

2020 Annual Report





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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 economic well-being.

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Chairman's Message

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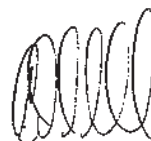
If 2019 was a year of regrouping and preparation, the 2020 fiscal year was one of bringing projects to fruition. Once again, we enjoyed a successful year with high occupancy, strong retail sales, increased visitor numbers, and a calendar full of well attended events. I continue to commend the Board and WEDCO personnel for their drive and dedication.

After ending the previous year with a surplus, WEDCO was in a strong position to explore new opportunities. Our properties achieved almost 95% occupancy, which allowed us to shift our objectives to creating more rentable space in Dockyard. Building on last year's exploration of working together with other entities, we moved forward with plans to relocate

Marine & Ports to the former Team Oracle Shed, thereby allowing us to redevelop space in the main section of Dockyard.

WEDCO also worked closely with the Ministry of Public Works on the King's Wharf project, with the Ministry of Public Works taking the lead on upgrading the dock and WEDCO taking the opportunity to completely rebuild the terminal. The dock was finished on time and on budget at the very beginning of this fiscal year, while the terminal was successfully completed in September. I am immensely proud of the hard work that our team put into this project, which is now a beautiful and safe port of entry for our cruise ship visitors.

Despite the overall success of this year and the best efforts of our Board and entire WEDCO team, the year ended on a sombre note as the novel coronavirus known as COVID-19 swept the globe, thrusting us into a pandemic. As we watched in horror, some cruise ships became stranded while COVID-19 infected hundreds of passengers, leading a number of cruise lines to suspend their operations. While it is difficult to predict the outcome of this pandemic on both global and local tourism as we head into the next fiscal year, I have the utmost faith in our team. I believe that WEDCO will be able to adapt to our "new normal" in such a way that Dockyard will continue to be a destination of choice once travel can safely resume.



CHARLTON DILL | Chairman



General Manager's Report

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While this year has ended with a fair degree of uncertainty, overall, it has been a successful and productive year.

We began the year by finishing the King's Wharf dock, on time and on budget. Using precast concrete slabs and beams with a corrosion inhibitor, the new wharf was built with increased loading to accommodate the next generation of cruise ships. This massive undertaking was time critical; failure to deliver on time was simply not an option due to commitments to both the Government of Bermuda and shipping companies. Missing the deadline of April 10, 2019, would have incurred penalties of \$500,000 for every ship unable to dock. The King's Wharf dock demonstrated how the Government and our QUANGO can work hand-in-hand, with Minister

Burch designating it as the "new 'Gold Standard' for the Ministry of Public Works in meeting deadlines".

After using a temporary structure while construction was taking place, we finished the new, purpose-built King's Wharf terminal in September. This building is indicative of the progress that WEDCO has made in fulfilling our mission to make Dockyard the destination of choice.

Continuing the spirit of interdepartmental collaboration, we further developed and received commitment from Marine & Ports to relocate to the former Oracle Shed. We began the planning process and obtained support and approval for the move. Looking at the Hamilton site for synergies, we examined their operational procedures to determine if the physical plant could sustain

their operations or to see if some functions should be relocated to Dockyard. We aim to implement the planned changes in the next fiscal year.

I am ecstatic to report that our solar project, which has produced 575 kW of solar power, greatly assisted in reducing our carbon footprint, while simultaneously decreasing our BELCO energy costs. The solar project was delivered and brought online on time and on budget.

WEDCO met our objectives this year and, as you will see in the financial statements, performed very well financially. Of note, our tenant occupancy was in the 90th percentile. Our team maintained our infrastructure and core business while also securing short term rentals and other business activities.





We began the year by finishing the King's Wharf dock, on time and on budget. Using precast concrete slabs and beams with a corrosion inhibitor, the new wharf was built with increased loading to accommodate the next generation of cruise ships.

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This strong position enabled us to develop an updated brand and website to move us into the 2020s. You will see our new brand reflected in this annual report and in our communications and marketing materials going forward.

The final month of this fiscal year, March 2020, was mired in uncertainty with concerns about the novel coronavirus known as COVID-19. While we are secure this year after a wonderful high season, we are entering the new fiscal year with great concern about the impact of this global pandemic on WEDCO, Bermuda and even global tourism at large. In these uncertain times, we will do what is necessary to protect our team, tenants and visitors, while still fulfilling our mission to the best of our abilities.

ANDREW DIAS | General Manager





Year in Review

STRONG RETAIL

Overall, this was a very strong year for our retail tenants. Retail sales continued to improve year on year, which is not surprising when considering the increased cruise ship arrivals over the reporting period. In general, tourism fared well over the reporting period and our retail tenants were able to convert these visitors into customers.



In September 2019, we finished building the new King's Wharf terminal, which is now purpose-built and reflects our role as the entryway to Bermuda for many arriving cruise ship passengers.

KEY WORKS

King's Wharf

The Government of Bermuda completed extensive dock renovations at the beginning of this fiscal year, just in time for our first vessel on April 10, 2019. In the midst of these renovations, the existing building was demolished, as it was antiquated and was no longer fit for purpose. While the Department of Works and Engineering was busy replacing the concrete and rebars, WEDCO established a temporary, oblong, tensile structure to function as the King's Wharf terminal and house the seaport security and customs. In September 2019, we finished building the new King's Wharf terminal, which is now purpose-built and reflects our role as the entryway to Bermuda for many arriving cruise ship passengers.

Accessible Sidewalks

Accessibility is important in making the Royal Naval Dockyard a welcoming place for people of all abilities. Between April and May 2019, WEDCO placed a sidewalk outside of NB17 (the pharmacy, Marine & Ports and the pottery studio) that is accessible by people with disabilities and families with strollers.

North Arm Security Hut and Public Restroom

This extension included a lunchroom and bathroom for port security and transportation staff. At the entrance to the cruise ship arm, WEDCO also installed permanent air-conditioned bathroom units for public use.

Works in Progress

- Marine & Ports relocation

Completed Works

- Retaining wall at West End Sailboat Club
- Victualling Yard tank remediation
- NB8 asbestos removal
- Sandys Community Centre roof repairs



Highlights & Accomplishments

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ENTERTAINMENT & EVENTS

Our free Historical Walking Tour ran every Tuesday and Friday between April 16 and October 29, 2019. For the first time, we introduced Sunday tours from October 6 to December 29, 2019. Starting at the moongate on the pier and finishing at the Clocktower Mall, this one-hour tour was well attended for the vast majority of the 70 events.

The Living Arts Walk, which ran every Thursday between April 18 and October 31, 2019, followed a similar path from the moongate on the pier to the Clocktower Mall.

In July and August, we were pleased to once again offer Destination Dockyard on the North Lawn. Each week featured a different theme; the most popular nights were "Reggae Night" and "Need for Speed". Over the course of the summer, local and visiting attendees enjoyed DJs, live music, dancers, fire performances and vendors from Dockyard and beyond.

For one night only, we brought Destination Dockyard into the fall with our Fall Festival held on October 20, 2019. This event had a larger turnout than any of the individual summer Destination Dockyard events, with an estimated attendance of over 500 people. Power Girl Trina was our effervescent host and DJ Keem provided a great musical selection. In addition to giant games, bonfires and s'mores, fun castles and animal rider machines, attendees enjoyed performances by In Motion and PyroCrazed Entertainment.

Dockyard has earned a reputation as the place to be during the Christmas season. We kicked off the season on December 8, 2019, with Santa's Workshop in the Victualling Yard from 1:00pm – 5:00pm. Children were able to take pictures with their favourite cartoon characters, including Elmo, Baby Shark, Doc McStuffin, Woody and Marshall. There were also giant games, cookie decorating, Christmas

painting, a giant triple slide and fun castle, face painting and a motorcycle show by the Bermuda Classic Bike Club. Immediately following Santa's Workshop, we hosted Carols with the Dolphins in collaboration with Dolphin Quest. This year was the best attended yet, with a few hundred people there to see the dolphin demonstrations, listen to the Big Chill and enjoy the free hot cocoa and warm pretzels. Moving to the North Lawn at 6:00pm, we hosted the second annual Dockyard Tree Lighting Ceremony. Approximately 425 people were there to enjoy music by DJ Rusty G and performances by Bermuda Dance Academy, Rated E Dancers, Northlands Primary School Choir, PyroCrazed Entertainment and the Warwick Gombey Troupe. The winner of the Festival of Trees, which featured ten beautiful trees decorated by schools around the island, was also announced at the Tree Lighting Ceremony. Heron Bay Primary School won the \$2,500 grand prize





and there were also cash donation prizes awarded to the second, third, fourth and fifth place winners and the remaining honourable mentions. On December 22, we hosted Destination Dockyard: Winter Wonderland from 1:00pm to 4:00pm on the North Lawn, followed by a Christmas movie in the Victualling Yard. Last but not least, we hosted our own Christmas party at Frog & Onion to celebrate with our staff and partners with a 12-part raffle, buffet dinner and entertainment.

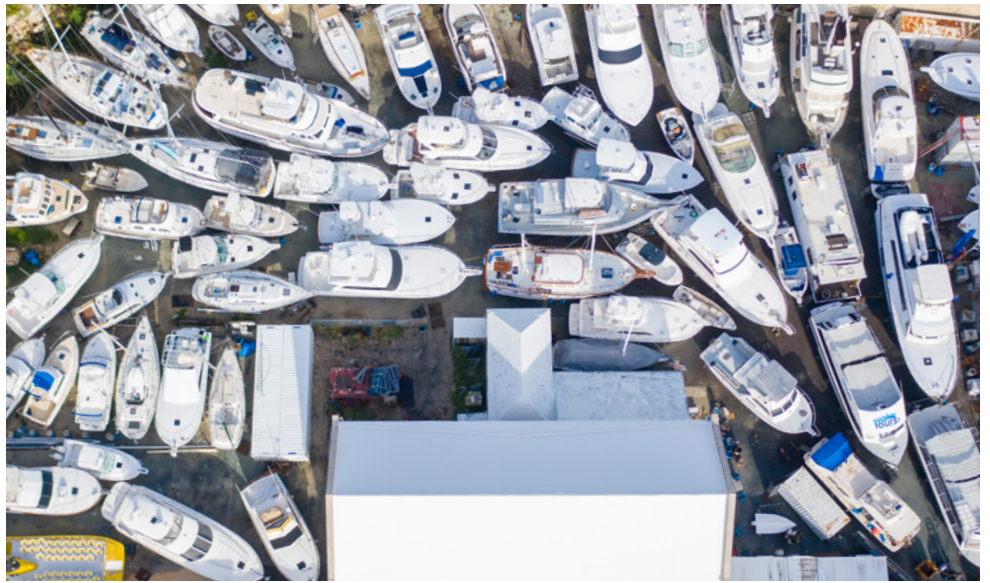
In addition to WEDCO events, many other entities selected Dockyard as the destination for events throughout the year. Once again, Dockyard hosted AXA End-to-End in May, as cyclists, runners and walkers made their way from one end of the island to the other. Epic Entertainment's Fight Night and Family Fun Day drew a huge crowd to the Victualling Yard at the end of June. In July, the Victualling Yard welcomed the American Society's Independence

Day celebrations. Frog & Onion's popular Oktoberfest also returned to the Victualling Yard for three nights of festivities.

Some of the popular charitable events held in Dockyard included the Bermuda Triangle Challenge's PwC Bermuda Marathon and Bermuda Triple Challenge's Royal Challenge. Inspire Bermuda held a tag day in the Clocktower Mall and we also allowed Elevate Host Services to use the upper level of the Clocktower Mall to collect donations for their coat and blanket drive.

Other notable events included Bermuda Hunt Club's Buffet Breakfast and Hunt, BOMBA Radio Controlled Boat Races, the Inmate Craft Market, the Double "R" Twirlettes Baton Performance, Mt. Zion AME Church Summer Concert, Bermuda Billfish Release Cup, and Sunday Rumday by Everblessed Entertainment.





MARKETING

In June 2019, we sent out an RFP for a rebranding exercise and a new website. We were looking for a partner to assist with strategic marketing projects, including defining and clarifying the WEDCO, Royal Naval Dockyard and Clocktower Mall brands. We selected Cosmic Ltd. as our communications partner to position our brands, give them modern iconography and update our website to be completely responsive for an easy, functional user experience. This annual report highlights the chosen branding for WEDCO, which we are now using throughout our marketing and communications materials.

BUSINESS DEVELOPMENT

As WEDCO had achieved approximately 95% occupancy, our objectives shifted to explore opportunities to create more space in Dockyard. Initially, our goals were to move Marine & Ports to the former Team Oracle base in the South Basin and to move the boatyard into the former BAR shed. By relocating Marine & Ports and the boatyard, we would free up space for redevelopment and leasing for retail tenants in the main area of Dockyard. As of the end of the fiscal year, plans were moving ahead to bring these goals to fruition, with talks underway with both Marine & Ports and the boatyard.

We were pleased to welcome most of our vendors back for another season. Bermuda Fudge Co., Churchill's Limited, Positive Energy, Duch Pops and Prestige Cocktails returned from May to October 2019. Sunkissed Hair and Henna was a new addition, taking the place of Barbara Dillas's Sunset

Studio. For the first time, we requested sales reports to monitor the success of our vendors; as expected, July was a strong month for all the vendors, although one established vendor actually did its best sales in May.

During this period, we awarded two busker licenses. W. Aaron Spencer II, a talented young saxophonist, received a license to perform in the ferry and vendor area from May to November. Desmond Smith, a veteran saxophonist, received a license to perform inside the Clocktower Mall from May to November; unfortunately, he could only perform for a couple of months due to health and transportation challenges.



As WEDCO had achieved approximately 95% occupancy, our objectives shifted to explore opportunities to create more space in Dockyard.

LEASING & TENANCIES

Since our properties were mostly occupied, there was not much leasing area available for new tenants. There were, however, two changes to existing tenancies: Snorkel Park and the courtesy shuttle. We were delighted to receive some very interesting proposals for Snorkel Park. After considerable deliberation and consultation, we selected Beach Boys (West) Ltd. to take over the popular dining, entertainment and beach destination. While the courtesy shuttle RFP received fewer responses, we were pleased to select Titan Express,

which proposed brand new electric shuttles. These environmentally friendly “electric trams” offer shade and relaxation to our visitors as they stop at major attractions, shops and restaurants in Dockyard.

Prince Alfred Terrace has been performing remarkably well, surpassing our expectations. Three units are leased long-term, with all three tenants choosing to remain. Ten units were used as vacation rentals, with longer term rentals in the winter months.



Financial Review

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2019 - 2020

During the 2019/2020 financial year the Corporation saw its cash increase by \$1.5m as the Corporation continued its drawdowns from the bank for the King's Wharf project. Our receivables reflected a significant increase over the prior year due to funds due to the Corporation from the insurance company related to Hurricane Humberto. Our long-term debt increased by \$5m as the Corporation completed the King's Wharf project funded by bank financing.

The Corporation experienced a loss on disposal of tangible capital assets and loss on impairment of \$2m in total, because of the renovation of

the King's Wharf and Hurricane Humberto respectively. With the financial implications of COVID-19 the Corporation continues to remain diligent yet understanding regarding its collection process.

Rental, dock, and water revenue increased by \$800k over prior year. Expenses increased by \$1.8m mainly due to the loss on disposal of assets and impairment losses related to Hurricane Humberto.

In summary, the Corporation had a solid year and continued to realize significant savings on interest costs and power costs due to the prior year loan consolidation and

solar project, respectively. As we navigate the implications of the COVID-19 pandemic the Corporation is committed to pursuing additional streams of revenue as we recognize that our traditional sources of revenue may not be sufficient to maintain operational solvency. As a result, the Corporation may need to request financial assistance from the Bermuda Government to meet its obligations for the 20/21 fiscal year due to the downturn in business revenue caused by the COVID-19 pandemic. A difficult year awaits us but also a year in which we can explore new ways of conducting business in the Dockyard.



Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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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 through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance and Audit Committee meets

periodically with management to discuss matters relating to financial reporting, internal control and audits. The Finance and Audit Committee also reviews the financial statements before recommending approval by the Board of Directors. 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.



MR. KENT BASCOME, CPA, CTA
Chief Financial Officer,
Acting General Manager



MS. CARMEN TUCKER
Facilities Manager,
Acting General Manager

MAY 26, 2021





Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Works

Opinion

I have audited the financial statements of the West End Development Corporation, which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the West End Development Corporation as at March 31, 2020, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the West End Development Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the West End Development Corporation will continue as a going concern. As more fully described in Note 24 (b), the West End Development Corporation is dependent upon future financial support from the Government of Bermuda to discharge its liabilities in the normal course of business due to novel coronavirus (COVID-19). In March 2020, the World Health Organization declared COVID -19, a global pandemic. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the future operating and financial performance of the West End Development Corporation or to provide a quantitative estimate of this impact. These conditions may give rise to a material uncertainty that could raise substantial doubt about the West End Development Corporation's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the West End Development Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the West End Development Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the West End Development Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 West End Development Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the West End Development Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the West End Development Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of our auditor's report.

Hamilton, Bermuda
May 26, 2021



Heather Thomas, CPA, CFE, CGMA
Auditor General

Financial Statements

Statement of Financial Position

As at March 31, 2020

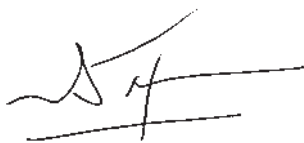
	2020	2019
	\$	\$
Restated (Note 21)		
FINANCIAL ASSETS		
Cash and cash equivalents	3,638,160	2,131,070
Accounts receivable (notes 3 and 17)	1,603,123	843,780
Due from the Government of Bermuda (notes 4 and 14)	982,562	1,494,080
Mortgages and loans receivable	7,541	8,547
	6,231,386	4,477,477
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	1,719,722	1,534,731
Deferred revenue (note 8)	-	6,412
Employee future benefits and compensated absences (note 15)	98,313	100,897
Due to the Government of Bermuda (notes 11 and 14)	4,643,122	6,672,081
Due to the Government of Canada (note 10)	2,396,517	2,646,592
Long-term debt (note 12)	68,403,718	63,490,767
Obligations under capital lease (note 9)	559,297	638,736
	77,820,689	75,090,216
Net debt	(71,589,303)	(70,612,739)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	141,138,755	139,340,678
Prepaid expenses	60,752	4,838
	141,199,507	139,345,516
Accumulated surplus	69,610,204	68,732,777

Contractual obligations and Contractual rights (notes 19 and 20)

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements



Financial Statements

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2020

	BUDGET 2020	ACTUAL 2020	ACTUAL 2019
	\$	\$	\$
	(Note 18)		Restated (Note 21)
REVENUES			
Government contributions (note 14)	3,624,000	8,121,000	8,406,000
Rental (note 14)	8,028,582	7,430,512	6,972,926
Dock (note 14)	3,006,671	3,048,722	2,814,414
Water (note 14)	800,580	1,083,538	968,580
Service and expense recoveries	987,232	951,096	962,289
Revenue from insurance proceeds (note 3)	-	829,679	
Other	144,538	219,141	356,933
Contributions revenue (note 13)	-	21,980	121,327
Investment income	-	38	6,771
	16,591,603	20,609,240	20,609,240
EXPENSES (NOTE 16)			
Facilities	13,817,512	13,174,388	11,328,482
Administration	7,252,392	6,553,827	6,782,299
Business development	1,068,484	1,100,063	976,954
	22,138,388	20,828,278	19,087,735
Annual surplus	(5,546,785)	877,427	1,521,505
Accumulated surplus, beginning of year		68,732,777	67,211,272
Accumulated surplus, end of year		69,610,204	68,732,777



Financial Statements

Statement of Change in Net Debt

For the year ended March 31, 2020

	ACTUAL 2020	ACTUAL 2019
	\$	\$
Restated (Note 21)		
ANNUAL SURPLUS	877,427	1,521,505
Acquisition of tangible capital assets (note 6)	(8,052,591)	(10,765,660)
Amortization of tangible capital assets (note 6)	4,376,142	4,414,910
Disposal of tangible capital assets (note 6)	1,396,476	11,485
Write-down of tangible capital assets (note 6)	481,896	39,990
	(920,650)	(4,777,770)
Use of prepaid expenses	4,838	48,025
Acquisition of prepaid expenses	(60,752)	(4,838)
	(55,914)	43,187
Change in net debt	(976,564)	(4,734,583)
Net debt, beginning of year	(70,612,739)	(65,878,156)
Net debt, end of year	(71,589,303)	(70,612,739)

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The accompanying notes are an integral part of these financial statements



Financial Statements

Statement of Cash Flows

For the year ended March 31, 2020

	2020	2019
	\$	\$
Restated (Note 21)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	877,427	1,521,505
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	4,376,142	4,414,910
Write-down of tangible capital assets	481,896	39,990
Disposal of tangible capital assets	1,396,476	11,485
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(759,343)	2,682
Decrease (increase) in due from the Government of Bermuda	511,518	(434,059)
Increase (decrease) in accounts payable and accrued liabilities	184,991	(250,130)
Decrease in deferred revenue	(6,412)	(1,000,000)
(Decrease) Increase in employee future benefits and compensated absences	(2,584)	16,567
(Decrease) increase in due to the Government of Bermuda	(2,028,959)	2,571,419
(Increase) decrease in prepaid expenses	(55,914)	43,187
Net cash generated through operating activities	4,975,238	6,937,556
CASH FLOWS FROM CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(8,052,591)	(10,765,660)
CASH FLOWS FROM INVESTING ACTIVITY		
Net receipt of mortgages and loans receivable	1,006	5,398
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligations under capital lease	(79,439)	(76,430)
Drawdown of long-term debt	9,747,281	63,490,767
Repayment of long-term debt	(4,834,330)	(61,228,490)
Repayment of amounts due to the Government of Canada	(250,075)	(250,000)
Net cash generated through financing activities	4,583,437	1,935,847
Net increase (decrease) in cash and cash equivalents	1,507,090	(1,886,859)
Cash and cash equivalents, beginning of year	2,131,070	4,017,929
Cash and cash equivalents, end of year	3,638,160	2,131,070
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest income received	38	6,771
Interest expense paid	3,213,243	4,016,856

The accompanying notes are an integral part of these financial statements



Financial Statements

Notes to the Financial Statements

March 31, 2020

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 'Ministry'). 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

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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 of the Chartered Professional Accountants of 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, dock fees received from all vessels arriving in Dockyard, service and expense recoveries, and income from water charges are recognized on an accrual 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 nonfinancial assets in the statement of financial position.

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



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Notes to the Financial Statements

March 31, 2020

2. Significant accounting policies (continued)

(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, and mortgages and loans receivable.

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

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

(D) TANGIBLE CAPITAL ASSETS

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

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

	YEARS
Furniture, equipment and tools	3 - 10
Building improvements and renovations	10 - 25
Mechanical rehabilitation	10 - 25
Landscaping	5 - 40
Buildings	40
Infrastructure rehabilitation	40
Other structure (Reclaimed Land)	100

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.

Amortization for all assets starts at the next fiscal year after the date of acquisition or capitalization.



Financial Statements

Notes to the Financial Statements

March 31, 2020

2. Significant accounting policies (continued)

(E) PREPAID EXPENSES

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

(F) PAYABLES

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

(G) LONG-TERM DEBT

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

(H) BORROWING COSTS

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

(I) EMPLOYEE FUTURE BENEFITS

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

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

(J) FUNDS AND RESERVES

Certain amounts, as approved by the Board of Directors (the "Board"), are set aside in accumulated surplus for future operating and capital purposes.

(K) EXPENSES

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

(L) USE OF ESTIMATES

The preparation of financial statements in conformity with public sector accounting standards generally accepted in Bermuda and Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include the useful life of tangible capital assets, employee future benefits, and provision for doubtful accounts. 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.



Financial Statements

Notes to the Financial Statements

March 31, 2020

2. Significant accounting policies (continued)

(M) 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. These financial instruments are measured at cost or amortized cost.

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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.

(N) STATEMENT OF REMEASUREMENT GAINS AND LOSSES

A statement of remeasurement gains and losses has not been presented as the Corporation does not have any significant financial assets or liabilities that would give rise to remeasurement gains or losses.

3. Accounts receivable

	2020	2019
	\$	\$
Receivable from the insurance company	829,679	-
Tenants receivables	868,717	822,931
Other receivables	557,117	572,340
Less: Provision for doubtful accounts	(652,390)	(551,491)
	1,603,123	843,780

Hurricane Humberto

In September 2019, Hurricane Humberto made landfall in Bermuda and damaged certain properties of the Corporation. On February 10, 2020, the Corporation accepted an offer of settlement from the insurance company totaling to \$1,032,070, less the applicable deductible amount. The total funds were received on May 25, 2020 in the amount of \$829,679. A receivable from the insurance company was recognized as at March 31, 2020 in relation to this balance.



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Notes to the Financial Statements

March 31, 2020

4. Tenant improvements recoverable

Tenant improvements recoverable, which are included under 'due from Government of Bermuda' in the statement of financial position, consist of amounts due from:

	2020	2019	
	\$	\$	P.G.
Department of Corrections (note a)	308,141	462,501	25
Bermmy Berry	-	4,500	
	308,141	467,001	

- a. On September 13, 2010, the Corporation entered into a Memorandum of Understanding with the Department of Corrections (the 'Department') 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 commencing February 1, 2012 at an interest rate of 6% per annum.

5. Investment in a Government Business Enterprise (GBE)

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 'accounts receivable' in the statement of financial position as at March 31, 2020 and March 31, 2019 (note 3).

There was no operational activity in SBD during the year ended March 31, 2020. Consequently, there was no income or loss from investment in GBE to be recognized in the statement of operations and accumulated surplus. Assets held by SBD as at March 31, 2019 and March 31, 2020 include cash held for settlement of the dividend payable to the Corporation.



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Notes to the Financial Statements

March 31, 2020

6. Tangible capital assets

2020	Land and buildings	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture, equipment and tools	Assets under development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Opening cost, as restated	103,314,168	27,367,793	33,561,109	8,362,043	4,642,716	4,297,285	8,275,319	189,820,433
Additions	91,835	-	81,455	-	-	42,577	7,836,724	8,052,591
Disposals	(4,820,359)	(43,774)	(9,816)	-	-	(100,793)	-	(4,974,742)
Write downs	(52,675)	(1,500)	(221,721)	(6,000)	(200,000)	-	-	(481,896)
Transfers	14,028,249	241,345	1,241,860	212,190	-	181,538	(15,905,182)	-
Closing cost	112,561,218	27,563,864	34,652,887	8,568,233	4,442,716	4,420,607	206,861	192,416,386
Opening accumulated amortization	15,993,996	10,831,217	13,666,546	3,451,500	3,342,991	3,193,505	-	50,479,755
Amortization	1,932,092	683,757	1,034,203	403,758	84,233	238,099	-	4,376,142
Disposals	(3,463,721)	(7,438)	(6,314)	-	-	(100,793)	-	(3,578,266)
Closing accumulated amortization	14,462,367	11,507,536	14,694,435	3,855,258	3,427,224	3,330,811	-	51,277,631
Net book value	98,098,851	16,056,328	19,958,452	4,712,975	1,015,492	1,089,796	206,861	141,138,755

2019	Land and buildings	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture, equipment and tools	Assets under development	Total Restated (Note 21)
	\$	\$	\$	\$	\$	\$	\$	\$
Opening cost, as restated	103,070,976	27,367,793	33,493,560	6,468,354	4,642,716	4,051,364	11,485	179,106,248
Additions	-	-	-	-	-	121,326	10,644,334	10,765,660
Disposals	-	-	-	-	-	-	(11,485)	(11,485)
Write downs	-	-	(39,990)	-	-	-	-	(39,990)
Transfers	243,192	-	107,539	1,893,689	-	124,595	(2,369,015)	-
Closing cost, as restated	103,314,168	27,367,793	33,561,109	8,362,043	4,642,716	4,297,285	8,275,319	189,820,433
Opening accumulated amortization	14,001,883	10,094,764	12,584,869	3,133,634	3,250,009	2,999,686	-	46,064,845
Amortization	1,992,113	736,453	1,081,677	317,866	92,982	193,819	-	4,414,910
Closing accumulated amortization	15,993,996	10,831,217	13,666,546	3,451,500	3,342,991	3,193,505	-	50,479,755
Net book value, as restated	87,320,172	16,536,576	19,894,563	4,910,543	1,299,725	1,103,780	8,275,319	139,340,678

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Notes to the Financial Statements

March 31, 2020

6. Tangible capital assets (continued)

On May 7, 2009, the Government conveyed ownership of the newly built cruise ship pier, Heritage Wharf, and the associated reclaimed land to the Corporation with an estimated value of \$58,000,000 for a nominal fee of \$1. Under the terms of the conveyance agreements, the Government has an irrevocable right to purchase the transferred assets for the same consideration. In July 2016, the Government divested the Corporation of this asset and as of March 31, 2017 was negotiating a lease and repair agreement with the Corporation. It is the intent of the Government through the Ministry for the lease agreement to maintain the status quo for fiscal years 2018 - 2020.

For 2020, the opening cost for tangible capital assets has been restated to reflect the reallocation between asset groups, from Infrastructure rehabilitation to Mechanical rehabilitation in the amount of \$1,727,136 and increase in assets under development of \$2,704,287.

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7. Accounts payable and accrued liabilities

	2020	2019
	Restated (Note 21)	
	\$	\$
Accounts payable and accrued liabilities	1,382,854	1,184,064
Rental deposits	270,928	259,050
Tenant payables	65,940	91,617
	1,719,722	1,534,731

8. Deferred revenue

	2020	2019
	\$	\$
Other	-	5,537
Advance rental payments	-	875
	-	6,412



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Notes to the Financial Statements

March 31, 2020

9. Obligations under capital lease

a. 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. The lease was paid in full in January 2020. The lease expense for the year ended March 31, 2020 was \$2,410.

b. Effective January 1, 2017, the Corporation entered into a capital lease with Air Care to provide upgrades to the Dockyard lighting infrastructure and to replace any and all lighting fixtures at a cost of \$1,292,583 inclusive of financing costs of \$294,431 at a fixed rate of 7% per annum. Based on the agreed amortization period of 10 years, monthly installment amounts of principal and interest were \$8,692. There was an additional monthly maintenance charge of \$770 making the total monthly payment \$9,462. The Corporation made a 25% down payment of \$249,538 under the terms of the lease.

As at March 31, 2020, future repayments scheduled over the remaining term of the lease are as follows:

	CAPITAL LEASE OBLIGATIONS	INTEREST	TOTAL LEASE PAYMENTS
YEAR	\$	\$	\$
Ending March 31, 2021	67,285	37,019	104,304
Ending March 31, 2022	72,149	32,155	104,304
2023 - 2026	419,863	74,747	494,610
	559,297	143,921	703,218

The leased tangible capital asset was recorded at a cost of \$996,285 as an addition in the year ended March 31, 2018. The accumulated amortization as of March 31, 2020 was \$63,202. The lease expense for the year ended March 31, 2020 was \$41,604.

10. Due to the Government of Canada

Effective December 31, 1993, the Department of National Defense, Canada, withdrew its personnel from Bermuda. A Deed of Surrender was signed on November 6, 1995, whereby the Government of Canada surrendered 54 Boaz Island Village units to the Corporation. The deed required the Corporation to pay the sum of \$5,000,000, interest free, within a term of ten years from the date of the deed.

On May 26, 2011, the Government of Canada declined a request for forgiveness of the loan and requested for payment. This decision and the existing deed have been superseded by an agreement dated April 30, 2012 with an effective date of October 2011. In this agreement, the Government of Canada and the Corporation agreed to a



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Notes to the Financial Statements

March 31, 2020

10. Due to the Government of Canada (continued)

payment schedule of \$250,000 per annum over 20 years, with \$353,483 to be discharged as redundancy payment payable on behalf of the Government of Canada to the Government of Bermuda. This balance remains owing to the Government of Bermuda as at March 31, 2020 (note 11). The outstanding balance of the loan as at March 31, 2020 amounted to \$2,396,517 (2019 - \$2,646,592).

11. Due to the Government of Bermuda

As at March 31, 2020, \$353,483 remained payable to the Government of Bermuda in relation to the redundancy payment (note 10).

On August 30, 2016, Cabinet considered and subsequently approved a promissory note of three million dollars (\$3,000,000) being provided to the Corporation by the Ministry for the redevelopment of Moresby House, 26 Pender Road, Sandys. The outstanding balance of the loan as at March 31, 2020 amounted to \$2,726,190 (2019 - \$2,887,250)

12. Long-term debt

Long-term debt consists of:

	2020	2019
	\$	\$
Loan for the Victoria Place & South Basin (consolidated) (note (c))	53,056,968	56,656,968
Loan for the King's Wharf Project (note (d))	13,948,891	5,273,580
Loan for the Solar Project (note (e))	1,397,859	1,560,219
	68,403,718	63,490,767

a. 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 accrued interest of \$ 60,320 and other sums payable by the Corporation to the Bank was repaid in full on March 14, 2019 (note 12(c)).



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Notes to the Financial Statements

March 31, 2020

12. Long-term debt (continued)

- b. 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 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 payable in full by June 30, 2021.

On October 22, 2015, the Ministry confirmed that they will not allow the Corporation to default on the repayment of principal and interest (payment default) in relation to the above mentioned Credit Facility, provided that the Corporation 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.

To avoid any payment default in relation to the above-mentioned credit facility, the Ministry of Finance through the Ministry provides grant funding to cover any shortfall in debt service payments.

On March 14, 2019, the above facility was repaid in full (note 12(c)).

- c. On February 14, 2019, the Corporation entered into a new facility with Butterfield Bank (the "Bank") in the amount of \$56,850,000 to consolidate its long-term debt under a term loan agreement. On March 14, 2019, the Corporation repaid the above two facilities (notes 12(a) and 12(b)) in full in the amount of \$56,656,968 to the Bank. This amount was refinanced as one term loan guaranteed by the Government of Bermuda.

The term of the loan is for seven (7) years, maturing in February 2026 repayable in equal monthly principal payments of \$300,000, amortised over a notional sixteen (16) year period commencing on the date of initial drawdown plus accrued interest, payable monthly in arrears. The first monthly term loan payment was due on April 1, 2019. The loan is for a period of seven (7) years from the date of initial drawdown. For the first five (5) years of the term, being the period from February 28, 2019 to and including February 28, 2024, a fixed annual interest rate of 4.75%; and for the years six (6) and seven (7) of the term, being March 1, 2024 up to and including maturity



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Notes to the Financial Statements

March 31, 2020

12. Long-term debt (continued)

date, February 28, 2026, an annual interest rate equal to the Bank's Unites States Dollar Base Rate (being 6% at the date of the Facility Letter) as varied by the Bank from time to time.

The loan, together with all accrued interest and other amounts payable to the Bank is repayable in full on the maturity date, by way of a bullet repayment of the total principal and interest outstanding at the maturity date.

Interest expense incurred during the year ended March 31, 2020 was \$2,651,350 (2019 - \$162,695).

- d. On February 14, 2019, the Corporation secured a loan drawdown facility for \$15,000,000 through Butterfield Bank (the "Bank"), guaranteed by the Government of Bermuda, to fund the construction project costs relevant to the rehabilitation of King's Wharf, Dockyard.

The term of the loan is for seven (7) years, maturing in February 2026, repayable in equal monthly principal payments of \$75,000, amortised over a notional sixteen (16) year period commencing on the date of initial drawdown plus accrued interest, payable monthly in arrears. The first monthly term loan payment was due on April 1, 2019. The loan is for a period of seven (7) years from the date of initial drawdown. For the first five (5) years of the term, being the period from February 28, 2019 to an including February 28, 2024, a fixed annual interest rate of 4.75%; and for the for the years six (6) and seven (7) of the term, being March 1, 2024 up to and including maturity date, February 28, 2026, an annual interest rate equal to the Bank's Unites States Dollar Base Rate (being 6% at the date of the Facility Letter) as varied by the Bank from time to time.

The loan, together with all accrued interest and other amounts payable to the Bank is repayable in full on the maturity date, by way of a bullet repayment of the total principal and interest outstanding at the maturity date.

As at March 31, 2020 \$13,948,891 (2019 - \$5,273,580) had been drawn down on the facility.

- e. In December 2018, the Corporation secured a term loan for \$2,000,000 through Clarien Bank to fund the purchase and installation of solar panels in the Dockyard area ("Solar Project").

The term of the loan is for eight (8) years from date of initial disbursement. During the term, interest will be payable monthly in arrears at a 5-year fixed rate of 5.25%, commencing one (1) month following initial date of draw down and monthly thereafter for up to six (6) months. Commencing seven (7) months following initial drawdown, the loan will be repaid at BD\$26,932 per month covering both principal and interest which represents an amortization period of 90 months.

Interest of \$20,862 (2019 - \$17,588) was capitalised during the year ended March 31, 2020.



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Notes to the Financial Statements

March 31, 2020

12. Long-term debt (continued)

f. Principal repayments

Anticipated annual principal repayments over the next five years and thereafter are as follows:

	\$
2020 (April to December)	3,600,000
2021	4,800,000
2022	4,800,000
2023	4,800,000
2024	4,800,000
2025	4,800,000
	27,600,000

13. Contributions revenue

Contributions revenue of \$21,980 represents donated computer equipment received by the Corporation from the Corporation’s managed services provider. These assets are valued at fair market value and consist of computers, monitors, and laptops.

14. Related party transactions

The Corporation is related to all Government departments, ministries, funds, and quasi-autonomous nongovernmental 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:



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Notes to the Financial Statements

March 31, 2020

14. Related party transactions (continued)

	2020	2019
GOVERNMENTAL TRANSACTIONS	\$	\$
TRANSACTIONS DURING THE YEAR		
Rental revenues	980,954	1,145,583
Government contributions	8,121,000	8,406,000
Government contributions (non-cash)	21,980	121,327
Dock revenue	269,836	269,836
Water and other revenues	333,343	371,320
Water and insurance expense	1,455,127	652,523
Employee future benefits expense	321,874	297,815
Tenant improvements recoverable	177,910	177,910
BALANCES AT THE END OF THE YEAR		
Due from the Government of Bermuda (note (a))	674,420	1,027,079
Tenant improvements recoverable (note 4)	308,141	462,501
Due to the Government of Bermuda	4,643,122	3,967,794

- a. The Corporation assisted the Ministry with moving the Artemis building from Morgan's Point and erecting it at Prospect. All costs associated would be reimbursed to the Corporation by the Ministry. The Corporation agreed that any project management service provided by the Corporation's staff will not be billed to the Ministry. The outstanding amount as at March 31, 2020 amounted to \$618,050 (2019 - \$928,569). Other amounts included in due from the Government of Bermuda pertain to payroll tax refund, and other reimbursable amounts charged to the Government of Bermuda.

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 \$132,913 (2019 - \$88,977).



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Notes to the Financial Statements

March 31, 2020

15. Employee future benefits and compensated absences (continued)

ii. Pension plan for administrative employees

Administrative employees of the Corporation are covered under a private defined contribution plan (the "Plan") through BF&M Life Insurance Co. Ltd. Employee contributions to the Plan are 5% of gross salary and they are matched by the Corporation. These contributions represent the total liability of the Corporation and are recognized in the accounts on a current basis. The Corporation's contributions to the Plan during the year amounted to \$80,248 (2019 - \$86,971).

PG. (B) OTHER BENEFITS AND COMPENSATED ABSENCES

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Other employee benefits and compensated absences include maternity leave, paternity leave, sick leave, vacation days and retirement leave. All 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 or 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, 2020 is \$75,671 (2019 - \$63,197) 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, 2020 is \$98,313 (2019 - \$100,897) and is included in employee future benefits and compensated absences on the statement of financial position.



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Notes to the Financial Statements

March 31, 2020

16. Expense details

	BUDGET 2020	ACTUAL 2020	ACTUAL 2019
			Restated (Note 21)
	\$	\$	\$
FACILITIES			
Amortization of tangible capital assets	6,110,333	4,376,142	4,414,910
Repairs and maintenance	3,146,653	2,722,834	2,640,984
Wages	1,390,600	1,473,902	1,345,772
Loss on disposal of tangible capital assets	-	1,396,476	-
Water	1,053,500	976,920	929,537
Security services	558,500	488,720	406,212
Loss on impairment of tangible capital assets	-	481,896	-
Electricity	517,400	432,096	573,506
Salaries	367,462	352,972	328,400
Dock operations and maintenance	355,000	244,620	421,098
Vehicle	102,864	112,180	110,473
Landscaping operations	107,800	60,374	107,850
Custodial services	107,400	55,256	49,740
	13,817,512	13,174,388	11,328,482
ADMINISTRATION			
Financing costs	3,839,724	3,298,662	4,344,627
Insurance	1,453,000	1,307,148	682,813
Salaries	815,987	817,757	821,470
Employee future benefits	620,067	628,763	527,334
Office supplies	403,614	377,940	386,094
Bad debt expense/(recovery)	100,000	100,900	(22,257)
Travel and entertainment	20,000	22,657	42,218
	7,252,392	6,553,827	6,782,299



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Notes to the Financial Statements

March 31, 2020

16. Expense details (continued)

	BUDGET 2020	ACTUAL 2020	ACTUAL 2019
			Restated (Note 21)
	\$	\$	\$
BUSINESS DEVELOPMENT			
Advertising, promotions and maintenance	609,158	532,759	489,622
Salaries	293,085	298,466	281,377
Legal and professional fees	156,241	248,089	188,381
Water	10,000	20,749	17,574
	1,068,484	1,100,063	976,954
	22,138,388	20,828,278	19,087,735

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, considering 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



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Notes to the Financial Statements

March 31, 2020

17. Financial risk management (continued)

credit management techniques, including monitoring counterparty's creditworthiness, obtaining references, and taking security deposits. In the year ended March 31, 2020, the maximum credit risk to which the Corporation is exposed represents the fair value of its accounts receivable.

The amounts outstanding at year-end were as follows:

	TOTAL	CURRENT	1 TO 2 MONTHS	3 MONTHS	4 MONTHS AND OVER
	\$	\$	\$	\$	\$
Accounts receivable (gross)	2,255,513	71,949	926,783	12,103	1,244,678
Less: Allowance for doubtful accounts	(652,390)	-	-	-	(652,390)
Net receivables	1,603,123	71,949	926,783	12,103	592,288

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(B) LIQUIDITY RISK

Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on debtor collection, generating positive cash flows from operations, and establishing and maintaining good relationships with various financial institutions. The Corporation provides monthly cash forecast reports to the Board which reflect the cash flows and cash position of the Corporation for the next 12 (twelve) months to ensure the Corporation has sufficient resources to meet its obligations.

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
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,615,871	102,646	1,205	1,719,722
Employee future benefits	-	26,564	71,749	98,313
Due to the Government of Bermuda	1,706,306	714,285	2,222,531	4,643,122
Due to the Government of Canada	250,000	1,000,000	1,146,517	2,396,517
Long-term debt	4,800,000	19,200,000	44,403,718	68,403,718
Obligations under capital lease	67,285	492,012	-	559,297
Total financial liabilities (contractual maturity dates)	8,439,462	21,535,507	47,845,720	77,820,689



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Notes to the Financial Statements

March 31, 2020

17. Financial risk management (continued)

(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 +/- \$684,037 (2019 - \$585,674).

18. Budget

These amounts represent the operating budget approved by the Board on November 28, 2018.

19. Contractual obligations

The Corporation's contractual obligations consist of contracts relating to operation and maintenance of the West End water reclamation facility, desalination plant at Dockyard, air conditioning maintenance, IT managed services, property management services, construction, and transportation services.

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

	2020	2019
	\$	\$
Not later than 1 year	1,692,441	2,430,547
Later than 1 year and not later than 5 years	1,731,907	55,083
	3,424,348	2,485,630

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Notes to the Financial Statements

March 31, 2020

20. Contractual rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Corporation's contractual rights arise because of contracts entered into for commercial and residential leases (inclusive of common area maintenance, external service charges). Amounts disclosed exclude berthing and port charges, percentage rent and commercial advertising revenue because they are variable and dependent on the contracted party's revenue per agreements. The following table summarizes the contractual rights of the Corporation for future assets:

	2020	2019
	\$	\$
Not later than 1 year	6,557,470	5,797,689
	6,557,470	5,797,689

21. Prior period adjustments

Due to amendments within due to the Government of Bermuda (adjustments made to correct amounts due to the Ministry of Public Works related to the King's Wharf Renovation Project) and accounts payable (adjustments made to payroll to correct certain wages and salaries payable accounts) certain amounts were misstated as at March 31, 2019. As a result, the 2019 balances have been restated to correct these errors as shown below:

TANGIBLE CAPITAL ASSETS	
As previously stated (March 31, 2019)	136,636,391
As restated	139,340,678
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	
As previously stated (March 31, 2019)	1,574,727
As restated	1,534,731
DUE TO THE GOVERNMENT OF BERMUDA	
As previously stated (March 31, 2019)	3,967,794
As restated	6,672,081
ANNUAL SURPLUS	
As previously stated (March 31, 2019)	1,481,509
As restated	1,521,505



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Notes to the Financial Statements

March 31, 2020

21. Prior period adjustments (continued)

NET DEBT, END OF YEAR	
As previously stated (March 31, 2019)	(67,948,448)
As restated	(70,612,739)
ACCUMULATED SURPLUS	
As previously stated (March 31, 2019)	68,692,781
As restated	68,732,777

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22. 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, 2020. In particular, the new and amended standards, which became effective for annual periods beginning on or after April 1, 2021 are:

PS 3450 Financial Instruments – a new standard providing guidance on the recognition, measurement, presentation, and disclosure of financial instruments, including derivatives.

PS 1201 Financial Statement Presentation – replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements.

PS 2601 Foreign Currency Translation – replaces PS 2600 and has revised standards on accounting for and reporting transactions denominated in a foreign currency.

PS 3041 Portfolio investments – when Sections PS 2601 and PS 3450 are adopted.

PS 3050 Loans Receivable (Effective Interest Method) – replaces paragraph PS 3050.25 and establishes that a loan discount should be amortized using the effective interest rate method.

PS 3280 Asset Retirement Obligations – a new accounting standard that addresses the reporting of legal obligations associated with the retirement of tangible capital assets.

New standard effective for fiscal years beginning on or after April 1, 2022:

PS 3400 Revenue – a new accounting standard that will address recognition, measurement and presentation of revenues that are common in the public sector.

The Corporation does not intend to adopt these new standards prior to the effective dates. The impact that these standards will have on the financial statements is not deemed significant.



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Notes to the Financial Statements

March 31, 2020

23. Comparative figures

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

24. Subsequent events

a. Boaz Island Village Water Infrastructure Project

Due to the failing infrastructure at the Boaz Island Village the need has arisen to replace the water infrastructure. Initial costs have been estimated at \$2.2m and WEDCO have provided the Village with an interest-free loan in the amount of \$1.1m for 12 years. The Ministry of Public Works has agreed to provide half of this interest-free loan (\$550,000) to WEDCO. An additional \$1.05m was secured via bank financing at a competitive interest rate (5%). In addition, the Village will be required to repay this amount upon completion of the Project until December 1, 2038. Based on 94 units in the Village, the payment per unit is expected to be \$160 per month. The contract works were awarded to H & H Plumbing & Mechanical in the amount of \$1,911,041 on May 21, 2020. As the project is funded jointly between the Corporation and the Ministry of Public Works, the Corporation in its oversight capacity has supported the appointment of its Chief Financial Officer as the Boaz Island Village Condominium Corporation chairperson at the Annual General Meeting in October 2019. As of May 18, 2021, \$1,889,527 in project costs had been paid and the project is approximately 90% complete.

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b. Impact of COVID 19 Global Pandemic

After the year-end, many countries including Bermuda have experienced an outbreak of the infectious coronavirus disease (COVID-19) and on March 11, 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and general population. COVID-19 has caused disruption to businesses and economic activity both locally and globally. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the future operating and financial performance of the Corporation or to provide a quantitative estimate of this impact which could potentially be significant. However, the Corporation redid its budget to reflect the impact of the pandemic. As a result, revenues were reduced by 45% and expenses by 20% from the original budget. This has caused a budget deficit of approximately \$4m for the year April 1, 2020 to March 31, 2021. The Corporation will seek the assistance of the Government to provide a grant so that the Corporation remains operational and solvent. While there is no impairment due to COVID-19, discussions have begun on ways to restructure many of the businesses in Dockyard under this new business climate. The revised budget was approved by the Corporation Board of Directors on June 3, 2020 and subsequently by the Minister of Public Works on June 7, 2020, in accordance with the requirements of the Corporation Act 1982.

As most of the Corporation's revenues are derived from the cruise ships and their trickle-down effect, the Corporation remains reliant on the Government to sustain the Corporation's operations given the current business climate. Whilst the Corporation continues to rent its properties and bill tenants accordingly, we have been unable to collect the same and have provided for concessions (April 1, 2020 – October 31, 2020) on an as needed basis. Effective November 1, 2020 tenants are required to pay their monthly rent in full.



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Notes to the Financial Statements

March 31, 2020

24. Subsequent events (continued)

Based on actual revenues and expenses as of August 31, 2020, the projected budget deficit at March 31, 2021 is expected to be \$3m. The Corporation reviews and updates the projections monthly to provide the most accurate information and to ensure that the Corporation only request from the Ministry of Finance what is needed.

The Corporation continues to feel the effects of the COVID-19 pandemic. This has translated into loss of dock revenues from the cruise ships and the loss of rental income from the retail establishments and commercial tenants which rely heavily on the cruise ship visitors. The Government assisted the Corporation with an operational grant of \$3.5m for 20/21 to enable the Corporation to meet its obligations and to continue to function as a going concern. For fiscal year 21/22 the Government has approved a further \$2.5m operational grant to provide financial support to the Corporation.

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c. Principal and Interest Repayment Suspension

Effective May 1, 2020, Butterfield Bank suspended the principal repayments on the existing loans (\$375,000 per month) for six (6) months ending October 31, 2020. Also, Clarien Bank suspended both principal and interest repayments on the existing loan (approx. \$30,000) for six (6) months ending September 30, 2020.



BOARD OF DIRECTORS**Chairperson:**

Mr. Charlton Dill

Deputy Chairperson:

Mr. Dennis Lister III, JP, MP

Directors:

Ms. Elena Strong

Mr. Kyle James

Mr. Darwin Symonds

Ms. Sandra Ferguson

Mr. Edgar Dill

**FINANCE & AUDIT
COMMITTEE**

Mr. Dennis Lister III, JP, MP

– Chairperson

Ms. Sandra Ferguson

Mr. Edgar Dill

Mr. Andrew Dias

Mr. Kent Bascome, CPA

EX-OFFICIO

Ministry of Public Works

Ministry of Planning

Ministry of Finance

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WEDCO EXECUTIVE**General Manager:**

Andrew Dias

Chief Financial Officer:

Kent Bascome, CPA

Facilities Manager:

Carmen Tucker

**Business Development
Manager:**

Joanna Cranfield

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

Clarien Bank

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