BCB Holdings Limited

BCB Holdings Limited
Consolidated Financial Statements
March 31, 2012

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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, 2012 and 2011, 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 BCB Holdings Limited and its subsidiaries as of March 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Horwath Belize LLP

Horwath Belize LLP
Belize City, Belize
Central America
September 28, 2012

Consolidated statements of comprehensive income

Year ended March 31	Notes	2012 $m	2011 $m
Financial Services			
Interest income		**40.8**	43.8
Interest expense	4	**(20.2)**	(26.0)
Net interest income		**20.6**	17.8
Provision for loan losses	10	**(19.6)**	(22.9)
		1.0	(5.1)
Non-interest income	5	**13.0**	11.9
Non-interest expense	6	**(23.8)**	(20.6)
Operating loss - Financial Services		**(9.8)**	(13.8)
Corporate expenses		**(4.7)**	(5.9)
Net loss from continuing operations		**(14.5)**	(19.7)
Net (loss) income from discontinued operations	21	**(0.6)**	12.4
Net loss		**(15.1)**	(7.3)
(Loss) earnings per ordinary share (basic and diluted)	7		
Net loss from continuing operations		**$ (0.14)**	$ (0.20)
Net (loss) income from discontinued operations		**$ (0.01)**	$ 0.13
Net loss		**$ (0.15)**	$ (0.07)

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, 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
Demerger (note 21)	–	0.4	–	(298.6)	(298.2)
Net loss	–	–	–	(15.1)	(15.1)
At March 31, 2012	**0.6**	**52.8**	**(21.6)**	**76.2**	**108.0**

At March 31, 2012, retained earnings included non-distributable statutory reserves in The Belize Bank Limited and its fellow subsidiary of $2.2 million (2011 - $2.2 million).

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

Consolidated balance sheets

At March 31	Notes	2012 $m	2011 $m
Assets			
Financial Services			
Cash, cash equivalents and due from banks	8	**146.7**	122.4
Interest-bearing deposits with correspondent banks		**31.0**	27.2
Government of Belize securities	9	**18.5**	28.9
Loans - net	10	**375.7**	390.3
Property, plant and equipment - net	11	**15.1**	12.8
Other assets	12	**78.4**	77.1
Total Financial Services assets		**665.4**	658.7
Corporate			
Cash and cash equivalents		**8.5**	7.8
Other current assets		**1.3**	0.4
Net assets - discontinued operations	21	**–**	295.4
Total assets		**675.2**	962.3
Liabilities and shareholders' equity			
Financial Services			
Deposits	13	**545.6**	515.3
Interest payable		**6.5**	9.0
Other liabilities		**8.0**	8.9
Long-term debt	14	**–**	0.6
Total Financial Services liabilities		**560.1**	533.8
Corporate			
Current liabilities		**5.9**	6.0
Long-term liabilities		**1.2**	1.2
Total liabilities		**567.2**	541.0
Shareholders' equity:			
Share capital (ordinary shares of no par value – 2012 and 2011 -103,642,984)	15	**0.6**	0.6
Additional paid-in capital		**52.8**	52.4
Treasury shares	15	**(21.6)**	(21.6)
Retained earnings		**76.2**	389.9
Total shareholders' equity		**108.0**	421.3
Total liabilities and shareholders' equity		**675.2**	962.3

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

Consolidated statements of cash flows

Year ended March 31	2012 $m	2011 $m
Cash flows from operating activities		
Net loss from continuing operations	(14.5)	(19.7)
Adjustments to reconcile net loss to net cash (utilized) provided by operating activities:		
Depreciation	1.4	1.3
Provision for loan losses	19.6	22.9
Changes in assets and liabilities:		
(Decrease) increase in interest payable	(2.5)	0.9
Increase in other assets	(2.2)	(13.0)
(Decrease) increase in other liabilities	(1.0)	2.1
Net cash provided (utilized) by - continuing operations	0.8	(5.5)
Net cash (utilized) provided by - discontinued operations	(3.4)	9.0
Net cash (utilized) provided by operating activities	(2.6)	3.5
Cash flows from investing activities		
Purchase of property, plant and equipment (net)	(3.7)	(3.0)
(Increase) decrease in interest-bearing deposits with correspondent banks	(3.8)	44.6
Decrease (increase) in Government securities	10.4	(28.9)
(Increase) decrease in loans to customers	(5.0)	19.7
Net cash (utilized) provided by investing activities	(2.1)	32.4
Cash flows from financing activities		
Increase in deposits	30.3	30.1
Decrease in long-term debt	(0.6)	–
Net cash provided by financing activities	29.7	30.1
Net change in cash, cash equivalents and due from banks	25.0	66.0
Cash, cash equivalents and due from banks at beginning of year	130.2	64.2
Cash, cash equivalents and due from banks at end of year	155.2	130.2
Cash - financial services	146.7	122.4
Cash - corporate	8.5	7.8
	155.2	130.2

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

Notes to consolidated financial statements

Note 1 - Description of business

Introduction

BCB Holdings Limited ("BCBH" or "the Company") is a company incorporated in Belize. BCBH's shares are traded on the Alternative Investment Market of the London Stock Exchange. BCBH is a holding company with no independent business operations or assets other than its investment in its subsidiaries, intercompany balances and holdings of cash and cash equivalents. BCBH's businesses are conducted through its subsidiaries.

On October 26, 2011, BCBH, completed a reorganization of its group by demerging its non-Belizean businesses into a new holding company, Waterloo Investment Holdings Limited, (a company incorporated in the British Virgin Islands) ("WIHL"). As a result of the demerger, all shareholders of BCBH received shares in WIHL in direct proportion to their holding in BCBH as at the effective date of the demerger. Consequently, on the day of closing of the demerger transaction the shareholders of BCBH and WIHL were the same.

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

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

The businesses of BCBH following the demerger include The Belize Bank Limited ("BBL") which is incorporated and based in Belize and focuses on the provision of financial services and lending to domestic clients and (ii) Belize Bank International Limited (formerly named British Caribbean Bank International Limited) which is incorporated and based in Belize and focuses on the provision of financial services and lending to international clients.

The businesses of WIHL following the demerger include (i) British Caribbean Bank Limited which focuses on the provision of financial services and lending in the Turks and Caicos Islands and whose assets are principally comprised of loans that have a high concentration in asset backed lending to the tourism and property development sectors (ii) certain other loans and assets principally related to tourism, property and infrastructure businesses and (iii) an interest in two associated companies.

The consolidated financial information included in these consolidated financial statements, as at and for the years ended March 31, 2011 and March 31, 2012, reflects the impact of the demerger, which became effective on October 26, 2011. In accordance with accounting standards, the income statements for the years ended March 31, 2011 and March 31, 2012 have been presented to separately disclose the results from continuing and discontinued operations. All prior period financial information included in these consolidated financial statements has been appropriately restated to present continuing operations and discontinued operations separately in the income statement for all periods and in the balance sheet at March 31, 2011.

Subsequent events

BCBH and its subsidiaries (the "Group") have evaluated subsequent events for recognition and disclosure through September 28, 2012, 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.

Government of Belize securities and other securities

Government of Belize securities available for sale are carried at fair value with unrealized holding gains and losses reported in other comprehensive income. The securities which consist of Government of Belize treasury notes and/or treasury bills, are issued by the Central Bank of Belize at a discount usually with a 90 day maturity. Interest income is recognized using the interest method during the period to maturity. BBL has the intent and ability to hold its securities to maturity, so they are carried at cost, which approximates market value. The effect of adopting SFAS No. 115 is immaterial. There is no active market for these securities in Belize.

Other marketable securities held as short term investments and available for sale are carried at fair value with unrealized holding gains and losses reported in other comprehensive income. 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.

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 Group considers that the loan will remain performing.

Leases

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

Acceptances

The Group's potential liability under acceptances is reported as a liability in the balance sheet. The Group has equal and offsetting claims against its customers in event of a call on these commitments, which are reported as an asset.

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. The rate of exchange between the US dollar and the Belize dollar has been fixed since 1976 at the rate of Belize $2.00 equals US $1.00.

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

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 comprehensive 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 15).

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 2012, consideration was given to the implications, if any, of the following new and revised standards:

In April 2011, the FASB issued ASU 2011-02 which provides guidance by clarifying that a debt restructuring is a troubled debt restructuring if the restructuring constitutes a concession and the debtor is having financial difficulties. The Update requires a creditor to consider all aspects of a restructuring including assessing the debtor's capacity to source other funds at market rates, the value of additional collateral and guarantees obtained and the probability of the debtor defaulting and seeking bankruptcy protection. The guidance is effective for annual reporting periods beginning after 15 December 2011and respective interim periods therein.

In April 2011, the FASB issued ASU 2011-03, which addresses the determination of effective control in repurchase agreements and eliminates the requirement for entities to consider whether the transferor/seller has the ability to repurchase the financial assets in a repurchase agreement. This new accounting guidance was effective, on a prospective basis, for new transactions or modifications to existing transactions on January 1, 2012.

In May 2011, the FASB issued ASU 2011-04 with amendments intended to achieve common fair value measurement and disclosure requirements between US and international financial reporting by changing the wording used to describe the requirements in US GAAP for fair value measurement and for disclosing information about measuring fair value. The amendments are effective for interim and annual reporting periods beginning after 15 December 2011.

In June 2011, the FASB issued ASU 2011-05 to increase the prominence of items reported in other comprehensive income by eliminating the option to present items of other comprehensive income as part of the statement of changes in stockholders' equity and instead be presented either in a single continuous statement of comprehensive income or in two separate continuous statements. The amendments are effective for annual reporting periods ending after 15 December 2011 and subsequent interim periods.

In September 2011, the FASB issued ASU 2011-08, which provides guidance that simplifies goodwill impairment testing. The amendments will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. This guidance became available for early adoption in the third quarter of 2011.

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 in Belize.

Year ended March 31	2012 $m	2011 $m
Depreciation		
Financial Services	1.4	1.3
Corporate	–	–
	1.4	1.3

Year ended March 31	2012 $m	2011 $m
Capital expenditures		
Financial Services	4.5	3.0
	4.5	3.0

At March 31	2012 $m	2011 $m
Total assets		
Financial Services	665.4	658.7
Discontinued operations	–	295.4
Corporate	9.8	8.2
	675.2	962.3

Note 4 - Interest expense

Year ended March 31	2012 $m	2011 $m
Interest on customer deposits	20.2	26.0
	20.2	26.0

Note 5 - Non-interest income

Year ended March 31	2012 $m	2011 $m
Foreign exchange income and commissions	4.2	3.9
Customer service and letter of credit fees	2.2	2.4
Credit card fees	3.5	3.2
Other financial and related services	1.9	1.9
Other income	1.2	0.5
	13.0	11.9

Note 6 - Non-interest expense

Year ended March 31	2012 $m	2011 $m
Salaries and benefits	8.4	7.6
Premises and equipment	3.2	3.0
Other expenses	12.2	10.0
	23.8	20.6

Note 7 - (Loss) earnings per ordinary share

Basic and diluted earnings per ordinary share have been calculated on the net loss or 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	2012 $m	2011 $m
Net loss	(15.1)	(7.3)
Weighted average number of shares (basic and diluted)	100,007,864	100,007,864

During the year ended March 31, 2012 and 2011 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 15).

Note 8 - Cash, cash equivalents and due from banks

At March 31	2012 $m	2011 $m
Cash in hand	7.3	7.7
Balances with the Central Bank of Belize (ii)	39.6	35.0
Balances with other financial institutions (i)	96.7	76.7
Amounts in the course of collection	3.1	3.0
	146.7	122.4

(i) Included in balances with other financial institutions at March 31, 2011 is $24.4 million held as a deposit at British Caribbean Bank Limited, a subsidiary of WIHL.

(ii) 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, 2012, the actual amount was 9.6 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, 2012, the actual amount was 28.3 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 6.5 percent of the bank's average deposit liabilities for the reporting period, March 2010. The percentage required was reduced to 5.0 percent effective January 2011 and further reduced to 3.0 percent effective April 1, 2011 utilizing the average deposit liabilities for the reporting period, January 2011. Effective October 1, 2011 this requirement was reduced to nil. As at March 31, 2012 BBL's holdings in Government of Belize treasury bills was equivalent to 4.86 percent of its average deposit liabilities. Government of Belize treasury bills represent bills issued by the Central Bank of Belize. These bills 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 fair market value.

Note 10 - Loans - net

At March 31	2012 $m	2011 $m
Loans (net of unearned income):		
Residential mortgage	37.4	30.3
Credit card	8.0	8.2
Other consumer	42.7	34.5
Commercial - real estate	74.5	125.0
Commercial - other	251.3	229.9
	413.9	427.9
Allowance for loan losses:		
Residential mortgage	(3.2)	(2.0)
Credit card	(0.5)	(0.4)
Other consumer	(2.5)	(1.9)
Commercial - real estate	(4.5)	(7.0)
Commercial - other	(27.5)	(26.3)
	(38.2)	(37.6)
Loans (net of unearned income and allowance for loan losses):		
Residential mortgage	34.2	28.3
Credit card	7.5	7.8
Other consumer	40.2	32.6
Commercial - real estate	70.0	118.0
Commercial - other	223.8	203.6
Loans (net of unearned income and allowance for loan losses)	375.7	390.3

The maturity range of loans outstanding at March 31, 2012 is 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	3.2	2.0	32.2	37.4
Credit card	8.0	–	–	8.0
Other consumer	8.5	24.6	9.6	42.7
Commercial - real estate	26.9	19.1	28.5	74.5
Commercial - other	82.3	25.6	143.4	251.3
	128.9	71.3	213.7	413.9

The table below reflects outstanding loans by industry classifications.

	2012 $m	2011 $m
Utilities	11.2	8.2
Government	0.1	–
Agriculture	44.3	47.1
Marine products	14.6	13.8
Forestry	0.6	0.7
Manufacturing	1.6	3.3
Tourism	72.0	88.1
Building and construction	51.2	51.9
Real estate	102.4	99.4
Financial institutions	3.2	0.5
Distribution	38.7	39.4
Professional services	5.5	5.1
Transportation	9.5	11.2
Entertainment	0.6	9.1
Mining and exploration	7.7	7.4
Credit card	8.0	8.2
Other consumer	42.7	34.5
Total Loans	413.9	427.9

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 trend, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a monthly basis. The Bank uses the following definitions for risk ratings:

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

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

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

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

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

As of March 31, 2012, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass	Special mention	Sub-standard	Doubtful	Loss	Total
	$m	$m	$m	$m	$m	$m
Residential mortgage	35.4	–	1.7	0.2	0.1	37.4
Credit card	7.5	–	0.1	0.1	0.3	8.0
Other consumer	36.9	–	3.9	0.4	1.5	42.7
Commercial	121.4	35.1	57.2	8.5	29.1	251.3
Commercial - real estate	39.5	–	21.1	7.8	6.1	74.5
	240.7	35.1	84.0	17.0	37.1	413.9

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

	2012	2011
	$m	$m
Year end loans on non-accrual	138.1	148.0
Other performing loans classified as impaired	14.6	–
Total impaired loans	152.7	148.0

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

The following table presents the recorded investment in non-accrual by class of loans as of March 31, 2012 and 2011:

	2012	2011
	$m	$m
Residential mortgage	13.6	9.0
Credit card	0.5	0.5
Other consumer	5.8	8.7
Commercial	87.9	97.0
Commercial - real estate	30.3	32.8
	138.1	148.0

The interest income which would have been recorded during the year ended March 31, 2012 had all non-accrual loans been current in accordance with their terms was approximately $18.8 million (2011 - $14.6 million).

At March 31, 2012, the amount of impaired loans outstanding in which the Group considers that there was a probability of a loss totaled $152.7 million (2011 - $84.2 million), with related allowances, after taking into consideration related collateral, of $33.6 million (2011 - $32.9 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, 2012, was $114.2 million (2011 – $72.2 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 allowance does not represent future losses or serve as a substitute for specific allowances.

At March 31, 2012, the Group had total loans outstanding to certain officers and employees of $8.7 million (2011 - $7.9 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, 2012, these loans included nil (2011 - nil) classified within commercial - other loans.

Changes in the allowance for loan losses were as follows:

Year ended March 31	2012 $m	2011 $m
At beginning of year	37.6	15.1
Provision charged to income	19.6	22.9
Charge-offs	(19.0)	(0.4)
Net movement in year	0.6	22.5
At end of year	38.2	37.6

Recoveries from loan losses have been immaterial to date. At March 31, 2012, the allowance for loan losses included a general loan loss allowance of $4.6 million (2011 - $4.7 million)

Note 11 – Property, plant and equipment – net

At March 31	2012 $m	2011 $m
Cost:		
Land	1.4	2.2
Premises	13.0	10.1
Furniture and fixtures	2.8	2.8
Computer and office equipment	5.0	4.7
Motor vehicles	1.7	1.2
Other equipment	2.0	1.9
Total cost	25.9	22.9
Less: total accumulated depreciation	(10.8)	(10.1)
	15.1	12.8

Total capital expenditures for the years ended March 31, 2012 and 2011 were $4.5 million and $3.0 million, respectively. Total depreciation expense for the years ended March 31, 2012 and 2011 was $1.4 million and $1.5 million, respectively.

Note 12 - Other assets

At March 31	2012 $m	2011 $m
Short term investments	10.7	8.5
Amounts recoverable from Government of Belize (i and ii)	31.3	32.2
Accrued interest receivable	1.3	1.0
Other assets (iii)	35.1	35.4
	78.4	77.1

Included in other assets are the following securities:

At March 31	2012 $m	2011 $m
Securities available for sale	5.2	4.5
Securities held to maturity	5.5	4.0
	10.7	8.5

A summary of securities as of March 31, 2012, 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	2012 $m	2011 $m
Due in one year or less	0.5	8.0
Due in one to five years	10.2	0.5
	10.7	8.5

Management has the positive intent and ability to hold the securities classified as held to maturity to their respective maturities, 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.

(i) On October 20, 2011, the Privy Council delivered judgment that a loan note dated March 23, 2007 issued by the GOB to BBL was valid. This loan note had been rendered by the Government of Belize in order to satisfy the GOB's existing liability under a 2004 guarantee for debts and liabilities owed to BBL by UHS. BBL is claiming the sums due under the loan note dated March 23, 2007 in the London Court of International Arbitration ("LCIA") arbitration proceedings. The final merits hearing took place in September 2012 and subject to further written submissions to be filed, the parties are waiting for a final award from the LCIA tribunal. Based on legal advice received, Management believes that it is more probable than not it will be successful in obtaining an arbitral award in its favor. The Court of Appeal has recently held that Part IV of the Belize Arbitration Act, which provided for an enforcement regime based on the New York Convention, has been found to be void. BBL intends to appeal this decision, and is confident that it will be successful in its appeal. Management therefore believes, on the basis of legal advice received, that it is more probably than not that it will recover the balances outstanding from the Government of Belize under the terms of the loan note dated March 23, 2007 and that consequently this should be recorded in the Group's accounts.

Included in other assets is $9.1 million which relates to the principal part of the amount outstanding and due from GOB.

(ii) 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. Included in other assets is an amount of $22.2 million which relates to the award. This arbitration which took place under the LCIA Rules, had been commenced by BCBH and BBL for 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 have sought enforcement of the LCIA Arbitral Award in the Belize Supreme Court and, in December 2010, the Supreme Court determined that the arbitral award may be enforced in Belize. The GOB appealed this decision to the Court of Appeal and in August 2012 the Court of Appeal handed down its judgment. In this judgment the majority of the Court upheld the GOB's appeal on the basis that Part IV of the Belize Arbitration Act, pursuant to which BBL had sought to enforce its award, is void. However, there was a strong dissenting judgment by Justice of Appeal Mendes. BBL has applied for leave to appeal this decision and, based on legal advice received, is confident that it will be given leave and that the appeal will be successful. Management of BBL believes, based on legal advice received, that it is more probable than not that it will recover this award in full and the receivable is therefore recorded at its full value.

(iii) Included in other assets is $35.1 million relating to Cay Chapel, a private island in Belize, which is being held as an asset held for sale.

Note 13 – Deposits

At March 31	2012 $m	2011 $m
Certificates of deposit	299.0	321.5
Demand deposits	171.0	129.9
Savings deposits	75.6	63.9
	545.6	515.3

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

At March 31	2012 $m	2011 $m
3 months or less	95.1	120.7
Over 3 and to 6 months	54.5	53.4
Over 6 and to 12 months	79.5	74.4
Over 12 months	–	–
Deposits less than $0.1 million	69.9	73.0
	299.0	321.5

Included in certificates of deposit at March 31, 2012 were $55.5 million (2011 - $45.7 million) of certificates of deposit denominated in US dollars and $1.1 million (2011 - $12.5 million) denominated in UK pounds sterling. Included in demand deposits at March 31, 2012 were $102.9 million (2011 - $66.5 million) of demand deposits denominated in US dollars and $2.4 million (2011 - $3.3 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 14 - Commitments, contingencies and regulatory matters

(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, 2012 amounted to $24.3 million (2011 - $24.5 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 Group'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, 2012. 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, 2012 amounted to $3.7 million (2011 - $1.9 million).

The nature, terms and maximum potential amount of future payments BBL could be required to make under the stand-by letters of credit and guarantees as of March 31, 2012, are detailed as follows:

At March 31	2012 $m
Up to one year	3.6
Over one year	0.1
	3.7

(iii) The net operating lease rental charge for the years ended March 31, 2012 and 2011 included in the consolidated statements of income was $0.2 million and $0.2 million, respectively.

(iv) At March 31, 2012, 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 March 31, 2012 would have a material adverse effect on the financial position or liquidity of the Company or its subsidiaries as of March 31, 2012.

(vii) BBL, as a fully authorised banking entity, is subject to detailed regulatory requirements in Belize. These requirements are principally set by the Central Bank of Belize. As of March 31, 2012 and for the year then ended, BBL fully met all of its obligations and requirements under such regulations. These regulations may, in the future, change or be amended. At such time, BBL will make all endeavours to follow, as soon as reasonably practicable, all such revised regulations.

Note 15 - Share capital

At March 31	2012 $m	2011 $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 (2011 - 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, 2012, there has been no movement in issued and outstanding shares.

Treasury Shares

During the two years ended March 31, 2012 there has been no movement in treasury shares. The number of treasury shares held by the Group is 3,638,120.

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, 2010	7,000,000	$6.50
Outstanding at March 31, 2011	7,000,000	$6.50
Outstanding at March 31, 2012	**7,000,000**	**$1.95**

At March 31, 2012, 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 are exercisable in three equal installments on August 1, 2012, August 1, 2013 and August 1, 2014. These options lapse on August 1, 2015.

As a result of the demerger of its non-Belizean businesses described in note 1, the exercise price of the options was recalculated to reflect the economic effect of the reduction in value of the Group's net assets. Consequently, the exercise price was reduced to $1.95 for all options.

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 took a charge of $1.2 million in the consolidated statement of comprehensive income during the year ended March 31, 2012 (2011 - $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

In April 2007, BCBH issued 7,692,308 warrants to subscribe for new ordinary shares of the Company at an exercise price of $6.50 per new ordinary share, until April 23, 2013 and in November 2007 issued a further 11,094,442 warrants to subscribe for new ordinary shares of the Company at an exercise price of $6.50 per new ordinary share, until November 2, 2014. The exercise price of the warrants was reduced in October 2011 to $1.95 as a result of the demerger.

Note 16 - Concentrations of deposit and credit risk

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

The Group has a credit risk concentrated in the tourism, 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.

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

Note 17 – 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 sets forth the capital requirements and the actual ratios of BBL.

	Minimum Required	**Actual 2012**	Actual 2011
The Belize Bank Limited	9.0%	15.4%	19.4%

Note 18 - 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, 2012 and 2011 amounted to $85,186 and $82,515 respectively.

Note 19 - Related party transactions

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

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, 2012 amounted to $0.3 million (2011 - $0.4 million).

During the year ended March 31, 2012 and following the demerger, the Group provided administrative services to WIHL. The aggregate fees paid by WIHL to the Group amounted to $1.0 million (2011 – nil).

Note 20 – 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, 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, 2012.

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.

Note 21 – Discontinued operations

On October 26, 2011, BCBH, completed a reorganization of its group by demerging its non-Belizean businesses into a new holding company WIHL.

Financial information for the demerged business is as follows:

Income Statement

Year ended March 31	2012 $m	2011 $m
Associates	15.3	23.0
Financial Services discontinued	(14.4)	(8.1)
Corporate expense associated with discontinued operations	(1.5)	(2.5)
Net (loss) income	(0.6)	12.4

Balance sheet

At March 31	2012 $m	2011 $m
Investment in Associates	–	132.0
Financial Services Assets – Net	–	163.4
Net assets	–	295.4

BCB Holdings Limited