

2016

Annual Report



THE WEST END

B E R M U D A





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Letter from the Chairman





Renovation for Reinvention

Despite the history behind the Royal Naval Dockyard, time has never stood still. Never has this been more true than during the past year. As Chairman of West End Development Corporation ('WEDCO') and a Bermudian with a long family history in the Royal Naval Dockyard, it pleases me to see the area both improved and restored. The WEDCO team has worked on multiple projects over the years and it is important that we take the time to both share and acknowledge these accomplishments.

2015/16 was a year in which the objectives that the WEDCO Board set for the Management Team were challenging. The Corporation has had to look back to look forward, needing to complete extensive renovation works following the 2014 hurricanes as well as navigating uncharted territory in starting to plan for the 2017 America's Cup. Flexibility, focus and collaboration have been critical to achieving sustained rental revenue growth and an increase in visitor numbers.

The priority mandate was to complete all critical hurricane restoration work before the end of the financial year. This last year and for the coming year, WEDCO will have spent \$10m on improving buildings. As a Board, we set the objective to not only complete this work but revitalize the way we work with small contractors to better support local business in the process. In times like this, with a downturn in the economy, smaller contractors can often lose out in the hurry for fast results and short-term cost efficiencies. It was our challenge to the Management team to find new ways to work with local and smaller operations to support them through harder times without compromising on efficiency. We were delighted with the innovative efforts and planning involved which achieved this goal.

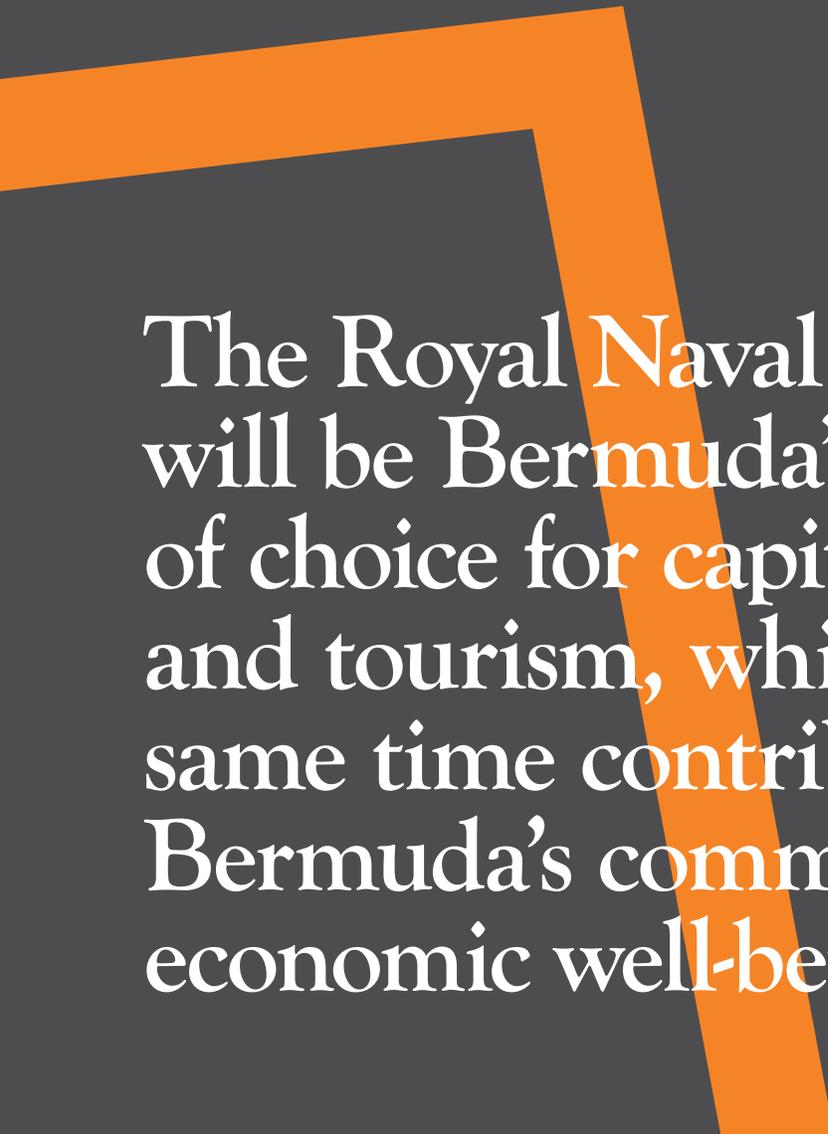
An additional objective was to continue to strengthen relationships with the West End community, both residential and commercial. In doing so, the ultimate goal is to strengthen the Royal Naval Dockyard as an

attractive destination to 'work, rest and play' for both local and global audiences. The events team led this initiative, continuing the previous year's fresh approach to event planning which required tenants to invent events and invest directly in them. The result was a more varied and well attended schedule of free visitor events than before as well as, I'm pleased to say, an enhanced appreciation of the depth of planning and work which WEDCO provides to make these events a success.

With so much on which to focus, it can be easy to postpone internal development and working process improvements. I'd like to take this opportunity to commend the Management Team on their decision to resist such postponement and instead initiate an internal review, taking the time to listen to all members of our staff and inform a new and fully inclusive appraisal system which will be fully embedded in the next financial year. Such a proactive commitment to making WEDCO a positive place to work embodies



Mission



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

Renovation for Reinvention

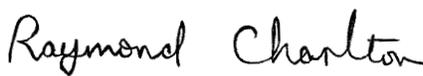
the Corporation's commitment to making the West End a wonderful place to be. There can be no doubt that these efforts have been central to enabling the team to achieve so much this year.

Finally, planning began in earnest for the 35th America's Cup in 2017. This global event provides an opportunity to reinvent Bermuda in many people's minds, with the Royal Naval Dockyard at the heart of the action. Whilst there is still a long way to go, WEDCO's role as a stakeholder and work with the ACBDA has already played a pivotal role in the exhaustive planning which goes into making such an event a success.

As we look forward to a year which will see huge change to the Royal

Naval Dockyard landscape, with the building of Cross Island and much historic building renovation, we continue to focus on the relationships which make it all happen. The year ahead will require a dual focus on both the America's Cup and WEDCO's core business, a challenge I am confident the Corporation can rise to.

On behalf of the Board, I thank the WEDCO Management Team, the wider team of talented staff and our many partners and tenants for their continued commitment and collaboration.



RAY CHARLTON | Chairman



Balance commercial
progress with the need to
preserve and protect some of
Bermuda's richest history.



Our Story: A Sprinting Marathon

As we started the financial year in 2015, we knew that we had an enormous responsibility on our hands. Our unique remit to balance commercial progress with the need to preserve and protect some of Bermuda's richest history and buildings has been pushed to the limits with extensive restoration works to complete as well as the America's Cup to prepare for. As Chaucer said, 'time and tide wait for no man' - and this has certainly been the case for WEDCO this past year.

We started with a construction mountain to climb: the completion of all hurricane restoration work before the end of the financial year. As the year began, we had reached a conclusion on what the payout would be - probably the largest that WEDCO had ever received due to the extent of the damage. This, and the confirmation of the America's Cup for 2017, provided the impetus to make construction and renovation work our top priority. With the challenge to achieve the Board's objective to involve more small and local

contractors in delivering the work, we have needed to focus and innovate.

In addition, our Management Team felt that it was time to look inwards to review our wider team culture and working processes. Having successfully developed our outward relationships with tenants and partners, we needed to ensure that our staff were working as effectively and happily as possible to achieve our goals. We wanted people to have a better appreciation of what the different departments do, minimising working silos. Now more than ever, teamwork is critical to our success.

With 2 years until we welcomed the America's Cup to the West End, 2015 was also a year of planning. It was our responsibility to be a key stakeholder and sit on various committees to support the development of appropriate infrastructure which would both ensure a seamless event and maintain the West End visitor experience for the cruise ship season and longer term. We are proud to have developed

Our Story: A Sprinting Marathon

a close working relationship with the ACBDA and are in the process of honouring our responsibility to make essential land and properties available to them for the event, including historical renovations which will free up more space.

Finally, we needed to build on the events and entertainment template we had set up the year before. Having had such a successful first year, the pressure was on to offer even more variety to our growing number of visitors. I am delighted with the team's innovative efforts which achieved just that, working again in support and sponsorship of our tenants. Visitors enjoyed another summer schedule full of free, creative events as well as unique seasonal activities which help to broaden Bermuda's appeal beyond summer.

As ever, now is the time to say thank you. Thank you to the WEDCO Board for their support and objectives which have inspired

our team to develop even closer working relationships with the local business community. Thank you also to our residential and commercial tenants for another productive year of partnership. Finally, thank you to every person in our team. Whether you work in an office, on a construction site or operating one of our infrastructure facilities, this year you helped to transform our properties, take great steps towards working even better together and start the long planning process for an unprecedented event for the West End and Bermuda.

I look forward to the year ahead, in which we will continue to sprint and build on the ways we enhance the Royal Naval Dockyard as a truly vibrant, exciting and welcoming place to work, rest and play.



ANDREW DIAS | General Manager





**Thank you to every
person in our team.**

Year in Review



Our Journey | 2015-2016

BUILDING TOGETHER

Achieving the objective of completing all hurricane restoration work by the end of the financial year required an 'all hands on deck' approach.

With the Board's direction to better support and stimulate the local economy in the way we go about delivering such essential work, we needed to take a different approach. With a downturn in the economy, our former approach of tendering entire buildings could have excluded smaller contractors and risked supporting our local economy as much as possible.

Our solution was to split jobs into different skillset, enabling local contractors to bid on work from which they may have previously been alienated. It was an initiative which was very successful but took a lot of effort and agility from our team to plan and manage at the early stages.

Another initiative was to encourage the use of casual labour for short-term clean up and dismantling work prior to construction bidding. Instead of making that a part of our overall contracts, we enabled a small group of

people - at one point, up to 15-20 individual painters and 10 casual labour employees - to have work they may not otherwise have had. Not only did this approach help to support many individuals but it also resulted in us securing better tender for the larger projects by cleaning up the buildings and helping to inform more accurate surveying than before.

By working together and taking more time at the start of projects to plan and engage smaller vendors, we believe we saved costs overall. The standard of work was at least as high as previous renovations and our whole team took pride in supporting our smaller businesses.

COMPLETED WORKS

- Nelson Bascome Facility Wall
- Kings Wharf Cruise Ship Terminal (interior fit out / roof)
- Messina House (roof / exterior repairs)
- North Basin Building 6 (interior fit out / roof repairs)
- TSV Venture Building (roof repairs)
- North Basin Building 10 (asbestos removal / roof repairs)

WORKS IN PROGRESS

- Glassworks renovation
- Sail Loft
- Spar Lane apartments
- Prince Alfred Terrace
- Hangar Building on Boaz Island
- North Basin Building 4
- Detached Cottage 7
- Moresby Plains Road

IMPROVING OUR WORKING CULTURE

At WEDCO, we always strive for excellence and continually review the way we work to improve. It is this commitment to always improving how we work that allows for the continued evolution of the Royal Naval Dockyard and the West End as a whole.

During 2015 we reflected on our commitment to make a concerted effort into improving our working environment and culture. We are conscious that many of us spend more time at work than we do with our family and friends, so we

want working life to be as positive as it can be for everyone in and connected to our business.

The process began with reaching out to everyone in our team to engage, get feedback and encourage people to take part in different activities. It was important to start by simply listening to the different frustrations and opportunities we have to improve.

With feedback in hand, we developed a new appraisal system which was much more interactive and

inclusive. We believe that all of our employees, regardless of their job descriptions, have the same right to be told they're doing a great or poor job and receive constructive feedback and motivation from managers.

The new appraisal system has been rolled out in its early stages and we look forward to the next year when it will become business as usual for everyone in the company.

There is always room for improvement, but there is more understanding than ever before. We need to always have the opportunity to listen top down and bottom up.

ANDREW DIAS

Our Journey | 2015-2016

PREPARING FOR THE AMERICA'S CUP

During this year we began our preparations for the America's Cup in earnest. With just 2 years until the event, we needed to stay focused and agile as plans changed and scope was defined.

WEDCO has various roles to support the America's Cup:

1. STAKEHOLDER

As a stakeholder, we sit on and contribute to the following committees:

- Telecommunications
- Security
- Infrastructure
- Transport
- Stakeholders

2. TO HELP BUILD CROSS ISLAND

Cross Island will be the new home to the 'America's Cup Event

Village,' the future hub of the whole event. Whilst political challenges have made this a contentious aspect of the event so far, we have final agreement on the island's short-term use for the America's Cup. The WEDCO Board sought a government guarantee of the continual development of the project which enabled us to proceed with confidence, with WEDCO responsible for defining and preparing for the long-term uses of the land. The building of Cross Island continues and we are excited about the unique venue it is going to provide for visitors to the America's Cup as well as its potential for long-term development after the event.

3. TO SUPPORT WITH INFRASTRUCTURE

As a key stakeholder to the construction and delivery of the America's Cup, WEDCO has taken

an active role in its place on the board of the ACBDA. We advise on water, sanitation, sewage, transport, environmental and a host of other factors. At this stage, the physical results of our work may not yet be visible but we are pleased with the progress made.

4. PROVIDER OF SPACE AND LAND

It is WEDCO's responsibility to free up the space and land which the ACBDA will need to run the America's Cup, factoring in visitors as well as its teams, offices and volunteers. We continue to work with the ACBDA to define their needs and make space available, including the use of newly renovated spaces.

Highlights & Accomplishments

ENTERTAINMENT & EVENTS: PROGRESS THROUGH PARTNERSHIP

As we highlighted in 2014/15, the rejuvenation and transition to members becoming positive partners in developing a thriving community was remarkable. In 2015/16 we saw yet more great strides, continuing to build on the full programme of events which was established the year before with tenants taking a more active role in coming up with ideas and planning.

Once again, we provided guests with a free activity every day of the week throughout the cruise ship season. The schedule was more varied than ever, including more live music, bonfires & DJs on the beach, salsa sessions and island calypso acts.

Highlights of the summer events schedule included the 'Paint Your Own Tile' event for the Royal Naval

Dockyard Mural. Many people enjoyed getting involved in this craft activity and the fact that it gave them the chance to be part of the ongoing legacy in the area. On the subject of legacy, we held the 'Dockyard Cry' part of the Bermuda International Town Crier Competition on April 23rd. Other event highlights included notably increased popularity in the historical re-enactment event, including

We have a very cohesive event staff who rise to the challenges really well. JOANNA CRANFIELD

Highlights & Accomplishments

ENTERTAINMENT & EVENTS: PROGRESS THROUGH PARTNERSHIP

a walking tour around Dockyard. In 2015 we recorded approximately 200 participants of this event per month, a figure which we expect to continue to grow.

We also welcomed the annual End-to-End event, Bacardi Angling Tournament, Billfish Release Cup, Mt. Zion Male Voice Choir annual concert, 2nd family Festival and Boat Race, a Salvation Army Event on the North Lawn, the Bermuda Regiment Tattoo and several other events which were all well attended by local families and visitors.

'Over 30+ years, the finish of the XL Catlin End-to-End event has been held in the Royal Naval Dockyard. We value our relationship with the WEDCO staff and management who are always so professional, friendly and supportive of our mission. And what better

way to end a day's long physical challenge than to relax by the waterside on the North Lawn and to enjoy all of the amenities that Dockyard has to offer? We are so grateful to all at WEDCO and Dockyard for this generous hospitality and support!' - Anne Mello, XL Catlin End-to-End

In addition to our schedule, we had events which were put on by external events coordinators using the West End and the Royal Naval Dockyard as a host venue. These included the first year of the Bermuda Heroes and Carnival event and the long awaited return of the Go Karting Grand Prix which attracted a large crowd.

As ever, it's hard to measure the return on investment for these events due to our mutual commitment with tenants to offer

free, non-ticketed events which maximise the accessibility of our programme for everyone living in and visiting Bermuda. Our sales based rental system, however, can provide an indicator. The fact that our rents have continued to increase on average every year is indicative of growing success and engagement with the fun and family friendly events we offer in partnership with our tenants.

Highlights & Accomplishments

CHRISTMAS: FUN & FUNDRAISING

Every year, WEDCO runs our own set of Christmas events. Our focus for this year was similar to previous seasons, featuring Christmas decorations, food and drink as well as interactive and fun family events.

WEDCO helped local charities to fundraise by inviting them to run wrapping stations and promote their names through their decoration of the mall. There was also the opportunity to 'Hang a Frog on the Giving Tree' in support of the Family Centre as well as other charity - run initiatives.

CHRISTMAS HIGHLIGHTS INCLUDED:

- Weekly family fun-themed Christmas events
- Santa and Mrs. Claus
- The WEDCO annual carol concert held at Dolphin Quest
- The interactive Craft Market, with interactive stalls
- Cookie and tree decorating
- The Christmas parade through the Royal Naval Dockyard
- Book signings from local authors

CRUISE SHIPS: CONTINUED GROWTH

Our marketing on board cruise ships saw a continued increase, building on the new initiatives which had been put in place the year before. We're now in a stronger position than ever with the cruise ships, continuing to

develop stronger relationships with the operating companies and their customers through relevant marketing channels. It really is the case that the more information we can get on board the ships prior to disembarkation the better! As a

result of these efforts, our cruise ship visitors for this year numbered 380,420 - a 7% increase on the year before. We expect this to grow again next year, especially with the America's Cup on the horizon.

Highlights & Accomplishments

MARKETING: BUILDING ON FOUNDATIONS

In addition to our continued efforts with the cruise ships, towards the end of this financial year we have started to invest and grow our social media presence. Our objective is to give more breadth and depth of content about the West End, the Royal Naval Dockyard, the WEDCO team and our many tenants and businesses to highlight the attraction of the area as

somewhere to 'work, rest and play.' So far, our efforts have included creating more content for Facebook, Instagram, Twitter and LinkedIn. It's early days, but initial engagement is positive and we look forward to building our online audience further as the summer season arrives and the build up to the America's Cup reaches fever pitch.

BUSINESS DEVELOPMENT: NEW ATTRACTIONS

During 2015/2016 we welcomed three new commercial tenants to the Royal Naval Dockyard. In May 2015, Alex & Pete's Artisan Ice Cream opened, in March 2016 the 'Crown & Anchor' shop opened and in February 2016 we welcomed Diamonds International. Diamonds

International moved into the Great Western Storehouse, which will also be home to Oracle Team USA. To get the Great Western Storehouse ready, we sandblasted and restored the crane, restored the hardware on every door and also refurbished the ceiling.

These retailers demonstrate the growing sense of the Royal Naval Dockyard as a must-visit destination in Bermuda and we wish them all the best for their first full year of business.



Highlights & Accomplishments

LEASING & TENANCIES: GROWTH RELIANT ON REFURBISHMENT

Despite the economic downturn, our total rental revenue increased by 2%. We cannot underestimate the extent to which the relationship we have with our tenants has influenced this. Our lease arrangement structure is based on mutual returns, so it's in everyone's interests to continue to strengthen our working relationships - something we have seen yet further progress in this year.

On the commercial side of our leasing business, there was continued growth but the many buildings which still required refurbishment presented a challenge. We had too many commercial spaces which were not yet usable due to previous hurricane damage and general deterioration. We have been working on agreements to fill the refurbished spaces as soon as they're ready, with many

pre-arranged to be used for short term America's Cup purposes once complete.

On the residential side, the planning for the refurbishment of Prince Alfred Terrace can now begin. Its completion is currently forecasted for early 2017.

LOOKING FORWARD: FOCUSED EXCITEMENT

Our outlook for the year ahead is resoundingly positive. We have another year ahead in which we need to achieve a monumental amount, but are motivated by the opportunity to welcome such a prestigious and global event to Bermuda. The eyes of the world will be on Bermuda and we take our responsibility for delivering an exceptional West End experience to support it very seriously.

We need to stay focused on our objectives and be steady amid the buzz to ensure that our infrastructure not only provides seamless support to the 2017 America's Cup but also adds value to the West End experience for other visitors and the long-term.

We are growing from strength to strength and will continue to invest in our team, improve our

internal processes, embed the new appraisal system and develop the spirit of partnership which has seen us achieve so much this year. Now more than ever, we need to strike the balance of building on the Royal Naval Dockyard's history and assets at the same time as enhancing its ability to adapt and host future change.

Financial Review

INVESTED IN INFRASTRUCTURE

During the fiscal year the Corporation obtained a credit facility for a maximum principal amount of US \$39million to fund the development of a nine (9) acre land reclamation, whose first use was for the 35th America's Cup (which was awarded to Bermuda on December 2, 2014). This facility increased our net debt by \$23m at year end. Consequently, our tangible capital assets increased accordingly as construction took place throughout the year and the Corporation drew down on the loan facility. In turn, our year end cash position decreased by \$4m.

The Corporation secured all of the shares of South Basin Development Ltd. (a company of which the Corporation previously owned 60%) from Cross Island Development as a result of a settlement agreement. The settlement amount of \$875,000 was an extraordinary item during the year which had a significant impact on our expenses.

The matter of outstanding accounts receivables remain a perennial challenge for the Corporation as we seek to find creative ways to reduce this indebtedness beyond the traditional methods of phone calls and letters.

Revenues increased by 6% over the prior year, mostly attributable to an increase in water revenue and income from the Corporation's investment in South Basin Development Ltd. Expenses increased by 9% over the prior year, mostly attributable to costs related to the America's Cup 2017 event.

In conclusion, the year has been a successful one. Renovations and restorations have begun and will continue into the first quarter of 2017 as we prepare to host the America's Cup. The Corporation is well positioned to meet its financial obligations whilst undertaking the necessary capital investment in infrastructure and buildings.

Revenues increased by 6%
over the prior year

Financial Report





March 31, 2016

The year has been a successful one. Renovations and restorations have begun and will continue into the first quarter of 2017.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

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

The accompanying Independent Auditor's Report is presented herein.



Andrew Dias | General Manager



Kent Bascome | Chief Financial Officer

May 30, 2018



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Works

I have audited the accompanying financial statements of The West End Development Corporation, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The West End Development Corporation as at March 31, 2016, and its results of operations, changes in net debt and cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Other Matter

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



Hamilton, Bermuda
May 30, 2018

Heather Thomas, CPA, CFE, CGMA
Auditor General

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at March 31, 2016

	\$	2016	2015
Financial Assets			
Cash and cash equivalents		10,697,150	14,539,364
Accounts receivable (notes 3 and 14)		1,163,364	1,064,769
Due from the Government of Bermuda (notes 12(a) and 14)		1,428,574	2,968,547
Tenant improvements recoverable (notes 4 and 14)		878,327	999,823
Mortgages and loans receivable		67,102	115,780
Investment in a government business enterprise (note 5)		-	323,021
		14,234,517	20,011,304
Liabilities			
Accounts payable and accrued liabilities (notes 7 and 14)		1,777,297	1,403,171
Deferred revenue (note 8)		1,183,511	6,312
Employee future benefits and compensated absences (note 15)		56,171	62,306
Due to the Government of Bermuda (notes 11 and 14)		353,483	353,483
Due to the Government of Canada (note 10)		3,396,592	3,646,517
Deferred capital contributions (note 13)		44,780,239	46,274,432
Long-term debt (note 12)		49,252,230	27,551,418
Obligations under capital lease (note 9)		65,316	78,798
		100,864,839	79,376,437
Net debt		(86,630,322)	(59,365,133)
Non-Financial Assets			
Tangible capital assets (note 6)		137,099,282	113,642,653
Prepaid expenses		37,128	48,289
		137,136,410	113,690,942
Accumulated surplus		50,506,088	54,325,809

Approved by the Board of Directors



Director



Director

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

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31, 2016

	\$	Budget (Note 18) 2016	Actual 2016	Actual 2015
Revenues				
Proceeds from insurance claims (note 16(a))		-	-	6,300,000
Rental (note 14)		5,813,590	5,734,327	5,872,367
Dock (note 14)		1,882,417	2,078,543	2,063,674
Amortization of deferred capital contributions (note 13)		1,342,835	1,494,193	1,342,835
Government contributions (notes 12 and 14)		1,156,000	1,018,330	1,054,826
Service and expense recoveries		976,992	894,788	884,675
Water (note 14)		698,200	735,320	605,106
Other		176,370	502,163	303,785
Investment income (note 4)		9,312	14,061	16,738
Loss from investment in a government business enterprise (note 5)		-	-	(96,072)
		12,055,716	12,471,725	18,347,934
Expenses				
Facilities (note 16)		10,861,391	10,742,385	16,310,995
Administration (note 16)		3,838,422	3,801,242	3,469,780
Business development (note 16)		857,148	1,747,819	868,663
		15,556,961	16,291,446	20,649,438
Annual deficit		(3,501,245)	(3,819,721)	(2,301,504)
Accumulated surplus, beginning of year			54,325,809	56,627,313
Accumulated surplus, end of year			50,506,088	54,325,809

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

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGE IN NET DEBT

For the year ended March 31, 2016

	\$	Budget (Note 18) 2016	Actual 2016	Actual 2015
Annual deficit		(3,501,245)	(3,819,721)	(2,301,504)
Acquisition of tangible capital assets (note 6)		(4,502,685)	(28,046,475)	(2,580,696)
Disposal of tangible capital assets (note 6)		-	26,925	-
Amortization of tangible capital assets (note 6)		4,502,685	4,368,264	4,425,322
Write-down of tangible capital assets (note 6)		-	194,657	6,300,000
		-	(23,456,629)	8,144,626
Acquisition of prepaid expenses		-	-	(48,289)
Use of prepaid expenses		-	11,161	51,732
		-	11,161	3,443
Change in net debt		(3,501,245)	(27,265,189)	5,846,565
Net debt, beginning of year			(59,365,133)	(65,211,698)
Net debt, end of year			(86,630,322)	(59,365,133)

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

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

For the year ended March 31, 2016

\$	2016	2015
Cash flows from operating activities		
Annual deficit	(3,819,721)	(2,301,504)
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	4,368,264	4,425,322
Amortization of capitalized loan arrangement fees	22,222	-
Write-down of tangible capital assets	194,657	6,300,000
Loss on disposal of tangible capital assets	26,925	-
Amortization of deferred capital contributions	(1,494,193)	(1,342,835)
Movement in bad debt provision	125,398	-
Impairment of investment in a government business enterprise	323,021	-
Loss from investment in a government business enterprise	-	96,072
Changes in non-cash working capital:		
Increase in accounts receivable	(223,993)	(711,770)
Increase/(decrease) in accounts payable and accrued liabilities	374,126	(374,279)
Increase/(decrease) in deferred revenue	1,177,199	(300)
Decrease in employee future benefits and compensated absences	(6,135)	(13,180)
Decrease in prepaid expenses	11,161	3,443
Net cash generated through operating activities	1,078,931	6,080,969
Cash flows from capital activity		
Acquisition of tangible capital assets	(28,046,475)	(2,580,696)
Cash flows from investing activities		
Net receipt of mortgages and loans receivable	48,678	39,053
Net receipt of tenant improvements recoverable	121,496	178,315
Net cash used through investing activities	170,194	217,368
Cash flows from financing activities		
Proceeds from the Government of Bermuda	1,539,973	1,471,602
Repayment of obligations under capital lease	(13,482)	(12,264)
Drawdown of long-term debt, net of arrangement fee of \$300,000	23,107,161	495,907
Repayment of long-term debt	(1,428,571)	(1,428,571)
Repayment of amounts due to the Government of Canada	(249,925)	(250,000)
Net cash generated through financing activities	22,955,156	276,674
Net (decrease)/increase in cash and cash equivalents	(3,842,214)	3,994,315
Cash and cash equivalents, beginning of year	14,539,364	10,545,049
Cash and cash equivalents, end of year	10,697,150	14,539,364
Supplemental cash flow information		
Interest income received	14,061	16,738
Interest expense paid	1,736,283	1,443,789

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NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2016

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

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

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

Service and expense recoveries are recognized when received or receivable.

Income from water charges is recognized on an accruals basis.

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

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

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

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

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

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

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For the year ended March 31, 2016

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

(b) Cash and cash equivalents

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

(c) Receivables

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

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

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

(d) 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.

(e) Tangible capital assets

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

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

	Years
Furniture, equipment and tools	3 - 10
Building improvements and renovations	10 - 25
Mechanical rehabilitation	10 - 25
Landscaping	5 - 40
Buildings	40
Infrastructure rehabilitation	40

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For the year ended March 31, 2016

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

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

(f) Prepaid expenses

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

(g) Payables

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

(h) Long-term debt

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

(i) Borrowing costs

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

(j) Deferred capital contributions

Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in the period.

(k) Employee future benefits

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

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

(l) 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.

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For the year ended March 31, 2016

(m) Expenses

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

(n) Use of estimates

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

(o) Financial instruments

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

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

3. ACCOUNTS RECEIVABLE

	\$	2016	2015
Tenants receivables		1,566,970	2,076,429
Other receivables		857,710	124,258
Less: Provision for doubtful accounts		(1,261,316)	(1,135,918)
		1,163,364	1,064,769

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For the year ended March 31, 2016

4. TENANT IMPROVEMENTS RECOVERABLE

Tenant improvements recoverable consist of amounts due from:

	\$	2016	2015
Department of Corrections (note a)		873,827	995,323
Bermy Berry		4,500	4,500
		878,327	999,823

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

5. INVESTMENT IN A GOVERNMENT BUSINESS ENTERPRISE

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

Historically, the Corporation and Cross Island Development Ltd (CID) owned SBD on a ratio of 60% and 40%, respectively. Effective May 26, 2015, CID transferred its 40% shareholding in SBD to the Corporation for a consideration of US\$875,000. In relation to the share transfer, SBD declared a dividend of \$503,579 payable to the Corporation. This balance has been recognized within 'other receivables' on the statement of financial position as at March 31, 2016.

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

There was no operational activity in SBD during the year ended March 31, 2016. Consequently, there was no income or loss from investment in GBE to be recognized in the statement of operations and accumulated surplus. The only asset held by SBD as at March 31, 2016 related to the cash held for settlement of the dividend payable to the Corporation.

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For the year ended March 31, 2016

6. TANGIBLE CAPITAL ASSETS

2016	\$	Land and buildings	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture, equipment and tools	Assets under development	Total
Opening cost		104,079,220	20,887,300	16,638,814	5,845,158	3,961,504	2,864,558	3,805,291	158,081,845
Additions		-	-	-	-	-	-	28,046,475	28,046,475
Disposals		-	-	-	-	-	(26,925)	-	(26,925)
Write downs		-	-	-	-	-	-	(194,657)	(194,657)
Transfers		28,790	842,674	3,841,236	179,178	11,416	644,603	(5,547,897)	-
Closing cost		104,108,010	21,729,974	20,480,050	6,024,336	3,972,920	3,482,236	26,109,212	185,906,738
Opening accumulated amortization		17,059,062	8,778,581	10,725,992	2,089,937	3,277,488	2,508,132	-	44,439,192
Amortization		2,928,197	544,076	458,744	303,857	72,676	60,714	-	4,368,264
Disposals		-	-	-	-	-	-	-	-
Closing accumulated amortization		19,987,259	9,322,657	11,184,736	2,393,794	3,350,164	2,568,846	-	48,807,456
Net book value		84,120,751	12,407,317	9,295,314	3,630,542	622,756	913,390	26,109,212	137,099,282

2015	\$	Land and buildings	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture, equipment and tools	Assets under development	Total
Opening cost		110,379,220	20,887,300	16,399,170	5,845,158	3,961,504	2,810,355	1,546,457	161,829,164
Additions		-	-	239,644	-	-	82,218	2,498,478	2,820,340
Disposals		-	-	-	-	-	(28,015)	-	(28,015)
Write downs		(6,300,000)	-	-	-	-	-	-	(6,300,000)
Transfers		-	-	-	-	-	-	(239,644)	(239,644)
Closing cost		104,079,220	20,887,300	16,638,814	5,845,158	3,961,504	2,864,558	3,805,291	158,081,845
Opening accumulated amortization		14,205,580	8,235,240	10,163,008	1,784,201	3,187,389	2,466,467	-	40,041,885
Amortization		2,853,482	543,341	562,984	305,736	90,099	69,680	-	4,425,322
Disposals		-	-	-	-	-	(28,015)	-	(28,015)
Closing accumulated amortization		17,059,062	8,778,581	10,725,992	2,089,937	3,277,488	2,508,132	-	44,439,192
Net book value		87,020,158	12,108,719	5,912,822	3,755,221	684,016	356,426	3,805,291	113,642,653

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On May 7, 2009, the Government conveyed ownership of the newly built cruise ship pier, Heritage Wharf, and the associated reclaimed land to the Corporation with an estimated value of \$58,000,000 for a nominal fee of \$1. Under the terms of the conveyance agreements, the Government has an irrevocable right to purchase the transferred assets for the same consideration.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	\$	2016	2015
Accounts payable and accrued liabilities		1,558,751	1,114,897
South Basin Development Ltd - Victoria Place		-	74,369
Rental deposits		218,546	213,905
		1,777,297	1,403,171

8. DEFERRED REVENUE

	\$	2016	2015
Advance rental payments		775	775
Deferred government grant (note 12(b))		1,100,000	-
Other		5,537	5,537
Insurance settlement		77,199	-
		1,183,511	6,312

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9. OBLIGATIONS UNDER CAPITAL LEASE

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

As at March 31, 2016, future repayments scheduled over the remaining term of the lease are as follows:

Year	\$	Capital lease obligations	Interest	Total lease payments
Ending March 31, 2017		14,823	5,577	20,400
Ending March 31, 2018		16,296	4,104	20,400
Ending March 31, 2019		17,915	2,485	20,400
Ending March 31, 2020		16,282	1,013	17,295
		65,316	13,179	78,495

10. DUE TO THE GOVERNMENT OF CANADA

Effective December 31, 1993, the Department of National Defense, Canada, withdrew its personnel from Bermuda. A Deed of Surrender was signed on November 6, 1995, whereby the Government of Canada surrendered 54 Boaz Island Village units to the Corporation. The deed 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. This balance remains owing to the Government of Bermuda as at March 31, 2016.

11. DUE TO THE GOVERNMENT OF BERMUDA

As at March 31, 2016 and March 31, 2015, \$353,483 remained payable to the Government of Bermuda in relation to the redundancy payment (see note 10).

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For the year ended March 31, 2016

12. LONG-TERM DEBT

Long-term debt consists of:

	\$	2016	2015
Loan for the Waste Water Treatment Facility (note a)		1,428,574	2,857,145
Loan for the Victoria Place Project (note b)		24,694,273	24,694,273
Loan for the South Basin Land Reclamation Project (note c)		23,407,161	-
		49,530,008	27,551,418
Capitalised loan arrangement fees		(277,778)	-
		49,252,230	27,551,418

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

Government contributions include interest expense on the loan which is recoverable from the Government. As at March 31, 2016, government contribution receivable in the amount of \$1,428,574 (2015 - \$2,857,145) is included in Due from the Government of Bermuda in the statement of financial position.

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

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

Effective October 2015, the Corporation shall make annual principal payments of not less than US\$1,100,000, payable no later than the last day of each relevant 12 month period. The loan together with all accrued interest and other sums payable by the Corporation to the Bank, shall be repaid at the end of the term.

(c) In June 2015, the Corporation obtained a credit facility for a maximum principal amount of US\$39 million, inclusive of project costs to a maximum amount of US\$36.7 million and capitalized interest to a maximum amount of US\$2.3 million (collectively the "Project Loan") through Butterfield Bank (the "Bank"), guaranteed by the Government of Bermuda, to

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fund the development of a 9 acre land reclamation, being the site for the 35th America's Cup Sailing Competition which was awarded to Bermuda on December 2, 2014.

The loan term is for a period of six years from the date of initial drawdown. Interest rate is set at 1.5% per annum above the Bank's United States dollar base rate as varied by the Bank from time to time. As security for the Project Loan, the Government of Bermuda, acting through and represented by the Minister of Finance (the Guarantor) provided an unconditional guarantee and indemnity in the amount of US\$39 million. Based on the Guarantee and Indemnity letter dated June 18, 2015 that was entered into between the Guarantor and the Bank, the Guarantor warrants that the execution of the Guarantee is in compliance, among others, with the West End Development Corporation Act 1982 and section 2AA of the Government Loans Act 1978.

Interest will be capitalized monthly and added to the Project Loan principal balance for 12 months following the initial drawdown. Thereafter for the following 16 months interest only cash payments will be payable monthly in arrears. Thereafter for the following 6 months interest will be capitalized monthly and added to the Project Loan principal balance. Thereafter for the following 38 months principal repayments of US\$325,000 per month plus interest will be payable monthly in arrears based on a 10 year amortization period. The Project Loan, together with all accrued interest, is repayable in full by June 30, 2021. Interest of \$308,501 was capitalised during the year ended March 31, 2016 (2015 - \$Nil).

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

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

13. DEFERRED CAPITAL CONTRIBUTIONS

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

	\$	2016	2015
Balance, beginning of year		46,274,432	47,617,267
Less: amount amortized to operations		(1,494,193)	(1,342,835)
Balance, end of year		44,780,239	46,274,432

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14. RELATED PARTY TRANSACTIONS

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

Governmental Transactions	\$	2016	2015
Transactions during the year:			
Rental revenue		1,041,564	1,318,544
Government contributions		1,018,330	1,054,826
Dock revenue		255,345	255,214
Water and other revenues		304,641	56,000
Water and insurance expense		412,686	484,558
Employee future benefits expense		282,325	251,335
Tenant improvements recoverable		121,496	243,287
Balances at the end of the year:			
Accounts receivable		26,565	13,041
Due from the Government of Bermuda		1,428,574	2,968,547
Tenant improvements recoverable		878,327	995,323
Accounts payable and accrued liabilities		488,406	75,463
Due to the Government of Bermuda		353,483	353,483

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15. EMPLOYEE FUTURE BENEFITS AND COMPENSATED ABSENCES

(a) Pension plans

i) Pension plan for Bermuda Industrial Union employees

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

The Corporation is not required, under present legislation, to make contributions to the Fund with respect to quantified actuarial deficiencies. As a result, the current year contributions to the Fund represent the total liability of the Corporation. The Corporation's contributions to the Fund during the year totaled \$83,596 (2015 - \$82,658).

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 \$69,403 (2015 - \$60,803).

(b) Other benefits and compensated absences

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

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

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

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as of March 31, 2016 is \$98,050 (2015 - \$132,921) and is included in accounts payable and accrued liabilities.

Employees are entitled to retirement leave benefit based upon their years of service at the time of retirement. The retirement leave accumulates and vests and a liability is accrued each year. The liability as at March 31, 2016 is \$56,171 (2015 - \$62,306) and is included in employee future benefits and compensated absences on the statement of financial position.

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16. EXPENSE DETAILS

	\$	Budget 2016	Actual 2016	Actual 2015
Facilities:				
Write-down of tangible capital assets (note a)		-	194,657	6,300,000
Amortization of tangible capital assets		4,502,685	4,368,264	4,425,322
Repairs and maintenance		2,141,305	2,577,503	2,220,222
Wages		1,110,300	1,280,697	1,118,752
Water		1,200,000	675,321	594,069
Electricity		483,791	459,351	468,437
Security services		448,575	369,899	368,636
Salaries		463,747	361,484	346,179
Dock operations and maintenance		269,105	252,083	262,392
Vehicle		77,968	101,080	54,872
Landscaping operations		84,445	62,136	103,663
Custodial services		79,470	39,910	48,451
		10,861,391	10,742,385	16,310,995
Administration:				
Financing costs		1,458,090	1,458,651	1,471,752
Salaries		743,770	789,306	697,583
Employee future benefits		500,953	434,401	445,498
Insurance		681,169	436,427	504,169
Office supplies		297,940	537,168	332,319
Bad debt expense		151,500	125,521	9,078
Travel and entertainment		5,000	19,768	9,381
		3,838,422	3,801,242	3,469,780
Business development:				
Loss on settlement agreement (note 5)		-	371,425	-
Impairment of investment in GBE (note 5)		-	323,021	-
Advertising, promotions and maintenance		412,700	371,248	377,918
Salaries		270,255	273,571	270,806
Legal and professional fees		163,316	399,000	200,561
Water		10,877	9,554	19,378
		857,148	1,747,819	868,663

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(a) Hurricane Fay and Hurricane Gonzalo

In October 2014, Hurricane Fay and Hurricane Gonzalo made landfall in Bermuda (the “storms”) and damaged certain properties of the Corporation. As a result, the Corporation recognized a write-down of tangible capital assets of \$6.3 million for the year ended March 31, 2015.

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 the damaged properties. The proceeds from insurance claims are recognized as part of revenues in the statement of operations and accumulated surplus.

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, 2016, the maximum credit risk to which the Corporation is exposed represents the fair value of its accounts receivable.

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For the year ended March 31, 2016

(b) Liquidity risk

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

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

	\$	Within 1 year	1 to 5 years	Over 5 years	Total
As at March 31, 2016:					
Accounts payable and accrued liabilities		1,777,297	-	-	1,777,297
Employee future benefits		56,171	-	-	56,171
Due to the Government of Bermuda		-	-	353,483	353,483
Due to the Government of Canada		250,000	1,000,000	2,146,592	3,396,592
Long-term debt		2,528,574	46,723,656	-	49,252,230
Obligations under capital lease		14,823	50,493	-	65,316
Total financial liabilities (contractual maturity dates)		4,626,865	47,774,149	2,500,075	54,901,089
As at March 31, 2015:					
Accounts payable and accrued liabilities		1,403,171	-	-	1,403,171
Employee future benefits		62,306	-	-	62,306
Due to the Government of Bermuda		-	-	353,483	353,483
Due to the Government of Canada		250,000	1,000,000	2,396,517	3,646,517
Long-term debt		1,428,571	6,928,574	19,194,273	27,551,418
Obligations under capital lease		13,483	65,315	-	78,798
Total financial liabilities (contractual maturity dates)		3,157,531	7,993,889	21,944,273	33,095,693

CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended March 31, 2016

(c) Market risk

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

i) Foreign exchange risk

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

ii) Interest rate risk

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

A movement of 1% in interest rates would change the level of interest paid in the year by +/- \$481,020 (2015 - \$275,520).

18. BUDGET

These amounts represent the operating budget approved by the Board on February 4, 2015.

19. CONTRACTUAL OBLIGATIONS

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

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

	\$	2016	2015
Not later than 1 year		429,701	326,800
Later than 1 year and not later than 5 years		777,276	-
		1,206,977	326,800

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2016

20. SUBSEQUENT EVENTS

(a) Victualling 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.

As of October 2015, the potential developer had not made any progress on the project and the MOU expired. The Corporation's management and Board then decided to gauge interest from the next successful candidate from the initial Expressions of Interest proposals. In February 2016, the Corporation issued a memorandum of understanding (MOU) to a new potential developer for an initial period of three (3) months that was subsequently extended to six (6) months. On October 17, 2016, the Corporation further extended the memorandum of understanding (MOU) for an additional six (6) months with an expiration date of February 15, 2017. The MOU expired on February 15, 2017. The potential developer has been informed that we are now actively seeking other opportunities.

(b) Clarien Bank Loan

As disclosed in note 12 (a) above, 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 was the Bank's Bermuda dollar base rate plus margin of 0.75%. This loan was repaid in full on June 13, 2016.

(c) Morseby House

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

(d) Hurricane Nicole

In October 2016, Hurricane Nicole made landfall in Bermuda and damaged certain properties of the Corporation. The Corporation is in discussions with its insurer for a claim of about \$1 million for the restoration of the damaged properties. The Corporation received approximately \$507 thousand of these insurance monies in the year ended March 31, 2017, with the remainder of approximately \$308 thousand being received in the year ended March 31, 2018.

(e) Cruise Ships

The Ministry of Transport and Regulatory Affairs has negotiated the visit of 20 extra ships in the 2017 cruise season, resulting in approximately 39,000 extra passengers. This is significant in that this will impact passenger tax, cabin tax, berthing fees, and have consequential on effects for retail, restaurants, tours, and transportation.

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For the year ended March 31, 2016

(f) Savvy Entertainment

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

21. NEW AND AMENDED STANDARDS NOT YET EFFECTIVE

The Public Sector Accounting Board has issued a number of new public sector accounting standards and amendments to standards that are not yet effective for the year ended March 31, 2016. In particular, the new and amended standards, which became effective for annual periods beginning on or after April 1, 2016 are:

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

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



We look forward to a year which will see huge change to the Royal Naval Dockyard landscape.

BOARD OF DIRECTORS

Chairperson:

Mr. Ray Charlton

Deputy Chairperson:

Mr. Philip Akeroyd, FCA

Directors:

Mr. Ricardo Griffith

Dr. Edward Harris MBE, JP, FSA

Mr. Kevin Lambert

Mr. Mark Melvin, FCA, CFA

Ms. Pat Philip-Fairn

EX-OFFICIO

Permanent Secretary, Works &
Engineering

Director of Planning

Financial Secretary

FINANCE AND AUDIT COMMITTEE

Mr. Philip Akeroyd - Chairperson

Mr. Ray Charlton

Mr. Mark Melvin, FCA, CFA

Mr. Andrew Dias

Mr. Kent Bascome, CPA, CTA

WEDCO EXECUTIVE

General Manager: Andrew Dias

Financial Controller: Kent Bascome

Facilities Manager: Carmen Beach

Business Development Manager: Joanna Cranfield

BANKERS

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

Capital G Bank

WRITING

COSMIC LTD.

DESIGN

COSMIC LTD.





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