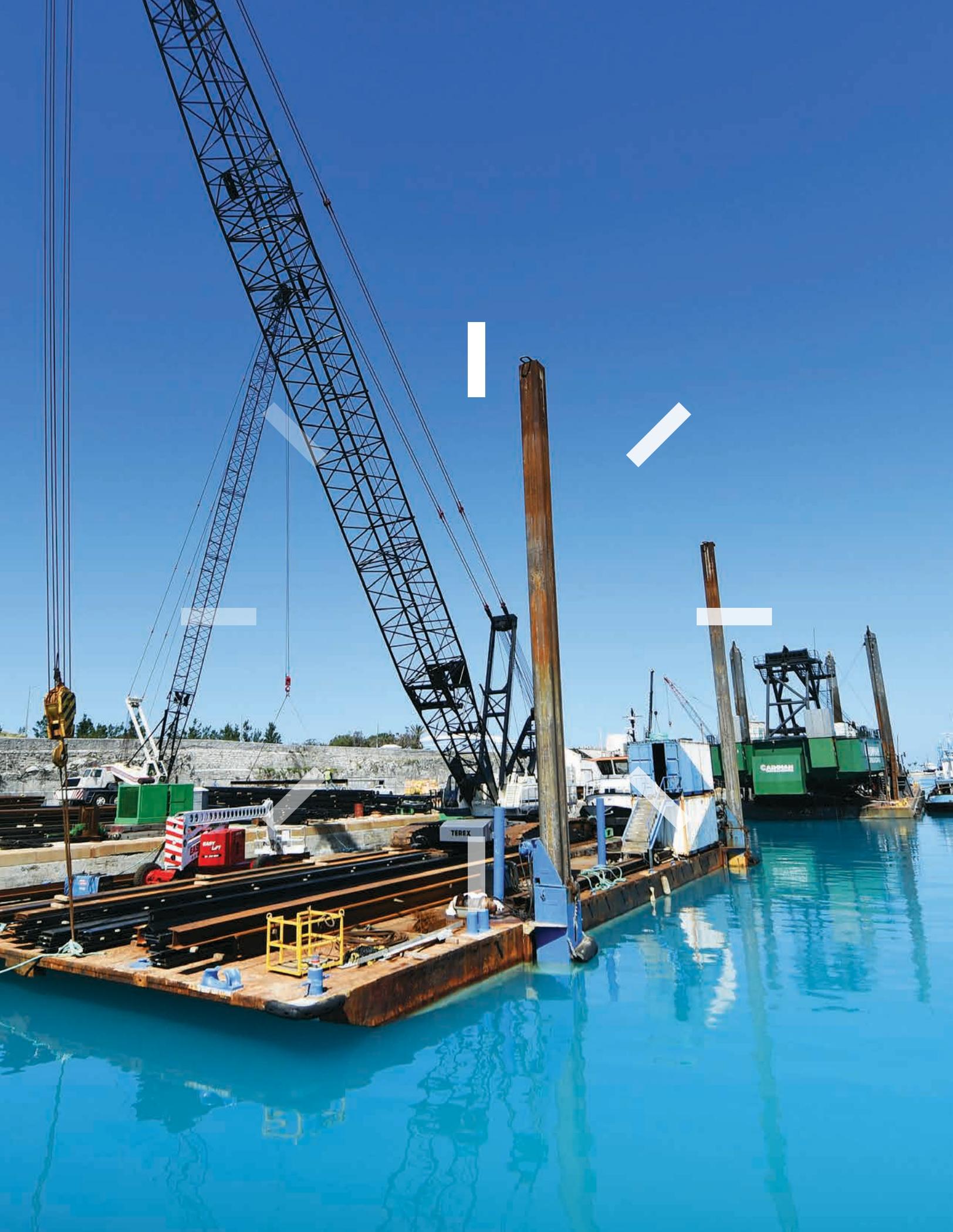


2017

Annual Report

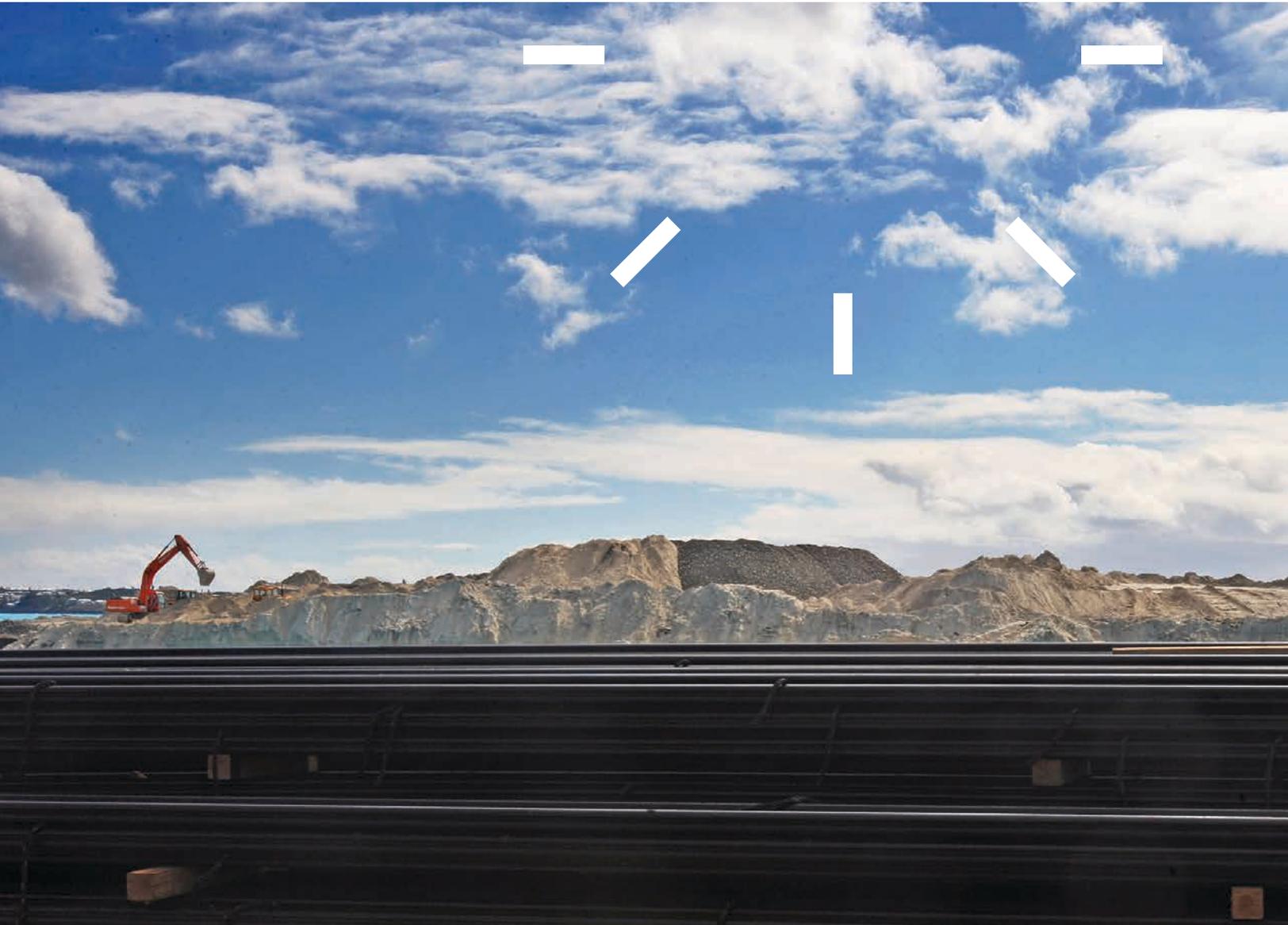


THE WEST END
BERMUDA



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- 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 community and economic well-being.



Mission

Chairman's Message

STABILITY

GROWTH



MOMENTUM

FOCUS

PROGRESS

CHAIRMAN'S MESSAGE

Starting this year, West End Development Corporation ('WEDCO') had a strict mandate to facilitate the needs of the America's Cup without losing focus or momentum on the progress made in recent years with our core business, relationships and assets.

The Board's objectives for the Management Team were set accordingly, with a primary focus on financial stability and growth through an unpredictable year. WEDCO was required to achieve a satisfactory 2015 Audit and increase commercial revenue by 5% following the extensive hurricane restoration from the year before. I congratulate the team on achieving these objectives.

Again prioritizing internal performance, the Board required continued development of WEDCO's working culture. All employees should be commended for their honest contributions which have led to the successful embedding of the new appraisal system.

As a Board we take responsibility for how WEDCO serves both the West End and Royal Naval Dockyard as well as Bermuda's wider community and economy. The forging of, and continued

investment in, positive relationships across our island and key community groups is essential to mutual success and sustained growth. To that end, positive steps were made with a new independent collective bargaining agreement with the Bermuda Industrial Union and the renewal of WEDCO's agreement with the Bermuda Public Services Union.

Looking ahead, the America's Cup is in sharp focus. While WEDCO's work has been behind the scenes, the advisory and infrastructural support provided will prove invaluable to both the success of the event and the long-term positioning of Bermuda as an attractive destination.

I wish to commend the Management Team and all employees on delivering so much without increasing the size of the team - a remarkable achievement.

The next few months will be the culmination of over two years' work, but the long-term value rests on foundations which have been in progress for decades.



RAY CHARLTON | CHAIRMAN



Dockyard is a very important part of Bermuda's tourism product and it is imperative that we at WEDCO do not stand still. We have to continually invest in and reinvent ourselves to remain ahead of the competition.

ANDREW DIAS | GENERAL MANAGER

General Manager's Report

OUR STORY: THE HOME STRETCH

If we were in 5th gear in 2015, we discovered we had a 6th and 7th in 2016. The objectives set were challenging, both from the Board in staying focused on our core business as well as from the ACBDA in preparing for a globally significant deadline. We have had to be agile, hard working and efficient to deliver in the context of such pressure, political challenges and tight timescales.

Entering the year we were already working at pace, needing to complete ongoing restoration works as well as some lighter damage from Storm Karl and Hurricane Nicole.

More than \$10 million has been invested in renovating historic buildings to create new office space and upgraded facilities which will serve both the America's Cup and WEDCO.

We continued to strengthen our working culture with the embedding of our new appraisal system. So far, the response has been resoundingly positive. We have improved team communication, minimised working silos and created a shared sense of purpose throughout the team. There

is always room for improvement, and success can be hard to measure, but the evidence of how much has been delivered this year, without taking on any additional members of staff, speaks for itself. From a Management perspective, we have improved how we show our appreciation for our team and communicate with individuals to understand how they are doing and when extra support is necessary.

In all that WEDCO has delivered, we have challenged ourselves to plan and execute projects in 'a better way,' focusing on sustainability and quality over speed and minimum cost.

Whilst progress can feel slow, we firmly believe our approach is the best way to maximise long-term value to our community and minimise our impact on the environment. On behalf of the Management Team, I thank the Board for their continued support of this approach.

With that in mind, I'd like to say thank you to the Board, the Management Team and the many more individuals who have achieved so much this year. What we have delivered has

From our many tenants to our groundsmen, electricians, plumbers, office workers, events team and everyone in between, your extraordinary commitment has made WEDCO and Bermuda proud.



not just been reliant on financial investment; it has depended on the way in which we work together with each other, our tenants and the wider community. From our many tenants to our groundsmen, electricians, plumbers, office workers, events team and everyone in between, your extraordinary commitment has made WEDCO and Bermuda proud.

Finally, with the America's Cup around the corner, I want to celebrate the long-term value of the infrastructure we have designed and delivered for the event. It is already helping to make the Royal Naval Dockyard an even

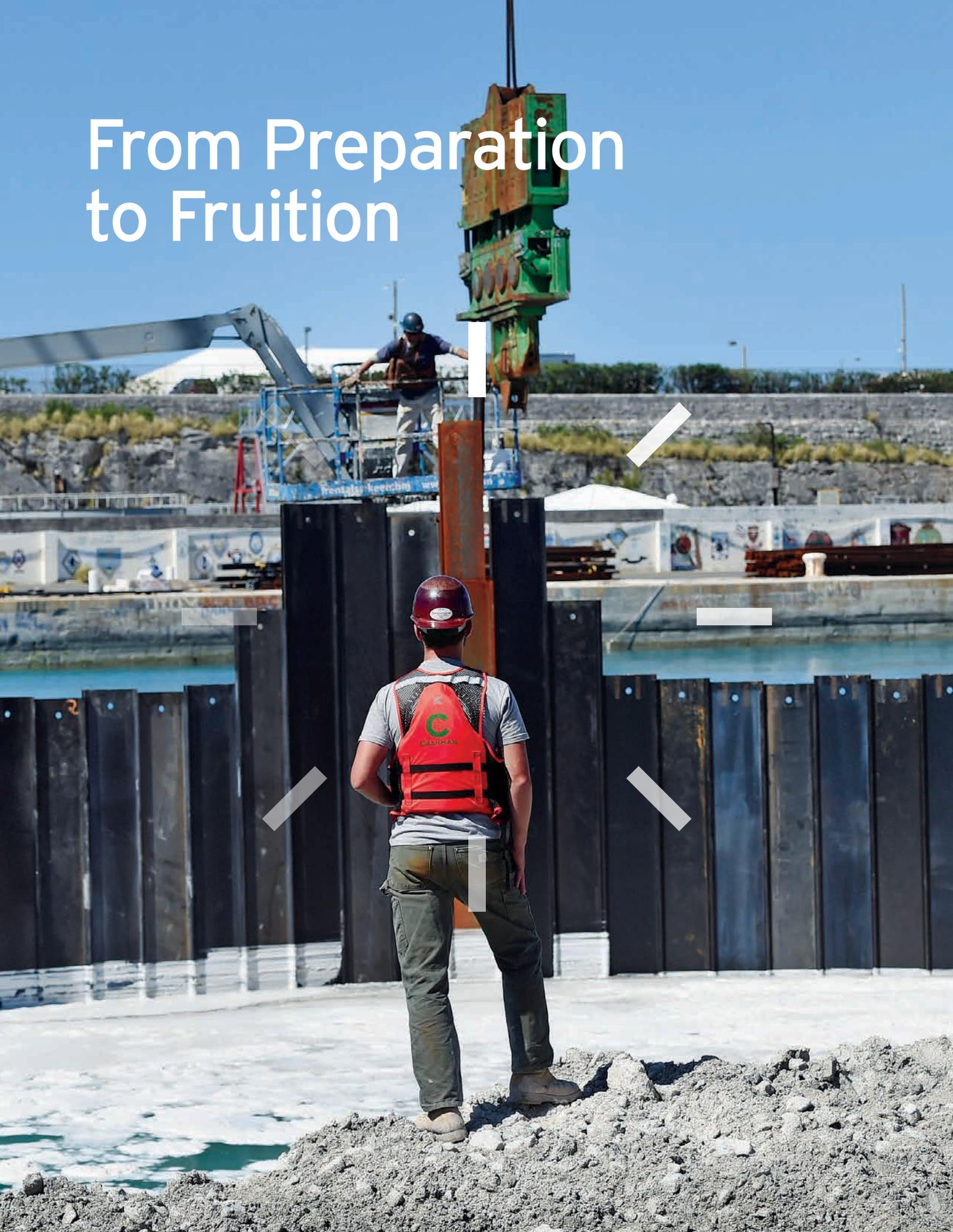
more vibrant destination to visit and will, I have no doubt, create countless opportunities for further innovation and events in the future.

With the world's eyes on the West End, we have everything to gain. Here's to a spectacular start to the year ahead and continued progress in the months which follow.

ANDREW DIAS | GENERAL MANAGER



From Preparation to Fruition



Year in Review

OUR JOURNEY | 2016-2017

THE AULD MUG IS COMING...

This year was the second year of our preparations for the 35th America's Cup, working closely with the ACBDA to move from planning to physical action.

WEDCO's specific responsibilities have included:

Potable & Flushing Water

WEDCO has provided all of the potable and flushing water for the America's Cup. This includes Cross Island as well as the team bases. In line with our commitment to do things as sustainably as we can, we decided to provide water stations instead of plastic bottles at the America's Cup Village. We look forward to feedback on how these are received by visitors.

Sewage

As the only government entity which treats sewage to a world standard level, we have taken a long-term approach to delivering a sustainable sewage solution for Cross Island and the America's Cup team bases. Our tertiary treatment plant is unique to Bermuda; all water treated ends up

as potable water which we re-use for flushing and irrigation. This typically costs us c.\$750k a year to maintain - a large cost that is reflective of WEDCO's commitment to doing the right thing for the environment when we can.

Transport

WEDCO has been involved as a stakeholder on the ACBDA's Transport committee to help design, lay-out and deliver a transport hub. Part of the challenge with this was not just considering the America's Cup but the c.10,000 passengers a day for whom the event will not be the reason they visit the Royal Naval Dockyard. We cannot compromise their experience. As a result, we decided to build the America's Cup transportation hub outside the Royal Naval Dockyard, then work with government stakeholders to ensure that there will be a shuttle between them to minimize blockages for non-America's Cup traffic. Working closely and openly with the ACBDA, establishing where there needed to be give and take on both sides, has been critical to success. Time will tell as to how this infrastructure will hold up but we have confidence in the plan.

OUR JOURNEY | 2016-2017

Retail

ACBDA wanted a retail outlet to sell their merchandised goods. As part of a reciprocal arrangement, WEDCO allowed them to use the existing enclosed gazebo to create a retail store. Near to the ferry stop, this has so far proved a prime location since its opening in February, with large footfall from the ferry and the store's branding helping to drive early engagement with the America's Cup. In return, ACBDA has built a permanent shade shelter structure adjacent to the store which will be a lasting legacy of our relationship with them and hugely beneficial to visitors long-term.

Land & Buildings

WEDCO has had the responsibility of handing over land and buildings to the ACBDA and various teams ahead of the event. This includes buildings such as the old Police Barracks (Dinghy House), which are now enjoying life as home to Artemis Racing, and the recently refurbished Sail Loft which is being used by the ACBDA. Whilst short-term, these tenancies demonstrate just two of several off-peak increases to revenue which have only been made possible by the extensive restoration work completed in the past 2 years.

Cross Island

WEDCO, as well as the Ministry of Public Works and other government stakeholders, sat on the committee to oversee the construction of Cross

Island and ensure an end product we will be able to utilise long-term. While WEDCO owns Cross Island, it has been the ACBDA's responsibility to manage and deliver the actual build. \$39m has been invested in reclaiming 9 acres of land at Cross Island and we are pleased to say that the final delivery is looking on time and on budget.

It's easy to forget that this enormous project was in the pipeline before the America's Cup was confirmed. Looking now at the completed Cross Island and nearly completed America's Cup Event Village, we feel positive that it will not just deliver an exceptional event in the short-term but provide many other opportunities in the future.

With that in mind and working with Deloitte, WEDCO set up the Cross Island Legacy Committee. We carried out extensive public consultation and encouraged people islandwide to come up with ideas for its future use. The response has been fantastic, with hundreds of project ideas submitted. Once the America's Cup is over, WEDCO will present the Board with a final list of recommendations and ideas to inform a decision. This is an extremely important piece of land and its end use will be of huge significance to the West End and Bermuda, potentially creating jobs and increasing our appeal as an international destination. We take our responsibility to define this use extremely seriously and will take our time to find the right solution with maximum benefit for all.





OUR JOURNEY | 2016-2017

South Arm Bridge

WEDCO completed the construction of the South Arm Bridge, allowing easy access to and from Cross Island / the America's Cup Event Village.

WORKING CULTURE

We are committed to ensuring that our team continually improves and evolves through internal training and support programmes.

During 2015-2016 we worked to listen to all of our staff to design and deliver better working processes, helping everyone in our team to better appreciate the different trials and tribulations of each others' roles. Following this process, we created a collaborative new appraisal system which would affect every employee.

This year has been the first full year of that system in place. So far, feedback is positive and the results are clear:

- Improved communication between departments
- Decreased working silos
- Better appreciation for others' roles

KEY WORKS

While much of our renovation and restoration work is not headline-worthy, it's still critical.

As well as major work, WEDCO has worked on projects including roof upgrades, asbestos removal, electrical, plumbing and painting. This ongoing work behind the scenes is a huge part of the value we endeavour to add to the West End as a whole, aiming to continually improve the quality of our facilities and attract more businesses, families and visitors to the area.

Prince Alfred Terrace

The renovation and restoration of Prince Alfred Terrace is now complete, at a total estimated cost of \$4.5 million. These renovations include a complete interior restoration, including the addition of extra bathrooms and layout improvements. As of March we handed over the units to the ACBDA for short-term use and look forward to securing longer-term tenants soon. A combination of history and stunning views of the Great Sound will surely make them one of the most desirable places to live in Bermuda.

OUR JOURNEY | 2016-2017

Victoria Row

The Victoria Row demolition took place this year, which was a substantial project and a good example of how long it can take from the decision stage to final delivery. With every project, we need to seek approval and then define the right steps to get the job done as safely and efficiently as possible before work can begin. We now look forward to the construction of the additional residential rental properties in its place.

Works In Progress:

- Moresby House (HMS Malabar)
- Star Of India
- Demolition of the Fleet Club
- Demolition of Victoria Row
- Refurbishment of Sail Loft
- Refurbishment of Chicane Building
- North Basin Building 15 (Marine Police Building)

Completed Works:

- Detached Cottage 7
- Dockyard Terrace 9
- North Basin Building 9
- North Basin Building 14
- North Basin Building 19
- Tipnor House
- Victoria Row
- Spar Lane Apartments
- Vault Roof
- South Arm Bridge

These upgrades and renovations offer huge benefits to WEDCO and they give great support and infrastructure for the [America's Cup] event. The legacy benefit to the historical buildings is phenomenal - the Sail Loft alone will be a stunning, long-term asset for WEDCO.

HIGHLIGHTS & ACCOMPLISHMENTS

ENTERTAINMENT & EVENTS: VIBRANCY & MUSIC

Our weekly events schedule for the summer of 2016 was a continuation of what we'd set in place before, continuing to sponsor and partner with our tenants to plan and run their own initiatives. All of the events were a success and well attended, including the new 'Pirate Fire Show' hosted on Calico Jack's on Mondays and Thursdays, a Tiki Beach Party on Wednesdays at Snorkel Park and new musicians helping to increase footfall to restaurants such as Bonefish Bar & Grill, Café Amici and Frog & Onion.

We continued to host annual attractions such as the End-to-End charity event and Oktoberfest. The popular historical re-enactment event, including a walking tour around Dockyard, saw significant growth with approximately 300 participants per month (up 50% from the year before). We continue to make small changes to this event, based on customer feedback, as it is such a popular way of seeing the Royal Naval Dockyard in its entirety and learning about some of Bermuda's fascinating history.

'The Frog and Onion's Oktoberfest celebration, held in the Victualling Yard of the Royal Naval Dockyard, has been a fantastic, unique and "best in class" event for years. Thanks to the brilliant work of the WEDCO facilities team, and specifically the landscapers, the Victualling Yard always looks magnificent, and is a one of a kind location that is hard to replicate anywhere else in the world. Joanna Cranfield and her team always expertly and helpfully facilitate our usage, and bring value and care in assisting us to have a successful event that drives gross revenue to the Frog and Onion and leads to additional rental revenue for WEDCO. It is an excellent and synergistic relationship that keeps getting better and better every year!'

- Philip Barnett, President, Island Restaurant Group Limited.

A new event to the Royal Naval Dockyard was the Cultural Showcase which WEDCO organized in partnership with the Department of Community and Cultural Affairs as part of Bermuda Heritage Month. Run on Sunday 15th May, the event featured fun games, tours of the Endeavour base and live cultural entertainment from the Bermuda School of Music Youth Steel Pan Group, the Bermuda African Dance

HIGHLIGHTS & ACCOMPLISHMENTS

Company and the H&H Gombey to name just a few. We were proud to co-host such a popular event which not only brought more people to the West End but celebrated some of the creative talents, culture and heritage of Bermuda.

Another new, but one-off, event was the America's Cup Foil Fest on Saturday 25th June. This was organised and funded by the ACBDA. Designed as an event to showcase what the America's Cup will look like, it was a resounding success. We had perfect weather, a lot of people participating and positive customer feedback. Featuring 3 America's Cup teams drag racing right off the dock, tours of the Oracle Team USA and Softbank Team Japan bases as well as Bermuda Pilot and Moth races, the event provided spectators with a first taste of what the World Series might be like, creating much excitement. It also helped to implement our transport plan, with parking available at Moresby Plain and a free shuttle service to the event. As Dane Benjamin, who works in our finance department, says 'It was encouraging to see the number of people that came out to support the event...I am feeling very confident about Bermuda's future!'

Dockyard is a very important part of Bermuda's tourism product and it is imperative that we at WEDCO do not stand still. We have to continually invest in and reinvent ourselves to remain ahead of the competition.

ANDREW DIAS | GENERAL MANAGER

Christmas: Festive Family Fun

This year saw similar Christmas celebrations from previous years repeated, with strong attendance from families living across the island. Despite bad weather causing us to postpone some activities and move Santa's Workshop to inside the Clocktower mall, the overall festive season was a great success.

Once again, WEDCO put on the caroling event at Dolphin Quest which has been growing in popularity each year. We also provided ways for local charities to gain profile and fundraise.

I wanted to express our sincere appreciation for WEDCO's continued support and collaboration regarding the annual Holiday Carols with the Dolphins community event at Dolphin Quest. This addition to your December holiday events schedule is a popular gathering for Bermuda residents and visiting tourists... your successful and creative promotion of the West End events and activities helps all of the Dockyard businesses and creates a real draw for new visitors to the island of Bermuda.

CHRISTINE MIHELICIC | GENERAL MANAGER, DOLPHIN QUEST

Cruise Ships: Information Is King

This year we built on previous learnings to further increase the amount of information we got to customers on board the ships before they docked in Bermuda. It's always a challenge to get people off cruise ships, which offer so much, but our efforts are seeing an increase in local revenues and tourist interest for the West End and beyond. Cruise ship visitor numbers were 395,805, up 4% from the year before; we hope this will grow further next year through increased marketing efforts for the Royal Naval Dockyard.

Marketing: Growing Dockyard's Profile

For over a decade, we have been working in partnership with our commercial and residential tenants to improve and grow the reputation of the Royal Naval Dockyard as an exciting and vibrant place to visit. To continue to grow its reputation and reach, this year we invested more time in social media than before.

So far, social media content has focused on promoting individual local businesses, communicating public information on consultations and promoting tourist attractions. The

HIGHLIGHTS & ACCOMPLISHMENTS

coming year will see increased video content, a live streaming Dockyard webcam and an abundance of imagery to help bring to life the different ways in which people can 'work, rest and play' at the Royal Naval Dockyard.

It's early days, but Facebook engagement is growing and we are much more active on Instagram, Twitter, YouTube and Snapchat. We saw nearly 50,000 additional weekly impressions on Facebook for this year vs. last year (July and August) - a strong improvement we will continue to build on, test and learn from. All activity is under the Royal Naval Dockyard name, with the objective of raising awareness.

Business Development: Time For A Spruce Up

In anticipation of the summer and the increase in visitors from the America's Cup, several of our commercial tenants have taken the opportunity to undertake renovations and improvements to ensure that they're offering their best to customers. To name just two, Fantasea have launched new boats to increase their rental range and Jon Faulkner has renovated the Jon Faulkner Gallery, making it more family friendly with a unique 'paint your own' pottery section. The addition of this attraction is another example of our tenants continually working to increase the attraction of Bermuda as a year-round destination.

Congratulations go to those tenants chosen as official America's Cup vendors. These include Lisa-Anne Rego, the named official painter for the America's Cup; Davison's store, who are selling the official t-shirts; and A S Cooper's, who are carrying a wide range of official clothing and merchandise including America's Cup cookies and soap.

Leasing & Tenancies: Boosts From The America's Cup

Total rental revenues for the year increased by a strong 6%. This was thanks to the huge amount of refurbishment work which had been done during 2015/2016, enabling additional properties to become available for rent. Throughout all work, we have ensured that existing historical features have been combined with modern technology and materials to ensure that we both transform and protect with all renovation works.

As we stand at the end of this financial year, with the exception of buildings still under refurbishment, we have full occupancy. Much of this is used by the ACBDA and America's Cup teams, for example Oracle Team USA's use of North Basin Building 9, also known as the Great Western Storehouse. Our challenge now is to fill our longer-term tenancy pipeline for once the America's Cup is over and many residential units will be vacated.

HIGHLIGHTS & ACCOMPLISHMENTS

Looking Forward: A Shared Excitement

With tickets on sale and our infrastructure work almost entirely complete, we are looking forward to the America's Cup. With our history in marine technology and innovation, there can be no better place to host it than the Royal Naval Dockyard in Bermuda.

The America's Cup is not just a unique, world-class event to look forward to. It is also an opportunity for Bermuda to be experienced at its best for people from around the world. The Royal Naval Dockyard has never looked better. More than ever before, we

hope to prove this year that people can 'work, rest and play' in the West End's world class facilities and newly refurbished spaces. We wish the ACBDA, ACEA and the thousands of sailors, volunteers and press involved a wonderful event.

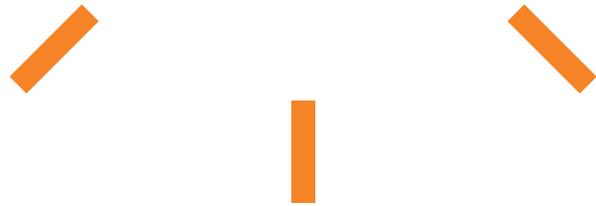
Although the event is all consuming in the short-term, we are mindful that by July it will be over and another chapter of the Royal Naval Dockyard's rich history complete. We therefore continue to look forward and focus on our ongoing refurbishments, improved working culture and the ways in which we can leverage the benefits of Cross Island and the America's Cup for Bermuda in the long-term.

We'll be on a world stage, it's going to be amazing! We are all working hard to make sure Dockyard looks fantastic for the cameras as well as the thousands of people who will be here.

PATRICK PEDRO | ELECTRICIAN, WEDCO



Financial Review



2016-2017

The 2017 financial year was quite a busy year for the Corporation as we planned to host the 35th America's Cup, which brought with it much capital expenditure and upgrading of facilities. Consequently, the Corporation's cash position was decreased by \$3.6m during the fiscal year. On June 13th, 2016 the Corporation made its final principal repayment to extinguish the loan related to the Waste Water Treatment Facility. With the return of Heritage Wharf to Government on July 25, 2016, the tangible capital assets were significantly reduced despite the work in progress additions related to the South Basin Land Reclamation. Our long-term debt on this project grew by another \$14.5m as we completed the drawdowns from the loan facility.

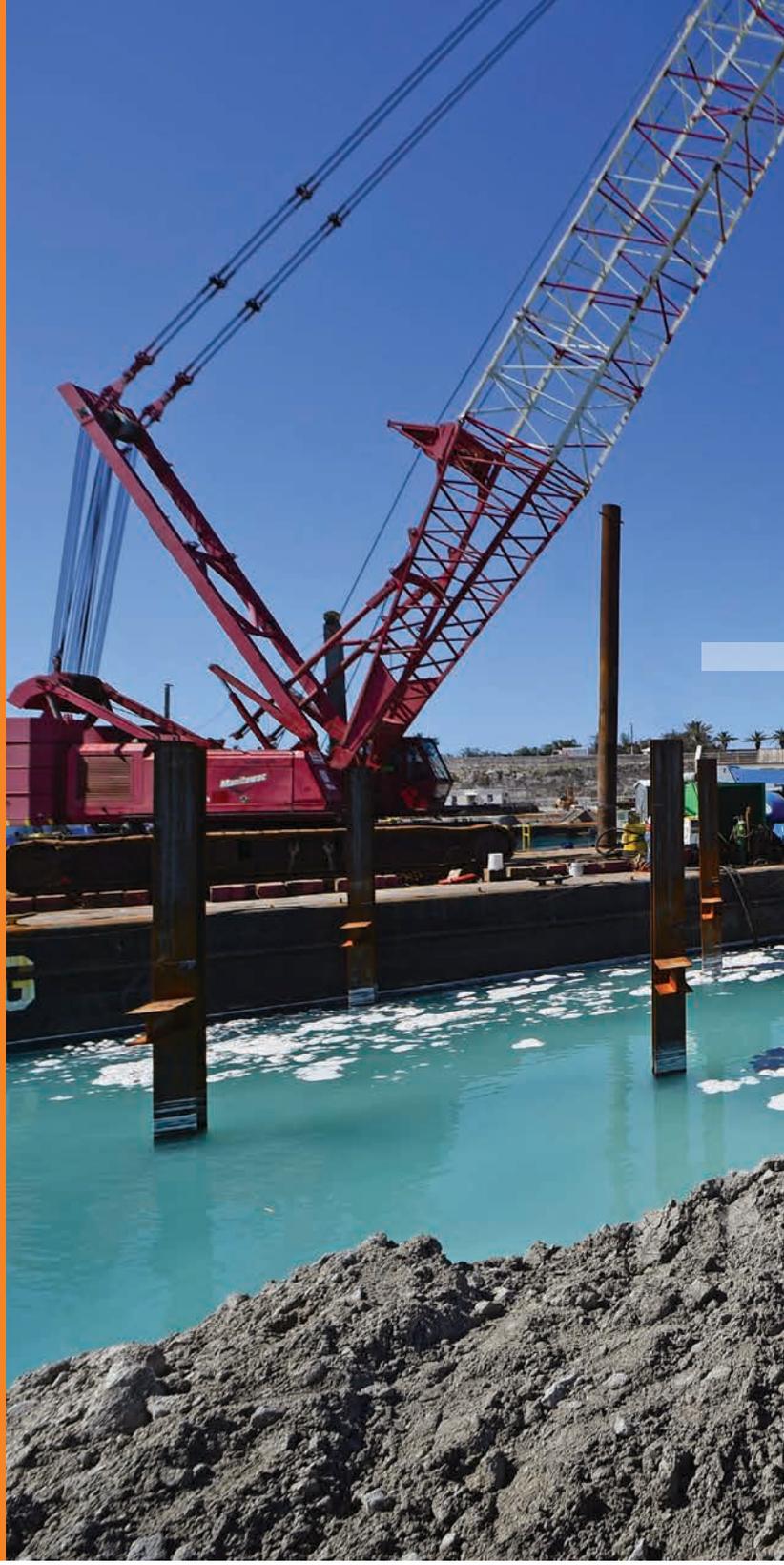
The Corporation recognized a write-down of tangible capital assets of approx. \$1m during the fiscal period, relating to the damage caused by Hurricane Nicole. However, the Corporation received approximately \$500,000 in proceeds from insurance claims related to Hurricane Nicole by fiscal year-end. During the year interest repayments became due in reference to the Land Reclamation and the Corporation received \$1m by way of a government grant to meet those

obligations. All together this accounted for the increase in revenues for the year. Expenses remained somewhat static throughout the year.

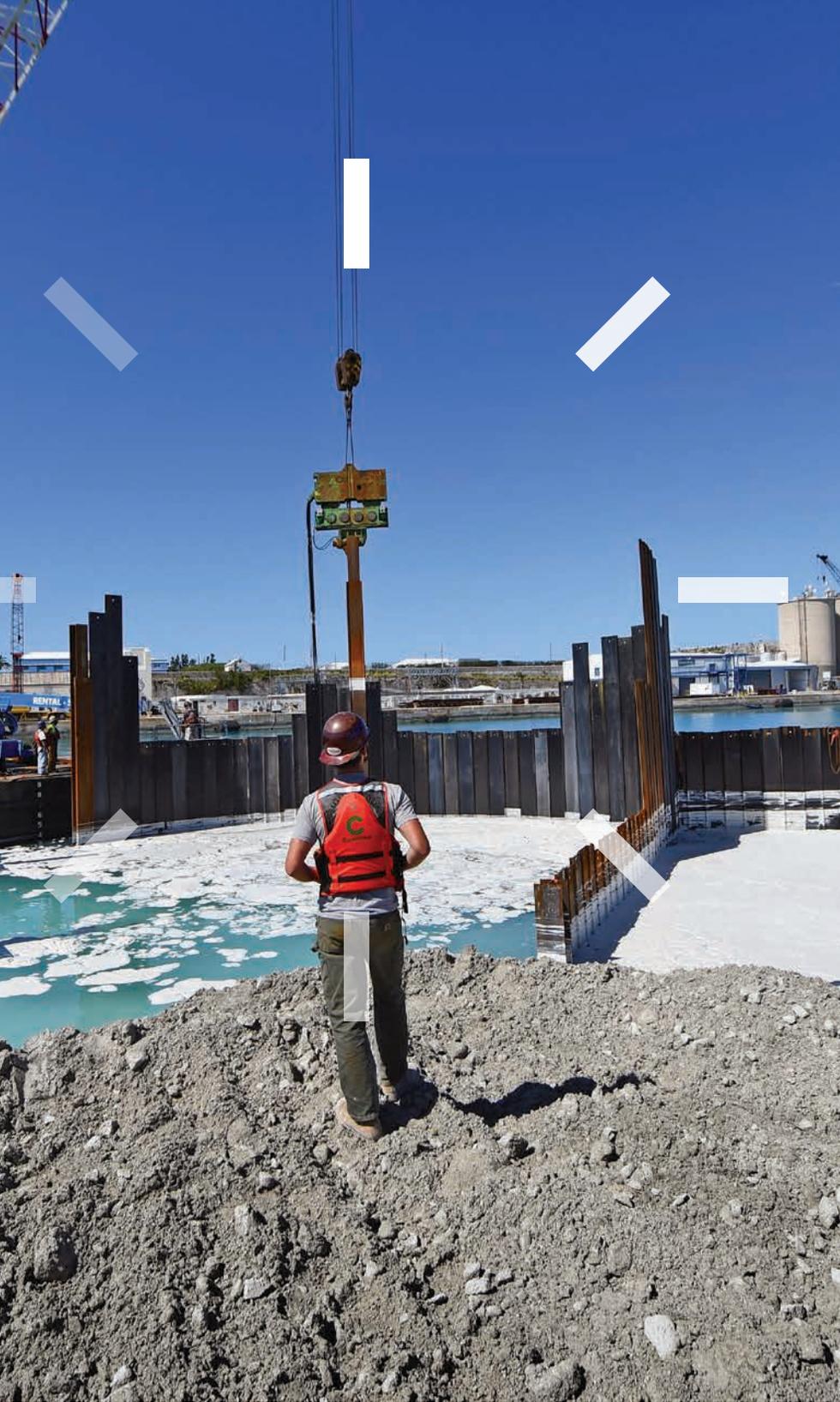
Excluding the effect of insurance proceeds, grants and the amortization of deferred capital contributions, revenues remained constant over the prior year. Excluding the effect of amortization and write-downs of tangible capital assets and financing costs, expenses also remained constant over the prior year.

In conclusion, as a result of the many building projects completed and upgrades to infrastructure during the year, the Corporation is well poised to meet future demands. We are well positioned to welcome the 35th America's Cup and remain fiscally solvent with the assistance of Government in respect of capital expenditure. We look forward to an even more successful 2017 as we aim to increase our cruise ship visitor count, which will have a significant impact on berthing fees and associated effects for retail, restaurants, tours and transportation.

Financial Statements



March 31, 2017



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

The accompanying Independent Auditor's Report is presented herein.



Andrew Dias | General Manager



Kent Bascome | Chief Financial Officer



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, 2017, 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

INDEPENDENT AUDITOR'S REPORT

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, 2017, 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 the Corporation maintain a system of internal controls to provide assurance that reliable financial information is produced.



Hamilton, Bermuda
May 30, 2018

Heather Thomas, CPA, CFE, CGMA
Auditor General

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at March 31, 2017

	2017 \$	2016 \$
Financial assets		
Cash and cash equivalents	7,016,797	10,697,150
Accounts receivable (notes 3 and 14)	961,145	1,163,364
Due from the Government of Bermuda (notes 12(a) and 14)	-	1,428,574
Tenant improvements recoverable (notes 4 and 14)	732,461	878,327
Mortgages and loans receivable	51,164	67,102
	8,761,567	14,234,517
Liabilities		
Accounts payable and accrued liabilities (notes 7 and 14)	1,408,563	1,777,297
Deferred revenue (note 8)	1,183,511	1,183,511
Employee future benefits and compensated absences (note 15)	65,645	56,171
Due to the Government of Bermuda (notes 11 and 14)	3,353,483	353,483
Due to the Government of Canada (note 10)	3,146,592	3,396,592
Deferred capital contributions (note 13)	-	44,780,239
Long-term debt (note 12)	61,364,996	49,252,230
Obligations under capital lease (note 9)	50,493	65,316
	70,573,283	100,864,839
Net debt	(61,811,716)	(86,630,322)
Non-financial assets		
Tangible capital assets (note 6)	111,294,888	137,099,282
Prepaid expenses	-	37,128
	111,294,888	137,136,410
Accumulated surplus	49,483,172	50,506,088

Approved by the Board of Directors



Director



Director

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

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31, 2017

	Budget (Note 18) 2017 \$	Actual 2017 \$	Actual 2016 \$
Revenues			
Proceeds from insurance claims (note 16(a))	-	506,618	-
Rental (note 14)	6,141,546	6,130,202	5,734,327
Dock (note 14)	1,986,860	2,077,251	2,078,543
Amortization of deferred capital contributions (note 13)	1,449,792	499,785	1,494,193
Government contributions (notes 12 and 14)	2,862,250	4,572,402	1,018,330
Service and expense recoveries	1,015,353	899,552	894,788
Water (note 14)	657,800	680,744	735,320
Other	92,757	155,890	502,163
Investment income (note 4)	9,412	10,889	14,061
	14,215,770	15,533,333	12,471,725
Expenses			
Facilities (note 16)	10,557,669	10,905,595	10,742,385
Administration (note 16)	5,299,995	4,618,570	3,801,242
Business development (note 16)	907,850	1,032,084	1,747,819
	16,765,514	16,556,249	16,291,446
Annual deficit	(2,549,744)	(1,022,916)	(3,819,721)
Accumulated surplus, beginning of year		50,506,088	54,325,809
Accumulated surplus, end of year		49,483,172	50,506,088

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

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGE IN NET DEBT

For the year ended March 31, 2017

	Budget (Note 18) 2017 \$	Actual 2017 \$	Actual 2016 \$
Annual deficit	(2,549,744)	(1,022,916)	(3,819,721)
Acquisition of tangible capital assets (note 6)	(4,466,065)	(23,059,578)	(28,046,475)
Disposal of tangible capital assets (note 6)	-	44,266,073	26,925
Amortization of tangible capital assets (note 6)	4,466,065	3,705,432	4,368,264
Write-down of tangible capital assets (note 6)	-	892,467	194,657
	-	25,804,394	(23,456,629)
Use of prepaid expenses	-	37,128	11,161
	-	37,128	11,161
Change in net debt	(2,549,744)	24,818,606	(27,265,189)
Net debt, beginning of year		(86,630,322)	(59,365,133)
Net debt, end of year		(61,811,716)	(86,630,322)

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

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STATEMENT OF CASH FLOWS

For the year ended March 31, 2017

	2017 \$	2016 \$
Cash flows from operating activities		
Annual deficit	(1,022,916)	(3,819,721)
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	3,705,432	4,368,264
Amortization of capitalized loan arrangement fees	52,285	22,222
Write-down of tangible capital assets	892,467	194,657
Loss on disposal of tangible capital assets	-	26,925
Amortization of deferred capital contributions	(499,785)	(1,494,193)
Movement in bad debt provision	(173,150)	125,398
Impairment of investment in a government business enterprise	-	323,021
Changes in non-cash working capital:		
Decrease/(increase) in accounts receivable	375,369	(223,993)
(Decrease)/increase in accounts payable and accrued liabilities	(368,734)	374,126
Increase in deferred revenue	-	1,177,199
Increase/(decrease) in employee future benefits and compensated absences	9,475	(6,135)
Decrease in prepaid expenses	37,128	11,161
Net cash generated through operating activities	3,007,571	1,078,931
Cash flows from capital activity		
Acquisition of tangible capital assets	(23,059,578)	(28,046,475)
Cash flows from investing activities		
Net receipt of mortgages and loans receivable	15,938	48,678
Net receipt of tenant improvements recoverable	145,866	121,496
Net cash generated through investing activities	161,804	170,174
Cash flows from financing activities		
Proceeds from the Government of Bermuda	1,428,574	1,539,973
Repayment of obligations under capital lease	(14,823)	(13,482)
Drawdown of long-term debt, net of arrangement fee of \$nil (2016: \$300,000)	14,574,673	23,107,161
Repayment of long-term debt	(2,528,574)	(1,428,571)
Proceeds from the Government of Bermuda	3,000,000	-
Repayment of amounts due to the Government of Canada	(250,000)	(249,925)
Net cash generated through financing activities	16,209,850	22,955,156
Net decrease in cash and cash equivalents	(3,680,353)	(3,842,214)
Cash and cash equivalents, beginning of year	10,697,150	14,539,364
Cash and cash equivalents, end of year	7,016,797	10,697,150
Supplemental cash flow information		
Interest income received	10,899	14,061
Interest expense paid	2,334,119	1,736,283

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

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

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 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 ("PSAB") of the Chartered Professional Accountants of Canada ("CPA 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 accruals 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.

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.

CONSOLIDATED FINANCIAL STATEMENTS

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March 31, 2017

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:

	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

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March 31, 2017

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.

(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 is accrued and has been actuarially determined.

(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.

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

(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, rates for amortization, etc. 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.

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.

3. ACCOUNTS RECEIVABLE

	2017 \$	2016 \$
Tenants receivables	1,440,776	1,566,970
Other receivables	608,535	857,710
Less: Provision for doubtful accounts	(1,088,166)	(1,261,316)
	961,145	1,163,364

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4. TENANT IMPROVEMENTS RECOVERABLE

Tenant improvements recoverable consist of amounts due from:

	2017 \$	2016 \$
Department of Corrections (note a)	727,961	873,827
Bermy Berry	4,500	4,500
	732,461	878,327

On February 1, 2012, the Corporation entered into a Memorandum of Understanding with the Department of Corrections 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 at an interest rate of 6% per annum.

5. INVESTMENT IN A GOVERNMENT BUSINESS ENTERPRISE

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, 2016 and March 31, 2017.

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, 2016 and March 31, 2017. 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, 2016 and March 31, 2017 related to the cash held for settlement of the dividend payable to the Corporation.

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March 31, 2017

6. TANGIBLE CAPITAL ASSETS

	Land and buildings	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture, equipment and tools	Assets under development	Total
2017	\$	\$	\$	\$	\$	\$	\$	\$
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
Additions	-	-	-	-	-	-	23,059,578	23,059,578
Disposals	(53,514,938)	-	-	-	-	-	-	(53,514,938)
Write downs	-	-	(497,667)	-	(394,800)	-	-	(892,467)
Transfers	35,292	823,934	1,127,290	-	-	66,900	(2,053,416)	-
Closing cost	50,628,364	22,553,908	21,109,673	6,024,336	3,578,120	3,549,136	47,115,374	154,558,911
Opening accumulated amortization	19,987,259	9,322,657	11,184,736	2,393,794	3,350,164	2,568,846	-	48,807,456
Amortization	1,967,655	628,102	549,889	326,450	53,221	180,115	-	3,705,432
Disposals	(9,248,865)	-	-	-	-	-	-	(9,248,865)
Closing accumulated amortization	12,706,049	9,950,759	11,734,625	2,720,244	3,403,385	2,748,961	-	43,264,023
Net book value	37,922,315	12,603,149	9,375,048	3,304,092	174,735	800,175	47,115,374	111,294,888
2016	\$	\$	\$	\$	\$	\$	\$	\$
Opening cost	104,079,220	20,887,300	16,638,814	5,845,158	3,961,504	2,864,558	3,805,291	158,081,845
Additions	-	-	-	-	-	-	28,046,475	28,046,475
Disposals	-	-	-	-	-	(26,925)	-	(26,925)
Write downs	-	-	-	-	-	-	(194,657)	(194,657)
Transfers	28,790	842,674	3,841,236	179,178	11,416	644,603	(5,547,897)	-
Closing 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
Opening accumulated amortization	17,059,062	8,778,581	10,725,992	2,089,937	3,277,488	2,508,132	-	44,439,192
Amortization	2,928,197	544,076	458,744	303,857	72,676	60,714	-	4,368,264
Disposals	-	-	-	-	-	-	-	-
Closing accumulated amortization	19,987,259	9,322,657	11,184,736	2,393,794	3,350,164	2,568,846	-	48,807,456
Net book value	84,120,751	12,407,317	9,295,314	3,630,542	622,756	913,390	26,109,212	137,099,282

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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 of Public Works for the lease agreement to maintain the status quo for fiscal years 2018 and 2019.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017 \$	2016 \$
Accounts payable and accrued liabilities	1,175,787	1,558,751
Rental deposits	232,776	218,546
	1,408,563	1,777,297

8. DEFERRED REVENUE

	2017 \$	2016 \$
Advance rental payments	775	775
Deferred government grant (note 12(b))	1,100,000	1,100,000
Other	5,537	5,537
Insurance settlement	77,199	77,199
	1,183,511	1,183,511

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9. OBLIGATIONS UNDER CAPITAL LEASE

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, 2017, future repayments scheduled over the remaining term of the lease are as follows:

Year	Capital lease obligations \$	Interest \$	Total lease payments \$
Ending March 31, 2018	16,296	4,104	20,400
Ending March 31, 2019	17,915	2,485	20,400
Ending March 31, 2020	16,282	1,013	17,295
	50,493	7,602	58,095

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, 2017.

11. DUE TO THE GOVERNMENT OF BERMUDA

As at March 31, 2016 and March 31, 2017, \$353,483 remained payable to the Government of Bermuda in relation to the redundancy payment (see 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 of Public Works for the redevelopment of Moresby House, 26 Pender Road, Sandys.

Consequently, the total balance due to the Government of Bermuda as at March 31, 2017 is \$3,353,483 (2016 - \$353,483).

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March 31, 2017

12. LONG-TERM DEBT

Long-term debt consists of:

	2017 \$	2016 \$
Loan for the Waste Water Treatment Facility (note a)	-	1,428,574
Loan for the Victoria Place Project (note b)	23,594,273	24,694,273
Loan for the South Basin Land Reclamation Project (note c)	37,981,834	23,407,161
	61,576,107	49,530,008
Capitalised loan arrangement fees	(211,111)	(277,778)
	61,364,996	49,252,230

(a) In April 2009, the Corporation secured a loan for \$10,000,000 through Clarien Bank (formerly Capital G Bank) (the "Bank") to fund the completion of the new Waste Water Treatment Facility in Dockyard. The interest rate on the loan is the Bank's Bermuda dollar base rate plus margin of 0.75%. This unsecured loan is for a term of 7 years and repayment of principal and interest has been guaranteed by the Government by way of annual grants to the Corporation.

Government contributions include interest expense on the loan which is recoverable from the Government. As at March 31, 2017, government contribution receivable in the amount of \$Nil (2016 - \$1,428,574) is included in Due from the Government of Bermuda in the statement of financial position.

The loan was repaid in full on June 13, 2016.

(b) 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.

(c) 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

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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 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 repayable in full by June 30, 2021. Interest of \$979,696 was capitalised during the year ended March 31, 2017 (2016 - \$308,501).

On October 22, 2015, the Ministry of Public Works confirmed that they will not allow the West End Development Corporation to default on the repayment of principal and interest (payment default) in relation to the above mentioned Credit Facility, provided that WEDCO 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 of Public Works will provide grant funding to cover any shortfall in debt service payments.

13. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of capital assets received and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations and accumulated surplus.

	2017 \$	2016 \$
Balance, beginning of year	44,780,239	46,274,432
Less: amount amortized to operations	(499,785)	(1,494,193)
Transfer of Heritage Wharf to Government of Bermuda	(44,280,454)	-
Balance, end of year	-	44,780,239

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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:

Governmental Transactions	2017 \$	2016 \$
Transactions during the year:		
Rental revenue	1,028,364	1,041,564
Government contributions	4,572,402	1,018,330
Dock revenue	255,329	255,345
Water and other revenues	299,762	304,641
Water and insurance expense	423,599	412,686
Employee future benefits expense	295,961	282,325
Tenant improvements recoverable	145,866	121,496
Balances at the end of the year:		
Accounts receivable	43,663	26,565
Due from the Government of Bermuda	-	1,428,574
Tenant improvements recoverable	732,461	878,327
Accounts payable and accrued liabilities	196,419	488,406
Due to the Government of Bermuda	3,353,483	353,483

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15. EMPLOYEE FUTURE BENEFITS AND COMPENSATED ABSENCES

(a) 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 \$80,550 (2016 - \$83,596).

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 \$68,367 (2016 - \$69,403).

(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 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, 2017 is \$101,805 (2016 - \$98,050) 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 \$65,645 (2016 - \$56,171) and is included in employee future benefits and compensated absences on the statement of financial position.

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March 31, 2017

16. EXPENSE DETAILS

	Budget 2017 \$	Actual 2017 \$	Actual 2016 \$
Facilities:			
Amortization of tangible capital assets	4,466,065	3,705,431	4,368,264
Repairs and maintenance	2,201,805	2,429,611	2,577,503
Wages	1,231,902	1,290,392	1,280,697
Water	901,500	846,904	675,321
Electricity	465,937	479,619	459,351
Security services	458,690	373,860	369,899
Salaries	352,359	350,675	361,484
Dock operations and maintenance	269,500	273,893	252,083
Write-down of tangible capital assets (note a)	-	922,420	194,657
Landscaping operations	80,317	120,739	62,136
Vehicle	50,118	65,543	101,080
Custodial services	50,118	46,508	39,910
	10,557,669	10,905,595	10,742,385
Administration:			
Financing costs	3,176,883	2,334,119	1,458,651
Salaries	743,770	788,950	789,306
Insurance	516,000	459,569	436,427
Employee future benefits	510,422	569,911	434,401
Office supplies	271,920	386,559	537,168
Travel and entertainment	6,000	41,074	19,768
Bad debt expense	75,000	38,388	125,521
	5,299,995	4,618,570	3,801,242
Business development:			
Loss on settlement agreement (note 5)	-	-	371,425
Impairment of investment in GBE (note 5)	-	-	323,021
Advertising, promotions and maintenance	447,595	402,720	371,248
Salaries	270,255	263,725	273,571
Legal and professional fees	180,000	340,985	399,000
Water	10,000	24,654	9,554
	907,850	1,032,084	1,747,819

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

(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 \$922,240 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 \$315,000 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.

15. 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, 2017, the maximum credit risk to which the Corporation is exposed represents the fair value of its accounts receivable.

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(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, 2017:				
Accounts payable and accrued liabilities	1,408,563	-	-	1,408,563
Employee future benefits	65,645	-	-	65,645
Due to the Government of Bermuda	-	-	3,353,483	3,353,483
Due to the Government of Canada	250,000	1,000,000	1,896,592	3,146,592
Long-term debt	5,000,000	56,364,996	-	61,364,996
Obligations under capital lease	16,296	34,197	-	50,493
Total financial liabilities (contractual maturity dates)	6,740,504	57,399,193	5,250,075	69,389,772
As at March 31, 2016:				
Accounts payable and accrued liabilities	1,777,297	-	-	1,777,297
Employee future benefits	56,171	-	-	56,171
Due to the Government of Bermuda	-	-	353,483	353,483
Due to the Government of Canada	250,000	1,000,000	2,146,592	3,396,592
Long-term debt	2,528,574	46,723,656	-	49,252,230
Obligations under capital lease	14,823	50,493	-	65,316
Total financial liabilities (contractual maturity dates)	4,626,865	47,774,149	2,500,075	54,901,089

(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.

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March 31, 2017

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 +/- \$615,768 (2016 - \$481,020).

18. BUDGET

These amounts represent the operating budget approved by the Board on December 1, 2015.

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:

	2017 \$	2016 \$
Not later than 1 year	430,609	429,701
Later than 1 year and not later than 5 years	346,667	777,276
	777,276	1,206,977

20. SUBSEQUENT EVENTS

i) Morseby House

On August 30, 2016, Cabinet considered and subsequently approved a grant of three million dollars (\$3,000,000) being provided to the Corporation by the Ministry of Public Works for the redevelopment of Moresby House, 26 Pender Road, Sandys. As of August 30, 2017 the Corporation received \$3,000,000. Subsequently, the Ministry of Public Works and the Corporation entered into an agreement whereby in return for a premium of \$3 million received from the Ministry of Public Works, the Corporation demises to the Ministry the property known as Watford House for a rent of one peppercorn per annum for the lease period of 21 years less 1 day commencing March 1, 2018, and expiring on February 28, 2039.

ii) Hurricane Nicole

In October 2016, Hurricane Nicole made landfall in Bermuda and damaged certain properties of the Corporation. The Corporation is in discussions with its insurer for a claim of about \$1 million for the restoration of the damaged properties. The Corporation received a total of approximately \$815 thousand of

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these insurance monies representing the final sum to be received by the Corporation; approximately \$308 thousand was received subsequent to the financial year ended March 31, 2017.

iii) Cruise Ships

The Ministry of Transport and Regulatory Affairs has negotiated the visit of 20 extra ships in the 2018 cruise season, resulting in approximately 39,000 extra passengers. This is significant in that this will impact passenger tax, cabin tax, berthing fees, and have consequential effects for retail, restaurants, tours, and transportation.

iv) Savvy Entertainment

On January 16, 2018 the Corporation entered into an agreement with Savvy Entertainment with respect to the use of Cross Island. Savvy will promote and market the Venue (Cross Island) to local and off island contacts for the hosting and delivery of various events. The Corporation will earn 10% of all revenues generated from these events. The term of this contract is one (1) year.

20. 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, 2017. In particular, the new and amended standards, which became effective for annual periods beginning on or after April 1, 2017 are:

- PS 2200 - Related Party Disclosures (effective date April 1, 2017)
- PS 3210 - Assets (effective date April 1, 2017)
- PS 3320 - Contingent Assets (effective date April 1, 2017)
- PS 3380 - Contractual Rights (effective date April 1, 2017)
- PS 3420 - Inter-entity Transactions (effective date April 1, 2017)
- PS 3430 - Restructuring Transactions (effective date April 1, 2018)

The Corporation has chosen to early adopt PS 1201 - Financial Statement Presentation, PS 2601 - Foreign Currency Translation, PS 3410 - Government Transfers and PS 3450 - Financial Instruments on April 1, 2011.

BOARD OF DIRECTORS

Chairperson:

Mr. Ray Charlton

Deputy Chairperson:

Mr. Philip Akeroyd, FCA

Directors:

Mr. Ricardo Griffith

Dr. Edward Harris MBE, JP, FSA

Mr. Kevin Lambert

Mr. Mark Melvin, FCA, CFA

Ms. Pat Philip-Fairn

EX-OFFICIO

Permanent Secretary, Works &
Engineering

Director of Planning

Financial Secretary

FINANCE AND AUDIT COMMITTEE

Mr. Philip Akeroyd - Chairperson

Mr. Ray Charlton

Mr. Mark Melvin, FCA, CFA

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.

Capital G Bank

WRITING

COSMIC LTD.

DESIGN

COSMIC LTD.





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