders of the Company during the year		
- basic (note 34)	**$0.47**	$0.41
- diluted (note 34)	**$0.45**	$0.39

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019
Expressed in thousands of Barbados dollars

	2019 $	2018 $
Net Profit for the year	**10,633**	9,405
Other comprehensive loss:		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations – group (note 15)	**6**	(22)
Remeasurements of post-employment benefit obligations - associate	**(9)**	(16)
Other comprehensive loss for the year	**(3)**	(38)
Total Comprehensive Income for the year	**10,630**	9,367
Attributable to:		
Equity holders of the Company	**8,532**	7,442
Non-controlling interests	**2,098**	1,925
Total Comprehensive Income for the year	**10,630**	9,367

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2019
Expressed in thousands of Barbados dollars

	2019 $	2018 $
Net cash generated from/(used in) operations (note 35)	**7,669**	(5,944)
Cash flows from investing activities		
Purchase of property, plant and equipment (note 13)	**(449)**	(301)
Purchase of financial assets at fair value through profit and loss	**(2,280)**	(8,078)
Purchase of investment in associate	**-**	(2,369)
Proceeds on disposal of other investments (note 30)	**-**	1,600
Proceeds on disposal of property, plant and equipment	**60**	45
Proceeds on disposal of financial assets at fair value through profit and loss	**-**	4,347
Dividends received	**268**	61
Dividends received from associates (note 10)	**1,546**	4,000
Net cash used in investing activities	**(855)**	(695)
Cash flows from financing activities		
Proceeds from issue of shares (note 26)	**24**	125
Repurchase of shares (note 26)	**(46)**	(175)
Repurchase of non-controlling interest shares (note 11)	**(995)**	-
Restricted cash (note 4)	**-**	(600)
Payment of loan due to associate	**(1,940)**	3,880
Proceeds from long term borrowings	**11,000**	12,000
Payment of long term borrowings	**(2,500)**	(6,500)
Payment of non-controlling shareholder loan	**-**	(99)
Payment of lease obligations	**(203)**	-
Fixed income certificates payable (net)	**(255)**	(319)
Dividends paid to shareholders	**(3,483)**	(2,926)
Dividends paid to non-controlling interest	**(1,634)**	(2,098)
Dividends paid to preference shareholders	**-**	(731)
Net cash (used in)/generated from financing activities	**(32)**	2,557
Net increase/(decrease) in cash and cash equivalents	**6,782**	(4,082)
Cash and cash equivalents net of borrowings – beginning of year	**11,841**	15,923
Cash and cash equivalents net of borrowings – end of year	**18,623**	11,841
Represented by:		
Cash at bank and in hand (note 4)	**18,466**	14,257
Short-term deposits (note 4)	**157**	154
Borrowings (note 22)	**-**	(2,570)
	18,623	11,841

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

Notes to the Consolidated Financial Statements

December 31, 2019
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(k).

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 2019 financial year. However there was no impact on the amounts reported and/or disclosures in the financial statements, except for IFRS16 Leases disclosed below.

IFRS16 Leases – Effective 1 January 2019

Key requirements

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 Leases. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Transition

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

Impact

The Group adopted IFRS16 using the modified retrospective approach, with the date of initial application of January 1 2019. The impact on the consolidated statement of financial position as at January 1 2019 was an increase in the Right-of-use asset and lease liability of $1,929.

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

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

New standards and amendments adopted by the Group

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments – Effective 1 January 2019

Key requirements
The interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Impact
The amendments had no material impact to the Group.

Prepayment Features with Negative Compensation - Amendments to IFRS 9 - Effective 1 January 2019

Key requirements
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.
The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

Impact
The amendments had 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

Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 - Effective 1 January 2019

Key requirements

The amendments to IAS 19 *Employee Benefits* address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

Determining the current service cost and net interest

When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

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

New standards and amendments adopted by the Group

Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 - Effective 1 January 2019

Effect on asset ceiling requirements
A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. This clarification provides that entities might have to recognize a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

Impact
The amendments had no material impact to the Group.

Long-term interests in associates and joint ventures - Amendments to IAS 28 – Effective 1 January 2019

Key requirements
The amendments clarify that an entity applies IFRS 9 to long term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28.

Impact
The amendments had no material impact to the Group.

The following annual IFRS improvement processes (AIP) were also adopted but had no material impact to the Group:

- **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.**

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, 2019 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:-

- Definition of a Business – Amendments to IFRS3 (Effective 1 January 2020)
- Interest Rate Benchmark Reform – Amendments to IFRS9, IAS39 and IFRS 7 (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	-

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.

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%

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%
Contonou Shores Ltd.	35%
Canouan CS&F Investments Limited	35%
Akela Active Swimwear Inc.	35%

During 2018, 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.

During the year, the Company disposed of its investment in Caribbean Trade Logistics Advisors 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. Refer to accounting policies of Financial Assets in note 2 (g).

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

(g) **Financial Instruments**

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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. Other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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

(g) **Financial Instruments***…continued*

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVPL)

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes credit card and other receivables, amounts due by and loans due by associates.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

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

(g) **Financial Instruments**…*continued*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that 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.

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 that the Group could be required to repay.

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

(g) **Financial Instruments***…continued*

Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Overview of the ECL principles
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.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 effective interest rate (EIR). ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

(g) **Financial Instruments***…continued*

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*

(g) **Financial Instruments**…*continued*

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.

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.

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

(g) **Financial Instruments***…continued*

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

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.

Notes to the Consolidated Financial Statements

December 31, 2019

Expressed in thousands of Barbados dollars

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

(g) **Financial Instruments***…continued*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to associates and affiliates and loans and borrowings including bank overdrafts.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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

(g) **Financial Instruments**...*continued*

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

(h) **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.

(i) **Fair value estimation**

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

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

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

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*

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

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

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

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

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

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

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

(k) **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(n) and 2(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

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

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

(k) **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.

- **Leases**
  In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

  Determining the lease term of contracts with renewal and termination options – Group as lessee

  The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

  The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., significant customisation to the leased asset).

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

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

- **Leases**…*continued*

  The Group included the renewal period as part of the lease term for leases of buildings with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

  Leases - Estimating the incremental borrowing rate
  The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

- **Impairment of financial assets**
  The measurement of impairment losses 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.

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

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

- **Impairment of financial assets**…*continued*
  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

- **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.

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

(l) **Foreign Currency Translation**

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

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

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

(m) **Cash and cash equivalents**

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

(n) **Intangible Assets**

Goodwill

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

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

Management Contracts

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

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

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

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

(p) **Employee Benefits**

Pension Plan Valuation

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

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

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

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

Past-service costs are recognised immediately in income.

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

Termination benefits

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

Profit-sharing and bonus plans

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

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

(p) **Employee Benefits***…continued*

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

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

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

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

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

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

(p) **Employee Benefits**…continued

Share-based payments...continued

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

(q) **Segment Reporting**

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

(r) **Provisions**

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

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

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

(s) **Share capital**

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

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

(t) **Trade Payables**

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

(u) **Borrowings**

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

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

(v) **Dividend Distribution**

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

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

(w) **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The group leases various properties and are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 3 years to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are included as a separate item on the statement of financial position.

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

(w) **Leases***…continued*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

(x) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds

(y) **Redeemable preference shares**

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

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.

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, 2019 $**
Listed on Caribbean stock exchanges and markets	117	12
Listed on foreign stock exchanges and markets	2,411	241
Unlisted securities	24,952	2,495
	27,480	**2,748**

	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**

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.

Expressed in thousands of Barbados dollars

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

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

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

At December 31, 2019	**0-5 years** $	**Over 5 years** $	**Non-interest bearing** $	**Total** $
Financial assets				
Cash and short-term deposits	157	-	18,466	**18,623**
Restricted cash	1,500	-	-	**1,500**
Financial assets at fair value through profit and loss	-	-	27,480	**27,480**
Trade and other receivables	44,266	-	2,913	**47,179**
Due by associates	1,760	-	2,324	**4,084**
Due by affiliates	67	-	-	**67**
Non-current financial assets at fair value through profit and loss	-	734	-	**734**
Loans due by associate	5,800	-	-	**5,800**
Total financial assets	53,550	734	51,183	**105,467**
Financial liabilities				
Trade and other payables	-	-	4,773	**4,773**
Due to associates	-	-	1,237	**1,237**
Due to affiliates	-	-	571	**571**
Loans payable to non-controlling interest	816	-	-	**816**
Current loan due to associate	1,940	-	-	**1,940**
Current lease obligation liabilities	374			**374**
Deferred Income	-	-	452	**452**
Loan due to affiliate	2,500	-	-	**2,500**
Lease obligation liabilities	1,351	-	-	**1,351**
Fixed income certificates payable	14,699	-	-	**14,699**
Unsecured fixed income notes payable	28,500	-	-	**28,500**
Total financial liabilities	50,180	-	7,033	**57,213**
Total interest sensitivity gap	3,370	734	44,150	**48,254**

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**

(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	2018
	$	$
Cash and short-term deposits	**18,623**	14,411
Restricted cash	**1,500**	1,500
Trade and other receivables	**47,179**	45,824
Due by associates	**4,084**	3,154
Due by affiliates	**67**	42
Non-current financial assets at FVPL	**734**	721
Loans due by associate	**5,800**	5,800
	77,987	71,452

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:

	2019	2018
	$	$
Cash and short-term deposits		
CIBC FirstCaribbean International Bank (Unrated)	**9,410**	7,052
Morgan Stanley Private Wealth Management (A-1 by Standard and Poor's)	**3,274**	2,631
Other banks	**5,939**	2,158
	18,623	11,841

(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 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**

(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*

(d) **Liquidity risk**…*continued*

December 31, 2019	**0-3 months**	**4 months – 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**
Trade and other payables	4,773	-	-	**4,773**
Due to associates	1,237	-	-	**1,237**
Due to affiliates	571	-	-	**571**
Loans payable to non-controlling interest	865	-	-	**865**
Loan due to associate	-	2,047	-	**2,047**
Lease obligation liabilities	116	1,847		**1,963**
Deferred income	-	452	-	**452**
Current income tax liability	-	111	-	**111**
Loan due to affiliate	-	2,625	-	**2,625**
Fixed income certificates payable	-	15,360	-	**15,360**
Unsecured fixed income notes payable	-	29,692	-	**29,692**
Dividends payable	1,841	-	-	**1,841**
	9,403	52,134	-	**61,537**

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**

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, 2019 and December 31, 2018 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, 2019:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit and loss	2,516	23,374	1,590	**27,480**
Non-current financial assets at fair value through profit and loss	-	-	734	**734**
	2,516	23,374	2,324	**28,214**

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 & loss	2,375	18,946	1,466	**22,787**
Non-current financial assets at fair value through profit and loss	-	-	721	**721**
	2,375	18,946	2,187	**23,508**

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, 2019. 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*

	2019	2018
	$	$
At the beginning of the year	**2,187**	1,361
Purchases	**46**	-
Transfers	**-**	721
Unrealised gains on financial assets at FVPL	**91**	105
At the end of the year	**2,324**	2,187

During 2019, the Company acquired a 35% interest in Akela Surf Swimwear Inc. for a total consideration of $46.

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**

	2019	2018
	$	$
Cash at bank and in hand	**18,466**	14,257
Short-term deposits (a)	**157**	154
	18,623	14,411
Restricted cash (b)	**1,500**	1,500
	20,123	15,911

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 a nil interest rate. Cash with a financial institution is in a US daily dollar account with an interest rate of 0.00% and is used to invest in equity securities in foreign stock exchanges.

(b) Restricted cash represents the collateral security requirements of Visa International.

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

	2019	2018
	$	$
Listed securities	**2,516**	2,375
Unlisted securities		
• Mutual funds	**23,374**	18,946
• Other	**1,590**	1,466
	27,480	22,787
Non-current financial asset at fair value through profit and loss		
• Government of Barbados bond	**734**	721
	28,214	23,508

Included within financial assets at fair value through profit and loss of $27,480 (2018 - $22,787) is an amount of $23,055 (2018 - $18,627), 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 30).

Expressed in thousands of Barbados dollars

6. Trade and Other Receivables and Prepayments

	2019	2018
	$	$
Credit card receivables	**49,667**	46,128
Less: provision for IFRS9 impairment (Stage 1 & 2)	**(1,151)**	(1,044)
Less: provision for impairment (IFRS9 - Stage 3)	**(4,250)**	(3,632)
Credit card receivables – net	**44,266**	41,452
Other receivables	**2,811**	2,705
Security deposit	**-**	1,500
Corporation tax recoverable	**102**	167
Prepayments	**128**	172
	47,307	45,996

Credit card receivables comprise local and international VISA Card purchases.

	2019				2018
	ECL staging				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**$**	$
<u>**Credit Card Receivables**</u>					
Performing balances	42,807	2,459	-	**45,266**	42,315
Non-performing balances	-	-	4,401	**4,401**	3,813
Gross carrying amount	42,807	2,459	4,401	**49,667**	46,128
Loss allowance	(775)	(376)	-	**(1,151)**	(1,044)
Loss allowance	-	-	(4,250)	**(4,250)**	(3,632)
Carrying amount	**42,032**	**2,083**	**151**	**44,266**	41,452

Expressed in thousands of Barbados dollars

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

IFRS9 Carrying Values

	ECL staging			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Credit Card Receivables				
Gross carrying amount as at December 31, 2018	**40,673**	**1,642**	**3,813**	**46,128**
Transfers:				
Transfer from Stage 1 to Stage 2	(1,647)	1,647	-	-
Transfer from Stage 1 to Stage 3	(1,100)	-	1,100	-
Transfer from Stage 2 to Stage 1	852	(852)		-
Transfer from Stage 2 to Stage 3	-	(477)	477	-
Transfer from Stage 3 to Stage 2	-	24	(24)	-
Transfer from Stage 3 to Stage 1	78	-	(78)	-
New financial assets originated	2,842	171	86	**3,099**
Financial assets fully derecognised	(2,413)	(54)	(7)	**(2,474)**
Changes in principal and interest	3,522	358	(966)	**2,914**
Gross carrying amount as at December 31, 2019	**42,807**	**2,459**	**4,401**	**49,667**

Expressed in thousands of Barbados dollars

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

Loss Allowances

	ECL staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**$**
Credit card receivables				
Loss allowance as at December 31, 2018	**909**	**135**	**3,632**	**4,676**
Transfers:				
Transfer from Stage 1 to Stage 2	(37)	37	-	**-**
Transfer from Stage 1 to Stage 3	(25)	-	25	**-**
Transfer from Stage 2 to Stage 1	70	(70)	-	**-**
Transfer from Stage 2 to Stage 3	-	(39)	39	**-**
Transfer from Stage 3 to Stage 2	-	23	(23)	**-**
Transfer from Stage 3 to Stage 1	74	-	(74)	**-**
New financial assets originated	51	26	83	**160**
Financial assets fully derecognised	(54)	(4)	(7)	**(65)**
Changes to inputs used in ECL calculation	(213)	268	575	**630**
Loss allowance as at December 31, 2019	**775**	**376**	**4,250**	**5,401**

Expressed in thousands of Barbados dollars

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

As at December 31, 2019, trade receivables of $41,929 (2018 - $39,816) 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, 2019, trade receivables of $2,337 (2018 - $1,636) 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:

	2019 **$**	2018 $
Up to 3 months	**2,309**	1,584
3 to 6 months	**15**	21
Over 6 months	**13**	31
	2,337	1,636

As at December 31, 2019, trade receivables of $4,250 (2018 - $3,632) were impaired and fully provided for. The ageing of these receivables is as follows:

	2019 **$**	2018 $
Up to 3 months	**3**	105
3 to 6 months	**251**	254
Over 6 months	**3,996**	3,273
	4,250	3,632

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

	2019 **$**	2018 $
Beginning of year	**3,632**	3,195
Provision for receivables impairment	**1,858**	1,647
Amounts recovered	**(1,214)**	(1,167)
Receivables written off during the year as uncollectible	**(26)**	(43)
End of year	**4,250**	3,632

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 (2018 - $1,760) included in due by associates bears interest at a rate of 4.41% (2018 – 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**

	2019	2018
	$	$
Trade and other payables	**4,773**	3,462

During 2008, the Fortress Group established a staff share scheme for its employees. Included in trade and other payables is a balance of $1,663 (2018 - $492) which relates to 2,503,365 (2018 – 565,297) 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:

	2019 $	2018 $
At the beginning of the year	**67,440**	64,604
Purchase of investments in associates	**-**	2,369
Proceeds from disposal of investment in associate	**(78)**	-
Gain on disposal of investment in associate	**14**	-
Share of effect of adopting IFRS9 adjustment in associate	**-**	(635)
Post employment benefit adjustment to Other Comprehensive Income for associate	**(9)**	(16)
	67,367	66,322
Dividends received	**(1,546)**	(4,000)
Share of results before tax	**1,915**	6,018
Share of tax	**(731)**	(900)
Share of results, net of tax	**1,184**	5,118
At the end of the year	**67,005**	67,440

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 disposed of its investment in Caribbean Trade Logistics Advisors Inc. for a total consideration of $78 realising a gain on disposal of $14.

During 2018, 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
2019						
Duty Free Caribbean (Holdings) Ltd.	Barbados	**97,262**	**65,195**	**86,671**	**(3,013)**	**40%**
Bridgetown Cruise Terminals Inc.	Barbados	**960**	**128**	**492**	**174**	**20%**
GCS Limited	Barbados	**3,104**	**989**	**5,533**	**791**	**40%**
CSGK Finance (Holdings) Limited	Barbados	**166,262**	**148,893**	**12,934**	**1,824**	**40%**
CS&C Joint Venture	Barbados	**12,044**	**3,013**	**1,037**	**879**	**20%**
The Sunset Joint Venture	Barbados	**3,074**	**660**	**564**	**523**	**16%**
Contonou Shores Ltd.	Bahamas	**3,002**	**-**	**-**	**-**	**35%**
Canouan CS&F Investments Limited	St. Lucia	**175**	**-**	**-**	**-**	**35%**
Other		**-**	**-**	**-**	**6**	
		285,883	**218,878**	**107,231**	**1,184**	

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*

	2019	2018
	$	$
The amounts recognised in the statement of financial position are as follows:		
Associates	**67,005**	67,440
The amounts recognised in the statement of income are as follows:		
Associates	**1,184**	5,118

Set out below are the associates of the group as at December 31, 2019, 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 2019 and 2018:

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.

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
2019							
Current assets	120,540	4,773	7,575	388,636	2,424	1,489	**525,437**
Current liabilities	81,031	641	642	27,680	158	39	**110,191**
Non-current assets	122,614	26	184	27,019	57,797	26,802	**234,442**
Non-current liabilities	81,956	-	1,830	344,553	14,909	4,088	**447,336**
Net assets	80,167	4,158	5,287	43,422	45,154	24,164	**202,352**
Interest in associates	**32,067**	**832**	**2,115**	**17,369**	**9,031**	**5,591**	**67,005**

	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

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
2019							
Revenue	216,678	2,458	13,832	32,334	5,187	3,526	**274,015**
Post tax profit from continuing operations	(7,532)	870	1,979	4,554	4,397	3,270	**7,538**
Dividends received from associate	-	-	(440)	-	(978)	(128)	**(1,546)**

	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 (loss)/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)**

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:

	2019	2018
	$	$
Current		
Assets	**12,844**	11,265
Liabilities	**(5,939)**	(4,281)
Total current net assets	**6,905**	6,984
Non-current		
Assets	**3,406**	1,795
Liabilities	**(1,276)**	(7)
Total non-current net assets	**2,130**	1,788
Net Assets	**9,035**	8,772

Summarised Income Statement

	2019	2018
	$	$
Revenue	**13,869**	13,517
Profit before income tax	**6,297**	6,252
Income tax expense	**(143)**	(898)
Post tax profit from continuing operations	**6,154**	5,354
Other comprehensive income	**-**	-
Net profit and total comprehensive income	**6,154**	5,354
Total comprehensive income allocated to non-controlling interests	**2,098**	1,925
Dividends paid to non-controlling interests	**1,634**	2,098
Dividends paid to preference shareholders	**-**	731

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

	2019	2018
	$	$
Cash flows from operating activities		
Cash generated from operations	**7,978**	3,268
Interest received	**48**	76
Corporation tax paid	**(561)**	(1,058)
Net cash generated from operating activities	**7,465**	2,286
Net cash (used in)/generated from investing activities	**(453)**	5,376
Net cash used in financing activities	**(6,060)**	(7,068)
Net increase in cash and cash equivalents	**952**	594
Cash and cash equivalents at the beginning of the year	**5,950**	5,356
Cash and cash equivalents at the end of the year	**6,902**	5,950

During the year, Fortress Fund Managers Limited non-controlling interest sold 62,500 shares for a total consideration of $955.

Expressed in thousands of Barbados dollars

12. **Intangible Assets**

Details of intangible assets are as follows:

	Management Contracts $
At December 31, 2018	
Cost	8,444
Accumulated amortisation	(8,444)
Net book value	-
At December 31, 2019	
Cost	**8,444**
Accumulated amortisation	**(8,444)**
Net book value	**-**

Movement of intangible assets is as follows:

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

	Management Contracts $
Beginning of year – December 31, 2018	**-**
Amortisation of intangible asset	**-**
End of year – December 31, 2019	**-**

Management contracts included in intangible assets relate to contracts held by Fortress Fund Managers Limited in the various Funds. These intangibles were amortised over a period of ten years. Amortisation during the year was $Nil (2018 - $353), of which $Nil (2018 - $141) relates to the share of non-controlling interest.

Expressed in thousands of Barbados dollars

13. Property, Plant and Equipment and Right of Use Assets

	Furniture & Equipment	Motor Vehicles	Right of Use Assets - Buildings	Total
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
Year ended December 31, 2019				
Opening net book value	**1,936**	**222**	**-**	**2,158**
Additions	**271**	**178**	**1,929**	**2,378**
Disposals	**(12)**	**(8)**	**-**	**(20)**
Depreciation charge	**(537)**	**(96)**	**(233)**	**(866)**
Closing net book value	**1,658**	**296**	**1,696**	**3,650**
At December 31, 2019				
Cost	**6,027**	**779**	**1,929**	**8,735**
Accumulated depreciation	**(4,369)**	**(483)**	**(233)**	**(5,085)**
Net book value	**1,658**	**296**	**1,696**	**3,650**

Refer to note 23 for further disclosures on Right of Use Assets.

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 (2018 - $7,560) are unsecured, bear interest at rates of 4.41% and 5.96% (2018 – 4.14% and 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 (2018 - $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.

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.

	2019 $	2018 $
Statement of financial position surplus for:		
- Defined pension benefits	**172**	223
Statement of income credit included in operating profit:		
- Defined pension benefits	**(57)**	(25)
Actual remeasurements included in other comprehensive income:		
- Defined pension benefits	**6**	(22)

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

	2019 $	2018 $
Fair value of plan assets	**10,979**	10,043
Present value of funded obligations	**(7,192)**	(7,474)
	3,787	2,569
Impact of asset ceiling	**(3,615)**	(2,346)
Asset in the consolidated statement of financial position	**172**	223

The impact of the asset ceiling is that $3,615 (2018 - $2,346) 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:

	2019	2018
	$	$
Active members	**2,334**	2,310
Retired members	**4,858**	5,164
	7,192	7,474

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, 2019	(7,474)	10,043	2,569	(2,346)	**223**
Current service cost	(52)	-	(52)	-	**(52)**
Net interest on the net defined benefit asset/(liability)	(507)	-	(507)	-	**(507)**
Expected return on plan assets	-	682	682	-	**682**
- Administration and other non-plan investment management expenses	-	(15)	(15)	-	**(15)**
- Employer contributions	-	-	-	-	**-**
- Interest on impact of asset ceiling	-	-	-	(165)	**(165)**
	(559)	667	108	(165)	**(57)**
Remeasurements:					
- Experience gains on investment	-	855	855	-	**855**
- Experience gains on obligation	255	-	255	-	**255**
- Change in asset ceiling	-	-	-	(1,104)	**(1,104)**
	255	855	1,110	(1,104)	**6**
Contributions:					
- Employees	(15)	15	-	-	**-**
Payments from plans:			-	-	**-**
- Benefit payments	601	(601)	-	-	**-**
At December 31, 2019	(7,192)	10,979	3,787	(3,615)	**172**

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, 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

Plan assets are comprised as follows:

	2019	2018
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:

	2019	2018
Discount rate	**7.00%**	7.00%
Future salary increases – inflationary	**3.50%**	3.50%
Future salary increases – promotional	**2.50%**	2.50%
Future pension increases	**2.50%**	2.50%
Proportion of employees opting for early retirement	**0.00%**	0.00%
Future changes in NIS ceiling	**3.50%**	3.50%
Mortality	**UP94-AA**	UP94-AA
Termination of active members	**Nil**	Nil
Early retirement	**Nil**	Nil
Future expenses	**Nil**	Nil

Expected contributions to post-employment benefit plans for the year ending December 31, 2020 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	7,192
Reduce discount rate by 1% pa	7,827
Increase discount rate by 1% pa	6,648
Reduce salary increase by 0.5% pa	7,167
Increase salary increase by 0.5% pa	7,217
Increase average life expectancy by 1 year	7,460

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:

	2019	2018
Males	**20.30**	20.23
Females	**22.42**	22.38

The weighted average duration of the defined benefit obligation is 8.25 (2018 – 8.54) years.

Expected maturity analysis of undiscounted pension as at December 31, 2019:

	Less than 1 year	**Between 1 – 2 years**	**Between 2 – 5 years**	**Over 5 years**	**Total**
	$	**$**	**$**	**$**	**$**
Pension Benefits	602	625	2,360	4,613	**8,200**

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 2021. The balance at the end of the year is $2,500.

17. **Loan due to Associate**

During 2018, 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. During the year, the loan was repaid in the amount of $1,940 and the final payments totalling $1,940 will be repaid during 2020.

The loan due to associate is set out below:

	2019	2018
	$	$
Loan amount	**1,940**	**3,880**
Current portion	**(1,940)**	**(1,940)**
Balance at end of year	**-**	**1,940**

The full 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, 2021, bear interest at 3.00% and 3.25% (2018 – 3.00% and 3.25%) per annum and have the option of being renewed at the end of June 2020 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:

	2019	2018
	$	$
Balance at beginning of year	**19,500**	14,000
Issued	**9,000**	9,000
Repaid	**-**	(3,500)
Balance at end of year	**28,500**	19,500

These Unsecured Fixed Income Notes are comprised as follows:

	2019	2018
	$	$
(a) $15 million Note facility		
• 2nd tranche	**4,500**	4,500
• 3rd tranche	**6,000**	6,000
(b) $20 million Note facility		
• 1st tranche	**5,000**	5,000
• 2nd tranche	**4,000**	4,000
• 3rd tranche	**9,000**	-
Balance at end of year	**28,500**	19,500
Current portion	**(13,500)**	(6,000)
	15,000	13,500

(a) These Unsecured Fixed Income Notes will mature in two years, bear interest at 3.25% (2018 - 3.25%) per annum and have the option of being renewed for a further two years. During 2018, $3,000 of the first tranche and $500 of the second tranche of the $15 million facility were repaid.

(b) During 2018, the Company issued a new $20 million Note 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 the third tranche for $9,000 (2018 – first and second tranche of $9,000).

Expressed in thousands of Barbados dollars

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

The Loans payable are set out below:

	2019	2018
	$	$
Loans payable to non-controlling interest	**816**	816

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% (2018 – 6.0%) per annum.

21. **Dividends Payable**

The Dividends payable comprise the following:

	2019	2018
	$	$
Dividend payable to equity holders of the company	**1,841**	1,646

22. **Borrowings**

The Group has overdraft facilities of $6 million (2018 - $6 million) of which $Nil (2018 - $2,570) was utilised at the reporting date.

23. **Leases**

The Group has lease contracts for various items of buildings in its operations. Leases of buildings generally have lease terms between 3 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases.

Expressed in thousands of Barbados dollars

23. **Lease obligation liabilities***...continued*

Set out below are the carrying amounts of right-of-use building assets recognised and the movements during the year:

	2019	2018
	$	$
Balance at beginning of year	**-**	-
Additions	**1,929**	-
Depreciation expense	**(233)**	-
Balance at end of year	**1,696**	-

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2019	2018
	$	$
Balance at January 1, 2019	**-**	-
Additions	**1,929**	-
Interest	**62**	-
Lease payments	**(266)**	-
Balance at December 31, 2019	**1,725**	-
Current	**374**	-
Non-current	**1,351**	-
	1,725	-

24. **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

25. Deferred Tax Liability

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

	2019	2018
	$	$
Accelerated depreciation	**(57)**	(56)
Pension Assets	**(7)**	(9)
Stock options	**16**	16
IFRS9 Stage 1 & 2	**46**	41
Deferred tax liability	**(2)**	(8)

Deferred tax assets of $28 (2018 - $101) 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 $872 (2018 - $2,100), which have expiry dates ranging between 2020 and 2025.

26. Share Capital

	2019		2018	
	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	**18,328,230**	**38,600**	18,255,194	38,512
Issued	**8,242**	**24**	44,793	125
Exercised share options (note 27)	**78,586**	**108**	70,366	54
Repurchased during the year	**(10,000)**	**(21)**	(42,123)	(91)
End of year	**18,405,058**	**38,711**	18,328,230	38,600

The Company repurchased 10,000 (2018 – 42,123) shares for a total consideration of $46 (2018 - $175) of which $25 (2018 - $84) was eliminated against the retained earnings and $21 (2018 - $91) against share capital.

The Company issued 8,242 (2018 – 8,843) shares for $24 (2018 - $37) to key employees as shares in lieu of bonus. During 2018, a subsidiary sold 35,950 shares of the Company for $88.

Expressed in thousands of Barbados dollars

27. **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:

	2019		2018	
	Average exercise price per share option	**Options**	Average exercise price per share option	Options
Outstanding at beginning of year	**3.40**	**780,000**	3.04	775,000
Granted	**4.60**	**205,000**	4.06	200,000
Exercised	**3.02**	**(78,586)**	2.60	(70,366)
Forfeited	**3.39**	**(21,667)**	-	-
Expired	**0.00**	**(131,414)**	2.87	(124,634)
Outstanding at end of year	**3.84**	**753,333**	3.40	780,000
Exercisable at end of year	**3.76**	**639,444**	3.34	713,333

Of the 753,333 outstanding options (2018 – 780,000), 639,444 options (2018 – 713,333) were exercisable.

Expressed in thousands of Barbados dollars

27. **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**	**2019**	**2018**
2015-2015	2020	3.00	-	123,334
2015-2016	2020	3.00	-	61,666
2016-2016	2021	3.01	113,333	130,000
2016-2017	2021	3.01	56,667	65,000
2017-2017	2022	3.50	120,000	133,333
2017-2018	2022	3.50	60,000	66,667
2018-2018	2023	4.06	132,222	133,333
2018-2019	2023	4.06	66,111	66,667
2019-2019	2024	4.60	136,667	-
2019-2020	2024	4.60	68,333	-
			753,333	780,000

The weighted average fair value of options granted during 2019 determined using the Binomial Pricing model was $0.70 (2018 - $0.63) per option. The significant inputs into the model were weighted average share price of $3.84 (2018 - $3.40) 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 5.50% (2018 – 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, 70,751 options granted in 2015, 6,207 options granted in 2016 and 1,628 options granted in 2017 were exercised. The exercised options resulted in 78,586 shares being issued with a value of $108 being transferred from share option reserve to share capital. During the year, 114,249 options granted in 2015, 12,126 options granted in 2016 and 5,039 options granted in 2017 expired. During the year, 6,667 options granted in 2016, 13,333 options granted in 2017 and 1,667 options granted in 2018 were forfeited.

A total expense of $138 (2018 – $128) 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 2018 and 2/3 of the 2019 options granted being vested at year end. All other option grants were fully vested and expensed by December 31, 2019.

Expressed in thousands of Barbados dollars

28. **Retained Earnings**

	2019	2018
	$	$
Parent company	**37,849**	36,183
Subsidiary companies	**(3,479)**	(6,799)
Associated companies	**40,760**	41,149
	75,130	70,533

29. **Revenue from Operations**

	2019	2018
	$	$
Finance income	**9,442**	7,833
Dividend income	**268**	61
Commissions	**1,240**	1,151
Management fees	**13,222**	12,559
Interchange fees	**1,312**	1,070
Miscellaneous	**735**	554
	26,219	23,228

Expressed in thousands of Barbados dollars

30. **Gains on Financial Assets**

	2019 $	2018 $
Gain on disposal of financial assets at fair value through profit and loss	**-**	1,341
Gain on disposal of investment in associate	**14**	-
Unrealised gain/(loss) on financial assets at fair value through profit and loss	**2,413**	(885)
	2,427	456

During 2018, 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.

31. **Other Gains**

	2019 $	2018 $
Gain on disposal of property, plant and equipment	**41**	27

32. **Payroll Costs**

Payroll costs comprise:

	2019 $	2018 $
Salaries	**6,547**	6,675
National insurance, group health and life	**320**	282
Pension – defined benefit plan costs (note 15)	**57**	25
Pension – defined contribution plan costs	**265**	200
Employee share option expenses (note 26)	**138**	128
Medical	**126**	204
Other personnel expenses	**353**	446
	7,806	7,960

Expressed in thousands of Barbados dollars

33. **Income Tax Expense**

The income tax expense is comprised of the following:

	2019 **$**	2018 $
Current tax on profits for the year	**158**	914
Deferred tax credit	**6**	-
	164	914

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

	2019 **$**	2018 $
Profit before taxation	**10,797**	10,319
Corporation tax calculated at 5.5% (2018 – 30.0%)	**594**	3,095
Effect of lower tax rate	**(262)**	144
Movement in deferred tax asset not recognised	**(26)**	(633)
Tax losses expiring	**37**	-
Tax effect of items not allowed in determining taxable profit	**(179)**	(1,692)
Tax charge	**164**	914

34. **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 **$**	2018 $
Net profit attributable to the equity holders of the parent	**8,535**	7,480
Weighted average number of ordinary shares issued	**18,323,303**	18,283,055
Basic earnings per share	**$0.47**	$0.41
Weighted average number of ordinary shares for diluted earnings per share	**19,076,636**	19,063,055
Diluted earnings per share	**$0.45**	$0.39

Expressed in thousands of Barbados dollars

35. **Net Cash Generated from Operations**

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

	2019	2018
	$	$
Cash flows from operating activities		
Profit before taxation	**10,797**	10,319
Adjustments for:		
Depreciation and Right of use Depreciation (note 13)	**866**	592
Share of results of associates (note 10)	**(1,184)**	(5,118)
Amortisation of intangible assets (note 12)	**-**	353
Gain on disposal of financial assets at fair value through profit and loss (note 30)	**-**	(1,341)
Unrealised (gain)/loss on financial assets at fair value through profit and loss (note 30)	**(2,413)**	885
Gain on disposal of investment in associate (note 30)	**(14)**	-
Gain on disposal of property, plant and equipment (note 31)	**(41)**	(27)
Pension plan surplus (note 15)	**57**	25
Employee share option plan expense (note 27)	**138**	128
Dividend income (note 29)	**(268)**	(61)
Interest expense	**1,882**	1,272
Operating profit before working capital changes	**9,820**	7,027
Net change in non-cash working capital items related to operations:		
- Trade and other receivables and prepayments	**(1,233)**	(12,008)
- Due by associates	**(930)**	701
- Due by affiliates	**(25)**	6
- Trade and other payables	**1,291**	229
- Deferred income	**10**	(8)
- Due to associates	**679**	536
- Due to affiliates	**457**	(101)
Cash generated from/(used in) operations	**10,069**	(3,618)
Corporation taxes paid	**(526)**	(1,072)
Interest paid	**(1,874)**	(1,254)
Net cash generated from/(used in) operations	**7,669**	(5,944)

Expressed in thousands of Barbados dollars

36. **Related Party Transactions**

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

	2019	2018
	$	$
Finance income	**429**	424
Management fees	**8,515**	8,442
Commissions income	**18**	17

Key Management Compensation:

	2019	2018
	$	$
Salaries	**2,445**	2,272
NIS	**45**	43
Medical	**55**	52
Pension, Group Life	**78**	73
Share Option Plan	**74**	70

In addition to disclosures on related party balances in notes 7, 8, 14, 16 and 17, the following Fixed Income Certificates were due to related parties:

	2019	2018
	$	$
Directors and Key Management – at interest rates of 3.00% to 3.25% (2018 – 3.00% to 3.25%)	**842**	712

	2019	2018
	$	$
Directors' fees	**93**	89

37. **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

37. **Segmental Reporting…***continued*

The segment information provided to the Board for the reportable segments for the year ended December 31, 2019 and December 31, 2018 is as follows:

	Retail		Services		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$
Revenue						
Segment revenue	**-**	-	**28,687**	23,711	**28,687**	23,711
Total Revenue					**28,687**	23,711
Results						
Segment results	**-**	-	**9,807**	5,355	**9,807**	5,355
Share of results of associates	**(2,222)**	1,116	**3,406**	4,002	**1,184**	5,118
Employee benefits					**(194)**	(154)
Profit before taxation					**10,797**	10,319
Income tax expense					**(164)**	(914)
Net profit for the year					**10,633**	9,405
Non-controlling interest					**(2,098)**	(1,925)
Net profit attributable to equity holders of the Company					**8,535**	7,480

Notes to the Consolidated Financial Statements

December 31, 2019
Expressed in thousands of Barbados dollars

37. **Segmental Reporting…c*ontinued***

	Retail		Services		Total	
	2019	2018	**2019**	2018	**2019**	2018
	$	$	**$**	$	**$**	$
Other Information						
Operating assets	**-**	-	**81,030**	73,062	**81,030**	73,062
Intangible assets and goodwill					**-**	-
Investment in associates	**34,182**	36,845	**32,823**	30,595	**67,005**	67,440
Unallocated corporate assets					**28,387**	23,730
Consolidated Corporate Assets					**176,422**	164,232
Operating liabilities	**-**	-	**11,513**	11,842	**11,513**	11,842
Unallocated corporate liabilities					**47,654**	39,575
Consolidated Corporate Liabilities					**59,167**	51,417
Capital Expenditure	**-**	-	**449**	301	**449**	301
Depreciation and Right of Use depreciation	**-**	-	**866**	592	**866**	592
Amortisation of intangible assets	**-**	-	**-**	352	**-**	352

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.

38. 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.

	2019 **$**	2018 $
Carrying amount of assets	**49,636**	41,407
Carrying amount of associated liabilities	**(49,636)**	(41,407)
Net position	**-**	-

39. Commitments

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

40. 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-NINTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 23RD 2020 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-NINTH ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 23RD 2020,** 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 21st 2020, 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. Limited
24 Broad Street, Bridgetown, St. Michale, BB11000

www.caveshepherd.com