



**BB Holdings Limited**  
**A leader in financial services**

Annual Report 2008



**Corporate profile** Through its Financial Services division, BB Holdings Limited ("BB Holdings") provides a range of banking and financial services in Belize and the Turks and Caicos Islands ("TCI") and to international customers worldwide.

BB Holdings' principal subsidiaries comprise The Belize Bank Limited ("Belize Bank"), which operates in Belize, The Belize Bank (Turks and Caicos) Limited ("Belize Bank TCI") which operates in TCI serving both domestic and international customers and Belize Bank International Limited ("Belize Bank International") which serves international customers (collectively "The Belize Bank operations").

Through its 24.8 percent ownership in Numar, BB Holdings has an interest in a successful and market-leading edible oil processing and distribution operation in Costa Rica.

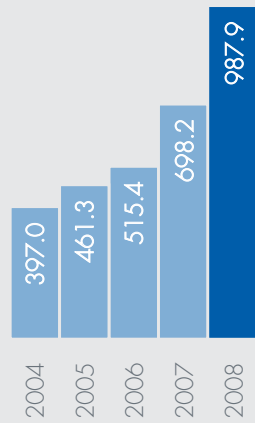
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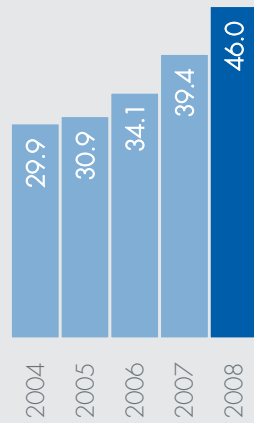
**BB Holdings Limited is the parent company of a successful group of financial services businesses operating in Belize and the Turks and Caicos Islands. We are dedicated to providing the highest level of personalized service to our customers in order to offer the most competitive and effective financial solutions for all of their banking and financial needs.**

**Performance highlights**

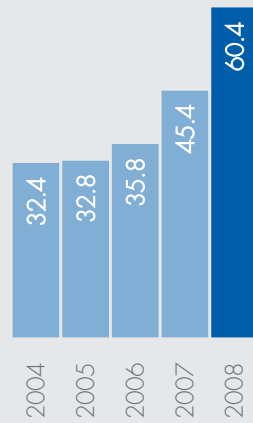
Total Financial Services assets (\$m)



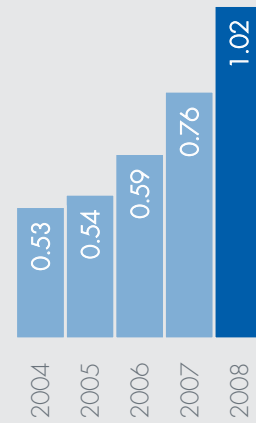
Financial Services total operating income (\$m)



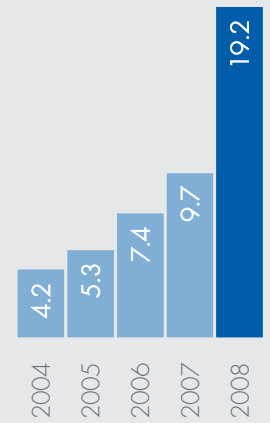
Net income from continuing operations (\$m)



Diluted earnings per share from continuing operations (\$)



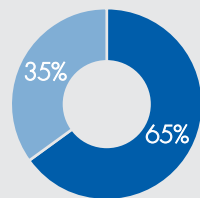
Share of associates earnings (\$m)



Financial Services operating income (\$m)

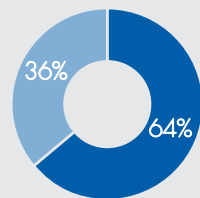
■ US dollar denominated operating income  
 ■ Non-US dollar denominated operating income

2004



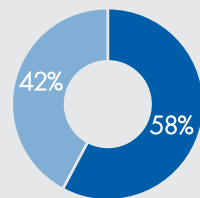
■ \$10.5m  
 ■ \$19.4m

2005



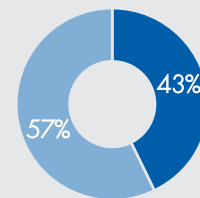
■ \$11.1m  
 ■ \$19.8m

2006



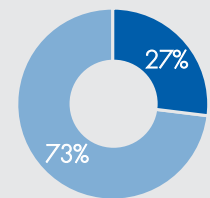
■ \$14.3m  
 ■ \$19.8m

2007



■ \$22.6m  
 ■ \$16.8m

2008



■ \$33.8m  
 ■ \$12.2m

## **Chairman's letter**

# **BB Holdings' priorities are to continue to expand the financial services business, to increase the US dollar earnings and to maximize shareholder value.**



It gives me great pleasure to see the continued improvement in the quality of our earnings. In fiscal 2008 our US dollar earnings outside of Belize increased significantly. In the last five years Financial Services US dollar denominated earnings have increased from \$10.5 million in 2004 to \$33.8 million in 2008. Over 70 percent of total Financial Services earnings are now US dollar denominated and this percentage continues to increase.

The strategy of reinvesting our retained earnings together with new funding of \$100 million raised during the year have helped us achieve a record year of profitability. We have focused on investing our capital in TCI because the country's economic and political stability have created an environment encouraging significant inward investment. In the TCI market we have been able to grow the loan portfolio in asset backed lending at attractive interest rates.

During the year we became the largest lender in TCI with a loan portfolio in excess of \$360 million. In Belize, we continue to be the leading financial institution with a market share of approximately 42 percent, almost twice the size of our nearest competitor.

In fiscal 2008 we raised \$100 million in new funds through a fully subscribed placement of loan notes and warrants to subscribe for ordinary shares of BB Holdings. The \$100 million proceeds were injected as capital into Belize Bank TCI making it one of the highest capitalized banks in TCI.

Financial Services has achieved another consecutive year of record results. In the last three years its operating income has increased by nearly 50 percent from \$30.9 million in 2005 to \$46.0 million this year. In fiscal 2008 the loan portfolio grew by over \$260 million. Total financial services assets are now approaching \$1 billion, \$418 million of which are in TCI.

We are dedicated to providing the highest level of personalized service to our customers in order to offer the most competitive financial solutions for all their banking and financial needs. Our goal is to be the banking and financial services provider of choice, building on our leading position by providing an increased range of financial products and services to individual and corporate customers. We continue to assess growth opportunities in other parts of the Caribbean.

Our associate Numar is the market leader in edible oils, margarine, industrial oils and animal feed in Costa Rica. Numar has had an exceptional year as it reaps the benefits of investments in new production capacity and higher oil prices. In three years, the contribution from Numar has increased nearly four fold from \$5.3 million in 2005 to \$19.2 million in 2008, an outstanding performance and a credit to the management team of Numar.

BB Holdings' priorities are to continue to expand the Financial Services business, to increase the US dollar denominated earnings and to maximize shareholder value.

The significant achievements of the Company across the board this year speak for themselves and I would like to express my sincere thanks to the management and staff who have contributed to this success.

A handwritten signature in black ink, appearing to read 'M. Ashcroft', written over a horizontal line.

**Lord Ashcroft, KCMG**  
Chairman

## Chief Executive's report

# Belize Bank TCI has achieved remarkable results in the last five years with compounded annual growth in earnings of approximately 40 percent.



A \$6.6 million year on year improvement in Financial Services operating income and a \$9.5 million improvement in our share of earnings from Numar have increased BB Holdings' net income by 33.0 percent to \$60.4 million from \$45.4 million in fiscal 2007. Combined with a 26.8 percent increase last year, BB Holdings achieved a 68.7 percent increase in net income over the last two fiscal years. Earnings per share at \$1.02 increased by 34.2 percent compared with last year and exceeded \$1.00 for the first time in the Company's history, a landmark result and a tribute to the hard work and competence of our staff.

The Financial Services division reported excellent results for 2008. The reinvestment of earnings, growth in deposits and the injection of \$100 million of new capital financed a \$260.9 million increase in lending, the majority of which took place in TCI. The growth in lending resulted in a 39 percent increase in interest income to \$88.8 million from \$63.9 million in 2007. Net interest income increased by 31.4 percent to \$55.7 million from \$42.4 million in 2007. Operating income increased by 16.8 percent to \$46.0 million from \$39.4 million in 2007.

Belize Bank TCI has achieved remarkable results in the last five years with compounded annual growth in earnings of approximately 40 percent. Belize Bank TCI is now a significant commercial banking operation and the number one lender in TCI with a loan portfolio of over \$360 million. Belize Bank TCI's rapidly growing earnings are entirely US dollar denominated and are of key strategic importance as we seek to increase our US dollar earnings outside of Belize.

The Belize Bank's domestic operations in Belize have shown modest growth this year with total loans up by 5.8 percent to \$335 million. It remains the dominant player in the market with an approximate market share of 44 percent of loans, almost twice the size of our nearest competitor. However, despite the growth in the loan portfolio, earnings have declined in 2008 principally due to an increase in specific loan loss provisions.

Belize Bank International's loan portfolio has grown by 92.2 percent to \$64.4 million from \$33.5 million in 2007. In the last twelve months Belize Bank International has grown to be the largest and most profitable international bank in Belize with a 50 percent market share of deposits. Belize Bank International offers a comprehensive range of financial service products and is well positioned to take advantage of the growing inward investment into the tourism sector in Belize.

With its stable earnings record and strong balance sheet, Belize Bank is a pillar of strength both in Belize and TCI. In the year to March 31, 2008, Financial Services equity increased by 32.4 percent to \$213.9 million from \$161.5 million in 2007. The increase of \$289.7 million in total Financial Services assets to \$987.9 million, was principally funded by a \$136.3 million (27 percent) increase in deposits, retained earnings and the injection of \$100 million of new funds into the TCI operation.

The contribution from Numar, our associate based in Costa Rica, has increased by over 150 percent in the last two years to a record \$19.2 million, benefitting from a sustained increase in world market prices for crude palm oil and the benefits of its investment strategy.

The Bank has continued its policy of investing in information technology to ensure the back and front offices function effectively and that new products and services keep pace with the demands of the markets we operate in. This policy helps to retain our leading position ahead of our competitors.

We will continue to leverage Belize Bank's strong financial position, its sophisticated banking systems and service quality to expand the business in Belize, TCI and internationally as opportunities arise.

BB Holdings is committed to the highest level of corporate governance. The Belize Bank operates through a Board of Directors and an Executive Committee.

The Executive Committee meets to implement the strategy set by the Board of Belize Bank and operates through the following sub-committees: Audit Committee, Credit Committee, Finance Committee, Marketing Committee, Strategic Planning Committee and Technology Committee.

In addition, BB Holdings has its own Audit Committee and Executive Committee.

In 2008 we will continue to seek opportunities to grow the US dollar earnings of BB Holdings. The current Belize economic and political environment continues to present challenges but we will persevere with our key financial role in the development of the country. Our financial strength positions us well to meet the challenges and pursue the growth opportunities ahead of us.

BB Holdings' continuing success is dependent on its people. We are fortunate to have a dedicated, professional management team and workforce that together possess the commitment and expertise to deliver excellent results. I express my gratitude to my staff for producing another outstanding performance. On behalf of the entire management team and employees I would also like to thank our customers for the continuing opportunity to serve their financial needs.



**Philip Johnson**  
Chief Executive Officer

## Domestic banking in Belize

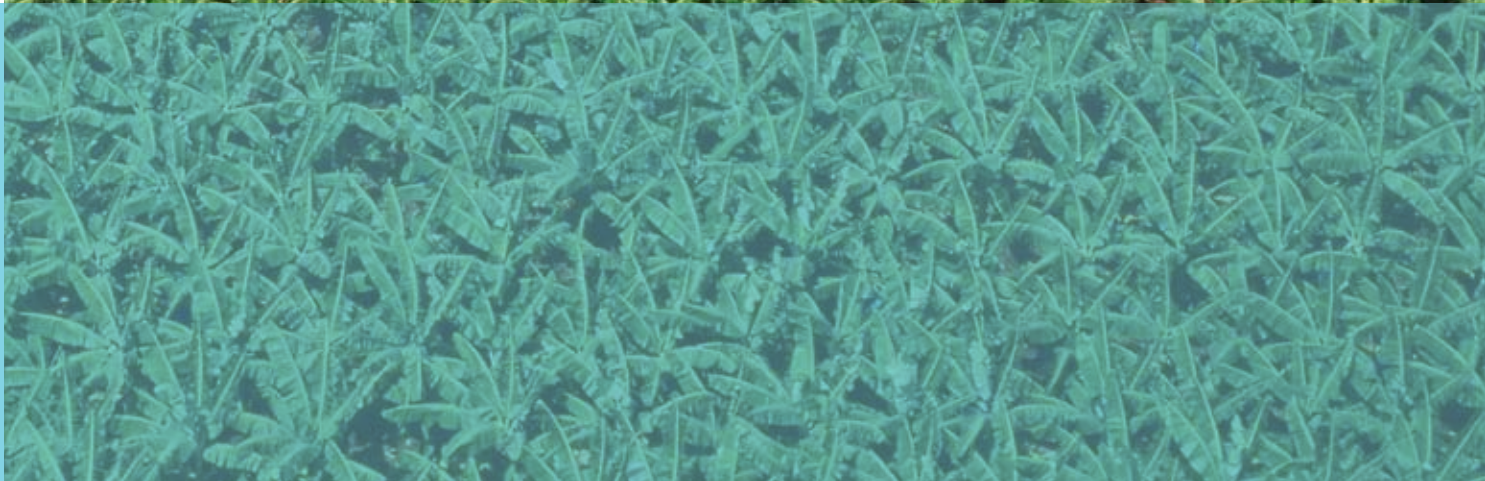
Belize Bank is the oldest and largest banking operation in Belize, with over 100 years of service. It provides a comprehensive range of banking and financial services in Belize to both commercial and retail customers, including the convenience of online banking and electronic bill paying services. Belize Bank's unmatched convenience and expertise, high quality service, innovation and a continually evolving variety of financial services help to maintain its role as the leading financial services provider in Belize.

The Belize banking industry is comprised of five domestic banks and seven international banks. Belize Bank is the largest bank in Belize with a head office in Belize City, eleven branches and a network of ATMs located in every major town and city throughout the country. This network provides the most comprehensive distribution channel of all the banks in Belize. Belize Bank has an approximate 44 percent share of loans and a 38 percent share of deposits, substantially ahead of its nearest competitor. Belize Bank's loan portfolio at March 31, 2008 amounted to \$335 million.

Continued investment in Belize Bank's back office and front office systems has provided a solid platform for the development and operation of the Bank. Belize Bank has a sophisticated information technology infrastructure that provides superior processing capacity, delivery channels and customer service. This system facilitates the rapid introduction of new products and has been designed to be extremely resilient to external communication interruptions which we believe to be essential in hurricane risk areas. The investment continues with the development of a country-wide satellite communication network for disaster preparedness and business continuity purposes.

**Belize Bank's unmatched convenience and expertise, high quality service, innovation and a continually evolving variety of financial services help to maintain its role as the leading financial services provider in Belize.**





## Domestic banking in Belize

Belize Bank provides credit facilities to businesses to assist with expansion and all aspects of domestic financing. Credit controls ensure that the loan portfolio growth is balanced with sound loan quality. Approximately half of Belize Bank's loan portfolio consists of corporate loans supporting the tourism, agriculture, mariculture and distribution industries. The balance of the portfolio is extended to residential mortgages and consumer loans.

Belize Bank's current and savings accounts provide customers easy access to their funds with debit cards usable at the largest ATM and merchant point-of-sale network in the country. Belize Bank savings accounts currently yield up to 6 percent interest and term deposits are available at very competitive interest rates.

Belize Bank's VISA Gold Card and MasterCard credit cards allow customers to make purchases and access funds worldwide. The VISA Gold Card also offers free travel accident insurance, free auto rental insurance and an array of emergency travel assistance services. The Belize Bank Visa Debit Card, launched in 2006 has been a great success. Cardholders are able to access funds in their deposit accounts by using the card to pay for goods and services at over one thousand business establishments across Belize.

Belize Bank Merchant Accounts provide Belizean based businesses with VISA, MasterCard and American Express (exclusive acquirer in Belize) electronic processing capability. The Merchant Accounts feature competitive discount rates, next day credits, convenient reconciliation through our online banking service and an effective support system. In direct response to the needs of its commercial customers, Belize Bank also offers Internet Merchant Accounts ("IMAs"), using PayPal's PayFlow Pro Internet payment gateway to enable the processing of credit card transactions via the Internet. As a further enhancement to IMAs, Belize Bank has also established an online travel reservation service ([www.belizeportal.com](http://www.belizeportal.com)) allowing tourism related businesses to sell their services internationally over the Internet.

We have deployed over one thousand point of sale terminals and have a market share of merchant acquiring in Belize of over 60 percent. For the security of our customers, Belize Bank has developed an automated back up system which seamlessly moves communications to satellite links in the event of, for example, hurricane damage. This system is the only one of its kind in Belize.

With Belize Bank Online, customers can view and download to accounting programs or spreadsheets their account transactions, transfer funds, and pay their bills online. In addition, Commercial Online Banking customers can reconcile their credit card transactions and process their payrolls by making direct payments to their employees. Belize Bank's 24-hour Secure Online Messaging System allows customers to correspond with Belize Bank personnel through a secure channel. The services of Belize Bank Online are also available to customers of Belize Bank International and Belize Bank TCI.

Belize is situated on the Caribbean coast of Central America bordered by Mexico to the north, Guatemala to the west and south, and by the Caribbean Sea to the east. Geographically Belize comprises mainland Belize, which covers an area of approximately 14,000 square miles, and hundreds of small islands and cays that stretch approximately 25 miles into the Caribbean Sea. Belize's barrier reef extends down the entire 240 mile coastline of Belize. Mayan history, the diversity of the mainland terrain and the vast array of offshore cays and islands provide Belize with a solid foundation for continuing development of the tourist industry. Belize is under two hours from Miami and is served directly by five international airlines from various southern US cities. It is a peaceful, English speaking, stable democracy with a political system based on the British Westminster model with Queen Elizabeth II as Head of State. Belize's legal system is based on the English Common Law with the Privy Council serving as the final court of appeal. Its currency, the Belize dollar, has been pegged to the US dollar at a fixed exchange rate of 2 to 1 for over 25 years.

**Belize Bank has a sophisticated  
information technology infrastructure  
that provides superior processing capacity,  
delivery channels and customer service.**





# International banking

Belize Bank International provides a full range of banking services to its worldwide customers. The comprehensive range of services includes deposit accounts in multiple currencies, flexible types of loan facilities, credit, debit and prepaid cards, online stock trading, online banking, online merchant acquiring, company formation and administration and other related services. Belize Bank International provides excellent value to both individuals and businesses with competitive deposit and lending rates, low corporate setup costs, access to a wide range of investment products with excellent yields, easy trading across international borders and tax-free interest.

Belize Bank International is focused on providing customers with operational and service excellence to satisfy their banking needs and remains committed to expanding its range of products and services to meet this objective. International banking specialists are available by phone to ensure that customers receive an efficient and high quality service. This is complemented by a full time, secure on line messaging system to allow customers to communicate with the Bank.

Belize Bank International has solid correspondent banking relationships with a number of leading international banks, including Bank of America, Lloyds TSB and Wachovia.

International deposit accounts enable our customers to manage their finances wherever they are in the world and provide an efficient way to send money to any jurisdiction. These accounts are tax-free and not subject to currency controls. Accounts are available to both personal and corporate customers in US dollars, Canadian dollars, UK pounds and Euros. Current accounts are designed to provide customers with immediate access to their funds either by wire transfer or banker's draft.

**Belize Bank International  
provides a full range of services  
to its worldwide customers.**



**Belize Bank International  
is focused on providing customers with  
operational and service excellence.**

## International banking

Belize Bank International also offers tax-free, hard currency term deposits at highly attractive and competitive interest rates and with various terms of maturity. Belize Bank International provides various types of lending options to facilitate the best possible financing solutions for our customers. Lending is tailored with flexible payment terms to meet budgetary needs and goals. Credit facilities include overdrafts, lines of credit and secured mortgage loans for personal, residential or commercial purposes. Belize Bank International also offers standby and documentary letters of credit and financial guarantees. Strict credit controls ensure that the mainly asset backed loan portfolio is of a high quality.

Belize Bank International offers customers access to a large number of stocks, mutual funds, options and other securities through its brokerage service partners in the US. Customers may trade online or, as a more personalized service, they may place their trading order with an account manager via fax or e-mail. In addition, the service includes monitoring and collecting all dividends and interest payments, disposing of all income collected in accordance with customers' instructions and informing customers of new investment opportunities.

Belize Bank International's VISA Gold Card, MasterCard credit cards and VISA Debit cards are available to customers providing the same services as those provided by Belize Bank. The recently launched VISA prepaid card has already proven itself to be popular product for both international business and private clients. Belize Bank International offers a number of other services similar to those provided by the domestic bank including merchant acquiring services and comprehensive online banking.

Through Belize Corporate Services Limited and affiliated companies Belize Bank International offers Belize International Business Company ("Belize IBC") formation and maintenance services along with complementary administrative and ancillary services. A Belize IBC is a legal entity similar to the US based corporation or limited liability company and enjoys total exemption from all forms of taxation in Belize. For international customers, the Belize IBC is a flexible, tax efficient medium suitable for a wide range of trading, investment and asset protection solutions. Belize Corporate Services also provides on request IBC's from other jurisdictions. Belize Corporate Services is by far the largest corporate services provider in Belize with a global network of professional intermediary and private customers. As of June 2008, Belize Corporate Services has over seventeen thousand companies under management.

## Banking in the Turks and Caicos Islands

Belize Bank TCI has grown to be one of the largest financial institutions in TCI where it provides lending and deposit facilities together with a range of other banking services to domestic and international customers. This year BB Holdings invested most of its retained earnings and a further \$100 million of new capital in Belize Bank TCI. The additional capital was invested principally in asset backed lending at attractive interest rates to the tourism and property development sectors.

The investment of \$100 million was made in order to increase Belize Bank TCI's strength and presence in TCI. Belize Bank TCI now has equity of \$157 million which gives it one of the strongest balance sheets among the banks operating in TCI. This investment is a significant vote of confidence in the stability of TCI and its position as a one of the fastest growing tourist destinations in the world. Belize Bank TCI's commitment to the provision of quality service and innovative, flexible financing solutions has made it the fastest growing bank in TCI where it is seeking to promote further investment and the continuation of the successful economic expansion of TCI. Belize Bank TCI will continue to remain responsive to customers' needs and will participate in new opportunities as they become available in TCI.

The loan portfolio has expanded to embrace clients whose operations include sophisticated brand name property development ventures in TCI, a major boating marina of international quality and local service businesses, including the local airline industry. Belize Bank TCI has taken the lead in the arrangement of several large syndicated loans totalling \$168 million that provide funding to key development projects in TCI.





**Belize Bank TCI has grown to be one of the largest financial institutions in TCI where it provides lending and deposit facilities together with a range of other banking services to domestic and international customers.**



## Banking in the Turks and Caicos Islands

Belize Bank TCI's rapid expansion has provided a significant contribution to the increase in operating profits of Financial Services. Belize Bank TCI's earnings have helped increase the US dollar component of Financial Services operating income to over 70 percent of its total operating income. Belize Bank TCI's loan portfolio of \$363 million at March 31, 2008 has made the bank the largest lender in TCI. The loan portfolio is expected to grow further as future earnings continue to be reinvested in the TCI business.

Belize Bank TCI offers very attractive term deposit interest rates. With a strong balance sheet supported by an asset backed loan portfolio, Belize Bank TCI is encouraging the local TCI business community and international clients to take advantage of these excellent deposit rates.

Belize Bank TCI offers deposit accounts in US dollars and Canadian dollars and will soon be offering Euro and UK pounds deposits. Belize Bank TCI's accounts are well suited for international customers who require immediate access to their funds by wire transfer. Interest on these accounts is received free of tax.

Belize Bank TCI is a leading provider of customized lending products with flexible loan terms and highly competitive interest rates. Belize Bank TCI provides facilities for tourism related development financing, residential mortgages and service businesses throughout TCI. Belize Bank TCI ensures customers receive the most comprehensive financial products that best match their requirements. Belize Bank TCI has found its own niche in the market place by providing loan specialists who deal one-on-one with clients and provide a speedy response to customer loan requests.

Belize Bank TCI's VISA Gold Card and MasterCard credit cards are available to customers providing the same services as those provided by Belize Bank. VISA debit cards will be available shortly. Belize Bank TCI offers a number of other services similar to those provided by Belize Bank including merchant acquiring services and comprehensive online banking.

TCI is situated in the British West Indies, 80 minutes or 575 miles south east of Miami at the southern end of the Bahamas chain with easy access to large parts of the USA. Covering an ocean area of approximately 166 square miles, TCI has eight islands and a significant number of cays and coral reefs making it a world class location for all water sports. The country's growth is primarily driven by tourism related real estate development and a growing financial services sector. Its proximity to the USA has facilitated a rapid expansion in tourist visitors in recent years. Despite the economic slowdown in the USA there is continuing interest in new development. Large scale cruise ships are able to dock on Grand Turks Island. On Providenciales Island there are several marinas catering for small craft of up to sixty feet. In August 2008, the largest eco-friendly, international marina in the Caribbean capable of handling yachts in excess of 200 feet long is expected to be completed.

TCI is English speaking and combines the stability of a British Overseas Territory with the acceptance of the US dollar as the local currency with a well-defined regulatory framework. New legislation is being drafted which will further strengthen the financial market. TCI has a fiscal structure with no tax on income (either personal, corporate or capital gains), and no exchange control. Economic indicators for TCI show a positive outlook with a potential for continuing economic growth over the medium term. TCI has a modern, full service international airport with daily flights from a number of key cities in the USA and Canada. Runway expansion is currently on the drawing board and this would facilitate non-stop flights from Europe.

**Belize Bank TCI's earnings have helped increase the US dollar component of Financial Services operating income to over 70 percent of its total operating income.**

# Numar

Numar, based in Costa Rica, owns edible oil processing and distribution operations and palm seed plantations in Central America where the company is a market leader in the production and distribution of edible oils, margarine, industrial oils and animal feed. Numar has been in operation for over 50 years and has an experienced, long established management team.

In fiscal 2008, the Company's share of Numar's earnings increased by 97.9 percent to \$19.2 million from \$9.7 million in 2007. Numar's profits were driven by a sustained increase in world market prices for crude palm oil and the benefits of its investment strategy. Numar's sales increased by 42.6 percent to \$422.1 million in fiscal 2008 from \$296.1 million in fiscal 2007. Over the same period net income of Numar increased from \$39.0 million to \$79.1 million. Gross assets of Numar increased from \$322.5 million in 2007 to \$434.0 million at March 31, 2008.

Over recent years Numar has experienced outstanding growth in sales and profitability principally as a result of favourable pricing conditions in the edible oil market and investment in recent years that has expanded its production capacity. Numar has invested in new plantation development in accessible, cost efficient locations in Mexico and Nicaragua, the latter having a cost structure similar to Indonesia which is the world's lowest cost producer. Numar now controls over 65,000 acres of oil palm plantations spread across south east Costa Rica, Mexico and Nicaragua where its expansion has strengthened its presence and control and position ahead of the competition in Central America.

Numar's strengths include a dominant market share in all key products, an extensive distribution network, a low cost and high yield production base, high cost barriers to entry and a world-class seed and cloning development technology. The combination of Numar's high oil yield plantations and cost efficient extraction plants makes the crude palm oil it produces very competitive worldwide compared with other vegetable oils. Numar's agricultural locations enjoy near optimal climate conditions and production yields are comparable to Malaysia which is one of the most efficient producers in the world.

Numar's operations include vertically integrated operations beginning with palm oil seeds and clones, plantations, extraction, refining, and selling and distribution of consumer branded products, including vegetable oils and margarine and other products such as coffee. Commodity type products such as crude palm oil are traded primarily in Mexico through international based pricing and finished consumer products are traded primarily in Costa Rica and Nicaragua. Numar also has a highly active seed research and production program. The seed produced by Numar under its ASD brand is of world-class quality in yield and disease resistance. Numar sells oil palm seed internationally, including to Indonesia which is the largest world producer of palm oil.

**Numar now controls over  
65,000 acres of oil palm plantations  
spread across south east Costa Rica,  
Mexico and Nicaragua.**

# Report of independent auditors

## To the Board of Directors and Shareholders of BB Holdings Limited

We have audited the accompanying consolidated balance sheets of BB Holdings Limited and its subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits of these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (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 BB Holdings Limited and its subsidiaries as of March 31, 2008 and 2007, 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  
Belize City, Belize  
Central America  
May 30, 2008

# Consolidated statements of income

Year ended March 31	Notes	2008 \$m	2007 \$m
<b>Financial Services</b>			
Interest income		88.8	63.9
Interest expense	4	(33.1)	(21.5)
Net interest income		55.7	42.4
Provision for loan losses	8	(8.3)	(4.0)
Net non-interest (expense) income	5	(1.4)	1.0
Operating income – Financial Services		46.0	39.4
Corporate expenses		(5.1)	(4.3)
Total operating income		40.9	35.1
Associates	11	19.2	9.7
Interest income		0.3	0.6
<b>Net income</b>		<b>60.4</b>	<b>45.4</b>
<b>Earnings per ordinary share (basic and diluted)</b>	6	<b>\$1.02</b>	<b>\$0.76</b>

# Consolidated statements of changes in shareholders' equity

	Share capital \$m	Treasury shares \$m	Retained earnings \$m	Total \$m
At March 31, 2006	0.6	(18.1)	203.5	186.0
Net income	–	–	45.4	45.4
Purchase of treasury shares	–	(3.4)	–	(3.4)
At March 31, 2007	0.6	(21.5)	248.9	228.0
Net income	–	–	60.4	60.4
<b>At March 31, 2008</b>	<b>0.6</b>	<b>(21.5)</b>	<b>309.3</b>	<b>288.4</b>

At March 31, 2008, retained earnings included non-distributable statutory reserves in The Belize Bank Limited and its subsidiaries of \$5.2 million (2007 – \$5.2 million).

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

# Consolidated balance sheets

At March 31	Notes	2008 \$m	2007 \$m
<b>Assets</b>			
<b>Financial Services</b>			
Cash, cash equivalents and due from banks	7	43.9	41.2
Interest-bearing deposits with correspondent banks		127.1	94.0
Loans – net	8	761.1	508.5
Property, plant and equipment – net	9	17.0	14.8
Other assets	10	38.8	39.7
<b>Total Financial Services assets</b>		<b>987.9</b>	<b>698.2</b>
<b>Corporate</b>			
Cash and cash equivalents		0.2	5.2
Other current assets		0.4	0.6
Property, plant and equipment – net		0.1	0.1
Associates	11	79.2	63.6
<b>Total assets</b>		<b>1,067.8</b>	<b>767.7</b>
<b>Liabilities and shareholders' equity</b>			
<b>Financial Services</b>			
Deposits	12	641.1	504.8
Short-term debt		–	6.0
Interest payable		9.7	7.1
Other liabilities		10.7	6.3
Long-term debt	13	112.5	12.5
<b>Total Financial Services liabilities</b>		<b>774.0</b>	<b>536.7</b>
<b>Corporate</b>			
Current liabilities		4.2	1.8
Long-term liabilities		1.2	1.2
<b>Total liabilities</b>		<b>779.4</b>	<b>539.7</b>
<b>Shareholders' equity</b>			
Share capital (ordinary shares of no par value – 2008 – 62,554,040; 2007 – 62,554,040)	15	0.6	0.6
Treasury shares	15	(21.5)	(21.5)
Retained earnings		309.3	248.9
<b>Total shareholders' equity</b>		<b>288.4</b>	<b>228.0</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,067.8</b>	<b>767.7</b>

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

# Consolidated statements of cash flows

Year ended March 31	2008 \$m	2007 \$m
<b>Cash flows from operating activities</b>		
Net income	60.4	45.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1.2	1.2
Provision for loan losses	8.3	4.0
Undistributed earnings of associates	(15.6)	(6.3)
Changes in assets and liabilities:		
Increase in interest payable	2.6	2.3
Decrease (increase) in other assets	1.1	(15.4)
Increase (decrease) in other liabilities	6.8	(1.2)
Net cash provided by operating activities	64.8	30.0
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3.4)	(4.4)
Increase in interest-bearing deposits with correspondent banks	(33.1)	(40.4)
Decrease in Government securities	–	8.5
Increase in loans to customers	(260.9)	(125.9)
Net cash utilized by investing activities	(297.4)	(162.2)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	100.0	–
Repayment of long-term debt	–	(2.5)
(Decrease) increase in short-term debt	(6.0)	6.0
Increase in deposits	136.3	129.3
Purchase of treasury shares	–	(3.4)
Net cash provided by financing activities	230.3	129.4
Net change in cash, cash equivalents and due from banks	(2.3)	(2.8)
Cash, cash equivalents and due from banks at beginning of year	46.4	49.2
<b>Cash, cash equivalents and due from banks at end of year</b>	<b>44.1</b>	<b>46.4</b>
Cash – financial services	43.9	41.2
Cash – corporate	0.2	5.2
	44.1	46.4

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



# Notes to the consolidated financial statements

## Note 1 – Description of business

### Introduction

BB Holdings Limited (“BBHL” or “the Company”) is a company incorporated in Belize. BBHL is a holding company with no independent business operations or assets other than its investment in its subsidiaries, associates, intercompany balances and holdings of cash and cash equivalents. BBHL’s businesses are conducted through its subsidiaries.

### Financial services

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

### Associates

The Group’s equity investment comprises approximately 24.8 percent of Grupo Agroindustrial CB, S.A. and related companies (“Numar”), which have interests in agro-processing and distribution operations principally in Costa Rica.

## 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 generally accepted accounting principles in the United States requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These management estimates include, among others, an allowance for doubtful receivables, asset impairments, and useful lives for depreciation and amortization, loss contingencies, and allowance for loan losses. Actual results could differ materially from those estimates.

### Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Group. BBHL 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.

### Allowance for loan losses

The Group’s consideration as to the adequacy of the allowance to provide for probable loan losses is based on a continuing review of the loan portfolio and includes, but is not limited to, consideration of the actual loan loss experience, the present and prospective condition of each borrower and its related industry, general economic conditions prevailing from time to time, and the estimated fair value of the related collateral. Loans are charged off against allowance for loan losses when the amounts are deemed to be uncollectible.

The Group measures its estimates of impaired loans in accordance with Statement of Financial Accounting Standards No. 114 – Accounting by Creditors for Impairment of a Loan, as amended by Statement of Financial Accounting Standards No. 118 – Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures. Under the Bank’s accounting policy for loan loss provisioning, the Group evaluates the probability of an impairment loss when a loan is classified as non-accrual. An impairment loss is recognized and fully provided for if the recorded amount of the non-accrual loan exceeds the estimated fair value of the underlying collateral less costs to sell. The majority of the Group’s loan portfolio is fully collateralized. Interest income on impaired loans is recognized only when payments are received and the Company considers that the loan will remain performing.

### Currency translation

The reporting and functional currency of the Group is United States dollars. The results of subsidiaries and associates, which account in a functional currency other than United States dollars, are translated into United States dollars at the average rate of exchange for the year. The assets and liabilities of subsidiaries and associates which account in a functional currency other than United States dollars are translated into United States dollars at the rate of exchange ruling at the balance sheet date. Currency translation adjustments arising from the use of differing exchange rates from period to period are included as other comprehensive income in shareholders’ equity.

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

### Associates

For investments in which the Group owns or controls more than twenty percent of the voting shares, and over which it exerts significant influence over operating and financial policies, the equity method of accounting is used in the consolidated financial statements. The investment in associates is shown in the consolidated balance sheets as the Group’s proportion of the underlying net assets of these companies plus any goodwill attributable to the acquisitions less any write-off required for a permanent diminution in value. The consolidated statements of income include the Group’s share of net income of associates.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid instruments, with an original maturity of three months or less. As a result of the short term maturity of these financial instruments, their carrying value is approximately equal to their fair market value.

# Notes to the consolidated financial statements

## Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided to write off the cost of the assets over their estimated useful lives, using the straight-line method, over the following periods:

Buildings	life of building, not exceeding 50 years
Leasehold improvements	term of lease
Motor vehicle	4 years
Fixtures, fittings and office equipment	3 to 10 years

The carrying value of property, plant and equipment is evaluated periodically in relation to the operating performance and future cash flows of the underlying businesses. Where, in the opinion of the Group, an impairment in the value of property plant and equipment has occurred, the amount of the impairment is recorded in the consolidated statements of income.

Repairs and maintenance costs are expensed as incurred. Gains and losses arising on the disposal of property, plant and equipment are included in the consolidated statements of income.

## Stock-based compensation

Stock-based employee compensation is accounted for under the fair value based method of accounting (note 15).

## Recently issued accounting pronouncements

In May 2005, the Financial Accounting Standards Board ("the FASB") issued Statement of Financial Accounting Standard No. 154, Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3 ("SFAS 154"). SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle. SFAS 154 applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company will apply the provisions of SFAS 154 when applicable in future periods.

Effective April 1, 2006, the Company adopted the fair value recognition provisions of SFAS 123 (R) using the modified-prospective-transition method. Under that transition method, compensation cost recognized during the year ended March 31, 2007 included compensation cost for all share-based payments made after April 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of SFAS 123 (R). The effect of the adoption of SFAS 123 (R) did not have a material effect on the consolidated financial earnings or position of the Company.

In September 2006, the FASB issued Statement of Financial Accounting Standard Number 157 ("SFAS 157"), Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The initial adoption of SFAS 157 is not expected to have a material effect on the consolidated financial earnings or position of the Company.

In February 2007, the FASB issued Statement of Financial Accounting Standard Number 159, Fair Value Option for Financial Assets and Liabilities ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value with changes in fair value included in current earnings. The election is made on specific dates, can be made on an instrument by instrument basis, and is irrevocable. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is assessing the effect of the standard in view of its adoption of SFAS 157.

## Note 3 – Segmental analysis

The Group is currently engaged in the provision of financial services principally in Belize and the Turks and Caicos Islands.

Year ended March 31	2008 \$m	2007 \$m
<b>Depreciation</b>		
Financial Services	1.2	1.0
Corporate	–	0.2
	<b>1.2</b>	<b>1.2</b>

Year ended March 31	2008 \$m	2007 \$m
<b>Capital expenditures</b>		
Financial Services	3.4	4.3
Corporate	–	0.1
	<b>3.4</b>	<b>4.4</b>

At March 31	2008 \$m	2007 \$m
<b>Total assets</b>		
Financial Services	987.9	698.2
Associates	79.2	63.6
Corporate	0.7	5.9
	<b>1,067.8</b>	<b>767.7</b>

## Note 4 – Interest expense

Year ended March 31	2008 \$m	2007 \$m
<b>Interest expense</b>		
Interest on customer deposits	25.1	20.2
Interest on short-term debt	0.1	–
Interest on long-term debt	1.3	1.3
Interest on Series 1 Loan Notes	4.8	–
Interest on Series 2 Loan Notes	1.8	–
	<b>33.1</b>	<b>21.5</b>

# Notes to the consolidated financial statements

## Note 5 – Net non-interest (expense) income

Year ended March 31	2008 \$m	2007 \$m
<b>Non-interest income:</b>		
Foreign exchange income and commissions	6.1	5.0
Customer service and letter of credit fees	2.1	2.6
Credit card fees	2.5	1.2
Other financial and related services	2.9	2.7
Other income	3.3	2.8
	<b>16.9</b>	<b>14.3</b>
<b>Non-interest expense:</b>		
Salaries and benefits	(8.6)	(7.1)
Premises and equipment	(2.7)	(2.4)
Other expenses	(7.0)	(3.8)
	<b>(18.3)</b>	<b>(13.3)</b>
<b>Net non-interest (expense) income</b>	<b>(1.4)</b>	<b>1.0</b>

## Note 6 – Earnings per ordinary share

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

Year ended March 31	2008 \$m	2007 \$m
Net income	60.4	45.4
Weighted average number of shares (basic and diluted)	59,069,836	59,571,096

During the year ended March 31, 2008 and 2007 the weighted average effect of share options and warrants has been excluded from the calculation of diluted earnings per ordinary share, since they were anti-dilutive under the treasury method of earnings per share calculation (note 15).

## Note 7 – Cash, cash equivalents and due from banks

At March 31	2008 \$m	2007 \$m
Cash in hand	6.9	6.6
Balances with Central Bank of Belize	31.4	28.0
Amounts in the course of collection	5.6	6.6
	<b>43.9</b>	<b>41.2</b>

The Belize Bank Limited (the "Bank") is required to maintain an average minimum non-interest bearing deposit balance with the Central Bank of Belize equal to 10 percent of the average deposit liabilities of the Bank. At March 31, 2008, the actual amount was 10.7 percent. In addition, the Bank 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 the Bank. At March 31, 2008, the actual amount was 27 percent.

## Note 8 – Loans – net

At March 31	2008 \$m	2007 \$m
Loans (net of unearned income):		
Residential mortgage	52.8	46.4
Credit card	7.4	7.2
Other consumer	13.1	13.2
Commercial – real estate	363.4	159.8
Commercial – other	341.5	290.9
	<b>778.2</b>	<b>517.5</b>
Allowance for loan losses:		
Residential mortgage	(1.6)	(0.6)
Credit card	(0.2)	(0.3)
Other consumer	(0.6)	(0.6)
Commercial – real estate	(5.5)	(2.2)
Commercial – other	(9.2)	(5.3)
	<b>(17.1)</b>	<b>(9.0)</b>

Loans (net of unearned income and allowance for loan losses):

Residential mortgage	51.2	45.8
Credit card	7.2	6.9
Other consumer	12.5	12.6
Commercial – real estate	357.9	157.6
Commercial – other	332.3	285.6

Loans (net of unearned income and allowance for loan losses)	761.1	508.5
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Unearned income at March 31, 2008 amounted to \$3.9 million (2007 – \$3.5 million).

The maturity ranges of loans outstanding at March 31, 2008 are shown in the table below. All loans, other than consumer loans, are legally repayable on demand; however, they are disclosed below as if they run to their full maturity.

	Due in one year or less \$m	Due after one year through five years \$m	Due after five years \$m	Total \$m
Residential mortgage	2.4	17.7	32.7	52.8
Credit card	7.3	0.1	–	7.4
Other consumer	2.4	10.4	0.3	13.1
Commercial – real estate	79.6	151.7	132.1	363.4
Commercial – other	131.4	68.4	141.7	341.5
	<b>223.1</b>	<b>248.3</b>	<b>306.8</b>	<b>778.2</b>

Non-accrual loans at March 31, 2008 amounted to \$41.3 million (2007 – \$23.4 million). The interest income which would have been recorded during the year ended March 31, 2008 had all non-accrual loans been current in accordance with their terms was approximately \$1.5 million (2007 – \$2.9 million).

# Notes to the consolidated financial statements

At March 31, 2008, the amount of impaired loans outstanding in which the Group considers that there was a probability of a loss totaled \$18.2 million (2007 – \$3.9 million), with related allowances, after taking into consideration related collateral, of \$8.1 million (2007 – \$2.3 million). There were no impaired loans without 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, 2008 was \$7.6 million (2007 – 5.3 million). Interest is not recognized on any loan classified as non-accrual.

As a result of the nature of these financial instruments, the estimated fair market value of the loan portfolio is considered by the Group to approximate its carrying value.

At March 31, 2008, the Group had total loans outstanding to certain officers and employees of \$6.1 million (2007 – \$5.5 million) at preferential rates of interest varying between 4.0 percent and 10.9 percent per annum, repayable over varying periods not exceeding 25 years. At March 31, 2008, these loans included \$0.4 million (2007 – \$1.0 million) classified within commercial – other loans.

At March 31, 2008, the Group held 386,948 ordinary shares of BBHL as collateral for certain loans provided.

Changes in the allowance for loan losses were as follows:

Year ended March 31	2008 \$m	2007 \$m
At beginning of year	9.0	5.6
Provision charged to income	8.3	4.0
Charge-offs	(0.2)	(0.6)
	8.1	3.4
At end of year	17.1	9.0

Recoveries from loan losses have been immaterial to date.

## Note 9 – Property, plant and equipment – net

At March 31	2008 \$m	2007 \$m
Cost:		
Land and buildings	15.1	13.2
Fixtures, fittings and office equipment	9.4	8.1
Total cost	24.5	21.3
Less: total accumulated depreciation	(7.5)	(6.5)
	17.0	14.8

Total capital expenditures for the years ended March 31, 2008 and 2007 were \$3.4 million and \$4.3 million, respectively. Total depreciation expense for the years ended March 31, 2008 and 2007 was \$1.2 million and \$1.0 million, respectively.

## Note 10 – Other assets

At March 31	2008 \$m	2007 \$m
Government of Belize securities	5.0	5.0
Investment in associate	7.3	6.2
Other assets	26.5	28.5
	38.8	39.7

Government of Belize securities bear interest at a rate of 9.0 percent per annum, are classified as being held-to-maturity, and are carried at cost which, as a result of the short-term maturity of these financial instruments, is approximately equal to their fair market value.

In January 2006, the Group acquired a non-controlling, 50.0 percent interest in the equity of Belize International Services Limited ("BISL"). BISL is a holding company incorporated in the British Virgin Islands which provides financial and other services. The consideration paid amounted to \$6.0 million and was satisfied in cash. The share of net income amounted to \$1.6 million for the year ended March 31, 2008 (2007 – \$1.2 million) and is included in Non-interest income – Other income (note 5).

## Note 11 – Associates

At March 31	2008 \$m	2007 \$m
Investments in associates		
Numar	79.2	63.6
Year ended March 31	2008 \$m	2007 \$m
Share of associates' earnings:		
Numar	19.2	9.7
Total dividends receivable during the year	3.6	3.4

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

At March 31, 2008, the accumulated undistributed earnings of associates included in the consolidated retained earnings of the Group amounted to \$60.9 million (2007 – \$45.3 million).

Summarized combined unaudited financial information for Numar was as follows:

Year ended March 31	2008 \$m	2007 \$m
Net sales	422.1	296.1
Gross profit	128.7	78.6
Income from continuing operations	89.1	46.0
Net income	79.1	39.0
At March 31	2008 \$m	2007 \$m
Current assets	216.5	149.5
Non-current assets	217.5	173.0
Current liabilities	82.0	50.8
Non-current liabilities	37.8	20.6

# Notes to the consolidated financial statements

## Note 12 – Deposits

At March 31	2008 \$m	2007 \$m
Certificates of deposit	370.4	277.3
Demand deposits	211.8	175.2
Savings deposits	58.9	52.3
	<b>641.1</b>	<b>504.8</b>

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

At March 31	2008 \$m	2007 \$m
3 months or less	134.9	78.7
Over 3 and to 6 months	63.7	45.8
Over 6 and to 12 months	129.9	114.6
Deposits less than \$0.1 million	41.9	38.2
	<b>370.4</b>	<b>277.3</b>

Included in certificates of deposit at March 31, 2008 were \$194.2 million (2007 – \$130.9 million) of certificates of deposit denominated in US dollars. Included in demand deposits at March 31, 2008 were \$121.5 million (2007 – \$74.9 million) of demand deposits denominated in US dollars and \$16.0 million (2007 – \$32.6 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 13 – Long-term debt

At March 31	2008 \$m	2007 \$m
Series 1 Loan Notes (i)	50.0	–
Series 2 Loan Notes (ii)	50.0	–
Notes payable to Belize Telecommunications Limited (iii)	12.5	12.5
<b>Long-term debt</b>	<b>112.5</b>	<b>12.5</b>

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

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

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

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

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

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

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

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

The remaining Series 1 Loan Notes, the Series 2 Loan Notes and the New Loan Note are included in Financial Services division long-term debt as the entire proceeds of \$100 million were used to fund the operations of Financial Services.

(iii) The Belize Telecommunications Limited loan notes consist of five individual \$2.5 million unsecured loan notes with interest payable at 10 percent per annum. The five notes mature in equal amounts of \$2.5 million on July 7, in each of the years 2009, 2010, 2011, 2012 and 2013.

## Note 14 – Commitments and contingencies

(i) Financial instruments which potentially subject the Group to concentrations of credit risk consist of cash, cash equivalents and due from banks and loans due from customers. The Group places its cash, cash equivalents and due from banks with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution.

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 also 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.

# Notes to the consolidated financial statements

(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, 2008 amounted to \$29.9 million (2007 – \$37.9 million).

Since many of the commitments are expected to expire without being drawn upon in full, and because of the fluctuating aspect of the facilities, the total commitment amounts do not necessarily represent future cash requirements. The Group evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral required by the Group for the extension of credit is based on the Bank's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties and assets.

Standby letters of credit and financial guarantees written are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. The terms of such guarantees do not normally exceed more than one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The terms and conditions reflected in letters of credit and guarantees provided by the Group, in so far as they may impact the fair market value of these instruments, are market sensitive and are not materially different from those that would have been negotiated at March 31, 2008. 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, 2008 amounted to \$12.9 million (2007 – \$13.8 million).

(iii) The net operating lease rental charge for the years ended March 31, 2008 and 2007 included in the consolidated statements of income was \$0.2 million and \$0.2 million, respectively.

(iv) At March 31, 2008, 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.

## Note 15 – Share capital

At March 31	2008 \$m	2007 \$m
Authorized		
Ordinary shares:		
100,000,000 shares of no par value	–	–
Preference shares:		
14,000,000 shares of \$1.00 each	14.0	14.0
<b>Total authorized</b>	<b>14.0</b>	<b>14.0</b>
Issued and outstanding		
Ordinary shares:		
62,554,040 shares of no par value (2007 – 62,554,040)	0.6	0.6

There has been no movement in issued and outstanding shares since April 1, 2006.

## Preference shares

In December 1997, 0.5 million preference shares of \$1.00 were designated as Series A preference shares, pursuant to the Shareholder Rights Agreement referred to below, which have been reserved for issuance upon exercise of the said rights. The rights attaching to the balance of 13.5 million preference shares, none of which are issued and outstanding, as to designation, dividends, return of capital, redemption, conversion, voting and otherwise shall be determined by the board of directors of BBHL on or before the time of allotment.

In December 1997, BBHL adopted a Shareholder Rights Agreement (the "Agreement") which became effective in February 1998. Under the Agreement, each BBHL ordinary shareholder received a distribution of one right for each BBHL ordinary share held. In May 1999, BBHL resolved that, as a result of a three for one stock split, the number of rights associated with each ordinary share in issue be adjusted from one to one-third.

Each right entitles the holder to purchase from BBHL shares of a new series of A preference shares at an initial purchase price of \$90 per one hundredth of a Series A preference share. The rights will become exercisable and will detach from the ordinary shares a specified period of time after any person becomes the beneficial owner of 15 percent or more of BBHL's ordinary shares, or commences a tender or exchange offer which, if consummated, would result in any person becoming the beneficial owner of 15 percent or more of BBHL's ordinary shares. The rights did not become exercisable on account of any person being the beneficial owner of 15 percent or more of BBHL's ordinary shares when the Agreement was adopted, but become exercisable if such a person increases their beneficial ownership after that time.

If any person becomes the beneficial owner of 15 percent or more of BBHL's ordinary shares, or if any person who was already the beneficial owner of 15 percent or more of BBHL's ordinary shares when the Agreement was adopted increases their beneficial ownership, each right will enable the holder, other than the acquiring person, to purchase, for the rights purchase price, BBHL ordinary shares having a market value of twice the rights purchase price.

If, following an acquisition of 15 percent or more of BBHL's ordinary shares, BBHL is involved in any merger, or other business combination, or sells or transfers more than 50 percent of its assets or earnings power, each right will entitle the holder to purchase, for the rights purchase price, ordinary shares, of the other party to such transaction, having a market value of twice the rights purchase price.

BBHL may redeem all of the rights at a price of \$0.01 per right at any time prior to the specified period of time after a person has become the beneficial owner of 15 percent or more of BBHL's ordinary shares. The rights expired in December 2007. Prior to the expiration of the rights the holders of the rights had no rights as a shareholder of BBHL, including the right to vote and to receive dividends.

## Treasury shares

The movement in treasury shares, at cost, held since April 1, 2006 has been as follows:

	Number	\$m
At April 1, 2006	2,324,204	18.1
Purchase (i)	1,160,000	3.4
At March 31, 2007	3,484,204	21.5
<b>At March 31, 2008</b>	<b>3,484,204</b>	<b>21.5</b>

# Notes to the consolidated financial statements

(i) The Group has, from time to time, utilized surplus available funds to purchase treasury shares at times when shares have become available at a share price which represented an attractive purchase opportunity.

The purchase of treasury shares comprised 1,160,000 ordinary shares purchased at an average purchase price of \$2.93 per share in September 2006.

## Share options

BBHL has granted employee share options which are issued under a number of fixed share option plans and schemes which reserve ordinary shares for issuance to the Company's executives, officers and key employees. The majority of options have been granted under the BBHL 1997 Long-Term Incentive Plan (the "Incentive Plan"). The Incentive Plan is administered by a committee of the board of directors of BBHL. Options are generally granted to purchase BBHL 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, 2006	1,000,000	\$3.00
Lapsed – fiscal 2007	(1,000,000)	\$3.00
Issued – fiscal 2007	2,000,000	\$6.50
Outstanding at March 31, 2007	2,000,000	\$6.50
<b>Outstanding at March 31, 2008</b>	<b>2,000,000</b>	<b>\$6.50</b>

At March 31, 2008, no outstanding options were exercisable.

At March 31, 2006, there were 1,000,000 options outstanding with a weighted average exercise price of \$3.00. These options lapsed according to their terms in August 2006.

In May 2006, BBHL granted new options over 2,000,000 ordinary shares at an exercise price of \$6.50 per share which vest in two tranches as to 500,000 on or after February 2010 and 1,500,000 shares on or after March 2011.

Statement of Financial Accounting Standards No. 123 – Accounting for Stock-Based Compensation ("SFAS 123"), as amended by SFAS 148, allows companies to measure compensation cost in connection with share option plans and schemes using a fair value based method. Using the fair value based method consistent with the provisions of SFAS 123, the Group has taken a charge of \$0.2 million in the consolidated income statement during the year ended March 31, 2008 (2007 – \$0.2).

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

Expected stock price volatility	18 percent
Risk free interest rate	5.1 percent
Expected dividend yield	Nil percent
Expected life of option	4.5 years

## Note 16 – 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, 2008 and 2007 amounted to \$58,024 and \$61,120 respectively.

## Note 17 – Related party transactions

### Guarantees and indemnities

During fiscal year 2006, the Group had issued guarantor surety, performance and other bonds which related to its US Facilities Services businesses and its UK and Ireland businesses. Under the terms of the respective demerger agreements during fiscal 2006 between BBHL and Carlisle Group Limited ("CGL") and between BBHL and OneSource Services Inc. ("OSI"), BBHL was released from its obligations under the terms of all these guarantees and indemnities, with the exception of those set out below.

(i) an agreement of indemnity in favour of a provider of performance bonds to OSI relating to a \$35 million surety performance bond line, of which \$16.1 million was utilized by OSI as at March 31, 2006.

(ii) guarantees for the provision of certain lessor equipment, motor vehicle fleet fuel and retrospective insurance premiums with one provider, which, as of March 31, 2006, amounted to approximately \$1.7 million.

During fiscal 2007 BBHL was released from all of its obligations under these indemnities and guarantees.

### Business and administrative services

By an agreement dated February 7, 2006, between BBHL and OSI and a separate agreement dated August 8, 2005 between BBHL and CGL, each of BBHL and OSI and BBHL and CGL has agreed to provide, or procure the provision by their respective subsidiaries of, certain business and administrative services to the other party and its subsidiaries as reasonably requested from time to time by the other party or its subsidiaries. Fees are payable on commercial arm's length terms and include the recovery of expenses. Under the terms of these agreements BBHL received management fees of \$0.3 million from CGL and \$0.4 million from OSI during the year ended March 31, 2008 (2007 – \$0.2 million and \$0.2 million from CGL and OSI respectively). Both agreements have now expired or been cancelled.

### Loan

In March 2007, BBHL issued an unsecured, interest bearing, promissory note in the amount of \$6.0 million to Agrigento. The promissory note, including accrued interest amounting to \$31,233 calculated at the prescribed rate of 10 percent per annum, was repaid in full to Agrigento on April 16, 2007 in accordance with its terms.

### Consultancy services

During the year the Group utilized the consultancy services of Bearwood Services Limited ("Bearwood"), a United Kingdom company in which Lord Ashcroft has an interest. The aggregate fees paid to Bearwood by the Company for the year ended March 31, 2008 amounted to \$0.9 million (2007 – \$0.4 million).

# Directors and Officers

## Board of Directors

### Lord Ashcroft, KCMG

#### Executive Chairman (Belizean)

Lord Ashcroft has been the Executive Chairman of BBHL since 1987. Formerly, Lord Ashcroft was the Chairman and Chief Executive Officer of ADT Limited (1977 to 1997). He is also the Chairman of Trustees for a number of charities – Michael A. Ashcroft Foundation, Crimestoppers, Prospect Education (Technology) Trust and currently Treasurer of the International Democrat Union. He was Belize's Permanent Representative to the United Nations from 1998 until April 2000. Lord Ashcroft was a former Treasurer of the Conservative Party in the United Kingdom from 1998 to 2001. He was appointed to the Board of the Conservative Party in the United Kingdom in May 2005 and in December 2005 he became a Deputy Chairman. In March 2000, he was appointed a life peer in the British House of Lords and in June 2000 he was awarded a Knighthood (KCMG – Knight Commander of the Order of St. Michael and St. George) for public service to the community and country of Belize. In November 2001, he was invested as Chancellor of Anglia Ruskin University (ARU) in the United Kingdom. Lord Ashcroft is also a British citizen and a Belonger of the Turks and Caicos Islands.

### Peter Gaze

#### Chief Financial Officer (British)

Peter Gaze has been a director of BBHL since March 2007 and the Chief Financial Officer of BBHL since 1998. He is also a member of the Executive Committee. He is a Fellow of the Institute of Chartered Accountants in England and Wales, having trained with the international accounting firm of PricewaterhouseCoopers in London. Prior to joining BBHL, he was the Group Financial Controller of ADT Limited from 1990 to 1997.

### Philip Johnson

#### Chief Executive Officer (Belizean)

Philip Johnson was appointed Chief Executive Officer of BBHL in September 2006 having been CEO of BBHL's Financial Services Division and President of The Belize Bank Limited since 1995. He is also a member of the Executive Committee. Prior to joining the bank, Mr. Johnson spent over 10 years in a variety of commercial roles, including over seven years with Lonrho PLC, having previously qualified as a Chartered Accountant. Mr. Johnson is also a British citizen.

### Philip Osborne

#### Company Secretary (British)

Philip Osborne has been Company Secretary of BBHL since 1993 and a director of BBHL since February 2007. Mr. Osborne is a Solicitor and a member of the Law Society of England and Wales. Before joining BBHL, Mr. Osborne worked as a legal adviser to the London Stock Exchange and The Securities Association in the United Kingdom and for the international law firms of Clifford Chance and S.J. Berwin & Co. He is a member of the Belize Bar Association and the country representative for Belize of the International Bar Association.

### Cheryl Jones

#### Non Executive Director (American)

Cheryl Jones has been a Director of BBHL since 2003. Ms. Jones was Chief Executive Officer of OneSource Services Inc. from 2006 to 2007 and Chairman and Chief Executive Officer of OneSource Holdings, Inc. from 2003 to 2007. Prior to joining OneSource, Ms. Jones served as Senior Vice President of National Linen Service, a subsidiary of National Service Industries, Inc. where she held a variety of senior management positions from 1994 to 2001.

### John Searle

#### Non Executive Director (Belizean)

John Searle has been a Non Executive Director of BBHL since 1987. He is also a member of the Audit Committee. Mr. Searle is Chairman and Managing Director of Belize Global Travel Services Limited, which carries on the business of a travel agency and tourism.



# Directors and Officers

Executive Directors – The Belize Bank Limited (“Belize Bank”)

## Philip Johnson

Chairman, President

## Louis Swasey

Executive Director – Belize Bank, Senior Vice President

Louis Swasey heads the Domestic Operations of Belize Bank and has over 38 years of banking experience. He previously worked with the Royal Bank of Canada where he held various senior positions and completed extensive training both in Belize and abroad.

## Hon. Andrew Ashcroft

Managing Director – Belize Bank Turks and Caicos Limited

Andrew Ashcroft joined Belize Bank in May 2002. After an initial period in the Belize Bank head office, Mr. Ashcroft transferred to Turks and Caicos to become the Managing Director. He is a graduate in International Business and has a Professional Diploma in Financial Services Management from an affiliate of University of Manchester. He is also The Honorary Consul for Panama in Belize and a Vice Chairman of International Young Democrat Union.

## Jose Cardona

Executive Director – Belize Bank, Vice President of Electronic Banking

Jose Cardona joined the Royal Bank of Canada in 1981 and remained with the bank when it became Belize Bank in 1987. He has over 20 years of experience in Belize Bank’s operations. He has worked in the computer operations department since 1988, assuming overall management of Information Technology Systems since 1995. Mr. Cardona is also a Justice of the Peace in Belize.

## Michael Castillo

Executive Director – Belize Bank, Branch Manager, San Pedro

Michael Castillo has a banking career dating back from 1978 under the Royal Bank of Canada. He served as manager of Belize Bank San Ignacio Branch for 11 years and has been managing the Belize Bank San Pedro Branch for the past 8 years.

## Christopher Coye

Executive Director – Belize Bank, International & Corporate Services

Christopher Coye is a specialist in international financial services. A former economist at the Central Bank of Belize and a trained attorney, Mr. Coye brings Belize Bank his experience and expertise from his years in private practice in commercial and banking law.

## Michael Coye

Executive Director – Belize Bank, Vice President of Finance

Michael Coye is a member of the Institute of Chartered Accountants of Belize and the American Institute of Certified Public Accountants. He has been with Belize Bank for 14 years. Prior to joining Belize Bank, he was employed as a Senior Auditor with PricewaterhouseCoopers.

## Martin Marshalleck

Executive Director – Belize Bank

Martin Marshalleck has been in banking for over 20 years. For the past 7 years, he has held senior positions with both a local and an international bank in Belize.

## Efrain Martin

Executive Director – Belize Bank, Branch Manager Orange Walk

Efrain Martin began his 38 year banking career with the Royal Bank of Canada and in 1987 joined Belize Bank. During the last 11 years he has been the Area Manager for Northern Belize with supervision of the Orange Walk Town, Corozal Town and the Corozal Freezone and the Corozal Border Service branches.

# Shareholder information

## Market Information

BB Holdings Limited ordinary shares are currently traded on the Alternative Investment Market of the London Stock Exchange in the United Kingdom ('AIM') under the symbol 'BBHL'.

## Company Websites

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[www.belizebank.com](http://www.belizebank.com)

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