WIHL

# Waterloo Investment Holdings Limited

Consolidated Financial Statements

March 31, 2013

# Index to consolidated financial statements

# Report of the Chief Executive Officer

### Chief Executive Letter to Shareholders

I am pleased to present Waterloo Investment Holdings Limited's (the "Company" or "WIHL") first full-year annual report since the October 2011 demerger from BCB Holdings Limited.

The Company produced net income of $13.4 million in fiscal 2013 compared with a loss of $44.7 million in fiscal 2012. The improvement in results was achieved by continued growth in income from Associates and a substantial reduction of provisions against loans in both the British Caribbean Bank ("the Bank") and the Investment Division.

Earnings per share for fiscal 2013 amounted to $0.13, compared with a loss per share of $0.45 in fiscal 2012.

### British Caribbean Bank

British Caribbean Bank showed improvement over the period moving from an operating loss of $26.5 million in fiscal 2012 – primarily due to provisions – to an operating profit of $2.3 million in fiscal 2013. Reduced interest income was matched by reduced interest expense and activities focused on continued efforts to restructure the Bank's non-performing loan portfolio.

### Investment Division

The Investment Division reported operating income of $0.4 million, which mainly reflected loan interest compared with a loss of $26.9 million in the previous year when a significant provision was made against the loan portfolio.

The Company made a strategic decision to retain the loan portfolio held within the Investment Division, comprised principally of loans to the tourism and property development sectors, and to await improvements in market conditions before deciding to liquidate or realize the loans. As a consequence, the Company has indirect control over and access to large tracts of prime real estate land and tourist developments located in the Turks & Caicos Islands ("TCI") on Ambergris Cay, on West Caicos, and at Emerald Point and Blue Haven Resort and Marina.

During the course of fiscal 2013, the Company held discussions with potential new development partners and made selective investments to finish or protect certain developments with a view to potential liquidation or investment participation scenarios. On West Caicos, it negotiated a purchase option agreement with the new developer who is contemplating the restart of the Molasses Reef Development. At Blue Haven Resort and Marina, the Company made the strategic decision to finish the development. As part of this redevelopment process, the property has been rebranded as Blue Haven Resort and Marina (www.bluehaventci.com) and is planning to open fully during fiscal 2014.

In Belize, the Company also has in receivership the Port of Belize and related Cruise Port assets on and off shore. The Company has been in discussions with cruise ship companies and port operators, as well as heavy users of the Port, with a view towards accommodating cruise docking facilities and growth in exports of sugar, grain and citrus-related products.

### Hospitality Division

The Company made the decision to form a Hospitality Division in order both to provide turn-around operating management services to properties and to own and operate hotels and marinas. The Company hired a team of seasoned executives with significant experience in the hospitality industry both globally as well as on TCI.

The first asset purchase was a 21-suite boutique hotel on TCI at Grace Bay. This hotel was reopened in July 2012 after a substantial renovation and rebranding effort as Beach House Turks and Caicos (www.beachhousetci.com).

In addition, the hospitality team is working with the Receivers of the Alexandra Resort and Spa (www.alexandraresort.com) and Blue Haven Resort and Marina in their efforts to turn around the businesses and to improve the long-term value proposition of these resorts and developments.

The Hospitality Division recorded a loss in its first year of $0.9 million, which principally reflected the start-up costs of Beach House and management salaries and overheads.

### Associates Division

The Company holds an approximate 25 percent interest in a group of companies in the edible oil processing and distribution sector and palm seed plantations in Central America. Despite pressure on palm oil pricing, the Company continued its growth due to new plantations in Costa Rica, Nicaragua and Colombia coming on stream. A highly experienced and established management team ensures that the business adheres to the RSPO ("Roundtable for Sustainable Palm Oil") Principles and Criteria for Sustainable Palm Oil production, and its production is certified as such.

The Company's share of net income amounted to $30.4 million as compared with $22.9 million in the prior fiscal year, and during the year dividends were received of $8.0 million as compared with $6.5 million in the previous year. The Company's share of cash balances in these companies grew to $64 million at balance sheet date, and further expansion plans are being implemented and contemplated.

Also within this Division is the Company's 50 percent interest in Belize International Services Limited ("BISL"). This company had been granted the contractual right to operate and manage the International Business Companies Registry and the International Merchant Marine Registry for Belize until 2020. On June 10, 2013, however, the Government of Belize ("GOB") announced its unilateral decision to assume immediate control of the operation and management of the two registries. As a result of this action by the GOB, the Company will not be able to include its Associate share of the income of BISL in its fiscal 2014 results. The Company's share of income amounted to $3.1 million in fiscal 2013. The Company, BISL and its 50 percent partner, Panamanian law firm Morgan & Morgan, intend to pursue all options available to vindicate their rights under the contract with GOB.

### Risk factors operating in the Caribbean Basin

WIHL's asset base is significantly exposed to the TCI economy, which is highly dependent on incoming tourism and related investment from North America. The Worldwide financial crisis of 2008 seriously affected the TCI economy and resulted in a deterioration of the loan portfolio of the Bank and the Investment Division. While the TCI outlook stabilized in the last fiscal year, the economic recovery is still considered fragile.

The Company is also exposed to the economy of Belize and the actions of the government. In 2013, the GOB went through a massive debt restructuring; during this process its financial exposure to the Belize Telemedia Limited nationalization has been widely acknowledged. There has, however, been no repayment or resolution of the debt owed by GOB to the Bank. The legal proceedings against the GOB continue both in the courts and in arbitration. The Company will continue to closely monitor the situation in Belize.

### Confidence in the team

During fiscal 2013, we invested heavily in human resources and at least 75 new jobs were created. In addition, jobs were also protected through our investments and receivership actions both in TCI and Belize. We are proud of our contributions both in terms of job creation and talent development and are excited about what we hope to deliver as a team in the future.

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 of March 31, 2013 and March 31 2012, 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 of March 31, 2013 and March 31, 2012, 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
September 30, 2013

# Consolidated statements of comprehensive income

| Year ended March 31 | Notes | 2013 $m | 2012 $m |
|---|---|---|---|
| **Financial Services** | | | |
| Interest income | | 8.7 | 9.2 |
| Interest expense | 4 | (3.1) | (5.3) |
| Net interest income | | 5.6 | 3.9 |
| Provision for loan losses | 12 | (0.8) | (26.7) |
| | | 4.8 | (22.8) |
| Non-interest income | 5 | 0.5 | 0.2 |
| Non-interest expense | 6 | (3.0) | (3.9) |
| Operating income (loss) - Financial Services | | 2.3 | (26.5) |
| Operating loss - Hospitality | 7 | (0.9) | – |
| Operating income (loss) - Investments | 8 | 0.4 | (26.9) |
| **Total operating income (loss)** | | 1.8 | (53.4) |
| Associates | 19 | 32.9 | 25.3 |
| Corporate expenses | | (6.3) | (3.0) |
| Corporate interest | | (15.0) | (13.6) |
| **Net income (loss)** | | 13.4 | (44.7) |
| **Earnings (loss) per ordinary share (basic and diluted)** | 9 | $0.13 | $(0.45) |

# Consolidated statements of changes in shareholders' equity

| | Share capital $m | Treasury shares $m | Retained earnings $m | Total $m |
|---|---|---|---|---|
| At April 1, 2011 | 100.0 | – | 195.7 | 295.7 |
| Other movements | – | – | 5.5 | 5.5 |
| Net loss | – | – | (44.7) | (44.7) |
| At March 31, 2012 | 100.0 | – | 156.5 | 256.5 |
| Purchase of treasury shares | – | (0.1) | – | (0.1) |
| Net income | – | – | 13.4 | 13.4 |
| **At March 31, 2013** | 100.0 | (0.1) | 169.9 | 269.8 |

At March 31, 2013, retained earnings included non-distributable statutory reserves in British Caribbean Bank Limited of $13.0 million (2012 - $13.0 million).

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

# Consolidated balance sheets

| At March 31 | Notes | 2013 $m | 2012 $m |
|---|---|---|---|
| **Assets** | | | |
| **Financial Services** | | | |
| Cash, cash equivalents and due from banks | | – | 0.1 |
| Interest-bearing deposits with correspondent banks | 10 | **16.7** | 25.4 |
| Receivable from Government of Belize | 11 | **32.0** | 30.0 |
| Loans - net | 12 | **119.4** | 144.3 |
| Property, plant and equipment - net | 13 | **0.2** | 0.2 |
| Other assets | 14 | **0.4** | 0.6 |
| Total Financial Services assets | | **168.7** | 200.6 |
| **Investment assets** | | | |
| Cash, cash equivalents and due from banks | 26 | **0.1** | – |
| Loans - net | 15 | **163.4** | 143.6 |
| Other assets | 16 | **8.0** | 7.8 |
| Total Investment assets | | **171.5** | 151.4 |
| **Hospitality assets** | | | |
| Cash, cash equivalents and due from banks | | **0.1** | – |
| Property, plant and equipment - net | 17 | **7.0** | – |
| Other assets | | **0.9** | – |
| Total Hospitality assets | | **8.0** | – |
| **Corporate assets** | | | |
| Cash and cash equivalents | 26 | – | 1.5 |
| Property, plant and equipment - net | 18 | **2.5** | 2.5 |
| Associates | 19 | **170.4** | 147.8 |
| Total Corporate assets | | **172.9** | 151.8 |
| **Total assets** | | **521.1** | 503.8 |
| **Liabilities and shareholders' equity** | | | |
| **Financial Services** | | | |
| Deposits | 20, 26 | **84.4** | 95.5 |
| Interest payable | | **0.6** | 1.7 |
| Other liabilities | | **1.4** | 2.4 |
| Total Financial Services liabilities | | **86.4** | 99.6 |
| **Hospitality Liabilities** | | | |
| Accrued liabilities | | **0.9** | – |
| Total Hospitality liabilities | | **0.9** | – |
| **Corporate** | | | |
| Current liabilities | | **2.4** | 1.2 |
| Long-term liabilities | 21 | **161.6** | 146.5 |
| Total Corporate liabilities | | **164.0** | 147.7 |
| **Total liabilities** | | **251.3** | 247.3 |
| Shareholders' equity: | | | |
| Share capital | 23 | **100.0** | 100.0 |
| Treasury shares | 23 | **(0.1)** | – |
| Retained earnings | | **169.9** | 156.5 |
| Total shareholders' equity | | **269.8** | 256.5 |
| **Total liabilities and shareholders' equity** | | **521.1** | 503.8 |

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

# Consolidated statements of cash flows

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) | 13.4 | (44.7) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 0.6 | 0.1 |
| Provision for loan losses | 0.8 | 53.1 |
| Undistributed earnings of associates | (22.6) | (15.8) |
| Changes in assets and liabilities: | | |
| Decrease in interest payable | (1.1) | (1.2) |
| (Increase) decrease in other assets | (0.9) | 0.4 |
| Increase (decrease) in other liabilities | 1.1 | (0.6) |
| **Net cash utilized by operating activities** | (8.7) | (8.7) |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment (net) | (7.6) | (0.1) |
| Decrease (increase) in interest-bearing deposits with correspondent banks | 8.7 | (8.1) |
| Increase in Government of Belize receivable | (2.0) | (2.3) |
| Decrease in loans to customers | 4.3 | 34.9 |
| **Net cash provided by investing activities** | 3.4 | 24.4 |
| **Cash flows from financing activities** | | |
| Increase in long-term debt | 15.1 | 13.6 |
| Demerger reserve | – | 5.5 |
| Decrease in deposits | (11.1) | (36.3) |
| Purchase of Treasury Shares | (0.1) | – |
| **Net cash provided (utilized) by financing activities** | 3.9 | (17.2) |
| **Net change in cash, cash equivalents and due from banks** | (1.4) | (1.5) |
| **Cash, cash equivalents and due from banks at beginning of year** | 1.6 | 3.1 |
| **Cash, cash equivalents and due from banks at end of year** | 0.2 | 1.6 |
| Cash - Financial Services | – | 0.1 |
| Cash - Investments | 0.1 | – |
| Cash - Hospitality | 0.1 | – |
| Cash - Corporate | – | 1.5 |
| | 0.2 | 1.6 |

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 January 24, 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.

On October 26, 2011, BCB Holdings Limited, a company listed on the Alternative Investment Market of the London Stock Exchange, completed a reorganization of its group by demerging its non-Belizean businesses into a new holding company, WIHL. As a result of the demerger all shareholders of BCB Holdings Limited received shares in WIHL in direct proportion to their holding in BCB Holdings Limited as at the effective date of the demerger. Consequently, on the day of closing of the demerger transaction the shareholders of BCB Holdings Limited and WIHL were the same.

The Demerger was effected by way of the declaration and payment by BCB Holdings Limited of a dividend in kind to qualifying BCB Holdings Limited shareholders, followed by a capital reduction and repayment to those shareholders which was satisfied by the transfer of BCB Holdings Limited's non-Belizean businesses to WIHL, in consideration for the issue of shares by WIHL to qualifying BCB Holdings Limited shareholders. Under the terms of the demerger agreement BCB Holdings Limited also transferred the obligations under certain loan notes to WIHL (Note 21).

The Demerger resulted in BCB Holdings Limited shareholders holding shares in two distinct entities which are the holding companies of two distinct groups of companies which have separate strategic, capital and economic characteristics and management teams.

The businesses of WIHL following the demerger include (i) the British Caribbean Bank Limited ("BCB" or "the Bank") which focuses on the provision of financial services and lending in the Turks and Caicos Islands 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) certain other loans and assets principally related to tourism, property and infrastructure businesses and (iii) an interest in two associated companies more fully described in note 19.

### Associates

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

(i) Investments in approximately 25 per cent of Corporacion Iberoamericana Alimentaria, S.A., Tower Strategic, Ltd., Mesocafta 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 per cent of Belize International Services Limited which provides shipping and company registry services to international clients ("International Services Associate").

### Subsequent events

The Group has evaluated subsequent events for recognition and disclosure through September 30, 2013, 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 in accordance with accounting principles generally accepted in the United States ("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, and 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

### 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 United States dollars. The results of subsidiaries and associates, which account in a functional currency other than United States dollars, are translated into United States 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 United States dollars are translated into United States dollars at the rate of exchange ruling at the balance sheet date.

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 a high internationally accepted credit rating.

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.

### New accounting standards

In fiscal 2013, consideration was given to the implications, if any, of the following new and revised standards:

In February 2013, the FASB issued ASU No.2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income" which requires specific information to be disclosed about amounts reclassified out of accumulated other comprehensive income by component, without changing the current requirement for reporting net income or other comprehensive income in financial statements. ASU No. 2013-02 is effective for reporting periods beginning after December 15, 2012 and its adoption is not expected to have an effect on the Group's financial condition or results of operations.

In January 2013, the FASB issued ASU No. 2013-01, "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities" which clarifies that ordinary trade receivables are not in the scope of ASU No. 2011-11 which is intended to apply only to derivatives, repurchase agreements and reverse purchase agreements, and certain securities borrowing and securities lending transactions. ASU No. 2013-01 is effective for fiscal years beginning on or after 1 January 2013 and requires retrospective disclosures for all comparative periods presented. Adoption is not expected to have an effect on the Group's financial condition or results of operations.

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" which simplifies the guidance for testing the decline in the realizable value of indefinite-lived intangible assets other than goodwill such as trademarks, licenses and distribution rights. ASU No. 2012-02 is effective for fiscal years beginning after December 15, 2011 and adoption has had no effect on the financial condition or results of operations of the Group.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment" which enables an entity to first consider qualitative factors in determining whether it is necessary to perform the two-step quantitative goodwill impairment test. Adoption did not have an effect on the financial condition or results of operations of the Group.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income" which provides the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income, either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU No. 2011-05 became effective for the Group in fiscal 2012 by early adoption without any effect on its financial condition or results of operations in that year or the current fiscal year.

The Group has adopted, on a prospective basis, all of the FASB pronouncements it considers relevant to its operations. Adoption has not materially impacted the Group's financial condition or results of operations.

# Notes to consolidated financial statements

## 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 | 2013 $m | 2012 $m |
|---|---|---|
| Depreciation | | |
| Financial Services | 0.1 | 0.1 |
| Investment | – | – |
| Hospitality | 0.4 | – |
| Corporate | 0.1 | – |
| | 0.6 | 0.1 |

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Capital expenditures (net) | | |
| Financial Services | – | 0.1 |
| Investment | – | – |
| Hospitality | 7.5 | – |
| Corporate | 0.1 | – |
| | 7.6 | 0.1 |

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Total assets | | |
| Financial Services | 168.7 | 200.6 |
| Investment | 171.5 | 151.4 |
| Hospitality | 8.0 | – |
| Associates | 170.4 | 147.8 |
| Corporate | 2.5 | 4.0 |
| | 521.1 | 503.8 |

## Note 4 - Interest expense - Financial Services

Interest expense comprise interest on customer deposits and amounts to $3.1 million (2012 - $5.3 million).

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

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Foreign exchange income and commissions | 0.4 | 0.1 |
| Customer service and letter of credit fees | 0.1 | 0.1 |
| | 0.5 | 0.2 |

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

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Salaries and benefits | 0.5 | 0.6 |
| Premises and equipment | 0.3 | 0.3 |
| Other expenses | 2.2 | 3.0 |
| | 3.0 | 3.9 |

## Note 7 – Operating loss – Hospitality

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Loss from Hospitality Division | (0.9) | – |
| | (0.9) | – |

The loss from the Hospitality Division principally comprises the start up costs of a resort acquired during the year together with the overhead incurred in setting up the Hospitality Division management team and support personnel.

## Note 8 – Operating income (loss) - Investments

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Interest income | 0.4 | – |
| Other income | 0.2 | 0.5 |
| Provisions against investments | – | (26.4) |
| Other expense | (0.2) | (1.0) |
| | 0.4 | (26.9) |

## Note 9 - Earnings (loss) per ordinary share

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

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Net income (loss) | 13.4 | (44.7) |
| Weighted average number of shares (basic and diluted) | 100,004,966 | 100,007,864 |

## 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 March 31, 2013, the actual amount was 19.6 percent (2012 – 25.1%)

## Note 11 – Receivable from Government of Belize

Pursuant to legislation passed in August and December 2009, the GOB purported to compulsorily acquire BCB's rights under the following loan agreements:

(a) a Term Loan Facility dated July 6, 2007 granted by BCB to Belize Telemedia Limited, a company incorporated in Belize ("Telemedia");

(b) a Mortgage Debenture between BCB and Telemedia dated December 31, 2007;

(c) a Syndicated Loan Agreement dated September 19, 2005 executed between BCB, BBL, Caedman Limited and Sunshine Holdings Limited (Sunshine);

(d) a Security Agreement dated September 19, 2005 executed between the BCB and Sunshine; and

(e) a Facility Agreement dated May 19, 2006 executed between the BCB, Sunshine and the Trustees of the Belize Telecommunications Ltd. Employees Trust.

The Bank has challenged the legislation as being unconstitutional and on June 24, 2011 the Belize Court of Appeal declared the legislation void. The Court of Appeal failed to grant consequential relief, including damages. The Bank has appealed that failure to grant consequential relief to the Caribbean Court of Justice. On July 4, 2011 the Government of Belize passed new legislation pursuant to which it re-acquired the same rights acquired under the 2009 legislation. It also introduced amendments to the Constitution of Belize via the Belize Constitution (Eight Amendment) Act in an attempt to prevent the Belize Courts inquiring into the constitutionality of the 2011 acquisition. The Bank has challenged the 2011 legislation and the Eighth Amendment.

On June 11, 2012 the Supreme Court gave judgment in which it held that the 2011 legislation was also unconstitutional and void. However, the court declined to grant the consequential relief sought by the Bank, including its claim for damages. The Bank appealed the matter to the Court of Appeal. Its appeal was heard in October 2012 and the parties are waiting for the court's judgment.

The Bank has also commenced arbitration against the Government of Belize for breach of its rights under the 1982 agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Belize for the promotion of protection of investments (the UK-Belize BIT).

This action was stayed following an injunction granted by the Supreme Court of Belize restraining the Bank from pursuing this arbitration. However, on June 25, 2013, The Caribbean Court of Justice held that the UK-Belize BIT is binding on the Government of Belize and consequently that the Bank has the right to commence arbitration proceedings against the Government. The Caribbean Court of Justice also held that notwithstanding the Bank's claim in the constitutional proceedings before the Belize courts, the arbitration commenced under the UK-Belize BIT was not oppressive, vexatious or an abuse of process. The Caribbean Court of Justice discharged the interlocutory injunction and permitted the Bank to continue with its arbitration proceedings against the Government.

The Bank claims compensation in the arbitration against the Government for expropriation of all its rights under the loan and loan security agreements. This includes claims for payment of the sums due under the loans, or alternatively for return of the sums advanced to Telemedia or Sunshine in restitution plus interest.

The Government of Belize and Telemedia have also brought a claim challenging the agreements between the Bank and Telemedia described at (a) and (b) above. It is alleged that the Term Loan Facility is unlawful, and the Government argues that it is therefore not liable to pay any compensation to the Bank in respect of its compulsory acquisition of the Bank's rights under the Facility. The Bank strongly disputes these allegations. Even if it were to be determined that the Term Loan Facility was invalid, the Bank's position is that it would still be entitled to return of the funds advanced under the Term Loan Facility plus interest. This claim is still pending in the Supreme Court of Belize, but is presently stayed pending the outcome of the Constitutional proceedings described above.

Having reviewed the litigation described above and the legal claims available to the Bank, management believes, based on legal advice, it is more probable than not that it will recover the sums due and owing under these loans, plus interest, from either the Government of Belize or Telemedia.

The receivable from Government of Belize of $32.0 million at March 31, 2013 (2012 - $30.0 million) included in the balance sheet represent part of the amounts that are subject to the above actions.

## Note 12 - Loans - net - Financial Services

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| **Loans (net of unearned income):** | | |
| Residential mortgage | 12.3 | 13.5 |
| Other consumer | 0.6 | 2.9 |
| Commercial - real estate | 84.0 | 118.3 |
| Commercial - other | 53.6 | 53.2 |
| | 150.5 | 187.9 |
| **Allowance for loan losses:** | | |
| Residential mortgage | (3.2) | (3.9) |
| Other consumer | – | (1.4) |
| Commercial - real estate | (15.1) | (25.9) |
| Commercial - other | (12.8) | (12.4) |
| | (31.1) | (43.6) |
| **Loans (net of unearned income and allowance for loan losses):** | | |
| Residential mortgage | 9.1 | 9.6 |
| Other consumer | 0.6 | 1.5 |
| Commercial - real estate | 68.9 | 92.4 |
| Commercial - other | 40.8 | 40.8 |
| | 119.4 | 144.3 |

Unearned income at March 31, 2013 amounted to $28,512 (2012 - $137,000)

The maturity ranges of loans outstanding at March 31, 2013 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.

| | Due in one year or less $m | Due after one year through five years $m | Due after five years $m | Total $m |
|---|---|---|---|---|
| Residential mortgage | 9.4 | 1.9 | 1.0 | 12.3 |
| Other consumer | 0.3 | – | 0.3 | 0.6 |
| Commercial - real estate | 83.7 | – | 0.3 | 84.0 |
| Commercial - other | 21.6 | 29.0 | 3.0 | 53.6 |
| | 115.0 | 30.9 | 4.6 | 150.5 |

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 trend, 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 of March 31, 2013, 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 | 3.1 | 0.1 | – | 1.1 | 8.0 | 12.3 |
| Other consumer | 0.5 | 0.1 | – | – | – | 0.6 |
| Commercial - real estate | 0.3 | 2.2 | – | 5.2 | 76.3 | 84.0 |
| Commercial - other | 29.2 | 2.8 | – | – | 21.6 | 53.6 |
| | **33.1** | **5.2** | **–** | **6.3** | **105.9** | **150.5** |

Individually impaired loans with allowances as of March 31 were as follows:

| At March 31 | **2013 $m** | 2012 $m |
|---|---|---|
| Non-accrual loans | **112.2** | 142.4 |
| Other performing loans classified as impaired | **–** | – |
| Total impaired loans | **112.2** | 142.4 |

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 as of March 31, 2013 and 2012:

| At March 31 | **2013 $m** | 2012 $m |
|---|---|---|
| Residential mortgage | **9.1** | 8.8 |
| Other consumer | **–** | 1.6 |
| Commercial - real estate | **81.5** | 111.0 |
| Commercial - other | **21.6** | 21.0 |
| | **112.2** | 142.4 |

The interest income which would have been recorded during the year ended March 31, 2013 had all non-accrual loans been current in accordance with their terms was approximately $15.1 million (2012 - $15.9 million).

At March 31, 2013, the amount of impaired loans outstanding in the Financial Services division in which the Group considers there was a probability of a loss totaled $62.5 million (March 31 2012 - $97.4 million), with related allowances, after taking into consideration related collateral, of $33.8 million (2012 - $43.7million). 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 March 31, 2013, was $91.4 million (2012 – $90.1 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 value of collateral held. In addition, a general 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 March 31, 2013, the Group had total loans outstanding to certain officers and employees of $0.1 million (2012 - $0.1 million) at preferential rates of interest varying between 6.5 percent and 10.9 percent per annum, repayable over varying periods not exceeding 25 years.

Changes in the allowance for loan losses were as follows:

| Year ended March 31 | **2013 $m** | 2012 $m |
|---|---|---|
| At beginning of year | **43.6** | 20.8 |
| Provision charged to income | **0.8** | 26.7 |
| Charge-offs | **(13.3)** | (3.9) |
| At end of year | **31.1** | 43.6 |

Recoveries from loan losses have been immaterial to date. At March 31, 2013, the allowance for loan losses included a general loan loss allowance of $0.5 million (2012 - $0.5 million)

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

| At March 31 | **2013 $m** | 2012 $m |
|---|---|---|
| Cost: | | |
| Land and buildings | **0.3** | 0.2 |
| Fixtures, fittings and other equipment | **0.3** | 0.3 |
| Total cost | **0.6** | 0.5 |
| Less: total accumulated depreciation | **(0.4)** | (0.3) |
| | **0.2** | 0.2 |

Total capital expenditures for the years ended March 31, 2013 and 2012 were $0.1 million and $0.1 million, respectively. Total depreciation expense for the years ended March 31, 2013 and 2012 was $0.1 million and $0.1 million, respectively.

**Note 14 - Other assets - Financial Services**

Other assets of $0.4 million (2012 - $0.6 million) includes accrued interest due on loans, deposits, prepayments and other receivables due to the Bank.

**Note 15 – Loans - net - Investments**

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Loans (net of unearned income): | | |
| Residential - real estate | 6.2 | 6.2 |
| Commercial - real estate | 226.3 | 203.4 |
| | 232.5 | 209.6 |
| Allowance for loan losses: | | |
| Residential - real estate | (6.2) | (6.2) |
| Commercial - real estate | (62.9) | (59.8) |
| | (69.1) | (66.0) |
| Loans (net of unearned income and allowance for loan losses): | | |
| Residential - real estate | – | – |
| Commercial - real estate | 163.4 | 143.6 |
| | 163.4 | 143.6 |

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 27)

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 | 2013 $m | 2012 $m |
|---|---|---|
| At beginning of year | 66.0 | 41.3 |
| Provision reclassified/charged to income | 3.1 | 24.7 |
| At end of year | 69.1 | 66.0 |

**Note 16 – Other Assets - Investments**

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Investments: | | |
| Residential - real estate | 6.4 | 6.7 |
| Commercial - real estate | 2.8 | 2.8 |
| | 9.2 | 9.5 |
| Allowance for Investment losses: | | |
| Residential - real estate | (0.3) | – |
| Commercial - real estate | (0.9) | (1.7) |
| | (1.2) | (1.7) |
| Investment (net of allowance for investment losses): | | |
| Residential - real estate | 6.1 | 6.7 |
| Commercial - real estate | 1.9 | 1.1 |
| | 8.0 | 7.8 |

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

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Cost: | | |
| Land and buildings | 5.5 | – |
| Fixtures, fitting and office equipment | 1.9 | – |
| Total cost | 7.4 | – |
| Less: total accumulated depreciation | (0.4) | – |
| | 7.0 | – |

Total capital expenditures for the years ended March 31, 2013 and 2012 were $7.4 million and $nil, respectively. Total depreciation expense for the years ended March 31, 2013 and 2012 was $0.4 million and $nil, respectively.

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

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Cost: | | |
| Land and buildings | 2.5 | 2.5 |
| Fixtures, fitting and office equipment | 0.1 | – |
| Total cost | 2.6 | 2.5 |
| Less: total accumulated depreciation | (0.1) | – |
| | 2.5 | 2.5 |

Total capital expenditures for the years ended March 31, 2013 and 2012 were $0.1 million and $nil, respectively. Total depreciation expense for the years ended March 31, 2013 and 2012 was $0.1 million and $nil, 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, principally in Costa Rica. The share of net income amounted to $30.4 million for the year ended March 31, 2013 (2012 - $22.9 million).

(ii) A non-controlling investment in 50 per cent of Belize International Services Limited ("BISL") which provides shipping and company registry services to international clients. BISL is a holding company incorporated in the British Virgin Islands which provides financial and other services. The share of net income amounted to $2.5 million for the year ended March 31, 2013 (2012 - $2.4 million).

On June 10, 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 June 11, 2013. WIHL holds a 50 per cent investment in Belize International Services Limited ("BISL"), 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% of BISL is owned by the Panamanian law firm, Morgan & Morgan.

As a result of this action by the GOB, WIHL will not be able to include its associate share of the income of BISL in its fiscal 2014 income statement or its share of other fees normally generated by BISL. In the year ended March 31, 2013 WIHL included its associate share of BISL income of $2.5 million together with other fees from BISL of $0.6m.

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 intends to vigorously defend its contractual rights and to pursue its claim in damages. BISL and WIHL will exercise all options available to vindicate their rights.

Latin American Associates and BISL comprise companies in respect of which fair market values are not readily available, but the market values are considered by the Group to exceed the carrying amounts.

### Investment in Latin American Associates

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Investment in Latin American Associates | 164.6 | 142.2 |

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Share of Latin American Associates' earnings: | 30.4 | 22.9 |
| Total dividends received during the year | 8.0 | 6.5 |

At March 31, 2013, the accumulated undistributed earnings of Latin American Associates included in the consolidated retained earnings of the Group amounted to $129.1 million (2012 - $106.7 million).

Summarized combined unaudited financial information for Associates was as follows:

### Income statement

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Net sales | 885.1 | 795.9 |
| Gross profit | 204.6 | 188.1 |
| Income from continuing operations | 127.6 | 117.4 |
| Net income | 118.4 | 95.5 |

### Balance sheet

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Cash and liquid securities | 256.0 | 199.2 |
| Current assets | 277.4 | 261.9 |
| Non-current assets | 309.1 | 286.3 |
| Current liabilities | 149.8 | 130.1 |
| Non-current liabilities | 28.0 | 41.0 |

### Investment in BISL

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Investment in BISL | 5.8 | 5.6 |

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Share of BISL's earnings (net of amortization): | 2.5 | 2.4 |
| Total dividends and fees during the year | 2.3 | 3.0 |
| Amortization of Investment | 0.7 | 0.3 |

Summarized unaudited financial information for BISL was as follows:

### Income statement

| Year ended March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Total sales | 9.3 | 8.1 |
| Total expenses | (3.0) | (2.7) |
| Net income | 6.3 | 5.4 |

### Balance sheet

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Cash and liquid securities | 1.0 | 1.0 |
| Fixed assets | 0.2 | 0.2 |
| Non-current assets | 0.7 | 0.8 |
| Current liabilities | 0.8 | 0.6 |
| Non-current liabilities | 0.7 | 0.8 |

### Note 20 – Deposits – Financial Services

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Certificates of deposit | 65.4 | 75.6 |
| Demand deposits | 19.0 | 19.9 |
| | 84.4 | 95.5 |

The maturity distribution of certificates of deposit of $0.1 million or more was as follows:

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| 3 months or less | 38.9 | 34.1 |
| Over 3 and to 6 months | 9.3 | 15.2 |
| Over 6 and to 12 months | 15.3 | 24.5 |
| Deposits less than $0.1 million | 1.9 | 1.8 |
| | 65.4 | 75.6 |

Included in certificates of deposit at March 31, 2013 were $48.4 million (2012 - $55.1 million) of certificates of deposit denominated in US dollars and $17.0 million (2012 - $20.5 million) denominated in UK pounds sterling. Included in demand deposits at March 31, 2013 were $16.6 million (2012 - $17.3 million) of demand deposits denominated in US dollars and $2.4 million (2012 - $2.6 million) denominated in UK pounds sterling.

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 BCB Holdings Limited and its subsidiaries of $7.2 million (2012- $8.5 million) (Note 26(ii)).

### Note 21 - Long-term debt

At March 31, 2013, WIHL had issued and outstanding loan notes amounting to $161.6 million (2012 - $146.5 million). The notes bear interest at 10 per cent which compounds quarterly and is added to the principal at the date due. The loan notes are currently in three series broken down as follows:

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Series 2 Loan Notes (ii) | 4.7 | 4.3 |
| Series 3 Loan Notes (iii) | 76.4 | 69.3 |
| Series 4 Loan Notes (iv) | 80.5 | 72.9 |
| | 161.6 | 146.5 |

(i) Under the terms of the demerger agreement referred to in Note 1, BCB Holdings Limited transferred and WIHL assumed the obligations under certain loan notes which together had a total liability value of $140.5 million at October 26, 2011, the date the demerger became effective. The loan notes comprised the following:

(ii) Series 2 Loan Notes, being 10 per cent, fixed rate, secured loan notes due June 30, 2014 and issued pursuant to a loan note instrument dated October 10, 2007 with an initial principal value of $2,800,000 and a cumulative liability of $4,108,834 at October 26, 2011, including all accrued interest at October 26, 2011 ("Series 2 Loan Notes").

(iii) Series 3 Loan Notes, being 10 per cent, fixed rate, secured loan notes due June 2015 and issued pursuant to a loan instrument dated March 31, 2010 with an initial principal value of $57,000,000 and a cumulative liability of $66,463,321 at October 26, 2011, including all accrued interest at October 26, 2011("Series 3 Loan Notes").

(iv) Series 4 Loan Notes, being 10 per cent, fixed rate, secured loan notes due April 2016 and issued pursuant to a loan instrument dated March 31, 2010 with an initial principal value of $60,000,000 and a cumulative liability of $69,961,391 at October 26, 2011, including all accrued interest at October 26, 2011 ("Series 4 Loan Notes").

WIHL has agreed to grant security over the shares in Central American Holdings to the holders of the Series 2 Loan Notes, the Series 3 Loan Notes and the Series 4 Loan Notes. The security will be granted solely for the purpose of securing the repayment of the amounts outstanding under the Series 2 Loan Notes, Series 3 Loan Notes and Series 4 Loan Notes.

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 75 percent of the issued share capital of the Company.

### Note 22 - 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 business 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 if necessary.

(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 commitments to extend credit, standby letters of credit and financial guarantees. The Group 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 commitments to extend credit at March 31, 2013 amounted to $125,000 (2012 - nil).

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 accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties and assets.

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 terms and conditions reflected in letters of credit and guarantees provided by the Group, in so far as they may impact the fair market value of these instruments, are market sensitive and are not materially different from those that would have been negotiated at March 31, 2013. 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 March 31, 2013 amounted to $nil (2012 - $nil).

(iv) At March 31, 2013, the Group is a defendant in a number of pending legal and other proceedings incidental to present and former operations, acquisitions and dispositions. 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) As explained in note 11, BCB and the Belize Bank Limited are engaged in arbitration proceedings in which they are pursuing certain claims against the GOB. The information required by SFAS No. 5 Accounting for Contingencies is not disclosed because WIHL believes that to do so would materially prejudice the proceedings. WIHL and BCB, having received the advice of external advisers, expect to fully recover amounts recorded as part of other assets in note 11. Therefore no provision against recovery has been made. Legal costs are expensed as incurred.

(vi) 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 March 31, 2013 would have a material adverse effect on the financial position or liquidity of the Company or its subsidiaries.

### Note 23 - Share capital

| At March 31 | 2013 $m | 2012 $m |
|---|---|---|
| Authorized | | |
| Ordinary shares: | | |
| 500,000,000 shares of par value $1.00 | 500.0 | 500.0 |
| Total authorized | 500.0 | 500.0 |
| Issued and outstanding | | |
| Ordinary shares: | | |
| 100,007,864 shares of par value $1.00 | | |
| (2012 - 100,007,864) | 100.0 | 100.0 |

On October 26, 2011, WIHL issued 100,007,864 shares of $1.00 par value on the completion of the demerger by BCB Holdings Limited of its non-Belizean interests to WIHL. The information above is presented as if WIHL has issued the shares at the beginning of the prior year period.

#### Treasury Shares

The movement of treasury shares, at cost, held since April 1, 2011 has been as follows:

| | Number | $m |
|---|---|---|
| At April 1, 2011 | – | – |
| At March 31, 2012 | – | – |
| Purchased | 105.769 | 0.1 |
| At March 31, 2013 | 105,769 | 0.1 |

### Note 24 - 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 a high 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' deposits.

### Note 25 – 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 2013 | Actual 2012 |
|---|---|---|---|
| British Caribbean Bank Limited | 11.0% | 63.0% | 54.6% |

### Note 26 - Related party transactions

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

#### Consultancy services

(i) During the year BCB Holdings Limited provided administrative and other services to WIHL. Lord Ashcroft has an interest in both WIHL and BCB Holdings Limited. The aggregate fees paid by WIHL to BCB Holdings Limited for the year ended March 31, 2013 amounted to $1.2 million (2012 - $2.9 million).

(ii) During the year BCB Holdings Limited advanced funds in the form of unsecured interest bearing loans and deposits to WIHL. The average funds provided by BCB Holdings Limited to WIHL for the year ended March 31, 2013 amounted to $7.8 million (2012 - $8.0 million). The balance outstanding due by WIHL to BCB Holdings Limited at March 31, 2013 amounted to $7.2 million (2012 - $8.5 million). Interest paid by WIHL to BCB Holdings Limited in respect of these loans for the year ended March 31, 2013 amounted to $0.1 million (2012 - $1.1 million).

(iii) The Group holds cash deposits with subsidiaries of BCB Holdings Limited. The average cash deposits held amounted to $0.3 million (2012 - $2.0 million) and the balance held at March 31, 2013 amounted to $0.1 million (2012 - $1.5 million).

### Note 27 – 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:

Level 1 – Quoted prices for identical assets or liabilities in active markets that the Bank 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 Bank'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 a high 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 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 of March 31, 2013.

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