BCB Holdings Limited

BCB Holdings Limited

Consolidated Financial Statements

March 31, 2013

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Chief Executive Letter to Shareholders

The Company finished the year with mixed news on the business front. Although certain aspects of the business have shown some improvement over fiscal 2012, the Company's results continued to be held back by the effect of necessary provisions and the interest income foregone on its non-performing loan portfolio. In addition, recent developments on two long-standing legal actions brought positive and negative news that resulted in a net non-recurring loss of $12.7 million in the last quarter. The Company has recently announced the entering into an agreement to sell a major asset, Caye Chapel, a resort island in Belize, for $30.0 million. The disposal valuation is in line with the book value of the asset. On completion, this disposal would provide additional funds to the group for investment in new opportunities as and when they arise.

The world wide financial crisis of 2008 seriously affected the entire economy of Belize and resulted in a deterioration of the loan portfolio performance of the banking industry, especially loans to the productive sector where The Belize Bank Limited has a heavy concentration of lending. This necessitated a major and sustained effort by management to minimize the adverse impact of a growing non-performing loan portfolio and burgeoning liquidity. The Company has made loan provisions of $19.9 million, $19.6 million and $22.9 million in fiscal years 2013, 2012 and 2011, respectively. These provisions in part reflect the effects of an illiquid property market where realizable values of the Company's collateral continue to be depressed.

The net loss of the Company in the current year also includes a non-recurring loss of $12.7 million that relates to historic matters concerning arrangements between the Government of Belize ("GOB") and the Company. In July 2013, the Caribbean Court of Justice refused to enforce an award which was previously given to the Company by the London Court of International Arbitration in respect of damages and costs for breaches of contractual warranties by the GOB. The Company has fully provided against the award receivable of $22.2 million and is reviewing its options for further recovery actions. This was partially offset by income of $9.5 million as a result of a favorable outcome to the pursuit of a second award given to the Company by the London Court of International Arbitration in respect of a loan note due by the GOB to the Company.

Before the effect of the non-recurring loss of $12.7 million, the Financial Services Division moved from an operating loss of $9.8 million in fiscal 2012 to an operating loss of $4.6 million in fiscal 2013. The underlying improvement of $5.2 million is principally due to lower interest expense of $6.5 million offset by an increase in non-interest expenses of $0.7 million, principally due to increased legal fees. The performance of the Company continues to reflect the negative effect of accrued interest not being recognized on the non-performing loan portfolio that amounted to $127.0 million at March 31, 2013, down from $152.7 million a year earlier. The Company continues to manage this non-performing loan portfolio by controlled liquidations. In due course the Company will redeploy the funds in new lending when suitable opportunities arise.

The Company's balance sheet closed the year with shareholders' equity of $86.0 million at March 31, 2013 compared with $108.0 million last year.

Loss per share for the year (before non-recurring losses) of $0.09 compares with a loss per share of $0.15 in fiscal 2012.

The Government of Belize recently restructured the bulk of its international sovereign debt helping to stabilize the Belizean economy, which according to official statistics recorded growth of 5.3% in 2012. This growth was driven primarily by the resurgence in overnight tourism which after consecutive years of decline in 2008 and 2009, has seen steady increases in arrivals with year on year growth of 2%, 3% and 10% in 2010, 2011 and 2012, respectively. The upturn in tourism coupled with expansions in agriculture, aquaculture and construction, managed to offset the decline in petroleum extraction.

Despite the surge in output, economic performance is still hindered by insufficient inward foreign investment, lower public and private expenditure and a weak property market. The dearth of lending and investment opportunities is evidenced by the high levels of liquidity in the Belize financial system, with commercial bank excess cash reserve balances increasing by 60% year-on-year to $76 million. The entire banking system continues to grapple with a subdued credit market and the implications of more stringent non performing loan provisioning requirements which reduces lending capacity. For all commercial banks in Belize total credit to the private sector expanded by 2.2% (or $38.8 million) in calendar 2012.

We anticipate that the Belizean economy will decelerate to a growth rate of only 2.7% during 2013. This economic environment together with political obstacles faced by the Company will continue to present significant challenges but we will continue to pursue our key objectives.

Belize Bank remains the market leader in Belize particularly in the productive sector where it provides significant support to the country's economy. The primary focus of the Company for the next year will be to continue to manage the non-performing loan portfolio down and to reinvest selectively in new business as the economy improves and opportunities arise. The Company has embarked on a major overhaul of its information technology systems in order to position itself for greater efficiency and for business expansion not only in Belize but selectively in other Caribbean and Central American countries. New information technology will ensure that new products and services are introduced to keep pace with the demands of the markets in which we operate and to ensure that both front and back offices function effectively.

Over the past few years the Company has invested heavily in its business, administrative and management structure in order to improve the management of the key performance drivers of its financial services business, including the loan portfolio, liquidity, interest rates, investment, human resources, risk and information technology. We have also strengthened our corporate structure and our executive management team with key appointments and strengthened the support staff throughout the group.

As part of the Company's strategy it continues to investigate the expansion of financial services business into new areas of the Caribbean and other selected areas to increase its earnings across a broader range of economic jurisdictions and products. By utilizing a disciplined and focused approach, we intend to continue to build a diversified financial services group over the medium term as a leading Caribbean and Central American based provider of financial products and services.

The Company is committed to a high level of corporate governance. The Company operates through a Board of Directors, an Executive Committee, an Audit Committee and a series of other committees typical of a banking operation.

The Executive Committee meets to implement the strategy set by the Board. The Audit Committee operates at both group level and in our material operating subsidiaries. Other committees operate to monitor credit, risk, finance, strategic planning and technology.

We continue our dedication to providing the highest level of personalized service to our customers and offering the most competitive financial solutions for all their banking and financial services needs. Our goal is to be among the first rank of banking and financial services providers in the Caribbean region. We aim to achieve this by building on the foundations of our existing operations and by providing an increased range of financial products and services to individual and corporate customers.

The Company's performance is highly dependent on its people, and we are fortunate to have a dedicated, professional management team and workforce that together possess the expertise and have the commitment to achieve our objectives. I would like to express my sincere thanks to the entire management and staff. Moreover on behalf of the management team and the employees, I would like to thank our customers for the continuing opportunity to serve their banking and financial needs.

Lyndon Guiseppi
Chief Executive Officer

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, 2013 and 2012, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits of these consolidated financial statements in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BCB Holdings Limited and its subsidiaries as of March 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Horwath Belize LLP

Horwath Belize LLP
Belize City, Belize
Central America
August 30, 2013

Consolidated statements of comprehensive income

Year ended March 31	Notes	2013 $m	2012 $m
Financial Services			
Interest income		**39.5**	40.8
Interest expense	4	**(13.7)**	(20.2)
Net interest income		**25.8**	20.6
Provision for loan losses	12	**(19.9)**	(19.6)
		5.9	1.0
Non-interest income	5	**14.0**	13.0
Non-interest expense	6	**(24.5)**	(23.8)
Operating loss before non-recurring loss		**(4.6)**	(9.8)
Non-recurring net loss	7	**(12.7)**	–
Operating loss - Financial Services		**(17.3)**	(9.8)
Corporate expenses		**(4.3)**	(4.7)
Net loss from continuing operations		**(21.6)**	(14.5)
Net loss from discontinued operations	24	**–**	(0.6)
Net loss		**(21.6)**	(15.1)
Loss per ordinary share (basic and diluted)	8		
Net loss from continuing operations		**$ (0.22)**	$ (0.14)
Net loss from discontinued operations		**$ (0.00)**	$ (0.01)
Net loss		**$ (0.22)**	$ (0.15)

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, 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
Purchase of Treasury Shares	–	–	(0.1)	–	(0.1)
Other Movements	–	–	–	(0.3)	(0.3)
Net loss	–	–	–	(21.6)	(21.6)
At March 31, 2013	**0.6**	**52.8**	**(21.7)**	**54.3**	**86.0**

At March 31, 2013, retained earnings included non-distributable statutory reserves in The Belize Bank Limited of $2.2 million (2012 - $2.2 million).

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

Consolidated balance sheets

At March 31	Notes	2013 $m	2012 $m
Assets			
Financial Services			
Cash, cash equivalents and due from banks	9	**125.2**	146.7
Interest-bearing deposits with correspondent banks		**17.6**	31.0
Investment Securities	10	**81.8**	10.7
Government of Belize securities	11	**31.0**	18.5
Loans - net	12	**350.7**	375.7
Property, plant and equipment - net	13	**15.8**	15.1
Government of Belize receivable	14	**20.9**	31.3
Other assets	15	**37.9**	36.4
Total Financial Services assets		**680.9**	665.4
Corporate			
Cash and cash equivalents		**7.3**	8.5
Other current assets		**2.4**	1.3
Total assets		**690.6**	675.2
Liabilities and shareholders' equity			
Financial Services			
Deposits	16	**580.9**	545.6
Interest payable		**5.1**	6.5
Other liabilities		**10.9**	8.0
Total Financial Services liabilities		**596.9**	560.1
Corporate			
Current liabilities		**6.5**	5.9
Long-term liabilities		**1.2**	1.2
Total liabilities		**604.6**	567.2
Shareholders' equity:			
Share capital (ordinary shares of no par value – 2013 and 2012 -103,642,984)	18	**0.6**	0.6
Additional paid-in capital		**52.8**	52.8
Treasury shares	18	**(21.7)**	(21.6)
Retained earnings		**54.3**	76.2
Total shareholders' equity		**86.0**	108.0
Total liabilities and shareholders' equity		**690.6**	675.2

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

Consolidated statements of cash flows

Year ended March 31	2013 $m	2012 $m
Cash flows from operating activities		
Net loss from continuing operations	(21.6)	(14.5)
Adjustments to reconcile net loss to net cash provided (utilized) by operating activities:		
Depreciation	1.7	1.4
Provision for loan losses	19.9	19.6
Changes in assets and liabilities:		
Decrease in interest payable	(1.4)	(2.5)
Decrease Government Receivable	10.4	0.9
Increase in other and current assets	(2.6)	(0.9)
Increase (decrease) in other and current liabilities	3.5	(1.0)
Net cash provided by - continuing operations	9.9	3.0
Net cash utilized by - discontinued operations	–	(3.4)
Net cash provided (utilized) by operating activities	9.9	(0.4)
Cash flows from investing activities		
Purchase of property, plant and equipment (net of disposals)	(2.4)	(3.7)
Decrease (increase) in interest-bearing deposits with correspondent banks	13.4	(3.8)
Increase in Investment securities	(71.1)	(2.2)
(Increase) decrease in Government securities	(12.5)	10.4
Decrease (increase) in loans (net of charge-offs) to customers	5.1	(5.0)
Net cash utilized by investing activities	(67.5)	(4.3)
Cash flows from financing activities		
Increase in deposits	35.3	30.3
Purchase of treasury shares	(0.1)	–
Other movements	(0.3)	–
Decrease in long-term debt	–	(0.6)
Net cash provided by financing activities	34.9	29.7
Net change in cash, cash equivalents and due from banks	(22.7)	25.0
Cash, cash equivalents and due from banks at beginning of year	155.2	130.2
Cash, cash equivalents and due from banks at end of year	132.5	155.2
Cash - financial services	125.2	146.7
Cash - corporate	7.3	8.5
	132.5	155.2

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 and the Bermuda 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, 2012 and March 31, 2013 reflect the impact of the demerger, which became effective on October 26, 2011. In accordance with accounting standards, the income statement for the year ended March 31, 2012 has 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.

Subsequent events

BCBH and its subsidiaries (the "Group") have evaluated subsequent events for recognition and disclosure through August 30, 2013 which is the date the financial statements were available to be issued.

Note 2 - Summary of significant accounting policies

Basis of consolidated financial statements

The consolidated financial statements have been prepared in United States dollars in accordance with 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 ("GOB") 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.

Notes to consolidated financial statements

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 18).

Financial risk management

Financial instruments which potentially subject the Group to concentrations of credit risk principally consist of cash, cash equivalents and due from banks and extensions of credit to customers. The Group places its cash, cash equivalents and due from banks only with financial institutions with a high internationally accepted credit rating.

The Group's portfolio credit risk is evaluated on a regular basis to ensure that concentrations of credit exposure do not result in unacceptable levels of risk. Credit limits, ongoing credit evaluations, and account-monitoring procedures are utilized to minimize the risk of loss.

New accounting standards

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

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

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

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

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

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

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

Note 3 - Segmental analysis

The Group is currently engaged in the provision of financial services in Belize.

Year ended March 31	2013 $m	2012 $m
Depreciation		
Financial Services	1.7	1.4
Corporate	–	–
	1.7	1.4

Year ended March 31	2013 $m	2012 $m
Capital expenditures		
Financial Services	3.8	4.5
	3.8	4.5

At March 31	2013 $m	2012 $m
Total assets		
Financial Services	680.9	665.4
Corporate	9.7	9.8
	690.6	675.2

Note 4 - Interest expense

Year ended March 31	2013 $m	2012 $m
Interest on customer deposits	13.7	20.2
	13.7	20.2

Note 5 - Non-interest income

Year ended March 31	2013 $m	2012 $m
Foreign exchange income and commissions	4.3	4.2
Customer service and letter of credit fees	2.7	2.2
Credit card fees	3.8	3.5
Other financial and related services	2.0	1.9
Other income	1.2	1.2
	14.0	13.0

Note 6 - Non-interest expense

Year ended March 31	2013 $m	2012 $m
Salaries and benefits	8.9	8.4
Premises and equipment	3.5	3.2
Other expenses	12.1	12.2
	24.5	23.8

Note 7 – Non-recurring net loss

At March 31	2013 $m	2012 $m
Arbitration award (i)	9.5	–
Impairment reserve (ii)	(22.2)	–
	(12.7)	–

(i) During the year ended March 31, 2013 the Company received a final award in favor of BBL from the London Court of International Arbitration ("LCIA") relating to arbitration proceedings for a Loan note due from GOB (note 14(i)). As a result of the final award the Company recorded additional income of $9.5 million reflecting the net increase between the value of this new receivable and the previous receivable recorded under the loan note.

(ii) In July 2013, the Caribbean Court of Justice declined to enforce an award previously granted to the company by the LCIA relating to damages for breach of contractual warrenties given by the GOB. Management has decided to fully impair the asset and has recorded an impairment reserve of $22.2 million against the receivable from GOB (note 14(ii)).

Note 8 – Loss per ordinary share

Basic and diluted loss per ordinary share have been calculated on the net loss 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	2013 $m	2012 $m
Net loss	(21.6)	(15.1)
Weighted average number of shares (basic and diluted)	100,007,291	100,007,864

During the year ended March 31, 2013 and 2012 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 18).

Note 9 - Cash, cash equivalents and due from banks

At March 31	2013 $m	2012 $m
Cash in hand	8.5	7.3
Balances with the Central Bank of Belize (i)	37.8	39.6
Balances with other financial institutions	74.8	96.7
Amounts in the course of collection	4.1	3.1
	125.2	146.7

(i) 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, 2013, the actual amount was 9.1 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, 2013, the actual amount was 30.6 percent.

Note 10 - Investment Securities

At March 31	2013 $m	2012 $m
Securities available for sale	12.4	5.2
Securities held to maturity	69.4	5.5
	81.8	10.7

The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income at March 31, 2013 were as follows:

	Gross Amortized Cost $m	Gross Unrealized Gains $m	Gross Unrealized Losses $m	Fair Value $m
Government sponsored entities and agencies	2.1	–	(0.3)	1.8
Corporate bonds	10.5	0.1	–	10.6
	12.6	0.1	(0.3)	12.4

A summary of securities as of March 31, 2013, 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	2013 $m	2012 $m
Due in one year or less	68.4	0.8
Due in one to five years	11.6	8.1
Due from five to ten years	0.9	1.1
Due after ten years	0.9	0.7
	81.8	10.7

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.

Note 11 - Government of Belize Securities

In May 2010, the Central Bank of Belize instituted a new liquid asset requirement for banks to maintain holdings of GOB treasury bills equivalent to not less than 6.5 percent of BBL'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, 2013 BBL's holdings in GOB treasury bills was equivalent to 7.6 percent of its average deposit liabilities. GOB 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 12 - Loans - net

At March 31	2013 $m	2012 $m
Loans (net of unearned income):		
Residential mortgage	32.6	37.4
Credit card	8.3	8.0
Other consumer	46.9	42.7
Commercial - real estate	70.2	74.5
Commercial - other	229.0	251.3
	387.0	413.9
Allowance for loan losses:		
Residential mortgage	(0.4)	(3.2)
Credit card	(0.3)	(0.5)
Other consumer	(1.8)	(2.5)
Commercial - real estate	(6.4)	(4.5)
Commercial - other	(27.4)	(27.5)
	(36.3)	(38.2)
Loans (net of unearned income and allowance for loan losses):		
Residential mortgage	32.2	34.2
Credit card	8.0	7.5
Other consumer	45.1	40.2
Commercial - real estate	63.8	70.0
Commercial - other	201.6	223.8
Loans (net of unearned income and allowance for loan losses)	350.7	375.7

The maturity range of loans outstanding at March 31, 2013 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	1.4	2.8	28.4	32.6
Credit card	8.3	–	–	8.3
Other consumer	8.5	30.6	7.8	46.9
Commercial - real estate	33.4	7.1	29.7	70.2
Commercial - other	69.1	28.6	131.3	229.0
	120.7	69.1	197.2	387.0

The table below reflects outstanding loans by industry classifications.

	2013 $m	2012 $m
Utilities	10.5	11.2
Government	0.1	0.1
Agriculture	41.2	44.3
Marine products	14.0	14.6
Forestry	0.3	0.6
Manufacturing	1.7	1.6
Tourism	58.8	72.0
Building and construction	49.8	51.2
Real estate	100.4	102.4
Financial institutions	0.2	3.2
Distribution	35.3	38.7
Professional services	4.2	5.5
Transportation	7.2	9.5
Entertainment	0.7	0.6
Mining and exploration	7.4	7.7
Credit card	8.3	8.0
Other consumer	46.9	42.7
Total Loans	387.0	413.9

The Group 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 Group analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a monthly basis. The Group 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, 2013, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass $m	Special mention $m	Sub-standard $m	Doubtful $m	Loss $m	Total $m
Residential mortgage	27.2	–	5.3	–	0.1	32.6
Credit card	7.7	–	–	0.2	0.4	8.3
Other consumer	42.7	–	2.1	0.8	1.3	46.9
Commercial - real estate	43.2	3.1	23.1	–	0.8	70.2
Commercial - other	135.4	–	80.4	3.6	9.6	229.0
	256.2	3.1	110.9	4.6	12.2	387.0

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

	2013 $m	2012 $m
Year end loans on non-accrual	127.7	138.1
Other performing loans classified as impaired	–	14.6
Total impaired loans	127.7	152.7

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, 2013 and 2012:

	2013 $m	2012 $m
Residential mortgage	5.4	13.6
Credit card	0.6	0.5
Other consumer	4.2	5.8
Commercial - real estate	23.9	30.3
Commercial - other	93.6	87.9
	127.7	138.1

The interest income which would have been recorded during the year ended March 31, 2013 had all non-accrual loans been current in accordance with their terms was approximately $15.4 million (2012 - $18.8 million).

At March 31, 2013, the amount of impaired loans outstanding in which the Group considers that there was a probability of a loss totaled $31.8 million (2012 - $33.6 million), with related allowances, after taking into consideration related collateral, of $31.8 million (2012 - $33.6 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, 2013, was $56.3 million (2012 – $114.2 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, 2013, the Group had total loans outstanding to certain officers and employees of $8.5 million (2012 - $8.7 million) at preferential rates of interest varying between 0.0 percent and 8.0 percent per annum, repayable over varying periods not exceeding 25 years. At March 31, 2013, these loans included nil (2012 - nil) classified within commercial - other loans.

Changes in the allowance for loan losses were as follows:

Year ended March 31	2013 $m	2012 $m
At beginning of year	38.2	37.6
Provision charged to income	19.9	19.6
Charge-offs	(21.8)	(19.0)
Net movement in year	(1.9)	0.6
At end of year	36.3	38.2

Recoveries from loan losses have been immaterial to date. At March 31, 2013, the allowance for loan losses included a general loan loss allowance of $4.5 million (2012 - $4.6 million).

Note 13 – Property, plant and equipment – net

At March 31	2013 $m	2012 $m
Cost:		
Land	1.5	1.5
Premises	13.0	13.0
Furniture and fixtures and other equipment	5.6	4.9
Computer and office equipment	5.2	4.9
Motor vehicles	2.2	1.7
Construction work in progress	0.1	–
Total cost	27.6	26.0
Less: total accumulated depreciation	(11.8)	(10.9)
	15.8	15.1

Total capital expenditures for the years ended March 31, 2013 and 2012 were $3.8 million and $4.5 million, respectively. Total depreciation expense for the years ended March 31, 2013 and 2012 was $1.7 million and $1.4 million, respectively.

Note 14 – Government of Belize receivable

At March 31	2013 $m	2012 $m
Amounts receivable from GOB		
- 2007 Loan Note arbitration award (i)	20.9	9.1
Amounts receivable from GOB		
- tax arbitration award (ii)	–	22.2
	20.9	31.3

(i) On March 23, 2007, a loan note was issued to BBL by GOB under the terms of a settlement deed entered into by BBL and GOB on the same date ("2007 Loan Note"). The 2007 Loan Note had been rendered by the GOB in order to satisfy the GOB's liability under a 2004 guarantee for debts and liabilities owed to BBL by Universal Health Services Company Limited.

Management's opinion that it was probable that BBL would recover the receivable was based at the time on the progress of the various legal proceedings it had pursued for the recovery of sums due under the 2007 Loan Note that had been issued by the GOB to BBL. BBL at the time of the preparation of the financial statements for March 31, 2012, was claiming the sums due under the Loan Note in the London Court of International Arbitration ("LCIA") arbitration proceedings ("2007 Arbitration"). Consequently, included in other assets at March 31, 2012 was an amount of $9.1 million relating to this claim.

On January 16, 2013 a LCIA tribunal issued a Final Award in the 2007 Arbitration in favor of BBL. It declared that the 2007 Loan Note was valid and binding and ordered the GOB to pay BBL the sum of $18.4 million plus interest and costs. Included in the other assets of BBL is an amount of $20.9 million which relates to this Final Award.

In order to increase the enforcement options open to BBL, BBL applied to the English High Court for an order that the award be enforceable in the same manner as a judgment or order of an English court and that an English judgement be entered in the same terms as the Final Award. That order was granted and judgement made on February 20, 2013 and served on the GOB on May 15, 2013. Having failed to apply to set aside the order and judgement within two months of service on them, BBL may now enforce the English judgement.

(ii) In August 2009 BCBH (the parent company of BBL) and BBL successfully obtained an arbitral award against the GOB of approximately $22.1 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 the other assets of the Company at March 31, 2012 was 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 appealed this decision and on July 26, 2013, the Caribbean Court of Justice ("CCJ") ruled the Arbitration Act was constitutional; however, the CCJ declined to enforce the Award in Belize. While Management reviews with its legal advisors what action needs to be taken next, Management has decided to fully impair the asset and has recorded an impairment reserve of $22.2 million against the receivable from GOB.

Note 15 - Other assets

At March 31	2013 $m	2012 $m
Accrued interest receivable	1.5	1.3
Other assets (i)	36.4	35.1
	37.9	36.4

(i) Included in other assets is $29.8 million (2012 - 29.8 million) relating to Caye Chapel, a private island in Belize, which is being held as an asset held for sale.

Note 16 – Deposits

At March 31	2013 $m	2012 $m
Certificates of deposit	280.9	299.0
Demand deposits	231.4	171.0
Savings deposits	68.6	75.6
	580.9	545.6

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

At March 31	2013 $m	2012 $m
3 months or less	110.2	95.1
Over 3 and to 6 months	39.6	54.5
Over 6 and to 12 months	93.0	79.5
Over 12 months	–	–
Deposits less than $0.1 million	38.1	69.9
	280.9	299.0

Included in certificates of deposit at March 31, 2013 were $37.6 million (2012 - $55.5 million) of certificates of deposit denominated in US dollars and $0.8 million (2012 - $1.1 million) denominated in UK pounds sterling. Included in demand deposits at March 31, 2013 were $133.0 million (2012 - $102.9 million) of demand deposits denominated in US dollars and $4.4 million (2012 - $2.4 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 17 - 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, 2013 amounted to $23.8 million (2012 - $24.3 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, 2013. The Group holds similar collateral to that held for the short-term facilities described above and such commitments are generally fully collateralized. Outstanding standby letters of credit and financial guarantees written at March 31, 2013 amounted to $2.3 million (2012 - $3.7 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 are detailed as follows:

At March 31	2013 $m	2012 $m
Up to one year	2.3	3.6
Over one year	–	0.1
	2.3	3.7

(iii) The net operating lease rental charge for the years ended March 31, 2013 and 2012 included in the consolidated statements of income was $0.2 million and $0.2 million, respectively.

(iv) At March 31, 2013, the Group is a defendant in a number of pending legal and other proceedings incidental to present and former operations, acquisitions and dispositions. The Group does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on the consolidated financial position of the Group.

(v) As explained in note 14, 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 14. Therefore no provision against recovery has been made. Legal costs are expensed as incurred.

(vi) In the ordinary course of business, the Company's subsidiaries are subject to regulatory examinations, information gathering requests and enquiries. As a regulatory matter develops that may have a material effect, the Company and the relevant subsidiaries, in conjunction with outside counsel, evaluate the matter on an ongoing basis in light of potentially relevant factual and legal developments. These may include settlement discussions and rulings by courts, arbitrators or others. Based on current knowledge and discussions with independent legal counsel, management does not believe that the outcome of any regulatory matter that is unresolved at March 31, 2013 would have a material adverse effect on the financial position or liquidity of the Company or its subsidiaries as of March 31, 2013.

(vii) BBL, as a fully authorized 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, 2013 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 endeavors to follow, as soon as reasonably practicable, all such revised regulations.

Note 18 - Share capital

At March 31	2013 $m	2012 $m
Authorized		
Ordinary shares:		
200,000,000 shares of no par value	2.0	2.0
Preference shares:		
14,000,000 shares of $1.00 each	14.0	14.0
Total authorized	16.0	16.0
Issued and outstanding		
Ordinary shares:		
103,642,984 shares of no par value (2012 - 103,642,984)	0.6	0.6

During the two years ended March 31, 2013, there has been no movement in issued and outstanding shares.

Treasury Shares

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

	Number	$m
At April 1, 2011	3,635,120	21.6
At March 31, 2012	3,635,120	21.6
Purchase	105,769	0.1
At March 31, 2013	3,740,889	21.7

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, 2011	7,250,000	$6.50
Outstanding at March 31, 2012	7,250,000	$1.95
Outstanding at March 31, 2013	**7,250,000**	**$1.95**

At March 31, 2013, 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. In May 2009, BCBH granted options over a further 250,000 ordinary shares at an exercise price of $6.50 per share and on the same terms.

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, 2013 (2012 - $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 March 23, 2013. These options have lapsed in accordance with their terms. In November 2007, BCBH 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 August 2, 2014. The exercise price of the warrants was reduced in October 2011 to $1.95 as a result of the demerger.

Note 19 - 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.

In May 2009, BCBH granted options over a further 250,000 ordinary shares at an exercise price of $6.50 per share which vest and are exercisable in three instalments on the same dates.

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 20 – 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 2013**	Actual 2012
The Belize Bank Limited	9.0%	**13.6%**	15.4%
Belize Bank International Limited	10.0%	**15.3%**	13.9%

Note 21 – 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, 2013 and 2012 amounted to $111,121 and $85,186 respectively.

Note 22 – Related party transactions

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

Consultancy services

During the year ended March 31, 2013 and following the demerger in the year ended March 31, 2012, the Group provided administrative services to WIHL. The aggregate fees paid by WIHL to the Group amounted to $1.2 million (2012 - $1.0 million).

Note 23 – 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 input:

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 Group'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, 2013.

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

Note 24 – 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:

Year ended March 31	**2013 $m**	2012 $m
Associates	–	15.3
Financial Services discontinued	–	(14.4)
Corporate expense associated with discontinued operations	–	(1.5)
Net loss	–	(0.6)

BCB Holdings Limited