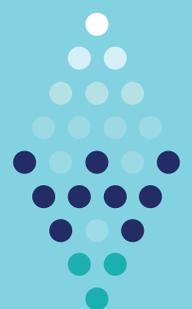


WIHL

**Waterloo Investment Holdings Limited**  
Consolidated Financial Statements  
March 31, 2016



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# Report of Chief Executive Officer

I am pleased to present Waterloo Investment Holdings Limited's ("The Company" or "WIHL") fourth Annual Report.

The Company produced a net loss of US\$7.3 million in the year ended 31 March 2016 compared to a net loss of US\$13.0 million in the year ended 31 March 2015. Total assets at 31 March 2016 amounted to US\$484.4 million, with Shareholders' Equity at US\$222.4 million, compared to US\$508.7 million and US\$232.7 million, respectively, at 31 March 2015.

## **Latin American Associates**

The Company experienced lower income during the year ended 31 March 2016 from its approximately 25% ownership of Latin American Associates. Continued weakness in palm oil prices globally, increased taxes and adverse currency movements in emerging countries combined to bring down the Company's share of net income in the year ended 31 March 2016 to US\$11.0 million from US\$17.0 million in 2015 and US\$19.3 million in 2014.

In addition, low oil prices negatively affected the market for bio-fuel substitutes, adding to the supply glut. Contrary to crude oil production, a palm tree, once planted, cannot stop or pace its production. The palm oil glut is a global phenomenon, also impacting the sale of top producing seeds. The Latin American Associates do not expect a recovery soon and all expansion plans have been put on hold for their edible oil processing and distribution operations.

Dividend receipts from the Latin American Associates decreased to US\$7.0 million during the year ended 31 March 2016 and recently a US\$6.7 million dividend was declared for fiscal 2017.

Our case against the Government of Belize ("GOB") with respect to the unilateral termination by the GOB of the contract to manage the International Business Companies and Ship registries was heard by the Supreme Court of Belize in February 2016 and a decision is expected in the autumn of 2016.

## **Financial Services Division**

The Financial Services Division produced a loss of US\$4.6 million in the year ended 31 March 2016 compared to a loss of US\$4.4 million in 2015.

During the past year, BCB focused on the rightsizing of the Bank relative to its opportunities in the Turks and Caicos Islands ("TCI"). BCB requested approval from the TCI regulator (the Financial Services Commission) and the TCI Supreme Court to reduce the Bank's capital through a special dividend, which comprised of non-performing loan notes to failed developments in TCI, to its parent company. As a result, BCB's capital was reduced to US\$52.6 million from US\$149.1 million and its capital ratio thereby reduced to 37.9% compared to 52.1% at 31 March 2015.

As a result of the 2009 nationalization of Belize Telemedia Limited ("BTL"), the main telecommunications company in Belize, BCB brought a claim against the GOB for compensation in connection with the seizure of an outstanding loan owed to BCB by BTL. In September 2015, prior to an expected decision from the Caribbean Court of Justice concerning the claim, BCB settled with the GOB. The settlement of the outstanding loan included a full repayment of principal, interest and penalties and the reimbursement of all legal fees for a total of US\$48.5 million. This resulted in an improved liquidity ratio for the Bank of 74% compared to 16% at the end of the prior year. The settlement brought about a non-recurring gain of US\$13.5 million at the consolidated Group level. BCB posted a positive net income of US\$1.7 million as it

# Report of Chief Executive Officer

recorded its share (US\$6.3 million) of the non-recurring gain from the settlement of the claim with the GOB.

BCB carries no debt other than its obligations to its deposit holders; these obligations stood at US\$53.9 million on 31 March 2016 compared to US\$70.5 million the previous year. The loss of deposits came mostly from clients reinvesting their balances into assets offering a higher return. In addition, WIHL invested its cash at the Bank in operating assets in TCI and the repayment of debt. BCB is receiving minimal returns on the liquidity it holds at its correspondent banks and is looking into improved investment strategies while retaining a highly liquid position.

The recent turmoil in correspondent banking relationships in the Caribbean, when US regulators imposed de-risking strategies on many US banks, could easily have hurt BCB, as significant cancellations of correspondent banking relationships forced global clients wishing to hold US Dollar funds offshore back to the US; effectively making it very difficult for offshore banks and jurisdictions such as TCI to compete with the US. BCB has been fortunate to expand its correspondent banking relations but sees challenging times ahead for offshore banking.

BCB's loan portfolio declined further to US\$67.9 million at 31 March 2016 due to a combination of additional provisioning and debt repayments. The total remaining non-performing loan balance net of provisions amounts to US\$33.6 million, consisting primarily of failed developments in TCI. There are almost no carrying costs associated with these non-performing loans – which are backed by sufficient collateral as appraised by independent firms or management valuations. Receivers are in place with the lenders associated with these loans to control strategies to monetize the underlying assets.

BCB currently serves WIHL and its operations in TCI, other businesses and residents in the TCI community, as well as those who own homes, condominiums or real estate developments in TCI and other Caribbean countries. It expects to resume lending activities when sustainable growth resumes in the Caribbean. While BCB would prefer to diversify beyond real estate and hospitality lending, it is important to realize that TCI essentially remains a one-dimensional economy relying almost entirely on the tourism and real estate development industries.

## **Investment Division**

The Investment Division produced a loss of US\$17.4 million in the year ended 31 March 2016 compared to a loss of US\$2.4 million in 2015. Income of US\$3.5 million was offset by US\$20.9 million in additional provisions. Within its provisions, the Company has taken into account recent land and condominium sales in Providenciales, reduced expectations for Ambergris Cay and outstanding offers.

### *Emerald Point*

Through the receivership at Emerald Point, the Company has invested in the infrastructure such that all lots now have the requisite underground utilities, roads are completed, and street-lighting, fire hydrants and appropriate drainage are installed. The canal extension and boat slips for the beach-front lots at Emerald Point have also been completed. The sales of eight canal lots and four beachfront lots have closed, and two joint-ventures are also in place to develop seven lots in the development with one additional lot under contract to close.

The remaining work at Emerald Point involves: (1) beach nourishment, with sand dredged from the Leeward Channel; (2) the creation of a terminal groyne and a T-head groyne at the entry of the Leeward Channel to limit the movement of sediment,

# Report of Chief Executive Officer

and (3) removal of the three existing T-head groynes. The Company is hopeful that the work on the Leeward Channel will be completed by the end of 2016.

Syndicated loan investors in the Emerald Point debt have recently bought out the smallest lender; the Company's investment in this transaction increased its participation in the debt to 25% of future proceeds.

## *Ambergris Cay*

The receiver of *Ambergris Cay* (the "Cay") has continued to negotiate with the TCI Government on the completion of a development agreement. The receiver had entered into a memorandum of understanding ("MOU") with the TCI Government, more than two years ago, outlining the form of development agreement which would be attractive to a third party buyer. However, due to a lack of buyers willing to take on the re-development of the Cay, the Company itself began to explore with the TCI Government a development agreement modelled on the MOU. The TCI Government contends that several concessions it would have been willing to agree to as recently as May 2014, it can no longer entertain due to changes in the TCI Crown Land Ordinance. In addition, it is asking for completion guarantees beyond the scope of the Company's planned investment. The Company has invested close to US\$10 million in the last five years for the receiver's share of keeping the Cay open for business and in its efforts to sell the Cay. WIHL spent over US\$1 million on its potential onshore, beach and marina development plans for the Cay.

## *Future TCI Developments*

We are awaiting further efforts by the TCI Government to protect operators of condominium resorts against rentals by owners of their units outside hotel operations, primarily through websites such as VRBO, Home Away and AirBnB, whilst at the same time taking full advantage of the hotel services offered.

The condo-resort operating model is such that many operating costs are borne by the resort operator and not the individual condo owner. Unless such costs are properly shared and/or incurred by the party receiving the revenues, there are adverse effects on, for example, the Company's business model, real estate prices and government receipts.

The TCI Government relies on the resort operators to levy the 12% hospitality tax, pay for work permits, make NHIB and NIB contributions for staff, support local associations such as the Community College, the Hotel and Tourist Association and its promotion activities, contribute to numerous local charities, and create jobs.

The 2016 tourism budget for the TCI Government is a low US\$3.3 million compared to the recommended budget in the KPMG recent study of the TCI tourism industry of US\$12 million. Therefore, the TCI Government relies heavily on support from the resort operators to promote the destination and airlift.

## *Port of Belize*

BCB put the Port of Belize into receivership in 2012 and has since improved performance and increased cash flow generation. The cash is being applied to debts owed to both BCB and WIHL. Port of Belize is a multipurpose port which receives the bulk of main cargo and container imports into Belize such as dry bulk, steel and finished goods. In addition, the Group owns substantial land interests immediately adjacent to the Port.

WIHL continues to explore the development of a bulk-handling facility and logistics terminal on the land adjacent to the Port of Belize. Recently, the GOB asked WIHL to include in its feasibility studies whether the largest cruise boats in the industry

could dock at or near the port. It is clear that Belize would benefit if the port could accommodate both the agricultural export sector as well as the cruise industry. The Company has agreed to invest in these studies.

## Hospitality Division – Turks and Caicos Collection

The Hospitality Division produced a loss of US\$0.9 million in the year ended 31 March 2016 compared to a loss of US\$0.2 million in 2015. This was in part due to both the condo owner rental activities described earlier and anticipated losses incurred due to the Company's take-over of all food and beverage operations at the *Alexandra Resort* following the departure of a third-party restaurateur.

Losses incurred in the operations for *Blue Haven Resort and Blue Haven Marina* are still recorded in the Investment Division due to their continued operation under two receiverships. The Company is working towards bringing them both out of receivership. The losses include the carrying costs of the condominiums after rental income received.

The Company established the brand and registered the name "*The Turks and Caicos Collection*" for its hospitality operations. All three resorts are captured under this brand and motto: "Three Unique Resorts, Three Distinct Experiences, and One Extraordinary Service Philosophy".

Trip Advisor ranked TCI's Providenciales as the #1 island and Grace Bay Beach as the #1 beach in the World during the Travellers' Choice Awards in 2015 and 2016 respectively. Airlift capacity from the US has expanded. Also, to-date, TCI has avoided Chickungunya and Zika virus outbreaks; although some concerned guests have cancelled reservations.

TCI welcomed 1.3 million tourists in calendar year 2015 with an 8.1% growth in stop-over guests. Arrivals numbered 386,052 compared to 357,237 in 2014. Cruise port arrivals in Grand Turk, however, dropped by 4.3% as reported by the TCI Tourist Board.

According to the Caribbean Tourism Organization, the Caribbean region as a whole showed a 7% increase in arrivals and 4% increase in spending; a moderate-to-strong performance for 2015. The profit picture, however, is mixed: 54% of hotels reported an increase in occupancy, 28% reported a decline, and one-third of hotels reported a net loss in 2015. High operating costs, cost and availability of airlift, and crime/safety perceptions are top issues for Caribbean hoteliers. The opening of Cuba for US tourists may have a major impact on tourism in the entire Caribbean region.

For the first quarter of 2016 (the Company's last quarter of fiscal year 2016), the external market trends softened. Hotel occupancy in the Caribbean region showed a 3.3% drop from the first quarter of 2015. While Average Daily Rate ("ADR") rose by 1.8% to US\$293.51 in March, the region's Revenue per Available Room ("RevPar") saw a 2.8% decline to US\$217.32. Given sluggish economic growth in the North American region and turmoil in the European Union, we expect a more competitive environment in the tourism sector delaying future profitability.

## *Alexandra Resort*

The *Alexandra Resort* was negatively affected by rental units leaving the rental pool and owners going at it alone thereby forcing the Company to spread its costs over lower revenues. Those condo owners still in the rental pool negotiated a new five-year rental management agreement, which allowed the Company the stability to put measures in place that limit non-rental management pool guests access to resort operations; though the Company is now absorbing higher operating costs. The Company is intent on differentiating the resort-authorized guest experience from the

# Report of Chief Executive Officer

owner-generated guest experience and has managed to improve the resort's Trip Advisor rating to #18 from #26 last year.

After significant investments in infrastructure and room upgrades that took place in September 2015, the Company tried to push for higher ADRs for all owners increasing its investments in sales, marketing and revenue management, a cost not shared by any owner. The Company has been, however, continuously undercut by owners outside the rental pool, forcing the Company to lower its prices. It is hoped that with a differentiated product offering, prices will stabilise.

The resort also experienced staffing challenges both at the front desk as well as with new, often inexperienced, staff for the *Asu on the Beach* restaurant. The opening of the new restaurant suffered additional challenges: two tropical storms wreaked havoc and opening-time considerations forced the Company to make only temporary repairs for a leaking roof. The Company intends to address a more permanent replacement and further upgrades to the kitchen. Each new restaurant opening brings its own teething problems and this one is no different.

## *Beach House*

Beach House again enjoyed a year with increased occupancy and ADR. It welcomed multiple repeat-guests who enjoy the property, its Grace Bay Beach location and personalised service. Continued investments have been made in rooms and infrastructure, and Beach House at one point captured the #4 rating spot on Trip Advisor's List of TCI Resorts and is currently rated #6.

Kitchen 218 profited from significant investments in kitchen equipment and made progress with its positioning for fine-dining. A shuttle service now connects all three of the Company's resorts making it easier for guests to experience this high-end dining offering, increasingly sought out by "foodies" visiting TCI.

## *Blue Haven Resort and Marina*

Blue Haven Marina retained its Five Gold Anchor rating and enjoyed numerous days of 100% occupancy during the high season. It has defined the yachting product for TCI and continued a robust marketing program throughout the east coast of the United States, the Caribbean and the Mediterranean.

Had the Company been able to perform maintenance dredging in the Leeward Channel, maintaining the original 12 feet depth, then it would have received a larger number of yachts. Several yachts could still be serviced on a concierge basis, but their owners may have spent considerable more money on fuel services and restocking had they been able to dock at the Marina. The Company is hoping that maintenance dredging can be accomplished before the next high season.

Blue Haven Resort was ranked #17 among the top 25 hotels in the Caribbean Region by Trip Advisor's 2016 Travelers' Choice Awards and is currently ranked #10 on Trip Advisor.

## **Our TCI Footprint**

WIHL currently employs more than 370 people in TCI in positions most of which did not exist four years ago. The Company has significantly expanded its Human Resources department to incorporate the training and development of its staff as the Company expands. As the hospitality industry lends itself to higher turnover, the Company finds itself constantly on the look-out for qualified staff. Unfortunately, it is difficult to address all staffing needs with staff from TCI. Staff brought in from abroad go through a rigorous vetting process before work permits can be obtained.

# Report of Chief Executive Officer

The Company expects its staff to be good corporate citizens and to participate in and address the needs of local charities with a range of objectives from stopping crime, children's needs, animal welfare, the environment, local heritage and emergency responsiveness.

The Company has invested close to US\$1 million in the upgrade of its IT infrastructure in TCI both at BCB and at its resorts. In the first instance, the Company's focus is to bring its basic networked operations under one system and properly secured. The new restaurant at the Alexandra gave the impetus for a new hotel and restaurant management system which we hope to implement at the other properties later this year. In addition, the Company has put new maintenance, finance, human resources, marketing and sales, time share management software in place. Further implementation and upgrades will take place during the upcoming year.

The Company is highly focused on the cost to operate. After pay-roll, utilities form the Company's highest expense. All resorts have replaced their lighting with LED lights. A drop in oil prices, LED lights and focus resulted in lowered utility costs. However, more can be done by training staff to be vigilant about the use of electricity and water. The TCI Government should focus on providing a framework of generating energy in an environmentally friendly manner. Some progress has been made in this regard, but nothing to the extent that the Company can implement at this juncture.

## **Balance Sheet Restructuring**

As mentioned in last year's Annual Report, WIHL has been in discussions with Daza Corporation ("Daza") the holder of the Series 3 and 4 Loan Notes (as nominee for Lord Ashcroft KCMG PC) and Lord Ashcroft concerning the outstanding Loan Notes.

Lord Ashcroft also has an interest in approximately 70.5 percent of the issued share capital of the Company.

While the Company has successfully negotiated the extension of the Loan Notes to September 2017 and a significantly lower interest rate on the Notes, reducing the prior year's interest obligation of \$18.1 million, the reduced burden of approximately \$6.0 million per annum is still too high, given WIHL's current earnings capacity and development needs. The illiquidity of the Company's assets (outside of BCB) in the current economic climate, also reduces the options available for repaying these Loan Notes.

As a result, the Company, Daza and Lord Ashcroft have now agreed that the entire amount of the debt under the Loan Notes should be repaid by the Company by using the proceeds from the issue of 396,277,657 new ordinary shares to be issued by the Company pursuant to a share offer to be extended to all eligible shareholders in the Company, at an issue price of US\$0.50 per share. The share offer will raise up to \$198,138,828 before expenses, and provide a means for eligible shareholders to prevent their share interests in the Company from being diluted.

The repayment of the debt will significantly strengthen shareholders' equity and substantially reduce the annual interest charges. This will give the Company the financial stability and flexibility to pursue suitable investment and development opportunities as they arise.

I thank the shareholders for their continued patience as we channel through this difficult stage in the Company's development and look forward to welcoming you to our resorts in TCI or at British Caribbean Bank.

**Caroline van Scheltinga**  
Chairman and CEO

# Report of Independent auditors

## **To the Board of Directors and Shareholders of Waterloo Investment Holdings Limited**

We have audited the accompanying consolidated balance sheets of Waterloo Investment Holdings Limited and its subsidiaries as at 31 March 2016 and 31 March 2015, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits of these consolidated financial statements in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Waterloo Investment Holdings Limited and its subsidiaries as at 31 March 2016 and 31 March 2015, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Horwath Belize LLP*

Horwath Belize LLP  
Belize City, Belize  
Central America  
21 July 2016

# Consolidated statements of comprehensive income

Year ended March 31	Notes	2016 \$m	2015 \$m
<b>Financial Services</b>			
Interest income		3.9	4.1
Interest expense	4	(1.0)	(1.6)
Net interest income		2.9	2.5
Provision for loan losses	12	(5.2)	(6.3)
Non-interest income	5	(0.3)	1.0
Non-interest expense	6	(2.0)	(1.6)
Operating loss - Financial Services		(4.6)	(4.4)
Operating loss - Hospitality	7	(0.9)	(0.2)
Operating loss - Investments	8	(17.4)	(2.4)
<b>Total operating loss</b>		<b>(22.9)</b>	<b>(7.0)</b>
Associates	19	11.0	17.0
Corporate expenses		(2.9)	(4.9)
Corporate interest		(6.0)	(18.1)
<b>Net loss before extraordinary item</b>		<b>(20.8)</b>	<b>(13.0)</b>
Extraordinary item:			
Gain on legal settlement BTL	11	13.5	–
<b>Net loss</b>		<b>(7.3)</b>	<b>(13.0)</b>
Other comprehensive loss:			
Translation adjustment reported by Associates	19	(3.0)	(2.5)
<b>Comprehensive loss</b>		<b>(10.3)</b>	<b>(15.5)</b>
<b>Net loss per ordinary share (basic and diluted)</b>	9	<b>\$(0.07)</b>	<b>\$(0.13)</b>

## Consolidated statements of changes in shareholders' equity

	Notes	Share capital \$m	Additional paid-in capital \$m	Treasury shares \$m	Accumulated other comprehen- sive loss \$m	Retained earnings \$m	Total \$m
At April 1, 2014		100.0	–	(0.1)	–	148.3	248.2
Comprehensive loss		–	–	–	(2.5)	(13.0)	(15.5)
At March 31, 2015		100.0	–	(0.1)	(2.5)	135.3	232.7
Comprehensive loss		–	–	–	(3.0)	(7.3)	(10.3)
Conversion of shares	24	(50.0)	50.0	–	–	–	–
<b>At March 31, 2016</b>		<b>50.0</b>	<b>50.0</b>	<b>(0.1)</b>	<b>(5.5)</b>	<b>128.0</b>	<b>222.4</b>

At 31 March 2016, retained earnings included non-distributable statutory reserves in British Caribbean Bank Limited of \$13.0 million (2015 - \$13.0 million).

See accompanying notes which are an integral part of these consolidated financial statements.

# Consolidated balance sheets

At March 31	Notes	2016 \$m	2015 \$m
<b>Assets</b>			
<b>Financial Services</b>			
Cash, cash equivalents and due from banks		0.6	0.3
Interest-bearing deposits with correspondent banks	10	43.3	11.6
Receivable from Government of Belize	11	–	34.1
Loans - net	12	67.9	73.8
Property, plant and equipment - net	13	0.2	0.3
Other assets	14	0.4	0.2
<b>Total Financial Services assets</b>		<b>112.4</b>	<b>120.3</b>
<b>Investment</b>			
Cash, cash equivalents and due from banks	27	0.1	1.5
Loans - net	15	140.4	164.4
Other assets	16	18.5	15.1
<b>Total Investment assets</b>		<b>159.0</b>	<b>181.0</b>
<b>Hospitality</b>			
Cash, cash equivalents and due from banks		2.1	3.3
Property, plant and equipment - net	17	12.2	10.6
Other assets		6.0	5.2
<b>Total Hospitality assets</b>		<b>20.3</b>	<b>19.1</b>
<b>Corporate</b>			
Cash, cash equivalents and due from banks		3.0	–
Other current assets		0.1	–
Property, plant and equipment - net	18	2.6	2.5
Associates	19	187.0	185.8
<b>Total Corporate assets</b>		<b>192.7</b>	<b>188.3</b>
<b>Total assets</b>		<b>484.4</b>	<b>508.7</b>
<b>Liabilities and shareholders' equity</b>			
<b>Financial Services</b>			
Deposits	20, 27	53.9	70.5
Interest payable		0.2	0.3
Current liabilities		0.3	0.3
<b>Total Financial Services liabilities</b>		<b>54.4</b>	<b>71.1</b>
<b>Investment</b>			
Current liabilities		2.5	–
<b>Hospitality</b>			
Current liabilities		3.9	4.2
<b>Corporate</b>			
Current liabilities	21	0.3	6.0
Long-term liabilities	22	200.9	194.7
<b>Total Corporate liabilities</b>		<b>201.2</b>	<b>200.7</b>
<b>Total liabilities</b>		<b>262.0</b>	<b>276.0</b>
<b>Shareholders' equity</b>			
Share capital	24	50.0	100.0
Additional paid-in capital	24	50.0	–
Treasury shares	24	(0.1)	(0.1)
Accumulated other comprehensive loss		(5.5)	(2.5)
Retained earnings		128.0	135.3
<b>Total shareholders' equity</b>		<b>222.4</b>	<b>232.7</b>
<b>Total liabilities and shareholders' equity</b>		<b>484.4</b>	<b>508.7</b>

See accompanying notes which are an integral part of these consolidated financial statements.

# Consolidated statements of cash flows

Year ended March 31	2016 \$m	2015 \$m
<b>Cash flows from operating activities</b>		
Net loss	(7.3)	(13.0)
Adjustments to reconcile net loss to net cash provided (utilized) by operating activities:		
Depreciation	1.0	0.8
Provision for loan losses	26.1	12.4
Undistributed earnings of associates	(4.2)	(9.0)
Changes in assets and liabilities:		
Decrease in interest payable	(0.1)	(0.1)
Increase in other assets	(3.8)	(5.3)
(Increase) decrease in other current assets	(0.1)	0.2
Decrease in other liabilities	(3.5)	(4.7)
<b>Net cash provided (utilized) by operating activities</b>	<b>8.1</b>	<b>(18.7)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (net)	(2.6)	(1.1)
(Increase) decrease in interest-bearing deposits with correspondent banks	(31.7)	4.4
Decrease in Government of Belize receivable	34.1	–
Decrease in loans to customers	3.2	7.2
<b>Net cash provided by investing activities</b>	<b>3.0</b>	<b>10.5</b>
<b>Cash flows from financing activities</b>		
Decrease in share capital	(50.0)	–
Increase in additional paid-in capital	50.0	–
Increase in long-term debt	6.2	21.8
Decrease in deposits	(16.6)	(11.8)
<b>Net cash (utilized) provided by financing activities</b>	<b>(10.4)</b>	<b>10.0</b>
<b>Net change in cash, cash equivalents and due from banks</b>	<b>0.7</b>	<b>1.8</b>
<b>Cash, cash equivalents and due from banks at beginning of year</b>	<b>5.1</b>	<b>3.3</b>
<b>Cash, cash equivalents and due from banks at end of year</b>	<b>5.8</b>	<b>5.1</b>
Cash - Financial Services	0.6	0.3
Cash - Investment	0.1	1.5
Cash - Hospitality	2.1	3.3
Cash - Corporate	3.0	–
	<b>5.8</b>	<b>5.1</b>

See accompanying notes which are an integral part of these consolidated financial statements.

# Notes to consolidated financial statements

## Note 1 - Description of business

### Introduction

Waterloo Investment Holdings Limited ("WIHL" or "the Company") was incorporated in the British Virgin Islands on 24 January 2011. WIHL is a holding company with no independent business operations or assets other than its investment in its subsidiaries, associates, intercompany balances and holdings of cash and cash equivalents. WIHL's businesses are conducted through its subsidiaries.

The businesses of WIHL include (i) the British Caribbean Bank Limited ("BCB" or "the Bank") which focuses on the provision of financial services and lending primarily in the Turks and Caicos Islands ("TCI") and whose assets are principally comprised of loans that have a high concentration in asset backed lending to the tourism and property development sectors (ii) a Hospitality Division which owns and/or operates resorts and related activities in TCI (iii) certain other loans and assets principally related to tourism, property and infrastructure businesses and (iv) an interest in certain associated companies more fully described below and in note 19.

### Associates

The Group's equity investment in associates is comprised of:

- (i) Investments in approximately 25 percent of Corporacion Iberoamericana Alimentaria, S.A., Tower Strategic, Ltd., Mesocaffa International, S.A. and BVI International Holdings, Inc. (the "Latin American Associates"). The Latin American Associates own edible oil processing and distribution operations and palm seed plantations in Latin America and operate as producers and distributors of edible oils, margarine, industrial oils and animal feed.
- (ii) Investment in approximately 50 percent of Belize International Services Limited which until June 2013 provided shipping and company registry services to international clients ("International Services Associate"). In June 2013, the GOB took control of the entire operations of BISL. Since June 2013, the Company has received no income from BISL.

### Subsequent events

The Group has evaluated subsequent events for recognition and disclosure through 21 July 2016, which is the date the financial statements were available to be issued.

## Note 2 - Summary of significant accounting policies

### Basis of consolidated financial statements

The consolidated financial statements have been prepared in United States dollars ("US Dollars") in accordance with accounting principles generally accepted in the US ("GAAP") and as described below. The preparation of consolidated financial statements in accordance with GAAP requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and

the reported amounts of revenues and expenses during the reporting period. These management estimates include, among others, an allowance for doubtful receivables, asset impairments, useful lives for depreciation and amortization, loss contingencies, and allowance for loan losses. Actual results could differ materially from those estimates.

### Principles of consolidation

The consolidated financial statements incorporate the financial statements of WIHL and its subsidiaries ("the Group"). WIHL consolidates companies in which it owns or controls more than fifty percent of the voting shares. The results of subsidiary companies acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition up to the date of disposal. All significant intercompany balances and transactions have been eliminated in consolidation.

### Loans and interest income recognition

Loans are stated at the principal amount outstanding, net of unearned income and allowance for loan losses. Interest income is recorded on an accrual basis. When either the collectability of principal or interest is considered doubtful, or payment of principal or interest is ninety days or more past due, loans are placed on non-accrual status and previously accrued but unpaid interest is charged against current year interest income, unless the amounts are in the process of collection. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

### Allowance for loan losses

The Group's consideration as to the adequacy of the allowance to provide for probable loan losses is based on a continuing review of the loan portfolio and includes, but is not limited to, consideration of the actual loan loss experience, the present and prospective condition of each borrower and its related industry, general economic conditions prevailing from time to time, and the estimated fair value of the related collateral. Loans are charged off against allowance for loan losses when the amounts are deemed to be uncollectible.

The Group measures its estimates of impaired loans in accordance with Statements of Financial Accounting Standards No. 114 – Accounting by Creditors for Impairment of a Loan, as amended by Statements of Financial Accounting Standards No. 118 – Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures. Under the Group's accounting policy for loan loss provisioning, the Group evaluates the probability of an impairment loss when a loan is classified as non-accrual. An impairment loss is recognized and fully provided for if the recorded amount of the non-accrual loan exceeds the estimated fair value of the underlying collateral less costs to sell. The majority of the Group's loan portfolio is fully collateralized. Interest income on impaired loans is recognized only when payments are received and the Company considers that the loan will remain performing.

# Notes to consolidated financial statements

## Unallocated allowance for loan losses

The Group has established and maintains an unallocated allowance for loan losses at the Bank, equivalent to one percent of total Bank loans not adversely classified. This unallocated component of the allowance for losses is considered necessary to provide for certain economic trends and conditions and other qualitative factors that affect the inherent risk of loss in the entire loan portfolio that are not fully captured in the allocated allowance for loan losses.

## Investment loans

The Company classifies its interests in investment loans as held for sale or held for use at the time of purchase and reassesses this classification as of each balance sheet date. The investment loans are considered Level 3 in the fair value hierarchy due to the use of unobservable inputs to measure fair value. In the absence of an active market for the investment loans, fair value is measured using third-party appraisals of underlying collaterals and Level 3 pricing models based on information and assumptions that management believes are consistent with what market participants would use in a hypothetical transaction at the measurement date.

Investment loans are reviewed annually to determine whether impairment has occurred that is other than temporary. The Company considers various factors including the severity and likely duration of the impairment, the intent to hold an investment loan or the need to sell it before its anticipated recovery. If there is prevailing evidence that a reduction in fair value is other than temporary, the impairment is recognized in earnings.

## Leases

All leases are operating leases, and the annual rentals are charged against income.

## Currency translation

The reporting and functional currency of the Group is US dollars. The results of subsidiaries and associates, which account in a functional currency other than US dollars, are translated into US dollars at the average rate of exchange for the year. The assets and liabilities of subsidiaries and associates which account in a functional currency other than US dollars are translated into US dollars at the rate of exchange ruling at the balance sheet date. Unrealized translation gains or losses reported by the Company's associates are recognized as cumulative translation adjustments through other comprehensive income (loss) within shareholders' equity.

Gains and losses arising from currency transactions are included in the consolidated statements of income.

## Associates

For investments in which the Group owns or controls more than twenty percent of the voting shares, and over which it exerts significant influence over operating and financial policies, the equity method of accounting is used in the consolidated financial statements. The investment in associates is

shown in the consolidated balance sheets as the Group's proportion of the underlying net assets of these companies plus any goodwill attributable to the acquisitions less any write-off required for a permanent diminution in value. The consolidated statements of income include the Group's share of net income of associates.

## Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid instruments, with an original maturity of three months or less. As a result of the short-term maturity of these financial instruments, their carrying value is approximately equal to their fair market value.

## Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided to write off the cost of the assets over their estimated useful lives, using the straight-line method, over the following periods:

Buildings	life of building, not exceeding 50 years
Leasehold improvements	term of lease
Motor vehicles	4 years
Fixtures, fittings and office equipment	3 to 10 years

The carrying value of property, plant and equipment is evaluated periodically in relation to the operating performance and future cash flows of the underlying businesses. Where, in the opinion of the Group, an impairment in the value of property, plant and equipment has occurred, the amount of the impairment is recorded in the consolidated statements of income.

Repairs and maintenance costs are expensed as incurred. Gains and losses arising on the disposal of property, plant and equipment are included in the consolidated statements of income.

## Financial risk management

Financial instruments which potentially subject the Group to concentrations of credit risk principally consist of cash, cash equivalents and due from banks and extensions of credit to customers. The Group places its cash, cash equivalents, and due from banks only with financial institutions with acceptable credit ratings.

The Group's portfolio credit risk is evaluated on a regular basis to ensure that concentrations of credit exposure do not result in unacceptable levels of risk. Credit limits, ongoing credit evaluations, and account-monitoring procedures are utilized to minimize the risk of loss.

# Notes to consolidated financial statements

## New accounting standards

The Group adopts newly issued accounting standards and updates in the year stipulated for adoption to the extent they are relevant to the Group's operations. The Group may adopt a standard or update early, if early adoption is permitted. The effect of adoption, if material, is disclosed in the consolidated financial statements.

In fiscal 2016, consideration was given to the implications, if any, of the following new or revised standards for adoption on the date stipulated or earlier date permitted to the extent they are relevant to the operations of the Group:

ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*

ASU 2016-11, *Revenue Recognition (Topic 605): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update)*

ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*

ASU 2016-09, *Compensation, Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*

ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*

ASU 2016-07, *Investments, Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*

ASU 2016-04, *Liabilities, Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products* (a consensus of the Emerging Issues Task Force)

ASU 2016-03, *Intangibles, Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance* (a consensus of the Private Company Council)

ASU 2016-02, *Leases (Topic 842),*

*Section A, Leases: Amendments to the FASB Accounting Standards Codification*

*Section B, Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification*

*Section C, Background Information and Basis for Conclusion*

ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*

ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*

ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*

ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*

ASU 2015-10, *Technical Corrections and Improvements*

ASU 2015-08, *Business Combinations (Topic 805): Pushdown Accounting—Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115 (SEC Update)*

ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (a consensus of the FASB Emerging Issues Task Force)

ASU 2015-05, *Intangibles, Goodwill and Other, Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*

ASU 2015-04, *Compensation, Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*

ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*

ASU 2015-01, *Income Statement, Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*

## Note 3 - Segmental analysis

The Group is currently engaged in the provision of financial services, principally in the Turks and Caicos Islands, investment in loans and assets principally in tourism and infrastructure business, the provision of hospitality services and in certain associated companies (note 19).

Year ended March 31	2016 \$m	2015 \$m
<b>Depreciation</b>		
Financial Services	0.1	0.1
Hospitality	0.8	0.6
Corporate	0.1	0.1
	<b>1.0</b>	<b>0.8</b>
Year ended March 31	2016 \$m	2015 \$m
<b>Capital expenditures (net)</b>		
Financial Services	–	0.2
Hospitality	2.4	0.9
Corporate	0.2	–
	<b>2.6</b>	<b>1.1</b>

# Notes to consolidated financial statements

At March 31	2016 \$m	2015 \$m
<b>Total assets</b>		
Financial Services	112.4	120.3
Investment	159.0	181.0
Hospitality	20.3	19.1
Associates	187.0	185.8
Corporate	5.7	2.5
	<b>484.4</b>	<b>508.7</b>

## Note 4 - Interest expense - Financial Services

Interest expense comprised interest on customer deposits and amounts to \$1.0 million (2015 - \$1.6 million).

## Note 5 - Non-interest income - Financial Services

Year ended March 31	2016 \$m	2015 \$m
Foreign exchange income and commissions	0.3	1.0
	<b>0.3</b>	<b>1.0</b>

## Note 6 - Non-interest expense - Financial Services

Year ended March 31	2016 \$m	2015 \$m
Salaries and benefits	0.5	0.5
Premises and equipment	0.4	0.3
Other expenses	1.1	0.8
	<b>2.0</b>	<b>1.6</b>

## Note 7 - Operating loss - Hospitality

Year ended March 31	2016 \$m	2015 \$m
Loss from Hospitality Division	<b>(0.9)</b>	<b>(0.2)</b>

The loss in the Hospitality Division includes activities of owned properties and income from managing third party properties.

## Note 8 - Operating loss - Investment

Year ended March 31	2016 \$m	2015 \$m
Interest income	0.8	1.8
Other income	2.2	1.4
Provisions against investments	(20.9)	(6.1)
Gain on sale of assets	0.5	0.5
	<b>(17.4)</b>	<b>(2.4)</b>

## Note 9 - Net loss per ordinary share

Basic and diluted net loss per ordinary share have been calculated on the net loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue in each year.

Year ended March 31	2016 \$m	2015 \$m
Net loss	<b>(7.3)</b>	<b>(13.0)</b>
Weighted average number of shares (basic and diluted)	<b>99,896,846</b>	99,902,095
Net loss per ordinary share (basic and diluted)	<b>(0.07)</b>	<b>(0.13)</b>

## Note 10 - Interest bearing deposits with correspondent banks - Financial Services

The Bank must maintain an average aggregate of approved liquid assets equal to 12 percent of the average deposit liabilities of BCB. At 31 March 2016, the liquid asset ratio was 73.9 percent (2015 - 16.1 percent).

## Note 11 - Receivable from Government of Belize

The Government of Belize ("GOB") and the Bank came to a settlement agreement on 11 September 2015. This agreement included a payment to the Bank by GOB of \$48.5 million which comprised principal, interest and legal costs. This matter has now been fully concluded.

The facility was a syndicated loan and minority participants were paid their appropriate value. Additionally, BCB repaid WIHL for the original legal fees advanced by WIHL. The settlement resulted in a net extraordinary gain of \$6.3 million for BCB, and a net consolidated extraordinary gain of \$13.5 million for WIHL.

## Note 12 - Loans - net - Financial Services

At March 31	2016 \$m	2015 \$m
<b>Loans (net of unearned income):</b>		
Residential mortgage	5.5	6.8
Other consumer	0.1	0.1
Commercial - real estate	42.7	53.7
Commercial - other	46.8	49.1
	<b>95.1</b>	<b>109.7</b>

## Allowance for loan losses:

Residential mortgage	(1.2)	(1.6)
Other consumer	-	-
Commercial - real estate	(9.6)	(18.4)
Commercial - other	(16.4)	(15.9)
	<b>(27.2)</b>	<b>(35.9)</b>

## Loans (net of unearned income and allowance for loan losses):

Residential mortgage	4.3	5.2
Other consumer	0.1	0.1
Commercial - real estate	33.1	35.3
Commercial - other	30.4	33.2
	<b>67.9</b>	<b>73.8</b>

The maturity ranges of loans outstanding at 31 March 2016 are shown in the table below. All loans, other than consumer loans, are legally repayable on demand; however, they are disclosed below as if they run to their full maturity.

# Notes to consolidated financial statements

	Non-Performing \$m	Due in one year or less \$m	Due after one year through five years \$m	Due after five years \$m	Total \$m
Residential mortgage	3.1	–	–	2.4	5.5
Other consumer	–	–	0.1	–	0.1
Commercial - real estate	36.9	–	3.4	2.4	42.7
Commercial - other	20.4	0.1	–	26.3	46.8
	<b>60.4</b>	<b>0.1</b>	<b>3.5</b>	<b>31.1</b>	<b>95.1</b>

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a monthly basis. The Bank uses the following definitions for risk ratings:

**Special Mention:** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

**Substandard:** Loans classified as substandard are those loans that are over three and up to six months in arrears or overdraft accounts where interest charges have not been covered by deposits for three to less than six months.

**Doubtful:** Loans classified as doubtful are those loans that are over six and up to twelve months in arrears or overdraft accounts where interest charges have not been covered by deposits for six to less than twelve months.

**Loss:** Loans classified as loss are those loans that are over twelve months in arrears or overdraft accounts where interest charges have not been covered by deposits for twelve months or more.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass loans.

As at 31 March 2016, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass \$m	Special mention \$m	Sub- standard \$m	Doubtful \$m	Loss \$m	Total \$m
Residential mortgage	2.5	0.9	0.7	1.4	–	5.5
Other consumer	0.1	–	–	–	–	0.1
Commercial - real estate	5.7	22.0	2.6	12.4	–	42.7
Commercial - other	26.4	–	–	20.4	–	46.8
	<b>34.7</b>	<b>22.9</b>	<b>3.3</b>	<b>34.2</b>	<b>–</b>	<b>95.1</b>

Individually impaired loans were as follows:

	2016 \$m	2015 \$m
At March 31		
Non-accrual loans	60.4	75.4
Other performing loans classified as impaired	–	–
	<b>60.4</b>	<b>75.4</b>

The Group considers all non-accrual loans as individually classified impaired loans.

The following table presents the recorded investment in non-accrual loans by class of loans:

	2016 \$m	2015 \$m
At March 31		
Residential mortgage	3.0	3.7
Other consumer	–	–
Commercial - real estate	37.0	51.3
Commercial - other	20.4	20.4
	<b>60.4</b>	<b>75.4</b>

The interest income which would have been recorded during the year ended 31 March 2016 had all non-accrual loans been current in accordance with their terms was approximately \$7.5 million (2015 - \$8.4 million).

At 31 March 2016, the amount of impaired loans outstanding in the Financial Services Division in which the Group considers there was a probability of a loss totaled \$50.0 million (2015 - \$52.4 million), with related allowances, after taking into consideration related collateral, of \$31.5 million (2015 - \$22.1 million). There were no impaired loans without specific allowances. The average amount of loans outstanding in the Financial Services Division, in which the Group considers there was a probability of a loss during the year ended 31 March 2016, was \$51.2 million (2015 - \$53.9 million). Interest is not recognized on any loan classified as non-accrual.

As a result of the nature of these financial instruments, the estimated fair market value of the Financial Services Division's loan portfolio is considered by the Group to approximate its carrying value. Loan loss provisioning is based on management's estimate of the recoverability of non-performing loans after allowing for the estimated net realizable

# Notes to consolidated financial statements

value of collateral held. In addition, an unallocated allowance of 1 percent of all performing loans is provided by BCB. This allowance does not represent future losses or serve as a substitute for specific allowances.

At 31 March 2016, the Group had total loans outstanding to certain officers and employees of \$0.2 million (2015 - \$0.2 million) at preferential rates of interest varying between 5.5 percent and 6.5 percent per annum, repayable over varying periods not exceeding 15 years.

Changes in the allowance for loan losses were as follows:

Year ended March 31	2016 \$m	2015 \$m
At beginning of year	35.9	31.3
Provision charged to income	5.1	6.3
Charge-offs	(13.8)	(1.7)
At end of year	27.2	35.9

Recoveries from loan losses have been immaterial to date. At 31 March 2016, the allowance for loan losses included an unallocated allowance of \$0.3 million (2015 - \$0.3 million).

## Note 13 – Property, plant and equipment – net - Financial Services

At March 31	2016 \$m	2015 \$m
Cost:		
Land and buildings	0.3	0.3
Fixtures, fittings and other equipment	0.4	0.4
Total cost	0.7	0.7
Less: total accumulated depreciation	(0.5)	(0.4)
	0.2	0.3

Total capital expenditures for the years ended March 31, 2016 and 2015 were nil and \$0.2 million, respectively. Total depreciation expense for the years ended 31 March 2016 and 2015 was \$0.1 million and \$0.1 million, respectively.

## Note 14 - Other assets - Financial Services

Other assets of \$0.4 million (2015 - \$0.2 million) includes accrued interest due on loans, deposits, prepayments and other receivables due to the Bank.

## Note 15 – Loans – net - Investment

At March 31	2016 \$m	2015 \$m
<b>Loans (net of unearned income):</b>		
Residential - real estate	6.4	6.4
Commercial - real estate	242.7	246.0
	249.1	252.4
<b>Allowance for loan losses:</b>		
Residential - real estate	(6.4)	(6.4)
Commercial - real estate	(102.3)	(81.6)
	(108.7)	(88.0)
<b>Loans (net of unearned income and allowance for loan losses):</b>		
Residential - real estate	–	–
Commercial - real estate	140.4	164.4
	140.4	164.4

Investment loans principally comprise secured loans where the borrowers have failed to comply with the terms and conditions of the respective loans and security agreements and documents.

These collateralized assets principally comprise development land or development land and buildings in the tourism, tourism related and hospitality business sectors. It is management's intention to hold the investment loan interests for the medium to long term in order to maximize the long-term realizable value of the investment loans.

Investment loans are carried net of provisions for loan losses which reflect fair value adjustments (Note 28).

As a result of the nature of these financial instruments, the estimated fair market value of the loan portfolio is considered by the Group to approximate its carrying value. Loan loss provisioning is based on management's estimate of the recoverability of non-performing loans after allowing for the estimated net realizable value of collateral held.

Changes in the provision for loan losses were as follows:

Year ended March 31	2016 \$m	2015 \$m
At beginning of year	88.0	81.9
Provision charged to income	20.7	6.1
At end of year	108.7	88.0

# Notes to consolidated financial statements

## Note 16 – Other assets - Investment

At March 31	2016 \$m	2015 \$m
<b>Investments:</b>		
Residential - real estate (note i)	2.7	0.9
Commercial - real estate (note ii)	16.0	15.2
Commercial - non-real estate	0.2	–
	<b>18.9</b>	<b>16.1</b>
<b>Allowance for Investment losses:</b>		
Residential - real estate	(0.1)	(0.1)
Commercial - real estate	(0.3)	(0.9)
Commercial - non-real estate	–	–
	<b>(0.4)</b>	<b>(1.0)</b>
<b>Investments (net of allowance for investment losses):</b>		
Residential - real estate	2.6	0.8
Commercial - real estate	15.7	14.3
Commercial - non-real estate	0.2	–
	<b>18.5</b>	<b>15.1</b>

(i) Residential real-estate assets principally comprise residential property located in TCI.

(ii) Commercial real-estate assets principally comprise those assets held for commercial purposes located in TCI and Belize.

## Note 17 – Property, plant and equipment – net – Hospitality

At March 31	2016 \$m	2015 \$m
<b>Cost:</b>		
Land and buildings	9.3	9.3
Fixtures, fittings and office equipment	5.3	2.9
Total cost	14.6	12.2
Less: total accumulated depreciation	(2.4)	(1.6)
	<b>12.2</b>	<b>10.6</b>

Total capital expenditures for the years ended 31 March 2016 and 2015 were \$2.4 million and \$0.9 million, respectively. Total depreciation expense for the years ended 31 March 2016 and 2015 was \$0.8 million and \$0.6 million, respectively.

## Note 18 – Property, plant and equipment – net - Corporate

At March 31	2016 \$m	2015 \$m
<b>Cost:</b>		
Land and buildings	2.5	2.5
Fixtures, fittings and office equipment	0.5	0.3
Total cost	3.0	2.8
Less: total accumulated depreciation	(0.4)	(0.3)
	<b>2.6</b>	<b>2.5</b>

Total capital expenditures for the years ended 31 March 2016 and 2015 were \$0.2 million and nil, respectively. Total depreciation expense for the years ended 31 March 2016 and 2015 was \$0.1 million and \$0.1 million, respectively.

## Note 19 - Associates

The Group's equity investment in associates is comprised of:

(i) Investments in Latin American Associates which own edible oil processing and distribution operations and palm seed plantations in Latin America and operate as producers and distributors of edible oils, margarine, industrial oils and animal feed, in Costa Rica, Colombia, Panama, Nicaragua and Mexico. The share of net income amounted to \$11.0 million for the year ended 31 March 2016 (2015 - \$17.0 million). The share of unrealized translation loss amounted to \$3.0 million for the year ended 31 March 2016 (2015 – \$2.5 million), and is recognized as a cumulative translation adjustment through other comprehensive loss within shareholders' equity.

(ii) A non-controlling investment in 50 percent of Belize International Services Limited ("BISL") which provided shipping and company registry services to international clients. BISL also provided financial and other services. The share of net income amounted to nil for the year ended 31 March 2016 (2015 - nil).

On 10 June 2013, the GOB announced its unilateral decision to assume control of the administration, operation and management of the International Business Companies Registry in Belize and the International Merchant Marine Registry of Belize (IMMARBE) with effect from 11 June 2013. BISL is the company that had been granted the right to operate and manage the two registries on behalf of the GOB until 2020. The other 50 percent of BISL was originally owned by the Panamanian law firm, Morgan & Morgan.

As a result of this action by the GOB, WIHL has not been able to include its associate share of the income of BISL for 2016 or 2015 in its income statement or its share of other fees normally generated by BISL.

The Board of Directors of WIHL considers the GOB's decision to disregard the sanctity of BISL's contract to be a fundamental breach of the contractual arrangements between BISL and GOB that are in place until 2020. BISL brought a claim against the GOB in the Supreme Court of Belize in 2013 for breach of constitutional rights. The claim was later converted to a claim for breach of contractual rights and a trial was held in February 2016, which included testimony from valuation experts. A decision is expected in September 2016.

The investment in BISL is carried at historic cost plus the Company's share of undistributed earnings at the time the GOB took the asset over.

# Notes to consolidated financial statements

## Investment in Latin American Associates

At March 31	2016 \$m	2015 \$m
Investment in Latin American Associates	182.1	181.1
<hr/>		
Year ended March 31	2016 \$m	2015 \$m
Share of Latin American Associates' earnings:	11.0	17.0
Share of Latin American Associates' other comprehensive loss:	(3.0)	(2.5)
Total dividends received during the year	7.0	8.0

At 31 March 2016, the accumulated undistributed earnings of Latin American Associates included in the consolidated retained earnings of the Group amounted to \$152.1 million (2015 - \$148.1 million). The accumulated comprehensive loss of Latin American Associates included in the consolidated accumulated other comprehensive loss of the Group at 31 March 2016, amounted to \$5.5 million (2015 - \$2.5 million).

Summarized combined unaudited financial information for Latin American Associates was as follows:

### Income statement

Year ended March 31	2016 \$m	2015 \$m
Net sales	751.9	826.6
Gross profit	147.9	156.4
Income from continuing operations	65.1	77.5
Net income	49.0	67.0

### Balance sheet

At March 31	2016 \$m	2015 \$m
Cash and liquid securities	258.3	253.5
Current assets	254.0	282.4
Long-term investments	52.8	50.0
Property, plant & equipment	336.7	312.7
Other non-current assets	26.4	29.0
Current liabilities	129.0	144.4
Non-current liabilities	61.6	60.0

### Investment in BISL

At March 31	2016 \$m	2015 \$m
Investment in BISL	4.9	4.7

Since the GOB's decision to compulsorily acquire BISL in June 2013, no financial information audited or otherwise has been made available to the Company. Therefore, there is no share of BISL in earnings and no dividends included in WIHL's net income for the years ended 31 March 2016 and 2015.

## Note 20 – Deposits – Financial Services

At March 31	2016 \$m	2015 \$m
Term deposits	33.1	48.3
Demand deposits	20.8	22.2
	53.9	70.5

The maturity distribution of term deposits of \$0.1 million or more was as follows:

At March 31	2016 \$m	2015 \$m
3 months or less	29.2	25.7
Over 3 and to 6 months	–	10.4
Over 6 and to 12 months	3.1	11.3
Deposits less than \$0.1 million	0.8	0.9
	33.1	48.3

Included in term deposits at 31 March 2016 were \$23.0 million (2015 - \$34.9 million) of term deposits denominated in US dollars, \$9.9 million (2015 - \$12.9 million) denominated in UK pounds sterling, and \$0.2 million (2015 - \$0.5 million) denominated in Canadian dollars. Included in demand deposits at 31 March 2016 were \$18.9 million (2015 - \$18.1 million) of demand deposits denominated in US dollars, \$1.7 million (2015 - \$3.9 million) denominated in UK pounds sterling, and \$0.2 million (2015 - \$0.2 million) denominated in Canadian dollars.

As a result of the short-term maturity of these financial instruments, their carrying value is considered by the Group to approximately equal their fair market value.

Included in demand deposits are amounts owed to Caribbean Investment Holdings Limited ("CIHL") (formerly BCB Holdings Limited) and its subsidiaries of \$3.5 million (2015 - nil) (Note 27(ii)).

### Note 21 – Current liabilities – Corporate

At March 31	2016 \$m	2015 \$m
Other current liabilities	0.3	6.0
	0.3	6.0

At 31 March 2016, WIHL had \$0.3 million in current liabilities (2015 - \$6.0 million), of which \$0.2 million is payable to CIHL as a result of consultancy fees incurred (Note 27).

### Note 22 - Long-term liabilities

At March 31	2016 \$m	2015 \$m
Series 3 Loan Notes (i)	95.8	92.9
Series 4 Loan Notes (ii)	100.9	97.7
Other long-term liabilities	4.2	4.1
	200.9	194.7

# Notes to consolidated financial statements

- (i) Series 3 Loan Notes, being 10 percent, fixed rate, secured loan notes due June 2015 and issued pursuant to a loan instrument dated 31 March 2010 with an initial principal value of \$57,000,000. On 8 April 2015 the issuer and the holder amended the New Note to extend the date of repayment and to vary the interest rate from 10 percent to 3 percent with effect from 8 April 2015. On 15 April 2016 the New Note was further amended in order to extend the date of repayment to 30 September 2017.
- (ii) Series 4 Loan Notes, being 10 percent, fixed rate, secured loan notes due April 2016 and issued pursuant to a loan instrument dated 31 March 2010 with an initial principal value of \$60,000. On 8 April 2015 the issuer and the holder amended the New Note to vary the interest rate from 10 percent to 3 percent with effect from 8 April 2015. On 15 April 2016 the New Note was further amended in order to extend the date of repayment to 30 September 2017.

WHL granted security over the shares in Central American Holdings Limited (which owns WHL's interests in Latin American Associates) to the holders of the Series 3 Loan Notes and the Series 4 Loan Notes. The security was granted solely for the purpose of securing the repayment of the amounts outstanding.

The Series 3 Loan Notes and the Series 4 Loan Notes are held by Daza Corporation ("Daza") as nominee for Lord Ashcroft who has an interest in approximately 70 percent of the issued share capital of the Company.

## Note 23 - Commitments, contingencies and regulatory matters

- (i) The Group's loans primarily result from its Financial Services Division and its Investment Division and reflect a broad borrower base. There is a concentration by economic activity in the commercial real estate development sector. Credit limit, ongoing credit evaluations and account monitoring procedures are utilized to minimize the risk of loss. Substantially all of the Group's loans are fully collateralized.
- (ii) The Group has foreign exchange risk which arises from accepting foreign currency deposits, primarily with respect to UK pounds sterling. To manage its foreign exchange risk related to UK pounds sterling deposits, the Group closely monitors the performance of UK pounds sterling and relies on its treasury management to eliminate any UK pounds sterling exposure at short notice to the extent possible.
- (iii) The Group is a party to financial instruments with off-balance sheet risks in the normal course of business to meet the financing needs of its customers. These financial instruments include callable bonds. In addition, the Group also grants short-term credit facilities to customers for periods of up to twelve months generally to meet customers' working capital requirements.

These facilities are repayable on demand and are subject to review at any time. In practice, such reviews are carried out at periodic intervals agreed with the customer. Outstanding callable bonds at 31 March 2016 amounted to nil (2015 - \$125,000).

Since many of the commitments are expected to expire without being drawn upon in full, and because of the fluctuating aspect of the facilities, the total commitment amounts do not necessarily represent future cash requirements. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral required by the Group for the extension of credit is based on the Bank's credit evaluation of the counterparty. Collateral held varies, but may include cash deposits, accounts receivable, inventory, plant, equipment, income-producing commercial properties and land.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. The terms of such guarantees do not normally exceed more than one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Group holds similar collateral to that held for the short-term facilities described above and such commitments are generally fully collateralized. Outstanding standby letters of credit and financial guarantees written at 31 March 2016 amounted to nil (2015 - nil).

- (iv) At 31 March 2016, the Group is a defendant in a number of pending legal and other proceedings incidental to present and former operations. The Group does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on the consolidated financial position of the Group.
- (v) In the ordinary course of business, the Company's subsidiaries are subject to regulatory examinations, information gathering requests and enquiries. As a regulatory matter develops that may have a material effect, the Company and the relevant subsidiaries, in conjunction with outside counsel, evaluate the matter on an ongoing basis in light of potentially relevant factual and legal developments. These may include settlement discussions and rulings by courts, arbitrators or others. Based on current knowledge and discussions with independent legal counsel, management does not believe that the outcome of any regulatory matter that is unresolved at 31 March 2016 would have a material adverse effect on the financial position or liquidity of the Company or its subsidiaries.

# Notes to consolidated financial statements

## Note 24 - Share capital

	2016 \$m	2015 \$m
At March 31		
Authorized		
Ordinary shares:		
1,750,000,000 shares of par value \$0.50 (2015 - 500,000,000 shares of par value \$1.00)	875.0	500.0
	<u>875.0</u>	<u>500.0</u>
Issued and outstanding		
Ordinary shares:		
100,007,864 shares of par value \$0.50 (2015 - 100,007,864 shares of par value \$1.00)	50.0	100.0
Additional paid-in capital	50.0	-
	<u>100.0</u>	<u>100.0</u>

On 5 November 2015 the Board of Directors of WIHL unanimously adopted a written resolution to increase the maximum number of authorized shares that the Company may issue from 500,000,000 (five hundred million) shares, each with a par value of \$1.00, to 1,750,000,000 (one billion, seven hundred and fifty million), each with a par value of \$0.50.

As a consequence of the resolution, the par value of the 100,007,864 ordinary shares in issue was reduced from \$1.00 per share to \$0.50 per share. The consequent reduction in issued share capital value was transferred to additional paid-in capital.

In 2016 WIHL acquired an additional 5,249 treasury shares increasing the total amount of treasury shares to 111,018 (2015 - 105,769), all of which have been repurchased from Trinidadian shareholders as a result of the delisting of CIHL from TTSEX. Treasury shares are held in the balance sheet at cost of \$0.1 million.

## Note 25 - Concentrations of deposit and credit risk

The Group is potentially subject to financial instrument concentration of credit risk through its cash equivalents and credit extensions. The Group performs periodic evaluations of the relative credit standing of financial institutions it transacts with and places its cash and cash equivalents only with financial institutions with an internationally accepted credit rating.

The Group has a credit risk concentrated in the tourism and real estate industries but does not foresee a material credit risk associated with individual credit extensions in these industries beyond what has already been prudently recognized and provided for in the financial statements. The Group monitors its risk concentration associated with credit extensions on a continuous basis in an effort to mitigate its exposure.

The Group has a concentration of deposit risk due to the existence of certain large individual client deposits. The Group manages the concentration risk by monitoring on a regular basis the distribution of maturities of its clients' term deposits.

## Note 26 - Regulatory capital requirements

The regulatory capital guidelines measure capital in relation to the credit and market risks of both off-balance sheet and on-balance sheet items by applying various risk weighting. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on BCBs' financial position, results of operations, or liquidity. The following table sets forth the capital requirements and the actual ratios of BCB.

	Minimum Required	Actual 2016	Actual 2015
British Caribbean Bank Limited	11.0%	37.9%	52.3%

## Note 27 - Related party transactions

Lord Ashcroft, KCMG PC is a controlling shareholder in WIHL and in CIHL.

- (i) During the year CIHL provided administrative and other services to WIHL. The aggregate fees paid by WIHL to CIHL for the year ended 31 March 2016 amounted to \$1.0 million (2015 - \$1.2 million).
- (ii) During the year CIHL and its subsidiaries advanced funds in the form of unsecured interest bearing loans and deposits to WIHL. The average funds provided by CIHL to WIHL for the year ended 31 March 2016 amounted to \$2.8 million (2015 - \$3.0 million).
- (iii) The balance of unpaid fees and advanced funds in the form of unsecured interest bearing loans and deposits due by WIHL to CIHL and subsidiaries at 31 March 2016 amounted to \$0.2 million (2015 - \$5.8 million). Interest paid by WIHL to CIHL and subsidiaries in respect of these loans, deposits, and unpaid fees for the year ended 31 March 2016 amounted to nil (2015 - nil).
- (iv) The Company holds cash deposits with subsidiaries of CIHL. The average cash deposits held amounted to \$0.9 million (2015 - \$1.7 million) and the balance held at 31 March 2016 amounted to \$0.2 million (2015 - \$1.5 million).

## Note 28 - Fair value of financial instruments

Fair value is the exchange price receivable for an asset or payable for transferring a liability in the most advantageous market for the asset or liability in an arms-length transaction between market participants on the measurement date using any of the following three levels of inputs:

# Notes to consolidated financial statements

Level 1 – Quoted prices for identical assets or liabilities in active markets that the Group has the ability to access on the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect the Group's evaluation of the assumptions that market participants would use in pricing an asset or liability.

The amounts reported in the balance sheets for cash and due from banks and interest-bearing deposits approximate fair value due to the short-term maturity of these instruments. The Group places its cash and cash equivalent deposits only with financial institutions with an internationally accepted credit rating.

The carrying amounts of securities are estimated to approximate fair value given the market-sensitive interest rates, maturity terms, and market price of these instruments.

The carrying amounts of loans receivable, net of valuation allowances, are estimated to approximate fair value based on their respective interest rates, risk-related rate spreads and collateral consideration. These facilities are generally payable on demand and are subject to review at the discretion of the Group.

The fair value of investment loans is measured using third-party appraisals of underlying collaterals and Level 3 pricing models based on information and assumptions that management believes are consistent with what market participants would use in a hypothetical transaction at the measurement date, as described in Note 2 – Investment Loans.

The fair value of the Group's deposit liabilities approximates carrying values based on comparative rates offered by other banks for deposits of similar remaining maturities.

The carrying amount of long-term debt is a reasonable estimate of fair value based on the Group's incremental rates for equivalent types of financing arrangements.

Accrued expenses and other liabilities reflect current market conditions.

With regards to financial instruments with off-balance sheet risk, it is not practicable to estimate the fair value of future financing commitments. However, the terms and conditions reflected in acceptances and commitments for financing assistance are market-sensitive and are not materially different from those that would have been negotiated as at 31 March 2016.

In the opinion of the Group's management, all other financial instruments reflect current market conditions and their fair value are not expected to differ materially from carrying amounts.





