FINANCIAL STATEMENTS

The West Indian Company Limited

(A Component Unit of the Virgin Islands Public Finance Authority)

Years Ended September 30, 2015 and 2014

With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Financial Statements

Years Ended September 30, 2015 and 2014

Contents

Ernst & Young LLP
Plaza 273, 10th Floor
273 Ponce de León Avenue
San Juan, PR 00917-1951

Tel: +1 787 759 8212
Fax: +1 787 753 0808
ey.com

Report of Independent Auditors

The Board of Directors
The West Indian Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of The West Indian Company Limited (the Company), a component unit of the Virgin Islands Public Finance Authority, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The West Indian Company Limited as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Ernst + Young LLP

March 30, 2016

The Management and Board of Directors of The West Indian Company Limited (the Company) are pleased to present the following discussion and analysis of the Company's financial performance for the fiscal years ended September 30, 2015, 2014 and 2013.

This information should be read in conjunction with the Company's financial statements, which begin on page 8.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Company's basic financial statements. The Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Notes to Financial Statements presented on pages 8 through 23 provide information about the activities of the Company as a whole.

The Statements of Net Position presents information on all of the Company's assets and liabilities, with the difference between the two reported as net position. The Statements of Revenues, Expenses, and Changes in Net Position provide information showing how the Company's net position changed during the fiscal year. The Notes to Financial Statements provide additional information regarding the financial statements.

New Accounting Standards Adopted

There were no new accounting standards adopted for the fiscal year ending September 30, 2015.

FINANCIAL HIGHLIGHTS

Total assets of the Company amounted to $52.9 million, $50.5 million, and $45.9 million at September 30, 2015, 2014 and 2013, respectively, of which $44.1 million, $44.2 million and $40.4 million were capital assets in 2015, 2014 and 2013, respectively. The small increase in the Company's total assets is mainly driven by a $2.5 million increase in total current assets, and a $0.18 million decrease in capital assets. Total liabilities amounted to $38.8 million at September 30, 2015 of which $31.9 million were for loans outstanding and $6.9 million for other liabilities. Total liabilities amounted to $34.6 million at September 30, 2014 of which $28.5 million were for loans outstanding and $6.1 million for other liabilities. The increase in the total liabilities during 2015 is mainly driven by a $1.0 million increase in total current liabilities, and a $3.2 million increase in long-term debt. Total assets of the Company exceeded its total liabilities as of September 30, 2015, 2014 and 2013 by $14.1 million, $15.9 million and $17.2 million (net position), respectively.

The Company's net position decreased by approximately $1.8 million or 12% during the fiscal year ended September 30, 2015 and decreased by approximately $1.3 million or 8% during the fiscal year ended September 30, 2014.

Analysis of Overall Financial Position and Results of Operations

Following is condensed financial information of the Company for years 2015, 2014 and 2013:

Condensed Summary of Net Position	**2015**	**2014**	**2013**
			(As Adjusted)
Assets			
Current and other assets	**$ 8,803,984**	**$ 6,254,868**	$ 5,466,493
Capital assets	**44,099,020**	**44,275,118**	40,436,130
Total assets	**52,903,004**	**50,529,986**	45,902,623
Liabilities			
Long-term debt outstanding less current portion	**31,307,906**	**28,065,614**	21,239,326
Other liabilities	**7,476,867**	**6,519,123**	7,471,926
Total liabilities	**38,784,773**	**34,584,737**	28,711,252
Net position			
Invested in capital assets	**12,221,550**	**15,757,727**	19,196,804
Restricted for debt service	**2,466,925**	**2,712,350**	1,957,115
Unrestricted (deficit)	**(570,244)**	**(2,524,828)**	(3,962,548)
Total net position	**$ 14,118,231**	**$ 15,945,249**	$ 17,191,371

Condensed Summary of Changes in Net Position	**2015**	**2014**	**2013**
			(As Adjusted)
Operating revenues	**$ 9,501,800**	**$ 9,506,870**	$ 9,111,669
Operating expenses	**(9,800,224)**	**(8,860,509)**	(8,469,487)
Operating income	**(298,424)**	**646,361**	642,182
Non-operating revenues	**1,235,987**	**910,859**	2,970,165
Non-operating expenses	**(2,764,581)**	**(2,803,342)**	(2,034,630)
Changes in net position	**(1,827,018)**	**(1,246,122)**	1,577,717
Net Position			
Beginning of year	**15,945,249**	**17,191,371**	15,679,867
Adjustment of beginning net position	**–**	**–**	(66,213)
End of year	**$ 14,118,231**	**$ 15,945,249**	$ 17,191,371

The West Indian Company Limited (the Company) generates its revenue from the operation of its cruise ship port and rental of its land and warehouses.

From an overall industry standpoint, St. Thomas continues to be a key component of the Eastern Caribbean itinerary for the major cruise lines. The "Homeland Cruising" scheme currently employed by the cruise lines continues to be a major factor in the success of St. Thomas as a cruise destination. Although the U.S. economy has not fully recovered from the severe downturn of previous years, St. Thomas still had the fourth highest level of direct cruise sector expenditures. Total cruise tourism expenditures in St. Thomas for the 2014/2015 cruise year period were $344 million in spending, St. Maarten was first at $423 million, and the Bahamas was second at total expenditures of $373 million.

Arrivals at the Company's facility increased in 2015, a total of 1,337,193 passengers utilized the Company's facility in this fiscal year as compared to 1,335,591 passengers for the fiscal year ended September 30, 2014 and 1,229,824 passengers for the fiscal year ended September 30, 2013. As reported in prior years, 10-year berthing agreements that the Virgin Islands Port Authority entered into with Princess and Holland America cruise lines in 2006 and 2007 severely reduced the passenger arrival numbers at the Company's facility.

The Company secured financing for additional development of its port facilities. The Phase II projects include replacement of the Company's 60-ton bollards, with 150-ton bollards, along with the refurbishment of the bulkhead to allow the dock facility to handle larger ships securely, totaling approximately $3.75 million in November, 2014.

The extension of WICO's dock allowed the Company to accommodate larger cruise ships for the 2014/2015 cruise ship season and strengthens the integrity of the dock as a whole. The Phase I projects were completed during January, 2014. The Phase II project, includes replacement of 32 older 60-ton bollards with newer, larger 150-ton bollards, as well as replacement of 750 feet of dock bulkhead. The Long Bay Landing portion of the Phase II project, which includes plans to construct a new dock, with 2 new unrestricted berths, is still being reassessed. The new dock will accommodate the larger cruise ships, with passenger capacity of more than 4,000 guests. Estimated projections determine that construction of the new dock facilities will provide at least 100 additional calls, given that major cruise lines have expressed interest in the proposed berthing opportunities.

The Company continues to operate with an approved Facility Security Plan and meets any additional requirements contained in the Title 33 CFR Part 105 of the Maritime Security Code of Federal Regulations.

CAPITAL ASSETS

The Company owns more than 9 acres of land at Estate Liverpool that it has been attempting to develop for some time. Previously request for proposals were not responsive and not accepted. The Board hopes to develop some portion of this property in the future. The Company also owns a large building and surrounding acreage located in the central part of the city and known as Estate Catherineberg.

Over the past three years WICO has completed capital projects totaling approximately $9.6 million to extend the cruise dock and replace a portion of the facility's bollards (60 tons) with newer 150 ton bollards. WICO expects to begin work in April, to replace more bollards and refurbish the inner bulkhead of the cruise dock, totaling approximately $12.0 million. Additionally, WICO is evaluating options to develop a 7.2 acre parcel of the Havensight Mall and cruise facility area to create enhancements to the cruise facility and its environment, which may include restaurants, bars, and tourist attractions.

The Company has also managed the Havensight Shopping Mall for its owners, the Government Employees Retirement System (GERS), since they acquired it in 1993. A management fee of 6% of the mall gross receipts is currently charged to generate additional revenue of $396,999 and $329,045 in fiscal years 2015 and 2014, respectively. The Company and the GERS finalized negotiations on September 29, 2014, during which the management fee arrangement was increased from 4.5% to 6% of mall gross receipts. The effective period of this agreement began September 29, 2014 and expires September 30, 2016.

LONG-TERM DEBT

In October, 2013, WICO finalized an agreement to refinance the existing Banco Popular loan, stated at $28.5 million, at the end of fiscal year 2014. The refinanced loan, created additional working capital of approximately $7.3 million to complete Phase I projects.

Financing for phase 2 of the WICO Dock construction project took place in November, 2014. The Company obtained a commercial term loan in the amount of $3.75 million, utilized for purchase and installation of 150-ton bollards, and associated CZM (Costal Zone Management) Permits.

CONTACTING THE COMPANY

This financial report is designed to provide users with a general overview of the Company's finances. If you have questions about this report or need additional financial information, contact the Company:

The West Indian Company Limited
PO Box 7660 Charlotte Amalie
St. Thomas, VI 00801
(340) 774-1780

Financial Statements

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Statements of Net Position

	September 30 2015	September 30 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 3,949,323**	$ 1,298,522
Restricted cash	**2,466,925**	2,712,350
Trade accounts receivable, less allowance for doubtful accounts of $51,852 and $51,883 in 2015 and 2014, respectively	**652,378**	681,622
Other accounts receivable	**1,107,661**	876,483
Prepaid expenses and other current assets	**627,697**	685,891
Total current assets	**8,803,984**	6,254,868
Capital assets, net	**44,099,020**	44,275,118
Total assets	**52,903,004**	50,529,986
Liabilities		
Current liabilities:		
Accounts payable	**259,769**	202,049
Accrued expenses	**589,878**	357,642
Customer deposits	**107,655**	107,655
Payable to USVI Government	**5,950,000**	5,400,000
Loan payable, current portion	**569,564**	451,777
Total current liabilities	**7,476,866**	6,519,123
Loan payable, less current portion	**31,307,906**	28,065,614
Total liabilities	**38,784,772**	34,584,737
Net assets (deficit)		
Invested in capital assets, net of related debt	**12,221,550**	15,757,727
Restricted for debt service	**2,466,925**	2,712,350
Unrestricted (deficit)	**(570,244)**	(2,524,828)
Total net assets	**$ 14,118,231**	$ 15,945,249

See accompanying notes.

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended September 30 2015	2014
Operating revenues:		
Fees for services	**$ 9,501,800**	$ 9,506,870
Operating expenses:		
Cost of services and operating expenses	**5,956,492**	6,194,640
General and administrative expenses	**1,021,696**	659,038
Depreciation	**2,822,036**	2,006,831
Total operating expenses	**9,800,224**	8,860,509
Income from operations	**(298,424)**	646,361
Nonoperating revenues (expenses):		
Proceeds from settlement	**250,000**	–
Interest expense	**(2,064,581)**	(2,103,342)
Gain on sale of fixed assets	**500**	4,600
Interest and dividends	**6,010**	6,259
Other income	**979,477**	900,000
Contribution to the USVI Government	**(700,000)**	(700,000)
Total nonoperating revenues (expenses)	**(1,528,594)**	(1,892,483)
Changes in net assets	**(1,827,018)**	(1,246,122)
Net assets at beginning of year	**15,945,249**	17,191,371
Net assets at end of year	**$ 14,118,231**	$ 15,945,249

See accompanying notes.

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Statements of Cash Flows

	Year Ended September 30	
	2015	**2014**
Operating activities		
Cash received from customers	**$ 10,129,374**	$ 8,817,202
Cash received from settlement	**250,000**	–
Cash paid to suppliers	**(3,604,018)**	(5,347,296)
Cash payments to employees for services	**(2,928,633)**	(2,768,950)
Net cash provided by operating activities	**3,846,723**	700,956
Noncapital financing activities		
Contribution to the USVI Government	**(150,000)**	–
Net cash used in noncapital financing activities	**(150,000)**	–
Capital and related financing activities		
Proceeds from loan issuance	**3,750,000**	7,323,280
Acquisition of capital assets	**(2,728,314)**	(5,845,819)
Payment of long-term debt, including interest	**(2,319,043)**	(2,143,957)
Net cash used in capital and related financing activities	**(1,297,357)**	(666,496)
Investing activities		
Interest received	**6,010**	6,259
Net cash provided by investing activities	**6,010**	6,259
Net increase in cash and cash equivalents	**2,405,376**	40,719
Cash, cash equivalents and restricted cash equivalents at beginning of year	**4,010,872**	3,970,153
Cash and cash equivalents at end of year	**$ 6,416,248**	$ 4,010,872
For purposes of the statement of cash flows, cash and cash equivalents include:		
Unrestricted	**$ 3,949,323**	$ 1,298,522
Restricted:		
Cash segregated for payment of principal and interest on loan payable	**2,466,925**	2,712,350
	$ 6,416,248	$ 4,010,872
Noncash capital and related financing activities		
Gain on disposition of capital assets	**$ 500**	$ 4,600

(Continued)

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Statements of Cash Flows (continued)

	Year Ended September 30	
	2015	**2014**
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	**$ (298,424)**	$ 646,361
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Provision for doubtful accounts	**(52,613)**	(21,541)
Depreciation	**2,822,036**	2,006,831
Proceeds from settlement	**250,000**	–
Other Income	**979,477**	–
Changes in operating assets and liabilities that increase (decrease) cash:		
Trade accounts receivable	**29,275**	18,107
Other accounts receivable	**(231,178)**	(683,016)
Prepaid expenses and other current assets	**58,194**	(61,206)
Accounts payable	**57,720**	76,442
Accrued expenses	**232,236**	(1,281,022)
Total adjustments	**4,145,147**	54,595
Net cash provided by operating activities	**$ 3,846,723**	$ 700,956

See accompanying notes.

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The West Indian Company Limited (the Company), incorporated in the United States Virgin Islands (USVI), is owned by the Government of the USVI (the Government) through the Virgin Islands Public Finance Authority (PFA). The Company's operations consist primarily of servicing cruise ships owned by established shipping lines.

The significant accounting policies used by management in the preparation of its financial statements follow:

Basis of Accounting

The accounting and reporting policies of the Company conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB). The Company follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB,* and AICPA pronouncement effective July 1, 2012. The Company functions as an enterprise fund and maintains its accounting records on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

Basic Financial Statements

Standards for external financial reporting for state and local governments require that resources be classified for accounting and reporting purposes into net position categories and to report the changes in net position. Net position represents the residual interest in the Company's assets after liabilities are deducted and consist of the following categories:

- *Invested in capital assets, net of related debt:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The portion of debt attributed to the unspent debt proceeds is included in the same net asset component as the unspent proceeds.
- *Restricted:* These result when constraint on the use of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted:* Net position that is not subject to externally imposed stipulations.

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Basic Financial Statements (continued)

The Company distinguishes operating revenues and expenses from non-operating items. Operation revenues and expenses generally result from providing services in connection with the Company's principal ongoing operations. The principal operating revenues of the Company are charges to customers for fees, dues and rent. Operating expenses for the Company's include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first, then unrestricted resources as they are needed.

Sources of Income

The Company generates its revenue from the operation of its cruise ship port, related agency activities and rental of its land and warehouse facilities. The Company also generates revenue from fees received for the management of the portion of the Havensight Mall owned by GERS.

Cash and Cash Equivalents

The Company considers non-negotiable certificates of deposit and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents in the accompanying statements of net position.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established based upon a review of individual accounts, loss experience, economic conditions and other factors. Losses are recorded as offsets to revenue in the period incurred and recoveries are credited to the allowance for doubtful accounts.

Capital Assets

Capital assets are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the asset. Expenses for maintenance, repairs, and renewals are charged to expense as incurred, whereas major improvements are capitalized.

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Accounting for impairment of Long-Lived Assets

The Company, following the guidance of GASB Statement No. 42, *Accounting and Financial Reporting of Capital Assets and for Insurance Recoveries*, assesses the recoverability of the carrying values of its capital assets for possible impairments whenever events or changes in circumstances indicate that the carrying amount may be impaired. During the year ended September 30, 2015, the Company experienced no asset impairments.

Taxes

The Company is exempt from the payment of USVI income and property taxes as well as from U.S. federal income taxes.

In December 1999, the Legislature of the United States Virgin Islands (the Legislature) approved Bill No. 23-0178, which amended Bill No. 22-0216 dated May 1998. The old bill required the Company to contribute ten percent of net revenues, as defined, to the General Fund of the Virgin Islands. The new bill, which became effective in year 2000, required the Company to contribute the greater of ten percent of net revenues, as defined, or $500,000 to the General Fund of the Virgin Islands. In June 2003, the Legislature approved Bill No. 25-0038 to amend the annual contribution to the greater of ten percent of net revenues, as defined, or $1,000,000. Such amendment was effective for fiscal year 2003 and thereafter. On October 10, 2007, the Legislature approved Bill No. 27-0151 to require an annual in lieu of tax payment of the greater of ten percent of net revenues or $700,000 retroactive to fiscal year 2006 and thereafter.

The liability for contribution to the Government of the USVI as of September 30, 2015 represents the payments in lieu of taxes (PILOT) due for fiscal year 2006 and for fiscal years 2008 through 2015. In September, 2015 the Company submitted a payment to the Government in the amount of $150,000 to demonstrate the Company’s willingness to reduce the outstanding tax liability, while continuing to negotiate with the Government to resolve the outstanding tax liability balance and to reduce future PILOT obligations.

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

At September 30, 2015 and 2014, cash and cash equivalents consist of deposits in banks. By law, banks or trust companies designated as depository to public funds of the Government are to maintain corporate surety bond or pledge collateral satisfactory to the Commissioner of Finance to secure all governmental funds deposited. At September 30, 2015 and 2014, the cash and cash equivalents held by the Company were fully collateralized.

Cash and cash equivalents, segregated by category at September 30, 2015 and 2014, are as follows:

	2015		**2014**	
	Bank Balance	**Carrying Amount**	**Bank Balance**	**Carrying Amount**
Restricted	**$2,466,925**	**$2,466,925**	$2,712,349	$2,712,350
Unrestricted	**4,083,388**	**3,949,323**	1,645,165	1,298,522
	$6,550,313	**$6,416,248**	$4,357,514	$4,010,872

Restricted cash represents cash segregated for debt service due under the Company's loan agreements.

3. Capital Assets

Capital assets at September 30, 2015 and 2014, are as follows:

	Useful Lives *(In years)*	Balance 10/1/14	Additions	Disposal	Transfers	Balance 9/30/2015
Land	–	$ 5,147,278	$ –	$ –	$ –	$ 5,147,278
Personal property and equipment	3 - 25	4,033,550	190,425	(18,268)	(88,827)	4,116,880
Buildings and building improvements	5 - 40	59,400,987	21,146	–	2,345,112	61,767,245
Construction in progress	–	1,688,408	2,434,367	–	(2,256,285)	1,866,490
Total		70,270,223	2,645,938	(18,268)	–	72,897,893
Less accumulated depreciation		(25,995,105)	(2,822,036)	18,268	–	(28,798,873)
Total capital assets, net		$ 44,275,118	$ (176,098)	$ –	$ –	$ 44,099,020

	Useful Lives *(In years)*	Balance 10/1/13	Additions	Disposal	Transfers	Balance 9/30/2014
Land	–	$ 5,147,278	$ –	$ –	$ –	$ 5,147,278
Personal property and equipment	3 - 25	3,595,508	424,751	(15,901)	29,192	4,033,550
Buildings and building improvements	5 - 40	51,134,438	5,902	–	8,260,647	59,400,987
Construction in progress	–	4,563,080	5,415,167	–	(8,289,839)	1,688,408
Total		64,440,304	5,845,820	(15,901)	–	70,270,223
Less accumulated depreciation		(24,004,175)	(2,006,831)	15,901	–	(25,995,105)
Total capital assets, net		$ 40,436,129	$ 3,838,989	$ –	$ –	$ 44,275,118

The life of a new asset is based on the asset value and the term of years that the asset is estimated to remain in service. An item with a value of no less than $500 will be capitalized.

4. Loan Payable

Loan payable activity for the years ended September 30, 2015 and 2014, was as follows:

Balance at September 30, 2014	New Issuances	Principal Payments	Balance at September 30, 2015
$28,517,391	$3,750,000	$389,921	$31,877,470

Balance at September 30, 2013	New Issuances	Principal Payments	Balance at September 30, 2014
$21,239,326	$7,323,281	$ 45,216	$28,517,391

On June 1, 2008, the Company refinanced its outstanding loans and obtained additional financial for $2.3 million, increasing the loan facility to $23,500,000. The loan bears interest at 6.2% and will be repaid in 120 consecutive monthly installments of $154,953 (representing principal and interest). A final payment of the outstanding principal balance plus any unpaid interest is due on 2018. The loan may be prepaid, in whole or in part, at any time without penalty.

The refinanced loans were originally obtained by PFA for the acquisition of the Company. PFA remains the primary obligor on the loan.

The Company has pledged all its leases and revenues to secure the loan. Pursuant to the provisions set forth by the Loan Agreement, the Company maintains restricted cash in a debt service reserve account controlled by PFA, and a debt service coverage ratio account, controlled by WICO, for the payment of principal and interest equal to a one year debt service requirement. As of September 30, 2015 and 2014, the Company has funded 100% of this amount, which is presented in the statements of net position as restricted cash in the amount of $2,466,925 and $2,712,350 respectively.

4. Loan Payable (continued)

Over the last four years the Company's operations have been negatively affected by the reduction in cruise ship traffic in its facilities caused in part by the economic recession and also by the relocation of cruise ships from its facilities to the nearby Crown Bay facility owned by the Virgin Islands Ports Authority. This situation is compounded by a minimum contribution in lieu of taxes payable to the Government of the US Virgin Islands of $700,000, regardless of the operating results.

These situations resulted in a deficit in working capital (current assets less current liabilities) of approximately $1.3 million and approximately $.26 million for the years ended September 30, 2015 and 2014, respectively.

Furthermore, these situations also caused a deficit in unrestricted net position of approximately $0.5 million and approximately $2.5 million for the years ended September 30, 2015 and 2014, respectively.

On October 18, 2013, WICO finalized an agreement to refinance the existing Banco Popular loan to $28,517,391 at the effective interest rate of 6.18% per annum. The loan has an interest only repayment period of twelve months from issue date. Additionally, the payments are based on a 25-year amortization, with a final maturity in 6 years. The final loan payment is a balloon payment of the outstanding principal balance, plus unpaid interest accrued and fees to the date of final payment. WICO's intent is to refinance the remaining outstanding debt prior to maturity of the note.

On November 12, 2014, the Company finalized an interim financing agreement to procure a loan payable to Banco Popular de Puerto Rico. The agreement provided for Banco Popular de Puerto Rico to extend a loan to WICO in the amount of approximately of $3,750,000 bearing interest at 6.75% per annum. The loan has an interest-only repayment period of twelve (12) months from issue date. Additionally, the payments are based on a 25-year amortization, with a final maturity in six (6) years. This interim financing provides additional funding to initiate Phase II WICO pier construction projects.

On March 11, 2015, the Board of the West Indian Company Ltd. announced their decision to suspend the Company's plans for a new cruise ship pier in downtown St. Thomas. The WICO Chairman of the Board, members of the board and executive staff continue to work diligently and expeditiously with the Virgin Islands Port Authority, members of the legislature, the community and the Company's cruise partners to identify a more feasible location for this new pier.

4. Loan Payable (continued)

For the year ended September 30, 2015 working capital increased by $1.5 million, mainly due to the financing obtained to begin phase 2 of the WICO Dock construction project, which was finalized in November 2014. The Company obtained a commercial term loan in the amount of $3.75 million, to be utilized for purchase and installation of 150-ton bollards, and associated CZM (Costal Zone Management) Permits.

During the years ended September 30, 2015 and 2014, the Company complied with the debt service coverage and debt service reserve requirements, which requires that the Company meet certain debt service coverage targets and maintain sufficient cash for one year's debt service requirements.

As part of the loan agreements, no dividends may be declared and no additional equity interests may be granted during the term of the loans without the lenders approval.

Principal payments for long-term debt for the five years subsequent to September 30, 2015, are as follows:

Year ending September 30,	Principal	Interest	Total
2016	$ 569,564	$ 1,974,377	$ 2,543,941
2017	616,292	1,937,280	2,553,572
2018	655,857	1,897,715	2,553,572
2019	697,965	1,855,607	2,553,572
2020	742,778	1,810,793	2,553,571
2021-2025	4,493,619	8,274,240	12,767,859
2026-2030	6,134,295	6,633,564	12,767,859
2031-2035	8,374,653	4,393,206	12,767,859
2036-2040	9,521,341	1,377,634	10,898,975
Thereafter	71,106	434	71,540
Total	$ 31,877,470	$ 30,154,850	$ 62,032,320

5. Employee Benefit Plans

The West Indian Company Limited Employee Retirement Plan (the Plan) is a defined contribution retirement and savings plan sponsored by the Company, covering the Company's employees not governed by a collectible bargaining agreement. The Plan is administered by Weber Shapiro & Co. LLP. Under the provisions of the Plan, the employees must contribute at least 3% of their gross compensation and may contribute up to 7% of their compensation. The Company matches 3% of the employees' contribution plus a non-elective distribution at the discretion of the Company, which is divided among eligible employees, proportionate to compensation.

Required contributions to the pension and savings plan made and charged to operations were approximately $119,000 and approximately $117,000 for the years ended September 30, 2015 and 2014, respectively. Total contribution made to the Plan by the covered employee during 2015 and 2014 amounted to approximately $125,700 and approximately $117,600, respectively. The Company does not offer other post-retirement benefits to its employees.

6. Related Party Transactions

On September 29, 2014 The Company renewed the management agreement with the GERS under which the Company administers the real estate operations sold to GERS in consideration of rent for office buildings used by the Company. The Company charges 6% of gross rent receipts for the administration of GERS' properties. The agreement also provides that certain payroll costs be allocated between the Company and GERS. During the years ended September 30, 2015 and 2014, payroll costs allocated to GERS were approximately $2,062,000 and $2,005,000, respectively.

The amount due from GERS in connection with these allocations amounted to approximately $1,076,000 and $852,000 at September 30, 2015 and 2014, respectively, and is included in other accounts receivable in the accompanying statements of net position.

7. Concentration of Risk

During the years ended September 30, 2015 and 2014, customers representing more than 10% of total revenues are as follows:

	2015	2014
Carnival Cruise Line	**40%**	42%
Royal Caribbean Cruise Line	**33%**	29%
Norwegian Cruise Line	**19%**	21%

8. Recently Issued Accounting Pronouncements

The GASB has issued the following accounting standards which did not have an impact on the Company's financial statements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 27*, which is effective for periods beginning after June 15, 2014.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is effective for periods beginning after December 15, 2013.
- GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date,* which is effective for periods beginning after June 15, 2014.

The GASB has issued the following accounting standards which the Company has not yet adopted:

- GASB Statement No. 72, *Fair Value Measurement and Application,* which is effective for periods beginning after June 15, 2015.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 67,* which is effective for periods beginning after June 15, 2015.
- GASB Statement No. 74 and 75*, Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans,* which is effective for periods beginning after June 15, 2016.

8. Recently Issued Accounting Pronouncements (continued)

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for periods beginning after June 15, 2015.
- GASB Statement No. 77, *Tax Abatement Disclosures*, which is effective for periods beginning after December 15, 2015.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple- Employer Defined Benefit Pension Plans*, which is effective for periods beginning after December 15, 2015.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, which is effective for periods beginning after June 15, 2016.

The Company is evaluating the impact that these statements will have on the Company's financial statements.

9. Commitments and Contingencies

The Company is a defendant in various litigations, claims or assessments arising during the normal course of business. It is management's opinion, based on the advice of legal counsel, that the final disposition of these matters will not have a material adverse effect on the Company's financial position or results of operations.

On May 1, 2013, the Company and a former tenant (Former Tenant) executed an agreement (Settlement Agreement) in order to resolve all claims that have been asserted or could be asserted by the Company against the Former Tenant or by the Former Tenant against the Company related to the environmental conditions on, under or migrating from a Company's property. The Company contended those environmental conditions were caused by the Former Tenant's operations while such property was leased to the Former Tenant.

The Settlement Agreement required an initial payment to the Company in the amount of $2,700,000, plus an additional $250,000 in connection with an execution of an Environmental Covenant. Furthermore, the Settlement Agreement contained a provision for a final payment to the Company in the amount $250,000 contingent upon the Company's completion of certain activities that were fulfilled in March, 2014, pending verification by ESSO.

9. Commitments and Contingencies (continued)

Income recognized by the Company pursuant to provisions set forth by the Settlement Agreement amounted to $250,000 and $2,950,000 during the year ended September 30, 2015 and September 30, 2013, respectively and is included as other non-operating revenues and expenses in the accompanying statements of revenues, expenses and changes in net position.

10. Leases in the Financial Statements of Lessors

The Company leases several warehouses and land to commercial businesses for the generation of income. The cost and carrying amount of leased property as of September 30, 2015 were approximately $4,600,000 and $2,700,000 respectively.

The schedule of future minimum rentals for the fiscal years 2016 – 2020 is as follows:

	2016	2017	2018	2019	2020	Total
Warehouse rentals to commerical businesses	$ 484,893	$ 421,603	$ 308,603	$ 243,394	$ 205,500	$ 1,663,993
Land rentals to commercial businesses	367,250	385,000	397,750	410,500	423,250	1,983,750
	$ 852,143	$ 806,603	$ 706,353	$ 653,894	$ 628,750	$ 3,647,743

11. Subsequent Events

The West Indian Company Ltd. negotiated with Banco Popular to obtain a non-revolving line of credit and conversion to commercial term loan, in the amount of approximately $11,600,000. On March 2, 2016, Banco popular approved the Company’s request for financing. The loan proceeds will be utilized to assist in completion of the WICO dock construction and improvements for WICO’s dock refurbishment and development.

Ernst & Young LLP
Plaza 273, 10th Floor
273 Ponce de León Avenue
San Juan, PR 00917-1951

Tel: +1 787 759 8212
Fax: +1 787 753 0808
ey.com

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors of
The West Indian Company Limited

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The West Indian Company Limited (the Company), which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 30, 2016

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