

2021 Annual Report





vineyard vines

Casson
PAINTS & SUPPLIES
ESTD 1887

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J.S. COOPER

EXIT
ENTRANCE
AT
FRONT

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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.



Chairman's Message

“It is not the strongest of the species that survives, nor the most intelligent, but the one most adaptable to change.”

Charles Darwin

This was certainly a year of unprecedented change. As an organisation devoted to making the Royal Naval Dockyard a successful tourist destination, our challenge was how to adapt to an abrupt halt in global tourism.

While we remained optimistic at the beginning of the year, it quickly became evident that the pandemic's effects would be long-lasting and far-reaching. Our primary objective became survival.

Facing the evisceration of our revenue, we sought to reduce our operating expenditures to the bare minimum. After a drastic overhaul to the budget, we realised that we would still need additional support to be able to maintain critical infrastructure, carry out urgent repairs and retain our full complement of staff on a reduced salary.

For the first time in WEDCO's history, the Government of Bermuda provided us with an operational grant. This grant, added to income from our residential tenants, kept WEDCO afloat during an incredibly challenging year.

Another major change took place towards the end of this year, with our General Manager, Andrew Dias, assuming the role of Interim CEO of the Bermuda Land Development Company (BLDC) in February 2021. As we do not expect any cruise ship visits until July 2021, this is an opportune time for Andrew to take this role. In his stead, our CFO, Kent Bascome, and Port Facilities Manager, Carmen Tucker, have become Interim Co-General Managers to lead WEDCO through the next several months.

I am hopeful that the lessons we have learned over the past 12 months will allow us to navigate the next year more smoothly. Tourism is expected to resume on a larger scale, bringing some much needed revenue to our shores. No matter what the next year brings, however, I am confident that our team—this team that has pulled together so impressively during a year of unprecedented change—will be able to adapt so that WEDCO can survive.



NEVILLE TYRRELL | Chairman

General Manager's Report

This year was unlike any other in the history of WEDCO.

Our business model relies on tourism, particularly cruise ship arrivals. When the COVID-19 pandemic first arrived in Bermuda, we were unable to predict the magnitude of what was to come. We knew that tourism would be affected due to international travel restrictions, but we could not be certain how long these restrictions would be in place or what the appetite for tourism would be once the restrictions were finally eased.

While we optimistically hoped that the cruise ship arrivals would only be impacted for one season, it became increasingly apparent that the pandemic and its effects would extend at least into the following year.

These were devastating circumstances from which WEDCO would not be able to recover without assistance. It was impossible to plan due to uncertainty; both global and local policies were beyond our control but continued to impede a return to normal business conditions.

Once it became clear that our initial objectives of growing the business were no longer realistic for this year, we revisited the budget to solely maintain the bare essentials of the operation. Management renegotiated existing service contracts and worked with service providers to reduce their scope of work. We deferred any discretionary plant upgrades and reduced capital expenditure, only spending on items that were deemed

critical to maintaining existing reduced services. As the cruise ships were cancelled, we also cancelled outsourced labour for cruise traffic control.

While our financial situation was dire, our team was the silver lining to an unexpectedly dismal year. One of the beautiful things about Bermuda is the way that we come together during natural disasters; the way we pull together during and after a hurricane is a trademark of our success. In this case, however, the disaster did not merely last a day, or even a week. In fact, we are still in the midst of this pandemic, with no end in sight. Our team continues to pull together in the most challenging circumstances to keep WEDCO operational.



We held discussions with all staff to make them aware of our financial position. When we asked for their support to reduce costs, they agreed to work with no overtime and to reduce their pay by 10% for a period of one year. This ensured that all employees could retain their jobs; the shared sacrifice avoided the need to reduce staff numbers. By maintaining open and honest communication with staff and making an effort to keep everyone employed, we were able to keep morale high despite the unfortunate state of affairs.

Additionally, our tenants were generally pleased that WEDCO was an understanding landlord and business partner. We deferred all

business rental charges in April and May while we assessed the situation. WEDCO also worked with residential tenants who were negatively affected by the pandemic, in some instances, temporarily reducing rents and establishing repayment plans.

As we look ahead to the next year, our goals are based on a reduced cruise season. We aim to keep our expenses as low as possible without reducing any required services. Just as we reviewed the profit and loss statement in detail monthly over the course of this year, we will continue monthly updates in case of any changes to the established budget or annual outlook.

The future remains uncertain as we continue to navigate the pandemic.

Looking back at this year, however, I am confident that this team is capable of working together to steer WEDCO safely through the storm.

ANDREW DIAS | General Manager

2 Year in Review

Curtailed Cruise Season

At the beginning of the year, before we became aware of the extent of the pandemic, we were looking forward to a bumper cruise season. We initially expected 197 cruises to berth over the course of the year. When the cruise ship season was cancelled in its entirety, this dealt a devastating blow to our business.

Quiet Skies

In addition to the cancelled cruise season, our borders were closed to air travel, with no commercial flights between Bermuda and any other destinations from April until 1 July. Once commercial flights resumed, new travel protocols were introduced to minimise transmission of COVID-19 from incoming passengers.

Local Restrictions

Many of our commercial tenants were ordered to close in March 2020 and this carried through into the current reporting year. Bars, clubs, cinemas, golf courses, restaurants and retail stores were all closed in the interest of public health. On 1 April, 2020, Bermuda entered into a state of emergency and employees of all remaining open businesses, including WEDCO staff, were required to work from home. By Saturday, 4 April, the island was sheltering in place. In May, we began a phased reopening approach, which allowed some of our businesses to reopen to provide curb-side pickup and delivery services before returning to in-store service a few weeks later. Restaurants were able to reopen for outside dining services by 21 May.

Retail Woes

All the conditions above had a severe impact on our commercial tenants. Our retail tenants were fully stocked in anticipation of a bumper season, only to be left with no tourists and very few local customers.

Initially, we allowed a three-month deferral. When it became apparent that this would not suffice, we created a COVID concession policy, overhauled the budget and asked tenants to contact us if they required help. Many tenants availed themselves of this ongoing process.

Key Works

EMERGENCY REPAIRS

Due to budgetary restrictions, only structural or infrastructural emergency repairs were carried out during this reporting period. Hurricane damage necessitated roof repairs at Tipnor House and Dockyard Terrace. Other critical works included tank wall improvements at Sail Loft and the second phase of the solar project.

ALBERT ROW

Albert Row was originally built for and occupied by Dockyard workers in the 1840s. The homes continued to be lived in, but were in very poor condition by 2013, when all tenants were relocated from the buildings. Unfortunately, salvaging the homes would have cost more than \$10 million and no viable developers materialised to make such an investment. After receiving permission in October 2020 to delist Albert Row as buildings of special architectural and historical interest, we embarked upon the demolition of these condemned 19th century homes.

We began with asbestos removal in November 2020 before starting demolition in December. Demolition work was not finished within this reporting year, but is expected to be complete by June 2021.

FOUNTAIN UPGRADE

Our fountain received a major upgrade which was completed in January 2021. This overhaul gave the fountain a new surface, circulation tank and filter.



Works in Progress

- Albert Row Demolition
- Boaz Island Infrastructure Upgrade Project

Completed Works

- Tipnor House Roof (hurricane repairs)
- Dockyard Terrace #9 Roof Repairs
- Albert Row Asbestos Removal
- Fountain Upgrade
- Sail Loft Tank Interior Wall Improvements
- Solar Project Phase 2 - North Basin Building



Highlights & Accomplishments

Entertainment & Events

Despite the restrictions, we were able to host several events in Dockyard once businesses were allowed to reopen.

In the summer, we introduced entertainment weekends to encourage patrons to visit Dockyard. On Fridays, we held Family Night with Randy Lambert on the North Lawn pedestrian area and Café Amici. On Saturdays, people came to the Victualling Yard and Frog and Onion to play giant lawn games while listening to Wayne Davis and Mike Hind. Alternatively, patrons could go to Bone Fish Bar & Grill for food, drinks and live music by B&J Band. Randy Lambert fans could then catch him again at Bone Fish Bar & Grill on Sunday afternoons.

Spirit of Bermuda held its awards ceremony in July to honour students who excelled on the training vessel.

Capitalising on the ability and desire to dine outdoors, the Bermuda Tourism Authority held an Alfresco Dining Festival in September, which closed with an all-day celebration in Dockyard. Participating venues included Anchor, Bone Fish Bar & Grill, Frog and Onion Pub and Snorkel Park. Media Lounge screened an outdoor movie in the Victualling Yard to end the night.

End-to-End, which is typically held in May, was postponed due to COVID restrictions and moved to October. Also in October, the annual Oktoberfest was held in the Victualling Yard.

Locked on the Rock held a Holiday Dash scavenger hunt in December and donated a portion of the proceeds to the National Museum of Bermuda.

Marketing

Due to the limited visitors and COVID restrictions, we scaled back our marketing budget substantially. We cancelled many of our onboard contracts and reduced our local marketing. To assist our tenants who remained open for business, we continued to market locally on our website, social media and the radio.

We encouraged our tenants to promote themselves and to send us information that we could promote on our own channels. It was actually very encouraging to see small companies build their online presence and realise the benefits. Those that took the initiative to put their businesses online reaped the rewards.

Business Development, Leasing and Tenancies

This was an unprecedented year with many current tenants requiring deferrals and concessions. Some businesses simply closed and chose to wait out the pandemic. We held recovery workshops to assist our tenants, but many businesses struggled immensely. Understandably, under these difficult conditions, there were no new tenancies in this reporting period.

Financial Review

2020 - 2021

The fiscal year of 2020/2021 brought many challenges, due in large part to the COVID-19 pandemic which came to the fore in March 2020. While The Corporation's cash on hand remained static from prior year, the Corporation's net receivables were reduced to \$1.25m from \$1.6m, because of a receipt of funds from the insurance company of \$829,679 related to Hurricane Humberto which made landfall in Bermuda in September 2019. In addition, the provision for doubtful accounts increased as the effects of the pandemic took its toll on debtors challenged to meet their obligations to the Corporation. Our long-term debt decreased by \$1.4m despite the Corporation securing a term loan

with Clarien Bank to assist with the financing of the replacement water infrastructure at the Boaz Island Village Condominium complex.

The pandemic had a major impact on the revenue of the Corporation, as we saw our rental revenue reduced by \$2.5m and dock revenues fall by \$3m along with associated revenue sources like water and sewage. As a result, the Corporation received an operational grant for \$1.25m from the Government, a first for the Corporation, to remain solvent during this period. However, this downturn in revenues were softened by a \$4m reduction in expenses as the Corporation streamlined their costs and undertook expenditures that

were only necessary. Expenditures that were reduced significantly consist of repairs and maintenance, events, promotions, and advertising.

In summary, the Corporation had a challenging year as we sought to maintain operational solvency while still servicing the needs of our tenants and other stakeholders. The Corporation was ever mindful of cost containment as we strived to maintain and increase revenues despite the economic climate. As we look to 2022 and 2023, we are confident that our financial position will improve as we return to pre-COVID-19 revenue levels. Along with that we expect to revert to our self-sustaining model operationally.

Financial Statements

Management's Responsibility for the Financial Statements

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

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to

provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The West End Development Corporation's Board of Directors 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. ANDREW DIAS
General Manager



MR. KENT BASCOME, CPA, CA
Chief Financial Officer

NOVEMBER 17, 2022



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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, 2021, 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, 2021, 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.

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 Responsibility 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 my auditor's report.

Hamilton, Bermuda
November 17, 2022



Heather Thomas, CPA, CFE, CGMA
Auditor General

Financial Statements

Statement of Financial Position

As at March 31, 2021

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	4,103,943	3,638,160
Accounts receivable (notes 3 and 16)	1,253,547	1,603,123
Due from the Government of Bermuda (notes 4 and 13)	300,828	982,562
Mortgages and loans receivable	7,541	7,541
	5,665,859	6,231,386
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	1,236,843	1,719,722
Employee future benefits and compensated absences (note 14)	103,233	98,313
Due to the Government of Bermuda (notes 10 and 13)	5,288,087	4,643,122
Due to the Government of Canada (note 9)	2,146,517	2,396,517
Long-term debt (note 11)	66,973,556	68,403,718
Obligations under capital lease (note 8)	492,013	559,297
	76,240,249	77,820,689
Net debt	(70,574,390)	(71,589,303)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 6)	139,161,401	141,138,755
Prepaid expenses	171,264	60,752
	139,332,665	141,199,507
Accumulated surplus	68,758,275	69,610,204

Contractual obligations and Contractual rights (notes 18 and 19)

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, 2021

	BUDGET 2021	ACTUAL 2021	ACTUAL 2020
	\$	\$	\$
	(Note 17)		
REVENUES			
Government contributions (note 13)	3,621,000	9,371,000	8,121,000
Rental (note 13)	4,855,622	4,796,085	7,430,512
Service and expense recoveries	1,094,376	942,879	951,095
Water (note 13)	490,300	334,342	1,083,538
Dock (note 13)	655,899	330,127	3,048,722
Other	118,682	98,665	219,141
Investment income	-	13	38
Revenue from insurance proceeds	-	-	829,679
Contributions revenue (note 12)	-	-	21,980
	10,835,879	15,873,111	21,705,705
EXPENSES (NOTE 15)			
Facilities	10,574,421	9,201,669	13,174,388
Administration	6,542,524	6,832,006	6,553,827
Business development	990,633	691,365	1,100,063
	18,107,578	16,725,040	20,828,278
Annual (deficit) surplus	(7,271,699)	(851,929)	877,427
Accumulated surplus, beginning of year		69,610,204	68,732,777
Accumulated surplus, end of year		68,758,275	69,610,204

The accompanying notes are an integral part of these financial statements

Financial Statements

Statement of Change in Net Debt

For the year ended March 31, 2021

	2021	2020
	\$	\$
ANNUAL (DEFICIT) SURPLUS	(851,929)	877,427
Acquisition of tangible capital assets (note 6)	(2,905,520)	(8,052,591)
Amortization of tangible capital assets (note 6)	4,737,670	4,376,142
Disposal of tangible capital assets (note 6)	7,810	1,396,476
Write-down of tangible capital assets (note 6)	137,394	481,896
	1,125,425	(920,650)
Use of prepaid expenses	60,752	4,838
Acquisition of prepaid expenses	(171,264)	(60,752)
	(110,512)	(55,914)
Change in net debt	1,014,913	(976,564)
Net debt, beginning of year	(71,589,303)	(70,612,739)
Net debt, end of year	(70,574,390)	(71,589,303)

The accompanying notes are an integral part of these financial statements

Financial Statements

Statement of Cash Flows

For the year ended March 31, 2021

	2021	2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual (deficit) surplus	(851,929)	877,427
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	4,737,670	4,376,142
Write-down of tangible capital assets	137,394	481,896
Disposal of tangible capital assets	7,810	1,396,476
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	349,576	(759,343)
Decrease in due from the Government of Bermuda	681,734	511,518
(Decrease) increase in accounts payable and accrued liabilities	(482,879)	184,991
Decrease in deferred revenue	-	(6,412)
Increase (decrease) in employee future benefits and compensated absences	4,920	(2,584)
Increase (decrease) in due to the Government of Bermuda	644,965	(2,028,959)
Increase in prepaid expenses	(110,512)	(55,914)
Net cash generated through operating activities	5,118,749	4,975,238
CASH FLOWS FROM CAPITAL ACTIVITY		
Acquisition of tangible capital assets	(2,905,520)	(8,052,591)
CASH FLOWS FROM INVESTING ACTIVITY		
Net receipt of mortgages and loans receivable	-	1,006
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligations under capital lease	(67,284)	(79,439)
Drawdown of long-term debt	750,577	9,747,281
Repayment of long-term debt	(2,180,739)	(4,834,330)
Repayment of amounts due to the Government of Canada	(250,000)	(250,075)
Net cash generated through financing activities	(1,747,446)	4,583,437
Net increase (decrease) in cash and cash equivalents	465,783	1,507,090
Cash and cash equivalents, beginning of year	3,638,160	2,131,070
Cash and cash equivalents, end of year	4,103,943	3,638,160
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest income received	13	38
Interest expense paid	3,297,775	2,996,226

The accompanying notes are an integral part of these financial statements

Financial Statements

Notes to the Financial Statements

March 31, 2021

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

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.

Financial Statements

Notes to the Financial Statements

March 31, 2021

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, 2021

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, 2021

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.

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.

(N) CHANGES IN ACCOUNTING STANDARDS

During the year a number of standards or amendments became effective after April 1, 2020, including:

- PS 1300 – Government reporting entity
- PS 2500 – Basic principles of consolidation
- PS 3060 – Government partnerships
- PS 3070 – Investments in government business enterprises

The adoption of these accounting standards and amendments had no significant impact on the financial statements.

3. Accounts receivable

	2021	2020
	\$	\$
Receivable from the insurance company	-	829,679
Tenants receivables	1,772,020	868,717
Other receivables	545,581	557,117
Less: Provision for doubtful accounts	(1,064,054)	(652,390)
	1,253,547	1,603,123

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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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:

	2021	2020
	\$	\$
Department of Corrections	144,262	308,141

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, 2021 and March 31, 2020 (note 3).

There was no operational activity in SBD during the years ended March 31, 2021 and 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, 2020 and March 31, 2021 include cash held for settlement of the dividend payable to the Corporation.

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6. Tangible capital assets

2021	Land and buildings	Infrastructure rehabilitation	Building improvements and renovations	Mechanical rehabilitation	Landscaping	Furniture, equipment and tools	Assets under development	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Opening cost, as restated	112,561,218	27,563,864	34,652,887	8,568,233	4,442,716	4,420,607	206,861	192,416,386
Additions	49,000	14,334	58,112	-	-	-	2,784,074	2,905,520
Disposals	-	-	-	-	-	(21,874)	-	(21,874)
Write downs	-	(137,394)	-	-	-	-	-	(137,394)
Transfers	20,812	486,789	459,759	50,341	158,707	7,699	(1,184,107)	-
Closing cost	112,631,030	27,927,593	35,170,758	8,618,574	4,601,423	4,406,432	1,806,828	195,162,638
Opening accumulated amortization	14,462,367	11,507,536	14,694,435	3,855,258	3,427,224	3,330,811	-	51,277,631
Amortization	2,272,852	686,248	1,069,693	413,723	71,399	223,755	-	4,737,670
Disposals	-	(7,502)	-	-	-	(6,562)	-	(14,064)
Closing accumulated amortization	16,735,219	12,186,282	15,764,128	4,268,981	3,498,623	3,548,004	-	56,001,237
Net book value	95,895,811	15,741,311	19,406,630	4,349,593	1,102,800	858,428	1,806,828	139,161,401

2020	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	103,314,168	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, as restated	98,098,851	16,056,328	19,958,452	4,712,975	1,015,492	1,089,796	206,861	141,138,755

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March 31, 2021

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 was the intent of the Government through the Ministry for the lease agreement to maintain the status quo for fiscal years 2018 – 2021, and renewed lease agreements are expected to be completed with Government for future periods prior to the end of the 2023 fiscal year.

7. Accounts payable and accrued liabilities

	2021	2020
	\$	\$
Accounts payable and accrued liabilities	909,363	1,382,854
Rental deposits	273,445	270,928
Tenant payables	54,035	65,940
	1,236,843	1,719,722

8. 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.
- 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.

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March 31, 2021

8. Obligations under capital lease (continued)

As at March 31, 2021, future repayments scheduled over the remaining term of the lease are as follows:

YEAR	CAPITAL LEASE OBLIGATIONS	INTEREST	TOTAL LEASE PAYMENTS
	\$	\$	\$
Ending March 31, 2022	72,149	32,155	104,304
Ending March 31, 2023	77,365	26,940	104,305
2024 - 2026	342,499	47,807	390,306
	492,013	106,902	598,915

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, 2021 was \$67,285. The lease expense for the year ended March 31, 2021 was \$37,019 (2020 - \$41,604).

9. 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 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, 2021 (note 10). The outstanding balance of the loan as at March 31, 2021 amounted to \$2,146,517 (2020 - \$2,396,517).

10. Due to the Government of Bermuda

As at March 31, 2021, \$353,483 (2020 - \$353,483) remained payable to the Government of Bermuda in relation to the redundancy payment (note 9).

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, 2021 amounted to \$2,583,333 (2020 - \$2,726,190)

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Notes to the Financial Statements

March 31, 2021

11. Long-term debt

Long-term debt consists of:

	2021	2020
	\$	\$
Loan for the Victoria Place & South Basin (consolidated) (note (c))	51,256,964	53,056,968
Loan for the King's Wharf Project (note (d))	13,651,849	13,948,891
Loan for the Solar Project (note (e))	1,395,966	1,397,859
Loan for Boaz Island Village Infrastructure Project (note (f))	668,777	-
	66,973,556	68,403,718

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

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

Effective October 2015, the Corporation shall make annual principal payments of not less than US\$1,100,000, payable no later than the last day of each relevant 12-month period. The loan together with all accrued interest and other sums payable by the Corporation to the Bank, shall be repaid at the end of the term. On March 14, 2019, the above facility was repaid in full (note (c)).

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 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.

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March 31, 2021

11. Long-term debt (continued)

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 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, amortized 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 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. The loan is secured by a Guarantee from the Government of Bermuda.

Interest expense incurred during the year ended March 31, 2021 was \$2,511,932 (2020 - \$2,651,350).

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March 31, 2021

11. Long-term debt (continued)

- d. On February 14, 2019, the Corporation secured a loan drawdown facility for \$15,000,000 through 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, amortized 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 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. The loan is secured by a Guarantee from the Government of Bermuda.

Interest expense incurred during the year ended March 31, 2021 was \$666,979 (2020 - \$482,100).

- 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 drawdown 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. The loan is unsecured.

Interest of \$39,182 (2020 - \$20,862) was capitalized during the year ended March 31, 2021.

- f. In May 2020, the Corporation secured a term loan for \$1,050,000 through Clarien Bank (being \$1,000,000 to assist with the proposed utility improvements and \$50,000 for interest capitalization) to assist with the financing of the replacement water infrastructure at the Boaz Island Village.

The term of the loan is for sixteen (16) years from date of initial disbursement with the first 12 months on an interest only basis. During the term, the interest will be payable monthly in arrears at a 5-year fixed rate of 5% and then renewed at market rates for the remaining term. In month thirteen, fixed monthly blended principal and interest payments of \$7,382 are to be paid. This level of repayment represents an amortization period of eighteen (18) years. Upon maturity of the term, the expected loan principal balance of \$246,300 is to be repaid in full. The Government provided a letter of comfort to Clarien Bank on behalf of the Corporation.

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March 31, 2021

11. Long-term debt (continued)

g. Principal repayments

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

	\$
2021 (April to December)	3,600,000
2022	4,824,000
2023	4,836,000
2024	4,836,000
2025	4,836,000
2026 and thereafter	44,041,556
	66,973,556

12. Contributions revenue

Contributions revenue of \$21,980 in 2020 represented 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. No contributions were received in 2021.

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13. 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:

	2021	2020
GOVERNMENTAL TRANSACTIONS	\$	\$
TRANSACTIONS DURING THE YEAR		
Rental revenue	934,979	980,954
Government contributions	9,371,000	8,121,000
Government contributions (non-cash)	-	21,980
Dock revenue	269,836	269,836
Water and other revenues	251,950	333,343
Water and insurance expense	1,548,896	1,455,127
Employee future benefits expense	189,819	321,874
Tenant improvements recoverable	177,910	177,910
BALANCES AT THE END OF THE YEAR		
Due from the Government of Bermuda (note (a))	156,566	674,421
Tenant improvements recoverable (note 4)	144,262	308,141
Due to the Government of Bermuda	5,288,087	4,643,122

- 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, 2021 amounted to \$96,753 (2020 - \$618,050). 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.

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14. 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 \$24,006 (2020 - \$132,913).

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 \$8,757 (2020 - \$80,248).

(B) OTHER BENEFITS AND COMPENSATED ABSENCES

Other employee benefits and compensated absences include maternity leave, paternity leave, sick leave, vacation days and retirement leave. All 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, 2021 is \$98,578 (2020 - \$75,671) 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, 2021 is \$103,233 (2020 - \$98,313) 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

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15. Expense details

	BUDGET 2021	ACTUAL 2021	ACTUAL 2020
	\$	\$	\$
FACILITIES			
Amortization of tangible capital assets	4,437,791	4,737,670	4,376,142
Repairs and maintenance	2,613,441	1,605,047	2,722,834
Wages	1,175,439	1,107,490	1,473,902
Water	600,500	448,879	976,920
Salaries	345,348	345,010	352,972
Security services	444,000	316,832	488,720
Electricity	287,900	201,982	432,096
Dock operations and maintenance	315,389	171,775	244,620
Loss on impairment of tangible capital assets	-	96,657	481,896
Vehicle	159,946	93,305	112,180
Landscaping operations	82,267	44,948	60,374
Custodial services	112,400	24,264	55,256
Loss on disposal of tangible capital assets	-	7,810	1,396,476
	10,574,421	9,201,669	13,174,388
ADMINISTRATION			
Financing costs	3,501,750	3,336,354	3,298,662
Insurance	1,575,200	1,571,057	1,307,148
Salaries	701,551	667,215	817,757
Bad debt expense	100,000	454,823	100,900
Office supplies	331,120	451,029	377,940
Employee future benefits	312,899	350,739	628,763
Travel and entertainment	20,004	789	22,657
	6,542,524	6,832,006	6,553,827

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March 31, 2021

15. Expense details (continued)

	BUDGET 2021	ACTUAL 2021	ACTUAL 2020
	\$	\$	\$
BUSINESS DEVELOPMENT			
Salaries	349,983	340,815	298,466
Legal and professional fees	154,000	241,658	248,089
Advertising, promotions, and maintenance	471,650	95,683	532,759
Water	15,000	13,209	20,749
	990,633	691,365	1,100,063

16. 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.

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March 31, 2021

16. Financial risk management (continued)

ii. Accounts receivable

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The Corporation's credit risk arises from the possibility that a counterparty which owes the Corporation money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Corporation, which would result in a financial loss for the Corporation. This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, obtaining references, and taking security deposits. In the year ended March 31, 2021, 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)	2,317,601	240,982	267,020	101,517	1,708,082
Less: Allowance for doubtful accounts	(1,064,054)	-	-	-	(1,064,054)
Net receivables	1,253,547	240,982	267,020	101,517	644,028

(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	1,236,843	-	-	1,236,843
Employee future benefits	103,233	-	-	103,233
Due to the Government of Bermuda	2,847,611	571,428	1,869,048	5,288,087

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16. Financial risk management (continued)

Due to the Government of Canada	250,000	1,000,000	896,517	2,146,517
Long-term debt	4,800,000	19,341,000	42,832,556	66,973,556
Obligations under capital lease	72,149	419,864	-	492,013
Total financial liabilities (contractual maturity dates)	9,309,836	21,332,292	45,598,121	76,240,249

(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 +/- \$690,725 (2020 - \$684,037).

17. Budget

These amounts represent the operating budget approved by the Board on November 27, 2019.

18. 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.

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18. Contractual obligations (continued)

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

	2021	2020
	\$	\$
Not later than 1 year	1,282,436	1,692,441
Later than 1 year and not later than 5 years	3,048,641	1,731,907
	4,331,077	3,424,348

19. 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:

	2021	2020
	\$	\$
Not later than 1 year	6,074,083	6,557,470

20. 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, 2021. In particular, the new and amended standards, which became effective for annual periods beginning on or after April 1, 2021 include:

PS 1150 Generally accepted accounting principles – Amended to position International Public Sector Accounting Standards as the first accounting framework to consult in situations not covered by primary sources of GAAP or for assistance in applying a primary source of GAAP to specific circumstances and it is necessary to consult pronouncements issued by other bodies authorized to issue accounting standards.

New standards and amendments effective for fiscal years beginning on or after April 1, 2022 include:

PS 3450 Financial Instruments – amended to improve specific areas including (i) changes to the accounting treatment for bond repurchase transactions; (ii) clarification on aspects of the Section's application; and (iii) clarification on transitional provisions.

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20. New and amended standards not yet effective (continued)

PS 1201 Financial Statement Presentation – amended to clarify (i) the remeasurement impact of derivatives and other categories of financial instruments may be presented as separate line items on the statement of change in net debt; (ii) a new subtotal for the change in net debt excluding the impact of remeasurement gains and losses may be presented on the statement of change in net debt; and (iii) a footnote on the net debt indicator may be included in the statement of financial position to refer readers to the additional detail provided on the statement of change in net debt.

PS 2601 Foreign Currency Translation – amends PS 2600 to introduce an irrevocable accounting policy election available to allow public sector entities to elect on initial recognition to recognize exchange gains and losses on a financial asset or financial liability directly in the statement of operations.

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

PS 3400 Revenue – amends PS 3400 to provide additional guidance on the requirements on how to identify the unit of account in a revenue transaction, as well as additional guidance on (i) percentage of completion method; (ii) multiple-element arrangements; (iii) reporting revenue gross or net; (iv) bill and hold arrangement; and (v) upfront non-refundable fees or payments.

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 anticipated to be significant.

21. Comparative figures

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

22. Impact of COVID-19 Global Pandemic

On March 11, 2020 the World Health Organization officially declared the outbreak of COVID-19 a global pandemic. Management has closely monitored the evolution of the pandemic, including how it has, and may continue to, affect the economy and general population. COVID-19 has caused disruption to businesses and economic activity both locally and globally, and resulted in a period of significantly reduced cruise ship and related tourism activity in Bermuda. Whilst at the date of approval of the financial statements there has been a significant return of cruise ship, tourism and other economic activity to Bermuda, given the inherent uncertainties, it is not practicable at this time to determine the ultimate 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. The Corporation, however, has forecast revenues and expenses for 2022-2023 to mirror the 2021- 2022 budget.

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 its operations given the current business climate. Whilst the Corporation continues to rent its properties and bill tenants accordingly, the Corporation has granted certain concessions on an as needed basis. Effective April 1, 2022 the Corporation reduced the percent rent requirement by 50% for the fiscal year April 1, 2022 - March 31, 2023.

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March 31, 2021

22. Impact of COVID-19 Global Pandemic (continued)

Prior to the date of approval of the financial statements, as described in Note 23(b) below, the Corporation has renegotiated certain of its loan agreements to result in reduced monthly repayment amounts. Furthermore, in October 2022 the Corporation obtained confirmation from the Government that grant funding in the amount of \$8.1 million would be provided for the year ended March 31, 2023.

The Corporation has forecast that it will have sufficient cash to meet its obligations as they fall due for the period twelve months from the date of approval of the financial statements, and as a result continues to prepare the financial statements on a going concern basis, however it remains exposed to the potential for unexpected cash flow impacts such as slow or non-payment by tenants, or unforeseen capital or other expenses in excess of those forecast, and to the ultimate approval and receipt of future operational grant funding as required.

The Corporation reviews and updates its projections monthly to provide the most accurate information and to ensure that the Corporation requests from the Ministry of Finance only what support is needed.

23. Subsequent events

a. Merger of the Corporation with Bermuda Land Development Company Limited

In July 2022 it was announced by the Minister of Public Works that the Cabinet had approved the merger of the Corporation with Bermuda Land Development Company Limited, being a similar Government-affiliated organization engaged in the management and development of land and related assets in the east side of Bermuda.

Whilst no formal date has yet been determined for the proposed merger nor legislation or conclusions determined in respect of the surviving entity, this is expected to occur within approximately 18 months of the announcement made by the Minister.

b. Refinancing of long term debt

On August 9, 2022 the Corporation entered into a loan facility agreement with Clarien Bank in the maximum amount of \$60,275,042 for the purposes of refinancing the existing loan arrangements with the Bank of N.T. Butterfield & Son Limited in respect of Victoria Place & South Basin and the King's Wharf Project as described in Note 11(c)-(d).

The term of the loan is for five (5) years from date of initial disbursement on August 9, 2022 and bears interest at a fixed rate of 4.5% for the first two years and thereafter at a variable rate of the Federal Reserve Bank of New York secured overnight financing rate plus 3%, subject to a minimum floor at 4.75%.

The loan is secured by a Guarantee from the Government of Bermuda.



Board of Directors

Chairperson:

Mr. Neville Tyrrell

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

WEDCO Executive

General Manager:

Andrew Dias

Chief Financial Officer:

Kent Bascome, CPA

Facilities Manager:

Carmen Tucker

Business Development

Manager:

Joanna Cranfield

Bankers

Bank of N. T. Butterfield

& Son, Ltd.

Clarien Bank

Writing & Design

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