

ANNUAL REPORT
2018



THE WEST END
BERMUDA



THE WEST END
BERMUDA



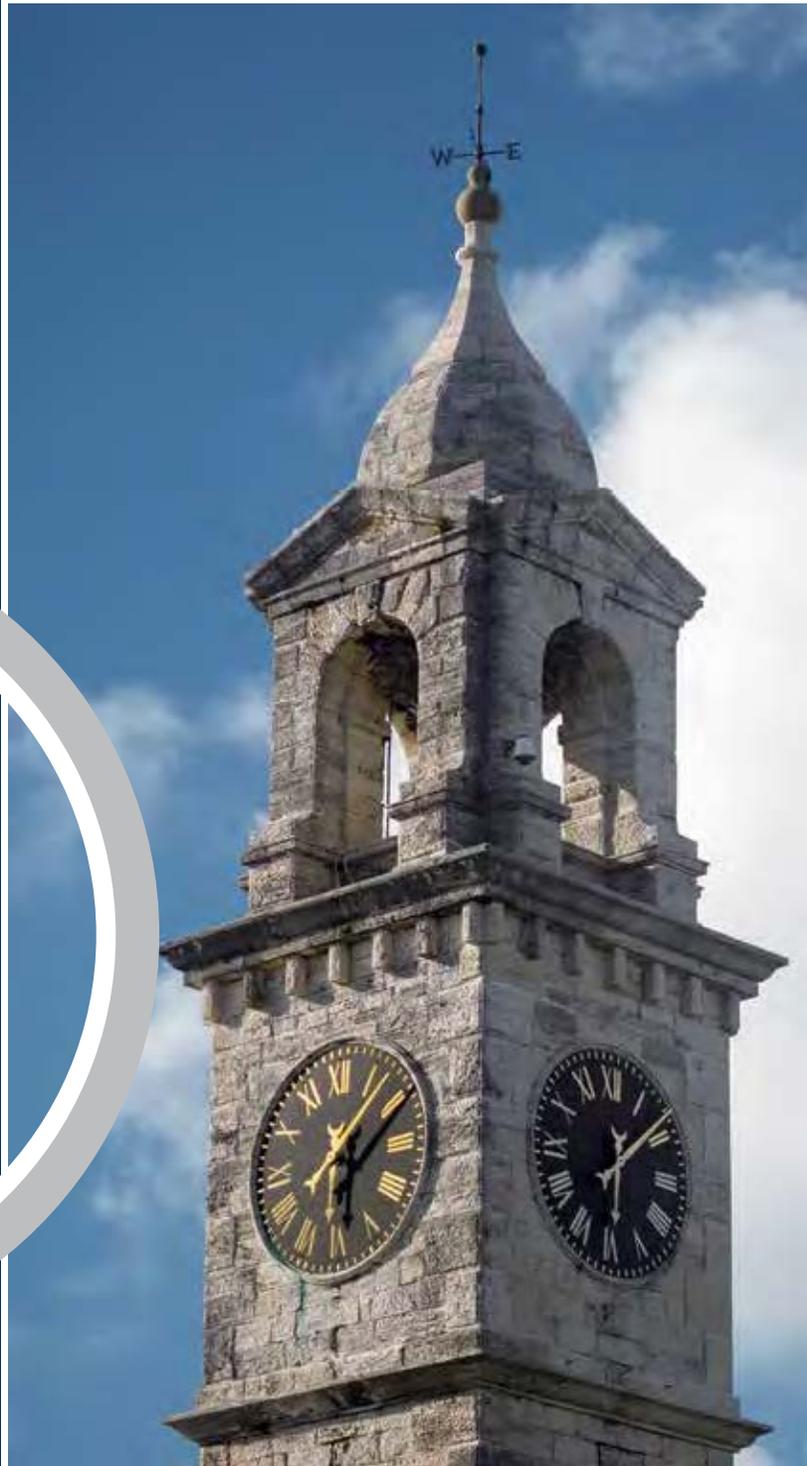
LAND ROVER 34R

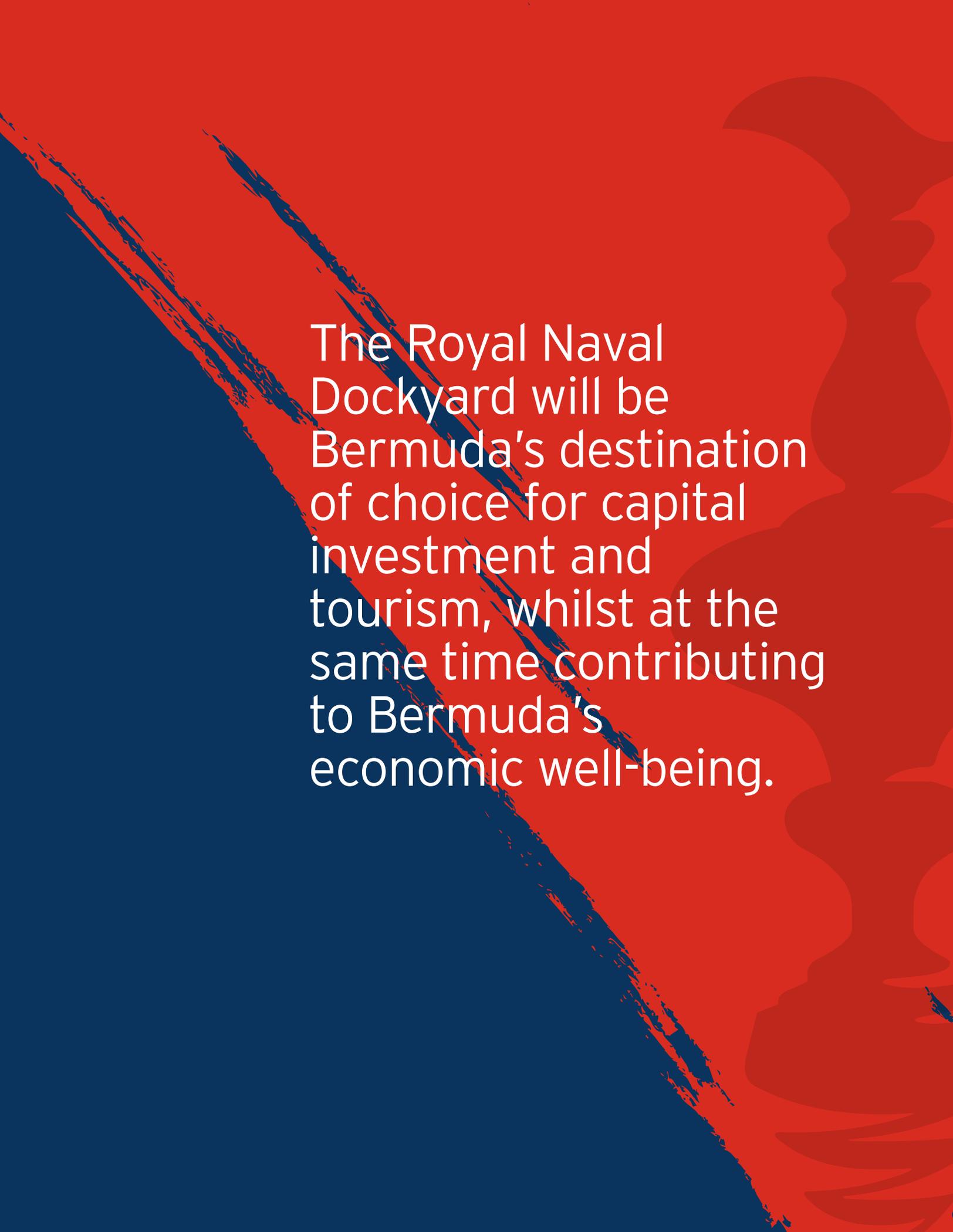
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MISSION

01





The Royal Naval Dockyard will be Bermuda's destination of choice for capital investment and tourism, whilst at the same time contributing to Bermuda's economic well-being.

A racing yacht with a red and white striped sail and a black hull. The crew members are wearing black gear and are hunched over on the deck. The sail features the OMEGA logo and the word OMEGA. The hull features the TOYOTA logo and the word TOYOTA. The yacht is on a blue sea.

CHAIRMAN'S
MESSAGE

02

Annual Report

2018

CHAIRMAN'S MESSAGE

From the Royal Naval Dockyard's beginnings as a British naval base to its most recent incarnation as a vibrant tourist attraction and social hub, the West End has proven its adaptability over the centuries. WEDCO has made it our mission to ensure that the Royal Naval Dockyard and its surrounding area will continue to grow and develop in such a way that will benefit all of Bermuda. In a year full of exciting changes, this mission has never been more apparent.

This year, Dockyard was famously the home of the 35th America's Cup, an international competition that drew numerous participants, fans and spectators to the Island. I thank the previous Chairman, Ray Charlton, for his role in the success of this event. Along with the management and staff of WEDCO, Mr. Charlton worked to ensure that Cross Island would be ready to host the America's Cup Village, that multiple renovation projects in Dockyard would be completed in an advanced timeframe, that the infrastructure to support an event of this magnitude was in place and that transportation was facilitated to help our visitors get to and from the venue.

Shortly after the America's Cup was over, Bermuda welcomed a new change in Government, with an election that resulted in a decisive PLP victory. While our Board looks forward to continuing our work with the new Government, we do not expect our daily operations to change drastically from one administration to the next.

My own appointment to the position of Chairman in November was yet another change. With the dust settling from the whirlwind of the America's Cup, my role has been to return our focus to our own core business and continue the momentum that WEDCO has built over the past several years.

It is clear to me that the level of teamwork that has manifested over the last year is here to stay and it is enhancing WEDCO across the board. The Board could not be prouder of all that the management and staff of WEDCO have achieved this year. We look forward to seeing a continuation of improvements and positive changes in 2019.



CHARLTON DILL | Chairman

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GENERAL MANAGER'S REPORT

According to the famous industrialist and philanthropist, Andrew Carnegie, teamwork “is the fuel that allows common people to attain uncommon results.” This year certainly demonstrated exceptional results as our team worked tirelessly and collaboratively to host an international competition, the likes of which had never been seen in Bermuda before: America’s Cup 2017.

While there is much to say about the lead up to America’s Cup and the event itself, I would first like to acknowledge the commitment of our staff who simultaneously



prepared for this event while maintaining our primary focus on developing the Dockyard area. With very little change to staffing, there was more work for everyone across the board. I am proud to report that our team stepped up to the challenge and exceeded all expectations.

In April 2017, we were in the final phases of preparation for America's Cup. For WEDCO, the lead up to America's Cup was just as important as - if not more important than - the event itself. In this preparation phase, Dockyard benefitted from building restoration, a critical mass of customers and a spotlight on the area.

America's Cup provided the impetus to restore many existing historical buildings in an accelerated timeframe. Projects that had initially been slated to occur over 6 or 7 years were completed within a 24-month period.

Basing the teams out of Dockyard enabled us to clean out the entire South Basin, properly dispose of garbage that had accumulated at the site and put in new warehousing. Dockyard also enjoyed increased business from the critical mass of people on the bases during the off-season.

Dockyard benefitted from increased exposure, which highlighted the vibrant area that it is today. WEDCO

has worked diligently to transform the area over the years; it was rewarding to see people replace the old memory of what Dockyard was 20 years ago with the new vision of what Dockyard has become.

I am pleased to report that, in the end, WEDCO delivered a flawless site for the America's Cup. Both the land and the infrastructure were delivered to specification and within the allotted time frame.

Again, teamwork played a huge role in this success. Our tenants, grounds people, electricians, plumbers, office workers, events team, management team, and Board all worked in unison. Beyond this, WEDCO worked closely with the ACBDA, the Ministry of Transport, Ministry of Public Works, local taxi associations and mini-bus operators to make America's Cup 2017 a memorable, enjoyable event.

Our retail tenants experienced a small increase in sales as a direct financial boost from the America's Cup. That said, our retail tenants have enjoyed steadily increasing sales over the past decade. WEDCO has been able to grow tourism-based business to a level that is able to sustain tenants; our tenants are making a return on their investments.

I am proud to report that we are continuing to move in the right direction. To paraphrase Heraclitus,

the only constant is change. At WEDCO, we have been changing and adapting as we listen to the feedback we receive. We listen to our local visitors and to our international guests. We strive to add business opportunities to the West End, adding one or two new businesses each year. Our tenants are also changing for the better by renovating or changing their product offerings. This is how we stay vibrant; this is how we stay relevant.

With the excitement of America's Cup now behind us, we are rejuvenated and ready to make the most of the renovations and infrastructure that were put in place this year. Our team has demonstrated immense dedication, competence and capability. We are looking forward to carrying this outstanding teamwork into the years to come.

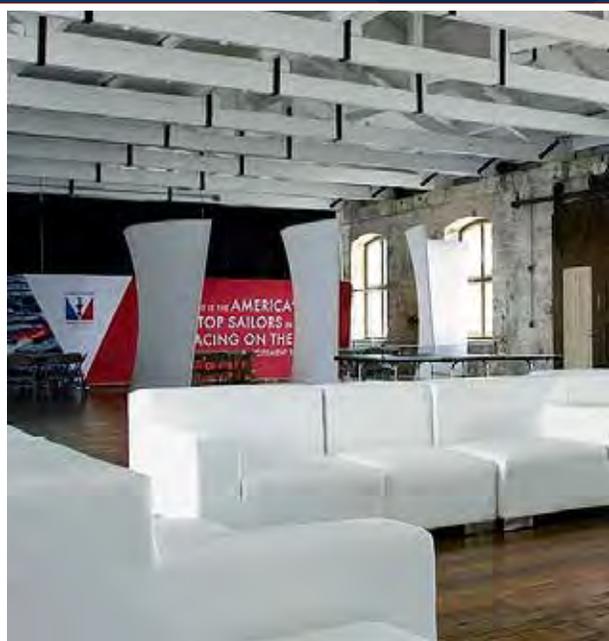


ANDREW DIAS | General Manager



Teamwork: "It is the fuel that allows common people to attain uncommon results."

ANDREW CARNEGIE



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YEAR IN REVIEW



America's Cup

It is difficult to describe how stunning the 35th America's Cup truly was. The event village itself was like a miniature city that was erected overnight. All of Bermuda was buzzing with excitement and the world was able to see action-packed races against the backdrop of our beautiful island home.

America's Cup increased the Royal Naval Dockyard's cachet as a location for event venues. Facilitating an event of this magnitude in Dockyard proves our capability to hold any other events. Accordingly, the quantity of event inquiries and licenses increased after America's Cup. Every single event that has been hosted in Dockyard has benefitted as a result.

One major area of concern for the America's Cup was transportation. WEDCO worked with various stakeholders, including the Ministry of Transport, the main taxi associations and the mini-buses, to maintain transportation lift for both America's Cup patrons and regular passengers. Providing transportation for such a large influx of people was challenging but the America's Cup transportation hub outside of the Royal Naval Dockyard was a success, allowing us to provide transportation for the event-goers without impacting our regular stream of Dockyard visitors. The boost in transportation also led to more money going directly into the pockets of Bermudian people.



Cross Island

WEDCO was responsible for the infrastructure at Cross Island in the lead up to America's Cup. We delivered a tertiary sewage treatment plant, which treats the water so that it can be re-used for flushing and irrigation. With a long-term view, we opted for a sewage system that can accommodate our current 250,000 gallons of waste and can easily accommodate up to twice that amount with some small tweaks. There is no need to reinvent the entire system to provide the infrastructure for a larger event; we can make large changes at low costs.

In May 2017, the Cross Island Legacy Committee released its recommendations for the use of Cross Island after the conclusion of America's Cup. The recommendations included synergistic businesses within aquaculture, indoor agriculture, and renewable energy. The WEDCO Board is now conducting further analysis and research on the Committee's recommendations to confirm viability. In the meantime, Cross Island has been contracted to Savvy Entertainment as an event venue from January 2018 until December 2018.

Working Culture

We are seeing the benefits of staff training and the certification of all staff as tourism ambassadors. When we are so busy with our daily tasks and routines, we can lose focus of the big picture. The training called attention back to the reason that we are all here: we have a world class port that welcomes international guests and attracts business. With this renewed sense of purpose and the tourism ambassador training, our staff are prepared to assist guests at all levels.

Our team was stretched thin at the beginning of this report period, as they worked tirelessly to meet the demands of the America's Cup event while continuing to perform their primary roles. Despite this grueling workload, the team rose above all expectations.

Every single employee is valued. No one position is more or less valued than any other; our organisation works because of our teamwork. WEDCO is able to deliver because we each handle our individual responsibilities for a collective benefit.

Key Works

MORESBY HOUSE

The restoration of Moresby House (HMS Malabar) was completed in May 2017. With the \$3 million promissory note from the Ministry of Public Works, we were able to restore this beautiful, historic building and convert it into office space. Originally constructed as the residence of the Officer-in-Charge of Works in 1889, the building was later renamed HMS Malabar and used as the Royal Navy shore establishment until the Royal Navy left Dockyard in 1995. Sadly, Moresby House remained empty after 1995 and its condition deteriorated significantly over the years. It now boasts a fully equipped IT room, cable and internet capabilities, security and fire systems, air conditioning, and

secure card access system. With its high ceilings, wrap around veranda, Accoya windows and doors, and wooden flooring, this renovated property will make an ideal office space.

SAIL LOFT

The Sail Loft, formerly a movie theatre, received a total renovation that allowed it to be used as an administration centre for the America's Cup. Its most stunning feature is the floor, with massive wooden planks that have never been sanded. It also received a new air conditioning system in preparation for a new tenant, who will occupy the space in the next fiscal year.



STAR OF INDIA

The Star of India was also completely restored by May 2017. With close proximity to Moresby House, high ceilings, exposed beams, and stunning water views, this building features a large hall that would be ideal for many types of events. Originally built in the 1930s as a bowling alley for the Royal Naval Club, it transformed into a club for the families at HMS Malabar. As part of the restoration, we removed asbestos, improved the interior layout, fitted a new kitchen, and replaced the roof, windows and doors.

CHICANE BUILDING

The Chicane Building refurbishments were completed, allowing the building to become the home of the new transport museum. Originally built in the 1650s and used as the machine shop, Chicane House has been made wind and water tight, it has received a new interior fit out, the electric work and plumbing has been upgraded and the roof was replaced, along with the windows and doors. Team Oracle USA donated their boat, along with its display stand, to the museum. Its wing is inside the museum and this entity continues to grow. The placement of this America's Cup boat outside the museum and at the entrance to Dockyard is an excellent reminder of a world-class event and a celebration of the teamwork that made it a success.



CLOCKTOWER

The Clocktower Mall is famous for its iconic clocktowers; one that displays the time and one that shows the high tide for the day. The clocks on the clocktower, however, have always displayed slightly different times, earning it the nickname “The Four Faced Liar”. We made this clocktower honest by updating the electrical mechanisms so that all four faces now tell the same time.

KING'S WHARF

The building at King's Wharf sustained substantial damage after the storms and hurricanes of 2014 and 2015. We replaced the roof, installed new doors and windows and fitted out the interior. An underwater inspection of King's Wharf was also conducted in 2017 as part of a Ministry of Public Works initiative to investigate the state of Bermuda's infrastructure. From this inspection, it became clear that extensive renovation of the concrete and rebars are needed and we plan to embark on this refurbishment in the next off-season.

COMPLETED WORKS:

- Messina House: new roof
- TS Venture Building: restored for West End Sea Scouts
- Cut Bridge: new flagpoles, paint and landscaping, double lane use
- Sally Port Entrance: new electronic access system to stop illegal dumping
- West End Sailboat Club: removed asbestos, upgraded electrical and interior lighting

WORKS IN PROGRESS:

- All North Basin buildings: windproofing and waterproofing, replacing roofs, removing asbestos, replacing old electrical systems

HIGHLIGHTS AND
ACCOMPLISHMENTS

05



Entertainment & Events

Dockyard was a festive hub of activity, with events throughout the year. WEDCO was pleased to host and sponsor a range of events, including appreciation events in the newly renovated Moresby House throughout May and June and the Bermuda Billfish Release Cup in July. We also held our annual cocktail party in December and our annual breakfast in March.

Our weekly events continued to be successful. We were happy to run another season of our free Historical Reenactment & Walking Tour, which ran every Wednesday and Friday from May to mid-October. This tour depicted life in the Royal Naval Dockyard at the beginning of the 19th century while teaching visitors about the historical aspects of the buildings and structures in the area. Our Living Arts Guided Walking Tour, which took place from late April to late July, has also been successful, allowing visitors to learn about Dockyard's art history and experience its vibrant contemporary art community.

Multiple entities selected Dockyard to hold their events over the year. The ACBDA hosted a party to welcome guests to Bermuda in May, leading up to America's Cup in June. Some other sporting events included Bermuda Karting Club's Grand Prix, End to End, the Devil's Isle Challenge, the Earth Hour walk and the Bermuda Triple Challenge. Bacardi Moth World Championship was able to use the old ORACLE base for its international sailing competition.

Appealing to patrons of the arts, Dockyard was the home of the Robert Bassett Art Show and Snorkel Park's Ky-Mani Marley concert.

Revelers enjoyed the American Society of Bermuda's Annual Independence Day Celebration, the RADIATE party by Nova Mas, and the three-day Oktoberfest festivities.

As usual, the Christmas season was a busy time for WEDCO. Six schools participated in our Festival

of Trees, in which students decorated Christmas trees to compete for donations for their schools. At the beginning of December, HSBC kicked off the holidays with their corporate Christmas party in the old Oracle Boat Shed. The next day, we held the Destination Dockyard: Mistletoe Market, which was a holiday vendor market and family fun day featuring more than 20 Bermudian vendors, as well as music, performances, face painting and games. The following week, Santa's Workshop took place in the Victualling Yard, with free ornament and cookie decorating, face painting, bouncy castles, performances, and visits from Santa's elves and the big guy himself. Carolers then enjoyed a unique experience singing Carols with the Dolphins. WEDCO held our annual cocktail party on December 15th, which was a great time to let loose before we regrouped to Deck the Halls of the Clocktower Mall that Sunday.



Marketing

Of course, to make our events successful and to draw people to the West End, we maintained a steady stream of marketing activity. Our marketing activity focuses mainly on the Royal Naval Dockyard, as it is the hub of the West End. We continued to update the website to provide more details about all initiatives and used our social media presence to drive traffic to the site.

This year, we made a concerted effort to boost our video content and used vibrant imagery to convey why the West End is a fantastic place to live, work and

play. We posted 50 videos on Facebook during this reporting period, receiving numerous views and engagement. In addition to Facebook, we increased our activity across Instagram, Twitter, YouTube and Snapchat. Additionally, our live streaming Port Bermuda Webcam has been a popular way of showing activity at the ports in Dockyard.

While our social media presence was constant, we also relied on more traditional avenues for some campaigns, which included print, radio, TV, PR and brochures.



Business Development

Our business development objectives remained constant, even during America's Cup. We continued to attempt to develop new business and grow our existing offerings. Of course, the challenge this year was to continue our long-term growth while also enacting the preparation and facilitation required for America's Cup.

Despite this challenge, we were able to attain an overall increase in business development, although the numbers were not as high as we had anticipated.

Leading up to America's Cup, our tenants were very excited and expected to see great increases

in business. Our analysis showed year-on-year sales increases of 27% for May 2017 and 21% for June 2017. This signifies a substantial increase. There was disappointment that Team Oracle did not win the Cup, which meant that the next America's Cup would not be held in Bermuda.

Despite this disappointment, our tenants continued to capitalise on the changes that had been made during the America's Cup. Our retailers met the standard that America's Cup set and this increased level of professionalism has continued throughout Dockyard.



Leasing & Tenancies

Although available spaces have become more limited, we were able to welcome three new tenants to WEDCO properties during the reporting period.

In July 2017, Locked on the Rock brought the popular escape room experience to Dockyard, offering two 60-minute games where players use clues to escape a locked room.

In January 2018, Savvy International took over management of Cross Island and Moresby House, which had been created and renovated for America's Cup. They plan to use Cross Island to host events, while Moresby House will be converted into a recording studio to be used by both international and local recording artists. The company also formed a charity branch, Savvy Foundation Bermuda, to provide opportunities for local youth in the areas of art, music, health and wellness and creative entrepreneurship.

Quality Secondhand Furniture opened its Malabar Road location's doors in March 2018. This business sells used furniture for homes, retail spaces and offices. The abundance

of parking made its new West End location preferable to its old location in Hamilton.

The conclusion of America's Cup also meant that some structures became vacant once the event was over. The Team Oracle USA sheds became event venues and were also used for storage. Our maintenance department, which has long required a suitable home, has finally found one in the old Team Japan shed. Savvy Entertainment, the same organisation that has taken Moresby House and Star of India, is leasing the former Land Rover BAR Shed as event space. The Regiment is using Dinghy House for its 'on water ops' section.

ACBDA and ACEA used the recently renovated Prince Alfred Terrace for the duration of America's Cup before being returned to WEDCO. We have been busy preparing vacation rental units within Prince Alfred Terrace, which will become available in the coming months.

FINANCIAL
REVIEW

06



2017-2018

The 2018 financial year saw significant expenditure for the Corporation as we upgraded the facilities and embarked on major capital expenditures, in particular, related to our role as hosts of the 35th America's Cup. Consequently, the Corporation's cash position was reduced by \$3m during the fiscal year. Post the 2017 America's Cup, the Corporation received donated assets from the ACBDA Ltd. and America's Cup teams valued at \$11,815,324. These assets consisted of buildings, docks, infrastructure and equipment and greatly contributed to the increase in fixed assets and revenues for the year.

The Corporation received \$415,000 in proceeds from insurance claims related to Hurricane Nicole by fiscal year-end. During the year, interest of \$1m was capitalised in reference to the facility loan related to the Land Reclamation.

Excluding the effect of the \$11m contributions revenue arising from the donated assets, revenues remained constant over prior year. Excluding the effect of the write-down of tangible capital assets from the prior year, and increase in financing costs, expenses remained constant over prior year.

In conclusion, as a result of the many building projects and upgrades to infrastructure completed during the year, the Corporation has found itself in a strong position to increase its revenue base. We successfully hosted the 35th America's Cup and remained operationally solvent. We look forward to an even more successful 2019 fiscal year as we aim to increase our revenues from new and upgraded properties, including the buildings in the South Basin.

07

FINANCIAL
STATEMENTS



March 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by management, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgments, where appropriate.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The West End Development Corporation's Board of Directors through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance and Audit Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Finance and Audit Committee also reviews the financial statements before recommending approval by the Board of Directors. The financial statements have been approved by the Board of Directors and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



MR. ANDREW DIAS
General Manager



MR. KENT BASCOME, CPA, CTA
Chief Financial Officer

July 31, 2019



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Works

I have audited the accompanying financial statements of the West End Development Corporation, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the West End Development Corporation as at March 31, 2018, and its results of operations, changes in net debt and cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Other matter

As permitted by Section 6 of the Audit Act 1990, I may include in my auditor's report any other comments arising out of the audit that I consider appropriate. Without qualifying my opinion, I wish to draw attention to significant deficiencies in the financial closing process that resulted in material audit adjustments. Although these audit adjustments did not lead me to qualify my audit opinion for the current year, it revealed material deficiencies in the internal control environment. It is important that the Corporation maintain a system of internal controls to provide assurance that reliable financial information is produced.



Hamilton, Bermuda
July 31, 2019

HEATHER THOMAS, CPA, CFE, CGMA
Auditor General

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

ANNUAL REPORT 2018

	2018	2017
	\$	\$
	Restated (Note 21)	
FINANCIAL ASSETS		
Cash and cash equivalents	4,017,929	7,016,797
Accounts receivable (note 3)	934,451	977,910
Due from the Government of Bermuda (notes 4 and 14)	1,060,021	776,124
Mortgages and loans receivable	13,945	51,164
	6,026,346	8,821,995
LIABILITIES		
Accounts payable and accrued liabilities (notes 7 and 14)	1,784,861	1,272,572
Deferred revenue (note 8)	1,006,412	183,511
Employee future benefits and compensated absences (note 15)	84,330	65,645
Due to the Government of Bermuda (notes 11 and 14)	4,100,662	3,549,902
Due to the Government of Canada (note 10)	2,896,592	3,146,592
Long-term debt (note 12)	61,228,490	61,582,471
Obligations under capital lease (note 9)	715,166	50,493
	71,816,513	69,851,186
Net debt	(65,790,167)	(61,029,191)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	133,222,403	117,944,211
Prepaid expenses	48,025	-
	133,270,428	117,944,211
Accumulated surplus	67,480,261	56,915,020

Contractual obligations and Contractual rights (notes 19 and 20)

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31, 2018

	BUDGET 2018	ACTUAL 2018	ACTUAL 2017
	\$	\$	\$
	(Note 18)		Restated (Note 21)
REVENUES			
Contributions Revenue (note 13)	-	11,815,324	-
Proceeds from insurance claims (note 16(a))	-	415,000	506,618
Rental (note 14)	7,006,154	6,235,955	6,130,202
Dock (note 14)	2,383,556	2,459,363	2,077,251
Amortization of deferred capital contributions	-	-	514,167
Government contributions (notes 12 and 14)	2,986,000	4,266,000	5,572,402
Service and expense recoveries	741,523	918,507	899,552
Water (note 14)	774,270	712,712	680,744
Other	100,100	215,299	155,890
Investment (expense) income	600	(6,752)	10,889
	13,992,203	27,031,408	16,547,715
EXPENSES (NOTE 16)			
Facilities	10,133,134	9,133,219	10,306,945
Administration	5,582,960	6,462,785	4,843,273
Business development	1,026,187	870,163	1,042,707
	16,742,281	16,466,167	16,192,925
Annual surplus	(2,750,078)	10,565,241	354,790
Accumulated surplus, beginning of year		56,915,020	56,560,230
Accumulated surplus, end of year		67,480,261	56,915,020

The accompanying notes are an integral part of these financial statements

FINANCIAL STATEMENTS

STATEMENT OF CHANGE IN NET DEBT

For the year ended March 31, 2018

ANNUAL REPORT 2018

	BUDGET 2018	ACTUAL 2018	ACTUAL 2017
	\$	\$	\$
	(Note 18)		Restated (Note 21)
ANNUAL SURPLUS	(2,750,078)	10,565,241	354,790
Acquisition of tangible capital assets (note 6)	(3,289,326)	(18,362,174)	(23,048,992)
Disposal of tangible capital assets (note 6)	-	-	44,266,073
Amortization of tangible capital assets (note 6)	3,289,326	3,064,353	3,334,554
Write-down of tangible capital assets (note 6)	-	19,629	657,580
	(2,750,078)	(4,712,951)	25,564,005
Acquisition of prepaid expenses		(48,025)	-
Use of prepaid expenses	-	-	37,127
	-	(48,025)	37,127
Change in net debt	(2,750,078)	(4,760,976)	25,601,132
Net debt, beginning of year		(61,029,191)	(86,630,323)
Net debt, end of year		(65,790,167)	(61,029,191)

The accompanying notes are an integral part of these financial statements

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

For the year ended March 31, 2018

	2018	2017
	\$	\$
	Restated (Note 21)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	10,565,241	354,790
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	3,064,353	3,334,554
Write-down of tangible capital assets	19,629	657,580
Amortization of deferred capital contributions	-	(514,167)
Changes in non-cash working capital:		
Decrease in accounts receivable	43,459	158,889
(Decrease)/increase in due from the Government of Bermuda	(283,897)	1,557,342
Increase/(decrease) in accounts payable and accrued liabilities	512,289	(16,319)
Increase/(decrease) in deferred revenue	822,901	(1,000,000)
Increase in employee future benefits and compensated absences	18,685	9,474
Increase in due to the Government of Bermuda	550,760	2,708,013
(Increase)/decrease in prepaid expenses	(48,025)	37,127
Net cash generated through operating activities	15,265,395	7,287,283
CASH FLOWS FROM CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(18,362,174)	(23,048,992)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net receipt of mortgages and loans receivable	37,219	15,938
Net cash generated through investing activities	37,219	15,938
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligations under capital lease	664,673	(14,823)
Drawdown of long-term debt	1,011,802	13,430,241
Repayment of long-term debt	(1,365,783)	(1,100,000)
Proceeds from the Government of Bermuda	-	3,000,000
Repayment of amounts due to the Government of Canada	(250,000)	(250,000)
Net cash generated through financing activities	60,692	12,065,418
Net decrease in cash and cash equivalents	(2,998,868)	(3,680,353)
Cash and cash equivalents, beginning of year	7,016,797	10,697,150
Cash and cash equivalents, end of year	4,017,929	7,016,797
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest income received	13,231	10,899
Interest expense paid	3,888,195	2,515,950

The accompanying notes are an integral part of these financial statements

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

1. NATURE OF OPERATIONS

The West End Development Corporation (the "Corporation") is a statutory corporation established by the West End Development Corporation Act 1982 (the "Act"), and is the responsibility of the Ministry of Public Works (the 'Ministry'). The general function of the Corporation is to manage and develop all designated land in the western end of the island of Bermuda with a view to the progressive improvement of the social and economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. For financial reporting purposes, the Corporation is classified as an other government organization and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are as follows:

(A) REVENUE RECOGNITION

Rental income received under operating leases is recognized on an accrual basis.

Dock fees received from all vessels arriving in Dockyard, are recognized on an accrual basis.

Service and expense recoveries are recognized when received or receivable.

Income from water charges is recognized on an accrual basis.

Gains on disposal of tangible capital assets when applicable along with investment income, are recorded as revenues in the year in which they are earned.

The Government of Bermuda (the "Government") contributions are recorded as revenues on the statement of operations and accumulated surplus in the year to which it relates.

Contributed tangible capital assets are recorded into revenues at their fair value at the date of contribution. When fair value cannot be reasonably determined, the tangible capital assets are recorded at nominal value. Transfers of capital assets from related parties are recorded at the net book value (amortized cost).

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

2. Significant accounting policies (continued)
(a) Revenue recognition (continued)

Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations and accumulated surplus as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable, and are presented as non-financial assets in the statement of financial position.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

(B) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and current and call account balances with banks that can be withdrawn without prior notice or penalty and time deposits with an original maturity of 3 months or less from the date of acquisition.

(C) RECEIVABLES

Receivables relate to accounts receivable, due from the Government of Bermuda, tenant improvements recoverable and mortgages and loans receivable.

All receivables are recognized initially at the transaction price and subsequently measured at amortized cost, less provision for impairment. A provision for impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables.

Interest is accrued on mortgages and loans receivable to the extent that it is deemed collectible.

(D) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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March 31, 2018

2. Significant accounting policies (continued)
(d) Tangible capital assets (continued)

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	YEARS
Furniture, equipment and tools	3 - 10
Building improvements and renovations	10 - 25
Mechanical rehabilitation	10 - 25
Landscaping	5 - 40
Buildings	40
Infrastructure rehabilitation	40
Other structure (Reclaimed Land)	100

Assets under development represent the cost of direct materials and labour of capital projects not completed at year-end. No amortization is charged with respect to assets under development.

A half-year amortization is charged in the year the asset is brought into use.

(E) PREPAID EXPENSES

Prepaid expenses include advertising, insurance, licenses and software support and are charged to expense over the periods expected to benefit.

(F) PAYABLES

Accounts payable and accrued liabilities, and amounts due to the Government of Bermuda and Canada are recognized initially at the transaction price and subsequently measured at amortized cost.

(G) LONG-TERM DEBT

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized on a straight-line basis.

(H) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the statement of operations and accumulated surplus in the year in which they are incurred.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

2. Significant accounting policies (continued)

(I) EMPLOYEE FUTURE BENEFITS

i) Pension benefits - the employees of the Corporation belong to pension plans based on their affiliation with a particular collective bargaining agreement. These plans are both defined contribution and defined benefit plans and the contributions of the Corporation to these plans are recorded as an expense for the year.

ii) Retirement benefit allowance - the employees of the Corporation are entitled to payment of up to 12 weeks salary/wages based on their length of service. The Corporation's liability in this regard has been accrued.

(J) FUNDS AND RESERVES

Certain amounts, as approved by the Board of Directors (the "Board"), are set aside in accumulated surplus for future operating and capital purposes.

(K) EXPENSES

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(L) USE OF ESTIMATES

The preparation of financial statements in conformity with public sector accounting standards generally accepted in Bermuda and Canada requires 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 year. Items requiring the use of significant estimates include the useful life of tangible capital assets, employee future benefits, provision for doubtful accounts, and rates for amortization. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

(M) FINANCIAL INSTRUMENTS

The Corporation's financial assets consist of cash and cash equivalents, accounts receivable, tenant improvements recoverable, and mortgages and loans receivable. The Corporation's financial liabilities consist of accounts payable and accrued liabilities, employee future benefits and compensated absences, due to the Government of Bermuda, due to the Government of Canada, long-term debt and obligations under capital lease. These financial instruments are measured at cost or amortized cost.

It is management's opinion that the Corporation is not exposed to significant interest rate, foreign currency or credit risks arising from these financial instruments.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

2. Significant accounting policies (continued)

(N) STATEMENT OF REMEASUREMENT GAINS AND LOSSES

A statement of remeasurement gains and losses has not been presented as the Corporation does not have any significant financial assets or liabilities that would give rise to remeasurement gains or losses.

(O) CHANGES IN ACCOUNTING STANDARDS

On April 1, 2017, the following standards were adopted:

PS 2200 Related party disclosures - a new standard that defines a related party and establishes disclosures required for related party transactions.

PS 3420 Inter-entity transactions - a new standard that establishes how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

PS 3210 Assets - a new standard that provides guidance for applying the definition of assets set out in PS 1000, and establishes general disclosure standards for assets.

PS 3320 Contingent assets - a new standard that defines and establishes disclosure standards on contingent assets.

PS 3380 Contractual rights - a new standard that defines and establishes disclosure standards on contractual rights.

The adoption of these accounting standards had no significant impact on the financial statements.

3. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Tenants receivables	940,736	1,457,541
Other receivables	671,199	608,535
Less: Provision for doubtful accounts	(677,484)	(1,088,166)
	934,451	977,910

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

4. TENANT IMPROVEMENTS RECOVERABLE

Tenant improvements recoverable consist of amounts due from:

	2018	2017
	\$	\$
Department of Corrections (note a)	607,892	727,961
Bermy Berry	4,500	4,500
	612,392	732,461

(a) On September 13, 2010, the Corporation entered into a Memorandum of Understanding with the Department of Corrections (the 'Department') to develop, finance and construct offices for the department's relocation at the upper west section of the Clock Tower building. The financing amounted to \$1,335,416 and is to be amortized over a period of 10 years commencing February 1, 2012 at an interest rate of 6% per annum.

5. INVESTMENT IN A GOVERNMENT BUSINESS ENTERPRISE (GBE)

During the fiscal year ended March 31, 2010, the formation of a limited liability company known as South Basin Development Ltd. ("SBD") was finalized. SBD has the specific role of developing affordable housing, a Marina and land reclamation. For financial reporting purposes, SBD is classified as a government business enterprise.

Historically, the Corporation and Cross Island Development Ltd (CID) owned SBD on a ratio of 60% and 40%, respectively. Effective May 26, 2015, CID transferred its 40% shareholding in SBD to the Corporation for a consideration of US\$875,000. In relation to the share transfer, SBD declared a dividend of \$503,579 payable to the Corporation. This balance has been recognized within 'other receivables' on the statement of financial position as at March 31, 2017 and March 31, 2018 (note 3).

As at March 31, 2015 the carrying value of the investment was \$323,021. An impairment charge of \$323,021 was recognized in the year ended March 31, 2016 reducing the carrying value of the investment to \$nil. A further loss related to the settlement agreement of \$371,425 was recorded in the year ended March 31, 2016.

There was no operational activity in SBD during the year ended March 31, 2018. Consequently, there was no income or loss from investment in GBE to be recognized in the statement of operations and accumulated surplus. The only asset held by SBD as at March 31, 2017 and March 31, 2018 related to the cash held for settlement of the dividend payable to the Corporation.

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NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

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6. TANGIBLE CAPITAL ASSETS

2018	Land and buildings	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture, equipment and tools	Assets under development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Opening cost	56,915,965	22,419,288	21,342,721	6,027,158	3,575,843	3,549,102	47,114,626	160,944,703
Additions (Note 13)	9,777,201	1,885,069	448,066	123,796	-	21,873	6,106,169	18,362,174
Disposals	-	-	-	-	-	-	-	-
Write downs	-	-	-	-	(19,629)	-	-	(19,629)
Transfers	36,657,810	2,964,436	11,702,773	317,400	1,086,502	480,389	(53,209,310)	-
Closing cost	103,350,976	27,268,793	33,493,560	6,468,354	4,642,716	4,051,364	11,485	179,287,248
Opening accumulated amortization	12,586,919	9,535,232	11,961,766	2,846,244	3,207,178	2,863,153	-	43,000,492
Amortization	1,422,899	559,562	613,807	287,388	42,831	137,866	-	3,064,353
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Closing accumulated amortization	14,009,818	10,094,794	12,575,573	3,133,632	3,250,009	3,001,019	-	46,064,845
Net book value	89,341,158	17,173,999	20,917,987	3,334,722	1,392,707	1,050,345	11,485	133,222,403

2017	Land and buildings	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture, equipment and tools	Assets under development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Opening cost	104,108,010	21,729,974	20,480,050	6,024,336	3,972,920	3,482,236	26,109,212	185,906,738
Adjustment	6,287,601	(134,620)	(1,839)	2,822	(2,277)	(34)	9,838	6,161,491
Opening cost restated	110,395,611	21,595,354	20,478,211	6,027,158	3,970,643	3,482,202	26,119,050	192,068,229
Additions	-	-	-	-	-	-	23,048,992	23,048,992
Disposals	(53,514,938)	-	-	-	-	-	-	(53,514,938)
Write downs	-	-	(262,780)	-	(394,800)	-	-	(657,580)
Transfers	35,292	823,934	1,127,290	-	-	66,900	(2,053,416)	-
Closing cost	56,915,965	22,419,288	21,342,721	6,027,158	3,575,843	3,549,102	47,114,626	160,944,703
Opening accumulated amortization	19,987,259	9,322,657	11,184,736	2,393,794	3,350,164	2,568,846	-	48,807,456
Adjustment	155,398	(347,907)	165,093	165,063	(186,741)	156,441	-	107,347
Opening accumulated amortization restated	20,142,657	8,974,750	11,349,829	2,558,857	3,163,423	2,725,287	-	48,914,803
Amortization	1,693,127	560,482	611,937	287,387	43,755	137,866	-	3,334,554
Disposals	(9,248,865)	-	-	-	-	-	-	(9,248,865)
Closing accumulated amortization	12,586,919	9,535,232	11,961,766	2,846,244	3,207,178	2,863,153	-	43,000,492
Net book value	44,329,046	12,884,056	9,380,955	3,180,914	368,665	685,949	47,114,626	117,944,211

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

6. Tangible capital assets (continued)

On May 7, 2009, the Government conveyed ownership of the newly built cruise ship pier, Heritage Wharf, and the associated reclaimed land to the Corporation with an estimated value of \$58,000,000 for a nominal fee of \$1. Under the terms of the conveyance agreements, the Government has an irrevocable right to purchase the transferred assets for the same consideration. In July 2016, the Government divested the Corporation of this asset and as at March 31, 2017 was negotiating a lease and repair agreement with the Corporation. It is the intent of the Government through the Ministry for the lease agreement to maintain the status quo for fiscal years 2018 and 2019.

For 2017, the opening cost for tangible capital assets has been restated to reflect the correct accounting treatment pertaining to insurance proceeds received from hurricanes Gonzalo and Fay wherein certain assets were inadvertently written down in value.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	\$	\$
Accounts payable and accrued liabilities	1,420,330	979,368
Rental deposits	251,602	232,776
Tenant payables	112,929	60,428
	1,784,861	1,272,572

8. DEFERRED REVENUE

	2018	2017
	\$	\$
Deferred government grant (note 12(b))	1,000,000	100,000
Other	5,537	5,537
Advance rental payments	875	775
Insurance settlement	-	77,199
	1,006,412	183,511

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9. OBLIGATIONS UNDER CAPITAL LEASE

(a) Effective February 1, 2010, the Corporation entered into a capital lease with Air Care to provide upgrades to existing equipment and to replace any and all equipment as necessary at a cost of \$175,084 at a fixed rate of 9.5% per annum. Based on the agreed amortization period of ten years, monthly installment amounts of principal and interest were \$1,700. The Corporation made a 25% down payment of \$43,771 under the terms of the lease.

As at March 31, 2018, future repayments scheduled over the remaining term of the lease are as follows:

	CAPITAL LEASE OBLIGATIONS	INTEREST	TOTAL LEASE PAYMENTS
YEAR	\$	\$	\$
Ending March 31, 2019	17,915	2,485	20,400
Ending March 31, 2020	16,282	718	17,000
	34,197	3,203	37,400

The leased tangible capital asset was recorded at a cost of \$175,084 in 2010 and amortized over 10 years. The accumulated amortization as of March 31, 2018 was \$56,045.

(b) Effective January 1, 2017, the Corporation entered into a capital lease with Air Care to provide upgrades to the Dockyard lighting infrastructure and to replace any and all lighting fixtures at a cost of \$1,292,583 inclusive of financing costs of \$294,431 at a fixed rate of 7% per annum. Based on the agreed amortization period of 10 years, monthly installment amounts of principal and interest were \$8,692.04. There was an additional monthly maintenance charge of \$770 making the total monthly payment \$9,462.04. The Corporation made a 25% down payment of \$249,538 under the terms of the lease.

As at March 31, 2018, future repayments scheduled over the remaining term of the lease are as follows:

	CAPITAL LEASE OBLIGATIONS	INTEREST	TOTAL LEASE PAYMENTS
YEAR	\$	\$	\$
Ending March 31, 2019	58,486	45,819	104,305
Ending March 31, 2020	62,714	41,591	104,305
Ending March 31, 2021	67,247	37,057	104,304
2022 - 2026	492,522	107,178	599,700
	680,969	231,645	912,614

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

9. Obligations under capital lease (continued)

The leased tangible capital asset was recorded at a cost of \$998,152 as an addition in the year ended March 31, 2018. Amortization will commence in fiscal year 2019 in accordance with the accounting policy for tangible capital assets.

10. DUE TO THE GOVERNMENT OF CANADA

Effective December 31, 1993, the Department of National Defense, Canada, withdrew its personnel from Bermuda. A Deed of Surrender was signed on November 6, 1995, whereby the Government of Canada surrendered 54 Boaz Island Village units to the Corporation. The deed required the Corporation to pay the sum of \$5,000,000, interest free, within a term of ten years from the date of the deed.

On May 26, 2011, the Government of Canada declined a request for forgiveness of the loan and requested for payment. This decision and the existing deed have been superseded by an agreement dated April 30, 2012 with an effective date of October 2011. In this agreement, the Government of Canada and the Corporation agreed to a payment schedule of \$250,000 per annum over 20 years, with \$353,483 to be discharged as redundancy payment payable on behalf of the Government of Canada to the Government of Bermuda. This balance remains owing to the Government of Bermuda as at March 31, 2018 (note 11).

11. DUE TO THE GOVERNMENT OF BERMUDA

As at March 31, 2017 and March 31, 2018, \$353,483 remained payable to the Government of Bermuda in relation to the redundancy payment (note 10).

On August 30, 2016, Cabinet considered and subsequently approved a promissory note of three million dollars (\$3,000,000) being provided to the Corporation by the Ministry for the redevelopment of Moresby House, 26 Pender Road, Sandys.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

12. LONG-TERM DEBT

Long-term debt consists of:

	2018	2017
	\$	\$
Loan for the Victoria Place Project (note a)	22,494,273	23,594,273
Loan for the South Basin Land Reclamation Project (note b)	38,734,217	38,199,309
	61,228,490	61,793,582
Capitalised loan arrangement fees	-	(211,111)
	61,228,490	61,582,471

(a) In April 2012, the Corporation secured a loan drawdown facility for \$36,000,000 through Butterfield Bank (the "Bank"), guaranteed by the Government of Bermuda, to fund the development of the new Victoria Place housing units at the Victoria Place in Dockyard. In January 2013, the project scope was reduced significantly resulting in a revised loan drawdown facility of \$24,694,273.

The term of the loan commenced on May 1, 2014 and ends on October 31, 2023 (the "term"). During the first 18 months of the term, interest will be charged at a rate of 1.50% per annum above the Bank's United States Dollar Base Rate as varied by the Bank from time to time and commencing October 31, 2015, a rate of 1.25% per annum above the Bank's United States Dollar Base Rate as varied by the Bank from time to time. Throughout the Term Loan period, interest is payable monthly in arrears on the last day of each month.

Effective October 2015, the Corporation shall make annual principal payments of not less than US\$1,100,000, payable no later than the last day of each relevant 12-month period. The loan together with all accrued interest and other sums payable by the Corporation to the Bank, shall be repaid at the end of the term. Interest expense incurred during the year ended March 31, 2018 was \$1,411,586 (2017 - \$1,336,602).

(b) In June 2015, the Corporation obtained a credit facility for a maximum principal amount of US\$39 million, inclusive of project costs to a maximum amount of US\$36.7 million and capitalized interest to a maximum amount of US\$2.3 million (collectively the "Project Loan") through Butterfield Bank (the "Bank"), guaranteed by the Government of Bermuda, to fund the development of a 9 acre land reclamation, being the site for the 35th America's Cup Sailing Competition which was awarded to Bermuda on December 2, 2014.

The loan term is for a period of six years from the date of initial drawdown. Interest rate is set at 1.5% per annum above the Bank's United States dollar base rate as varied by the Bank from time to time. As security for the Project Loan, the Government of Bermuda, acting through and represented by The Minister of Finance (the Guarantor) provided an unconditional guarantee and indemnity in the amount of US\$39 million. Based

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NOTES TO THE FINANCIAL STATEMENTS

March 31, 2018

12. Long-term debt (continued)

on the Guarantee and Indemnity letter dated June 18, 2015 that was entered into between the Guarantor and the Bank, the Guarantor warrants that the execution of the Guarantee is in compliance, among others, with the West End Development Corporation Act 1982 and section 2AA of the Government Loans Act 1978.

Interest will be capitalized monthly and added to the Project Loan principal balance for 12 months following the initial drawdown. Thereafter for the following 16 months interest only cash payments will be payable monthly in arrears. Thereafter for the following 6 months, interest will be capitalized monthly and added to the Project Loan principal balance. Thereafter for the following 38 months principal repayments of US\$325,000 per month plus interest will be payable monthly in arrears based on a 10-year amortization period. The Project Loan, together with all accrued interest, is payable in full by June 30, 2021. Interest of \$1,011,802 was capitalised during the year ended March 31, 2018 (2017 - \$1,197,171). Interest expense incurred during the year ended March 31, 2018 was \$2,426,899 (2017 - \$1,161,167).

On October 22, 2015, the Ministry confirmed that they will not allow the Corporation to default on the repayment of principal and interest (payment default) in relation to the above mentioned Credit Facility, provided that the Corporation deliver written notice to the Ministry of any foreseeable payment default, and also provide the Ministry with its current financial position in a form acceptable by the Ministry.

In order to avoid any payment default in relation to the above-mentioned credit facility, the Ministry of Finance through the Ministry provides grant funding to cover any shortfall in debt service payments.

On February 4, 2019, the Corporation repaid its existing loans and entered into a new facility with Butterfield Bank (note 23 iv).

13. CONTRIBUTIONS REVENUE

Contributions revenue of \$11,815,324 represents donated assets received by the Corporation from the ACBDA Ltd. and America's Cup teams post 2017 America's Cup. These assets are valued at fair market value and consist of buildings, docks, infrastructure and equipment.

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March 31, 2018

14. RELATED PARTY TRANSACTIONS

The Corporation is related to all Government departments, ministries, funds and quasi-autonomous non-governmental organizations under the common control of the Government. Also, the Corporation is related to organizations that the Government jointly controls or significantly influences. The Corporation enters into transactions with these entities in the normal course of business which are measured at the exchange amount, which is established and agreed to by the related parties. Related party transactions entered into by the Corporation during the year are as follows:

	2018	2017
	\$	\$
GOVERNMENTAL TRANSACTIONS		
TRANSACTIONS DURING THE YEAR		
Rental revenue	1,142,569	1,028,364
Government contributions	4,266,000	5,572,402
Government contributions (non-cash)	11,815,324	-
Dock revenue	271,277	255,329
Water and other revenues	267,560	299,762
Water and insurance expense	603,017	423,599
Employee future benefits expense	294,286	295,961
Tenant improvements recoverable	177,910	145,866
BALANCES AT THE END OF THE YEAR		
Accounts receivable	26,362	43,663
Due from the Government of Bermuda (note (a))	421,267	-
Tenant improvements recoverable (note 4)	612,392	732,461
Accounts payable and accrued liabilities	700,172	196,419
Due to the Government of Bermuda	3,400,490	3,353,483

(a) The Corporation assisted the Ministry with moving the Artemis building from Morgan's Point and erecting it at Prospect. All costs associated would be reimbursed to the Corporation by the Ministry. The Corporation agreed that any project management service provided by the Corporation's staff will not be billed to the Ministry.

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March 31, 2018

15. EMPLOYEE FUTURE BENEFITS AND COMPENSATED ABSENCES

(B) PENSION PLANS

i) Pension plan for Bermuda Industrial Union employees

Employees of the Corporation who are included in the Government collective bargaining agreement with the Bermuda Industrial Union are covered by the Public Service Superannuation Fund (the "Fund"), which is a defined benefit plan administered by the Government. Employee contributions to the Fund are 8% of gross wages and they are matched by the Corporation.

The Corporation is not required, under present legislation, to make contributions to the Fund with respect to quantified actuarial deficiencies. As a result, the current year contributions to the Fund represent the total liability of the Corporation. The Corporation's contributions to the Fund during the year totaled \$80,755 (2017 - \$80,550).

ii) Pension plan for administrative employees

Administrative employees of the Corporation are covered under a private defined contribution plan (the "Plan") through BF&M Life Insurance Co. Ltd. Employee contributions to the Plan are 5% of gross salary and they are matched by the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis. The Corporation's contributions to the Plan during the year amounted to \$75,255 (2017 - \$68,367).

(B) OTHER BENEFITS AND COMPENSATED ABSENCES

Other employee benefits and compensated absences include maternity leave, paternity leave, sick leave, vacation days and retirement leave. All of these benefits are unfunded.

Maternity and paternity leave do not accumulate or vest and therefore an expense and liability is only recognized when applied for and approved. There were no maternity or paternity benefits applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Sick leave does not accumulate or vest, and like maternity or paternity leave, a liability is only recognized when applied for and approved. There was no extended sick leave applied for or approved during the year and therefore, no liability has been accrued in the accounts.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as of March 31, 2018 is \$107,352 (2017 - \$101,805) and is included in accounts payable and accrued liabilities.

Employees are entitled to retirement leave benefit based upon their years of service at the time of retirement. The retirement leave accumulates and vests and a liability is accrued each year. The liability as at March 31, 2017 is \$84,330 (2017 - \$65,645) and is included in employee future benefits and compensated absences on the statement of financial position.

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16. EXPENSE DETAILS

	BUDGET 2018	ACTUAL 2018	ACTUAL 2017
	\$	\$	\$
FACILITIES			
Amortization of tangible capital assets	3,289,326	3,064,353	3,334,554
Repairs and maintenance	2,621,183	2,278,204	2,484,398
Wages	1,255,159	1,275,990	1,297,802
Water	1,050,000	741,981	846,904
Electricity	459,000	570,310	479,619
Security services	526,500	404,293	373,860
Salaries	363,500	310,567	350,675
Dock operations and maintenance	294,500	309,763	273,893
Vehicle	60,710	81,658	65,543
Custodial services	93,750	55,389	46,508
Landscaping operations	119,506	40,711	98,609
Write-down of tangible capital assets (note a)	-	-	654,580
	10,133,134	9,133,219	10,306,945
ADMINISTRATION			
Financing costs	3,355,729	3,954,499	2,551,593
Salaries	799,426	865,133	738,805
Insurance	520,000	606,159	459,569
Employee future benefits	555,401	558,145	620,056
Office supplies	302,404	354,061	390,029
Bad debt expense	30,000	66,418	38,388
Travel and entertainment	20,000	58,370	30,451
Miscellaneous	-	-	14,382
	5,582,960	6,462,785	4,843,273

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March 31, 2018

16. Expense details (continued)

	BUDGET 2018	ACTUAL 2018	ACTUAL 2017
	\$	\$	\$
BUSINESS DEVELOPMENT			
Advertising, promotions and maintenance	500,190	412,714	413,343
Salaries	280,497	279,146	263,725
Legal and professional fees	234,000	151,601	340,985
Water	11,500	26,702	24,654
	1,026,187	870,163	1,042,707

(A) HURRICANE NICOLE

In October 2016, Hurricane Nicole made landfall in Bermuda and damaged certain properties of the Corporation. As a result, the Corporation recognized a write-down of tangible capital assets of \$654,580 for the year ended March 31, 2017.

Proceeds from insurance claims totaling \$506,618 were recognized within revenue for the year ended March 31, 2017. An additional claim of \$415,000 relating to Hurricane Nicole was approved and paid by the insurer during the year ended March 31, 2018. Based on correspondence with the insurer, receipt of these funds was not deemed probable and consequently no receivable was recognized as at March 31, 2017 in relation to this balance.

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17. FINANCIAL RISK MANAGEMENT

The Corporation has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has established the Finance and Audit Committee which is responsible for developing and monitoring the Corporation's compliance with risk management policies and procedures. The Finance and Audit Committee regularly reports to the Board on its activities. The Corporation's risk management program seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation manages its risks and risk exposures through a combination of insurance and sound business practices.

(A) CREDIT RISK

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Corporation assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current account balances and short-term deposits with banks. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

ii) Accounts receivable

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The Corporation's credit risk arises from the possibility that a counterparty which owes the Corporation money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Corporation, which would result in a financial loss for the Corporation. This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, obtaining references and taking security deposits. In the year ended March 31, 2018, the maximum credit risk to which the Corporation is exposed represents the fair value of its accounts receivable.

The amounts outstanding at year-end were as follows:

	TOTAL	CURRENT	1 TO 2 MONTHS	3 MONTHS	4 MONTHS AND OVER
			\$	\$	\$
Accounts receivable (gross)	1,611,935	104,544	74,037	22,346	1,411,008
Less: Allowance for doubtful accounts	(677,484)	-	-	-	(677,484)
Net receivables	934,451	104,544	74,037	22,346	733,524

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March 31, 2018

17. Financial risk management (continued)

(B) LIQUIDITY RISK

Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on debtor collection, generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

The table below summarizes the maturity profile of the Corporation's financial liabilities based on contractual undiscounted payments.

	WITHIN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	TOTAL
			\$	\$
AS AT MARCH 31, 2018				
Accounts payable and accrued liabilities	1,784,861	-	-	1,784,861
Employee future benefits	84,330	-	-	84,330
Due to the Government of Bermuda	921,429	492,000	2,687,233	4,100,662
Due to the Government of Canada	250,000	1,000,000	1,646,592	2,896,592
Long-term debt	5,000,000	56,228,490	-	61,228,490
Obligations under capital lease	76,401	392,504	246,261	715,166
Total financial liabilities (contractual maturity dates)	8,117,021	58,112,994	4,580,086	70,810,101
AS AT MARCH 31, 2017				
Accounts payable and accrued liabilities	1,272,572	-	-	1,272,572
Employee future benefits	65,645	-	-	65,645
Due to the Government of Bermuda	196,419	-	3,353,483	3,549,902
Due to the Government of Canada	250,000	1,000,000	1,896,592	3,146,592
Long-term debt	5,000,000	56,582,471	-	61,582,471
Obligations under capital lease	16,296	34,197	-	50,493
Total financial liabilities (contractual maturity dates)	6,800,932	57,616,668	5,250,075	69,667,675

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17. Financial risk management (continued)

(C) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Corporation's results of operations. The Corporation has minimal exposure to market risk.

i) Foreign exchange risk

The Corporation's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

ii) Interest rate risk

The Corporation is exposed to changes in interest rates, which may impact interest revenue on short-term deposits and interest expense on long-term debt.

A movement of 1% in interest rates would change the level of interest paid in the year by +/- \$612,285 (2017 - \$615,768).

18. BUDGET

These amounts represent the operating budget approved by the Board on November 30, 2016.

19. CONTRACTUAL OBLIGATIONS

The Corporation's contractual obligations consist of contracts relating to operation and maintenance of the West End water reclamation facility and the desalination plant at Dockyard.

The future aggregate minimum annual lease payments required under non-cancellable operating leases through to their expiry are as follows:

	2018	2017
	\$	\$
Not later than 1 year	366,667	430,609
Later than 1 year and not later than 5 years	-	346,667
	366,667	777,276

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20. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Corporation's contractual rights arise because of contracts entered into for commercial and residential leases (inclusive of tenant advertising, common area maintenance, external service charges), and berthing revenue. Amounts disclosed exclude percentage rent and commercial advertising revenue because they are variable and dependent on the contracted party's revenue per agreements. The following table summarizes the contractual rights of the Corporation for future assets:

	2018	2017
	\$	\$
Not later than 1 year	9,005,765	7,414,418
Later than 1 year and not later than 5 years	9,275,536	18,281,301
	18,281,301	25,695,719

21. PRIOR PERIOD ADJUSTMENTS

Due to amendments within fixed assets, deferred revenue, long-term debt and the accounting for proceeds from insurance claims relating to Hurricanes Gonzalo and Fay certain accounts were misstated as at March 31, 2017. As a result, the 2017 balances have been restated to correct these errors as shown below:

ACCOUNTS RECEIVABLE

As previously stated (March 31, 2017)	961,145
As restated	977,910

ACCOUNTS PAYABLE

As previously stated (March 31, 2017)	1,408,563
As restated	1,272,572

DEFERRED REVENUE

As previously stated (March 31, 2017)	1,183,511
As restated	183,511

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21. Prior period adjustments (continued)

LONG-TERM DEBT

As previously stated (March 31, 2017)	61,364,996
As restated	61,582,471

TANGIBLE CAPITAL ASSETS

As previously stated (March 31, 2017)	111,294,888
As restated	117,944,211

ANNUAL (DEFICIT) SURPLUS

As previously stated (March 31, 2017)	(1,022,916)
As restated	354,790

BEGINNING ACCUMULATED SURPLUS

As previously stated (March 31, 2017)	50,506,088
As restated	56,560,230

NET DEBT, END OF YEAR

As previously stated (March 31, 2017)	(61,811,716)
As restated	(61,029,191)

ACCUMULATED SURPLUS

As previously stated (March 31, 2017)	49,483,172
As restated	56,915,020

AMORTIZATION OF DEFERRED CAPITAL CONTRIBUTION

As previously stated (March 31, 2017)	499,785
As restated	514,167

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March 31, 2018

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified or restated to conform to the current year's presentation.

23. SUBSEQUENT EVENTS

i) Solar Project

On April 9, 2018 the Corporation issued a Request for Proposal ("RFP") for a Rooftop and Ground Mount PV Solar System Installation in the Royal Naval Dockyard, in an effort to lower the Corporation's reliance on BELCO and continue to be more "green". A successful bidder was chosen. The project is estimated to cost \$1.636 million and have a completion date of March 31, 2019. Due to inclement weather the project was not completed at the report date and remains a work-in-progress to date. A loan facility for the project was secured through Clarien Bank. The costs to date are \$1.550 million.

ii) King's Wharf

In October 2018, the Corporation entered into a MOU with the Government of Bermuda to rehabilitate the King's Wharf in Dockyard. The construction work commenced November 15, 2018 and was completed during April 2019. The actual cost of repairs was \$15,000,000. Whilst the wharf repairs were completed on schedule the construction of the terminal building remains a work-in-progress as of the report date. A Government-backed loan facility to fund construction was secured through Butterfield Bank for the full cost of repairs, with a guarantee from the Ministry of Finance.

The loan is repayable in equal monthly principal payments of US\$75,000, amortised over a notional sixteen (16) year period commencing on the date of initial drawdown plus accrued interest, payable monthly in arrears. The first monthly payment was due on April 1, 2019. The loan is for a period of 7 years from the date of initial drawdown. For the first five (5) years of the term, being the period from February 28, 2019 to and including February 28, 2024, a fixed annual interest rate of 4.75%; and for the final two years of the term, being from March 1, 2024 up to and including the maturity date (February 28, 2026), an annual interest rate equal to the Bank's United States Dollar Base Rate (being 6% at the date of the Facility Letter) as varied by the Bank from time to time.

The project loan, together with all accrued interest and other amounts payable to the Bank is repayable in full on the last day of the term, being February 28, 2026, the maturity date, by way of a bullet repayment of the total principal and interest outstanding at the maturity date.

iii) Accounts Receivable

The Board approved the write off of \$472,296 of the Corporation's accounts related to commercial and residential receivables.

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March 31, 2018

23. Subsequent events (continued)

iv) Debt Consolidation

On February 4, 2019 the Corporation repaid its existing loans and entered into a new facility with Butterfield Bank in the amount of \$56,850,000 in order to consolidate its long-term debt under a term loan agreement.

The term loan is repayable in equal monthly principal payments of US\$300,000, amortised over a notional sixteen (16) year period commencing on the date of initial drawdown plus accrued interest, payable monthly in arrears. The first monthly term loan payment was due on April 1, 2019. The loan is for a period of 7 years from the date of initial drawdown. For the first five (5) years of the term, being the period from February 28, 2019 to and including February 28, 2024, a fixed annual interest rate of 4.75%; and for the final two years of the term, being from March 1, 2024 up to and including the maturity date (February 28, 2026), an annual interest rate equal to the Bank's United States Dollar Base Rate (being 6% at the date of the Facility Letter) as varied by the Bank from time to time.

The project loan, together with all accrued interest and other amounts payable to the Bank is repayable in full on the last day of the term, being February 28, 2026, the maturity date, by way of a bullet repayment of the total principal and interest outstanding at the maturity date.

24. NEW AND AMENDED STANDARDS NOT YET EFFECTIVE

The Public Sector Accounting Board has issued a number of new public sector accounting standards and amendments to standards that are not yet effective for the year ended March 31, 2018. In particular, the new and amended standards, which became effective for annual periods beginning on or after April 1, 2018 are:

PS 3430 Restructuring transactions - a new standard that establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. This standard becomes effective for fiscal years beginning on or after April 1, 2018.

New standards effective for fiscal years beginning on or after April 1, 2021 include:

PS 3450 Financial Instruments - a new standard providing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.

PS 2601 Foreign Currency Translation - replaces PS 2600 and has revised standards on accounting for and reporting transactions denominated in a foreign currency.

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24. New and amended standards not yet effective (continued)

PS 3041 Portfolio investments - when Sections PS 2601 and PS 3450 are adopted.

PS 3280 Asset Retirement Obligations - a new accounting standard that addresses the reporting of legal obligations associated with the retirement of tangible capital assets.

New standards effective for fiscal years beginning on or after April 1, 2022:

PS 3400 Revenue - a new accounting standard that will address recognition, measurement and presentation of revenues that are common in the public sector.

The Corporation does not intend to adopt these new standards prior to the effective dates. The impact that these standards will have on the financial statements is not deemed significant.

BOARD OF DIRECTORS

Chairperson:

Mr. Charlton Dill

Deputy Chairperson:

Mr. Dennis Lister III, JP, MP

Directors:

Ms. Elena Strong

Mr. Kyle James

Mr. Darwin Symonds

Ms. Sandra Ferguson

Mr. Edgar Dill

EX-OFFICIO

Permanent Secretary, Works &
Engineering

Director of Planning

Financial Secretary

FINANCE AND AUDIT COMMITTEE

Mr. Dennis Lister III, JP, MP

- Chairperson

Ms. Sandra Ferguson

Mr. Edgar Dill

Mr. Andrew Dias

Mr. Kent Bascome, CPA, CTA

WEDCO EXECUTIVE

General Manager:

Andrew Dias

Financial Controller:

Kent Bascome

Facilities Manager:

Carmen Beach

Business Development Manager:

Joanna Cranfield

BANKERS

Bank of N. T. Butterfield & Son, Ltd.

Clarien Bank

WRITING

COSMIC LTD.

DESIGN

COSMIC LTD.



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AIRBUS

Parker

SPERRY



PANERAI



ORACLE TEAM USA



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