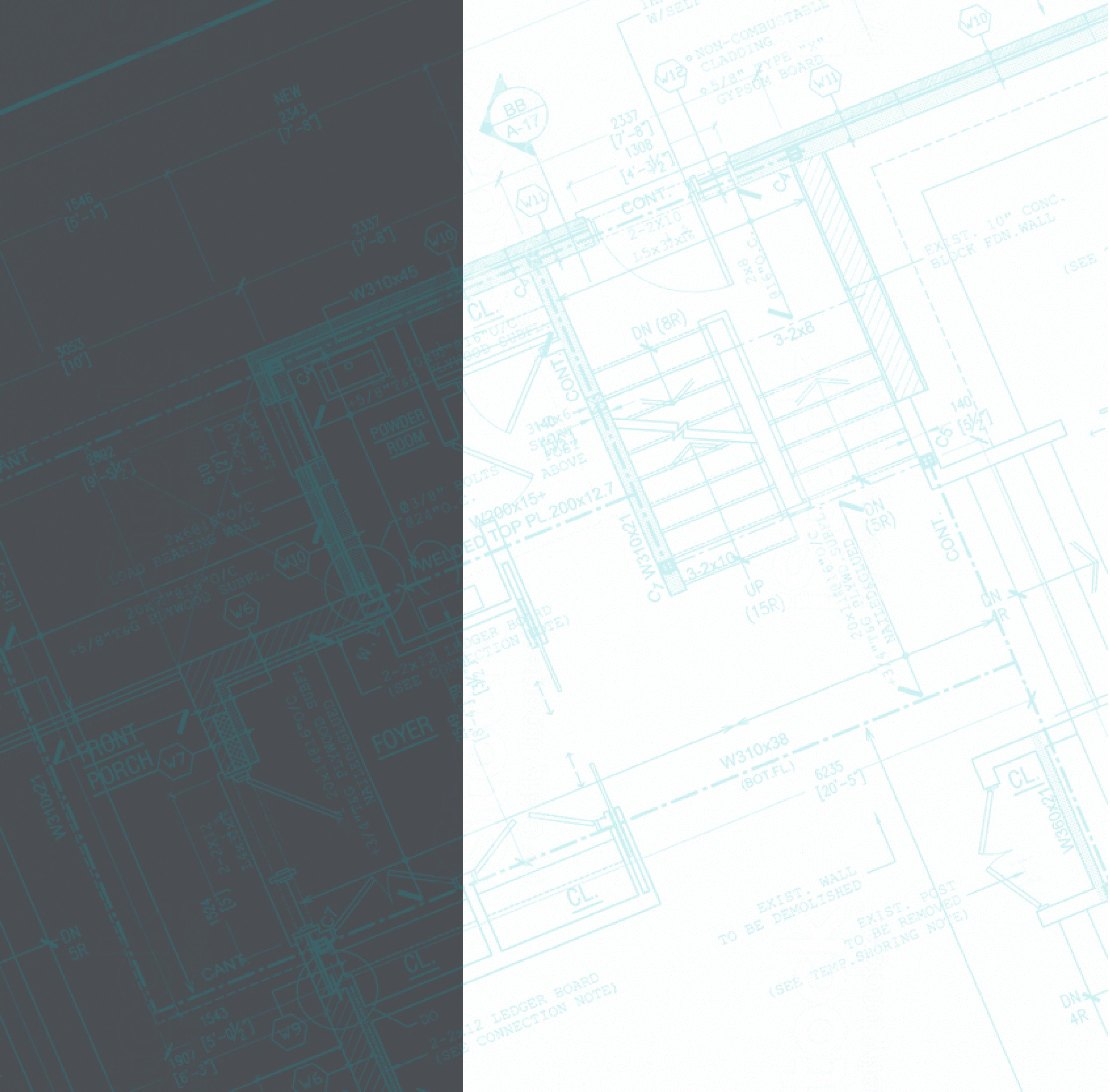
WEST HAMILTON HOLDINGS LIMITED

ANNUAL REPORT

2016


DINING RM
FOYER
FRONT PORCH
POWDER ROOM
EXIST. WALL TO BE DEMOLISHED
EXIST. POST TO BE REMOVED
(SEE TEMP. SHORING NOTE)
2-2x12 LEDGER BOARD
(SEE CONNECTION NOTE)
W310x38
(BOT.FL)
6235
[20'-5"]
6319
[20'-8½"]
NON-COMBUSTIBLE CLADDING
5/8" TYPE "X" GYPSUM BOARD
EXIST. 10" CONC. BLOCK FDN. WALL
WELDED TOP PL.200x12.7
W200x15+
W310x45
W310x21
W360x21
3-2x8
3-2x10
DN (8R)
DN (5R)
UP (15R)
1708
[5'-7"]
114
[4½"]


CONTENTS

Effective management of our maintenance program combined with strategic upgrades of building systems have proven beneficial to both our valued tenants and the Company.

LOOKING BACK:
BUILDING CHANGE

Dear Shareholders,

West Hamilton Holdings Limited ("WHHL" or "the Company") is a Bermuda based real estate investment and management Company which has for many years offered office space and car parking on Pitts Bay Road, Hamilton.

Following the plans announced in our 2014 and 2015 annual reports and recognizing a demand for residential units in the area, in 2016 the Company received a substantial completion certificate for the new Belvedere Residences from the general contractor BCM McAlpine Limited, diversifying our property portfolio and services into the residential property market.

At the end of the year Belvedere Residences was completed, with all the leased space contracted shortly after to an outstanding client base. The building finished at 6.5% greater than the budget, primarily as a result of the additional space constructed on the penthouse floor and unexpected softness of the bedrock for the foundations. The building won the best design award in March 2017, thanks mainly to the professional work completed by our architects, Botelho Wood Architects, and we have now secured a 100% occupancy rate since Qatar Re moved into the penthouse floor in February 2017.

Belvedere Residences will make a significant contribution to the Company's net income and earnings per share in the future. The residential market in the area was previously excluded from most commercial real estate development plans but is now the focus of our income growth strategy.

FINANCIAL PERFORMANCE:
BUILDING GROWTH

Gross income from operations

$2,115,115

Operating expenses (net of recoveries)

$1,067,261

Net income from operations

$1,047, 854

Net finance expense (net of other income)

$384,239

Net income

$663,615

Earnings per share

$0.23

Office Space - 82.6%

Parking - 100%

Parking waiting list - 96

As at September 30, 2016 the Company's net cost of properties was $39.1 million (2015: $27.5 million) – an increase of $11.6 million representing mostly the cost of construction of Belvedere Residences. On November 21, 2016 the Belvedere Building, Belvedere Residences and surrounding property was revalued by The Property Group at between $63.7 million and $64.1 million.

INCOME STATEMENT

During the year ended September 30, 2016, the Company earned gross operating income of $2.1 million (2015: $2.2 million). The marginal decrease was due to a reduction in available car parking spaces which were temporarily used for construction of Belvedere Residences.

Operating expenses for the year decreased by $52,421 in comparison with the same period in 2015. During the year tenants were offered a fixed maintenance fee which commenced in 2015 and differed from the variable fee charged in previous leases. The Company assumed the risk of variability of maintenance costs and during the year, effective management of our maintenance program combined with strategic upgrades of building systems have proven beneficial to both our valued tenants and the Company. The cost of electricity, land taxes, insurance and other utilities were marginally higher than the previous year.

The Company reported net income for the year ended September 30, 2016 of $0.7 million, or $0.23 per share (2015 $0.8 million or $0.28 per share). The debt interest cost increased by $0.2 million due to the Company drawing down on its construction loan to finance the development of Belvedere Residences. The significant increase in interest costs was offset by the reduction in operational costs.

The financial statements have been prepared in full compliance with International Financial Reporting Standards (IFRS) which were adopted by the Company in 2011 and permitted certain items to be brought into the income statement to calculate total comprehensive income.

BALANCE SHEET

Total assets amounted to $40.1 million compared with $30.8 million at the end of 2015, an increase of $9.3 million with the Company's property measured on a depreciated cost basis. This represents an increase of 30.2% for the year ended September 30, 2016.

The value of all the properties is appraised at approximately $64.0 million with bank borrowings of $15.9 million. The net value attributable to shareholders would be approximately $48.1 million as compared with $36.4 million to $36.9 million in 2015. Management has taken a prudent view considering the state of the Bermuda economy and is of the opinion that a value of approximately $64.0 million represents a fair value of the property. Under IFRS the Company has the option to record the value of the property at market price – a move which would increase the Company's net assets to more than $46.5 million, more than double the value currently reported at historical cost in the balance sheet.

Total liabilities increased from $10.0 million at the end of 2015 to $18.6 million at the end of 2016. The increase of $8.6 million is attributable primarily to bank borrowing to fund the cost of construction of Belvedere Residences and funds withheld on contract warranty provided by the general contractor.

Shareholders' equity increased by $0.7 million or 3.5%. Book value per share at September 30, 2016 was $7.41 on historical cost basis (September 30, 2015: $7.16). This represents an increase of $0.25 cents per share. The value per share on a market value basis would be $16.00.

CASH FLOW

The cash balance, which includes bank deposits and other assets that could readily be converted into cash, was $2.6 million at the beginning of the year. During the year the Company generated $2.2 million and borrowed $8.2 million. The total available cash from all sources for the year amounted to $13.1 million which was used primarily to fund the construction costs of Belvedere Residences and service the bank loan.

LOOKING FORWARD:
BUILDING FOR THE FUTURE

The Board and Management are encouraged by the continuing reports that Bermuda's economy is gradually improving, no doubt supported by the benefits that the America's Cup being held in Bermuda in 2017 will continue to bring to the island.

Too often, major decisions that deal with legislation in Bermuda take far longer than necessary. The future looks brighter with Parliament's approval of permissions that will enable the construction of a new airport, expected fresh foreign capital commitments in the airport, new hotels and other sectors all mark great steps forward for Bermuda's economy and growth.

Within this context, the Company will continue to develop alternative strategies to benefit from opportunities expected from the changes in Bermuda's political, economic and social environments. The Board and Management believe that the business district along Pitts Bay Road will remain attractive to both international and local businesses. Whilst the Bermuda commercial real estate market is pressured by oversupply and weak demand, the most active international insurers and reinsurers are located in the west of Hamilton and demand is triggered by tenants wishing to be located in this business district.

Parliament's approval of permissions that will enable the construction of a new airport and fresh foreign capital commitments in the airport, new hotels and other sectors all mark great steps forward for Bermuda's economy and growth.

Our strategy is to remain focused on providing products and services, e.g. residential accommodation, car parking and related services, that are required by the businesses established around the properties of the Company. To deliver this, we will focus on the following 3 priorities in the year ahead:

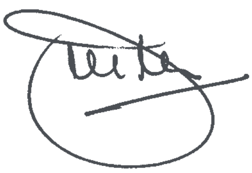
1 To sell a further two units of Belvedere Residences. The sale proceeds will be used to reduce the Company's bank debt.

2 To evaluate the potential construction of a second building, similar to our award winning Belvedere Residences. Encouraged by the benefits of current construction pricing, efficient construction methods and full occupancy shortly after completion, the Company filed an application with the Department of Planning and has received approval to construct a sister building to Belvedere Residences. Our architects are currently working on the construction drawings, expected to be finalised in July 2017.

3 To capitalize on the continued demand for car parking spaces in the west of Hamilton, with more international businesses relocating their offices to the Pitts Bay Road area, we have the opportunity to provide more car parking bays and secure long-term income. Planning approval was received to expand the upper North East section of the car parking facility by 150 additional car parking bays. However, the cost of construction and associated logistics have proven to be economically unviable based on current lease rates. Consequently, resources have been redirected to testing the operational feasibility of multi stack parking, facilitated by the installation of two mechanical apparatus over the car parking bays located in the lower floor of the facility. Based on the success of these 2 mechanical bays, we will look to install approximately 73 additional units in the lower floor.

TO ALL WHO BUILD OUR SUCCESS:
THANK YOU

The success of the previous year would not have been possible without our valued clients, shareholders, builders, staff and fellow directors. Together, we have – quite literally – built new foundations for the Company. I would like to take this opportunity to thank everyone involved for their participation, dedication and support during a year of great change and growth. We have established a blueprint for future success and now look forward to the year ahead.



J. MICHAEL COLLIER
CHAIRMAN

MARCH 2017

HISTORICAL OPERATING RESULTS

	2016	2015	2014	*2013	2012
Revenue	2,115,115	2,149,049	1,806,198	1,496,679	1,985,157
Expenses	1,067,261	1,119,682	1,197,911	916,924	1,127,697
Operating income	1,047,704	1,029,367	608,287	579,755	857,463
Net income	663,615	804,314	385,754	2,332,467	716,293

BALANCE SHEET SUMMARY

	2016	2015	2014	*2013	2012
Assets	40,116,796	30,806,125	29,859,773	30,412,311	29,686,304
Liabilities	18,575,114	9,995,645	9,836,079	10,317,862	10,487,248
Shareholders' Equity	21,541,682	20,810,480	20,023,694	20,094,449	19,199,056

* 9 months ending in September 30, 2014

WEST HAMILTON HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

KPMG

KPMG Audit Limited
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Independent Auditor's Report

To the Board of Directors and Shareholders of West Hamilton Holdings Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of West Hamilton Holdings Limited (the "Company"), which comprise the consolidated statement of financial position as at September 30, 2016, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
February 21, 2017

WEST HAMILTON HOLDINGS LIMITED

Consolidated Statement of Financial Position

As at September 30, 2016
(Expressed in U.S. dollars)

	2016	2015
Assets		
Non-current assets		
Property, plant and equipment (Note 4)	$ 1,213,652	$ 1,304,213
Investment property (Note 5)	37,928,232	26,221,776
Total non-current assets	39,141,884	27,525,989
Current assets		
Cash and cash equivalents (Note 3)	293,622	2,648,319
Available-for-sale investments (Note 6 and 14)	413,158	345,571
Accounts receivable (Note 14)	174,862	184,495
Pension surplus (Note 12)	47,666	76,751
Prepaid expenses	45,604	25,000
Total current assets	974,912	3,280,136
Total assets	$ 40,116,796	$ 30,806,125
Liabilities and equity		
Non-current liabilities		
Loans and borrowings (Note 8)	$ 15,246,950	$ 7,614,077
Current liabilities		
Accounts payable and accrued liabilities (Note 7 and 14)	834,180	618,604
Refundable deposit on sale	32,000	40,000
Loans and borrowings (Note 8)	683,333	590,632
Deferred income	400,404	401,237
Funds withheld on contract (Note 13)	1,378,247	731,095
Total current liabilities	3,328,164	2,381,568
Total liabilities	18,575,114	9,995,645
Equity		
Share capital (Note 9)	2,908,398	2,908,398
Share premium (Note 9)	7,819,961	7,819,961
Accumulated other comprehensive loss (Note 9)	(223,937)	(291,524)
Retained earnings	11,037,260	10,373,645
Total equity	21,541,682	20,810,480
Total liabilities and equity	$ 40,116,796	$ 30,806,125

The accompanying notes on pages 15 to 29 are an integral part of these consolidated financial statements

Signed on behalf of the Board

______________________ Director   ______________________ Director

WEST HAMILTON HOLDINGS LIMITED

Consolidated Statement of Comprehensive Income

Year ended September 30, 2016
(Expressed in U.S. dollars)

	2016	2015
Income		
Rental income	$ 2,115,115	$ 2,057,248
Pension surplus (Note 12)	–	91,801
Total income	2,115,115	2,149,049
Expenses		
Depreciation (Notes 4 and 5)	316,590	452,276
Maintenance, cleaning and wages	454,919	379,094
Professional fees	139,893	150,448
Utilities	39,723	33,317
Land taxes and other expenses	75,367	67,609
Insurance	40,769	36,938
Total expenses	1,067,261	1,119,682
Finance expense		
Interest income	11,801	20,682
Dividend income	16,230	13,224
Interest expense	(412,270)	(258,959)
Net finance expense	(384,239)	(225,053)
Profit for the year (attributable to owners of the Company)	663,615	804,314
Other comprehensive income items:		
Net change in fair value of available-for-sale investments (Note 6)	67,587	(16,683)
Total comprehensive income for the year	$ 731,202	$ 787,631
Basic and diluted earnings per share (Note 11)	$ 0.23	$ 0.28

All items included in the consolidated statement of comprehensive income relate to continuing operations.

The accompanying notes on pages 15 to 29 are an integral part of these consolidated financial statements

WEST HAMILTON HOLDINGS LIMITED

Consolidated Statement of Changes in Shareholders' Equity

Year ended September 30, 2016
(Expressed in U.S. dollars)

	Share capital	Share premium	Accumulated other comprehensive income	Retained earnings	Total
Balance at September 30, 2014	$ 2,908,528	$ 7,820,676	$ (274,841)	$ 9,569,331	$ 20,023,694
Profit for the year	–	–	–	804,314	804,314
Shares redeemed	(130)	(715)	–	–	(845)
Other comprehensive income:					
Net change in fair value of available-for-sale investments	–	–	(16,683)	–	(16,683)
Balance at September 30, 2015	2,908,398	7,819,961	(291,524)	10,373,645	20,810,480
Profit for the year	–	–	–	663,615	663,615
Other comprehensive income:					
Net change in fair value of available-for-sale investments	–	–	67,587	–	67,587
Balance at September 30, 2016	$ 2,908,398	$ 7,819,961	$ (223,937)	$ 11,037,260	$ 21,541,682

The accompanying notes on pages 15 to 29 are an integral part of these consolidated financial statements

WEST HAMILTON HOLDINGS LIMITED

Consolidated Statement of Cash Flows

Year ended September 30, 2016
(Expressed in U.S. dollars)

	2016	2015
Cash flows from operating activities		
Profit for the year	$ 663,615	$ 804,314
Adjustments for:		
Depreciation	316,590	452,276
Interest expense	412,270	258,959
Interest and dividend income	(28,031)	(33,906)
Changes in non-cash working capital balances:		
Deferred income	(833)	14,800
Accounts receivable	9,633	(7,735)
Pension surplus	29,085	(76,751)
Prepaid expenses	(20,604)	(25,000)
Refundable deposit on sale	(8,000)	40,000
Funds withheld on contract	647,152	244,507
Accounts payable and accrued liabilities	215,576	429,996
Net cash provided by operating activities	2,236,453	1,856,953
Cash flows from investing activities		
Interest and dividend received	28,031	33,906
Additions to property, plant and equipment	(3,042)	(516,466)
Additions to investment property (net)	(11,929,443)	(2,625,417)
Net cash used in investing activities	(11,904,454)	(2,863,470)
Cash flows from financing activities		
Proceeds from bank loans	8,195,276	4,023,827
Repayment of bank loan	(469,702)	(569,737)
Proceeds from redemption of shares	–	(845)
Interest paid	(412,270)	(258,959)
Net cash flows provided by financing activities	7,313,304	3,194,286
Net (decrease) increase in cash and cash equivalents	(2,354,697)	2,187,769
Cash and cash equivalents at beginning of year	2,648,319	460,550
Cash and cash equivalents at end of year	$ 293,622	$ 2,648,319

The accompanying notes on pages 15 to 29 are an integral part of these consolidated financial statements

1. General

West Hamilton Holdings Limited (the "Company") was incorporated on May 14, 2007 under the laws of Bermuda and is the parent company of West Hamilton Limited ("WHL") under a Scheme of Arrangement approved by shareholders of WHL and sanctioned by the Bermuda Court.

The Company is listed on the Bermuda Stock Exchange ("BSX") and is domiciled in Bermuda. WHL is incorporated under the laws of Bermuda and owns two commercial properties known as the Belvedere Building, Belvedere Residences and the Belvedere Place parking facility in which space is generally let under medium and long-term commercial leases. The registered office is at 71 Pitts Bay Road, Pembroke, Bermuda.

The Company's parent company is Somers Limited who owns 57.06% of the Company's outstanding shares (see Note 18). The consolidated financial statements have been approved for issue by the Board of Directors on November 28, 2016.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the periods, unless otherwise stated.

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of available-for-sale investments which are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are included in Note 16.

The consolidated financial statements are presented in U.S. dollars ($), which is the functional currency of the Company.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries WHL, West Hamilton Investments Limited ("WHIL") and Belvedere Place A Limited. All subsidiary companies are incorporated in Bermuda. All significant intercompany transactions and balances are eliminated on consolidation.

2. **Significant accounting policies** (continued)

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within profit or loss. Depreciation is calculated on the depreciable amount which is the cost of an asset less its residual value, using the straight line method over the following estimated useful lives. Land is not depreciated.

Equipment	3 – 25 years
Computers	4 years
Furniture and fixtures	10 years

Property, plant and equipment carrying amounts are written down immediately to their recoverable amounts if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment are tested annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(d) Investment property

Investment property is recorded at cost less accumulated depreciation and impairment losses. Transaction costs are included on initial recognition. The fair values of investment properties are disclosed in the notes to the financial statements. These are assessed using internationally accepted valuation methods, such as taking comparable properties as a guide to current market prices or by applying the discounted cash flow method.

Depreciation is calculated on the depreciable amount, which is the cost of an asset less its residual value, using the straight line method over the following estimated useful lives. Land and construction in progress are not depreciated. Depreciation of construction in progress commences when the property becomes available for use.

Buildings	40 – 50 years
Car park	40 – 50 years

Investment property carrying amounts are written down immediately to their recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer to accounting policy (c) above for impairment testing and recognition of impairment expenses relating to investment property.

2. **Significant accounting policies** (continued)

(e) Income recognition

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. When the Company provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight line basis, as a reduction in rental income.

Dividend income is recognised when the right to receive payment is established which, in the case of quoted securities is the ex-dividend date.

Interest income is recognised on the accrual basis when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Interest income is recognised using the effective interest method.

Net gains and losses on investments are recorded when the security is sold and are determined on a specific identification basis.

(f) Financial instruments

Financial assets

The Company's financial assets comprise of accounts receivables, cash and cash equivalents, bank deposits, pension surplus and available-for-sale investments. The Company's accounting policy for each category is as follows:

Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents include demand deposits and short-term money market instruments with an original maturity of three months or less from the acquisition date, held for the purposes of meeting short-term cash commitments and which are readily convertible into cash.

Available-for-sale investments

These are non-derivative financial assets and comprise the Company's strategic investments in equity securities. Equity securities are initially recorded at cost, as at the trade date and remeasured and carried at fair value based upon quoted prices at the reporting date. Changes in fair value of available-for-sale investments are recognised in other comprehensive income. Asset values are reviewed at least annually to determine if there is objective evidence of impairment. Where a decline in the fair value of an available-for-sale investment constitutes objective evidence of impairment, the amount of the loss is reclassified from equity and recognised in the consolidated statement of comprehensive income. When the investment is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in the accumulated other comprehensive income reserve is included in the net profit or loss for the period. Purchases and sales of investments are recognised on the trade date. When securities classified as available-for-sale are sold, the accumulated fair value adjustments are included in the statement of comprehensive income as realised gains and losses from investment securities.

2. **Significant accounting policies** (continued)

(f) Financial instruments (continued)

Financial liabilities

The Company's financial liabilities include accounts payable, refundable deposit on sale, funds withheld on contract and loans and borrowings which are recognised at amortised cost using the effective interest method.

(g) Pension costs

The Company operates a defined contribution pension plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as wages expense in net profit or loss in the periods during which services are rendered by employees. Pension surplus is recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(h) Impairment

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an impaired available-for-sale financial asset recognised previously in other comprehensive income and presented in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

The Company assesses at each reporting date whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverable amount.

If the recoverable amount of a non-financial asset is less than its carrying amount, an impairment loss will be immediately recognised in profit and loss.

(i) Finance income and finance expenses

Finance expenses comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Finance income comprises interest earned on term deposits, and dividend income from available-for-sale investments.

2. **Significant accounting policies** (continued)

(j) Earnings per share

The Company presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of potentially dilutive ordinary shares: share options. For the share options, the exercise price will be the average of the last three traded prices just prior to the exercise date. The exercise of the share options for certain employees is at the discretion of the employees and as of the reporting date there were no options exercised which could be dilutive.

(k) Share based payments

The Company operates an equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

(l) Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after October 1, 2015, however, the Company has not applied the following new or amended standards in preparing these consolidated financial statements.

IFRS 9 Financial Instruments
IFRS 9 published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

2. **Significant accounting policies** (continued)

(l) *Standards issued but not yet adopted* (continued)

IFRS 16 Leases
IFRS 16 establishes a new framework for lessee accounting which requires that all leased assets be recognised on the statement of financial position if the lease definition is met. It replaces existing lease accounting guidance contained in IAS 17 *Leases*. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 *Revenue from Contracts with Customers* is also early adopted.

The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

3. **Cash and cash equivalents**

All of the Company's cash and cash equivalents are held with both major Bermuda financial institutions in several current accounts earning no interest.

	2016	2015
Cash at bank	$ 293,622	$ 2,648,319

4. **Property, plant and equipment**

	Computers	Furniture and fixtures	Equipment	Total
Cost				
At September 30, 2014	$ 29,063	$ 241,716	$ 1,951,893	$ 2,222,672
Additions	1,253	–	515,213	516,466
At September 30, 2015	30,316	241,716	2,467,106	2,739,138
Additions	185	1,000	1,857	3,042
At September 30, 2016	$ 30,501	$ 242,716	$ 2,468,963	$ 2,742,180
Accumulated depreciation				
At September 30, 2014	$ 27,517	$ 241,716	$ 1,087,304	$ 1,356,537
Depreciation charge for the year	724	–	77,664	78,388
At September 30, 2015	28,241	241,716	1,164,968	1,434,925
Depreciation charge for the year	867	67	92,669	93,603
At September 30, 2016	$ 29,108	$ 241,783	$ 1,257,637	$ 1,528,528
Carrying amount				
At September 30, 2015	$ 2,075	$ –	$ 1,302,138	$ 1,304,213
At September 30, 2016	$ 1,393	$ 933	$ 1,211,326	$ 1,213,652

5. **Investment property**

	Land	Building	Construction in progress	Car park	Total
Cost					
At September 30, 2014	$ 1,394,372	$ 1,581,591	$ 14,983,460	$ 9,122,337	$ 27,081,760
Additions	–	–	2,625,417	–	2,625,417
At September 30, 2015	1,394,372	1,581,591	17,608,877	9,122,337	29,707,177
Additions	–	–	11,917,826	13,676	11,931,502
Disposals	–	(2,059)	–	–	(2,059)
At September 30, 2016	$ 1,394,372	$ 1,579,532	$ 29,526,703	$ 9,136,013	$ 41,636,620
Accumulated depreciation					
At September 30, 2014	$ –	$ 1,067,930	$ –	$ 2,043,583	$ 3,111,513
Depreciation charge for the year	–	30,136	–	343,752	373,888
At September 30, 2015	–	1,098,066	–	2,387,335	3,485,401
Depreciation charge for the year		30,136	–	192,851	222,987
At September 30, 2016	$ –	$ 1,128,202	$ –	$ 2,580,186	$ 3,708,388
Carrying amount					
At September 30, 2015	$ 1,394,372	$ 483,525	$ 17,608,877	$ 6,735,002	$ 26,221,776
At September 30, 2016	$ 1,394,372	$ 451,330	$ 29,526,703	$ 6,555,827	$ 37,928,232

Investment property comprises an office building (Belvedere Building) and infrastructure work which have been put on hold and currently used as a temporary parking facility (the “Car Park”). Construction in progress relates to the plan for further capital development and construction of a residential complex (Belvedere Residences) which are currently in progress.

On November 21, 2016 the Belvedere Building, Belvedere Residences and surrounding property was revalued by Steven J Bowie BSc. M.R.I.C.S. of The Property Group at between $63.7 million and $64.1 million. This report contains certain caveats and assumptions relating to the potential impact of restrictions regarding property ownership by foreign investors and availability of willing investors to purchase a property of such a sizeable interest. Management is of the opinion that a value of approximately $63.7 million represents a reasonable estimate of the fair value of the property. This valuation reflects management’s best estimate of both quantifiable and unquantifiable assumptions and measurement uncertainties known to management as at September 30, 2016.

6. **Available-for-sale investments**

	2016		2015	
	Cost	Fair value	Cost	Fair value
Equity securities	$ 637,095	$ 413,158	$ 637,095	$ 345,571

The investment portfolio consists of ordinary shares issued by Bermuda companies listed on the Bermuda Stock Exchange ("BSX") and privately held. The Company has no other available-for-sale investments.

The unrealised gain from change in the fair value of the Company's investment portfolio for the year ended September 30, 2016 amounted to $67,587 (2015 - unrealized loss of $16,683).

7. **Accounts payable and accrued liabilities**

	2016	2015
Trade payables	$ 796,443	$ 578,522
Other current liabilities	37,737	40,082
	$ 834,180	$ 618,604

8. **Loans and borrowing**

On January 5, 2016 West Hamilton Limited entered into a construction loan agreement with HSBC Bank Bermuda Limited in the amount of $7.65 million which will be converted into an amortised loan at a mutually agreed time following the completion of construction of Belvedere Residences. On the same date West Hamilton Limited entered into a loan agreement with HSBC Bank Bermuda Limited in the amount of $10.25 million amortised over 20 years which was used to repay the previous bank loan balance of $8.0 million. The interest amount on the construction loan will be calculated at the bank's base rate of 2.75% plus the quoted rate of 30-day LIBOR and interest on the HSBC Bank loan will be calculated at the bank's base rate of 2.5% plus the quoted rate of 30-day LIBOR. The Company provideded all of its land, buildings and new development as security for the loan by way of a legal mortgage, as well as an assignment of the benefit of the construction contract and an assignment of all rental income from the existing Belvedere Building and Belvedere Residences. As at September 30, 2016, the effective interest rate was 3.6% (2015 - 3.0%).

Principal repayments over the next five years and beyond are expected to be $683,333 annually for the next five years and $12,513,618 thereafter.

	Total
2017	$ 683,333
2018	683,333
2019	683,333
2020	683,333
2021	683,333
And beyond	12,513,618
	$ 15,930,283

For more information about the Company's exposure to interest rate and liquidity risk see Note 14.

9. **Share capital and reserves**

	2016	2015
Common shares		
Authorised – 5,000,000 share of par value of $1 each		
Issued and fully paid – 2,908,398 shares (2015 - 2,908,398)	$ 2,908,398	$ 2,908,398

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Accumulated other comprehensive income

The accumulated other comprehensive income comprises of the cumulative net change in the fair value of available-for-sale financial assets held until the investment is derecognised or impaired.

Share premium

Share premium is the difference between the consideration received and the par value of the shares on issuance of shares and for shares subscribed under the Company's employee share purchase plan and the dividend reinvestment plan (Note 10).

10. **Share-based payments**

Employee share purchase plan

The employee share purchase plan includes an option which permits eligible employees to purchase the Company's common shares at a price 15% below the average market price. The average market price is determined by the average of the three closing prices of the Company's common shares, set out on the three days proceeding the subscription date on which Company's shares are traded on the BSX.

Options are conditional on the employee completing one year's service and being over 18 years of age. Eligible employees may acquire shares in any calendar year, up to a maximum value not exceeding 15% of their annual gross salary. Employees are restricted from selling the shares for a period of one year from the subscription date. The shares purchased are issued from authorised, unissued share capital under the plan. 50,000 common shares of the Company have been made available for sale to employees.

10. **Share-based payments** (continued)

All options are to be settled upon exercise of the options by the employee.

For the years ended September 30, 2016 and 2015, no employees subscribed for share options and no options were exercised, and none were outstanding.

11. **Earnings per share**

Basic earnings per share

The calculation of basic earnings per share at September 30, 2016 was based on the profit attributable to ordinary shareholders of $663,615 (2015 - $804,314) and a weighted average number of ordinary shares outstanding of 2,908,398 (2015 - 2,908,398).

Diluted earnings per share

The Company has no potentially dilutive ordinary shares; the diluted earnings per share are the same as the basic earnings per share.

12. **Defined contribution plan**

The Company sponsors a defined contribution plan covering all eligible employees. Contributions to the plan are made by the employee and the Company. The Company matches employees' contributions to a maximum of 5% of the employees' annual earnings. The pension expense recognised by the Company in the current year was $16,132 (2015 - $16,552) representing the Company's share of contributions to the plan and is included in the consolidated statement of comprehensive income in maintenance, cleaning and wages. During the year ended September 30, 2016 the Company recognised a pension surplus in the amount of $nil (2015 - $91,801) related to funds forfeited by employees who left the Company prior to the vesting period, some of which was used to offset the Company's liabilities to the plan during the year. Of this amount $47,666 (2015 - $76,751) is included in current assets as at the reporting date.

13. **Construction contract**

During 2015, the Company commenced construction on a 6-storey residential and commercial property (Belvedere Residences). The funds withheld on this contract of $1,378,247 (2015 - $731,095) represents the retention amount which is payable under that contract. As at September 30, 2016, the contracted works were completed and all obligations under the contract were met.

14. **Financial risk management**

Exposure to liquidity, interest rate, credit and market risk arises in the normal course of the Company's operations.

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company monitors liquidity risk by monitoring forecasted cash flows.

The following are contractual maturities of financial liabilities:

	Carrying amount	12 months or less	1 – 2 years	2 – 5 years	More than 5 years
September 30, 2016					
Financial liabilities					
Accounts payable and accrued liabilities	$ 834,180	$ 834,180	$ –	$ –	$ –
Refundable deposit on sale	32,000	32,000	–	–	–
Bank loans	15,930,283	683,333	683,333	2,049,999	12,513,618
Funds withheld on contract	1,378,247	1,378,247	–	–	–
	$ 18,174,710	$ 2,927,760	$ 683,333	$ 2,049,999	$ 12,513,618

	Carrying amount	12 months or less	1 – 2 years	2 – 5 years	More than 5 years
September 30, 2015					
Financial liabilities					
Accounts payable and accrued liabilities	$ 618,604	$ 618,604	$ –	$ –	$ –
Refundable deposit on sale	40,000	40,000	–	–	–
Bank loans	8,204,709	590,632	608,597	1,939,126	5,066,354
Funds withheld on contract	731,095	731,095	–	–	–
	$ 9,594,408	$ 1,980,331	$ 608,597	$ 1,939,126	$ 5,066,354

(b) Interest rate risk

The Company is exposed to interest rate risk on its bank loan because of potential future changes in market interest rates.

14. **Financial risk management** (continued)

(b) Interest rate risk (continued)

Sensitivity analysis

A 1% increase in the floating interest rate for the year ended September 30, 2016 would have decreased the net income by $4,697 (2015 - $5,697) assuming all other variables remain constant. Similarly a 1% decrease in the floating interest rate for the year ended September 30, 2016 would have increased the net income by $4,697 (2015 - $5,697). However, the interest rate structure of the term loan is calculated on HSBC Bank Bermuda Limited base rate, 2.5% plus 30 day LIBOR per annum. The interest rate structure of the construction term loan is calculated on HSBC Bank Bermuda Limited base rate, 2.75% plus 30 day LIBOR per annum. LIBOR has been quoted in the range of 0.42% to 0.88% during the period and therefore does not currently expose the Company to significant interest rate risk. This analysis is performed using market information and in practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(c) Credit risk

Credit risk arises from the potential inability of customers or counterparties to a financial instrument to perform under the terms of the contract and arises principally from the Company's cash and cash equivalents and accounts receivable. The Company only deposits cash surpluses with banks of high quality credit standing. The Company is not exposed to significant credit risk on its cash and cash equivalents. Accounts receivable balances relate to rents receivable from Bermuda based tenants occupying the Company's investment property. The Company considers all accounts receivable balances to be recoverable and no allowance for impairment has been made. The ageing of accounts receivable at the reporting date is as follows:

	2016	2015
Current	$ 174,862	$ 184,495

There is no significant concentration of credit risk with respect to accounts receivable.

(d) Market risk

Market risk is the risk that future changes in market prices may render financial instruments less valuable or increase the liability associated with such instruments. The Company's exposure to market risk is determined by a number of factors, including the size, duration, composition and diversification of positions held, as well as market volatility and liquidity. The Company seeks to manage its exposure to market risk by investing in securities quoted on the BSX.

The Company's exposure to market risk associated with its available-for-sale investments is equal to the consolidated statement of financial position carrying value of the instruments of $413,158 (2015 - $345,571).

Sensitivity analysis

All the Company's investments in common stocks are listed on the BSX except Bermuda Container Lines which was delisted. Market prices of equities listed on the BSX tend to fluctuate between 10% to 15% on average based on trading activity. A 10% increase in market prices at the reporting date, assuming that all other variables remain constant, would increase the Company's equity by approximately $41,316 (2015 - $34,557). An equal change in the opposite direction will decrease the Company's equity by a corresponding amount. There would be no impact on reported profit for the year. This analysis is performed on the same basis for 2015. In practice the actual trading results may differ from this sensitivity analysis and the difference could be material.

14. **Financial risk management** (continued)

(e) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets as part of its capital management strategy.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents and bank deposits. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

During 2016, the Company's strategy, which was unchanged from 2015, was to maintain the gearing ratio of no more than 50% to 60%. The gearing ratios at September 30, 2016 and September 30, 2015 were as follows:

	2016	2015
Total borrowings	$ 15,930,283	$ 8,204,709
Less: cash and cash equivalents and bank deposits	293,622	2,648,319
Net debt	15,636,661	5,556,390
Total equity	21,541,682	20,810,480
Total capital	$ 37,178,343	$ 26,366,870
Gearing ratio	42.06%	21.07%

The cash and cash equivalents and bank deposit balance as at September 30, 2016 was $0.3 million (2015 - $2.6 million). The gearing ratio is in line with the capital management strategy.

14. **Financial risk management** (continued)

(f) Fair value

The fair values of the Company's financial assets and liabilities approximates their carrying values.
Fair value hierarchy

The table below analyses available-for-sale investments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset either directly or indirectly.

Level 3: inputs for the asset that are not based on observable date.

	2016	2015
Level 1	$ 393,158	$ 325,571
Level 3	$ 20,000	$ 20,000

There have been no transfers between the levels during the year.

(g) Foreign currency risk

The Company is not exposed to significant foreign currency risk as the majority of its financial assets and liabilities are denominated in Bermuda dollars which are on par with US dollars.

15. **Operating leases**

The Company acts as lessor and leases its investment property under operating leases (see Note 5). The future minimum lease payments receivable under non-cancellable leases are as follows:

	2016	2015
Less than one year	$ 186,671	$ 219,591
Between one and five years	1,928,444	1,837,657
	$ 2,115,115	$ 2,057,248

16. **Critical judgements and estimates**

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. Management makes critical accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and management judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below. Principal assumptions underlying management's estimation of fair value reflecting the economic environment and market conditions during 2015, which continued throughout 2016, the frequency of property transactions on an arm's length basis has decreased in the commercial property market. Properties with a total carrying amount of $37,928,232 (2015 - $26,221,776) are carried at historical cost less accumulated depreciation. The fair value of the properties for disclosure purposes (Note 5) was determined principally using discounted estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

17. **Taxation**

Under current Bermuda law, the Company is not required to pay taxes on either income or capital gains. Accordingly no provision for income taxes or deferred taxes has been made in the consolidated financial statements.

18. **Related parties**

Key management personnel compensation comprised:

	2016	2015
Short-term employee benefits	$ 331,500	$ 278,250

During the year ended September 30, 2016, the directors and executive officers of the Company had a combined interest in 446,625 of the Company's common shares (2015 - 446,625 shares).

19. **Subsequent events**

Management has evaluated subsequent events as at January 12, 2017 and determined that there are no events to report.

WEST HAMILTON INSURANCE GROUP

DIRECTORS & OFFICERS

J. Michael Collier
President & Chairman of the Board

Peter A. Pearman
Director

Duncan Saville
Director

Glenn M. Titterton
Director

Alasdair Younie
Director

Harrichand Sukdeo
Chief Financial Officer

Codan Services Ltd.
Secretary

AS OF 30 SEPTEMBER, 2016

SUBSIDIARIES

West Hamilton Ltd.
71 Pitts Bay Road
Pembroke HM08
Bermuda

Incorporated in Bermuda 29 April, 1923
Offers Residential and Commercial spaces
to rent or buy

Belvedere Place 'A' Ltd.

Incorporated in Bermuda 29 October, 2007
A Commercial Property Development Company

West Hamilton Investments Ltd.

Incorporated in Bermuda 20 June, 2012
An Investment Management Company trading
in shares listed on the BSX

EXTERNAL SERVICE

PROVIDERS & CONSULTANTS

BANKERS

HSBC Bank Bermuda Ltd.
37 Front Street
Hamilton HM08
Bermuda

The Bank of N.T. Butterfield & Sons Ltd.
66 Front Street
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Bermuda

AUDITORS

KPMG Audit Ltd.
4 Par-La-Ville Road
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The HCS Group Ltd.
69 Pitts Bay Road
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Bermuda

REGISTRAR & TRANSFER AGENT

BCB Charter Corporate Services Ltd.
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NOTES

WE HAVE ESTABLISHED A BLUEPRINT FOR FUTURE SUCCESS AND NOW LOOK FORWARD TO THE YEAR AHEAD

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