

## WEDCo | ANNUAL REPORT 2012



THE WEST END  
BERMUDA



GOVERNMENT OF BERMUDA

Ministry of Public Works

---

**Office of the Minister of Public Works**

*Our Ref: 28/1/1-B*

6 February, 2013

**ANNUAL REPORT FOR 2012  
WEST END DEVELOPMENT CORPORATION - (WEDCo)**

The fiscal year 2011/12 has been one that I can proudly report as being another successful year in moving forward and implementing developmental plans for the sustainable future of the Royal Naval Dockyard.

As the Minister with assigned responsibility for the West End Development Corporation (WEDCo), I am pleased to say that the partnership between Government and WEDCo continues to thrive as we persevere through economically challenging times to bring to fruition those plans that have been the vision from the outset. It is our combined commitment that bears testimony to the ongoing success of the area, and we look forward to the year ahead to implement plans for upgrading and continually improving upon the infrastructure, to the benefit of residents and visitors alike.

WEDCo has continued to work diligently to maintain the excellent working relationships with the cruise ship lines, and to ensure the services and resources available to the cruise ship visitors are at their optimum. To this end, it is Government's aim to provide ongoing support in promoting their efforts to make our overseas visitors feel welcome and to be able to find their way easily and quickly.

I wish to thank The Board, Management and Staff for their hard work, enthusiasm and depth of vision in working towards the common goal of creating and maintaining this impressive destination within the Islands of Bermuda.

Yours sincerely,



**The Hon. Trevor G Moniz JP MP  
Minister of Public Works**

General Post Office Building, 56 Church Street, Hamilton HM 12, BERMUDA  
PO Box HM 525, Hamilton HM CX, BERMUDA

Phone (441) 295-5151 ext. 1815 Fax: (441) 295-0170 Email: [tgmoniz@gov.bm](mailto:tgmoniz@gov.bm) Website: [www.gov.bm](http://www.gov.bm)





## LETTER FROM THE CHAIRMAN

The fiscal year 2011/12 has again been a challenging one, and perhaps one in which it has been even more prudent to be fiscally responsible by “cutting one’s coat to fit one’s cloth”. At the same time, development plans have been adhered to, and the long-term vision for the Royal Naval Dockyard remains firmly in place and continued growth across most of the industries present is experienced. There was also growth in cruise ship passengers this year by approximately 55,000 persons.

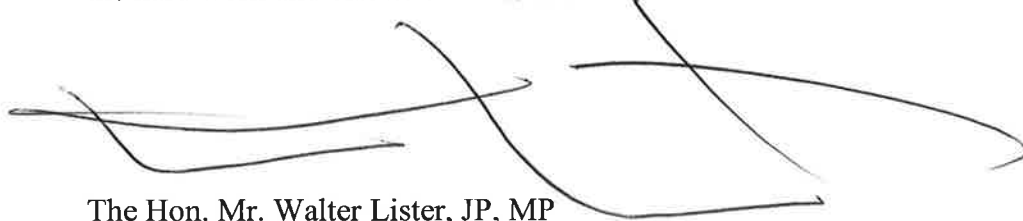
Additional marketing plans and efforts were implemented, successfully raising awareness of Dockyard as a year-round destination to cruise ship passengers, residents and hotel guests alike. New businesses have opened, and are adding to the mandate of us seeking solid partners for sustainable year-round business, which is crucial for this area.

Tenants have worked hard to highlight Dockyard as a venue for external organizations and have proven their vested interest by working together to showcase their products and services. More than ever, visitors to Dockyard have been able to combine the fun of the activities on offer and the learning about local history and culture. Nowhere else on this Island is there such an all-round experience available in one convenient, efficiently-run place.

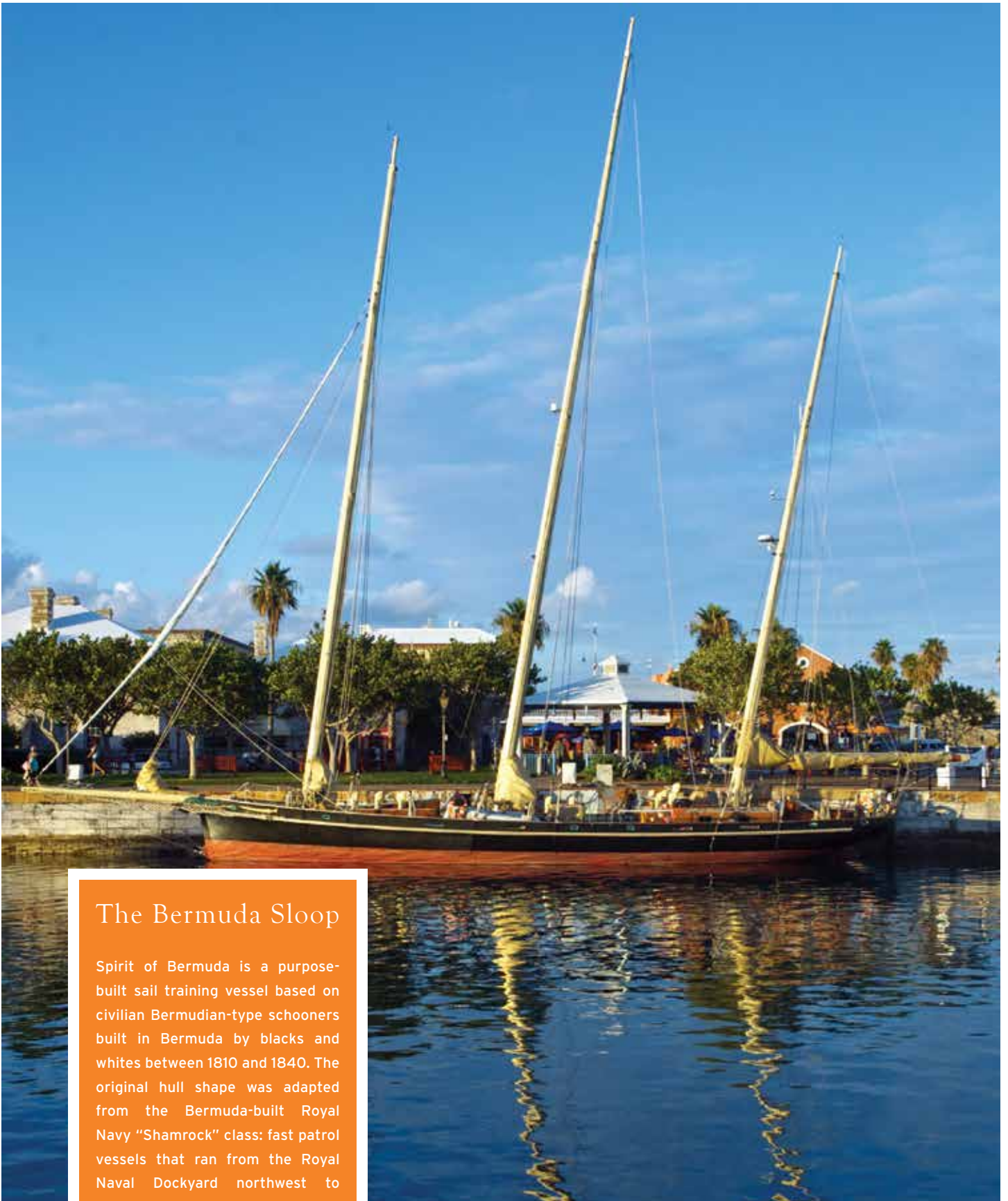
Special promotions, such as the Christmas Shopping campaign in December, have been extremely successful and have encouraged a number of shops and establishments to join in with other annual events, such as Halloween and the Old School Explosion, to attract local residents, as well as visitors, to the Royal Naval Dockyard.

This year has seen continued planning for the South Basin marina, which is seen as a prime opportunity for future growth and sustainability by the yachting community and WEDCo.

We are, once again, proud to note that our objectives during the past year have been achieved, and look forward to the year ahead as we anticipate even more success through the hard work and efforts of all concerned.

A large, stylized handwritten signature in dark ink, consisting of several sweeping, interconnected loops and strokes.

The Hon. Mr. Walter Lister, JP, MP  
Chairman



## The Bermuda Sloop

Spirit of Bermuda is a purpose-built sail training vessel based on civilian Bermudian-type schooners built in Bermuda by blacks and whites between 1810 and 1840. The original hull shape was adapted from the Bermuda-built Royal Navy "Shamrock" class: fast patrol vessels that ran from the Royal Naval Dockyard northwest to Halifax and southwest to Jamaica to contain the rebel colonies.

## GENERAL MANAGER'S REPORT



I am especially pleased to report that, in a continued challenging economy, the West End Development Corporation (WEDCo) has fulfilled its objectives for the financial year 2011/2012.

The ongoing success of WEDCo is crucial to the long-term vision for the infrastructure, and it is with this in mind that all decisions are made and plans drawn. Accordingly, we do not take on more than we can afford, and therefore the main focus for the infrastructure has been on maintaining the facilities to ensure that everything is being kept to the expected standards. We have continued to upgrade existing historical buildings, where possible, with many having been painted over the past year, and others having been significantly upgraded or maintained - all in keeping with their origins.

In line with our green initiatives at the Royal Naval Dockyard, the Reverse Osmosis Plants are working well, selling water to cruise ships as needed and supplementing Government supply, and the Water Reclamation Facility is also functioning as intended. This facility produces high quality "grey water" (reclaimed treated water) for non-potable reuse as toilet flushing water and landscape irrigation.

The emphasis of 2011/12 continued to be on forward planning with both internal and external components of the Corporation. In this respect, our mandate is to always look at how the Corporation and its employees can be more efficient without sacrificing quality or service. We strive to ensure adequate staffing levels to facilitate the overall development plans and, as such, make sure that the right people are in the right positions. In 2011 we identified and employed two key personnel, who are contributing greatly to our team:

Kent Bascome, CPA - Financial Controller  
Theresa Caines, CPA - Assistant Financial Controller

Our external plans include small, medium and large projects. One of our largest projects is to find solutions to the West End housing challenges. Work on this project is in full swing, with approval having been given by the Planning Department for 100 units and construction due to commence in the next financial year. The overall concept for housing plans is to raise the standards of living for the community and, at the same time, keep in line with the environment and be sensitive to the needs and requirements of individual families currently housed at Victoria and Albert Rows. These properties are not technically historical buildings, unlike those inside the Royal Naval Dockyard itself, and it is therefore imperative that, as landlords, we ensure the safety of the people living there by

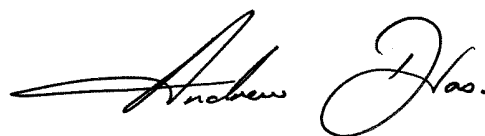
providing affordable, new, clean, safe and modern homes. While the plan is to upgrade the housing stock without displacing families, the aim of this project is to also ensure that WEDCo remains financially independent and not a burden on the taxpayer.

Work on the Marina project is ongoing, as are numerous other projects, which are either already underway or are being assessed for viability.

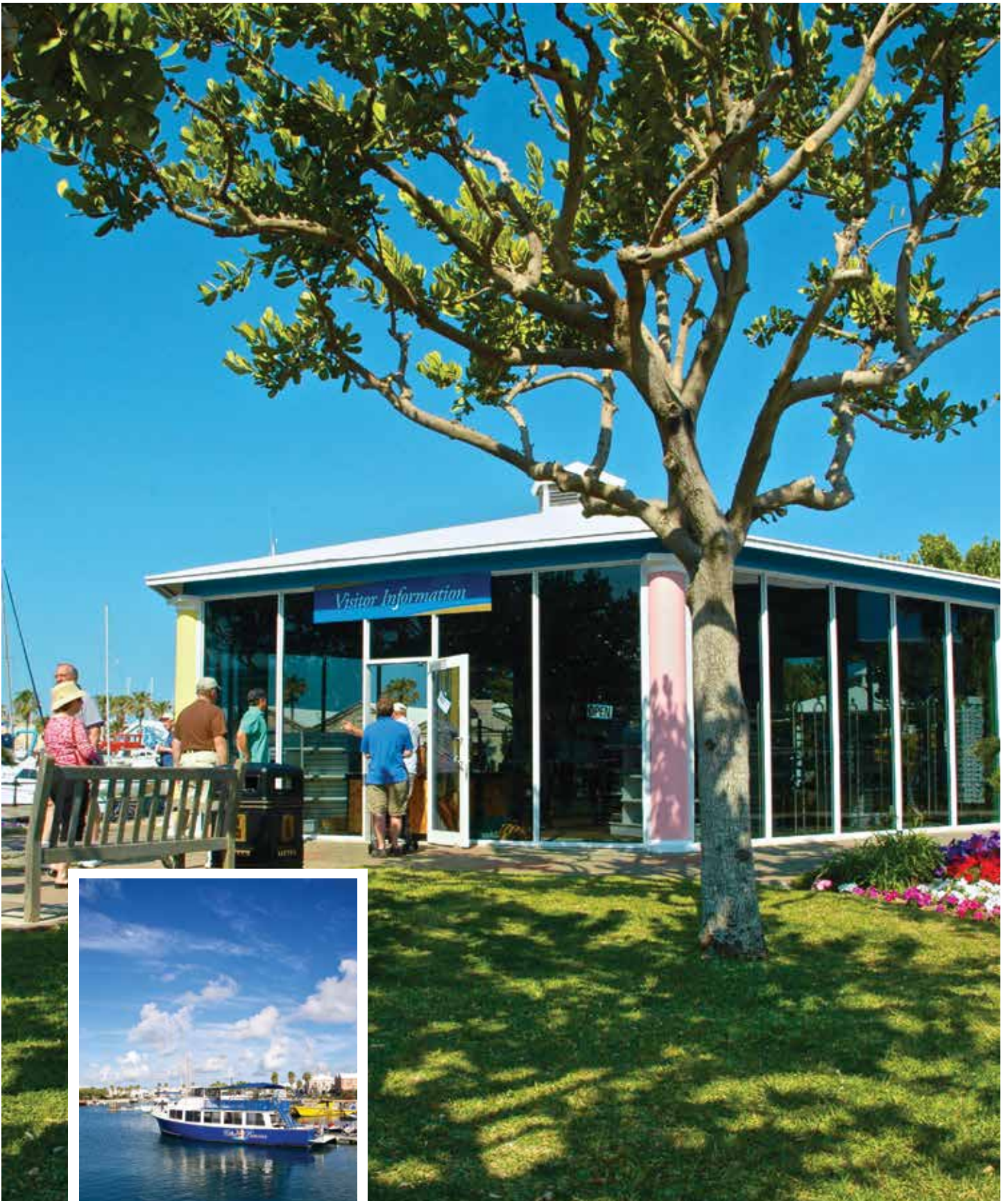
Seeking and establishing solid business partners is still paramount to the Corporation, especially partners who are ready to stay here for the long term and fit in with the ethos of what is, essentially, the Royal Naval Dockyard - a place to live, work and play.

One particular thing deserves special mention is that the Dockyard community has evolved to become an extremely close group that bands together in good times and bad. This past year has seen tenants pull together in extraordinary ways when challenges have arisen, which was truly highlighted when the area prepared for the threat of a hurricane. Residents, commercial tenants, and staff working with the businesses in Dockyard all have a sense of pride in our area and work hand-in-hand to protect our homes and businesses, both physically and fiscally. People have a genuine vested interest and a sense of being a part of this strong community, which is met with enthusiasm and an aim for the common goal. WEDCo certainly recognizes that, as in any community, there are challenges at times, but these moments have always transpired, in fact, to be opportunities for all who live and work here to bring about the vision of making Dockyard a true destination in itself.

In closing I wish to thank WEDCo's dedicated management and staff for their efforts during the past year as well as all Government departments, but especially the Ministry of Public Works, the Ministry of Business Development & Tourism, the Ministry of Transport and the Ministry of Environment, Planning & Infrastructure Strategy with whom we continue to enjoy a close productive and successful working partnership. Perhaps most importantly of all, we wish to thank our residential and commercial tenants, without whom the Royal Naval Dockyard could not be the success that it is today.

A handwritten signature in black ink, appearing to read 'Andrew Dias', with a stylized flourish at the end.

Andrew Dias  
General Manager



## THE YEAR IN REVIEW



During the course of the financial year 2011/12 the West End Development (WEDCo) continued to focus on the general upkeep and care of the Dockyard facilities through general maintenance and upgrades. In keeping with original plans, the process for progress is to maintain and monitor completed projects for a period of time before moving forward with the next phases of the long-term plans. As all of the projects undertaken to date have been successful, 2011/12 saw the start to preparations for the next phase of the West End Housing solution.



It was a financially challenging year, although WEDCo managed to hold its own and was able to overcome the challenges well. WEDCo encouraged business tenants to work together and provided support through marketing initiatives so that they could maintain and even build their profits, and thereby market the Royal Naval Dockyard as the Island's largest destination.

It remains the focus for WEDCo to be financially self-sufficient and to develop the infrastructure without the help of grants.



Day-to-day business is managed without funding, which is only provided for capital projects and, as such, we are proud to run a well-balanced business operation.

Significant changes have been made over the past 8-10 years by identifying key areas and following specific strategies to upgrade the older buildings and public areas. Because of this, we have been able to preserve the charm and depth of vision that will ensure the survival of the Royal Naval Dockyard well into the future.







## HIGHLIGHTS & ACCOMPLISHMENTS

## CRUISE SHIP VISITS

The Queen Victoria cruise ship made a short visit to Dockyard on December 3, 2011, travelling en route from the Azores to Charleston. The luxury liner faced some challenging weather conditions before successfully coming into port a little behind schedule, and remained in Dockyard for a total of six hours. The Queen Victoria, owned by Cunard, was recently re-flagged to Bermuda, a move that means marriages can now officially take place on board the ship while at sea.

From April to December 2011 King's Wharf and Heritage Wharf welcomed a total of approximately 365,030 passengers, up from 310,424 in 2010. Regular visits by contract ships Caribbean Princess (Princess Cruises), Explorer of the Seas and Enchantment of the Seas (Royal Caribbean International), Norwegian Dawn and Gem (Norwegian Cruise Lines) and Summit (Celebrity Cruises) accounted for 115 of the 136 cruise ships that arrived in total.

Part of our strategy has been to forge a closer relationship with cruise lines through advertising and other methods. Despite a decrease in the number of passengers this year, we have been able to build awareness of what Dockyard is as a destination, and not simply as a cruise ship port. This has proven to be mutually beneficial, mostly in terms of entertainment and co-ordination for excursions, as well as for frequenting attractions, shops and restaurants.

WEDCo's Business Development Department has continued to work diligently with the Department of Marine and Ports and the Bermuda Department of Tourism to ensure the efficient transportation and handling of the flow of visitors in and out of Dockyard. They have done well to expand the ferry service, which has helped efforts in providing a welcoming experience for the customer.

Transportation services at the cruise ship terminal are efficient and make it easier for visitors to access buses, ferries or taxis to transport them to other areas of Bermuda. The cruise ships and our industry partners speak highly of how the transportation system operates, although we would welcome additional activity in the private sector with land and sea transportation.

## SPECIAL EVENTS

The Royal Naval Dockyard has fast become known as the perfect venue, either in part or as a whole, for a variety of special events in Bermuda. The number of events hosted by local charities, destination and event management companies, and other organisations have increased tremendously, in addition to those put on by WEDCo and its tenants. To mention just a few of the highly successful ones held in 2011/12 include the Old School Explosion, the annual Catlin End-to-End finish, the AME Mount Zion Gospel Choir, and the bi-annual Bermuda Speed Boat Races held off Heritage Wharf.

We take this opportunity to note that registered charities are given special leave to hold Tag Days at Dockyard, and are furthermore not charged a fee if they wish to hold an event.

All of the events that are held at the Royal Naval Dockyard are intrinsic to supporting the vision of the area being a Destination in itself, which is the penultimate objective of WEDCo and its tenants.

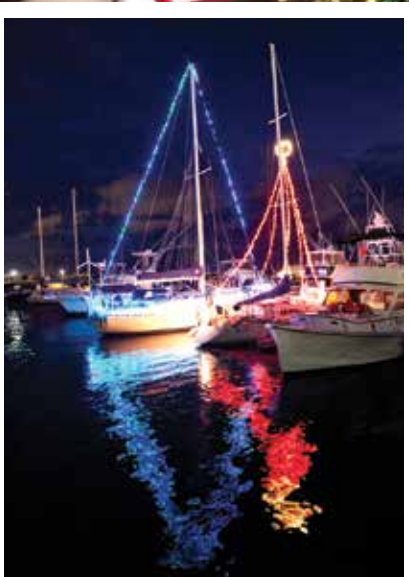
## ROYAL NAVAL NIGHTS

In 2011 Destination Dockyard was rebranded to Royal Naval Nights - a weekly street festival, which was well attended by residents and visitors alike. The Monday night event was sponsored by the Norwegian Cruise Line (NCL), Royal Caribbean Cruise Lines (RCCL), the Bermuda Department of Tourism (BDOT), and by WEDCo. The financial sponsorships and the revenue from the vendors ensured the success of this event.

During the 2011 season, 18 weekly events were held every Monday evening from June 27 through October 24, of which only five were cancelled due to inclement weather. The Royal Naval nights featuring late-night shopping, local crafts, food and live entertainment, all of which attracted not only the cruise ship passengers, but large numbers of local residents and hotel visitors as well.

While the popularity of Destination Dockyard spurred the concept of developing a second weekly event, Heritage Nights on Thursday evenings, this proved not to be as well attended as had been hoped. The cruise ship visitors' age





## HIGHLIGHTS & ACCOMPLISHMENTS



and interest in this type of event depends largely on the time of season, so it was decided to discontinue the event in 2012, as the attending demographic could not be met sufficiently to warrant the cost of holding the event. Heritage Nights were sponsored by TeleBermuda International Ltd. (Tbi) and WEDCo, and ran for a total of 10 out of 15 scheduled nights in the Victualling Yard.

## CHRISTMAS IN DOCKYARD

Christmas in Dockyard in 2011 was, once again, a resounding success. The entire Dockyard community came together to ring in the Holiday Season by putting on three Sunday shopping days in December that were filled with activities and entertainment. Shoppers were free to browse the shops while being serenaded by school choirs and professional musicians, and could watch and sample traditional Christmas fare cooking competitions, participate in a Scavenger Hunt, and take advantage of the Kiddie Drop n' Shop. The Polar Express Train transported shoppers, while elves delighted the younger ones with candy, directing them to the Frog and Onion for a photo with Santa! And to end the evenings, the Looking Glass was ready to take bag-laden residents back across the waters to Hamilton.

WEDCo sponsored three charities over Christmas and purchased six Christmas trees for the public areas in the Clocktower Mall; three charities were chosen to decorate the trees and were permitted to collect money for the services of gift wrapping during the Sunday Shopping days.

In addition to the Sunday shopping days, the Dockyard Marina this year hosted a Christmas Lights competition, where boats berthed at the Marina were invited to compete for the "best dressed" boat. Both the participants and the people who enjoyed the spectacle had a wonderful time extending the Christmas cheer to the waterside.



## MARKETING

The newly redesigned WEDCo website was launched in April 2011, and has proven hugely successful in disseminating information to locals, visitors and businesses. The website is divided into three separate sections to cater to the specific target markets:

- Destination (The West End)
- Residential (West End Living)
- Commercial/Corporate (WEDCo)

Some banner advertising space on the website was sold, as part of the effort to identify new revenue streams in original plans.

The Royal Naval Dockyard Facebook page has been a successful tool for targeting and reaching residents and visitors, and is used mostly to promote events in Dockyard or pass on interesting articles. Now with almost 1,500 followers, the page is helpful in keeping people up-to-date with the latest activities and changes to services or facilities at Dockyard.

All Dockyard tenants are invited to supply information for the monthly Royal Naval Dockyard newsletter, which is instrumental in keeping over 3,500 residents and visitors alike informed of the latest news and events from the area. The newsletter also provides local businesses the opportunity to pass on information regarding their individual promotions.





## INFRASTRUCTURE

The Board and WEDCo places great importance and focus on ensuring that policies and plans are in place for future generations to have room for further development of the Royal Naval Dockyard. To that end, they are well aware that it would be imprudent to move forward too quickly and without ensuring structures continue to work well before any new infrastructure is developed. Emphasis is placed on the historical as well as the commercial value of the area so that the two can work together to generate realistic revenue that will encourage growth.

The fiscal year 2011/12 was once more predominantly used to maintain the infrastructure created during previous years, in particular, the Water Reclamation Facility, the Reverse Osmosis Plants and the North Basin Marina development. While projects of upgrading and maintenance continued, preparations were started for moving forward in the next fiscal year with the West End Housing solution.

Efforts were mainly put into maintaining existing areas to ensure that they are up to par, for example:

- Building and roof repairs
- Potable water and cisterns
- Sewage working efficiently and effectively



The Reverse Osmosis Plants are working well, selling water to cruise ships as needed and supplementing Government supply.

## SECURITY

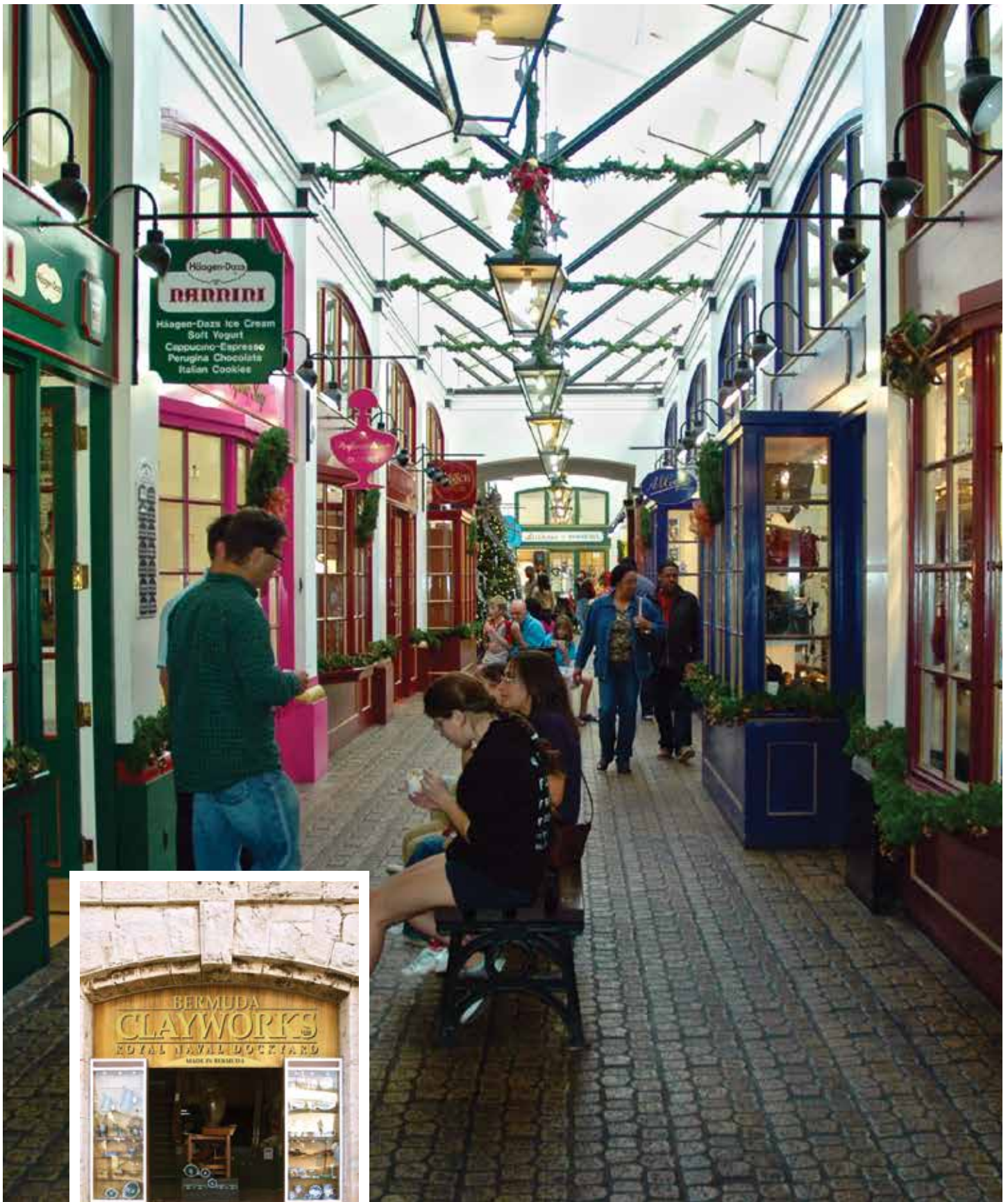
Safety and security continue to be a top priority at the Royal Naval Dockyard, and WEDCo works closely with Police and the Community Action team in monitoring and improving security in and around Dockyard.

Closed circuit cameras (CCTV) have been installed in key areas and ongoing projects include significantly upgrading many of the cameras to enable night-time license plate and face recognition. This is a project that is expected to continue over time, due to the high cost of the cameras (approximately \$10,000 each).

## CASEMATES

In 2010/11 the Maritime Museum became the Bermuda National Museum with the addition of the old Casemates prison and its adjacent buildings and fortifications, and the connecting rampart. Progress has been made with legislative amendments and the intent is to sign the lease in due course.





## BUSINESS DEVELOPMENT

Business development is made up of residential and commercial sectors. WEDCo's main objective continues to be the growth of both of these sectors in order to increase year-round critical mass, which is critical for future sustainability.

## RETAIL

Despite the challenging economy and decrease in cruise ship visitors to Dockyard, sales for the financial year 2011/12 rose slightly by 13.66% over all industry types, covering manufacturers, restaurants, yacht and marine services, and retail outlets.

Dockyard businesses have worked hard individually and together to promote their products and services, and to bring added-value to customers and thereby encourage spending. Concerted marketing efforts in conjunction with WEDCo have worked well and encouraged buy-in from the tenants.

The financial year 2011/12 has seen the opening of five new businesses, and the closing of three. While we were pleased to welcome the Dockyard Pastry Shop, Internationally Connected, TBI Wireless Zone, Bermytreats and Rosebuds to our community, we were sorry to say farewell to the Duchess Boutique, Choices Menswear and Iana.

Now open 362 days a year, WEDCo is still working towards the retail units extending their opening hours during high season, from the current hours of 9am to 5pm, which will hopefully encourage local and overseas visitors to spend time in the area and combine shopping, dining and entertainment experiences.

The restructuring of the second floor of the Clocktower Mall for the Department of Corrections offices was completed in September 2011 and now account for an additional year-round 'population' of approximately 50 people living and working in the Dockyard area.

WEDCo continues to actively seek companies to start up or move to the Royal Naval Dockyard

in both capacities of retail and service, in order to maintain a well-structured balance of the area as a whole. Some applications were turned down during the course of 2011/12 owing to unsuitability for this very reason.

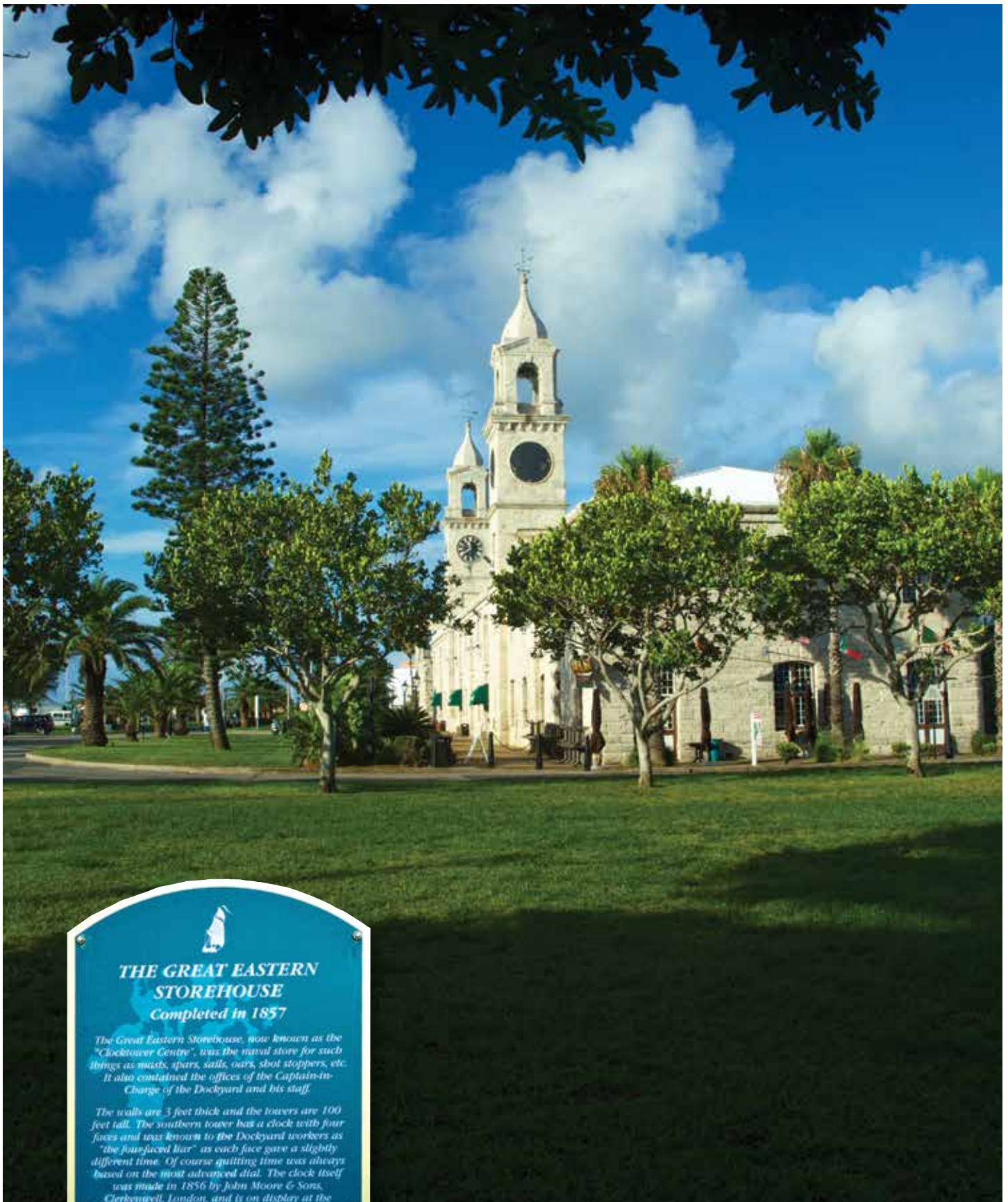
## RESIDENTIAL DEVELOPMENT

As part of the overall Housing Plan, WEDCo continues to increase and upgrade the residential base and assess development opportunities on an ongoing basis in the hope of increasing critical mass to stimulate and support new and existing business enterprises.

During the financial year 2011/12, preparations moved forward to upgrade all of the housing stock, in particular at Victoria and Albert Rows, without displacing any families. A project has been put together to develop 20 units into which residents can be moved, after which the vacated buildings will be demolished and developed. The mandate is to develop the area and find solutions to recover costs while offering rental rates at realistic, and yet below, market prices. The key objective is not to make a profit, but to cover maintenance costs to ensure sustainability for the future. The Housing Plan has been developed to follow the fiscally responsible process of maintaining infrastructure once it is in place, and only expanding upon that infrastructure when it has been controlled and tested for sustainability.







**THE GREAT EASTERN  
STOREHOUSE**  
*Completed in 1857*

*The Great Eastern Storehouse, now known as the "Clocktower Centre", was the naval store for such things as masts, spars, sails, oars, shot stoppers, etc. It also contained the offices of the Captain-in-Charge of the Dockyard and his staff.*

*The walls are 3 feet thick and the towers are 100 feet tall. The southern tower has a clock with four faces and was known to the Dockyard workers as "the four-faced liar" as each face gave a slightly different time. Of course quilting time was always based on the most advanced dial. The clock itself was made in 1856 by John Moore & Sons, Clerkenwell, London, and is on display at the Maritime Museum. The dial on the eastern side of the northern tower was a single hand, which was set daily for the time of the next high tide to within the nearest fifteen minutes.*

**LOOKING FORWARD**

WEDCo continues to move forward with existing plans that include the South Basin being used primarily for light industrial enterprise while the North Basin will be used primarily for shopping, entertainment, dining and residential services. New housing developments are being tied into Dockyard's infrastructure, with expanded sewage treatment plans that service Ireland Island South and Watford Bridge, which is critical to medium and long-term sustainability of the West end and a model for the rest of the island.

for residents and visitors to enjoy. This piece of land measures approximately 4.2 acres and is commonly known as Lodge Point.

We also welcome our new Minister, The Hon. Mr Michael Weeks, JP, MP, as the new Minister of Public Works responsible for WEDCo, and under whose ministry we have returned.

The Royal Naval Dockyard has come a long way since the days when it was an important



We are continually looking to form business partners for the long term and, with this in mind, we look forward to the new, large Fun Golf development adjacent to Snorkel Park, which is being considered for 2012, which will provide yet another activity for Dockyard as well as further development of the Sally Port.

However, it must be said that, while we are a development company, we are also very mindful of developing in a sustainable manner, which is why the management and Board intend to reserve a large piece of land to be free of construction and to maintain it as green space

strategic base providing anchorage, dockyard, victualing yard and ordnance depot for the British Royal Navy. Tremendous efforts and foresight have helped this centre to evolve into what it is today - a vibrant entertainment and cultural centre that is host to Arts and Crafts outlets, retail stores, museums and restaurants. It is a place to be experienced, in every sense of the word, with everything and everyone within a short walking distance or train ride. Our overall and far-reaching objective remains as it always has: the Royal Naval Dockyard will continue to grow and evolve into a destination of its own.





## FINANCIAL REVIEW 2011-2012

Whilst the economy continues to provide challenges, the Corporation has had to navigate through some tempestuous waters in order to achieve its goals for the year. Revenues have remained somewhat constant, while expenses have increased slightly due to water production and certain marketing costs. Starting this year, we have adopted the public sector accounting standards, which, amongst other changes as described in Note 2 of the financial statements, requires us to account for capital contributions in full in the year the contributions are made. As a result, we were precluded from recognising annual income of approximately \$1.4m, which has greatly affected our bottom line. The April 1, 2010 and March 31, 2011 Statements of Financial Position have been restated to reflect this accounting change. Cash and cash equivalents increased by 8% to \$9,999,041 and Accumulated Surplus (formerly Retained Earnings) was \$59,833,132 (2011 - \$59,587,581). The significant change in accumulated surplus as noted in Note 19 of the financial statements relates to the recognition of approximately \$40m of capital contributions which were

recognized in the March 31, 2011 fiscal year as a result of the conversion to public sector accounting standards.

The real estate market continues to remain weak, which has impacted our ability to sell the remaining units at Boaz Island Village. Only two sales were completed during the current year and funds were received. Financing for the new Victoria Place Housing has been finalised and the development contract has been awarded, with construction already underway.

The Heritage Wharf and King's Wharf continue to be our better revenue-generators in an otherwise challenging retail market, contributing to a 16% increase in retail sales.

The Corporation continues to seek out new revenue streams to increase its cash flows whilst minimising costs and cutting back where necessary. We must 'think outside the box' to rise above the current state of the economy to ensure our long-term survival.

## 2012 FINANCIAL OVERVIEW

### Management's Responsibility for the Consolidated Financial Statements of The West End Development Corporation

These consolidated financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. These are the Corporation's first consolidated financial statements prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. The Corporation has chosen to adopt the public sector accounting standards for other government organizations.

The preparation of financial statements necessarily involves the use of estimates, based on informed judgments by management and giving appropriate consideration to reasonable limits of materiality. In the opinion of management, the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, changes in net assets and cash flows of The West End Development Corporation. Financial information presented elsewhere in this annual report is consistent with the consolidated financial statements and the underlying information from which the financial statements were prepared.

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

The Auditor General of Bermuda conducts an independent examination, in accordance with auditing standards generally accepted in Bermuda and Canada, and expresses her opinion on the financial statements. The Auditor General of Bermuda has full and free access to financial management of The West End Development Corporation and meets when required. The accompanying Independent Auditor's Report outlines her responsibilities, the scope of her examination and her opinion on the financial statements.



Andrew Dias  
General Manager

**March 31, 2013**



Kent Bascome  
Financial Controller





## Office of the Auditor General

Reid Hall, Penthouse  
3 Reid Street  
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: [oag@oagbermuda.bm](mailto:oag@oagbermuda.bm)

Website: [www.oagbermuda.gov.bm](http://www.oagbermuda.gov.bm)

### INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Works

I have audited the accompanying consolidated financial statements of The West End Development Corporation, which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the years ended March 31, 2012 and March 31, 2011 and notes, comprising a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on my audits. I conducted my audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The West End Development Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010, and its consolidated results of operations, changes in net debt and cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

#### Amended Financial Statements

Without modifying my opinion, I draw attention to Note 23 to the consolidated financial statements, which explains that the financial statements for the year ended March 31, 2012 have been amended from those on which I originally reported on March 31, 2013.

Hamilton, Bermuda

March 31, 2013

Except as to Note 23, which is as of April 4, 2014

Heather A. Jacobs Matthews, JP, FCA, CFE  
Auditor General

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2012, MARCH 31, 2011 AND APRIL 1, 2010  
expressed in Bermuda dollars

		As at March 31		As at April 1
		2012	2011	2010
		\$	\$	\$
		Amended	Restated	Restated
		(Note 23)	(Notes 19 & 23)	(Note 19)
<b>FINANCIAL ASSETS</b>	<b>Note</b>			
Cash and cash equivalents		9,999,041	9,240,280	7,566,038
Accounts receivable	3, 14	513,765	300,451	1,165,401
Due from the Government of Bermuda	12, 14	7,261,110	8,723,437	10,243,897
Tenant improvements recoverable	5, 14	1,583,231	1,095,720	438,336
Mortgages and loans receivable	4	201,106	176,850	143,203
Investment in a government business enterprise	6	13,176	11,560	8,385
		<u>19,571,429</u>	<u>19,548,298</u>	<u>19,565,260</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	8, 14	805,885	1,425,856	2,015,067
Employee future benefits	15	116,120	101,521	96,114
Due to the Government of Bermuda	11, 14	353,483	353,483	353,483
Due to the Government of Canada	11	4,396,517	4,646,517	4,646,517
Deferred revenue	9	107,065	79,304	86,072
Deferred capital contributions	13	50,302,937	51,645,772	57,258,261
Long-term debt	12	7,142,859	8,571,430	8,293,972
Obligations under capital lease	10	112,364	121,594	129,124
		<u>63,337,230</u>	<u>66,945,477</u>	<u>72,878,610</u>
<b>NET DEBT</b>		<u>(43,765,801)</u>	<u>(47,397,179)</u>	<u>(53,313,350)</u>
<b>NON-FINANCIAL ASSETS</b>				
Tangible capital assets	7	103,470,679	106,858,298	113,678,549
Inventories		5,431	4,507	-
Prepaid expenses		122,823	121,955	121,358
		<u>103,598,933</u>	<u>106,984,760</u>	<u>113,799,907</u>
<b>ACCUMULATED SURPLUS</b>	20	<u>59,833,132</u>	<u>59,587,581</u>	<u>60,486,557</u>
<b>CONTRACTUAL OBLIGATIONS AND CONTINGENCIES</b>	11, 12 and 22			

The accompanying notes are an integral part of these financial statements



# CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2012

expressed in Bermuda dollars

		2012 \$ Budget (Note 18)	2012 \$ Actual (Amended) (Note 23)	2011 \$ Actual (Restated) (Note 23)
<b>REVENUES</b>	Note			
Rental	14	6,673,290	6,000,559	5,653,073
Dock	14	1,962,227	2,126,112	1,738,944
Amortization of deferred capital contributions	13	-	1,342,835	1,342,835
Water	14	615,490	986,073	731,556
Service and expense recoveries		785,867	864,189	798,001
Gain on disposal of tangible capital assets	7	1,092,000	546,020	33,767
Government contributions	12, 14	1,306,280	315,457	355,972
Other		-	200,296	138,302
Investment income	4, 5	49,056	27,041	42,332
Write-down of tangible capital assets	13	-	-	5,829,565
		<u>12,484,210</u>	<u>12,408,582</u>	<u>16,664,347</u>
<b>EXPENSES</b>				
Facilities	16	7,017,015	8,279,917	13,663,953
Administration	16	3,509,429	2,890,052	3,088,502
Business development	16	806,196	993,062	810,868
		<u>11,332,640</u>	<u>12,163,031</u>	<u>17,563,323</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>		<u>1,151,570</u>	245,551	(898,976)
<b>ACCUMULATED SURPLUS,</b>				
<b>BEGINNING OF YEAR</b>			<u>59,587,581</u>	<u>60,486,557</u>
<b>ACCUMULATED SURPLUS,</b>				
<b>END OF YEAR</b>			<u>59,833,132</u>	<u>59,587,581</u>

The accompanying notes are an integral part of these financial statements

## CONSOLIDATED STATEMENTS OF CHANGES IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2012  
expressed in Bermuda dollars

	2012 \$ Budget (Note 18)	2012 \$ Actual (Amended) (Note 23)	2011 \$ Actual (Restated) (Note 23)
Annual surplus (deficit)	1,151,570	245,551	(898,976)
Acquisition of tangible capital assets	(2,143,160)	(638,605)	(2,648,081)
Amortization of tangible capital assets	2,826,201	3,728,518	3,638,768
Gain on disposal of tangible capital assets	-	(546,020)	-
Loss on impairment of tangible capital assets	-	-	5,829,565
Proceeds on disposal of tangible capital assets	-	900,000	-
Rebate on disposal of tangible capital assets	-	(50,040)	-
Investment in tangible capital assets	-	(6,234)	-
	683,041	3,387,619	6,820,252
Acquisition of inventories	-	(48,692)	(8,210)
Acquisition of prepaid expenses	(1,299)	(122,823)	(121,955)
Use of inventories	-	47,768	3,704
Use of prepaid expenses	-	121,955	121,358
	(1,299)	(1,792)	(5,103)
<b>CHANGE IN NET DEBT</b>	1,833,312	3,631,378	5,916,173
<b>NET DEBT,</b>			
<b>BEGINNING OF YEAR</b>		(47,397,179)	(53,313,352)
<b>NET DEBT,</b>			
<b>END OF YEAR</b>		(43,765,801)	(47,397,179)

The accompanying notes are an integral part of these financial statements



# CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2012

expressed in Bermuda dollars

	2012 \$ Amended (Note 23)	2011 \$ Restated (Note 23)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	245,551	(898,976)
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	3,728,518	3,638,768
Amortization of deferred capital contributions	(1,342,835)	(1,342,835)
Loss on impairment of tangible capital assets	-	(5,829,565)
Write-down of tangible capital assets	-	5,829,565
Gain on disposal of tangible capital assets	(546,020)	(3,809)
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(213,314)	864,950
Decrease in accounts payable and accrued liabilities	(619,971)	(589,211)
Increase (decrease) in deferred revenue	27,761	(6,768)
Increase in employee future benefits	14,599	5,407
Increase in prepaid expenses	(868)	(597)
Increase in inventories	(924)	(4,507)
Net cash generated through operating activities	1,292,497	1,662,422
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Proceeds on disposal of tangible capital assets	900,000	3,809
Rebate on disposal of tangible capital assets	(50,040)	
Investment in tangible capital assets	(6,234)	
Acquisition of tangible capital assets	(638,605)	(1,088,171)
Net cash generated through (used in) capital activities	205,121	(1,084,362)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net payment of mortgages and loans receivable	(24,256)	(33,647)
Investment in government business enterprises	(1,616)	(3,175)
Net payment of tenant improvements recoverable	(487,511)	(657,384)
Net cash used in investing activities	(513,383)	(694,206)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the Government of Bermuda	1,462,327	1,520,460
Repayment of obligations under capital lease	(9,230)	(7,530)
Repayment of long-term debt	(1,428,571)	-
Additions to long-term debt	-	277,458
Repayment of amounts due to the Government of Canada	(250,000)	-
Net cash (used in) generated through financing activities	(225,474)	1,790,388
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	758,761	1,674,242
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	9,240,280	7,566,038
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	9,999,041	9,240,280
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest income received	27,041	42,322
Interest expense paid	312,462	349,920

The accompanying notes are an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Conversion to Public Sector Accounting Standards

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPA Canada), the Corporation is classified as an other government organization. These consolidated financial statements have been prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. As these are the Corporation's first consolidated financial statements prepared in accordance with public sector accounting standards, Section PS 2125, First-time Adoption by Government Organizations, has been applied. The Corporation has also chosen to early adopt PS 1201 - Financial Statement Presentation, PS 2601 - Foreign Currency Translation, PS 3410 - Government Transfers and PS 3450 - Financial Instruments in the preparation of these financial statements.

The Corporation's financial statements were previously prepared in accordance with accounting principles generally accepted (GAAP) in Bermuda and Canada, as set forth in Part V of the CPA Canada Handbook. The impact of the transition from GAAP to public sector accounting standards is described in Note 19.

These statements do not include a Statement of Remeasurement Gains or Losses as the Corporation has no activities that give rise to remeasurement gains or losses.

The Corporation has adopted accounting policies appropriate for an other government organization and the policies considered particularly significant are set out below:

#### (a) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

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 recoveries and expense recoveries are recognized when received or receivable.

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

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

Contributed tangible capital assets are recorded as 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.



## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the consolidated 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 consolidated 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) Investment in a government business enterprise (GBE)

The investments in a GBE is accounted for using the modified equity method which requires the Corporation to recognize the net income and changes in equity on its investments upon commencement of operations.

#### (d) Mortgages and loans receivable

Mortgages and loans receivable are recorded at cost less any amount for valuation allowances. Valuation allowances are made when collection is in doubt. Interest is accrued on loans to the extent that it is deemed collectible.

#### (e) 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 but has not been actuarially confirmed.

#### (f) 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

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets under development represent the cost of direct materials and labour of capital projects not completed at year-end.

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

#### (g) 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 period in which they are incurred.

#### (h) Prepaid expenses

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

#### (i) 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.

#### (j) Expenses

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

#### (k) 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 the 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, 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.

#### (l) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, due from the Government of Bermuda, mortgages and loans receivable, tenant improvements recoverable, accounts payable and accrued liabilities, due to the Government of Canada and long-term debt.

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

The carrying value of the Corporation's financial instruments approximates their fair value due to their relative short-term nature.



## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 3. ACCOUNTS RECEIVABLE

	2012	2011
	\$	\$
Tenant receivables	1,265,587	962,277
Accrued interest and other receivables	148,379	73,516
Less: provision for doubtful accounts	(900,201)	(735,342)
	<u>513,765</u>	<u>300,451</u>

### 4. MORTGAGES AND LOANS RECEIVABLE

In April 1985, the Corporation received permission to sell, subject to the approval of the Minister of Works & Engineering and Housing, the freehold interest of its residential properties in the West End Development Corporation area under the provisions of Section 20 of the Act. The mortgages are for periods varying from 5 to 30 years at an interest rate of 9% per annum, which are secured by the properties.

During fiscal 2012, the Corporation advanced funds to the Boaz Island Village Condominium Corporation to assist them to upgrade their water meters throughout the Village. The loan is for an amount up to \$100,000 at an interest rate of 6% per annum, unsecured and payable on demand. Interest has been accrued and added to the principal outstanding.

	2012	2011
	\$	\$
Mortgages receivable	111,943	128,274
Loan receivable - Boaz Island Village Condo Corporation	89,163	48,576
	<u>201,106</u>	<u>176,850</u>

### 5. TENANT IMPROVEMENTS RECOVERABLE

On April 23, 2010, the Corporation provided funding, in the amount of \$471,663, to the Department of Public Transportation to develop a bus depot in Dockyard to replace the existing one in Sandys Parish. This loan is to be amortized over 5 years at an interest rate of 7% per annum.

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.

	2012	2011
	\$	\$
Department of Public Transportation	264,153	354,283
Department of Corrections	1,319,078	741,437
	<u>1,583,231</u>	<u>1,095,720</u>

MARCH 31, 2012  
expressed in Bermuda dollars

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 will have the specific role of developing affordable housing, a marina and land reclamation. For financial reporting purposes, SBD was classified as a government business enterprise. SBD is owned by the Corporation and Clark International, LLC on a ratio of 60% and 40%, respectively.

## 7. TANGIBLE CAPITAL ASSETS

Under the Act, approximately 214 acres of land comprising Watford Island, Boaz Island and Ireland Islands North and South, including buildings thereon, were vested in the Corporation by the Government. According to Section 20 of the Act, the Corporation shall not make a sale or other disposition of any vested property or any interest in vested property unless the Senate and the House of Assembly have first approved the sale or disposition by resolution. The Corporation has received approval to sell residential properties from the Minister of Works & Engineering and Housing as disclosed in Note 4.



## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 7. 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. On September 8, 2010, the Government had expressed the intention to divest the Corporation of this asset and enter into a lease and repair agreement with the Corporation, however, as at March 31, 2012, this had not occurred.

The Heritage Wharf suffered damage to its thruster wall as a result of Hurricane Igor which hit Bermuda in September 2010. The Ministry of Public Works decided that the best course of action was to totally remove the thruster wall. The amount of the impairment was \$5,829,565 and is included in the restated 2011 consolidated statement of operations and accumulated surplus (net of accumulated amortization).

In April 2005, the Board approved the disposal of the 52 units owned by the Corporation at Boaz Island Village. Management is actively pursuing potential buyers of the individual units. During the fiscal year, 2 units were disposed and the proceeds were received. As at March 31, 2012, there were 32 units remaining.

Included in the above tangible capital assets are rental revenue producing assets at a cost of \$21,959,378 (2011 - \$21,691,731) and related accumulated amortization of \$10,672,770 (2011 - \$9,905,157).

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
	\$	\$
Accounts payable and accrued liabilities	608,675	1,209,969
Salaries and benefits payable	22,356	24,181
Rental deposits	174,854	191,706
	<u>805,885</u>	<u>1,425,856</u>

### 9. DEFERRED REVENUE

	2012	2011
	\$	\$
Advanced rental payments	102,394	75,217
Other	4,671	4,087
	<u>107,065</u>	<u>79,304</u>

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 10. 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.

Future repayments scheduled over the remaining term of the lease are as follows:

Year	Capital Lease Obligations	Interest	Total Lease Payments
	\$	\$	\$
2013	10,147	10,253	20,400
2014	11,155	9,245	20,400
2015	12,264	8,136	20,400
2016	13,483	6,917	20,400
2017-2020	65,315	12,885	78,200
	<u>112,364</u>	<u>47,436</u>	<u>159,800</u>

### 11. 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 requires 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.

### 12. LONG-TERM DEBT

In April 2009, the Corporation secured a loan for \$10,000,000 through 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 of Bermuda by way of annual grants to the Corporation.

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 12. LONG-TERM DEBT (continued)

Scheduled principal and interest repayments which constitute the expected annual grants from the Government are as follows:

Due date	Principal \$	Interest \$	Total \$
May 30, 2012	1,428,571	291,011	1,719,582
May 30, 2013	1,428,571	232,809	1,661,380
May 30, 2014	1,428,571	174,607	1,603,178
May 30, 2015	1,428,571	116,405	1,544,976
May 30, 2016	1,428,575	53,262	1,481,837

The interest payments do not reflect the change in interest rate during the year.

Due from the Government of Bermuda represent amounts recoverable from the Government by the Corporation in respect to the loan.

Government contributions include interest expense on the loan which is recoverable from the Government.

### 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 consolidated statement of operations and accumulated surplus.

	2012 \$	2011 \$
Balance, beginning of year	51,645,772	57,258,261
Add: capital asset received from the Government of Bermuda	-	1,559,911
Less: amount amortized to operations	(1,342,835)	(1,342,835)
Less: write-down of tangible capital assets	-	(5,829,565)
Balance, end of year	<u>50,302,937</u>	<u>51,645,772</u>

Capital asset received relates to additional expenditure by the Government on the Heritage Wharf during the year.

### 14. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common control to all the Government created departments, boards and quasi-autonomous non-governmental organizations. 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.



## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 14. RELATED PARTY TRANSACTIONS (continued)

Related party transactions entered into by the Corporation during the year are as follows:

		2012	2011
		\$	\$
Transactions during the year:	Note		
Rental revenue		1,682,339	1,197,253
Government contributions	12	315,457	1,915,883
Dock revenue		229,819	191,515
Water revenue		70,000	54,000
Water and insurance expense		657,683	699,056
Employee future benefits expense		238,952	256,591
Tenant improvements recoverable		141,726	112,074
Balances at the end of the year:			
Accounts receivable	3	96,932	23,429
Due from the Government of Bermuda	12	7,261,110	8,723,437
Tenant improvements recoverable	5	1,583,231	1,095,720
Accounts payable and accrued liabilities	8	157,904	181,300
Due to the Government of Bermuda	11	353,483	353,483

### 15. EMPLOYEE FUTURE BENEFITS

#### (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 amounted to \$67,150 (2011 - \$61,356).

##### (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 \$77,990 (2011 - \$74,572).

#### (b) Other benefits

Other employee benefits include maternity leave, sick leave, vacation days and retirement leave. All of these benefits, except for retirement leave, are unfunded.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 15. EMPLOYEE FUTURE BENEFITS (continued)

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as of March 31, 2012 is \$79,043 (2011 - \$121,474) and is included in accounts payable and accrued liabilities.

Employees are entitled to retirement leave benefits based upon their years of service at the time of retirement. The retirement leave accumulates and vests and a liability is accrued each year. During the year, no retirement leave benefits were paid. The liability as at March 31, 2012 is \$116,120 (2011 - \$101,521) and is included in employee future benefits on the consolidated statement of financial position.

### 16. EXPENSES BY OBJECT

	2012 \$ Budget	2012 \$ Actual (Amended) (Note 23)	2011 \$ Actual (Restated) (Note 23)
Facilities:			
Amortization of tangible capital assets	2,826,201	3,728,518	3,638,768
Loss on impairment of tangible capital assets	-	-	5,829,565
Wages	1,009,505	994,382	916,304
Water	612,667	1,031,056	731,526
Repairs and maintenance	928,448	907,028	965,919
Electricity	403,389	443,412	392,597
Salaries	427,595	396,259	394,509
Security services	375,237	291,293	318,274
Dock operations and maintenance	260,300	264,382	254,899
Landscaping operations	98,815	98,393	134,649
Custodial services	37,723	72,420	49,100
Vehicle	37,135	52,774	37,843
	<u>7,017,015</u>	<u>8,279,917</u>	<u>13,663,953</u>
Administration:			
Salaries	961,922	891,428	830,098
Insurance	666,561	665,048	716,909
Employee future benefits	578,256	513,182	619,257
Financing costs	930,868	351,157	371,680
Office supplies	307,822	312,884	323,450
Bad debt	50,000	154,358	218,630
Travel and entertainment	14,000	1,995	8,478
	<u>3,509,429</u>	<u>2,890,052</u>	<u>3,088,502</u>
Business development:			
Advertising, promotions and maintenance	361,130	533,479	405,710
Salaries	355,563	329,505	277,483
Legal and professional fees	71,000	98,939	81,030
Water	18,503	31,139	46,645
	<u>806,196</u>	<u>993,062</u>	<u>810,868</u>

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 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, 2012, the maximum credit risk to which the Corporation is exposed represents the fair value of its accounts receivable.

#### (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.

#### (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.



## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 18. BUDGET

These amounts represent the operating budget approved by the Board on December 24, 2010.

### 19. CONVERSION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Commencing with the 2011/2012 fiscal year, the Corporation has adopted public sector accounting standards generally accepted in Bermuda and Canada. These financial statements are the first financial statements for which the Corporation has applied these standards.

The impact of the conversion to public sector accounting standards generally accepted in Bermuda and Canada on the accumulated surplus at the date of transition and the comparative annual surplus is presented in Note 20. These accounting changes have been applied retroactively with restatement of prior periods. The following changes have been made to comply with the public sector accounting standards generally accepted in Bermuda and Canada:

	Previously Stated 2011 \$		Adjustments 2011 \$		Restated 2011 \$
Accounts receivable	341,320	-	(40,869)	-	300,451
Due from the Government of Bermuda, current portion	1,777,784	(1,777,784)	-	-	-
Prepaid expenses	126,461	(4,507)	-	1	121,955
Mortgages receivable, current portion	16,330	-	(16,330)	-	-
Tenant improvements recoverables, current portion	90,129	-	(90,129)	-	-
Inventories held for use	-	4,507	-	-	4,507
Mortgages receivable	111,944	-	64,906	-	176,850
Tenant improvements recoverable	264,154	-	831,566	-	1,095,720
Investment in subsidiary	19,267	-	(7,707)	-	11,560
Housing units held for sale	5,223,783	(5,223,783)	-	-	-
Tangible capital assets	107,909,935	(605,782)	(741,438)	295,583	106,858,298
Due from the Government of Bermuda	6,951,406	1,777,784	-	(5,753)	8,723,437
Accounts payable and accrued liabilities	1,300,209	(101,521)	227,101	67	1,425,856
Employee future benefits	-	101,521	-	-	101,521
Deferred insurance proceeds	392,268	-	-	(392,268)	-
Obligations under capital lease, current portion	9,230	(9,230)	-	-	-
Due to the Government of Canada	5,000,000	(353,483)	-	-	4,646,517
Due to the Government of Bermuda	-	353,483	-	-	353,483
Long-term debt, current portion	1,428,571	(1,428,571)	-	-	-
Obligations under capital lease	112,364	9,230	-	-	121,594
Long-term debt	7,369,960	1,428,571	(227,101)	-	8,571,430
Deferred capital contributions	91,118,373	(33,790,827)	(5,829,565)	147,791	51,645,772
Accumulated surplus	25,262,514	27,961,262	5,823,812	539,993	59,587,581

# NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

## 19. CONVERSION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

	Previously Stated 2010		Adjustments 2010		Restated 2010
	\$		\$		\$
Cash and cash equivalents	7,566,039	-	-	(1)	7,566,038
Accounts receivable	259,812	-	905,589	-	1,165,401
Due from the Government of Bermuda, current portion	1,870,678	(1,870,678)	-	-	-
Mortgages receivable, current portion	14,929	(14,929)	-	-	-
Tenant improvements recoverable, current portion	84,053	(84,053)	-	-	-
Housing units sale proceeds receivable	900,000	-	(900,000)	-	-
Mortgages receivable	128,274	14,929	-	-	143,203
Tenant improvements recoverable	354,283	84,053	-	-	438,336
Investment in subsidiary	13,974	-	(5,589)	-	8,385
Housing units held for sale	5,223,783	(5,223,783)	-	-	-
Tangible capital assets	108,454,768	5,223,783	-	(2)	113,678,549
Due from the Government of Bermuda	8,373,218	1,870,678	-	1	10,243,897
Accounts payable and accrued liabilities	1,771,173	-	243,896	(2)	2,015,067
Employee future benefits	-	-	96,114	-	96,114
Deferred insurance proceeds	392,268	-	-	(392,268)	-
Obligations under capital lease, current portion	8,396	(8,396)	-	-	-
Long-term debt, current portion	1,428,571	(1,184,675)	(243,896)	-	-
Due to the Government of Canada	5,000,000	(353,483)	-	-	4,646,517
Due to the Government of Bermuda	-	353,483	-	-	353,483
Obligations under capital lease	120,728	8,396	-	-	129,124
Long-term debt	7,109,297	1,184,675	-	-	8,293,972
Deferred capital contributions	92,285,824	(35,027,563)	-	-	57,258,261
Accumulated surplus	25,162,840	35,027,563	(96,114)	392,268	60,486,557

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 20. ACCUMULATED SURPLUS

The accumulated surplus is made up as follows:

	2012	2011	2010
	\$	\$	\$
Accumulated surplus beginning of year as originally reported	59,587,581	25,162,840	22,726,945
Adjustments to accumulated surplus:			
Capital contributions	-	27,961,262	35,027,563
Employee future benefits	-	(96,114)	-
Deferred insurance proceeds	-	392,268	392,268
Deferred capital contributions	-	5,977,356	-
	<u>59,587,581</u>	<u>59,397,612</u>	<u>58,146,776</u>
Annual surplus for the year as originally reported	<u>245,551</u>	<u>99,675</u>	<u>2,435,895</u>
	59,833,132	59,497,287	60,582,671
Adjustments to annual surplus for the year as originally reported:			
Salaries, wages and benefits	-	96,114	(96,114)
Capital G Bank interest	-	(5,820)	-
	<u>59,833,132</u>	<u>59,587,581</u>	<u>60,486,557</u>

### 21. COMPARATIVE FIGURES

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

### 22. SUBSEQUENT EVENTS

#### Infrastructure Expansion and Victoria Place Housing

On May 27, 2010, Cabinet granted approval to the Corporation to demolish current structures at Victoria and Albert Row, to erect 100 precast housing units consisting of one, two and three bedrooms (the "Project") and improve the current infrastructure to support the new build. A loan of \$36,000,000 was negotiated with the Bank of N.T. Butterfield (the "Bank") and guaranteed by the Government to finance the Project.



## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

expressed in Bermuda dollars

### 22. SUBSEQUENT EVENTS (continued)

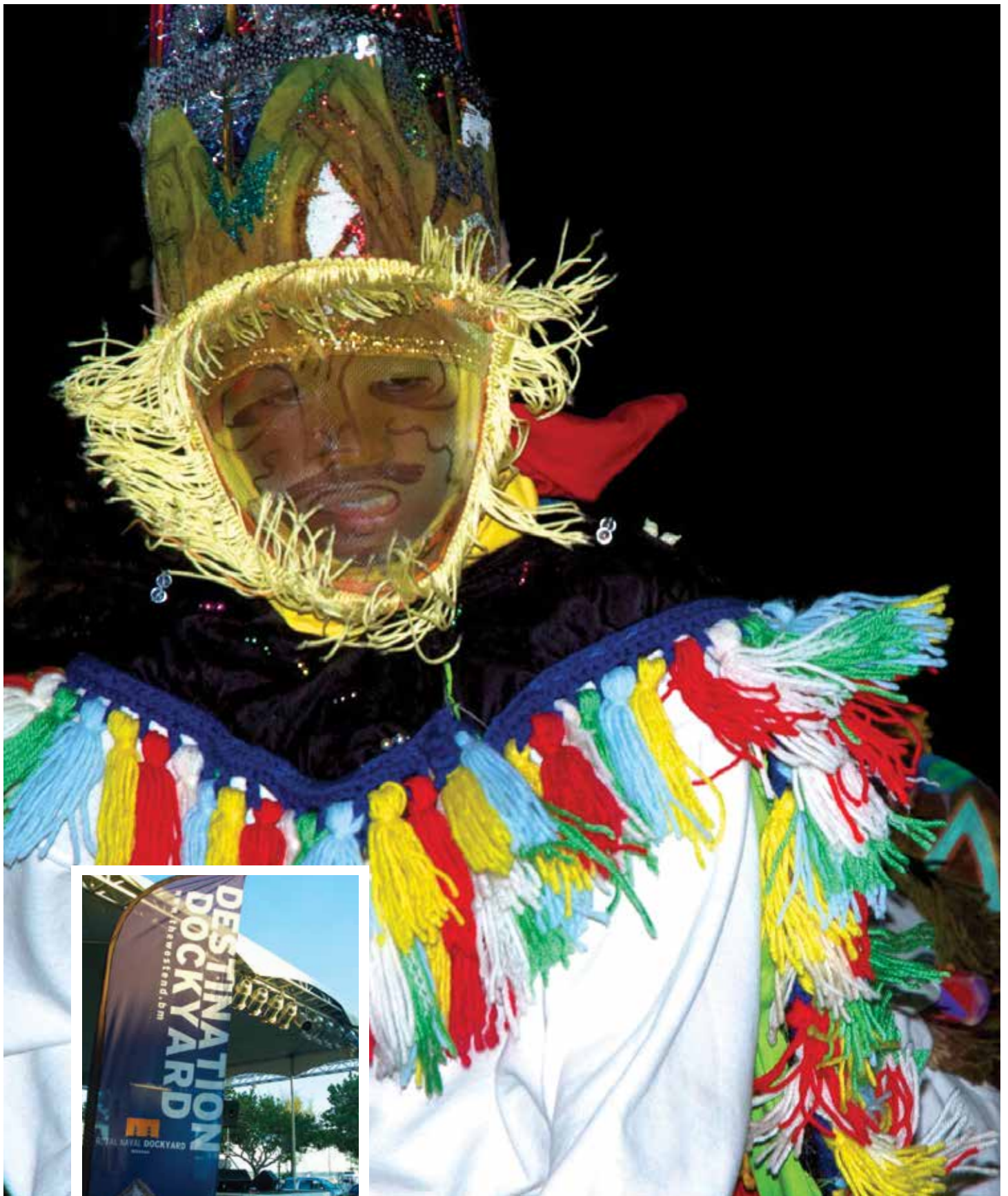
In January 2013, Cabinet announced that a review of the Project was conducted and a decision was made to reduce its scope from 100 units to 20 units (although 32 units have been fabricated), while allowing the completion of the infrastructure expansion. Victoria and Albert Row will no longer be demolished, but current housing units held for sale at the Boaz Island Condominium complex, will systematically be refurbished and offered to the current residents of Victoria and Albert Row, which will also be renovated.

The change of scope by Cabinet required the existing Development Agreement to be renegotiated in addition to the Corporation, Ministry of Public Works and Ministry of Finance meeting with the Bank to inform them of the financial impact, which is estimated to reduce the final loan draw to \$25,000,000. It was mutually agreed between all parties, that the Bank will continue to facilitate the loan with the expectation that the Corporation will notify the Bank approximately one month before the completion of the 16 units. At such time, the Bank will call the loan from the Corporation and transfer the entire loan facility to the Government.

To date, the Corporation has spent \$12,753,904 on preliminary cost associated with the Project. Receipt of the first barge of infrastructure materials arrived January 3, 2013 with the remaining housing materials located in the United States of America expected to be delivered in March 2013.

### 23. AMENDED FINANCIAL STATEMENTS

The financial statements have been amended to reflect the change in accounting treatment of the Heritage Wharf cruise ship pier. The wharf was reflected at \$1, being its nominal fee at initial conveyance from Government to the Corporation (Note 7). Subsequently, it was determined that the appropriate accounting treatment under CPA Canada Public Sector Accounting Standards PS 3410 (Government Transfers) of the wharf was to reflect its net book value (amortized cost) of approximately \$58,000,000. These statements have been amended to reflect that change. In addition, a write down of approximately \$6,000,000 as a consequence of asset impairment was effected in 2011 (Note 7).



## **BOARD OF DIRECTORS**

### **CHAIRPERSON:**

**THE HON. WALTER LISTER, JP MP**

### **DEPUTY CHAIRPERSON:**

**MR. STANLEY LEE**

### **DIRECTORS:**

**DR. EDWARD HARRIS MBE, JP, FSA**

**MR. CECIL O. DURHAM, JP**

**MR. MARC DANIELS**

**DR. MELVYN BASSETT**

**MR. ALBERT RATTERAY**

**MR. MICHAEL WELLMAN**

## **EX-OFFICIO**

**PERMANENT SECRETARY, WORKS & ENGINEERING**

**DIRECTOR OF PLANNING**

**FINANCIAL SECRETARY**

## **FINANCE AND AUDIT COMMITTEE**

**MR. STANLEY LEE - CHAIRPERSON**

**MS. SANDRA FERGUSON**

**MR. ANDREW DIAS**

**MR. KENT BASCOMBE**

## **WEDC<sub>o</sub> EXECUTIVE**

**GENERAL MANAGER: ANDREW DIAS**

**FINANCIAL CONTROLLER: SANDRA J. FERGUSON**

**FACILITIES MANAGER: CARMEN HARVEY**

**BUSINESS DEVELOPMENT MANAGER: RAYMOND TANNOCK**

## **BANKERS**

**BANK OF N. T. BUTTERFIELD & SON, LTD.**

**CAPITAL G BANK**

## **ANNUAL REPORT DESIGN**

**the foundation**

## **WRITER**

**SHARON AZAB-JONES**

## **PHOTOGRAPHY**

**the foundation**



WORK. PLAY. LIVE.



THE WEST END  
BERMUDA

**WEST END DEVELOPMENT CORPORATION**

P.O. Box MA 415  
MANGROVE BAY, MA BX  
BERMUDA

[T] 441.234.1709  
[F] 441.234.3411  
[E] [INFO@WEDCO.BM](mailto:INFO@WEDCO.BM)

[WWW.THEWESTEND.BM](http://WWW.THEWESTEND.BM)