BCB Holdings Limited

Consolidated Financial Statements

March 31, 2011

BCB Holdings Limited

Report of independent auditors

To the Board of Directors and Shareholders of BCB Holdings Limited
We have audited the accompanying consolidated balance sheets of BCB Holdings Limited and its subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of 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 BCB Holdings Limited and its subsidiaries as of March 31, 2011 and 2010, 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
July 23, 2011

Consolidated statements of income

Year ended March 31	Notes	2011 $m	2010 $m
Financial Services			
Interest income		**71.6**	92.7
Interest expense	4	**(43.9)**	(45.2)
Net interest income		**27.7**	47.5
Provision for loan losses	10	**(36.4)**	(44.5)
Non-interest income	5	**14.2**	29.5
Non-interest expense	6	**(27.4)**	(19.8)
Operating (loss) income – Financial Services		**(21.9)**	12.7
Corporate expenses		**(8.4)**	(5.4)
Total operating (loss) income		**(30.3)**	7.3
Associates	13	**23.0**	18.6
Net (loss) income		**(7.3)**	25.9
(Loss) earnings per ordinary share (basic and diluted)	7	**$(0.07)**	$0.27

Consolidated statements of changes in shareholders' equity

	Share capital $m	Additional paid in capital $m	Treasury shares $m	Retained earnings $m	Total $m
At March 31, 2009	0.6	–	(22.3)	371.7	350.0
Sale of treasury shares	–	–	0.7	(0.4)	0.3
Additional paid in capital	–	52.4	–	–	52.4
Net income	–	–	–	25.9	25.9
At March 31, 2010	0.6	52.4	(21.6)	397.2	428.6
Net loss	–	–	–	(7.3)	(7.3)
At March 31, 2011	**0.6**	**52.4**	**(21.6)**	**389.9**	**421.3**

At March 31, 2011, retained earnings included non-distributable statutory reserves in The Belize Bank Limited and its fellow subsidiaries of $15.2 million (2010 – $15.2 million).

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

Consolidated balance sheets

At March 31	Notes	2011 $m	2010 $m
Assets			
Financial Services			
Cash, cash equivalents and due from banks	8	**43.2**	58.4
Interest-bearing deposits with correspondent banks		**99.5**	84.0
Government of Belize securities	9	**28.9**	–
Loans – net	10	**764.5**	826.3
Property, plant and equipment – net	11	**18.0**	16.2
Other assets	12	**119.2**	92.1
Total Financial Services assets		**1,073.3**	1,077.0
Corporate			
Cash and cash equivalents		**–**	0.3
Other current assets		**0.4**	0.4
Property, plant and equipment – net		**–**	0.1
Associates	13	**125.8**	108.6
Total assets		**1,199.5**	1,186.4
Liabilities and shareholders' equity			
Financial Services			
Deposits	14	**612.2**	611.9
Interest payable		**11.9**	8.8
Other liabilities		**13.1**	10.5
Long-term debt	15	**133.8**	121.4
Total Financial Services liabilities		**771.0**	752.6
Corporate			
Current liabilities		**6.0**	4.0
Long-term liabilities		**1.2**	1.2
Total liabilities		**778.2**	757.8
Shareholders' equity:			
Share capital (ordinary shares of no par value – 2011 and 2010 – 103,642,984)	17	**0.6**	0.6
Additional paid-in capital	17	**52.4**	52.4
Treasury shares	17	**(21.6)**	(21.6)
Retained earnings		**389.9**	397.2
Total shareholders' equity		**421.3**	428.6
Total liabilities and shareholders' equity		**1,199.5**	1,186.4

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

Consolidated statements of cash flows

Year ended March 31	2011 $m	2010 $m
Cash flows from operating activities		
Net (loss) income	(7.3)	25.9
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	1.4	1.4
Provision for loan losses	36.4	44.5
Undistributed earnings of associates	(17.2)	(11.6)
Changes in assets and liabilities:		
Increase (decrease) in interest payable	3.1	(0.1)
Increase in other assets	(27.1)	(45.1)
Increase (decrease) in other liabilities	4.6	(2.1)
Net cash (utilized) provided by operating activities	(6.1)	12.9
Cash flows from investing activities		
Purchase of property, plant and equipment (net)	(3.1)	(0.8)
(Increase) decrease in interest-bearing deposits with correspondent banks	(15.5)	0.5
(Increase) decrease in Government securities	(28.9)	0.3
Decrease in loans to customers	25.4	5.7
Net cash (utilized) provided by investing activities	(22.1)	5.7
Cash flows from financing activities		
Increase (decrease) in long-term debt	12.4	(25.3)
Additional paid in capital	–	52.4
Increase (decrease) in deposits	0.3	(35.0)
Sale of treasury shares	–	0.3
Net cash provided (utilized) by financing activities	12.7	(7.6)
Net change in cash, cash equivalents and due from banks	(15.5)	11.0
Cash, cash equivalents and due from banks at beginning of year	58.7	47.7
Cash, cash equivalents and due from banks at end of year	43.2	58.7
Cash – financial services	43.2	58.4
Cash – corporate	–	0.3
	43.2	58.7

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

Notes to the consolidated financial statements

Note 1 – Description of business

Introduction

BCB Holdings Limited (formerly BB Holdings Limited) ("BCBH" or "the Company") is a company incorporated in Belize. BCBH 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. BCBH's businesses are conducted through its subsidiaries. In February 2009, Belize Bank (Turks and Caicos) Limited changed its name to British Caribbean Bank Limited ("BCB"). In May 2009 the Company changed its name from BB Holdings Limited to BCB Holdings Limited with immediate effect. In June 2009 Belize Bank International Limited changed its name to British Caribbean Bank International Limited ("BCBI").

In May 2009, the Company completed the acquisition of the entire issued share capital of Cockleshell Limited ("Cockleshell"), a company listed on the Alternative Investment Market of the London Stock Exchange ("AIM") and whose sole asset was approximately $52.4 million in cash. By way of consideration for the merger, Cockleshell shareholders were allotted and issued new BCBH Shares on the basis of 0.916 BCBH Shares for every Cockleshell share registered in their name on the record date. In connection with the acquisition the Company issued 41,088,934 ordinary shares to the shareholders of Cockleshell.

Financial services

The principal activity of BCBH and its subsidiaries ("the Group") is the provision of financial services in Belize and the Turks and Caicos Islands. Financial services are provided principally through The Belize Bank Limited and British Caribbean Bank International Limited (both incorporated and operating in Belize) and British Caribbean Bank Limited (a company incorporated in the Turks and Caicos Islands).

Associates

The Group's equity investment in associates is comprised of investments in Grupo Agroindustrial CB, S.A., Tower Strategic, Ltd., Mesocafta International, S.A. and BVI International Holdings, Inc. (the "Associates"). The Associates own edible oil processing and distribution operations and palm seed plantations in Central America and operate as producers and distributors of edible oils, margarine, industrial oils and animal feed, principally in Costa Rica.

Subsequent events

The Group has evaluated subsequent events for recognition and disclosure through July 23, 2011, 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 generally accepted accounting principles 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 the Group. BCBH 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 or 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 Statement of Financial Accounting Standards No. 114 – Accounting by Creditors for Impairment of a Loan, as amended by Statement 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.

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 vehicle	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.

Stock-based compensation

Stock-based employee compensation is accounted for under the fair value based method of accounting (note 17).

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 2011, consideration was given to the implications, if any, of the following new and revised standards:

In January 2010, the FASB issued ASU 2010-06, an update of ASC 820-10, "Fair Value Measurements" which adds new disclosure requirements for each class of assets and liabilities, and transfers, purchases and sales activities related thereto. The amendment was effective on issuance.

In February 2010, the FASB issued ASU 2010-09, an update to ASC 855-10, "Subsequent Events" which amends the guidance to remove the requirement to disclose the date through which subsequent events have been evaluated. The amendment was effective on issuance.

In February 2010, the FASB issued ASU 2010-10, an update to ASC 810-10, "Consolidation" which defers the amendments to the consolidation requirements of ASC 810-10 for a reporting entity's interest in entities that have attributes of investment companies or for which industry practice allows measurement principles that are consistent with those followed by investment companies.

In March, 2010, the FASB issued ASU 2010-11, an update to ASC 815-15, "Derivatives and Hedging-Embedded Derivatives" which clarifies that the scope exception for considering certain credit-related features for potential separate accounting applies to contracts containing an imbedded credit derivative in the form of subordination of one financial instrument to another. This standard was effective on issuance.

In April 2010, the FASB issued ASU 2010-18, an update to ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" to clarify that modifications of loans that are accounted for within a pool do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. The update was effective on issuance.

In July 2010, the FASB issued ASU 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" which requires more disclosures about the credit quality of financing receivables, including loans, lease receivables, other long-term receivables, and credit allowances held against them. Disclosures about activity that occurs during a reporting period are effective in the interim reporting period ending March 31, 2011.

In December 2010, the FASB issued ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" which requires that a Step 2 analysis be performed if the carrying value of a reporting unit is zero or negative and if it is more likely than not that goodwill is impaired. The update is effective for goodwill impairment testing performed during 2011 with any resulting impairment charge recorded through a cumulative effect adjustment to beginning retained earnings.

In January 2011, the FASB issued ASU 2011-1, "Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in ASU 2010-20". The update defers the effective date of reporting TDR credit quality disclosures until after the FASB has clarified the guidance for determining what constitutes a TDR. 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 Belize and the Turks and Caicos Islands.

Year ended March 31	2011 $m	2010 $m
Depreciation		
Financial Services	1.3	1.4
Corporate	0.1	–
	1.4	1.4

Year ended March 31	2011 $m	2010 $m
Capital expenditures (net)		
Financial Services	3.1	0.8
	3.1	0.8

At March 31	2011 $m	2010 $m
Total assets		
Financial Services	1,073.3	1,077.0
Associates	125.8	108.6
Corporate	0.4	0.8
	1,199.5	1,186.4

Note 4 – Interest expense

Year ended March 31	2011 $m	2010 $m
Interest on customer deposits	31.5	30.7
Interest on long-term debt	–	3.2
Interest on Series 1 Loan Notes	–	5.4
Interest on Series 2 Loan Notes	0.4	5.9
Interest on Series 3 Loan Notes	5.8	–
Interest on Series 4 Loan Notes	6.2	–
	43.9	45.2

Note 5 – Non-interest income

Year ended March 31	2011 $m	2010 $m
Foreign exchange income and commissions	3.6	5.7
Customer service and letter of credit fees	2.5	2.4
Credit card fees	3.3	3.2
Other financial and related services	2.3	2.6
Other income (i)	2.5	15.6
	14.2	29.5

(i) Other income in the year ended March 31, 2010 included $12.4 million related to an arbitral award against the Government of Belize (note 12(iv)).

Note 6 – Non-interest expense

Year ended March 31	2011 $m	2010 $m
Salaries and benefits	8.4	7.8
Premises and equipment	3.3	3.1
Other expenses	15.7	8.9
	27.4	19.8

Note 7 – (Loss) earnings per ordinary share

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

Year ended March 31	2011 $m	2010 $m
Net (loss) income	(7.3)	25.9
Weighted average number of shares (basic and diluted)	100,007,291	95,889,339

During the year ended March 31, 2011 and 2010 the weighted average effect of share options and warrants has been excluded from the calculation of diluted earnings per ordinary share, since they were anti-dilutive under the treasury method of earnings per share calculation (note 17).

Note 8 – Cash, cash equivalents and due from banks

At March 31	2011 $m	2010 $m
Cash in hand	8.1	6.6
Balances with the Central Bank of Belize	32.0	47.8
Amounts in the course of collection	3.1	4.0
	43.2	58.4

The Belize Bank Limited ("BBL") is required to maintain an average minimum non-interest bearing deposit balance with the Central Bank of Belize equal to 8.5 percent of the average deposit liabilities of BBL. At March 31, 2011, the actual amount was 9.2 percent. In addition, BBL must maintain an average aggregate of approved liquid assets (which include the average minimum non-interest bearing deposit balance maintained with the Central Bank of Belize) equal to 23 percent of the average deposit liabilities of BBL. At March 31, 2011, the actual amount was 30.2 percent.

Note 9 – Government of Belize Securities

In May, 2010, the Central Bank of Belize instituted a new liquid asset requirement for banks to maintain holdings of Government of Belize treasury bills equivalent to not less than 6.50% of the bank's average deposit liabilities for the reporting period, March 2010. The percentage required was reduced to 5.0% effective January 2011 and further reduced to 3.0% effective April 1, 2011 utilizing the average deposit liabilities for the reporting period, January 2011. As at March 31, 2011, BBL's holdings in Government of Belize treasury bills was equivalent to 7.9% of its average deposit liabilities. Government of Belize treasury bills represent bills issued by the Central Bank of Belize. The bills all mature within 90 days. BBL has the positive intent and ability to hold its securities to maturity, so they are carried at cost which approximates market value.

Note 10 – Loans – net

At March 31	2011 $m	2010 $m
Loans (net of unearned income):		
Residential mortgage	54.3	56.7
Credit card	8.2	8.3
Other consumer	37.0	35.9
Commercial – real estate	319.7	341.9
Commercial – other	445.0	448.2
	864.2	891.0
Allowance for loan losses:		
Residential mortgage	(4.9)	(2.1)
Credit card	(0.4)	(0.2)
Other consumer	(3.3)	(2.3)
Commercial – real estate	(59.6)	(44.0)
Commercial – other	(31.5)	(16.1)
	(99.7)	(64.7)
Loans (net of unearned income and allowance for loan losses):		
Residential mortgage	49.4	54.6
Credit card	7.8	8.1
Other consumer	33.7	33.6
Commercial – real estate	260.1	297.9
Commercial – other	413.5	432.1
Loans (net of unearned income and allowance for loan losses)	764.5	826.3

Unearned income at March 31, 2011 amounted to $5.2 million (2010 – $6.4 million).

The maturity ranges of loans outstanding at March 31, 2011 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	20.8	5.8	27.7	54.3
Credit card	8.2	–	–	8.2
Other consumer	9.5	18.6	8.9	37.0
Commercial – real estate	89.2	61.0	169.5	319.7
Commercial – other	348.9	30.5	65.6	445.0
	476.6	115.9	271.7	864.2

Non-accrual loans at March 31, 2011 amounted to $394.4 million (2010 – $224.0 million). The interest income which would have been recorded during the year ended March 31, 2011 had all non-accrual loans been current in accordance with their terms was approximately $39.1 million (2010 – $25.4 million).

At March 31, 2011, the amount of impaired loans outstanding in which the Group considers that there was a probability of a loss totaled $241.9 million (2010 – $196.0 million), with related allowances, after taking into consideration related collateral, of $94.2 million (2010 – $57.0 million). There were no impaired loans without specific allowances. The average amount of loans outstanding, in which the Group considers there was a probability of a loss during the year ended March 31, 2011, was $229.1 million (2010 – $93.3 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 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 required by the Banking and Financial Institutions Act to be maintained by commercial banks operating in Belize. This extends to the BBL's fellow subsidiary, BCB, in TCI. This allowance does not represent future losses or serve as a substitute for specific allowances.

At March 31, 2011, the Group had total loans outstanding to certain officers and employees of $8.6 million (2010 – $8.9 million) at preferential rates of interest varying between 4.0 percent and 10.9 percent per annum, repayable over varying periods not exceeding 25 years. At March 31, 2011, these loans included nil (2010 – $0.4 million) classified within commercial – other loans.

At March 31, 2011, the Group held 564,228 ordinary shares of BCBH as collateral for certain loans provided.

Changes in the allowance for loan losses were as follows:

Year ended March 31	2011 $m	2010 $m
At beginning of year	64.7	20.8
Provision charged to income	36.4	44.5
Charge-offs	(1.4)	(0.6)
Net movement in year	35.0	43.9
At end of year	99.7	64.7

Recoveries from loan losses have been immaterial to date. At March 31, 2011, the allowance for loan losses included a general loan loss allowance of $5.5 million (2010 – $7.7 million).

Note 11 – Property, plant and equipment – net

At March 31	2011 $m	2010 $m
Cost:		
Land and buildings	17.0	15.1
Fixtures, fittings and office equipment	11.3	10.2
Total cost	28.3	25.3
Less: total accumulated depreciation	(10.3)	(9.1)
	18.0	16.2

Total capital expenditures for the years ended March 31, 2011 and 2010 were $3.1 million and $0.8 million, respectively. Total depreciation expense for the years ended March 31, 2011 and 2010 was $1.3 million and $1.4 million, respectively.

Note 12 – Other assets

At March 31	2011 $m	2010 $m
Short-term investments (i)	8.5	9.2
Investment in associate (ii)	6.2	6.0
Amounts recoverable from Government of Belize (iii, iv and (v))	59.9	57.9
Accrued interest receivable	4.6	4.6
Other assets	40.0	14.4
	117.2	92.1

(i) At March 31, 2011, BCBH held investments of $2.7 million in annuities issued by CLICO Trinidad had an original maturity date in December 2011. CLICO's investment portfolios became materially impaired as a result of the global financial crisis which began in 2008 and continued into 2009 resulting in some of its branches being placed under court supervision. Based on public announcements on the financial position of CLICO by the Government of Trinidad and Tobago in which it was stated CLICO's obligations would not be met in full, the Company has made a provision of $1.1 million against the carrying value of the investment in CLICO.

Included in other assets are the following securities:

At March 31	2011 $m	2010 $m
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	2.5	2.0
Corporate debt obligations	6.0	5.4
Other debt obligations	–	1.8
	8.5	9.2

A summary of securities as of March 31, 2011, by contractual maturity, is presented below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

At March 31	2011 $m	2010 $m
Due in one year or less	8.5	6.1
Due in one to five years	–	3.1
	8.5	9.2

Management has the positive intent and ability to hold these securities to maturity, so they are carried at amortized cost which approximates market value.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

(ii) The Group owns a non-controlling, 50.0 percent interest in the equity of Belize International Services Limited ("BISL"). BISL is a holding company incorporated in the British Virgin Islands which provides financial and other services. The share of net income amounted to $2.2 million for the year ended March 31, 2011 (2010 – $1.8 million) and is included in Non-interest income – other income (note 5).

(iii) BBL has a claim against the Government of Belize ("GOB") for approximately $10 million arising out of a settlement of the GOB's guarantee of loans entered into between BBL and Universal Health Services Limited. These claims are being pursued in arbitration in London under the LCIA Rules, which is currently stayed pending the outcome of the an appeal being brought by BBL in the Privy Council in relation to a challenge to the validity of the settlement by a third party, the Association of Concerned Belizeans. BBL is pursuing its claims against the GOB through the Appeals Board in Belize and through arbitration in London and, having received the advice of external advisers, expects to recover its claims in full.

(iv) In August 2009 BCBH and BBL successfully obtained an arbitral award against the GOB of approximately $22.2 million in respect of damages and costs for breaches of warranties given by GOB. The award, amongst other things, took account of a prior receivable from the GOB concerning the overpayment of business tax by BBL.

This arbitration which took place under the LCIA Rules, had been commenced by BCBH and BBL in which they sought damages for the breach of undertakings by the GOB in a Settlement Deed, as amended, to afford certain tax treatment to BBL. BCBH and BBL sought enforcement of the LCIA Arbitral Award in the Belize Supreme Court and, in December 2010, the Court determined that the arbitral award may be enforced in Belize. The effect of this judgment is stayed pending an appeal by GOB which is expected to be heard in October 2011. BCBH expects to recover this award in full and the receivable is recorded at its full value in the consolidated balance sheets at March 31, 2011 and 2010.

(v) 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 6 July 2007 granted by BCB to Belize Telemedia Limited, a company incorporated in Belize ("Telemedia");
b) a Mortgage Debenture between BCB and Telemedia dated 31 December 2007;
c) a Syndicated Loan Agreement dated 19 September 2005 executed between BCB, BBL, Caedman Limited and Sunshine Holdings Limited (Sunshine);
d) a Security Agreement dated 19 September 2005 executed between the BCB and Sunshine; and
e) a Facility Agreement dated 19 May 2006 executed between the BCB, Sunshine and the Trustees of the Belize Telecommunications Ltd. Employees Trust.

BCB challenged the legislation as being unconstitutional and on June 24, 2011, the Belize Court of Appeal declared the legislation null and void. The GOB has stated publically that it intends to appeal this ruling, but as yet has not done so. However, on June 28, 2011, the GOB passed legislation (the "New Acquisition Legislation") purporting to compulsorily reacquire the same property as had been acquired under the previous legislation. A further bill purporting to amend the constitution so as to prevent challenge to the New Acquisition Legislation passed its first reading on July 22, 2011. There will now be an interval of ninety days before the second reading of the bill.

BCB has also commenced arbitration proceedings 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 and protection of investments.

Without prejudice to these claims, BCB has also sought compensation for the loss of its assets in accordance with the previous legislation and will continue to seek compensation without prejudice to any legal challenges to the New Acquisition Legislation and the proposed constitutional amendment.

By means of a separate claim, Telemedia and the GOB have also sought to challenge the enforceability of the loan agreements at (v) above. Telemedia have applied for permission to discontinue the claim and BCB have also applied to strike out the claims of Telemedia and the GOB. A hearing on these applications is awaited. The aggregate amount included in other assets – amounts recoverable from Government of Belize at March 31, 2011 that is subject to the above actions amounts to $27.7 million (2010 – $25.7 million).

Note 13 – Associates

At March 31	2011 $m	2010 $m
Investments in associates	**125.8**	108.6

Year ended March 31	2011 $m	2010 $m
Share of associates' earnings:	**23.0**	18.6
Total dividends receivable during the year	**5.8**	7.0

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

At March 31, 2011, the accumulated undistributed earnings of associates included in the consolidated retained earnings of the Group amounted to $107.5 million (2010 – $90.3 million).

Summarized combined unaudited financial information for Associates was as follows:

Year ended March 31	2011 $m	2010 $m
Net sales	**658.7**	545.5
Gross profit	**168.9**	136.0
Income from continuing operations	**105.5**	83.5
Net income	**90.6**	74.6

At March 31	2011 $m	2010 $m
Cash and liquid securities	**133.3**	113.6
Current assets	**248.4**	203.1
Non-current assets	**281.0**	253.8
Current liabilities	**111.1**	109.4
Non-current liabilities	**33.9**	14.9

Notes to the consolidated financial statements

Note 14 – Deposits

At March 31	2011 $m	2010 $m
Certificates of deposit	**405.0**	379.0
Demand deposits	**143.3**	174.2
Savings deposits	**63.9**	58.7
	612.2	611.9

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

At March 31	2011 $m	2010 $m
3 months or less	**188.3**	104.3
Over 3 and to 6 months	**64.0**	61.1
Over 6 and to 12 months	**77.8**	167.2
Over 12 months	**–**	2.0
Deposits less than $0.1 million	**74.9**	44.4
	405.0	379.0

Included in certificates of deposit at March 31, 2011 were $125.4 million (2010 – $117.2 million) of certificates of deposit denominated in US dollars and $14.2 million (2010 – $14.7 million) denominated in UK pounds sterling. Included in demand deposits at March 31, 2011 were $81.0 million (2010 – $127.3 million) of demand deposits denominated in US dollars and $12.3 million (2010 – $3.7 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.

Note 15 – Long-term debt

At March 31	2011 $m	2010 $m
Series 1 Loan Notes (i)	**0.3**	0.3
Series 2 Loan Notes (ii)	**3.9**	3.5
Series 3 Loan Notes (i)	**62.8**	57.0
Series 4 Loan Notes (ii)	**66.2**	60.0
Other Long-Term Notes (iii)	**0.6**	0.6
	133.8	121.4

(i) In April 2007 BCBH carried out a placement of US$50,000,000 10 percent fixed rate, unsecured, loan notes with a maturity date of April 23, 2013 (the "Series 1 Loan Notes"), together with 7,692,308 warrants to subscribe for new ordinary shares of the Company at an exercise price of US$6.50 per new ordinary share, until April 23, 2013 (the "Series 1Warrants").

(ii) In November 2007 BCBH carried out a further placement of US$50,000,000 10 percent fixed rate, unsecured, loan notes with a maturity date of November 2, 2014 (the "Series 2 Loan Notes"), together with 11,094,442 warrants to subscribe for new ordinary shares of the Company at an exercise price of US$6.50 per new ordinary share, until November 2, 2014 (the "Series 2 Warrants").

The Series 1 and Series 2 Loan Notes and Warrants were offered to placees, each of whom was an existing investor in BCBH. Both placings were fully subscribed and raised in aggregate US$100,000,000, gross of fees and expenses. The entire proceeds of the placings were used by the Company to further capitalize British Caribbean Bank Limited in order to increase the capital base and strength of that bank.

Prior to both placings, Lord Ashcroft, who at the time owned or controlled approximately 71.8 percent of the Company's issued ordinary shares, agreed to subscribe for, or procure others to subscribe for, any loan notes and warrants not taken up by placees.

Agrigento Holdings Limited ("Agrigento"), a company beneficially owned by Lord Ashcroft participated in the placing of the Series 1 Loan Notes and the Series 2 Loan Notes. As a consequence, Agrigento became the beneficial owner of $46,724,000 Series 1 Loan Notes and 7,188,308 related warrants and the beneficial owner of $47,200,000 Series 2 Loan Notes and 10,473,155 related warrants.

Interest on the Series 1 Loan Notes accrues daily at the rate of 10 percent per annum and is payable semi-annually on April 1 and October 1 in each year.

Interest on the Series 2 Loan Notes accrues daily at the rate of 10 percent per annum and is compounded semi-annually on May 1 and November 1 in each year and added to the principal amount.

On March 31, 2008, the Board of Directors of the Company approved the purchase of Agrigento's 10 percent fixed rate unsecured Series 1 Loan Notes, which was for a nominal amount of $46,724,000. Following the purchase of these Series 1 Loan Notes by the Company on April 1, 2008, Agrigento agreed to immediately re-lend the proceeds to the Company in consideration of the issue by the Company to Agrigento of a new loan note on the same terms and conditions with the exception of the interest payable (the "New Series 1 Loan Note"). With effect from April 1, 2008, interest on the New Series 1 Loan Note held by Agrigento accrued daily at the rate of 10 percent per annum and was compounded semi annually on April 1 and October 1 in each year and added to the principal amount.

At March 31, 2010, Agrigento Holdings Limited owned New Series 1 Loan Note as described above with a nominal value of $46,724,000 and value including unpaid interest of $56,793,312 and Series 2 Loan Notes with a nominal value of $47,200,000 and value including unpaid interest of $59,417,844.

On March 31, 2010, pursuant to the conditions of these notes, the Company agreed to purchase New Series 1 Loan Note and the Series 2 Loan Notes owned by Agrigento and to reissue new notes (the "Series 3 Note" and the "Series 4 Note") immediately on substantially the same terms except for the repayment dates, which are now later in both cases, and the granting to the Company of the ability to repay the Series 3 Note and the Series 4 Note at any time after April 1, 2011.

The Series 3 Note is due for repayment on June 30, 2015 and the Series 4 Note is due for repayment on April 2, 2016 (together the "New Notes"). The New Notes provide the Company with an additional 30 months to repay the replaced New Series 1 Loan Note and an additional 17 months to repay the replaced Series 2 Loan Notes.

Interest on the New Notes is payable at maturity. The New Notes have a nominal value of $57,000,000 in respect of the Series 3 Note and $60,000,000 in respect of the Series 4 Note. These amounts exceed the aggregate proceeds of the replaced notes by $788,843 and consequently the Company received an additional sum in cash of $788,843 on the issuance of the New Notes.

The remaining Series 1 Loan Notes and Series 2 Loan Notes, the Series 3 Note and the Series 4 Note are included in Financial Services division long-term debt as the entire proceeds of the original $100.0 million were used to fund the operations of the Financial Services division.

(iii) At March 31, 2008 the Bank issued new unsecured loan notes in the amount of $35.0 million bearing interest at 10 percent per annum payable annually in arrears with a maturity date of 2013. During the year ended March 31, 2010 the majority of these notes were redeemed or repurchased.

Note 16 – Commitments and contingencies

(i) The Group's loans due from customers primarily result from its core business and reflect a broad customer base, although there are certain concentrations by economic activity. Credit limit, ongoing credit evaluations and account monitoring procedures are utilized to minimize the risk of loss. Substantially all of the Group's loan portfolio is fully collateralized. As a consequence, concentrations of credit risk are considered to be limited.

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.

(ii) 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, 2011 amounted to $24.5 million (2010 – $22.8 million).

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, 2011. 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, 2011 amounted to $1.9 million (2010 – $10.5 million).

(iii) The net operating lease rental charge for the years ended March 31, 2011 and 2010 included in the consolidated statements of income was $0.3 million and $0.2 million, respectively.

(iv) At March 31, 2011, 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 12, BCBH and BBL 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 BCBH believes that to do so would materially prejudice the proceedings. BCBH and BBL, having received the advice of external advisers, expect to fully recover amounts recorded as part of other assets in note 12. 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 March31, 2011 would have a material adverse effect on the financial position or liquidity of the Company or its subsidiaries.

Note 17 – Share capital

At March 31	2011 $m	2010 $m
Authorized		
Ordinary shares:		
200,000,000 shares of no par value	–	–
Preference shares:		
14,000,000 shares of $1.00 each	**14.0**	14.0
Total authorized	**14.0**	14.0
Issued and outstanding		
Ordinary shares:		
103,642,984 shares of no par value (2010 – 103,642,984)	**0.6**	0.6

In April, 2009, the authorized ordinary share capital of the Company was increased from 100,000,000 ordinary shares of no par value to 200,000,000 ordinary shares of no par value. As a result of this increase the total authorized capital of the Company was increased to $16.0 million, of which $2.0 million is allocated to ordinary shares and $14.0 million allocated to preference shares.

During the two years ended March 31, 2011, the movement in issued and outstanding shares was as follows:

	Number
At April 1, 2009	62,554,050
Issued	41,088,934
At March 31, 2010	103,642,984
At March 31, 2011	**103,642,984**

On April 6, 2009, the Company agreed the terms of the acquisition by BCBH of the entire issued share capital of Cockleshell Limited ("Cockleshell"), a company listed on the Alternative Investment Market of the London Stock Exchange ("AIM") and whose sole asset was approximately $52.4 million in cash. The acquisition of Cockleshell was implemented pursuant to the terms of a merger of BCBH and Cockleshell in accordance with Part VII of the International Business Companies Act of Belize. By way of consideration for the merger, Cockleshell shareholders were allotted and issued new BCBH Shares on the basis of 0.916 BCBH Shares for every Cockleshell share registered in their name on the record date. In connection with the acquisition of Cockleshell the company issued 41,088,934 ordinary shares to the shareholders of Cockleshell.

All BCBH Shares were issued credited as fully paid to Cockleshell shareholders and rank pari passu in all respects with the BCBH Shares in issue at the time that the new BCBH Shares were allotted and issued; including the right to receive and retain dividends and other distributions declared, made or paid after the effective date of the merger. The new BCBH Shares were admitted to trading on AIM on May 8, 2009 and dealings in the new BCBH Shares commenced on that date.

Treasury shares

The movement in treasury shares, at cost, held since April 1, 2009 has been as follows:

	Number	$m
At April 1, 2009	3,746,138	22.3
Sold	(111,018)	(0.7)
At March 31, 2010	3,635,120	21.6
At March 31, 2011	**3,635,120**	**21.6**

Share options

BCBH has granted employee share options which are issued under its share option plan which reserves ordinary shares for issuance to the Company's executives, officers and key employees. The options have been granted under the Long-Term Incentive Plans (the "Incentive Plans"). The Incentive Plans are administrated by a committee of the board of directors of BCBH. Options are generally granted to purchase BCBH ordinary shares at prices which equate to or are above the market price of the ordinary shares on the date the option is granted. Conditions of vesting are determined at the time of grant but options are generally vested and become exercisable for a period of between three and ten years from the date of grant and all have a maximum term of ten years.

	Number of share options	Weighted average exercise price
Outstanding at April 1, 2009	7,000,000	$6.50
Outstanding at March 31, 2010	7,000,000	$6.50
Outstanding at March 31, 2011	**7,000,000**	**$6.50**

At March 31, 2011, no outstanding options were exercisable.

In August 2008, BCBH granted options over 7,000,000 ordinary shares at an exercise price of $6.50 per share which vest and become exercisable in three equal installments on August 1, 2012, August 1, 2013 and August 1, 2014. These options lapse on August 1, 2015.

Statement of Financial Accounting Standards No. 123 – Accounting for Stock-Based Compensation ("SFAS 123"), as amended by SFAS 148, allows companies to measure compensation cost in connection with share option plans and schemes using a fair value based method. Using the fair value based method consistent with the provisions of SFAS 123, the Group has taken a charge of $1.2 million in the consolidated income statement during the year ended March 31, 2011 (2010 – $1.2 million).

The fair value of each option grant in 2008 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Expected stock price volatility	20 percent
Risk free interest rate	3.7 percent
Expected dividend yield	Nil percent
Expected life of option	5.0 years

Notes to the consolidated financial statements

Note 18 – Concentrations of 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, real estate and agriculture 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.

Note 19 – Regulatory capital requirements

The regulatory capital guidelines measure capital in relation to the credit and market risks of both off- 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 individual banks' financial position, results of operations, or liquidity. The following table set forth the capital requirements and the actual ratios of the banks owned by the Group.

	Minimum required	**Actual 2011**	Actual 2010
The Belize Bank Limited	9.0%	**19.4%**	23.0%
British Caribbean Bank International Limited	10.0%	**30.8%**	24.6%
British Caribbean Bank Limited	11.0%	**55.6%**	45.1%

Note 20 – Pensions and other plans

The Group operates various defined contribution pension plans in Belize which cover a number of salaried employees. In general, the plans provide benefits at normal retirement age based on a participant's individual accumulated fund including any additional voluntary contributions. The Group's pension contribution expense for the years ended March 31, 2011 and 2010 amounted to $0.1 million and $0.1 million respectively.

Note 21 – Related party transactions

Consultancy services

During the year the Group utilized the consultancy services of Bearwood Services Limited ("Bearwood"), a United Kingdom company in which Lord Ashcroft has an interest. The aggregate fees paid to Bearwood by the Company for the year ended March 31, 2011 amounted to $0.4 million (2010 – $0.4 million).

Note 22 – Fair value of financial instruments

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, is 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, 2011.

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.

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