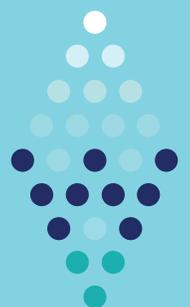


WIHL

**Waterloo Investment Holdings Limited**  
Consolidated Financial Statements  
March 31, 2014



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# Report of Chief Executive Officer

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

The Company produced a net loss of \$21.6 million in fiscal 2014 compared to net income of \$13.4 million in fiscal 2013. WIHL experienced significantly lower income from its Latin American Associates ("Associates") during fiscal 2014 – \$19.8 million versus \$32.9 million during the prior year, a drop of \$13.1 million. The drop in palm oil prices globally, adverse currency movements and start-up investments by the Associates in new growing and processing capacity in Latin American countries impacted the bottom line. In addition, the unlawful termination by the Government of Belize ("GOB") of Belize International Services Limited's ("BISL") contract to manage its ship and company registries resulted in no further income being recorded from those activities. The Company also recorded write-downs or made provisions against loans both in British Caribbean Bank Limited ("BCB" or "the Bank") (net \$6.9 million), and in the Investment Division (net \$12.8 million) due to the economic and fiscal uncertainty in the Turks and Caicos Islands ("TCI").

WIHL formed a Hospitality Division following the acquisition of a boutique hotel in 2012. WIHL is currently operating three hotels in TCI: two are condo-hotels and all are operated by WIHL under the terms of management agreements. The \$1.3 million in losses incurred in this division are principally due to start-up costs related to the re-openings, re-branding and investments in marketing, management, professional advice and operations, further described below.

## Hospitality Division

This year we made progress in launching a Hospitality Division. We first put our toe in the water with the acquisition of *Beach House* on Grace Bay in TCI in 2012. Year in, year out, leading travel websites rank Grace Bay Beach among the top three beaches in the world and the top beach in the Atlantic/Caribbean. WIHL bought the management company and hotel-related real estate from the receiver of the *Alexandra Resort & Spa*, also located on Grace Bay in 2013. Lastly, WIHL entered into a management agreement with the receiver of *Leeward Resort and Marina* and relaunched the associated properties into *Blue Haven Resort and Marina*. WIHL also opened two restaurants, called *Salt* and *Fire & Ice*, and a retail/deli store, *Market* on this development.

The opportunities for acquisition and development of the Hospitality Division activities were born out of non-performing loans of BCB and the Investment Division. The Company was having difficulty selling the underlying properties at a reasonable price, or else the properties had been put into receivership due to financial distress. WIHL decided that stepping in "to own and develop" would generate more value for shareholders over time compared to selling at a discounted price in a soft market or passively waiting for a solution to arrive.

Hard work allowed us to remove the stigma of distress around these properties, to finish the *Blue Haven* development and to launch three vibrant and distinctly different brands in the TCI tourist industry. While operations during the first year were challenging, TCI's tourism outlook is starting to look positive in 2014. TCI resorts are well-positioned in the luxury travel market and are able to generate robust average daily rates (ADRs) by Caribbean standards.

The UK government has put significant pressure on the TCI government, elected in November 2012, to increase custom duties and taxes on hospitality and other services provided by the tourism industry (close to 60 percent of GDP), as well as on stamp duty, licensing and work-permit fees. The TCI government has run its budget at a surplus for the second year in order to make sinking-fund payments according to the indenture of a UK-backed loan put in place in 2011 at the time of a TCI governance and debt crisis. The increases in costs have made it much more expensive to operate in TCI on all fronts. Uncertainty remains about future taxes

# Report of Chief Executive Officer

and fees that might be imposed, having an impact on the pace of new developments. In addition, the cost of utilities has increased significantly; there is an urgent need for laws to allow for the economical use of solar power and other green energy solutions. Savings will no doubt find their way back into new developments.

The TCI government with UK support is investing in the expansion of the airport, and private investors are investing in a second FBO for private planes. A showdown between the government and Beaches, the largest resort operator on TCI, over amendments to an existing development agreement resulted in several airlines canceling or reducing service to TCI during the past year's low-season months, causing a stagnation in overnight visitors at 290,587 during 2013 (vs. 291,723 in 2012). The first quarter of 2014, however, showed 30.2 percent growth over the first quarter of 2013, with 105,506 stopover visitors, and 10.5 percent growth compared to the same period in 2012, primarily due to a long and cold winter in North America. Attracting additional airlift from the US, Latin America and Europe is essential for growth of the TCI tourism industry. Those commitments, however, rely on an increase in the supply of hotel rooms. The case for further development is positive, as Delta Airlines announced its inaugural weekly flight from New York. The above statistics do not include passenger arrivals by private jet and private yacht, which represent a significant source of visitors who also contribute to the TCI economy.

We are proud of our role in creating jobs on TCI. The Hospitality Division now employs over 250 people, of whom the vast majority are TCI citizens.

WIHL plans to launch this division under a separate brand, with the hotels on TCI representing its first collection. The vision of the division is to use its restructuring, marketing and Caribbean hospitality expertise to assist properties in the greater region reach their full potential.

## **Investment Division**

WIHL and the Bank have asset-backed loans to other developments on TCI, primarily land, which are also non-performing.

With the completion of the *Blue Haven* development, we have enhanced our development resources and kept the expertise and experience in-house to aid us in the evaluation process of future projects.

We are in dialogue on several fronts with the TCI government as to the potential for the development of properties under our control in order to attract future investments to support the growth of the hospitality sector. In the case of Ambergris Cay, the receiver has entered into a memorandum of understanding for a development agreement to encourage a re-start of this private island. In the case of Emerald Point and Leeward, we are also in the process of evaluating their near-term development potential.

WIHL is actively seeking partners, financial or otherwise, to continue to add value to its collection of real estate assets in the Caribbean region. On a case-by-case basis, WIHL continues to evaluate – and, where appropriate, to do so together with other syndicate lenders – whether to (1) sell the asset (2) contribute the land for vertical development as a passive investment into a joint venture with another developer or (3) raise capital for our own developments.

# Report of Chief Executive Officer

## Financial Services Division

BCB continues to exhibit stability in a year of increased demands from regulators and tax authorities globally. It continues to invest in its systems for compliance with the latest anti-money laundering efforts around the world and tax compliance under the new US (FACTA) and UK (Automatic Exchange of Information Agreement) tax laws.

We object to the negative rhetoric coming from the US and the UK authorities focusing on off-shore centers, such as the BVI, the Cayman Islands and TCI, while the US and the UK, through their own favorable tax laws and treaties and other laws, are protecting the disclosure of beneficial ownership and providing vast services including tax benefits to global companies around the world.

The TCI Financial Services Commission is vigilant with respect to its responsibilities ensuring a safe haven for clean deposits and to attract financial services and insurance companies to do business on TCI. It aims to follow the US and European Union in enforcing higher capital and liquidity ratios. This won't affect BCB, as it already has a high capital ratio of 57.7 percent and a liquidity ratio of 17.9 percent, as of March 31, 2014. While the BVI, Cayman Islands and Bermuda are more established in their respective sectors, TCI has the opportunity to take advantage of the turmoil in the banking and offshore sectors by taking the lead in setting exemplary standards.

The Bank has continued to reduce its deposit rates in light of the continued global low-interest rate environment, but is closely watching the moves of the US Federal Reserve. The Bank may need to increase rates to attract deposits in the future. Its consolidated deposits remained stable during the year – fluctuating between \$80 million and \$90 million. The Caribbean region hopes to benefit from economic growth in the US. This should provide the Bank with future opportunities to lend, opportunities that have been lacking on TCI during recent fiscal years.

BCB is actively researching growth opportunities elsewhere in the Caribbean region, in the areas of trust, broker-dealer services and insurance products, as well as other payment and money management services.

## Risk factors

In the beginning of my letter, I highlighted the fact that our results were impacted by lower palm oil prices. While palm oil prices have stabilized at the current level for now, palm oil remains a commodity business and is therefore subject to global supply and demand. High prices created a global rush to plant more, and the increased supply entered the market in 2013. We have great confidence in the expansion plans of the Associates' management team and believe that its efforts in environmentally sustainable growth will pay off in the long run. More and more companies, such as Procter & Gamble and Unilever, demand stringent environmental practices from their commodity suppliers. Our team is ahead of this curve and their investments will benefit WIHL in the long term.

WIHL's asset base is still exposed to Belize through its Financial Services Division, with a receivable from the GOB (see Note 11 in the Financials) and a loan in receivership to the Port of Belize, a cash-producing business. In the Investment Division, WIHL also controls a large piece of land next to the Port of Belize. With a group of exporters of mainly agriculture commodities, WIHL is currently exploring the development of a bulk-handling facility and logistics terminal next to the Port of Belize. It is clear that the country of Belize would hugely benefit from such a project. WIHL will therefore be seeking a productive dialogue with the GOB to bring some of our long-standing issues to a close, while using its expertise to bring opportunities of future growth to a country that needs it. WIHL has been impressed with the positive dialogue it has had to-date with the country's main exporters and looks forward to continuing to invest in the feasibility studies that are currently being undertaken.

# Report of Chief Executive Officer

## **Investments in the team**

With the exciting proliferation of opportunities WIHL has on its plate, it is clear that investment in people is a priority. WIHL plans to continue to strengthen the management teams and boards in the next fiscal year.

Lastly, I thank the shareholders for their confidence. The global crisis stopped many of our borrowers in their tracks. The turnaround of developments and the decision-making process on how to maximize value for all stakeholders takes time, and the team appreciates your patience.

We encourage all shareholders to visit one of our three resorts on TCI. You can make your booking at [www.beachhousetci.com](http://www.beachhousetci.com), [www.alexandraresort.com](http://www.alexandraresort.com) and [www.bluehaventci.com](http://www.bluehaventci.com). Please do let us know that you are a shareholder of WIHL.

**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, 2014 and March 31, 2013, 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, 2014 and March 31, 2013, 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  
August 22, 2014

# Consolidated statements of comprehensive income

Year ended March 31	Notes	2014 \$m	2013 \$m
<b>Financial Services</b>			
Interest income		6.4	8.7
Interest expense	4	(2.2)	(3.1)
Net interest income		4.2	5.6
Provision for loan losses	12	(6.9)	(0.8)
		(2.7)	4.8
Non-interest income	5	0.3	0.5
Non-interest expense	6	(2.4)	(3.0)
Operating (loss) income - Financial Services		(4.8)	2.3
Operating loss - Hospitality	7	(1.3)	(0.9)
Operating (loss) income - Investments	8	(12.7)	0.4
<b>Total operating (loss) income</b>		<b>(18.8)</b>	<b>1.8</b>
Associates	19	19.8	32.9
Corporate expenses		(6.0)	(6.3)
Corporate interest		(16.6)	(15.0)
<b>Net (loss) income</b>		<b>(21.6)</b>	<b>13.4</b>
<b>(Loss) earnings per ordinary share (basic and diluted)</b>	9	<b>\$(0.22)</b>	<b>\$0.13</b>

## Consolidated statements of changes in shareholders' equity

	Share capital \$m	Treasury shares \$m	Retained earnings \$m	Total \$m
At April 1, 2012	100.0	–	156.5	256.5
Other movements	–	(0.1)	–	(0.1)
Net income	–	–	13.4	13.4
At March 31, 2013	100.0	(0.1)	169.9	269.8
Net income	–	–	(21.6)	(21.6)
<b>At March 31, 2014</b>	<b>100.0</b>	<b>(0.1)</b>	<b>148.3</b>	<b>248.2</b>

At March 31, 2014, retained earnings included non-distributable statutory reserves in British Caribbean Bank Limited of \$13.0 million (2013 - \$13.0 million).

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

# Consolidated balance sheets

At March 31	Notes	2014 \$m	2013 \$m
<b>Assets</b>			
<b>Financial Services</b>			
Cash, cash equivalents and due from banks		0.1	–
Interest-bearing deposits with correspondent banks	10	16.0	16.7
Receivable from Government of Belize	11	34.1	32.0
Loans - net	12	83.6	119.4
Property, plant and equipment - net	13	0.2	0.2
Other assets	14	0.6	0.4
<b>Total Financial Services assets</b>		<b>134.6</b>	<b>168.7</b>
<b>Investment assets</b>			
Cash, cash equivalents and due from banks	27	1.8	0.1
Loans - net	15	174.2	163.4
Other assets	16	7.9	8.0
<b>Total Investment assets</b>		<b>183.9</b>	<b>171.5</b>
<b>Hospitality assets</b>			
Cash, cash equivalents and due from banks		1.4	0.1
Property, plant and equipment - net	17	10.3	7.0
Other assets		6.7	0.9
<b>Total Hospitality assets</b>		<b>18.4</b>	<b>8.0</b>
<b>Corporate assets</b>			
Property, plant and equipment - net	18	2.8	2.5
Associates	19	179.3	170.4
<b>Total Corporate assets</b>		<b>182.1</b>	<b>172.9</b>
<b>Total assets</b>		<b>519.0</b>	<b>521.1</b>
<b>Liabilities and shareholders' equity</b>			
<b>Financial Services</b>			
Deposits	20, 27	82.3	84.4
Interest payable		0.4	0.6
Current liabilities		0.4	1.4
<b>Total Financial Services liabilities</b>		<b>83.1</b>	<b>86.4</b>
<b>Hospitality Liabilities</b>			
Current liabilities		4.6	0.9
<b>Corporate</b>			
Current liabilities	21	10.2	2.4
Long-term liabilities	22	172.9	161.6
<b>Total Corporate liabilities</b>		<b>183.1</b>	<b>164.0</b>
<b>Total liabilities</b>		<b>270.8</b>	<b>251.3</b>
<b>Shareholders' equity:</b>			
Share capital	24	100.0	100.0
Treasury shares	24	(0.1)	(0.1)
Retained earnings		148.3	169.9
<b>Total shareholders' equity</b>		<b>248.2</b>	<b>269.8</b>
<b>Total liabilities and shareholders' equity</b>		<b>519.0</b>	<b>521.1</b>

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

# Consolidated statements of cash flows

Year ended March 31	2014 \$m	2013 \$m
<b>Cash flows from operating activities</b>		
Net (loss) income	(21.6)	13.4
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	0.5	0.6
Provision for loan losses	19.7	0.8
Undistributed earnings of associates	(8.9)	(22.6)
Changes in assets and liabilities:		
Decrease in interest payable	(0.2)	(1.1)
Increase in other assets	(5.9)	(0.9)
Increase in other liabilities	10.5	1.1
<b>Net cash utilized by operating activities</b>	<b>(5.9)</b>	<b>(8.7)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (net)	(4.1)	(7.6)
Decrease in interest-bearing deposits with correspondent banks	0.7	8.7
Increase in Government of Belize receivable	(2.1)	(2.0)
Decrease in loans to customers	5.3	4.3
<b>Net cash (utilized) provided by investing activities</b>	<b>(0.2)</b>	<b>3.4</b>
<b>Cash flows from financing activities</b>		
Increase in long-term debt	11.3	15.1
Decrease in deposits	(2.1)	(11.1)
Purchase of Treasury Shares	-	(0.1)
<b>Net cash provided by financing activities</b>	<b>9.2</b>	<b>3.9</b>
<b>Net change in cash, cash equivalents and due from banks</b>	<b>3.1</b>	<b>(1.4)</b>
<b>Cash, cash equivalents and due from banks at beginning of year</b>	<b>0.2</b>	<b>1.6</b>
<b>Cash, cash equivalents and due from banks at end of year</b>	<b>3.3</b>	<b>0.2</b>
Cash - Financial Services	0.1	-
Cash - Investment	1.8	0.1
Cash - Hospitality	1.4	0.1
	<b>3.3</b>	<b>0.2</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 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.

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 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 two 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 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 until June 2013 provided shipping and company registry services to international clients ("International Services Associate"). In June 2013, the Government of Belize ("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 August 22, 2014, 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

## 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 investment loans as available-for-sale 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 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 2014, consideration was given to the implications, if any, of the following new and revised standards:

# Notes to consolidated financial statements

ASU 2013-08, *Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements*. The amendments in this Update affect the scope, measurement and disclosure requirements for investment companies under US GAAP. The amendments provide comprehensive guidance for assessing whether an entity is an investment company; require an investment company to measure non-controlling ownership interests in other investment companies at fair value rather than using the equity method of accounting; and provide for additional disclosures about changes in status as an investment company, if any, and information about financial support to any of its investors. Adoption is required for interim and annual reporting periods that begin after December 15, 2013 and is not expected to have a material effect on the Group's financial condition or results of operations.

ASU 2013-10, *Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*. This ASU permits the Fed Funds Effective Swap Rate (also referred to as the Overnight Index Swap Rate) to be used as a US benchmark interest rate for hedge accounting purposes under FASB Topic 815, in addition to interest rates on direct Treasury obligations of the U.S. government and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. Adoption of ASU 2013-10 is not expected to have a material effect on the Group's financial condition or results of operations.

ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This ASU provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Income tax accounting guidance does not explicitly express how to present unrecognized tax benefits when a company also has net operating losses or tax credit carryforwards. Most companies present these unrecognized benefits as a liability (i.e., gross presentation), but some present the liability as a reduction of their net operating losses or tax credit carryforwards (net presentation). To address this diversity in practice, the FASB issued ASU 2013-11. Adoption of this standard is not expected to have a material effect on the Group's financial condition or results of operations.

ASU 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date*. This standard provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance (e.g. debt arrangements, other contractual obligations and settled litigation and judicial rulings) is fixed at the reporting

date. ASU 2013-04 is effective October 1, 2014 and is not expected to have a material effect on the Group's financial condition or results of operations.

ASU 2014-02, *Intangibles- Goodwill and other (Topic 350): Accounting for Goodwill*. The amendments in this Update allow an accounting alternative for the subsequent measurement of goodwill by amortizing goodwill on a straight-line basis over 10 years, or less if more appropriate and by making an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or a reporting unit) may be below its carrying amount based on qualitative criteria to determine whether a quantitative impairment test is necessary. The accounting alternative, if elected, is to be applied to goodwill existing at the beginning of the period of adoption; and to new goodwill recognized in annual periods beginning after December 15, 2014 and interim periods within annual periods beginning after December 15, 2015. If elected, the accounting alternative is not expected to materially affect the Group's financial condition or results of operations.

ASU 2014-04, *Receivables - Troubled Debt Restructurings by Creditors* clarifies that an in-substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy the loan through a deed in lieu of foreclosure or other similar legal agreement. In addition, entities are required to disclose the recorded investment in residential mortgage loans for which formal foreclosure proceedings are in process. The amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014, with early adoption permitted. Management is currently evaluating the impact of adoption, but does not anticipate it will have a material effect on the Group's financial condition or results of operations.

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.

## 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).

# Notes to consolidated financial statements

Year ended March 31	2014 \$m	2013 \$m
Depreciation		
Financial Services	–	0.1
Investment	–	–
Hospitality	0.4	0.4
Corporate	0.1	0.1
	<b>0.5</b>	<b>0.6</b>

Year ended March 31	2014 \$m	2013 \$m
Capital expenditures (net)		
Financial Services	–	0.1
Investment	–	–
Hospitality	3.7	7.4
Corporate	0.4	0.1
	<b>4.1</b>	<b>7.6</b>

At March 31	2014 \$m	2013 \$m
Total assets		
Financial Services	134.6	168.7
Investment	183.9	171.5
Hospitality	18.4	8.0
Associates	179.3	170.4
Corporate	2.8	2.5
	<b>519.0</b>	<b>521.1</b>

#### Note 4 - Interest expense - Financial Services

Interest expense comprised interest on customer deposits and amounts to \$2.2 million (2013 - \$3.1 million).

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

Year ended March 31	2014 \$m	2013 \$m
Foreign exchange income and commissions	0.1	0.4
Customer service and letter of credit fees	0.2	0.1
	<b>0.3</b>	<b>0.5</b>

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

Year ended March 31	2014 \$m	2013 \$m
Salaries and benefits	0.5	0.5
Premises and equipment	0.3	0.3
Other expenses	1.6	2.2
	<b>2.4</b>	<b>3.0</b>

#### Note 7 – Operating loss – Hospitality

Year ended March 31	2014 \$m	2013 \$m
Loss from Hospitality Division	<b>(1.3)</b>	<b>(0.9)</b>

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

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

Year ended March 31	2014 \$m	2013 \$m
Interest income	1.8	0.4
Other income	0.3	0.2
Provisions against investments	(12.8)	–
Other expense	(2.0)	(0.2)
	<b>(12.7)</b>	<b>0.4</b>

#### Note 9 - (Loss) earnings per ordinary share

Basic and diluted (loss)/earnings 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	2014 \$m	2013 \$m
Net (loss) income	(21.6)	13.4
Weighted average number of shares (basic and diluted)	<b>99,902,095</b>	<b>100,004,966</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% of the average deposit liabilities of BCB. At March 31, 2014, the actual amount was 17.9 % (2013 – 19.6%).

#### 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:

- (i) a Term Loan Facility dated July 6, 2007 granted by BCB to Belize Telemedia Limited, a company incorporated in Belize ("Telemedia");
- (ii) a Mortgage Debenture between BCB and Telemedia dated December 31, 2007;
- (iii) a Syndicated Loan Agreement dated September 19, 2005 executed between BCB, BBL, Caedman Limited and Sunshine Holdings Limited (Sunshine);

# Notes to consolidated financial statements

- (iv) a Security Agreement dated September 19, 2005 executed between BCB and Sunshine; and
- (v) a Facility Agreement dated May 19, 2006 executed between 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 GOB 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 (Eighth 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. On May 15, 2014 the Court of Appeal handed down its judgment. The Court held, on a majority basis only, that the 2011 legislation was lawful, but that it did not have retrospective effect so that the Government's compulsory acquisition of the Bank's rights between August 25, 2009 and July 4, 2011 was unlawful. In his dissenting judgment, Mendes JA, held that the 2011 legislation was unlawful. On June 6, 2014 the Bank filed an application for special leave to appeal against the Decision of the Court of Appeal.

The Bank has also pursued arbitration against the GOB for breach of its rights under the 1982 agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the GOB 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 GOB 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 arbitration hearing took place in March 2014. The Bank has claimed 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, including interest, or alternatively for return of the sums advanced to Telemedia or Sunshine in restitution plus interest.

The GOB and Telemedia have also brought a claim challenging the agreements between the Bank and Telemedia described at (i) and (ii) 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 GOB or Telemedia.

## Note 12 - Loans - net - Financial Services

At March 31	2014 \$m	2013 \$m
<b>Loans (net of unearned income):</b>		
Residential mortgage	6.9	12.3
Other consumer	0.7	0.6
Commercial - real estate	57.2	84.0
Commercial - other	50.1	53.6
	<b>114.9</b>	<b>150.5</b>
<b>Allowance for loan losses:</b>		
Residential mortgage	(1.2)	(3.2)
Other consumer	(0.3)	-
Commercial - real estate	(15.5)	(15.1)
Commercial - other	(14.3)	(12.8)
	<b>(31.3)</b>	<b>(31.1)</b>
<b>Loans (net of unearned income and allowance for loan losses):</b>		
Residential mortgage	5.7	9.1
Other consumer	0.4	0.6
Commercial - real estate	41.7	68.9
Commercial - other	35.8	40.8
	<b>83.6</b>	<b>119.4</b>

The maturity ranges of loans outstanding at March 31, 2014 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	4.5	–	0.1	2.3	6.9
Other consumer	0.4	0.1	0.2	–	0.7
Commercial - real estate	54.7	–	–	2.5	57.2
Commercial - other	20.9	–	29.0	0.2	50.1
	80.5	0.1	29.3	5.0	114.9

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 of March 31, 2014, 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	2.4	1.5	2.5	0.5	–	6.9
Other consumer	0.3	0.1	–	–	0.3	0.7
Commercial - real estate	2.5	23.8	7.3	22.9	0.7	57.2
Commercial - other	29.2	0.8	2.8	17.3	–	50.1
	34.4	26.2	12.6	40.7	1.0	114.9

Individually impaired loans were as follows:

	2014 \$m	2013 \$m
At March 31		
Non-accrual loans	80.5	112.2
Other performing loans classified as impaired	–	–
Total impaired loans	80.5	112.2

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:

	2014 \$m	2013 \$m
At March 31		
Residential mortgage	4.5	9.1
Other consumer	0.4	–
Commercial - real estate	54.7	81.5
Commercial - other	20.9	21.6
	80.5	112.2

The interest income which would have been recorded during the year ended March 31, 2014 had all non-accrual loans been current in accordance with their terms was approximately \$11.9 million (2013 - \$15.1 million).

At March 31, 2014, the amount of impaired loans outstanding in the Financial Services division in which the Group considers there was a probability of a loss totaled \$55.5 million (2013 - \$62.5 million), with related allowances, after taking into consideration related collateral, of \$25.5 million (2013 - \$33.8 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 March 31, 2014, was \$72.4 million (2013 - \$91.4 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

# Notes to consolidated financial statements

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, 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 March 31, 2014, the Group had total loans outstanding to certain officers and employees of \$0.1 million (2013 - \$0.1 million) at preferential rates of interest varying between 5.5 percent and 8.5 percent per annum, repayable over varying periods not exceeding 6 years.

Changes in the allowance for loan losses were as follows:

Year ended March 31	2014 \$m	2013 \$m
At beginning of year	31.1	43.6
Provision charged to income	6.9	0.8
Charge-offs	(6.7)	(13.3)
At end of year	31.3	31.1

Recoveries from loan losses have been immaterial to date. At March 31, 2014, the allowance for loan losses included an unallocated allowance of \$0.3 million (2013 - \$0.5 million).

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

At March 31	2014 \$m	2013 \$m
Cost:		
Land and buildings	0.3	0.3
Fixtures, fittings and other equipment	0.3	0.3
Total cost	0.6	0.6
Less: total accumulated depreciation	(0.4)	(0.4)
	0.2	0.2

Total capital expenditures for the years ended March 31, 2014 and 2013 were nil and \$0.1 million, respectively. Total depreciation expense for the years ended March 31, 2014 and 2013 was nil and \$0.1 million, respectively.

## Note 14 - Other assets - Financial Services

Other assets of \$0.6 million (2013 - \$0.4 million) includes accrued interest due on loans, deposits, prepayments and other receivables due to the Bank.

## Note 15 – Loans - net - Investments

At March 31	2014 \$m	2013 \$m
<b>Loans (net of unearned income):</b>		
Residential - real estate	6.2	6.2
Commercial - real estate	249.9	226.3
	256.1	232.5
<b>Allowance for loan losses:</b>		
Residential - real estate	(6.2)	(6.2)
Commercial - real estate	(75.7)	(62.9)
	(81.9)	(69.1)
<b>Loans (net of unearned income and allowance for loan losses):</b>		
Residential - real estate	–	–
Commercial - real estate	174.2	163.4
	174.2	163.4

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	2014 \$m	2013 \$m
At beginning of year	69.1	66.0
Provision reclassified/charged to income	12.8	3.1
At end of year	81.9	69.1

# Notes to consolidated financial statements

## Note 16 – Other assets - Investments

At March 31	2014 \$m	2013 \$m
<b>Investments:</b>		
Residential - real estate (note i)	6.0	6.4
Commercial - real estate (note ii)	2.9	2.8
	8.9	9.2
<b>Allowance for investment losses:</b>		
Residential - real estate	(0.1)	(0.3)
Commercial - real estate	(0.9)	(0.9)
	(1.0)	(1.2)
<b>Investments (net of allowance for investment losses):</b>		
Residential - real estate	5.9	6.1
Commercial - real estate	2.0	1.9
	7.9	8.0

- (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	2014 \$m	2013 \$m
<b>Cost:</b>		
Land and buildings	8.9	5.5
Fixtures, fittings and office equipment	2.2	1.9
Total cost	11.1	7.4
Less: total accumulated depreciation	(0.8)	(0.4)
	10.3	7.0

Total capital expenditures for the years ended March 31, 2014 and 2013 were \$3.7 million and \$7.4 million, respectively. Total depreciation expense for the years ended March 31, 2014 and 2013 was \$0.4 million and \$0.4 million, respectively.

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

At March 31	2014 \$m	2013 \$m
<b>Cost:</b>		
Land and buildings	2.5	2.5
Fixtures, fittings and office equipment	0.5	0.1
Total cost	3.0	2.6
Less: total accumulated depreciation	(0.2)	(0.1)
	2.8	2.5

Total capital expenditures for the years ended March 31, 2014 and 2013 were \$0.4 million and \$0.1 million, respectively. Total depreciation expense for the years ended March 31, 2014 and 2013 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, principally in Costa Rica. The share of net income amounted to \$19.3 million for the year ended March 31, 2014 (2013 - \$30.4 million).

(ii) A non-controlling investment in 50 per cent of Belize International Services Limited ("BISL") which formerly provided shipping and company registry services to international clients. BISL formerly provided financial and other services. The share of net income amounted to \$0.5 million for the year ended March 31, 2014 (2013 - \$2.5 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 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 has not been able to include its associate share of the income of BISL for the majority of Fiscal 2014 in its 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. In the year ended March 31, 2014 WIHL included its associate share of BISL income of \$0.5m together with other fees from BISL of \$0.1m.

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 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. The investment in BISL is carried at the historic book value at the time the GOB assumed control of the operations.

# Notes to consolidated financial statements

## Investment in Latin American Associates

	2014 \$m	2013 \$m
At March 31		
Investment in Latin American Associates	174.6	164.6
Year ended March 31		
Share of Latin American Associates' earnings:	19.3	30.4
Total dividends received during the year	9.3	8.0

At March 31, 2014, the accumulated undistributed earnings of Latin American Associates included in the consolidated retained earnings of the Group amounted to \$139.1 million (2013 - \$129.1 million).

Summarized combined unaudited financial information for Associates was as follows:

### Income statement

	2014 \$m	2013 \$m
Year ended March 31		
Net sales	872.8	885.1
Gross profit	179.7	204.6
Income from continuing operations	99.9	127.6
Net income	82.3	118.4

### Balance sheet

	2014 \$m	2013 \$m
At March 31		
Cash and liquid securities	257.0	256.0
Current assets	275.4	277.4
Non-current assets	357.9	309.1
Current liabilities	151.5	149.8
Non-current liabilities	31.1	28.0

### Investment in BISL

	2014 \$m	2013 \$m
At March 31		
Investment in BISL	4.7	5.8
Year ended March 31		
Share of BISL's earnings (net of amortization):	0.5	2.5
Total dividends and fees during the year	1.6	2.3
Amortization of Investment	0.2	0.7

Summarized unaudited financial information for BISL was as follows:

## Income statement

	2014 \$m	2013 \$m
Year ended March 31 (i)		
Total sales	2.1	9.3
Total expenses	(0.8)	(3.0)
Net income	1.3	6.3

## Balance sheet

	2014 \$m	2013 \$m
At March 31 (ii)		
Cash and liquid securities	0.8	1.0
Fixed assets	0.2	0.2
Non-current assets	0.7	0.7
Current liabilities	0.6	0.8
Non-current liabilities	0.7	0.7

(i) The financial information for the year ended March 31, 2014, includes only the three months ended June 2013.

(ii) The financial information for the year ended March 31, 2014, shows the financial position as at the end of June 2013.

## Note 20 – Deposits – Financial Services

	2014 \$m	2013 \$m
At March 31		
Certificates of deposit	61.0	65.4
Demand deposits	21.3	19.0
	82.3	84.4

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

	2014 \$m	2013 \$m
At March 31		
3 months or less	29.0	38.9
Over 3 and to 6 months	26.7	9.3
Over 6 and to 12 months	3.6	15.3
Deposits less than \$0.1 million	1.7	1.9
	61.0	65.4

Included in certificates of deposit at March 31, 2014 were \$42.6 million (2013 - \$48.4 million) of certificates of deposit denominated in US dollars, \$17.9 million (2013 - \$17.0 million) denominated in UK pounds sterling, and \$0.5 million (2013 - nil) denominated in Euros. Included in demand deposits at March 31, 2014 were \$18.6 million (2013 - \$16.6 million) of demand deposits denominated in US dollars, \$2.5 million (2013 - \$2.2 million) denominated in UK pounds sterling, and \$0.2 million (2013 - \$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.

# Notes to consolidated financial statements

Included in demand deposits are amounts owed to BCB Holdings Limited and its subsidiaries of \$3.9 million (2013 - \$7.2 million) (Note 27(ii)).

## Note 21 – Current liabilities – Corporate

At March 31	2014 \$m	2013 \$m
Series 2 Loan Notes	5.2	–
Other current liabilities	5.0	2.4
<b>Current liabilities</b>	<b>10.2</b>	<b>2.4</b>

At March 31, 2014, WIHL had \$10.2 million in current liabilities (2013 - \$2.4 million), of which \$5.2 million is the amount due on the Series 2 Loan Notes, as described in Note 22, and which is due for repayment November 2014.

## Note 22 - Long-term debt

At March 31, 2014, WIHL had issued and outstanding loan notes amounting to \$178.1 million (2013 - \$161.6 million). The notes are secured and 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	2014 \$m	2013 \$m
Series 2 Loan Notes (i)	–	4.7
Series 3 Loan Notes (ii)	84.3	76.4
Series 4 Loan Notes (iii)	88.6	80.5
<b>Long-term debt</b>	<b>172.9</b>	<b>161.6</b>

Series 2 Loan Notes (due within 12 months) (i)	5.2	–
<b>Total Loan Notes</b>	<b>178.1</b>	<b>161.6</b>

- (i) Series 2 Loan Notes, being 10 per cent, fixed rate, secured loan notes due November 2014 and issued pursuant to a loan note instrument dated 10 October 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, the date of the demerger of WIHL from BCB Holdings Limited ("Series 2 Loan Notes").
- (ii) Series 3 Loan Notes, being 10 per cent, 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 and a cumulative liability of \$66,463,321 at October 26, 2011, including all accrued interest at October 26, 2011 ("Series 3 Loan Notes").
- (iii) Series 4 Loan Notes, being 10 per cent, 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 \$60,000,000 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 Limited (which owns WIHL's interests in Latin American Associates) 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 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 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 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 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, 2014 amounted to \$125,000 (2013 – \$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

# Notes to consolidated financial statements

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, 2014. 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, 2014 amounted to \$nil (2013 - nil).

- (iv) At March 31, 2014, 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 March 31, 2014 would have a material adverse effect on the financial position or liquidity of the Company or its subsidiaries.

## Note 24 - Share capital

	2014 \$m	2013 \$m
At March 31		
Authorized		
Ordinary shares:		
500,000,000 shares of par value \$1.00	500.0	500.0
<b>Total authorized</b>	<b>500.0</b>	<b>500.0</b>
Issued and outstanding		
Ordinary shares:		
100,007,864 shares of par value \$1.00 (2013 - 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, 2012 has been as follows:

	Number	\$m
At April 1, 2012	-	-
Purchased	105,769	0.1
At March 31, 2013	105,769	0.1
At March 31, 2014	105,769	0.1

## Note 25 - Concentrations of deposit and credit risks

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.

# Notes to consolidated financial statements

## 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 2014	Actual 2013
British Caribbean Bank Limited	11.0%	57.7%	63.0%

## Note 27 - Related party transactions

Lord Ashcroft, KCMG PC is a controlling shareholder in WIHL and in BCB Holdings Limited.

### 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, 2014 amounted to \$1.3 million (2013 - \$1.2 million).
- (ii) During the year BCB Holdings Limited and its subsidiaries 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, 2014 amounted to \$5.6 million (2013 - \$7.8 million). The balance outstanding due by WIHL to BCB Holdings Limited and subsidiaries at March 31, 2014 amounted to \$3.9 million (2013 - \$7.2 million). Interest paid by WIHL to BCB Holdings Limited and subsidiaries in respect of these loans for the year ended March 31, 2014 amounted to \$0.1 million (2013 - \$0.1 million).
- (iii) The Company holds cash deposits with subsidiaries of BCB Holdings Limited. The average cash deposits held amounted to \$1.0 million (2013 - \$0.3 million) and the balance held at March 31, 2014 amounted to \$1.8 million (2013 - \$0.1 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:

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 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 of March 31, 2014.

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.



