

ANNUAL REPORT

—  
2014



THE WEST END  
BERMUDA





GOVERNMENT OF BERMUDA  
Ministry of Public Works

**Office of the Minister of Public Works**

MARCH 2014

**ANNUAL REPORT FOR 2014  
WEST END DEVELOPMENT CORPORATION - (WEDCo)**

As Minister responsible for the West End Development Corporation (WEDCo), I am pleased to report that the fiscal year 2013/2014 held steady during this transition year under the new Government. Unexpected cruise ship revenue losses did not impede progress as the area maintained the growth pattern through new business offerings.

Nowhere better on the Island do you see such diversity, change and growth in an effectively contained space. The Royal Naval Dockyard is a large-space business venture fuelled by tourist and residential experiences that consistently expand and evolve to position the location as a “destination within a destination”.

This evolution and progress is only possible because of WEDCo’s ability to envision and develop the Royal Naval Dockyard in collaboration with multiple entities, such as Government and cruise ship partners, its business tenants and residents. Together, we have built a strong and stable infrastructure.

I wish to take this opportunity to thank The Board, Management and Staff for their commitment, hard work and vision that have brought yet another year of sustainable development to this increasingly vital destination.

Yours sincerely,

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

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## GENERAL MANAGER'S REPORT

The fiscal year 2013/14 was a transitional year for the new Board selected in February. The first six months were spent reviewing the West End Development Corporation's (WEDCo) existing plans and current state of affairs. The Board was pleased

with the business plan and direction, as well as the operation as a whole, and therefore approved management to move forward as envisioned, which was to place more emphasis on receivables and invest more heavily in beautification items.

# Over 400 years of Nautical Maritime History

WEDCo was mandated to tackle housing first, to put new policies and procedures in place to address arrears and uncollected items. While the Corporation made efforts to correct the situation, they were impacted by external factors such as, for example, the backlog at the Courts etc. Emphasis was therefore placed on tenants adhering to the terms and conditions of their leases. **In the meantime, commercial arrears improved during the year, which is further outlined in the financial section of this report.**

Infrastructure projects saw the completion of the expansion of potable water and grey water between Ireland Island North and Watford Island in **March 2014**, while further enhancements were made to Heritage Wharf by Works & Engineering. For the safety and security of the area, additional CCTVs were installed, with coverage extended at the port, and the Marine Police Unit transitioned to Dockyard, from where their operation could be far more efficient in dealing with maritime incidents.

Investment in the Royal Naval Dockyard continued with new business offerings opening through the year. One of our main goals is to encourage businesses that will be attractive to year-round

visitors, whether from overseas or the local market, which falls in line with the Bermuda Tourism Authority's mandate to position Bermuda as a year-round destination. One of the new 'out of season' events that started in November 2013 was the first annual Go Cart Grand Prix, which proved very popular with our local residents.

In line with our goal to reduce expenditure and resources, where possible, the outsourcing of the administration and running of Destination Dockyard to a private enterprise proved to be highly successful. The more that private companies and individuals can be encouraged to be the source of entertainment and business at the Royal Naval Dockyard, the more WEDCo can focus on improving and maintaining the general infrastructure and operation of its core business.

Indeed, we are once again proud of our accomplishments during this past fiscal year, and look forward to continuing our success in the year ahead.

*Raymond Charlton*

Ray Charlton | Chairman





## GENERAL MANAGER'S REPORT

I am very pleased to report that the West End Development Corporation (WEDCo) remained on track with its objectives in the fiscal year 2013/14 despite the challenges we faced during the course of the year.

Following the appointment of the new Board in February 2013, WEDCo's solid business plan enabled a smooth transition for the Board to support our efforts to reach the overarching goal of increasing annual critical mass through an efficient organisation and investment in infrastructure as well as a beautification project. With this support, we moved forward with renewed focus, commitment and fresh perspectives to drive the success of the Royal Naval Dockyard.

As with any business, the only constant is change and, in order to succeed, we had to change some of our strategies, effectively choosing to operate 'in the spirit of the law' as opposed to the letter of the law. For example, we afforded commercial and residential tenants some additional concessions in the difficult months, while at the same time we saw a significant improvement collecting rental arrears. By reviewing our strategies we were able to maintain full occupancy and enough traffic to keep businesses viable. No business was forced

to close from lack or loss of revenue. To offset some of the reduced revenue through the concessions given, we managed to reduce expenditure by changing the Destination Dockyard series and focused on providing entertainment within our Dockyard establishments, which proved effective and successful.

We also saw some changes to our internal staffing. In August 2014 we employed Aqueelah Somner in our Human Resources department, and over the course of the year there were several other new employees in almost every area of the organization.

Some of the most successful events and activities held in Dockyard were very much in keeping with our maritime heritage. New to Dockyard was the Historical Re-enactment tour series, which proved highly popular with our visitors, affording them a genuine insight into how the Royal Naval Dockyard came to be and how it has evolved in sympathy to its origins. Also new to Dockyard was the first Go Cart Grand Prix, which found the perfect course on our winding streets within our historical architecture. We were most pleased to see that participation in and attendance to the fifth annual Billfish Release Cup continued to grow, especially

as it enables us, as a team at WEDCo, to be a part of giving back to the community by raising funds for the Bermuda Sloop Foundation's Adam Goodwin Mariner/Mentor Scholarship Fund.

In closing, I wish to thank WEDCo's management and staff for yet another year of dedication, hard work, and vision for a successful operation that is the Royal Naval Dockyard. I also thank the Ministry of Works, the Ministry of Tourism and Transport, and the Ministry of Environment for their close collaboration in helping us to achieve our objectives. Furthermore, I would like to express our gratitude to the Bermuda Tourism Authority for

their invaluable input and support in bringing added value to our tourism product. Finally, I thank our residential and commercial tenants who help us to set Dockyard apart as a destination by always having something new to offer the wider community and visitors to our island.

Andrew Dias | General Manager



## YEAR IN REVIEW

The Royal Naval Dockyard is steeped in 400 years of local maritime history and culture, which can easily be seen in the military buildings of the Keep citadel, Commissioner's House, Victualling Yard and Clocktower Mall. Over the years, Dockyard has encompassed a diverse range of cultures, ethnicities and religions; from captains to convicts, the area has touched numerous lives that helped to shape it. True to its history, life at Dockyard never stands still, as our community successfully builds upon its historical past to provide ever-evolving facilities and entertainment options for our overseas and local visitors, creating a venue worth returning to again and again.

As was no doubt true in the days that the various sections operated under the one umbrella as a Royal Naval Dockyard, the currently culturally diverse community works together to ensure that the businesses and residences are successful and rewarding for locals and visitors alike.

The Dockyard community is used to change - new businesses constantly invest in the area and we all actively strive to update and upgrade visitor experiences to keep them exciting and interesting. It was therefore a fairly easy transition when the new OBA Government was elected in December

2012, resulting in a new Board being appointed in February 2013. During the Board's transition and orientation period, new projects were put on hold until the Board were able to review and assess the then current state of affairs and the previous development plan. Upon finalising their review, the Chairman and his Board were pleased with the plan and the overall direction that WEDCo was taking, and instructed us to continue.

The non-arrival of the *Grandeur of the Seas* for several weeks was an unexpected loss in revenue during the reporting period 2013/2014. The fire on board caused the ship to be taken out of commission for repair, which affected the number of arrivals. However, in spite of this setback, we are proud to say that we maintained a steady growth pattern by offering new businesses.

Perhaps, as would be appropriate for the year that ended 31 March 2014 - on this, the last day of the financial year, dolphin Bailey gave birth to baby, signalling new life for the year ahead.



...from **captains** to **convicts**, the area has touched numerous lives that helped to shape it.



## HIGHLIGHTS AND ACCOMPLISHMENTS

### CRUISE SHIP VISITS

From April to December 2013, King's Wharf and Heritage Wharf welcomed a total of approximately 355,395 passengers, up from 343,720 in 2012. While the number of actual cruise ship visits was lower than the previous year, the number of passengers increased, as we welcomed the inaugural visit of the new mega-ship Norwegian Breakaway to our shores on 15 May 2013. Regular visits by contract ships Explorer of the Seas and Grandeur of the Seas (Royal Caribbean International), Norwegian Breakaway and Dawn (Norwegian Cruise Lines), and Summit (Celebrity Cruises) accounted for 104 of the 118 cruise ships that arrived in total.

The cruise ship concierge generally suggests passengers "see Dockyard, Hamilton and St. George's"; however, when passengers look at their disembarkation tickets, they see "King's Wharf" and do not relate this to the fact that they are in Dockyard already. It therefore became apparent to WEDCo over the past year that we must increase efforts to ensure cruise ship passengers know the difference between the port (cruise ship hub for Dockyard) and Dockyard as the "destination" - what they can do, where they can go and what is on offer.

### BRITISH ROYAL NAVY

The Portsmouth-based Type 23 frigate HMS Lancaster spent the weekend of 10-12 June 2013 in Bermuda - her first stop on a six-month deployment to the North Atlantic and Caribbean, as part of the Atlantic Patrol Taskforce (North) that provides Humanitarian aid and Disaster relief support to the UK's British Overseas Territories and other islands during the Caribbean hurricane season.

Once again, the maritime history of the Royal Naval Dockyard was brought to bear when HMS Lancaster's Commanding Officer, Commander Steve Moorhouse, said: "I am particularly pleased that the island of Bermuda is the first port of call on our deployment. The relationship between Bermuda and the Royal Navy goes back hundreds of years and it is appropriate that as we arrive in the Caribbean we return to an island that was once a welcoming home to many naval personnel. After many months of preparation, the visit is a fantastic reward for my Ship's Company and we are looking forward to strengthening our relationship with Bermuda and supporting the islanders in any way possible."

During the visit members of the public were able to take a tour on board, hosted by the ship's company. As well as meeting with the Governor and spending time with the Bermuda Police Service, the ship's company attended the Bermuda Regiment's Change of Command parade and undertook joint training with some of their members.

### SPECIAL EVENTS

WEDCo is one of the major sponsors and supporters of the highly popular Bermuda Billfish Release Cup, which takes place every June. 2013 was the fifth year of the tournament being held. The two-day boat tournament kicks off Bermuda's fishing tournament season with a low entry fee, relaxed atmosphere and pass-the-rod format that encourages junior and lady-angler participation. The entry fee covers the participation of the boat and attendance at all planned entertainment and social activities for up to six participants. Eligible species include blue marlin, white marlin, spearfish, sailfish, yellowfin and bigeye tuna, and wahoo. All of the related events are held at the Bonefish Bar & Grill in Dockyard, while weigh-ins and release video check-in takes place at Barr's Bay Park.

A new event took place in 2013 - the first annual Go Cart Grand Prix, held in November by the Bermuda Karting Club. Drivers race laps around the course that takes in the roads around the Clocktower Mall, which are closed off for the event. Because of the road closure, the event has to take place outside of the cruise ship season. Local residents enjoyed the family event that included food vendors, fun castles and 'high speed racing action'.

### DESTINATION DOCKYARD

#### Destination Dockyard

In 2013, WEDCo outsourced the administration and running of Destination Dockyard to a private company, Event Planning Management (EPM), owned by Danilee Trott, while subsidising the costs for the arrangements. The reason behind the decision was that the evenings were proving to be much quieter than previous years - people were disembarking from the cruise ships because of having less money to spend on non-inclusive items and entertainment. The ships used to be in favour of Destination Dockyard and previously viewed it as an entertainment sector, but in 2012/13 the cruise ships looked at their revenue streams and as an alternative, provided high-end entertainment on board.



#### John Lennon Evenings

This musical interlude of John Lennon's songs and his links to Bermuda took place every Thursday evening in the Victualling Yard. The evenings were very popular with local residents, especially as some of the Dockyard restaurants provided vendor stations from which they could purchase food and drinks. WEDCo sponsored the series, with the first evening being held on 16 May 2013.

#### Historical Re-enactment

The first annual Historical Re-enactment show series took place in the Victualling Yard, next to the cannons. The production consists of a 20-minute show on how Bermuda came to be, with three actors in period costume. The show took place four mornings a week and was immediately followed by a Historical Dockyard Walkabout (with guides in period costume), which lasted for around 40 minutes.

#### DOCKYARD AT CHRISTMAS

The annual Christmas events and activities took place this year, which took place on the three Sundays in December leading up to Christmas Day. Santa made his usual appearance, as did the elves, helping to wrap customers' purchases free of charge and entertaining children while parents shopped. Other regular activities included craft demonstrations, food samplings, three Charity Christmas trees, holiday movies and a snow room, where children and adults

alike could enjoy the Winter Wonderland. On 22 December, the Festival of Lights Marina Competition took place, where residents could enjoy the decorated boats moored at the Royal Naval Dockyard Marina, followed by a prize giving ceremony at the Frog & Onion Pub and Restaurant. Carolling with the Dolphins was another popular event during the Dockyard Christmas Sundays and, on 8 December, Gina Spence hosted the event, which was broadcast live.

#### MARKETING

Marketing efforts continued through the year, the main tools for which are the website, Facebook page and Twitter. Banner advertising space on the website continues to do well - a couple of new banner ads were added during the course of the year, most notably the John Lennon Evenings and the Island Tour Centre.

The Royal Naval Dockyard Bermuda Facebook page remains a vital medium to interact with visitors and locals alike, as we work hard to keep the page up-to-date with information on events and activities as well as interesting facts. Our following increased steadily over the year - from 1,902 likes in May 2013 up to 2,257 by January 2014, with many people remaining as 'likes', which is a good indicator that people want to be kept informed of what is going on at Dockyard.

## INFRASTRUCTURE

With the new Board's approval, in 2013/14 WEDCo continued with the progression of plans for the expansion of potable water and grey water between Ireland Island North and Watford Island.

Further enhancements were made to the Heritage Wharf by the Works & Engineering ministry.

#### SECURITY

Security remains a high priority for WEDCo and, as such, additional CCTVs were installed throughout Dockyard and coverage was extended at the port. Crime has decreased since the installation of the cameras.

#### TENANTS

Significant improvement has been seen in 2013/14 regarding arrears. The initial function was to stop further arrears. It should, however, be noted that under the Landlord/Tenant Act, extreme bias is towards the tenant, so it is extremely difficult to have tenants who are in breach of their lease/contract to be removed. The process can take anywhere from three months to two years to implement, and involves exorbitant legal costs, additional manpower and, in most cases, long periods of zero rent for occupied units.

Through this review of policy and adhering to the policy, significant time and commitment of Corporation time and resources has been used on the process. It clearly shows the inequity of the law between the landlord and the tenant. Sometimes this interruption of productivity has impacted on completing of other projects.

Through the relocation of tenants, we were able to assess and ensure that the tenant's total household income was being considered for rent payments. Revenue impacts can be seen in more detail in the financial section of this report.

As a result, we have put in place some more stringent measures to evaluate incoming tenants (salary, income, etc.) for both commercial and residential premises. The housing project is the catalyst to make this happen.

# as niches come up,

## BUSINESS DEVELOPMENT

Joanna Cranfield came on board as Business Development Manager in April 2013, after Raymond Tannock's retirement in March 2013.

WEDCo has an open relationship with most of the businesses located at Dockyard, and when finances are produced that support a need for assistance, and when we see it's a business that supports the ethos of Dockyard, we help and support them. The decision to do so is not about money alone. We are proud to state that none of the businesses in Dockyard folded during this financial year.

As happened with the Department of Corrections, the Marine Police division transitioned to Dockyard in 2013. By positioning their division here, they are in the optimum location to reach any part of the island easily and efficiently.

In April 2013, a webcam at Dockyard was installed ([portbermudawebcam.com](http://portbermudawebcam.com)) - a 24/7 live streaming of HD-quality Internet video broadcast produced by PTZtv in association with the National Museum and North Rock Communications. The webcam provides real-time video with sights and sounds of the port.

### RETAIL

Among the new business that opened during the course of the year were: Hand Made in Bermuda (October 2013), Berymy Berry (on 14 Aug 2013), Flyboarding (3 May 2013).

While the economy continues to be a challenge for the retail shop owners and activity outlets, sales were brisk during the cruise ship season and an overall profit was declared. The Clocktower Mall has consistently been able to maintain full occupancy through rotation - as niches come up, businesses change.

As more outlets and activities come on board, offering a wider selection of things to do for visitors (and locals), the feedback we receive is nothing short of positive. We continue to receive enquiries for setting up new businesses in Dockyard and continue to ensure that successful bids are given to those who will follow the Dockyard ethos.

### RESIDENTIAL DEVELOPMENT

The Board was pleased with the general business plan for the development of Dockyard, and felt that WEDCo could invest more heavily in beautification projects. However, the decision was also made to not sell Boaz Island Village units, which as at March 2013, WEDCo owned 32 units.

# businesses change.

## LOOKING FORWARD

The overall aim remains to increase annual critical mass, with the view of getting to a point of appealing to more local and overseas visitors by businesses opening on a regular basis more than a seasonal one.

With maritime culture at its foundation, the entire team at WEDCo and the community that works and resides in the Royal Naval Dockyard maintain a forward thrust of innovation and new experiences to keep the entire development on an even keel, ensuring that we stay true to the original surroundings. We remain committed to this mission and will do our utmost to continue in the year ahead.

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.





## FINANCIAL REVIEW 2013-2014

The Corporation continues to make good on its mandate to develop the vested lands in the Dockyard. The housing project which commenced last year was completed. The Victoria Place project was developed through South Basin Development Ltd.; a government business enterprise which is now 100% owned by the Corporation. As a result, at year-end long-term debt stands at \$28,484,082 with \$24m of that figure being total drawdowns on the bank facility loan.

We experienced a decrease in water revenue of \$400,000 due to a decline in ship arrivals over the prior year. The Corporation had been carrying \$800,000 in work in progress projects that were either not completed or discontinued. The Board approved this amount to be expensed in the current period. As a result both of these items have greatly impacted the annual deficit. However,

there was bad debt recovery during the year of \$300,000 due to the fact that the Corporation switched from an estimated to a specific identification bad debt policy during the current year.

Cash decreased by approximately \$1.3 million over prior year, mainly attributable to settling amounts payable to South Basin Development Ltd in regards to the Victoria Place project. The Corporation's accounts receivable has improved although the provision for doubtful accounts remains at 80% of total receivables.

The Corporation continues to grow from strength to strength and investigate ways to increase revenues while maintaining or reducing costs. There is much capital expenditure underway but the Corporation is confident that there is sufficient return on investment to yield positive cash flows in the coming years..

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgements, 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 Directors and have been examined by the Office of the Auditor General.

The accompanying independent Auditor's Report is presented herein.

Andrew Dias | Chief Executive Officer

Kent Bascome | Chief Financial Officer



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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, 2014, 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, 2014, 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.

Heather Thomas, CPA, CFE, CGMA  
Auditor General

Hamilton, Bermuda  
August 15, 2016

## THE WEST END DEVELOPMENT CORPORATION

Consolidated Statement of Financial Position  
As at March 31, 2014

In US dollars	2014	2013
<b>Financial Assets</b>		
Cash and cash equivalents	10,545,049	11,889,051
Accounts receivable (notes 3 and 14)	352,999	439,368
Due from the Government of Bermuda (notes 12 and 14)	4,440,149	5,915,108
Tenant improvements recoverable (notes 5 and 14)	1,178,138	1,385,058
Mortgages and loans receivable (note 4)	154,833	190,220
Investment in a government business enterprise (note 6)	419,093	325,593
	17,090,261	20,144,398
<b>Liabilities</b>		
Accounts payable and accrued liabilities (notes 8 and 14)	1,777,450	4,906,564
Employee future benefits (note 15)	75,486	83,604
Due to the Government of Bermuda (notes 11 and 14)	353,483	353,483
Due to the Government of Canada (note 11)	3,896,517	4,146,517
Deferred revenue (note 9)	6,612	4,087
Deferred capital contributions (note 13)	47,617,267	48,960,102
Long-term debt (note 12)	28,484,082	19,411,646
Obligations under capital lease (note 10)	91,062	102,217
	82,301,959	77,968,220
Net debt	(65,211,698)	(57,823,822)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 7)	121,787,279	116,665,174
Prepaid expenses	51,732	97,330
	121,839,011	116,762,504
Accumulated surplus	56,627,313	58,938,682

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

## THE WEST END DEVELOPMENT CORPORATION

Consolidated Statement of Operations and Accumulated Surplus  
For the year ended March 31, 2014

In US Dollars	Budget (Note 18) 2014	Actual 2014	Actual 2013
<b>Revenues</b>			
Rental (note 14)	6,081,691	5,806,542	5,808,062
Dock (note 14)	1,824,789	1,955,579	2,049,922
Amortization of deferred capital contributions (note 13)	1,342,835	1,342,835	1,342,835
Service and expense recoveries	1,029,111	813,042	887,342
Water (note 14)	777,500	798,728	1,182,196
Other	-	193,060	180,737
Government contributions (notes 12 and 14)	192,294	192,290	373,579
Income from investment in a government business enterprise (note 6)	-	93,504	304,719
Investment income (notes 4 and 5)	16,744	16,992	21,890
Gain (loss) on disposal of tangible capital assets	195,000	-	(6,284)
	11,459,964	11,212,572	12,144,998
<b>Expenses</b>			
Facilities (note 16)	8,676,963	10,068,786	8,494,109
Administration (note 16)	2,901,098	2,535,870	3,564,580
Business development (note 16)	761,740	919,285	980,759
	12,339,801	13,523,941	13,039,448
Annual deficit	(879,837)	(2,311,369)	(894,450)
Accumulated surplus, Beginning of year		58,938,682	59,833,132
Accumulated surplus, End of year		56,627,313	58,938,682

## THE WEST END DEVELOPMENT CORPORATION

Consolidated Statement of Change in Net Debt  
For the year ended March 31, 2014

	Budget (Note 18) 2014	Actual 2014	Actual 2013
<b>Annual deficit</b>	(879,837)	(2,311,369)	(894,450)
Acquisition of tangible capital assets	(9,106,717)	(10,017,037)	(16,907,057)
Amortization of tangible capital assets	3,833,558	4,117,766	3,706,279
(Gain) loss on disposal of tangible capital assets	(195,000)	-	6,284
Write down of costs included in work in progress	-	777,167	-
	(5,468,159)	(5,122,104)	(13,194,494)
Acquisition of inventories	-	(1)	(6,259)
Acquisition of prepaid expenses	-	(51,731)	(97,330)
Use of inventories	-	-	11,689
Use of prepaid expenses	-	97,329	122,823
	-	45,597	30,923
Change in net debt	(6,347,996)	(7,387,876)	(14,058,021)
Net debt, Beginning of year		(57,823,822)	(43,765,801)
Net debt, End of year		(65,211,698)	(57,823,822)

## THE WEST END DEVELOPMENT CORPORATION

### Consolidated Statement of Cash Flows For the year ended March 31, 2014

In US Dollars	2014	2013
<b>Cash flows from operating activities</b>		
Annual deficit	(2,311,369)	(894,450)
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	4,117,766	3,706,279
Loss on disposal of tangible capital assets	-	6,284
Write down of costs included in work in progress	777,167	-
Amortization of deferred capital contributions	(1,342,835)	(1,342,835)
Changes in non-cash working capital:		
Decrease in accounts receivable	86,370	74,396
(Decrease) increase in accounts payable and accrued liabilities	(3,129,111)	4,100,678
Increase(decrease) in deferred revenue	2,525	(102,977)
Decrease in employee future benefits	(8,118)	(32,516)
Decrease in prepaid expenses	45,600	25,493
(Increase) decrease in inventories	-	5,431
<b>Net cash (used in) generated through operating activities</b>	<b>(1,762,005)</b>	<b>5,545,783</b>
<b>Cash flows from capital activity</b>		
Acquisition of tangible capital assets	(10,017,040)	(16,907,057)
<b>Net cash used in capital activity</b>	<b>(10,017,040)</b>	<b>(16,907,057)</b>

### Consolidated Statement of Cash Flows Continued

<b>Cash flows from investing activities</b>		
Net payment of mortgages and loans receivable	35,387	10,886
Investment in a government business enterprise	(93,504)	(312,417)
Net payment of tenant improvements recoverable	206,920	198,173
<b>Net cash generated through (used in) investing activities</b>	<b>148,803</b>	<b>(103,358)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the Government of Bermuda	1,474,959	1,346,002
Repayment of obligations under capital lease	(11,155)	(10,147)
Repayment of long-term debt	(1,428,571)	(1,428,572)
Additions to long-term debt	10,501,007	13,697,359
Repayment of amounts due to the Government of Canada	(250,000)	(250,000)
<b>Net cash generated through financing activities</b>	<b>10,286,240</b>	<b>13,354,642</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,344,002)</b>	<b>1,890,010</b>
Cash and cash equivalents, beginning of year	11,889,051	9,999,041
<b>Cash and cash equivalents, end of year</b>	<b>10,545,049</b>	<b>11,889,051</b>
<b>Supplemental cash flow information</b>		
Interest income received	16,992	21,889
Interest expense paid	424,444	251,553

## THE WEST END DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements  
For the year ended March 31, 2014

### 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 consolidated 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 recoveries and expense recoveries are recognized when received or receivable.

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 consolidated 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.

Notes to Consolidated Financial Statements Continued  
March 31, 2014

#### 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.

#### 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 and has 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.

Notes to Consolidated Financial Statements Continued  
March 31, 2014

**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 year 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 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.

**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 currency or credit risks arising from these financial instruments.

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

Notes to Consolidated Financial Statements Continued  
March 31, 2014

**3. ACCOUNTS RECEIVABLE**

In US Dollars	2014	2013
Tenants receivables	1,569,626	1,958,395
Accrued interest and other receivables	71,754	77,637
Less: Provision for doubtful accounts	(1,288,381)	(1,596,664)
	352,999	439,368

**4. MORTGAGES AND LOANS RECEIVABLE**

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

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

In US Dollars	2014	2013
Mortgages receivable	76,220	94,082
Loans receivable - Boaz Island Village Condo Corporation	78,613	96,138
	154,833	190,220

Notes to Consolidated Financial Statements Continued  
March 31, 2014

## 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.

In US Dollars	2014	2013
Department of Public Transportation	63,877	167,509
Department of Corrections	1,109,761	1,217,549
Bermy Berry	4,500	-
	1,178,138	1,385,058

## 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.

WEDCo owns 60% of South Basin Development, Ltd.

Notes to Consolidated Financial Statements Continued  
March 31, 2014

In US Dollars	2014	2013
Total assets	770,110	2,735,744
Total liabilities	365,887	2,425,025
Net assets	404,223	310,719
Revenue	5,141,843	10,068,432
Expenses	5,048,339	9,763,713
Excess of revenue over expenses for the year	93,504	304,719
Cash generated through operating activities	220,165	286,013
Cash generated through financing activities	-	6,000
	220,165	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 consolidated financial statements for these differences.

As at year end, \$14,874 (2013 - \$14,874) 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, 2014, the estimated costs to completion of the Project are \$nil (2013 - \$8,413,551).

Notes to Consolidated Financial Statements Continued  
March 31, 2014

## 7. TANGIBLE CAPITAL ASSETS

2014

In US Dollars	Land and building	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture equipment and tools	Assets under development	Total
Opening cost	84,289,932	20,822,031	16,216,095	5,711,051	3,935,236	2,701,827	18,913,121	152,589,293
Additions	26,089,288	65,269	183,075	134,107	26,268	108,528	9,974,344	36,580,879
Write downs	-	-	-	-	-	-	(777,167)	(777,167)
Transfers	-	-	-	-	-	-	(26,563,841)	(26,563,841)
Closing 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
Opening accumulated amortization	11,646,996	7,693,311	9,622,966	1,483,998	3,086,993	2,389,855	-	35,924,119
Amortization	2,558,584	541,929	540,042	300,203	100,396	76,612	-	4,117,766
Disposals	-	-	-	-	-	-	-	-
Closing accumulated amortization	14,205,580	8,235,240	10,163,008	1,784,201	3,187,389	2,466,467	-	40,041,885
Net book value	96,173,640	12,652,060	6,236,162	4,060,957	774,115	343,888	1,546,457	121,787,279

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.

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

Notes to Consolidated Financial Statements Continued  
March 31, 2014

2013

In US Dollars	Land and building	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	16,907,057
Disposals	(4,875)	-	-	(2,821)	(400)	(4,997)	(37,824)	(9,772)
Closing cost	84,289,932	20,822,031	16,216,095	5,711,051	3,935,236	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

intention to divest the Corporation of this asset and enter into a lease and repair agreement with the Corporation, however, as at March 31, 2014, this had not occurred.

In April 2005, the Board approved the disposal of the 52 units owned by the Corporation at Boaz Island Village. Management is actively pursuing potential buyers of the individual units. As at March 31, 2014, there were 32 units (2013 - 32 units) remaining.

Included in the above tangible capital assets are rental revenue producing assets at a cost of \$21,959,378 (2013 - \$21,959,378) and related accumulated amortization of \$12,134,988 (2013 - \$11,403,879).

Notes to Consolidated Financial Statements Continued  
March 31, 2014

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

In US Dollars	2014	2013
Accounts payable and accrued liabilities	1,092,726	640,773
South Basin Development Ltd - Victoria Place	498,682	4,061,191
Rental deposits	186,042	204,600
	1,777,450	4,906,564

## 9. DEFERRED REVENUE

In US Dollars	2014	2013
Advanced rental payments	775	-
Other	5,837	4,087
	6,612	4,087

Notes to Consolidated Financial Statements Continued  
March 31, 2014

## 10. OBLIGATIONS UNDER CAPITAL LEASE

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

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

In US Dollars	Capital lease obligation	Interest	Total lease payment
<b>Year</b>			
2015	12,264	8,136	20,400
2016	13,483	6,917	20,400
2017	14,823	5,577	20,400
2018	16,296	4,104	20,400
2019 - 2020	34,196	3,204	37,400
	91,062	27,938	119,000

## 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.

Notes to Consolidated Financial Statements Continued  
March 31, 2014

## 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 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:

In US Dollars	Principal	Interest	Total
<b>Due Date</b>			
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	1,428,574	53,262	1,481,836
	4,285,716	344,274	4,629,990

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 the new Victoria Place housing units at the Victoria Place in Dockyard.

The term of the loan commences on May 1, 2014 and end 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.

Notes to Consolidated Financial Statements Continued  
March 31, 2014

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, 2014, total loan facility drawdowns were \$24,198,366 as follows:

In US Dollars	Amount	Balance
<b>Period</b>		
Balance at April 1, 2013		13,697,359
April 2013	2,802	13,700,161
May 2013	4,865,176	18,565,337
June 2013	1,003,952	19,569,289
August 2013	702,772	20,272,061
August 2013	803,476	21,075,537
September 2013	536,125	21,611,662
October 2013	373,123	21,984,785
November 2013	714,340	22,699,125
January 2014	695,691	23,394,816
February 2014	368,696	23,763,512
March 2014	434,854	24,198,366

Notes to Consolidated Financial Statements Continued  
March 31, 2014

### 13. DEFERRED CAPITAL CONTRIBUTIONS

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

In US Dollars	2014	2013
Balance, beginning of the year	48,960,102	50,302,937
Less: Amount amortized to operations	(1,342,835)	(1,342,835)
Balance, end of year	47,617,267	48,960,102

Notes to Consolidated Financial Statements Continued  
March 31, 2014

### 14. RELATED PARTY TRANSACTIONS

The Corporation is related to all Government agencies such as 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 in US Dollars	2014	2013
<b>Transactions during the year</b>		
Rental revenue	1,213,427	1,260,001
Government contributions (note 12)	192,290	373,579
Dock revenue	254,131	241,309
Water revenue	56,000	56,000
Water and insurance expense	662,856	739,410
Employee future benefits expense	248,313	237,117
Tenant improvements recoverable	289,984	289,984
<b>Balances at the end of the year</b>		
Accounts receivable (note 3)	38,279	298,161
Due from the Government of Bermuda (note 12)	4,440,149	5,915,108
Tenant improvements recoverable (note 5)	1,173,638	1,385,058
Accounts payable and accrued liabilities (note 8)	191,714	156,180
Due to the Government of Bermuda (note 11)	353,483	353,483
<b>Non-governmental transactions</b>		
Transactions during the year:		
Contract fees paid to SBD	8,413,551	16,280,720
Management fees paid to SBD	156,185	500,000
Balances at the end of the year:		
Due to SBD (note 8)	498,682	4,066,491
Due from SBD (note 3)	-	240,648

Notes to Consolidated Financial Statements Continued  
March 31, 2014

## 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 totaled \$74,512 (2013 - \$66,759).

#### 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 \$63,409 (2013 - \$74,624).

### b. Other benefits and compensated absences

Other benefits and compensated absences include maternity leave, paternity leave, sick leave, vacation days and retirement leave. All of these benefits, except for retirement leave, 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 accumulates but does not vest, and like maternity and paternity leave, a liability is only recognized when applied for and approved. There was no extended sick leave applied for or approved during the year and therefore, no liability has been accrued in the accounts.

Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as of March 31, 2014 is \$88,644 (2013 - \$81,993) 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. During the year, retirement leave benefits in the amount of \$25,037 (2013 - 25,239) were paid. The liability as at March 31, 2014 is \$75,486 (2013 - \$83,604) and is included in employee future benefits on the consolidated statement of financial position.

Notes to Consolidated Financial Statements Continued  
March 31, 2014

## 16. EXPENSE DETAILS

In US Dollars	Budget 2014	Actual 2014	Actual 2013
<b>Facilities</b>			
Amortization of tangible capital assets	3,833,558	4,117,766	3,706,279
Repairs and maintenance	1,083,035	1,572,899	1,109,881
Wages	1,221,034	1,146,914	1,023,643
Water	885,391	867,626	991,871
Write down of costs included in work in progress	-	777,167	-
Electricity	493,582	462,723	472,187
Salaries	381,854	366,119	391,090
Security services	323,750	312,868	303,256
Dock operations and maintenance	255,000	258,290	321,489
Landscaping operations	67,850	71,629	52,675
Custodial services	82,000	57,954	55,880
Vehicle	49,909	56,831	65,858
	8,676,963	10,068,786	8,494,109
<b>Administration</b>			
Salaries	877,783	841,612	963,596
Insurance	699,198	678,004	731,991
Employee future benefits	606,124	470,501	506,909
Financing costs	201,538	440,199	272,152
Office supplies	455,455	374,752	387,446
Travel and entertainment	11,000	17,698	6,023
Bad debt (recovery)	50,000	(286,896)	696,463
	2,901,098	2,535,870	3,564,580
<b>Business Development</b>			
Advertising, promotions and maintenance	314,895	469,123	468,349
Salaries	309,376	296,628	342,871
Legal and professional fees	111,100	127,694	128,447
Water	26,369	25,840	41,092
	761,740	919,285	980,759

Notes to Consolidated Financial Statements Continued  
March 31, 2014

## 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

- i. 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.

- ii. 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.

- iii. 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, 2014, 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.

Notes to Consolidated Financial Statements Continued  
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### 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 November 28, 2012.

## 19. 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.

### 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 February 2, 2016, the Corporation has spent \$1,631,692 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 was 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.

Notes to Consolidated Financial Statements Continued  
March 31, 2014

**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 manager 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 August 15, 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.

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 August 3, 2016, a total of \$29,539,707 was drawn down on the Project Loan.

Notes to Consolidated Financial Statements Continued  
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**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:

- i. SBD paid 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.
- ii. CID surrendered its lease agreement with the Corporation and vacated the premises on May 31, 2015 and paid no further monies related to its occupancy or usage, and as a result, total rent receivable of \$42,900 was forgiven by the Corporation.
- iii. CID was responsible for the payment of \$22,600 and of any and all funds owing to Anaconda Holdings.
- iv. CID transferred 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 declared and paid a dividend to CID amounting to \$503,579.





**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

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