

6100

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2011

The accompanying financial statements were prepared on the basis of the accounting records maintained by the Company and are not intended to constitute an audit or a review of the Company's financial statements for the period ended March 31, 2011. The Company's financial statements for the period ended March 31, 2011 are not intended to constitute an audit or a review of the Company's financial statements for the period ended March 31, 2011.


Mr. Thomas Pittman
Chief Executive Officer


Mr. Robert O'Brien
Chief Financial Officer

11

Management's Responsibility for the Financial Statements

These financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and 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 Board of Directors (the "Board") through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Audit Committee also reviews financial statements before recommending approval by the Board. The financial statements have been approved by the Board and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.



Mr. Francis Mussenden
Chief Executive Officer



Mr. Anthony Richardson
Chief Financial Officer

March 23, 2017

Date



Office of the Auditor General

Reid Hall
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148
Fax: (441) 295-3849
Email: oag@oagbermuda.bm
Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the Bermuda Land Development Company Limited

I have audited the accompanying financial statements of the Bermuda Land Development Company Limited, which comprise the statement of financial position as at March 31, 2011, March 31, 2010 and April 1, 2009 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the years ended March 31, 2011 and March 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bermuda Land Development Company Limited as at March 31, 2011, March 31, 2010 and April 1, 2009, and the results of its operations, changes in its net financial assets and its cash flows for the years ended March 31, 2011 and March 31, 2010, in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Other matter

As permitted by Section 6 of the Audit Act 1990, I may include in my auditor's report any other comments arising out of the audit that I consider appropriate.

Incidences of non-compliance with the Bermuda Land Development Company Limited's internal policies and procedures

I wish to draw attention to ongoing incidences of non-compliance with the Bermuda Land Development Company Limited's internal policies and procedures on procurement which were formulated from the Government of Bermuda's Financial Instructions and form the minimum standard for financial controls for the Government. Quotations and tendering documents for contracts worth \$3,979,648 were not available for my review. Although these incidences of non-compliance did not lead me to qualify my audit opinion for the current year, they revealed weaknesses and deficiencies in the control environment. It is important that the Bermuda Land Development Company Limited adheres to its internal control framework.

Hamilton, Bermuda
March 23, 2017



Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011, MARCH 31, 2010 AND APRIL 1, 2009

		March 31, 2011	March 31, 2010 Restated (note 13)	April 1, 2009 Restated (note 13)
		\$	\$	\$
FINANCIAL ASSETS				
	Note			
Cash and cash equivalents	4	7,501,831	10,174,511	10,714,615
Tenant receivables	5	649,328	1,079,809	821,664
Other receivables		10,305	8,224	10,228
Due from the Government of Bermuda	8	223,219	155,547	116,831
		<u>8,384,683</u>	<u>11,418,091</u>	<u>11,663,338</u>
LIABILITIES				
Accounts payable and accrued liabilities	7	508,869	1,054,078	1,303,223
Due to the Government of Bermuda	8	353,674	179,640	148,878
Deferred revenue		783,888	895,206	1,022,745
		<u>1,646,431</u>	<u>2,128,924</u>	<u>2,474,846</u>
NET FINANCIAL ASSETS		<u>6,738,252</u>	<u>9,289,167</u>	<u>9,188,492</u>
NON-FINANCIAL ASSETS				
Prepaid expenses		667	1,520	11,357
Tangible capital assets	6	29,998,615	30,023,425	31,527,449
		<u>29,999,282</u>	<u>30,024,945</u>	<u>31,538,806</u>
ACCUMULATED SURPLUS	13,14	<u>36,737,534</u>	<u>39,314,112</u>	<u>40,727,298</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2011

		2011 \$	2011 \$	2010 \$
		Budget	Actual	Restated (note 13)
REVENUES				
	Note			
Rental income		5,620,000	5,313,842	5,831,589
Service and expense recoveries		565,700	813,268	939,717
Water		-	204,098	184,636
Other income		37,000	72,329	55,118
Interest income		36,600	20,736	27,547
Amortization of deferred capital contributions	13	1,350,000	-	-
		<u>7,609,300</u>	<u>6,424,273</u>	<u>7,038,607</u>
EXPENSES				
Facilities	10	4,776,600	6,185,494	5,871,422
Administration	10	2,099,340	2,553,648	2,345,180
Leasing	10	230,010	261,709	235,191
		<u>7,105,950</u>	<u>9,000,851</u>	<u>8,451,793</u>
ANNUAL (DEFICIT) SURPLUS		<u>503,350</u>	(2,576,578)	(1,413,186)
ACCUMULATED SURPLUS, BEGINNING OF YEAR			<u>39,314,112</u>	<u>40,727,298</u>
ACCUMULATED SURPLUS, END OF YEAR			<u>36,737,534</u>	<u>39,314,112</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED
 STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
 FOR THE YEAR ENDED MARCH 31, 2011

	2011 \$	2011 \$	2010 \$
	Budget	Actual	Restated (note 13)
ANNUAL (DEFICIT) SURPLUS	503,350	(2,576,578)	(1,413,186)
Acquisition of tangible capital assets	(3,079,000)	(2,341,318)	(1,389,316)
Amortization of tangible capital assets	2,000,000	2,100,529	2,115,687
Write-off of tangible capital assets	-	265,599	777,653
Change in prepaid expenses	-	853	9,837
	<u> </u>	<u> </u>	<u> </u>
(Decrease) increase in net financial assets	<u>(575,650)</u>	(2,550,915)	100,675
NET FINANCIAL ASSETS, BEGINNING OF YEAR		<u>9,289,167</u>	<u>9,188,492</u>
NET FINANCIAL ASSETS, END OF YEAR		<u>6,738,252</u>	<u>9,289,167</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

	2011 \$	2010 \$ Restated (note 13)
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	(2,576,578)	(1,413,186)
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	2,100,529	2,115,687
Write-off of tangible capital assets	265,599	777,653
Changes in non-cash working capital:		
Decrease (increase) in tenant receivables	430,481	(258,145)
(Increase) decrease in other receivables	(2,081)	2,004
Increase in due from the Government of Bermuda	(67,672)	(38,716)
Decrease in prepaid expenses	853	9,837
Decrease in accounts payable and accrued liabilities	(545,209)	(249,145)
Increase in due to the Government of Bermuda	174,034	30,762
Decrease in deferred revenue	(111,318)	(127,539)
Net cash (used in) generated from operating activities	<u>(331,362)</u>	<u>849,212</u>
CASH FLOWS FROM CAPITAL ACTIVITY		
Acquisition of tangible capital assets	<u>(2,341,318)</u>	<u>(1,389,316)</u>
Net cash used in capital activity	<u>(2,341,318)</u>	<u>(1,389,316)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(2,672,680)	(540,104)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,174,511</u>	<u>10,714,615</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>7,501,831</u></u>	<u><u>10,174,511</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest received	<u>20,736</u>	<u>27,547</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

1. NATURE OF OPERATIONS

The Bermuda Land Development Company Limited (the "Company") was incorporated under the authority of The Base Lands Development Act 1996 (the "Act") on November 12, 1996. The shares of the Company are held by the Minister of Public Works and the Minister of Finance in trust for the benefit of the country.

The general purpose of the Company is to manage and develop the land entrusted to it. The Company does this in a manner that will integrate the land into the economic and social fabric of Bermuda and create opportunities for increased employment now and in the future for the well-being of present and future generations of Bermudians.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Conversion to Public Sector Accounting Standards

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPA Canada), the Company is classified as an other government organization. These financial statements have been prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. As these are the Company's first financial statements prepared in accordance with public sector accounting standards, Section PS 2125, *First-time Adoption by Government Organizations*, has been applied. The Company has also chosen to early adopt PS 1201 – *Financial Statement Presentation*, PS 2601 – *Foreign Currency Translation*, PS 3410 – *Government Transfers* and PS 3450 – *Financial Instruments* in the preparation of these financial statements.

The Company's financial statements were previously prepared in accordance with accounting principles generally accepted (GAAP) in Bermuda and Canada, as set forth in Part V of the CPA Canada Handbook. The impact of the transition from GAAP to public sector accounting standards is described in Note 13.

These financial statements do not include a statement of remeasurement gains or losses as the Company has no activities that give rise to remeasurement gains or losses.

The Company has adopted accounting policies appropriate for an other government organization and the policies considered particularly significant are set out below:

(a) Revenue recognition

Rental income from rental leases is recognized on an accrual basis. Rental payments received more than one year in advance from tenants, is treated as deferred revenue. These rental payments are amortized to income on a monthly basis until the full payment is depleted.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Revenue recognition (continued)

Service recoveries and expense recoveries are recognized when received or receivable.

Gains on disposal of tangible capital assets when applicable 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.

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.

(b) Cash and cash equivalents

Cash and cash equivalents include all cash held with financial institutions that can be withdrawn without prior notice or penalty and time deposits with an original maturity of 90 days or less.

(c) Tangible capital assets and amortization

Tangible capital assets are valued at cost. Costs incurred by the Company for improvements to buildings and infrastructure, purchase of equipment, site preparation and demolition are capitalized.

Amortization is calculated using the straight-line basis over the estimated useful lives at the following rates:

Equipment and vehicles	5 years
Infrastructure	5 to 20 years
Buildings and improvements	5 to 20 years

Assets under development represent the cost of direct materials and labour of capital projects not completed at year-end.

Amortization has not yet been charged against assets under development. It is the intention of the Company to amortize these costs over the estimated useful life of each of the properties once development is completed.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Tangible capital assets and amortization (continued)

No carrying value has been assigned to the buildings and other assets assumed by the Company included as part of the lease (see note 11).

(d) Measurement uncertainty

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require 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. 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. Significant areas requiring the use of estimates include determination of the estimated useful lives of capital assets and allowance for doubtful accounts. Actual results could differ from these estimates.

(e) Financial instruments

The Company classifies its financial instruments under cost or amortized cost category.

Cash and cash equivalents are recognized at cost. Tenant receivables, other receivables, due from the Government of Bermuda, accounts payable and accrued liabilities and due to the Government of Bermuda are initially recognized at cost and subsequently carried at amortized cost, less any impairment losses.

Transaction costs related to the financial instruments are added to the carrying value of the instrument when initially recognized.

Write-downs on financial assets are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations and accumulated surplus.

3. ECONOMIC DEPENDENCE

The Company rents a significant portion of its commercial premises to the Government but does not receive annual grants. Accordingly, the Company is economically dependent on the Government.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

4. CASH AND CASH EQUIVALENTS

	2011	2010
	\$	\$
Unrestricted cash and cash equivalents:		
Cash at bank	305,027	767,234
Call deposit	5,194,542	7,407,387
Money market fund	<u>1,824,702</u>	<u>1,824,508</u>
	7,324,271	9,999,129
Restricted cash:		
Call deposits	<u>177,560</u>	<u>175,382</u>
	<u>7,501,831</u>	<u>10,174,511</u>

Restricted cash are call deposits relating to cottages sold. The cash is held on deposit with various mortgage lenders to guarantee a portion of the purchaser's mortgage value.

5. TENANT RECEIVABLES

	2011	2010
	\$	\$
Tenant receivables	2,333,371	2,370,594
Less: provision for doubtful accounts	<u>(1,684,043)</u>	<u>(1,290,785)</u>
	<u>649,328</u>	<u>1,079,809</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

6. TANGIBLE CAPITAL ASSETS

	2011							Total
	Buildings	Building Improvements	Tenant Improvements & Minor Work	Equipment	Vehicles	Infrastructure	Assets Under Development	
	\$	\$	\$	\$	\$	\$	\$	
Opening cost	24,849,389	1,629,896	557,512	1,207,226	248,108	12,842,369	2,782,216	44,116,716
Additions	-	-	-	-	-	22,875	2,318,443	2,341,318
Write-offs	-	(75,156)	(74,362)	-	-	(52,831)	(63,250)	(265,599)
Closing cost	24,849,389	1,554,740	483,150	1,207,226	248,108	12,812,413	5,037,409	46,192,435
Opening accumulated amortization	6,643,043	796,242	464,969	878,238	209,289	5,101,510	-	14,093,291
Amortization	1,189,702	84,000	1,296	126,758	14,517	684,256	-	2,100,529
Closing accumulated amortization	7,832,745	880,242	466,265	1,004,996	223,806	5,785,766	-	16,193,820
Net book value	17,016,644	674,498	16,885	202,230	24,302	7,026,647	5,037,409	29,998,615

	2010							Total
	Buildings	Building Improvements	Tenant Improvements & Minor Work	Equipment	Vehicles	Infrastructure	Assets Under Development	
	\$	\$	\$	\$	\$	\$	\$	
Opening cost	24,016,537	818,824	483,150	1,178,601	228,091	11,489,983	5,289,867	43,505,053
Transfers	832,852	811,072	74,362	-	-	1,332,074	(3,050,360)	-
Additions	-	-	-	28,625	20,017	20,312	1,320,362	1,389,316
Write-offs	-	-	-	-	-	-	(777,653)	(777,653)
Closing cost	24,849,389	1,629,896	557,512	1,207,226	248,108	12,842,369	2,782,216	44,116,716
Opening accumulated amortization	5,372,841	789,792	463,673	762,304	196,086	4,392,908	-	11,977,604
Amortization	1,270,202	6,450	1,296	115,934	13,203	708,602	-	2,115,687
Closing accumulated amortization	6,643,043	796,242	464,969	878,238	209,289	5,101,510	-	14,093,291
Net book value	18,206,346	833,654	92,543	328,988	38,819	7,740,859	2,782,216	30,023,425

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
	\$	\$
Trade payable	379,507	833,897
Contractors' retention	56,581	62,143
Accrued expenses	45,483	96,096
Other	27,298	61,942
	<u>508,869</u>	<u>1,054,078</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

8. RELATED PARTY TRANSACTIONS

The Company is related to all Government ministries, departments, agencies and quasi-autonomous non-governmental organizations under the common control of the Government. Also, the Company is related to organizations that the Government jointly controls or significantly influences.

The Company enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties. Related party transactions entered into by the Company during the year are as follows:

	2011	2010
	\$	\$
Transactions during the year:		
Rental income	2,119,023	2,337,772
Property insurance	553,851	554,375
Salaries, wages and employee benefits	233,283	224,022
Balances at the end of the year:		
Due to the Government of Bermuda		
Payroll tax	76,998	60,442
Social insurance	6,688	9,998
Waste treatment	163	-
Divested land	199,825	-
Other	70,000	109,200
Due from the Government of Bermuda		
Rental income, water charges, service and expense recoveries	223,219	155,547

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

8. RELATED PARTY TRANSACTIONS (continued)

During the year, the Chairman and Deputy Chairman of the Board of Directors provided consultancy services to the Company. Total expenses incurred in respect to this consultancy work as at March 31, 2011 was \$107,760 (2010 - \$52,470) of which \$nil (2010 - \$24,310) was payable.

A related party was paid \$58,122 for repairs and maintenance services provided to the Company.

During the year ended March 31, 2011, the Company incurred expenses in the amount of \$58,122 (2010 - \$30,583) to a related party of which \$nil (2009 - \$9,946) was payable.

9. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES

(a) Pension plan

The Company has a defined contribution pension plan. Employees join after three months with the Company and contributions levels are 5% of gross salary, which is matched by the Company. The pension expense to the Company for the year, included in salaries and employee benefits was \$92,294 (2010 - \$93,162).

(b) Compensated absences

Compensated absences include maternity leave, paternity leave, sick leave and vacation days. All of these benefits are unfunded.

Maternity leave and paternity leave does 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 and paternity leave, a liability is only recognized when applied for and approved. There was no extended sick leave applied for or approved during the current 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, 2011 is \$36,305 (2010 - \$22,174) and is included in accounts payable and accrued liabilities.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

10. EXPENSES BY OBJECT

	2011 \$ Budget	2011 \$ Actual	2010 \$ Actual
Facilities:			
Amortization of tangible capital assets	2,000,000	2,100,529	2,115,687
Repairs and maintenance	937,000	1,723,367	748,750
Salaries and employee benefits	1,254,600	1,478,971	1,450,469
Utilities	375,000	471,850	564,827
Write-off of tangible capital assets	-	265,599	777,653
Security services	210,000	145,178	214,036
	<u>4,776,600</u>	<u>6,185,494</u>	<u>5,871,422</u>
Administration:			
Salaries and employee benefits	606,390	714,908	776,089
Property insurance	450,000	553,851	554,375
General and administrative	642,950	532,603	299,070
Bad debt	400,000	421,070	514,302
Professional services (note 8)	-	331,216	201,344
	<u>2,099,340</u>	<u>2,553,648</u>	<u>2,345,180</u>
Leasing:			
Salaries and employee benefits	230,010	261,709	235,191
	<u>230,010</u>	<u>261,709</u>	<u>235,191</u>

11. CONTRACTUAL OBLIGATIONS

On May 13, 1997, the Company entered into a lease with the Government for a period of 131 years. The Act was amended with effect from December 14, 2010 to extend the lease period to 262 years. The lease is effective from the Company's date of incorporation on November 12, 1996 and includes the four properties known as the Southside, St. David's (formerly the US Naval Air Station, excluding the airport), the Naval Annex in Southampton, Daniel's Head in Sandys and the Operating Base at Tudor Hill in Southampton including all buildings as described in detail in the schedule which forms part of the lease. The rent for the whole period is \$131 and has been paid.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company 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 Company's risk management framework. The Board has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee reports to the Board on its activities. The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance. The Company 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 these financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current bank accounts, and short-term investments, with terms to maturity of less than 90 days. 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

Account receivable consist primarily of tenant receivables for leased premises. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company. 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, 2011, the maximum credit risk to which the Company is exposed represents the fair value of its accounts receivable.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The amounts outstanding at year-end were as follows:

	Total \$	Current \$	Past Due		
			31- 60 days \$	61-90 days \$	91+ days \$
Tenant receivables	2,333,371	252,478	82,451	73,672	1,924,770
Other receivables	10,305	4,805	-	-	5,500
Due from Government of Bermuda	223,219	115,906	13,953	11,439	81,921
Gross receivables	2,566,895	373,189	96,404	85,111	2,012,191
Less: Impairment allowances	(1,684,043)	-	-	-	(1,684,043)
Net receivables	882,852	373,189	96,404	85,111	328,148

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure credit risk.

(b) Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation. The Company 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 following table sets out the expected cash flows of financial liabilities:

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	Total \$	Current \$	Past Due		
			31- 60 days \$	61-90 days \$	91+ days \$
Accounts payable and accrued liabilities	508,869	56,327	-	-	452,542
Due to Government of Bermuda	353,674	81,653	-	-	272,021
Total financial liabilities	862,543	137,980	-	-	724,563

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure liquidity risk.

(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 Company's results of operations. The Company has minimal exposure to market risk.

(i) Foreign exchange risk

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

(ii) Interest rate risk

The Company is exposed to changes in interest rates, which may impact interest income on cash and cash equivalents. As of March 31, 2011, a 0.25% movement in bank interest rates with all other variables held constant would not have a significant effect on the Company's savings and deposit accounts.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure market risk.

13. CONVERSION TO PUBLIC SECTOR ACCOUNTING STANDARDS

The impact of the conversion to public sector accounting standards generally accepted in Bermuda and Canada on the accumulated surplus at the date of transition and the comparative annual deficit is presented in Note 14. These accounting changes have been

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

13. CONVERSION TO PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

The following changes have been made to comply with the public sector accounting standards generally accepted in Bermuda and Canada and current year presentation:

	Previously Stated <u>2010</u> \$	Adjustments <u>2010</u> \$	Restated <u>2010</u> \$
Reclassifications:			
Cash and cash equivalents	9,999,129	175,382	10,174,511
Restricted cash	175,382	(175,382)	-
Tenant receivables	1,235,356	(155,547)	1,079,809
Due from the Government of Bermuda	-	155,547	155,547
Accounts payables and accrued liabilities	903,163	150,915	1,054,078
Due to the Government of Bermuda	-	179,640	179,640
Tenant deposits	330,555	(330,555)	-
Deferred revenue, current portion	105,590	(105,590)	-
Deferred revenue	789,616	105,590	895,206
Adjustment:			
Deferred capital contributions	18,595,480	(18,595,480)	-
Accumulated Surplus	20,718,632	18,595,480	39,314,112
	<u>2009</u> \$	<u>2009</u> \$	<u>2009</u> \$
Reclassifications:			
Cash and cash equivalents	10,547,203	167,412	10,714,615
Restricted cash	167,412	(167,412)	-
Tenant receivables	938,495	(116,831)	821,664
Due from the Government of Bermuda	-	116,831	116,831
Accounts payables and accrued liabilities	918,292	384,931	1,303,223
Due to the Government of Bermuda	-	148,878	148,878
Tenant deposits	533,809	(533,809)	-
Deferred revenue, current portion	128,663	(128,663)	-
Deferred revenue	894,082	128,663	1,022,745
Adjustment:			
Deferred capital contributions	20,769,869	(20,769,869)	-
Accumulated Surplus	19,957,429	20,769,869	40,727,298

PS 3410 requires that government transfers be recognized when the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of liabilities per PS 3200. Management has determined that the deferred capital contributions previously recorded do not meet the definition of a liability and have passed an adjustment to write-off the balance from the financial statements with the adoption of the public sector accounting standards.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

14. ACCUMULATED SURPLUS

The accumulated surplus is made up as follows:

	2011	2010	2009
	\$	\$	\$
Accumulated surplus	31,737,534	34,314,112	35,727,298
Share capital	5,000,000	5,000,000	5,000,000
	<u>36,737,534</u>	<u>39,314,112</u>	<u>40,727,298</u>
a) Accumulated surplus			
Accumulated surplus beginning of year as originally reported	34,314,112	14,957,429	13,735,367
Adjustments to accumulated surplus:			
Deferred capital contributions	-	18,595,480	20,769,869
	<u>34,314,112</u>	<u>33,552,909</u>	<u>34,505,236</u>
Annual (deficit) surplus for the year as originally reported	<u>(2,576,578)</u>	<u>761,203</u>	<u>1,222,062</u>
Accumulated surplus, end of year	<u>31,737,534</u>	<u>34,314,112</u>	<u>35,727,298</u>
b) Share capital			
Authorized and issued:			
10,000,000 common shares of \$1 par value each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
50% called and fully paid in cash	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>

Upon incorporation the Company issued 10,000,000 common shares, of which 50% were called and paid.

15. COMPARATIVE FIGURES

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

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

16. SUBSEQUENT EVENTS

(a) 9 Beaches (Daniel's Head, Sandy's Parish) Order 2010

Under the authority of the 9 Beaches (Daniel's Head, Sandy's Parish) Order 2010, the Government approved a Special Development Order (the "Order") on October 27, 2010 for the development and sub division of the Daniel's Head site into a tourism and residential community. The site will comprise 69 hotel units and 120 dwelling units, plus ancillary buildings. The Order was pursuant to a Memorandum of Understanding that was signed on May 13, 2010 between the Company and IRC Sandys Limited.

A final agreement that would permit the actual development was not signed. On December 22, 2015, the Court ruled that IRC Sandys Limited must vacate the land.

(b) Ministerial Changes

Effective April 1, 2011, the Minister of Environment, Planning and Infrastructure Strategy replaced the Minister of Public Works (formerly the Minister of Works & Engineering) as a shareholder of the Company.

Effective November 2, 2011, due to changes to the Government Cabinet, the Minister of Environment, Planning and Infrastructure Strategy was transferred to the Minister of Public Works. Therefore, the Minister of Public Works became a shareholder of the Company.

(c) Notice of discontinuance

The company signed a notice of discontinuance on court proceedings against the Bermuda Credit Association Limited (the "BCA") on November 28, 2011. An amount of \$35,000 was paid by the Company to the BCA as an out of court settlement.