CULTURAL CAPITAL

2013 ANNUAL REPORT

THE WEST END

BERMUDA

GOVERNMENT OF BERMUDA

Ministry of Public Works

Office of the Minister of Public Works

MARCH 2013

ANNUAL REPORT FOR 2013
WEST END DEVELOPMENT CORPORATION - (WEDCo)

As the Minister responsible for the West End Development Corporation (WEDCo), I am very pleased to say that the fiscal year 2012/13 was successful in spite of the continuing economic challenges for all involved.

This year saw the start of new projects and expansions, as was the intention, after a year of operational maintenance that ensured previous installations were working according to the standards expected. As with any responsible organisation, the team at WEDCo took the time to map out and implement projects as and when objectives were fulfilled, which is the only way towards a sustainable future.

It is also important to note the strength of the partnership between Government and WEDCo, as we collaborate on numerous projects and in tandem to continually improve the facilities and support systems that make Dockyard a desirable destination for our overseas visitors as well as our local residents.

I wish to thank The Board, Management and Staff for their hard work, dedication and enthusiasm in bringing to fruition the vision of the Royal Naval Dockyards as an Island Destination.

Yours sincerely,

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

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LETTER FROM THE CHAIRMAN

The fiscal year 2012/13 has once again, been a challenging one from an economic standpoint. It has nonetheless been successful in that developmental plans and objectives remained in place and were carried out accordingly.

With regards to the physical infrastructure, the general maintenance of the existing areas was a priority for WEDCo. Progress was made with the planned expansion of potable and grey water, the targeted area in the West End Housing plans and the continued planning for the South Basin marine maintenance facility.

We saw some exciting new events and venues come into being over this past year, such as the first annual Billfish Release Cup, CultureFest and the opening of the Bermuda FunGolf recreational venture. All of these were highly successful, and did well to not only generate income, but to draw attention to the Royal Naval Dockyard as a whole.

The popular Destination Dockyard returned in 2012/13 and was held on most Monday nights from June through September. The annual Christmas in Dockyard shopping nights and Christmas Lights competition attracted a large number of families, and 2012 saw the start of a new tradition: 'Carols by Candlelight' featuring our other popular residents – the dolphins at Dolphin Quest. A merry time was indeed had by all, especially as additional ferries were laid on to transport residents and visitors to the area for the event.

Our Marketing and Business Development divisions continually sought ways to increase traffic, upgrade facilities and improve services for our cruise ship passengers. In 2012/13 we saw the provision of the new WiFi service and increased usage of social media, such as Facebook and Twitter, to both impart information to visitors as well as extract suggestions for improvements. Newsletters have been keeping residents and visitors informed on a regular basis of what is happening in the area.

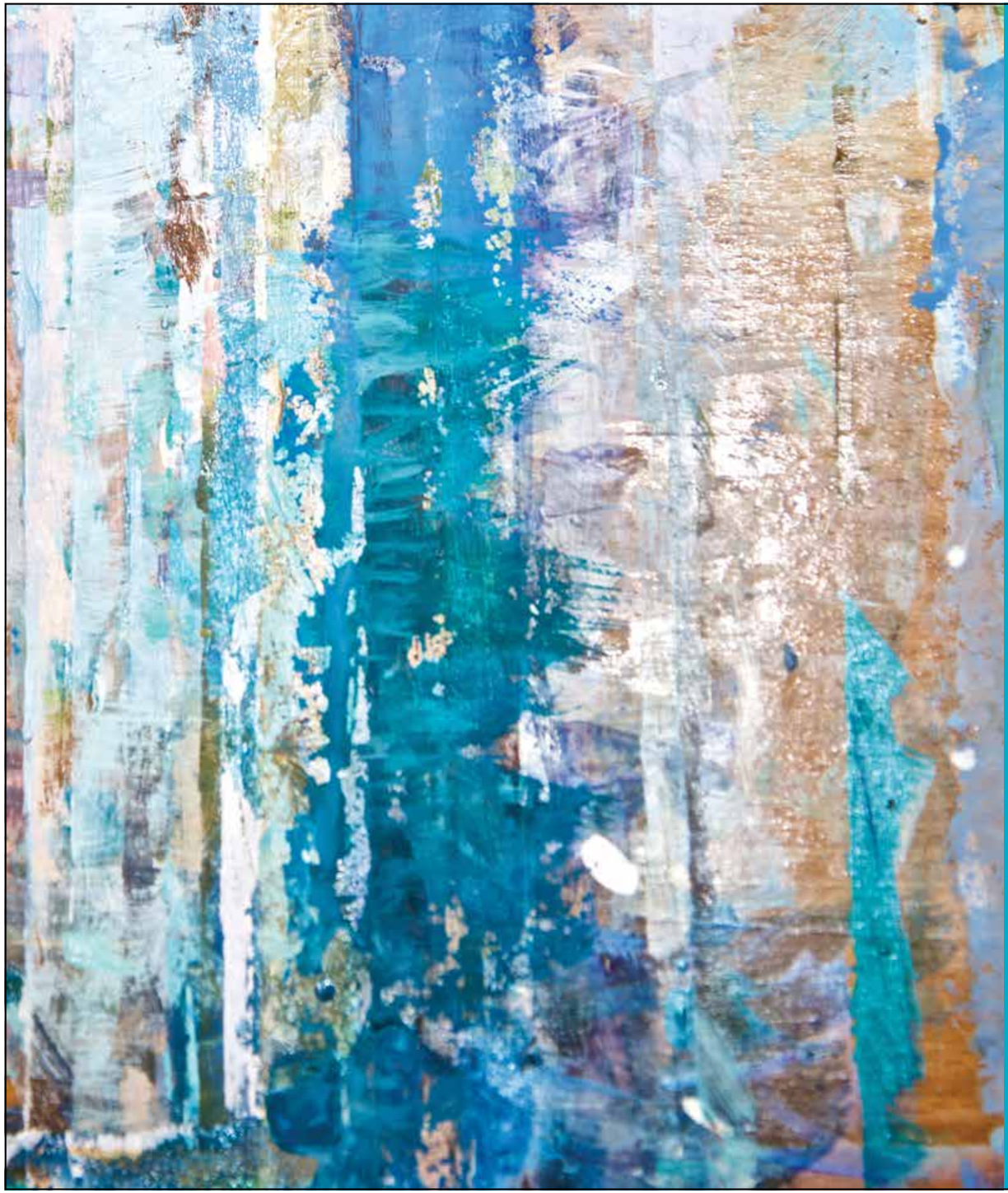
Although cruise ship passenger numbers for the year did show a slight decline and retail figures also reflected a decrease in sales, the outlets at the Royal Naval Dockyard continued to evolve, as they always do, with new opportunities replacing old. This ebb and flow of retail operations helps to keep the area exciting, alive and sustainable, as there is no apparent loss of interest by new and existing investors.

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.

Raymond Charlton

Ray Charlton
Chairman

RESIDENT ARTIST CHRISTOPHER GRIMES PAINTING AT THE BERMUDA ART CENTRE



THE EASEL OF RESIDENT ARTIST CHRISTOPHER MARSON AT THE BERMUDA ART CENTRE

GENERAL MANAGER'S REPORT

While the economy continues to provide challenges locally, I am pleased to report that the West End Development Corporation (WEDCo) achieved its goals for the financial year 2012/2013.

With regards to our infrastructure, the main focus this past year was to not only maintain the facilities to ensure that everything is being kept to the expected standards, but to roll out some of the new projects.

We have continued to maintain and implement, where possible, green initiatives at the Royal Naval Dockyard. The Reverse Osmosis Plants and the Water Reclamation Facility are working well, as progress was made with the expansion of providing potable water and grey water between Ireland Island North and Watford Island.

The timing and execution of these projects are going according to plan, as the long-term vision for WEDCo and the Royal Naval Dockyard is sustainability and critical mass in the residential and commercial areas, both of which are necessary for a truly viable venture.

With critical mass in mind, it remains vital that the Corporation seeks and establishes solid business partners who complement the ideology of the Royal Naval Dockyard – that it is a destination in itself, where people can live, work and play.

Many of the highlights of the year have had a touch of 'culture', in the sense that the Royal Naval Dockyard itself is part of our Island's heritage and history. Many of the events and even retail outlets portray our Bermudian heritage through cultural activities and products, and have not only entertained our overseas visitors, but have attracted many of our local residents as well.

We have continued to work well with the Cruise Ship management and staff to ensure their guests enjoy their time while they are onshore, and have strived to provide them with entertainment, retail opportunities, and quality products that would make their stay memorable. For that, we thank the entire Dockyard community and Government departments for pulling together for the common purpose of entertaining our guests.

In return, and in consideration of the challenges that tenants, both residential and commercial, have faced during the course of the year, WEDCo worked with the Dockyard community to provide some concessions during the difficult months, in particular. This is perhaps one of the most important aspects to running the Royal Naval Dockyard as a successful operation in itself – compassion and a desire for all who live and work here to succeed.

In closing I wish to thank WEDCo's dedicated management and staff for their efforts during the past year as well as the Ministry of Public Works, the Ministry of Tourism, the Ministry of Transport and the Ministry of Environment 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 would not be the success that it is today.

Andrew Dias
General Manager

ARTIST: SUZIE LOWE - BERMUDA CLAYWORKS

THE YEAR IN REVIEW

The Royal Naval Dockyard today is probably the only place in Bermuda where you can enjoy a complete cultural experience; where you can see a variety of artisans working at their craft in one relatively small location, and being able to purchase their products at the same time.

Bermuda's Arts and Culture played a prominent role during the course of the year, with the retail outlets and resident charities coming together to promote the Royal Naval Dockyard through a variety of cultural events, which were well attended by both overseas visitors and local residents.

As the West End Development's (WEDCo) infrastructure was securely in place and operating efficiently and effectively by March 2012, the main operational focus for the financial year 2012/13 was to start rolling out some of the new projects in and around Dockyard, such as the:

- North Basin Marina
- Restoration of buildings – Dockyard Terrace units, Island Outfitters, upgrade buildings and putting them into use.
- Licensing and laying the foundation for projects (completion of housing plans, development and completion of the South Basin plans)

After the General Elections in December 2012, the new One Bermuda Alliance Government transitioned into power, which resulted in a new WEDCo Board being appointed in February 2013. The change in Government had little impact on the projects already in progress at the beginning of the 2012/13 fiscal year.

WEDCo once again managed to overcome the financial challenges presented during the continuing economic downturn through strong relationships with its business tenants and partners by maintaining marketing initiatives that promoted the Royal Naval Dockyard as the Island's largest destination.

THE EARRINGS OF RESIDENT ARTIST NAHED EID AT THE BERMUDA ART CENTRE

CRUISE SHIP VISITS

One of the more unusual sights in the late summer was of three cruise ships being in the West End all at the same time. On Thursday, 27 September, the Aida Luna passed the Norwegian Dawn and the Explorer of the Seas to anchor in the Great Sound, leaving later that same day.

From April to December 2012 King's Wharf and Heritage Wharf welcomed a total of approximately 343,720 passengers, down from 365,030 in 2011. Regular visits by contract ships Explorer of the Seas and Enchantment of the Seas (Royal Caribbean International), Norwegian Dawn and Star (Norwegian Cruise Lines) and Summit (Celebrity Cruises) accounted for 120 of the 129 cruise ships that arrived in total.

We have continued with our strategy to forge stronger relationships with the cruise ships, keeping them informed and up-to-date of changes and improvements on-shore, as well as to support our retail tenants in their efforts to promote events throughout the Royal Naval Dockyard. We continued to build awareness of what Dockyard is as a destination, beyond simply being a cruise ship port that is the point of access to Bermuda. We strive to provide an all-round smooth running infrastructure for the mutual benefit of their passengers and staff, and for our local ventures.

Since June 2012, cruise passengers and other visitors can get WiFi when they come ashore in the Royal Naval Dockyard area at a nominal rate of $4.99 per hour or $9.99 per day. Any WiFi enabled device such as a smart phone, tablet, personal computer or digital audio player, can connect to the network via seamless access points installed throughout the city. This service is provided by TeleBermuda International Ltd. (TBi).

The efficient operation of transporting cruise ship passengers from Dockyard to other local destinations is always a challenge, especially when there are two ships in port at one time, as is handling the incoming and outgoing flow of visitors. WEDCo's Business Development Department works hand-in-hand with the Department of Marine and Ports and the Bermuda Department of Tourism to maintain and improve, where necessary, the logistics of these operations to fulfil expectations and add to the overall experience of the visitors' stay.

BRITISH ROYAL NAVY

Every year, predominantly during hurricane season, the British Royal Navy deploys ships to Bermuda and the Caribbean region in support of humanitarian aid and disaster relief, should a natural disaster strike. These ships are manned by trained personnel and are fitted to support rescue, military and disaster relief, contain an on-board hospital facility, heavy equipment and hurricane stores. Ordinarily, the ships berth at Dockyard for up to one week at a time and host on-board tours by school groups and Sea Cadet units, assist the Bermuda Regiment and Bermuda Police Service with equipment, and hold discussions on disaster management with local authorities.

At the end of April 2012, during a stop in Bermuda as their last port of call, the sailors on board HMS Montrose upheld the fine naval tradition of restoring the ship's badge that is painted on the dockyard wall. It had been almost 16 years

HIGHLIGHTS & ACCOMPLISHMENTS

since the ship's last visit, so the badge was retouched in its place alongside more than 200 other crests.

SPECIAL EVENTS

The various parts in and around the Royal Naval Dockyard are highly popular as venues for a host of events organised by local charities, destination and event management companies, WEDCo and its tenants. Some of these events have been taking place annually for a number of years already, such as the Catlin End-to-End finish, while new ones started with a view to becoming an annual event, such as the first Billfish Release Cup in June 2012.

The Billfish Release Cup, sponsored by WEDCo, is held on the weekend ahead of the Triple Crown Billfish Tournament for the families of the participants. A donation of the profits from the tournament goes to the Bermuda Sloop Foundation, so it's a good way to get money back to Dockyard, as it's the home of the Bermuda Sloop. The tournament also provides revenue for the restaurants, where the opening and prize-giving ceremonies take place.

The first CultureFest event was held on 29 & 30 September, 2012, and proved to be highly successful with visitors and residents. A Traditional Bermudian Village was created in the Victualing Yard, which showcased food, art, music, entertainment, lifestyle displays and demonstrations that represented Old Bermuda and Traditional Bermudian Culture. Also featured in and around the Royal Naval Dockyard areas was an International Food Court, a huge vendor market on the waterside, and the Exhibitor Village, which showcased the products, services and programmes provided by charitable organisations, non profit organisations, NGOs, wellness practitioners and green entrepreneurs.

All of the WEDCo-sponsored events are free of charge, and are vital to the overall vision of the Royal Naval Dockyard being a destination in itself, which is the main objective of WEDCo and its tenants.

DESTINATION DOCKYARD

In 2012/13 WEDCo reverted to the name Destination Dockyard for the weekly street festival event every Monday night and the popular Beating the Retreat continued as per previous years. Sponsors for the event are Norwegian Cruise Line (NCL), Royal Caribbean Cruise Lines (RCCL), the Bermuda Department of Tourism (BDOT), and WEDCo.

During the 2012 season, 15 weekly events were held every Monday evening from June 11 through September 17, of which only two were cancelled due to inclement weather. Destination Dockyard features late-night shopping, local crafts, food and live entertainment, all of which attract not only the cruise ship passengers, but large numbers of local residents and hotel visitors as well.

CHRISTMAS IN DOCKYARD

Another of our extremely successful annual events is Christmas in Dockyard, and 2012 remained true to form. On Sundays, the Winter Wonderland focuses on activities for children, such as movies, treasure hunts, and carols etc.

A new addition in 2012 was Carols by Candlelight with the Dolphins, a hugely popular evening with additional ferries provided to help residents attend the event. Christmas in Dockyard is a great way to generate business for Dockyard's retail tenants, and a welcome attraction for local visitors and residents. There is, however, increased competition with Hamilton now that the retail shops there are also open on Sundays during December.

WEDCo once again provided six reusable, recyclable Christmas trees and ornaments for the public areas in the Clocktower Mall, thereby sponsoring three chosen charities to decorate the trees and collect money for the services of gift-wrapping during the Sunday Shopping days.

The Dockyard Marina hosted the Christmas Lights competition, inviting all boats berthed at the Marina to compete for the "best dressed" boat. This proved an excellent way for landlubbers and sailors alike to enjoy the waterside view and entertainment.

THE POTTER'S WHEEL AT BERMUDA CLAYWORKS

HIGHLIGHTS & ACCOMPLISHMENTS

MARKETING

The WEDCo website, www.dockyardbermuda.com has been very successful in providing key information to the targeted sections of visitors, residents and businesses. The website has seen steady traffic through the year, but especially during the summer season, as people who have not previously come to Bermuda tend to visit the website in advance of travel. Emails received from visitors enables us to evaluate what may be missing from the website in future updates. Banner advertising space sold fairly well for annual and short-term contracts, which added to the newly identified revenue streams. We have found that the website and our Facebook page work in tandem as both platforms cross-promote the other very effectively.

The Royal Naval Dockyard Facebook page remains a vital means in which to inform visitors and residents of the activities available and advise of any changes to services or facilities at Dockyard. It is used to promote events as well as retail outlets, and to upload any articles of interest. The site 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 just over 1,900 followers, the page is helpful in keeping people up-to-date with the latest activities and changes to services or facilities at Dockyard. These numbers indicate a steady increase of 'likes', which shows that people genuinely like our page and want to see what we have to post.

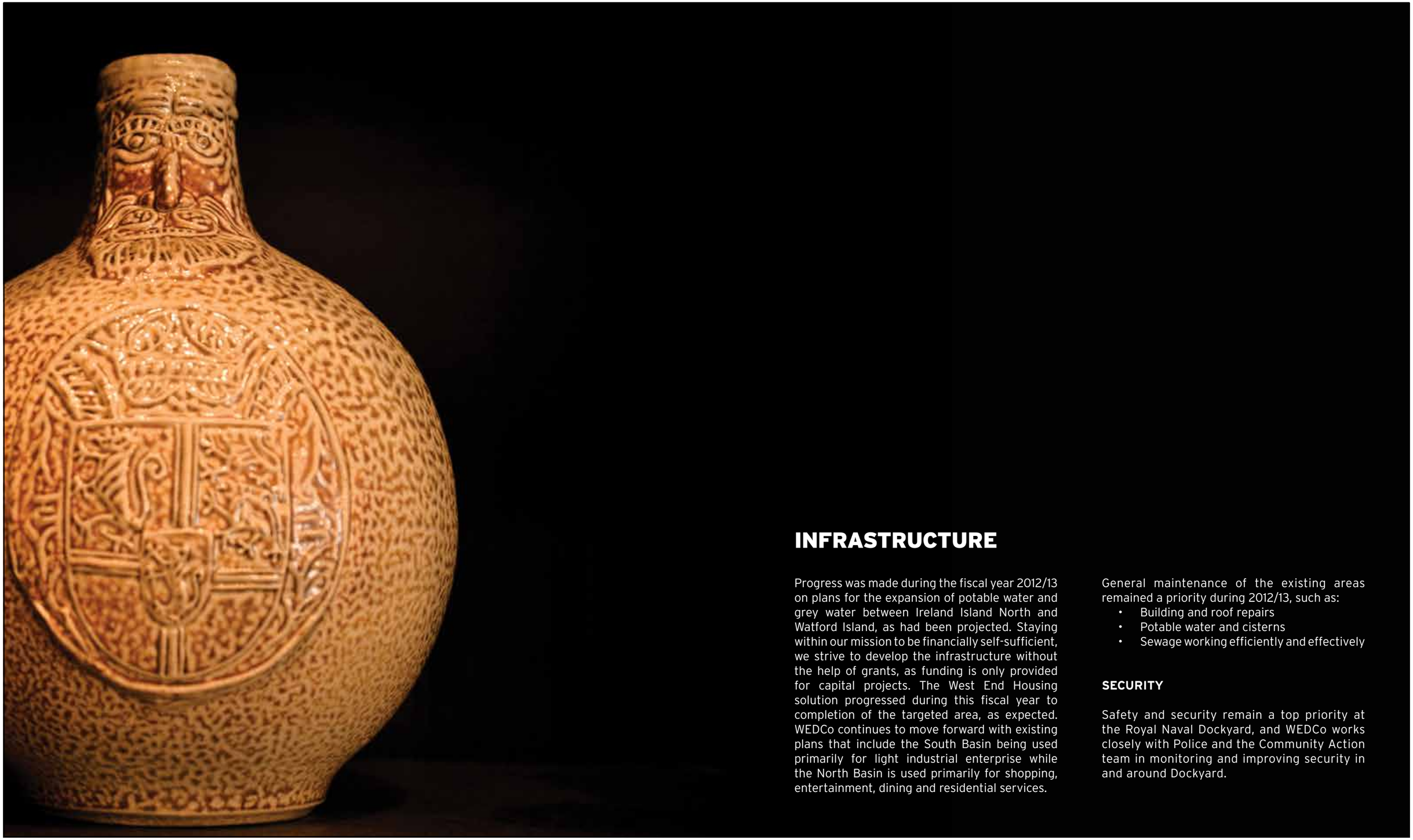
We started a Twitter account in January of 2010, which we are increasingly using for auto-tweets linked to Facebook, as well as to keep track of what is trending, so that we can join in those hashtag topics where we can. We also retweet items that are interesting and relevant, and interact with others who we follow or who follow us.

THE TOOLS OF RESIDENT ARTIST CHESLEY TROTT AT THE BERMUDA ART CENTRE

HIGHLIGHTS & ACCOMPLISHMENTS

In addition to our website, Facebook page and Twitter feed, we provide a monthly Royal Naval Dockyard newsletter, to which all Dockyard tenants are invited to supply information. The newsletter is instrumental in keeping over 3,800 residents and visitors informed of the latest news and events from the area. Feedback has been good, with compliments on the content as we focused more on interesting information and not just plugs for our offers, products and businesses. We continually look to increase the database of email addresses; one of these ways has been to create a highly visible area on the website, which states, "Stay connected to the Royal Naval Dockyard", where users can sign up for the newsletter.

THE BERMUDA CEDAR WOOD SCULPTURE OF RESIDENT ARTIST CHESLEY TROTT AT THE BERMUDA ART CENTRE



ARTIST: JON FAULKNER - BERMUDA CLAYWORKS

INFRASTRUCTURE

Progress was made during the fiscal year 2012/13 on plans for the expansion of potable water and grey water between Ireland Island North and Watford Island, as had been projected. Staying within our mission to be financially self-sufficient, we strive to develop the infrastructure without the help of grants, as funding is only provided for capital projects. The West End Housing solution progressed during this fiscal year to completion of the targeted area, as expected. WEDCo continues to move forward with existing plans that include the South Basin being used primarily for light industrial enterprise while the North Basin is used primarily for shopping, entertainment, dining and residential services.

General maintenance of the existing areas remained a priority during 2012/13, such as:

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

SECURITY

Safety and security remain 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.

TOOLS OF THE BERMUDA STONE CUTTERS ON DISPLAY AT THE BERMUDA ART CENTRE

BUSINESS DEVELOPMENT

The overall goal for WEDCo is to increase annual critical mass in the Dockyards' residential and commercial sectors. The aim is to do this with more local and overseas visitors, and to have more businesses that operate on a regular basis – not just seasonally.

In 2012/13, WEDCo worked with tenants to give concessions in the difficult months and, through sustained marketing efforts, was able to maintain enough traffic to keep businesses viable. The Corporation was compassionate with both commercial and residential tenants with the view to "operate in the spirit of the law as opposed to the letter of the law".

In developing new and existing business, WEDCo aims for small Bermuda businesses versus large retail outlets. Unlike the challenges that Hamilton faced as its financial centre grew, the Corporation stayed the course and did not go after the financial business market. We consistently receive applications for opening new businesses, but we are selective in who we allow to open up. The vision for the Royal Naval Dockyard is that visitors and residents will be able to purchase their retail products with a variety of offerings, all within walking distance.

While some light industrial businesses moved out in 2012/13, the year saw the transition of the Department of Corrections into the Clocktower building. The Mall has consistently been able to maintain a full occupancy, even as the shops therein tend to rotate on an annual basis – something akin to having 'pop ups'. As niches come up, businesses change.

The Sally Port is considered to be the entertainment area and will develop as such, rather than retail outlets, as it provides a whole different reason to attract people. The mission for business development in Dockyard is that the concept is more about the experience and the destination than it is about outlets enhancing rather than competing against each other.

RETAIL

The economy continues to be a challenge for retail shops and restaurants locally, and as the number of cruise ship visitors to Dockyard declined, so did sales for the financial year 2012/13, by 7% over all industry types, covering manufacturers, restaurants, yacht and marine services, and retail outlets. The trend seems to be that retail outlets rotate and evolve, with new businesses taking the place of some of the older ones, allowing for new products to appear on the shelves.

A new recreational venture, Bermuda FunGolf, started operations in May 2012, which exemplifies how a variety of experiences are available in the Royal Naval Dockyard. FunGolf has been highly supported by locals – both by individuals, families and corporate companies (for team-building events), which the company made a huge effort to attract. We congratulate the company on having done a fabulous job and are pleased to note that they have been extremely successful since the start.

There are four registered charities in Dockyard: the Art Centre, the Craft Market, the Bermuda Sloop and the Bermuda Maritime Museum. WEDCo has a symbiotic relationship with all of these charities to work together to enhance the overall cultural experience for everyone who visits the Royal Naval Dockyard.

A snapshot of the cultural experience for visitors and residents is the Taste of Bermuda programme held at the Craft Market every year for the cruise ship passengers – and sponsored by WEDCo. The programme affords visitors the opportunity to not only watch craftsmen working on their craft, but to sample some Bermudian-made products, beverages and foods, which they can then purchase, if they wish. The events are well attended and help to promote the local entrepreneurs, encouraging the sale of their products. The Taste of Bermuda also participates in the winter Rendezvous Programme, offering craft demonstrations, guided walks around Dockyard and a 'taste' that leans towards the more wintery cuisine, such as Bermuda Fish Chowder and hot toddies. The programme is sponsored by WEDCo and is supported by the Department of Cultural Affairs and Department of Tourism. All activities are complimentary.

RESIDENTIAL DEVELOPMENT

In 2012/13 WEDCo proceeded with the residential base upgrades and development opportunity assessments in the hope of increasing critical mass to stimulate and support new and existing business enterprises, which is part of the overall Housing Plan.

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.

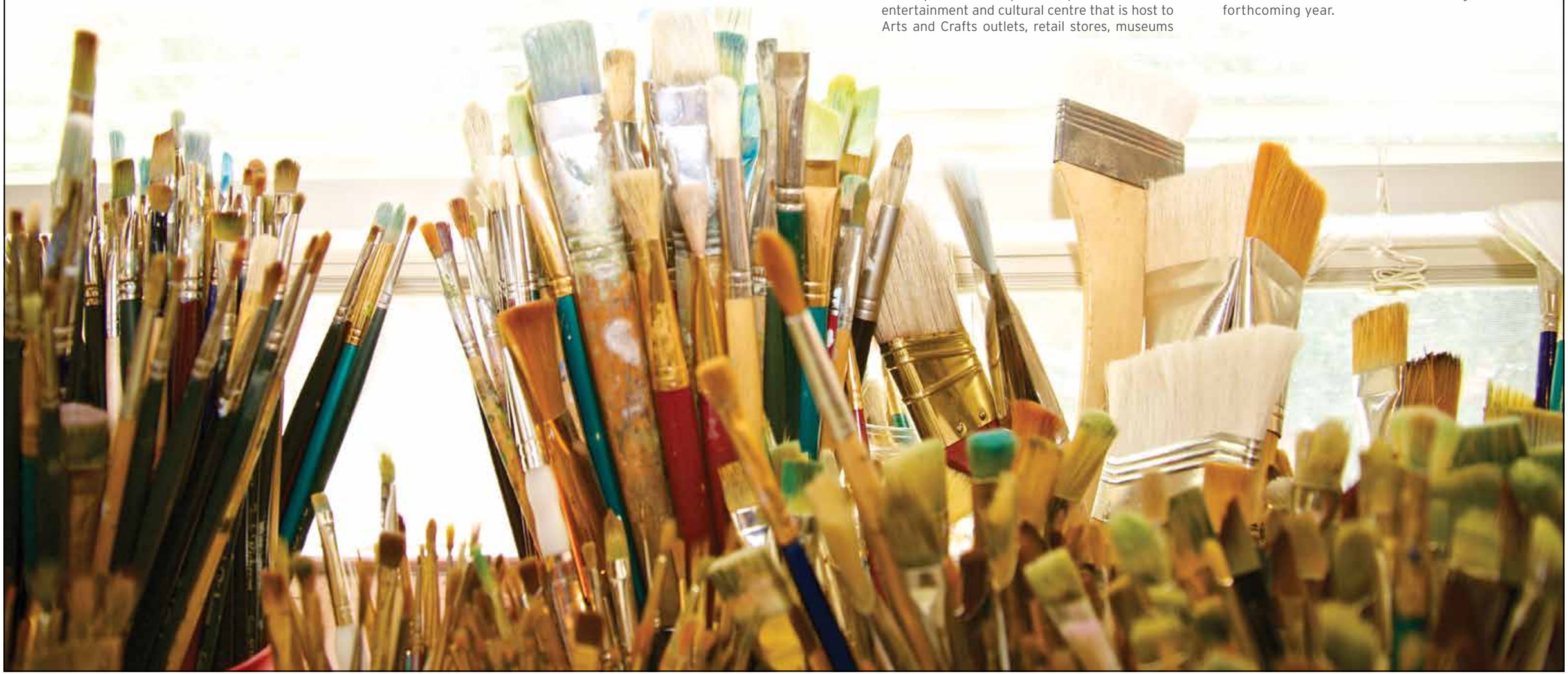
Specific housing projects were completed during the course of the year, as previously planned.

LOOKING FORWARD

With a new Board in place since February 2013, WEDCo anticipates that there will be a period of transition wherein the Board members will be able to review the business and developmental plans to date, to assess whether any change in direction is needed for the foreseeable future. In the meantime, WEDCo will continue to maintain the infrastructure and plans currently in progress, to ensure the smooth running of the Royal Naval Dockyard operation as a whole and for revenue streams to continue as foreseen.

The Royal Naval Dockyard encapsulates 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.

We also take this opportunity to thank our Minister, The Hon. Mr Trevor G Moniz, JP, MP, as the Minister of Public Works responsible for WEDCo, and the new Board, with whom we look forward to continue working in the forthcoming year.



THE BRUSHES OF RESIDENT ARTIST CHRISTOPHER GRIMES AT THE BERMUDA ART CENTRE

FINANCIAL REVIEW **2012-2013**

The Corporation has undergone a very exciting and interesting year financially. To begin with, the housing project commenced as the Corporation secured bank financing (guaranteed through the Government of Bermuda) to fund the construction of 20 brand new housing units, known as Victoria Place. The Victoria Place project was developed through South Basin Development Ltd., a government business enterprise that is 60% owned by the Corporation. As a result, at year-end, long-term debt increased by $13,697,359, being total drawdowns on the bank facility loan.

Our cash increased by approximately $2 million over the prior year, attributable in large part to the Victoria Place project. Revenues continue to remain consistent with expenses markedly increased due to significant outlays for repairs and maintenance within our facilities department along with bad debt expenses. The Corporation continues to investigate ways to reduce its receivables, a challenge which has been a long standing one. Stringent policies have been enacted and legal advice engaged when necessary to redress the magnitude of the indebtedness. While we understand the financial challenges faced by many, we would be remiss not to deal professionally and responsibly with them. Accumulated Surplus was $58,938,682 (2012 - $59,833,132).

Due to the inability of the Corporation to sell the remaining units at Boaz Island Village, we have taken them off of the market and reclassified the units as tangible capital assets.

The Corporation is poised for new and solid growth and has laid the foundation for additional revenue streams, including new and renovated rental accommodations. We expect increased capital expenditure as we continue to develop and maintain the numerous properties entrusted to us.

THE TOOLS OF RESIDENT ARTIST CHESLEY TROTT AT THE BERMUDA ART CENTRE

2013 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

Kent Bascome
Financial Controller

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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 statement of financial position as at March 31, 2013, and the consolidated 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 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 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 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, 2013, and its consolidated 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.

Hamilton, Bermuda
January 11, 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2013
expressed in Bermuda dollars

	2013 $	2012 $
Financial assets		
Cash and cash equivalents	11,889,051	9,999,041
Accounts receivable (notes 3 and 14)	439,368	513,765
Due from the Government of Bermuda (notes 12 and 14)	5,915,108	7,261,110
Tenant improvements recoverable (notes 5 and 14)	1,385,058	1,583,231
Mortgages and loans receivable (note 4)	190,220	201,106
Investment in a government business enterprise (note 6)	325,593	13,176
	20,144,398	19,571,429
Liabilities		
Accounts payable and accrued liabilities (notes 8 and 14)	4,906,564	805,885
Employee future benefits (note 15)	83,604	116,120
Due to the Government of Bermuda (notes 11 and 14)	353,483	353,483
Due to the Government of Canada (note 11)	4,146,517	4,396,517
Deferred revenue (note 9)	4,087	107,065
Deferred capital contributions (note 13)	48,960,102	50,302,937
Long-term debt (note 12)	19,411,646	7,142,859
Obligations under capital lease (note 10)	102,217	112,364
	77,968,220	63,337,230
Net debt	(57,823,822)	(43,765,801)
Non-financial assets		
Tangible capital assets (note 7)	116,665,174	103,470,679
Inventories	-	5,431
Prepaid expenses	97,330	122,823
	116,762,504	103,598,933
Accumulated surplus	58,938,682	59,833,132

Contractual Obligations and Contingencies (notes 11, 12 and 19)

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2013
expressed in Bermuda dollars

	Budget (Note 18) 2013 $	Actual 2013 $	Actual 2012 $
Revenues			
Rental (note 14)	6,160,525	5,808,062	6,000,559
Dock (note 14)	1,701,980	2,049,922	2,126,112
Amortization of deferred capital contributions (note 13)	1,342,835	1,342,835	1,342,835
Water (note 14)	774,026	1,182,196	986,073
Service and expense recoveries	837,533	887,342	864,189
Government contributions (notes 12 and 14)	390,834	373,579	315,457
Income from investment in government business enterprise (note 6)	-	304,719	-
Other	-	180,737	200,296
Investment income (notes 4 and 5)	19,350	21,890	27,041
(Loss) gain on disposal of tangible capital assets	-	(6,284)	546,020
	11,227,083	12,144,998	12,408,582
Expenses			
Facilities (note 16)	8,602,122	8,494,109	8,279,917
Administration (note 16)	2,662,344	3,564,580	2,890,052
Business development (note 16)	765,992	980,759	993,062
	12,030,458	13,039,448	12,163,031
Annual (deficit) surplus	(803,375)	(894,450)	245,551
Accumulated surplus, Beginning of year		59,833,132	59,587,581
Accumulated surplus, End of year		58,938,682	59,833,132

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2013
expressed in Bermuda dollars

	Budget (Note 18) 2013 $	Actual 2013 $	Actual 2012 $
Annual (deficit) surplus	(803,375)	(894,450)	245,551
Acquisition of tangible capital assets	(2,473,159)	(16,907,057)	(638,605)
Amortization of tangible capital assets	3,930,636	3,706,279	3,728,518
Loss (gain) on disposal of tangible capital assets	-	6,284	(546,020)
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)
	1,457,477	(13,194,494)	3,387,619
Acquisition of inventories	(5,689)	(6,259)	(48,692)
Acquisition of prepaid expenses	-	(97,330)	(122,823)
Use of inventories	-	11,689	47,768
Use of prepaid expenses	21,235	122,823	121,955
	15,546	30,923	(1,792)
Change in net debt	669,648	(14,058,021)	3,631,378
Net debt, Beginning of year		(43,765,801)	(47,397,179)
Net debt, End of year		(57,823,822)	(43,765,801)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2013
expressed in Bermuda dollars

	2013 $	2012 $
Cash flows from operating activities		
Annual (deficit) surplus	(894,450)	245,551
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	3,706,279	3,728,518
Loss (gain) on disposal of tangible capital assets	6,284	(546,020)
Amortization of deferred capital contributions	(1,342,835)	(1,342,835)
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	74,396	(213,314)
Increase (decrease) in accounts payable and accrued liabilities	4,100,678	(619,971)
(Decrease) increase in deferred revenue	(102,977)	27,761
(Decrease) increase in employee future benefits	(32,516)	14,599
Decrease (increase) in prepaid expenses	25,493	(868)
Decrease (increase) in inventories	5,431	(924)
Net cash generated through operating activities	**5,545,783**	**1,292,497**
Cash flows from capital activities		
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)
Acquisition of tangible capital assets	(16,907,057)	(638,605)
Net cash (used in) generated through capital activities	**(16,907,057)**	**205,121**
Cash flows from investing activities		
Net payment of mortgages and loans receivable	10,886	(24,256)
Investment in a government business enterprise	(312,417)	(1,616)
Net payment of tenant improvements recoverable	198,173	(487,511)
Net cash used in investing activities	**(103,358)**	**(513,383)**
Cash flows from financing activities		
Proceeds from the Government of Bermuda	1,346,002	1,462,327
Repayment of obligations under capital lease	(10,147)	(9,230)
Repayment of long-term debt	(1,428,572)	(1,428,571)
Additions to long-term debt	13,697,359	-
Repayment of amounts due to the Government of Canada	(250,000)	(250,000)
Net cash generated through (used in) financing activities	**13,354,642**	**(225,474)**
Net increase in cash and cash equivalents	1,890,010	758,761
Cash and cash equivalents, beginning of year	9,999,041	9,240,280
Cash and cash equivalents, end of year	11,889,051	9,999,041
Supplemental cash flow information		
Interest income received	21,890	27,041
Interest expense paid	251,553	312,462

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

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 another government organization and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are set out below:

(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 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 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 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 investment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

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 consolidated 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Bermuda, due to the Government of Canada and long-term debt.

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

The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Corporation would actually realize in a current market exchange.

3. ACCOUNTS RECEIVABLE

	2013 $	2012 $
Tenants receivables	1,958,395	1,265,587
Accrued interest and other receivable	77,637	148,379
Less: Provision for doubtful accounts	(1,596,664)	(900,201)
	439,368	513,765

4. MORTGAGES AND LOANS RECEIVABLE

	2013 $	2012 $
Mortgages receivable	94,082	111,943
Loan receivable – Boaz Island Village Condominium Corporation	96,138	89,163
	190,220	201,106

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.

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.

5. TENANT IMPROVEMENTS RECOVERABLE (CONTINUED)

	2013 $	2012 $
Department of Public Transportation	167,509	264,153
Department of Corrections	1,217,549	1,319,078
	1,385,058	1,583,231

6. 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. SBD is owned by the Corporation and Cross Island Development Ltd (CID) on a ratio of 60% and 40%, respectively. The following is the Corporation's 60% share of components of the financial statements of SBD.

	2013 $	2012 $
Total assets	2,735,744	-
Total liabilities	2,425,025	-
Net assets	310,719	-
Revenue	10,068,432	-
Expenses	9,763,713	-
Excess of revenue over expenses for the year	304,719	-
Cash provided by operating activities	286,013	-
Cash generated through financing activities	6,000	-
	292,013	-

For financial reporting purposes, SBD is classified as a government business enterprise, and as such applies International Financial Reporting Standards. Consequently, differences may arise between the accounting policies of the Corporation and those of SBD. Using the modified equity approach, the Corporation makes no adjustment to the amounts disclosed or recognized in its financial statements for these differences.

As at year end, $14,874 (2012 - $13,176) in legal and other setup costs had been incurred on the formation of SBD and are included in the investment in a government business enterprise.

On May 17, 2012, the SBD and CID signed a Management Services Agreement for the construction and development of the Victoria Place Housing Project (the "Project") at a cost of $36,000,000. In January 2013, the scope of the Project was significantly reduced resulting in a revised cost of $24,694,271. As of March 31, 2013, the estimated costs to completion of the Project are $8,413,551.

On May 18, 2015, SBD and CID entered into a settlement agreement that terminated all relations and ended all contractual obligations between both parties. As part of the agreement, the Corporation and CID also agreed for the transfer of all of CID's shareholdings in SBD to the Corporation for a consideration of US$1 each. See note 19(e) for detailed information.

7. TANGIBLE CAPITAL ASSETS

2013	Land and buildings $	Infrastructure rehabilitation $	Building improvements and renovations $	Mechanical rehabilitation $	Landscaping $	Furniture, Equipment and Tools $	Assets under development $	Total $
Opening cost	84,282,260	20,801,887	16,214,023	5,703,004	3,927,931	2,705,066	2,057,837	135,692,008
Additions	12,547	20,144	2,072	10,868	7,705	1,761	16,893,105	16,948,202
Disposals	(4,875)	-	-	(2,821)	(400)	(4,997)	(37,824)	(50,917)
Closing cost	84,289,932	20,822,031	16,216,095	5,711,051	3,935,263	2,701,830	18,913, 118	152,589,293
Opening accumulated amortization	9,628,158	7,150,197	8,980,123	1,193,012	2,962,349	2,307,490	-	32,221,329
Amortization	2,018,838	543,114	642,843	290,986	124,644	85,854	-	3,706,279
Disposals	-	-	-	-	-	(3,489)	-	(3,489)
Closing accumulated amortization	11,646,996	7,693,311	9,622,966	1,483,998	3,086,993	2,389,855	-	35,924,119
Net book value	**72,642,936**	**13,128,720**	**6,593,129**	**4,227,053**	**848,243**	**311,975**	**18,913,118**	**116,665,174**

2012	Land and buildings $	Infrastructure rehabilitation $	Building improvements and renovations $	Mechanical rehabilitation $	Landscaping $	Furniture, Equipment and Tools $	Assets under development $	Total $
Opening cost	84,561,033	20,552,919	16,177,546	5,674,483	3,921,424	2,632,094	1,831,610	135,351,109
Additions	18,933	248,968	36,477	28,521	6,507	72,972	226,227	638,605
Disposals	(297,706)	-	-	-	-	-	-	(297,706)
Closing cost	84,282,260	20,801,887	16,214,023	5,703,004	3,927,931	2,705,066	2,057,837	135,692,008
Opening accumulated amortization	7,627,177	6,602,031	8,328,310	896,924	2,837,525	2,200,844	-	28,492,811
Amortization	2,000,981	548,166	651,813	296,088	124,824	106,646	-	3,728,518
Closing accumulated amortization	9,628,158	7,150,197	8,980,123	1,193,012	2,962,349	2,307,490	-	32,221,329
Net book value	**74,654,102**	**13,651,690**	**7,233,900**	**4,509,992**	**965,582**	**397,576**	**2,057,837**	**103,470,679**

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.

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, 2013, this had not occurred.

In April 2005, the Board approved the disposal of 52 units owned by the Corporation at Boaz Island Village. Management is actively pursuing potential buyers of the individual units. As at March 31, 2013, there were 32 (March 31, 2012 – 32) units remaining.

Included in the above tangible capital assets are rental revenue producing assets at a cost of $21,959,378 (2012 - $21,959,378) and related accumulated amortization of $11,403,879 (2012 - $10,672,770).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013 $	2012 $
Accounts payable and accrued liabilities	640,773	608,675
South Basin Development Ltd -Victoria Place Housing	4,061,191	-
Salaries and benefits payable	-	22,356
Rental deposits	204,600	174,854
	4,906,564	805,885

9. DEFERRED REVENUE

	2013 $	2012 $
Advanced rental payments	-	102,394
Other	4,087	4,671
	4,087	107,065

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.

10. OBLIGATIONS UNDER CAPITAL LEASE (CONTINUED)

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

Year	Capital lease obligations $	Interest $	Total lease payments $
2014	11,155	9,245	20,400
2015	12,264	8,136	20,400
2016	13,483	6,917	20,400
2017	14,823	5,577	20,400
2018 - 2020	50,492	7,603	58,095
	102,217	37,478	139,695

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

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 of Bermuda by way of annual grants to the Corporation.

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

Due Date	Principal $	Interest $	Total $
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
	5,714,288	**577,083**	**6,291,371**

12. LONG-TERM DEBT (CONTINUED)

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.

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 new housing units at the Victoria Place in Dockyard.

The term of the loan commences on May 1, 2014 and ends on October 31, 2023. 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 of the loan, interest is payable monthly in arrears on the last day of each month.

Commencing 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.

In January 2013, the project scope was reduced significantly resulting in a revised loan drawdown facility of $24,694,271. As at March 31, 2013 total loan drawdowns were $13,697,359 as follows:

Period	Amount $	Balance $
December 2012	5,409,487	5,409,487
December 2012	2,437,884	7,847,371
January 2013	1,763,393	9,610,764
February 2013	1,947,750	11,558,514
March 2013	1,019,137	12,577,651
March 2013	1,119,708	13,697,359

13. DEFERRED CAPITAL CONTRIBUTIONS

	2013 $	2012 $
Balance, beginning of year	50,302,937	51,645,772
Less: amount amortized to operations	(1,342,835)	(1,342,835)
Balance, end of year	48,960,102	50,302,937

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.

14. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common control to all 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. Related party transactions entered into by the Corporation during the year are as follows:

Governmental Transactions	**2013 $**	**2012 $**
Transactions during the year:		
Rental revenue	1,260,001	1,682,339
Government contributions (note 12)	373,579	315,457
Dock revenue	241,309	229,819
Water revenue	56,000	70,000
Water and insurance expense	739,410	657,683
Employee future benefits expense	237,117	238,952
Tenant improvements recoverable	289,984	141,726
Balances at the end of the year:		
Accounts receivable (note 3)	298,161	96,932
Due from the Government of Bermuda (note 12)	5,915,108	7,261,110
Tenant improvements recoverable (note 5)	1,385,058	1,583,231
Accounts payable and accrued liabilities (note 8)	456,180	157,904
Due to the Government of Bermuda (note 11)	353,483	353,483
Non-governmental transactions		
Transactions during the year:		
Contract fees paid to SBD	16,280,720	-
Management fee paid to SBD	500,000	-
Balances at the end of the year:		
Due to SBD (note 8)	4,066,691	-
Due from SBD (note 3)	240,648	-

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 $66,759 (2012 - $67,150).

15. EMPLOYEE FUTURE BENEFITS (CONTINUED)

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 $74,624 (2012 - $77,990).

(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 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, 2013 is $81,993 (2012 - $79,043) 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, retirement leave benefits in the amount of $25,239 (2012 - $Nil) were paid. The liability as at March 31, 2013 is $83,604 (2012 - $116,120) and is included in employee future benefits on the consolidated statement of financial position.

16. EXPENSE DETAILS

	Budget 2013 $	Actual 2013 $	Actual 2012 $
Facilities:			
Amortization of tangible capital assets	3,930,636	3,706,279	3,728,518
Repairs and maintenance	1,027,130	1,109,881	907,028
Wages	1,037,372	1,023,643	994,382
Water	943,798	991,871	1,031,056
Electricity	444,853	472,187	443,412
Salaries	437,505	391,090	396,259
Dock operations and maintenance	285,631	321,489	264,382
Security services	289,734	303,256	291,293
Vehicle	42,984	65,858	52,774
Custodial services	93,000	55,880	72,420
Landscaping operations	69,479	52,675	98,393
	8,602,122	8,494,109	8,279 ,917
Administration:			
Salaries	970,905	963,596	891,428
Insurance	665,936	731,991	665,048
Bad debt	50,000	696,463	154,358
Employee future benefits	630,777	506,909	513,182
Office supplies	342,225	387,446	312,884
Financing costs	2,501	272,152	351,157
Travel and entertainment	-	6,023	1,995
	2,662,344	3,564,580	2,890,052
Business development:			
Advertising, promotions and maintenance	330,800	468,349	533,479
Salaries	374,290	342,871	329,505
Legal and professional fees	45,000	128,447	98,939
Water	15,902	41,092	31,139
	765,992	980,759	993,062

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, 2013, 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.

18. BUDGET

These amounts represent the operating budget approved by the Board on January 25, 2012.

19. SUBSEQUENT EVENTS

(a) Victualing Yard
In September 2013, the Board of Directors of the Corporation approved the release of Expressions of Interest proposals to develop the area of land commonly known as the Victualling Yard. On May 28, 2014, a successful candidate was chosen and thereafter, the Corporation issued a memorandum of understanding (MOU) for an initial period of six (6) months that was eventually extended to expire on October 31, 2015.

19. SUBSEQUENT EVENTS (CONTINUED)

As of October 2015, the potential developer had not made any progress on the project and the Corporation's management had made no plans of pursuing the development of the Victualling Yard at this time.

(b) Land Reclamation and Marina
In July 2014, the Corporation obtained Cabinet's approval to proceed with conceptual plans for the development of a marina and land reclamation in the area known as the South Basin.

As of October 28, 2015, the Corporation has spent $1,071,069 on the set up and development of the South Basin Development Project (the "Project"). The Project seeks to reclaim approximately 10 acres of land. The land reclamation is poised to be the future home of a first class Marine Service business, a Marina and a purpose-built Marine & Ports ("M&P") facility inclusive of service areas and docking for M&P ferries and tugs.

Part of the initial plans for the Project was to enter into a 120 year lease with SBD for the finance, design, construction and ultimately operation of the new marina and reclaimed land. However, this changed when Bermuda was awarded with the America's Cup Sailing Competition for 2017. See succeeding note below.

(c) America's Cup 2017
On December 2, 2014, Bermuda was awarded the America's Cup Sailing Competition for 2017. The Corporation will provide the site for this event.

On July 22, 2015, the Corporation entered into a lease agreement with ACBDA Limited for the lease of certain portions of the Royal Naval Dockyard and the Ireland Island North in Sandys Parish to facilitate the hosting of the America's Cup Sailing Competition in 2017. The lease period is from April 1, 2015 to August 31, 2017 with annual rental value of one peppercorn.

In July 2015, the Corporation entered into a construction management agreement with ACBDA Limited (ACBDA) (the "agreement") for the reclamation of approximately 10 acres of land in South Basin (the "Site"). ACBDA will act as the project managers for the land reclamation project at the Site to make the same suitable for use as the 35th America's Cup Event Village (the "SBR"). In relation to this, ACBDA have engaged a third party construction management company whose primary obligation, among others, is to act as the construction manager for ACBDA and manage the design and construction of the SBR.

As part of the agreement, the Corporation will secure finance for the SBR project and will serve as the project's accounting officer. The Corporation estimates funding to be approximately $39 million. Whilst not a party to the agreement, the Ministry of Public Works will be cooperating with all parties to the agreement to provide, among others, oversight of the SBR project and approve any government funding over and above commercial funding provided through the Corporation.

In June 2015, the Corporation has secured financing of the SBR project through its local bank, The Bank of N.T. Butterfield & Son Limited (the "Bank"). On June 18, 2015, the Corporation obtained a credit facility from the Bank for a maximum principal amount of US$39 million, inclusive of project costs to a maximum amount of US$36.7 million and capitalized interest to a maximum amount of US$2.3 million (collectively the "Project Loan"). The Project Loan must be fully drawn by June 30, 2016 and 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.

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.

19. SUBSEQUENT EVENTS (CONTINUED)

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.

As of January 11, 2016, a total of $12,971,022 was drawn down on the Project Loan.

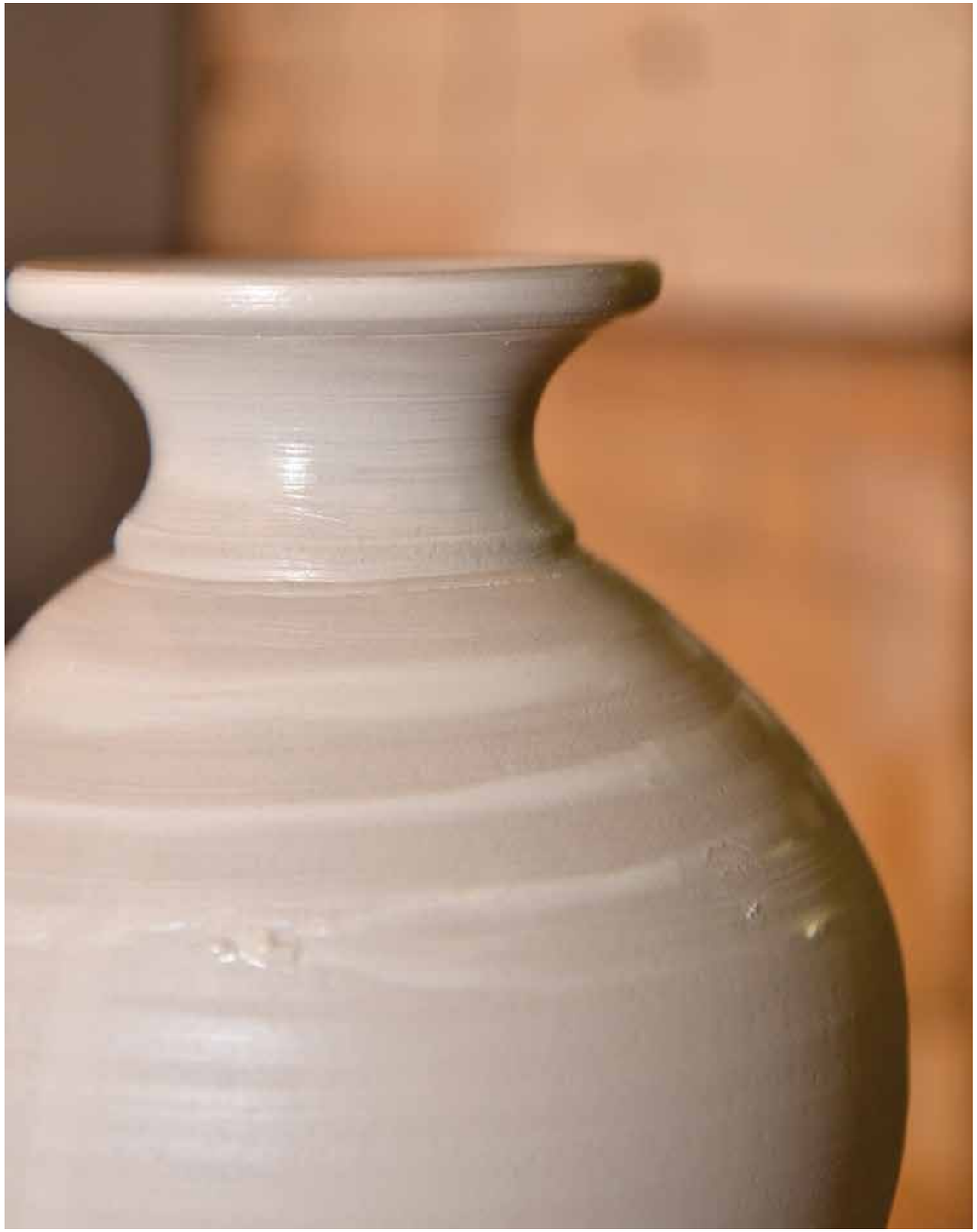
(d) Hurricane Fay and Hurricane Gonzalo

In October 2014, Hurricane Fay and Hurricane Gonzalo made landfall in Bermuda (the "storms"). On March 11, 2015, the Corporation's insurer granted a claim settlement of $6.3 million in favor of the Corporation for the restoration of certain properties that were damaged by the storms. Management has granted a waiver of three months' rent to the commercial and residential tenants of the Corporation affected by the storms. The waiver amounts to approximately $200,000 in rental income.

(e) South Basin Development Ltd.

On May 18, 2015, SBD and CID entered into a settlement agreement that terminated all relations and ended all contractual obligations between both parties. As part of the agreement, the following were agreed:

- SBD to pay CID a total sum of $875,000, of which $675,000 was paid on May 26, 2015 and the remaining amount of $200,000 was held as retainage subject to receipt from CID of the subcontractor final releases and proof of payment;
- CID will surrender its lease agreement with the Corporation and vacate the premises on May 31, 2015 and pay no further monies related to its occupancy or usage, and as a result, total rent receivable of $42,900 was forgiven by the Corporation;
- CID will be responsible for the payment of $22,600 and of any and all funds owing to Anaconda Holdings; and
- CID will transfer all of its shareholdings in SBD to the Corporation for a consideration of US$1 each effective May 26, 2015. In relation to the share transfer, SBD will declare and pay a dividend to CID amounting to $503,579.



ARTIST: JON FAULKNER - BERMUDA CLAYWORKS

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Deputy Chairperson:
Mr. Philip Akeroyd, FCA

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Mr. Mark Melvin, FCA, CFA
Ms. Pat Philip-Fairn

EX-OFFICIO

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Director of Planning
Financial Secretary

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Mr. Andrew Dias
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WEDCo EXECUTIVE

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Financial Controller: Kent Bascome
Facilities Manager: Carmen Beach
Business Development Manager: Joanna Cranfield

BANKERS

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