

***BERMUDA CAPITAL COMPANY LIMITED***

***Annual Report and Financial Statements***

***For the year ended March 31, 2013***

# ***BERMUDA CAPITAL COMPANY LIMITED***

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# ***BERMUDA CAPITAL COMPANY LIMITED***

## **Key Information**

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### **DIRECTORS**

Paul Stevenson

James Keyes

Clarendon (Hal) Masters

Administrator	Butterfield Fulcrum Group (Bermuda) Limited 26 Burnaby Street Hamilton, HM11 Bermuda
Auditors	Deloitte & Touche Ltd. Corner House 20 Parliament Street Hamilton, Bermuda
Custodian	Butterfield Trust (Bermuda) Limited 65 Front Street Hamilton, Bermuda
Co-Custodian	Smith & Williamson Investment Services Limited 25 Moorgate London, EC2R 6AY, England
Investment Advisor	Smith & Williamson Investment Management LLP. 25 Moorgate London, EC2R 6AY, England
Legal Advisors	Appleby 22 Victoria Street Canon's Court Hamilton, Bermuda

***BERMUDA CAPITAL COMPANY LIMITED***

**NOTICE**

**YOU ARE HEREBY NOTIFIED** that the Annual General Meeting of the Company will be held at the Registered Office of the Company, 26 Burnaby Street, Hamilton HM 11, Bermuda on Monday, 21<sup>st</sup> October, 2013 at 10:15 a.m.

**BERMUDA CAPITAL COMPANY LIMITED**

**A G E N D A**

1. To elect a Chairman, if necessary.
2. The Secretary to confirm that Notice of the Meeting has been given in accordance with the Bye-Laws of the Company.
3. To approve the Minutes of the Annual General Meeting of the Members held on 29<sup>th</sup> October, 2012.
4. To adopt the Auditors' Report and Financial Statements for the year ended 31<sup>st</sup> March, 2013.
5. To appoint Auditors until the close of the next Annual General Meeting and either determine their remuneration or refer such determination to the Board of Directors.
6.
  - a) Determine the number of Directors;
  - b) Elect Directors for the ensuing year;
  - c) Authorise the Directors to appoint Alternate Directors as and when they deem fit; and
  - d) Consider fees payable to Directors.
7. To approve new Bye-laws for the Company.
8. Consider any other business, which may properly come before the Meeting

**BY ORDER OF THE BOARD OF DIRECTORS**

*Donna Phillips*

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Donna Phillips  
Secretary

Dated: 13<sup>th</sup> May , 2013

TO: All Members  
cc: Deloitte & Touche Ltd., Chartered Accountants, Hamilton, Bermuda  
**All Directors and Alternate Directors**

## ***BERMUDA CAPITAL COMPANY LIMITED***

### **Investment Manager's Report (Unaudited)**

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In the past 12 months to March 2013 world markets have made modest progress in US \$ terms as measured by the MSCI (+9.3%) and the FTSE world (+8.5%) indices. Over the same period Bermuda Capital rose 10.7%.

Given the moribund state of the world we have found it difficult to come to terms with rising markets in both the U.S. and Europe from an investment point of view. We have generally maintained a cash balance between 10-20% and have therefore missed out on some of the rise.

Gold has also had a poor time as investors have left the 'safe haven' for more exciting equity markets. We still have faith in Gold long term as the only way by which the QE debts will be repaid is by inflating them away.

The U.S. is certainly getting a boost from the boom in shale extraction which has dramatically increased its oil and gas production. Lower gas prices are giving a boost to the chemical industry in particular and the fact that wholesale electricity prices are down by 25% over the last 5 years (while the rest of the world are up about 10%) is a big boost to the U.S.

However, U.S. unemployment has not fallen significantly remaining stubbornly between 7.5% and 8.25%. This figure does not account for those who have fallen off the rolls as they are no longer entitled to benefits. The number of families receiving aid from the food stamp system is at a record high.

Although the rate at which the U.S. Government is increasing its debt is falling there is no sign that they are actually going to start paying it down.

Japan has been one of the bright spots where the Nikkei rose 21% in ¥ terms. Although yen depreciation persuaded Japanese investors to buy equities expressed in dollars the rise has not been so dramatic at 6.5%. Thus we have substantially hedged our Japanese equities by shorting the Yen against the Dollar and have had reasonable success in this market.

The Chinese Sovereign Wealth fund now owns 1.9% of the Topix Index.

South East Asian economies have continued to prosper and we have managed to find some good consumer related stocks selling at reasonable valuations offering strong growth. The rapidly expanding middle class should enable this trend to continue.

Switzerland has been the best performer in our list and we suspect this has something to with the Central Bank buying equities with some of the Euros accumulated from stopping the SW Franc from appreciating above Sfr 120 to the Euro. The Swiss National Bank has not been alone in buying equities and if one accepts that most central banks are printing bonds which will never be repaid, it makes sense as good 'blue chips' have a better record of maintaining value than currencies. The purchasing powers of the U.S. and U.K. currencies have depreciated by factors of 5.8 and 12.2 times respectively since the U.S came off the Gold standard in 1971.

In spite of the problems we expect that opportunities will arise and we will be doing our best to identify them.

Your directors have declared a dividend of \$1.45 per share payable to shareholders on its equities at the close of business on July 30, 2013. The payment date will be August 4, 2013.

## ***BERMUDA CAPITAL COMPANY LIMITED***

### **Investment Manager's Report (Unaudited)**

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The Company is listed on the Bermuda Stock Exchange. The schedule of current investments is available from the offices of the Administrator upon request.

	31-Mar-12	31-Mar-13	% in local fx	% in US\$
UK FT All share	3,002.8	3,380.6	12.6%	6.9%
S&P Composite	1,408.5	1,569.2	11.4%	11.4%
Canada (TSE300)	12,392.2	12,749.9	2.9%	1.0%
Australia (All Ord)	4,420.0	4,979.9	12.7%	13.5%
Japan (Topix)	854.4	1,034.7	21.1%	6.5%
Hong Kong	20,555.6	22,299.6	8.5%	8.5%
India (SENSEX)	17,404.2	18,835.8	8.2%	1.4%
S. Korea (KOSPI)	2,014.0	2,004.9	-0.5%	1.3%
Singapore (STII)	3,010.5	3,308.1	9.9%	11.4%
Brazil (BOVESPA)	64,511.0	56,352.1	-12.6%	-21.1%
Mexico (BOLSA)	39,521.2	44,077.1	11.5%	15.6%
France (CAC)	3,423.8	3,731.4	9.0%	4.7%
Germany (DAX)	6,946.8	7,795.3	12.2%	7.8%
Holland (AEX)	323.5	348.1	7.6%	3.4%
Italy (FTSEMIB40)	15,980.1	15,388.7	-3.7%	-7.5%
Switzerland (SMI)	6,235.5	7,813.7	25.3%	19.1%
FT World	383.1	415.7	8.5%	8.5%
MSCI World	1,312.0	1,434.6	9.3%	9.3%
Bermuda Capital	290.3	321.5	10.7%	10.7%

David Hunter

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors  
of Bermuda Capital Company Limited.

We have audited the accompanying financial statements of Bermuda Capital Company Limited (the "Company"), which comprise the statement of net assets, including the schedule of investments, as at March 31, 2013, and the related statements of operations and changes in net assets for the year then ended.

### Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2013 and the results of its operations and changes in its net assets for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

*Deloitte & Touche Ltd.*

August 2, 2013

# **BERMUDA CAPITAL COMPANY LIMITED**

## **STATEMENT OF NET ASSETS**

**As at March 31, 2013 (Expressed in U.S. dollars)**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Investments - at fair value (cost 2013: \$119,246,092 2012: \$126,433,523) (see schedule of investments)	\$ 140,220,803	\$ 135,178,933
Derivatives at fair value	57,130	-
Cash	7,597	283,891
Due from broker	24,524,654	37,899,662
Interest and dividends receivable	362,444	399,661
Prepaid expenses	31,285	31,318
<b>Total Assets</b>	<u>165,203,913</u>	<u>173,793,465</u>
<b>LIABILITIES</b>		
Derivatives at fair value	333,372	36,242
Due to broker	1,292,358	1,205,684
Investment management fees payable (Note 4)	509,671	517,353
Redemptions payable	508,400	376,726
Accounts payable and accrued liabilities (Note 6)	26,164	70,162
<b>Total Liabilities</b>	<u>2,669,965</u>	<u>2,206,167</u>
<b>NET ASSETS</b>	<u>\$ 162,533,948</u>	<u>\$ 171,587,298</u>
<b>SHARES OUTSTANDING</b>	<u>505,544</u>	<u>591,043</u>
<b>NET ASSET VALUE PER SHARE</b>	<u>\$ 321.50</u>	<u>\$ 290.31</u>

Signed on behalf of the Board

Hal Masters  
Director

# ***BERMUDA CAPITAL COMPANY LIMITED***

## **STATEMENT OF OPERATIONS**

**For the year ended March 31, 2013 (Expressed in U.S. dollars)**

	<b>2013</b>	<b>2012</b>
<b>INCOME</b>		
Interest income	\$ 406,259	\$ 1,024,763
Dividend income - net of withholding taxes of \$269,868 (2012: \$409,196)	2,615,726	2,335,963
<b>Total Income</b>	<u>3,021,985</u>	<u>3,360,726</u>
<b>EXPENSES</b>		
Investment management fees (Note 4)	2,071,322	2,267,727
Administration fees (Note 5)	164,781	164,781
Directors' fees	27,102	35,747
Audit fees	36,770	37,760
Custodian, registrar and transfer agent's fees (Note 6)	16,550	16,554
Secretarial fees	21,759	13,292
Bermuda company fees	4,836	7,456
Stock exchange fees	8,784	1,367
Miscellaneous fees	12,270	7,376
Professional fees	19,197	3,729
<b>Total Expenses</b>	<u>2,383,371</u>	<u>2,555,789</u>
<b>NET INVESTMENT INCOME</b>	638,614	804,937
<b>NET REALISED GAIN/(LOSS) ON:</b>		
Investments	3,576,820	11,107,862
Forward foreign exchange contracts, futures contracts and foreign currencies	1,280,266	(3,044,029)
<b>NET CHANGE IN UNREALISED GAIN/(LOSS) ON:</b>		
Investments and foreign currencies	11,989,301	(30,377,566)
<b>NET INCREASE/(DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<u>\$ 17,485,001</u>	<u>\$ (21,508,796)</u>

The accompanying notes are an integral part of these financial statements.

# ***BERMUDA CAPITAL COMPANY LIMITED***

## **STATEMENT OF CHANGES IN NET ASSETS**

**For the year ended March 31, 2013 (Expressed in U.S. dollars)**

	<b>2013</b>	<b>2012</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 171,587,298	\$ 198,681,133
<b>INVESTMENT ACTIVITIES</b>		
Net investment income	638,614	804,937
<b>NET REALISED GAIN/(LOSS) ON:</b>		
Investments	3,576,820	11,107,862
Forward foreign exchange contracts, futures contracts and foreign currencies	1,280,266	(3,044,029)
<b>NET CHANGE IN UNREALISED GAIN/(LOSS) ON:</b>		
Investments and foreign currencies	11,989,301	(30,377,566)
	<u>17,485,001</u>	<u>(21,508,796)</u>
<b>CAPITAL TRANSACTIONS</b>		
Proceeds on issuance of shares	491,160	3,054,319
Payment on redemption of shares	(26,214,712)	(7,663,560)
Dividends declared	(814,799)	(975,798)
	<u>(26,538,351)</u>	<u>(5,585,039)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 162,533,948</u>	<u>\$ 171,587,298</u>
Number of shares - beginning of year	591,043	608,308
Number of shares issued	1,669	9,724
Number of shares redeemed	(87,168)	(26,989)
Number of shares - end of year	<u>505,544</u>	<u>591,043</u>

The accompanying notes are an integral part of these financial statements.

# BERMUDA CAPITAL COMPANY LIMITED

## SCHEDULE OF INVESTMENTS

For the year ended March 31, 2013 (Expressed in U.S. dollars)

No. of shares	COMMON AND PREFERRED SHARES	Cost \$	Fair Value \$	Percentage of Net Assets %
<b>AUSTRALIA</b>				
500,037	Elemental Minerals	156,319	151,072	0.09%
400,000	Silver Lake Resources	890,745	879,279	0.54%
340,000	Telstra Corp	1,372,632	1,597,496	0.99%
		2,419,696	2,627,847	1.62%
<b>BRAZIL</b>				
960,000	Genagro	756,800	705,600	0.43%
		756,800	705,600	0.43%
<b>CANADA</b>				
76,368	Bellatrix Exploration	496,990	491,046	0.30%
51,000	Canadian Natural Resources	1,386,995	1,632,341	1.01%
122,693	Parex Resources	942,298	558,244	0.34%
50,400	Peyto Exploration & Dev	882,216	1,334,292	0.82%
19,000	Shawcor	856,907	804,176	0.49%
50,000	Sino-forest	350,598	-	0.00%
42,000	Tourmaline Oil	1,417,523	1,621,226	1.00%
		6,333,527	6,441,325	3.96%
<b>CHINA/HONG KONG</b>				
3,200,000	Beijing Enterprises Water	812,758	952,111	0.59%
1,229,000	Chaoda Modern Agriculture	1,063,039	-	0.00%
106,000	Cheung Kong Holdings	1,621,475	1,564,646	0.96%
410,000	China Life Insurance	1,212,656	1,061,465	0.65%
1,600,000	China Medical System Holding	1,123,527	1,623,947	1.00%
2,650,000	Emperor International	879,113	720,201	0.44%
1,170,000	Fortune REIT	458,070	1,041,333	0.64%
7,000,000	Hua Han Bio-Pharmaceutical	1,475,568	2,019,630	1.24%
984,000	Lenovo Group	725,949	977,181	0.60%
3,666,000	Prince Frog International	1,342,768	1,888,766	1.16%
1,199,000	Reef China	556,798	1,544	0.00%
1,375,000	Sihuan Pharmaceutical	640,725	680,079	0.42%
600,000	Zhongsheng Group	1,105,353	726,448	0.45%
		13,017,799	13,257,351	8.15%

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As At March 31, 2013 (Expressed in U.S. dollars)**

No. of Shares	COMMON AND PREFERRED SHARES (continued)	Cost \$	Fair Value \$	Percentage of Net Assets %
	<b>FRANCE</b>			
15,000	Gemalto	1,328,371	1,308,602	0.81%
3,919	Virbac SA	910,459	902,841	0.56%
		<u>2,238,830</u>	<u>2,211,443</u>	<u>1.37%</u>
	<b>GERMANY</b>			
24,000	BMW - Pref	1,237,024	1,531,508	0.94%
80,000	Freetnet	1,335,609	1,938,384	1.19%
24,000	Fresenius Medical	624,906	1,619,012	1.00%
32,801	Gildemeister	809,016	691,317	0.43%
36,000	Metro	1,183,947	1,025,267	0.63%
50,000	Rhoen - Klinikum	1,039,868	1,061,496	0.65%
23,185	SAP	1,372,955	1,862,038	1.15%
285,000	Sky Deutschland	1,491,595	1,571,456	0.97%
		<u>9,094,920</u>	<u>11,300,478</u>	<u>6.96%</u>
	<b>GREAT BRITAIN</b>			
10,000,000	Bahamas Petroleum	1,488,698	820,746	0.50%
710,000	Central Asia Metals	1,079,840	1,348,911	0.83%
160,000	Chaarat Gold Holdings	117,689	57,756	0.04%
2,727	Elcom	77,848	-	0.00%
66,173	Intercontinental Hotels	1,519,776	2,018,577	1.24%
75,000	Monterrico Metals	458,521	-	0.00%
23,520	Reckitt Benckiser Group	1,273,903	1,686,593	1.04%
50,000	Unilever plc	1,694,181	2,115,701	1.30%
103,500	Xstrata	1,996,444	1,680,067	1.04%
		<u>9,706,900</u>	<u>9,728,351</u>	<u>5.99%</u>
	<b>INDONESIA</b>			
5,535,000	Global Mediacom	1,029,100	1,323,958	0.81%
178,500	Gudang Garam	993,558	898,927	0.55%
445,465	Matahari Department Store	504,994	504,127	0.31%
		<u>2,527,652</u>	<u>2,727,012</u>	<u>1.67%</u>

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As At March 31, 2013 (Expressed in U.S. dollars)**

No. of Shares	COMMON AND PREFERRED SHARES (continued)	Cost \$	Fair Value \$	Percentage of Net Assets %
	<b>JAPAN</b>			
38,000	Benesse Holdings	1,563,604	1,631,568	1.00%
54,800	Bridgestone	1,453,526	1,843,923	1.13%
31,363	DydoDrinco	1,248,567	1,453,131	0.89%
35,000	Hitachi HighTechnologies	829,636	735,591	0.45%
54,675	Hitachi Medical	692,570	859,502	0.53%
171,790	Hitachi Metals	1,300,691	1,606,485	0.99%
5,501	Keyence	1,367,140	1,671,577	1.03%
15,100	Kyocera	1,284,873	1,412,069	0.87%
105,200	Matsuda Sangyo	1,718,028	1,612,449	0.99%
420	Message Co	1,226,568	1,132,364	0.70%
10,000	NecMobiling	481,537	660,227	0.41%
18,000	Nihon M&A Center	729,070	791,954	0.49%
9,150	Nintendo	1,017,746	981,918	0.60%
31,000	Nippon Telegraph &Telephon	1,353,686	1,350,759	0.83%
162	Premier Investment	690,287	878,697	0.54%
46,200	Sumitomo Mitsui Financial	1,874,087	1,851,237	1.14%
36,000	Toyota Motor	1,543,748	1,857,128	1.14%
		20,375,364	22,330,579	13.73%
	<b>JERSEY</b>			
27,000	Gold Bullion Securities	3,351,769	4,154,760	2.56%
		3,351,769	4,154,760	2.56%
	<b>MALAYSIA</b>			
755,000	KPJ Healthcare Berhad	1,378,926	1,452,252	0.89%
		1,378,926	1,452,252	0.89%
	<b>NORWAY</b>			
90,000	Prosafe	886,259	869,602	0.54%
		886,259	869,602	0.54%
	<b>PHILIPPINES</b>			
8,175,000	Metro Pacific Investments	978,945	1,117,422	0.69%
570,000	Universal Robina	818,044	1,577,787	0.97%
		1,796,989	2,695,209	1.66%

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As At March 31, 2013 (Expressed in U.S. dollars)**

No. of Shares	COMMON AND PREFERRED SHARES (continued)	Cost \$	Fair Value \$	Percentage of Net Assets %
	<b>SINGAPORE</b>			
956,400	AIMS Amp Capital RIET	989,800	1,214,391	0.75%
60,000	Jardine Strategic Holdings	747,201	2,374,800	1.46%
470,000	China Milk Produ	427,899	-	0.00%
1,200,000	SabanaShariah REIT	942,711	1,223,799	0.75%
880,000	Suntec REIT	1,091,667	1,277,007	0.79%
4,500,000	Thai Beverage PCL	1,291,846	2,212,996	1.36%
		5,491,124	8,302,993	5.11%
	<b>SOUTH AFRICA</b>			
64,102	Witwatersrand	718,554	62,465	0.04%
		718,554	62,465	0.04%
	<b>SOUTH KOREA</b>			
2,000	Samsung Electronics - Pref	1,300,248	1,573,700	0.97%
		1,300,248	1,573,700	0.97%
	<b>SWITZERLAND</b>			
35,000	Nestle	1,200,296	2,531,076	1.56%
5,350	Syngenta	1,238,248	2,231,750	1.37%
		2,438,544	4,762,826	2.93%
	<b>THAILAND</b>			
9,663,343	Sansiri Public	1,461,808	1,578,093	0.97%
225,100	Airports of Thailand	457,145	934,392	0.57%
1,100,000	Bangkok Expressway	661,516	1,493,850	0.92%
300,000	Robinson Department Store	660,798	773,830	0.48%
		3,241,267	4,780,165	2.94%

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As At March 31, 2013 (Expressed in U.S. dollars)**

No. of shares	<b>COMMON AND PREFERRED SHARES (continued)</b>	Cost \$	Fair Value \$	Percentage of Net Assets %
<b>UNITED STATES OF AMERICA</b>				
21,950	3D Systems	717,335	707,668	0.44%
77,100	Aegion	1,393,133	1,784,865	1.10%
44,000	American International	1,542,668	1,708,080	1.05%
50,000	American Water Works	1,058,157	2,072,000	1.27%
14,750	Berkshire Hathaway	1,507,027	1,536,950	0.95%
73,050	C&J Energy Services	1,600,189	1,672,845	1.03%
114,750	Central Fund Canada	2,408,775	2,222,708	1.37%
7,000	CF Industries	612,531	1,332,590	0.82%
40,000	Chesapeake Energy	808,949	816,400	0.50%
52,630	Clean Energy Fuels	738,354	684,190	0.42%
46,000	Dow Chemical	1,503,349	1,464,640	0.90%
32,000	Energy Transfer	612,749	1,871,360	1.15%
91,439	FX Energy	594,182	307,235	0.19%
18,000	Honeywell International	1,271,403	1,356,300	0.83%
80,000	Huntsman	1,002,823	1,487,200	0.92%
50,500	Linn	1,917,497	1,972,025	1.21%
33,500	Pentair	1,387,417	1,767,125	1.09%
23,200	Range Resources	1,275,328	1,880,128	1.16%
120,000	Spectranetics	391,584	2,223,600	1.37%
22,100	Tetra Tech	653,107	673,829	0.41%
11,300	Wabtec	1,138,730	1,153,843	0.71%
40,000	Waste Connections	1,190,172	1,439,202	0.88%
		25,325,459	32,134,783	19.77%
	<b>TOTAL COMMON AND PREFERRED SHARES</b>	112,400,627	132,118,741	81.29%

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As At March 31, 2013 (Expressed in U.S. dollars)**

Currency	Nominal	<b>BONDS AND NOTES</b>				Cost	Fair	Percentage of
					\$	\$	Net Assets	
							%	
		<b>ARGENTINA</b>						
USD	4,900,000	Argentina (Republic of) GDP Linked	0.00%	15-Dec-35	270,789	270,872	0.17%	
ARS	9,377,716	Argentina (Republic of) GDP Linked	0.00%	15-Dec-35	-	124,511	0.07%	
EUR	4,215,000	Argentina (Republic of) GDP Linked	0.00%	15-Dec-35	550,646	289,094	0.18%	
					<u>821,435</u>	<u>684,477</u>	<u>0.42%</u>	
		<b>AUSTRALIA</b>						
AUD	1,893,191	Australia Index Linked	1.25%	21-Feb-22	2,018,675	2,115,281	1.30%	
					<u>2,018,675</u>	<u>2,115,281</u>	<u>1.30%</u>	
		<b>CHINA</b>						
CNY	9,600,000	Zhongsheng Group	4.75%	21-Apr-14	1,490,538	1,537,131	0.94%	
					<u>1,490,538</u>	<u>1,537,131</u>	<u>0.94%</u>	
		<b>ITALY</b>						
EUR	100,000	Seat Pagine	10.50%	01-Jan-2017	263,689	27,563	0.02%	
					<u>263,689</u>	<u>27,563</u>	<u>0.02%</u>	
		<b>UNITED STATES OF AMERICA</b>						
USD	2,150,000	Catlin Insurance	7.25%	31-Dec-49	1,078,576	2,225,250	1.37%	
USD	1,500,000	HSBC	5.00%	29-Aug-49	1,172,552	1,512,360	0.93%	
					<u>2,251,128</u>	<u>3,737,610</u>	<u>2.30%</u>	
		<b>TOTAL BONDS AND NOTES</b>			<u>6,845,465</u>	<u>8,102,062</u>	<u>4.98%</u>	

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As At March 31, 2013 (Expressed in U.S. dollars)**

No. of Contracts	WARRANTS & RIGHTS			Cost	Fair Value	Percentage of Net Assets
				\$	\$	%
	<b>CANADA</b>					
250,000	Estrella International Energy Services	Strike \$0.80	3-Mar-15	-	-	0.00%
				-	-	0.00%
	<b>GREAT BRITAIN</b>					
1,312,460	African Mining & Exploration Warrants	Strike 12.5p	01-Nov-14	-	-	0.00%
				-	-	0.00%
	<b>TOTAL WARRANTS AND RIGHTS</b>			-	-	0.00%
	<b>TOTAL INVESTMENTS</b>			<b>119,246,092</b>	<b>140,220,803</b>	<b>86.27%</b>
	<b>FORWARD FOREIGN EXCHANGE CONTRACTS</b>					
7,692,353	Forward USD/EUR		18-Apr-13	-	57,130	0.04%
	<b>TOTAL DERIVATIVES (Asset)</b>			-	<b>57,130</b>	<b>0.04%</b>
	<b>FORWARD FOREIGN EXCHANGE CONTRACTS</b>					
19,785,283	Forward USD/JPY		18-Apr-13	-	293,377	0.04%
9,489,370	Forward USD/GBP		18-Apr-13	-	39,985	0.18%
	<b>TOTAL DERIVATIVES (Liability)</b>			-	<b>333,372</b>	<b>0.22%</b>

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As at March 31, 2012 (Expressed in U.S. dollars)**

No. of shares	COMMON AND PREFERRED SHARES	Cost \$	Fair Value \$	Percentage of Net Assets %
<b>AUSTRALIA</b>				
1,334,800	Dyesol	1,068,322	262,336	0.15%
500,037	Elemental Minerals	156,319	607,755	0.35%
2,500,000	Integra Mining	1,431,329	1,331,790	0.78%
400,000	Silver Lake Resources	343,026	1,410,922	0.82%
23,500	Woodside Petroleum	1,004,942	846,175	0.49%
		4,003,938	4,458,978	2.59%
<b>BRAZIL</b>				
960,000	Genagro	802,400	787,200	0.46%
		802,400	787,200	0.46%
<b>CANADA</b>				
41,600	Alliance Grain Traders	1,205,764	638,269	0.37%
190,000	Augusta Resources	934,271	519,479	0.30%
43,200	Bonavista Energy Trust	808,280	873,951	0.51%
31,000	CalfracWell Services	809,855	866,199	0.50%
37,500	Canadian Natural Resources	914,958	1,241,612	0.72%
26,000	Cenovus Energy	753,145	934,802	0.54%
26,000	Encana	852,444	510,105	0.30%
60,000	Harry Winston Diamond	761,680	882,123	0.51%
12,800	Inmet Mining	914,610	723,005	0.42%
135,000	Midas Gold	473,198	477,266	0.28%
123,750	Minera Andes	858,826	545,318	0.32%
18,800	Niko Resources	1,166,172	660,683	0.39%
85,200	Painted Pony Petroleum	1,130,900	717,608	0.42%
122,693	Parex Resources	942,298	865,056	0.50%
100,036	Sherritt International	791,558	545,013	0.32%
21,500	Silver Wheaton	849,297	712,288	0.42%
50,000	Sino-forest	350,598	-	0.00%
195,000	Talon Metals	269,779	80,070	0.05%
1,589,000	Woulfe Mining	233,115	509,244	0.30%
		15,020,748	12,302,091	7.17%

The accompanying notes are an integral part of these financial statements.

# BERMUDA CAPITAL COMPANY LIMITED

## SCHEDULE OF INVESTMENTS (Continued)

As at March 31, 2012 (Expressed in U.S. dollars)

No. of Shares	COMMON AND PREFERRED SHARES (continued)	Cost \$	Fair Value \$	Percentage of Net Assets %
<b>CHINA/HONG KONG</b>				
550,000	Anhui Expressway	425,978	303,112	0.18%
955,000	Beijing Jingkelong	916,740	854,644	0.50%
1,299,000	Chaoda Modern Agriculture	1,063,039	-	0.00%
470,000	China Milk	427,899	-	0.00%
335,000	Galaxy Entertainment	849,910	925,271	0.54%
2,096,000	Gome Electrical Appliances	703,540	434,524	0.25%
6,789,600	Hua Han Bio-Pharmaceutical	1,717,460	1,363,847	0.80%
1,476,000	Lenovo Group	1,088,923	1,328,497	0.77%
840,000	Melco International Development	839,344	802,565	0.47%
2,285,000	Prince Frog Internatioanl Holdings	826,810	844,433	0.49%
13,000,000	Rexlot Holdings	1,145,584	1,155,020	0.67%
1,199,000	Reef China	556,798	1,544	0.00%
6,000,000	Sino Bio-Pharmaceutical	567,029	1,606,984	0.94%
663,000	Tong RenTang	569,566	879,322	0.51%
916,000	Wasion Group	641,431	425,794	0.25%
600,000	Zhongsheng Group	1,105,353	1,189,786	0.69%
2,700,000	Zijin Mining Group	1,434,388	1,070,808	0.62%
		14,879,792	13,186,151	7.68%
<b>FRANCE</b>				
21,100	Michelin	1,366,513	1,571,941	0.92%
25,325	Nexity	726,099	801,586	0.47%
		2,092,612	2,373,527	1.39%
<b>GERMANY</b>				
18,225	Bayer	1,230,984	1,284,115	0.75%
24,000	Fresenius Medical	624,906	1,702,801	0.99%
32,650	K&S	1,733,264	1,714,189	1.00%
31,185	SAP	1,846,694	2,181,367	1.27%
16,820	Siemens	1,631,798	1,699,057	0.99%
360,000	Sky Deutschland	1,477,677	1,001,601	0.58%
28,350	Porsche	1,582,350	1,677,015	0.98%
		10,127,673	11,260,145	6.56%

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As at March 31, 2012 (Expressed in U.S. dollars)**

No. of Shares	COMMON AND PREFERRED SHARES (continued)	Cost \$	Fair Value \$	Percentage of Net Assets %
	<b>GREAT BRITAIN</b>			
8,945,744	Bahamas Petroleum	1,413,316	1,539,630	0.90%
710,000	Central Asia Metals	1,079,840	1,216,280	0.71%
625,000	Chaarat Gold Holdings	459,722	277,673	0.16%
670,000	Coal of Africa	947,849	659,692	0.38%
3,000,000	Elcom	77,853	-	0.00%
250,000	Independent Resources	437,898	164,103	0.10%
70,900	Intercontinental Hotels	1,519,776	1,649,313	0.96%
1,722,268	Kenmare Resources	332,068	1,382,812	0.81%
432,000	Madagascar Oil	436,314	193,657	0.11%
75,000	Monterrico Metals	458,521	-	0.00%
225,000	Ncondezi Coal	662,683	171,107	0.10%
23,520	Reckitt Benckiser Group	1,273,903	1,330,370	0.78%
500,000	Trap Oil Group	346,433	238,149	0.14%
50,000	Unilever plc	1,694,181	1,652,232	0.96%
90,000	Xstrata	1,762,772	1,538,881	0.90%
400,000	Geiger Counter	656,742	371,432	0.22%
		13,559,871	12,385,331	7.23%
	<b>INDONESIA</b>			
4,392,000	Citra Marga Nusaphala	961,874	996,763	0.58%
		961,874	996,763	0.58%
	<b>ITALY</b>			
720,251	Buongiorno	1,300,224	1,337,855	0.78%
		1,300,224	1,337,855	0.78%
	<b>JAPAN</b>			
148,130	Daiwa	685,687	766,837	0.45%
36,150	DydoDrinco	1,434,067	1,439,544	0.84%
35,000	Hitachi High Technologies	829,636	834,138	0.49%
29,675	Hitachi Medical	367,062	393,184	0.23%
7,343	Keyence	1,825,074	1,724,207	1.00%
121,200	Matsuda Sangyo	2,080,920	1,986,118	1.16%

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As at March 31, 2012 (Expressed in U.S. dollars)**

No. of Shares	COMMON AND PREFERRED SHARES (continued)	Cost \$	Fair Value \$	Percentage of Net Assets %
	<b>JAPAN (continued)</b>			
487	Message Co	1,422,235	1,455,652	0.85%
420	Mid REIT	1,202,411	1,142,874	0.67%
985	NTTDocomo	1,683,679	1,633,148	0.95%
73,800	Toshiba Plant Systems and Services	869,383	847,805	0.49%
36,000	Toyota Motor	1,543,748	1,550,863	0.90%
		<hr/>	<hr/>	<hr/>
		13,943,902	13,774,370	8.03%
		<hr/>	<hr/>	<hr/>
	<b>JERSEY</b>			
33,845	Gold Bullion Securities	4,201,504	5,446,678	3.17%
		<hr/>	<hr/>	<hr/>
		4,201,504	5,446,678	3.17%
		<hr/>	<hr/>	<hr/>
	<b>MALAYSIA</b>			
3,201,932	Eastern & Oriental	1,024,419	1,568,652	0.91%
270,000	Sime Darby	870,639	858,907	0.50%
		<hr/>	<hr/>	<hr/>
		1,895,058	2,427,559	1.41%
		<hr/>	<hr/>	<hr/>
	<b>RUSSIA</b>			
1,000,000	Surgutneftegaz - Pref	96,718	727,000	0.42%
		<hr/>	<hr/>	<hr/>
		96,718	727,000	0.42%
		<hr/>	<hr/>	<hr/>
	<b>SINGAPORE</b>			
2,216,000	Cache Logistics Trust	1,605,577	1,761,806	1.03%
84,850	Jardine Strategic Holdings	1,056,666	2,588,774	1.51%
950,400	Mapletree Industrial Trust	921,875	831,166	0.48%
2,000,000	Fortune REIT	783,025	1,066,172	0.62%
1,530,000	SabanaShariah REIT	1,201,957	1,161,671	0.68%
		<hr/>	<hr/>	<hr/>
		5,569,100	7,409,589	4.32%
		<hr/>	<hr/>	<hr/>
	<b>SOUTH AFRICA</b>			
112,526	Witwatersrand	1,261,365	594,273	0.35%
		<hr/>	<hr/>	<hr/>
		1,261,365	594,273	0.35%
		<hr/>	<hr/>	<hr/>
	<b>SOUTH KOREA</b>			
2,686	Samsung Electronics - Pref	1,746,233	1,887,003	1.10%
		<hr/>	<hr/>	<hr/>
		1,746,233	1,887,003	1.10%
		<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As at March 31, 2012 (Expressed in U.S. dollars)**

No. of shares	COMMON AND PREFERRED SHARES (continued)	Cost \$	Fair Value \$	Percentage of Net Assets %
	<b>SWITZERLAND</b>			
42,750	Nestle	1,466,075	2,690,824	1.57%
8,000	Syngenta	1,851,585	2,766,844	1.61%
		<hr/>	<hr/>	<hr/>
		3,317,660	5,457,668	3.18%
	<b>THAILAND</b>			
1,480,000	Bangkok Expressway	766,028	1,037,922	0.60%
		<hr/>	<hr/>	<hr/>
		766,028	1,037,922	0.60%
	<b>UNITED STATES OF AMERICA</b>			
15,625	Agrium	813,537	1,349,531	0.78%
73,200	American Water Works	1,549,144	2,490,995	1.45%
20,800	Berkshire Hathaway	1,700,546	1,687,920	0.98%
73,050	C&J Energy Services	1,600,189	1,299,560	0.76%
90,000	Ceragon Networks	953,234	854,100	0.50%
7,000	CF Industries	612,531	1,278,550	0.75%
40,000	Clean Energy Fuels	801,420	851,200	0.50%
50,000	Energy Transfer	957,420	2,015,000	1.17%
14,100	Fedex	1,346,735	1,296,636	0.76%
250,000	FX Energy	1,090,923	1,360,000	0.79%
2,400	Google	1,559,428	1,538,976	0.90%
149,000	Huntsman	1,451,462	2,087,490	1.22%
66,075	Intel	1,683,925	1,857,699	1.08%
39,000	Range Resources	2,143,871	2,267,460	1.32%
200,000	Spectranetics	652,640	2,080,000	1.21%
41,700	Superior Energy Services	1,242,637	1,099,212	0.64%
40,000	Waste Connections	1,190,176	1,301,200	0.76%
		<hr/>	<hr/>	<hr/>
		21,349,818	26,715,529	15.58%
	<b>TOTAL COMMON AND PREFERRED SHARES</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		116,896,518	124,565,632	72.60%

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As at March 31, 2012 (Expressed in U.S. dollars)**

Currency	Nominal	<b>BONDS AND NOTES</b>				Cost	Fair Value	Percentage of
					\$	\$	Net Assets	
							%	
		<b>ARGENTINA</b>						
USD	4,900,000	Argentina (Republic of) GDP Linked	0.00%	15-Dec-35	270,788	637,000	0.37%	
ARS	9,377,716	Argentina (Republic of) GDP Linked	0.00%	15-Dec-35	-	293,147	0.17%	
EUR	4,215,000	Argentina (Republic of) GDP Linked	0.00%	15-Dec-35	550,646	657,391	0.38%	
					821,434	1,587,538	0.92%	
		<b>AUSTRALIA</b>						
AUD	1,849,000	Australia Index Linked	1.25%	21-Feb-22	1,978,485	1,931,657	1.13%	
					1,978,485	1,931,657	1.13%	
		<b>CHINA</b>						
CNY	9,600,000	Zhongsheng Group	4.75%	21-Apr-14	1,490,538	1,415,926	0.83%	
					1,490,538	1,415,926	0.83%	
		<b>ITALY</b>						
EUR	2,000,000	Lighthouse International	8.00%	30-Apr -14	1,198,585	468,374	0.27%	
					1,198,585	468,374	0.27%	
		<b>MEXICO</b>						
MXN	45,700,000	Mexican Index Linked	4.00%	15-Nov-40	1,796,835	1,787,306	1.04%	
					1,796,835	1,787,306	1.04%	
		<b>UNITED STATES OF AMERICA</b>						
USD	2,150,000	Catlin Insurance	7.25%	31-Dec-49	1,078,576	1,983,375	1.16%	
USD	1,500,000	HSBC	5.00%	29-Aug-49	1,172,552	1,438,995	0.84%	
					2,251,128	3,422,370	2.00%	
		<b>TOTAL BONDS AND NOTES</b>			9,537,005	10,613,171	6.19%	

The accompanying notes are an integral part of these financial statements.

**BERMUDA CAPITAL COMPANY LIMITED**

**SCHEDULE OF INVESTMENTS (Continued)**

**As at March 31, 2012 (Expressed in U.S. dollars)**

No. of Contracts	WARRANTS & RIGHTS			Cost	Fair Value	Percentage of Net Assets
				\$	\$	%
	<b>CANADA</b>					
250,000	Estrella International Energy Services	Strike \$0.80	03-Mar-15	-	-	0.00%
25,769	Geovic Mining Corp WT	Strike \$5.00	26-Apr-12	-	130	0.00%
2,500,000	Woulfe Mining Co (Cn) Right	Strike \$0.30	10-Jan -13	-	-	0.00%
				-	130	0.00%
	<b>GREAT BRITAIN</b>					
1,312,460	African Mining & Exploration Warrants	Strike 12.5p	01-Nov-14	-	-	0.00%
				-	-	0.00%
	<b>TOTAL WARRANTS AND RIGHTS</b>			-	130	0.00%
	<b>TOTAL INVESTMENTS (Asset)</b>			<b>126,433,523</b>	<b>135,178,933</b>	<b>78.78%</b>
	<b>FORWARD FOREIGN EXCHANGE CONTRACTS</b>					
5,797,312	Forward USD/JPY		19-Apr-12	-	36,242	0.02%
	<b>TOTAL DERIVATIVES (Liability)</b>			-	<b>36,242</b>	<b>0.02%</b>

The accompanying notes are an integral part of these financial statements.

# ***BERMUDA CAPITAL COMPANY LIMITED***

## **NOTES OF FINANCIAL STATEMENTS**

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### **1. INCORPORATION**

The Bermuda Capital Company Limited (the "Company") was incorporated under the laws of Bermuda on November 20, 1969 and has its main place of business in Bermuda. The investment objective of the Company is to achieve superior capital appreciation through investment in an actively managed portfolio consisting, under normal market conditions, primarily of global equities, bonds, securities, derivative instruments and currencies.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The significant accounting policies are as follows:

#### **a) Basis of presentation**

The preparation of financial statements in accordance with generally accepted accounting principles in Canada and Bermuda requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ significantly from these estimates.

#### **b) Investments**

Marketable securities, including quoted derivative instruments such as options, forward exchange contracts, futures contracts and warrants are carried at their traded price as at the date of these financial statements. If the security did not trade it is valued at the average of the bid and the ask price. Purchases and sales of securities are accounted for on the transaction date at the transaction price. The computation of the cost of sales of securities is made on the basis of average cost. Gains and losses are considered realised on sale of the security; in the case of options and warrants, not sold or exercised, on expiry of the exercise date; and, in the case of futures, on the closing of the position or the maturity of the contract. Net realised and unrealised gains and losses on investments are reflected in the statement of operations.

Unquoted, restricted and difficult to price securities are carried at fair value as determined by the Directors. The Directors may rely upon confirmation from the clearing broker and its affiliates in determining the value of assets held for the Company. As at March 31, 2013 the fair value of unquoted, restricted, and difficult to price securities amount was \$831,655 (2012: \$788,874).

#### **c) Forward foreign exchange contracts**

Forward foreign exchange contracts are recorded on the trade date and are reflected in the statement of net assets at the difference between the original contract amount and the market value on the last business day of the reporting period. Realised and unrealised gains or losses on forward foreign exchange contracts are reflected in the statement of operations. During the year the Company made a realized gain of \$2,050,361 (2012: \$956,297 loss) and change in unrealized loss of \$240,000 (2012: \$36,242). The Company during the year entered into 81 forward exchange contracts (2012: 31).

## ***BERMUDA CAPITAL COMPANY LIMITED***

### **NOTES OF FINANCIAL STATEMENTS**

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#### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **d) Cash and cash equivalents**

Cash and cash equivalents include cash and short term investments with a term to maturity of three months or less at the date of acquisition.

##### **e) Future contracts**

Futures are contractual arrangements to either buy or sell a specified currency or financial instrument at a specified price and date in the future. The notional amount of the future reflects the Company's extent of involvement in the financial instrument and does not represent the Company's risk of loss due to counterparty non-performance. The market value of futures is dependent on the terms of the contract and the value of the underlying financial instrument. Realised and unrealised gains and losses on futures contracts are reflected in the statement of operations.

##### **f) Due from/to broker**

Due from broker represents cash and deposits held with Smith & Williamson Investment Services Limited. These deposits earn interest at a negotiated rate and may be used as collateral for futures, forward and option contracts. Amounts due from/to broker include receivables/payables for pending trades.

##### **g) Dividends and interest**

Dividends are recorded on an accrual basis net of any applicable withholding taxes. Interest income is recorded on an accrual basis.

##### **h) Translation of foreign currencies**

Balances recorded and maintained in foreign currencies have been translated into U.S. dollars at the rates of exchange prevailing on the date of the statement of net assets. Foreign currency transactions are translated at the rate of exchange prevailing at the date of the transaction. Any foreign exchange gains or losses are included in the statement of operations.

##### **i) Mandatorily redeemable financial instruments**

Financial instruments mandatorily redeemable at the option of the holder are classified as liabilities when a redemption request has been received and the redemption amount has been determined in accordance with guidelines provided by the Emerging Issues Committee ("EIC"), specifically EIC 149, *Accounting for Retractable or Mandatorily Redeemable Shares* and Section 3861, *Financial Instruments Disclosure and Presentation*. As such, at March 31, 2013, the net assets of the Company have been reduced by mandatorily redeemable redemptions which are reflected as redemptions payable on the statement of assets and liabilities. The Company's net asset value per share is unchanged as a result of this reclassification.

## ***BERMUDA CAPITAL COMPANY LIMITED***

### **NOTES OF FINANCIAL STATEMENTS**

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#### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **j) New accounting framework**

In January 2011, the Canadian Accounting Standards Board approved a one year extension to the optional one year deferral from International Financial Reporting Standards (IFRSs) adoption for investment companies applying Accounting Guideline AcG-18, Investment Companies. Investment companies and segregated funds will now be required to mandatorily adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after January 1, 2013.

The Accounting Standards Board (AcSB) has extended again the mandatory changeover date to International Financial Reporting Standards (IFRSs) for investment companies and segregated accounts of insurance enterprises. The new date of January 1, 2014 reflects the likelihood that the International Accounting Standards Board (IASB) will not issue the proposed guidance on investment entities before January 1, 2013. The deferred changeover prevents Canadian investment companies and segregated accounts of life insurance enterprises having to change their current accounting treatment for controlled investees.

#### **3. SHARE CAPITAL**

The authorised share capital of the Company is \$1,200,000 divided into 2,000,000 shares of \$0.60 par value each. Each share entitles the holder to one vote as set out in the Bye-laws of the Company.

Each of the shares is equal as to dividends, assets and voting privileges. There are no conversion, pre-emptive or other subscription rights. Shareholders of these shares are entitled to one vote per share.

A sales charge of up to 1% of the total dollar amount (which accrues to the Company) subscribed or redeemed may be imposed on any subscription or redemption at the Company's discretion. The minimum initial subscription by any one investor is \$25,000.

#### **4. INVESTMENT MANAGEMENT FEE**

The Investment Advisor is entitled to receive an investment management fee from the Company, payable quarterly in arrears equal to 1.25% per annum of the net asset value of the company calculated on a monthly basis.

The Investment Advisor also as the Company's principal broker and as sub-custodian of substantially all of the Company's investments.

The statement of operations includes \$2,071,322 (2012: \$2,267,727) for investment management fees. The amount due to the Investment Advisor as at March 31, 2013, was \$509,671 (2012: \$517,353).

#### **5. ADMINISTRATION FEES**

The Administration fees are based on a time-spent basis, subject to a weekly minimum fee of \$3,231.

# ***BERMUDA CAPITAL COMPANY LIMITED***

## **NOTES OF FINANCIAL STATEMENTS**

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### **6. CUSTODIAN, REGISTRAR AND TRANSFER AGENT'S FEE**

The custodian fee is based on a time spent basis subject to an annual minimum fee of \$1,250. The registrar and transfer agent's fee is based on a time spent basis with a minimum of \$300 per week. The custodian pays the fees and expenses of the sub-custodian.

The amount due to the custodian at March 31, 2013 was \$108 (2012: \$108). The amount due to the transfer agent at March 31, 2013 was \$300 (2012: \$1,500). Both amounts are included in accrued liabilities on the statement of net assets.

### **7. DISTRIBUTOR STATUS**

The Company was formally certified as a distributing company and was required to pay a dividend equal to 85% of U.K. Equivalent Profits on an annual basis.

From April 1, 2012 the Company has adopted "Reporting Fund Regime" under which the UK investors are taxed on 100% of the income as calculated under Reporting Fund Regime, whether distributed or not. The dividend paid during the year amounted to \$1.39 per share (2011 U.K Equivalent Profits: \$1.60) based on the 100% income calculated under "Reporting Fund Regime" for the year ended March 31, 2012.

The Company will pay a dividend of \$1.45 per share subsequent to March 31, 2013.

### **8. FINANCIAL INSTRUMENTS**

During the year, the Company entered into transactions in financial instruments, including investments and derivative instruments, the holding of which gives exposure to market risk which arises from changes in the market value of these instruments. Additionally, the Company is exposed to currency risk arising from changes in the value of the base currency in which certain of the financial instruments are valued. The Company also invests in financial instruments that are exposed to interest rate risk. Interest rate risk is the risk that the value of the financial instrument will fluctuate with changes in market interest rates.

Included in investments are investments in warrants. Warrants confer to the holder the option to purchase a fixed amount of a security, at a fixed price, at a fixed future date. The value of the warrants are dependent on the value of the underlying security.

The Company, as part of its overall investment strategy, purchases exchange-traded options. Options are contracts that allow the holder of the option to purchase or sell a financial instrument at a specified price and within a specified period of time. The notional amount, the purchase cost and the market value of each contract is shown in the schedule of investments. The notional amount of each option reflects the Company's exposure to the underlying instrument at year-end and does not represent the Company's risk of loss due to counterparty non-performance. The market value of options is dependent on the terms of the option and the value of the underlying financial instrument.

## ***BERMUDA CAPITAL COMPANY LIMITED***

### **NOTES OF FINANCIAL STATEMENTS**

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#### **8. FINANCIAL INSTRUMENTS (continued)**

The Company, as part of its overall investment strategy, purchases futures. Futures are contractual arrangements to either buy or sell a specified currency or financial instrument at a specified price and date in the future. Futures are transacted in standardised amounts in regulated exchanges and are subject to daily cash margining which require the Company to deposit cash with its broker as “initial margin”. Subsequent fluctuations in the value of the futures contract results in the Company paying or recovering cash (variation margin) equal to the change in value. The notional amount of the future reflects the Company’s extent of involvement in the financial instrument and does not represent the Company’s risk of loss due to counterparty non-performance. The market value of futures is dependent on the terms of the contract and the value of the underlying financial instrument.

The Company, as part of its overall investment strategy, purchases forward foreign exchange contracts. Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency at a specific price and date in the future. Unrealised gains and losses on open forward foreign exchange contracts are calculated as the difference between the contract rate and the forward rate, based on the applicable exchange rates reported in published sources on the valuation date, applied to the face amount of the contract. The Company recognises a realised gain or loss when the contract is closed or it matures, which is included in the statement of operations.

By purchasing financial instruments, the Company incurs credit risk. Credit risk is the risk that, due to adverse conditions, a counterparty may be unable to perform on its obligations under the contract. The Company’s exposure to credit risk is limited to the market value of the financial instrument which is the value recognised in the Company’s statement of net assets. As at March 31, 2013, the Company had all its individual counterparty concentration with the Investment Advisor.

The Company is potentially subject to liquidity risk with its traded securities and warrant investments. As a result, the Company may be unable to realise the recorded values of its investments in the event that these financial assets were to be sold quickly.

The Company’s participating shares are redeemable at the shareholder’s option on each dealing date. Notice for redemption must be received no later than noon Bermuda time on valuation day. The Company is therefore potentially exposed to weekly redemptions by its shareholders.

The Company is subject to market risk with its marketable securities. As a result, the values of these financial instruments will fluctuate as a result of changes in market prices or factors affecting the net asset values of the underlying investments. Market risk is the potential adverse change in value caused by unfavorable movements in prices, foreign exchange rates or other financial instruments. In certain cases, the Company may use derivative financial instruments to hedge the market value of other positions. The notional or contractual amount of derivative financial instruments provides only a measure of the involvement in these types of transactions and do not represent the amounts subject to market risk.

# ***BERMUDA CAPITAL COMPANY LIMITED***

## **NOTES OF FINANCIAL STATEMENTS**

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### **9. TAXATION**

Under current Bermuda law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035.

