

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

FINANCIAL STATEMENTS

MARCH 31, 2012

Management's Responsibility for the Financial Statements

These financial statements have been prepared by management, who 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 R. Mussenden
Chief Executive Officer



Mr. H. Anthony Richardson
Chief Financial Officer

January 25, 2018

Date



Office of the Auditor General

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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, 2012, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2012, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Other matter

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

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 \$1,327,748 (2011 - \$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
January 25, 2018



Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

		2012	2011
		\$	\$
FINANCIAL ASSETS			
	Note		
Cash and cash equivalents	4	7,211,498	7,501,831
Tenant receivables	5	270,371	649,328
Other receivables		9,224	10,305
Due from the Government of Bermuda	8	69,528	223,219
		<u>7,560,621</u>	<u>8,384,683</u>
LIABILITIES			
Accounts payable and accrued liabilities	7	567,414	508,869
Due to the Government of Bermuda	8	193,713	353,674
Deferred revenue		679,585	783,888
		<u>1,440,712</u>	<u>1,646,431</u>
NET FINANCIAL ASSETS		<u>6,119,909</u>	<u>6,738,252</u>
NON-FINANCIAL ASSETS			
Prepaid expenses		1,387	667
Tangible capital assets	6	27,707,966	29,998,615
		<u>27,709,353</u>	<u>29,999,282</u>
ACCUMULATED SURPLUS	15	<u>33,829,262</u>	<u>36,737,534</u>

The accompanying notes are an integral part of these financial statements

BERMUDA LAND DEVELOPMENT COMPANY LIMITED
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2012

		2012 \$ Budget	2012 \$ Actual	2011 \$ Actual
REVENUES	Note			
Rental income		6,953,000	5,373,343	5,313,842
Service and expense recoveries		746,360	753,449	813,268
Water		-	183,780	204,098
Other income		45,000	66,385	72,329
Interest income		14,000	11,720	20,736
Amortization of deferred capital contributions		1,100,000	-	-
		<u>8,858,360</u>	<u>6,388,677</u>	<u>6,424,273</u>
EXPENSES				
Facilities	10	5,441,999	6,373,869	6,185,494
Administration	10	2,567,047	2,631,584	2,553,648
Leasing	10	251,756	291,496	261,709
		<u>8,260,802</u>	<u>9,296,949</u>	<u>9,000,851</u>
ANNUAL (DEFICIT) SURPLUS		<u>597,558</u>	<u>(2,908,272)</u>	<u>(2,576,578)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR			<u>36,737,534</u>	<u>39,314,112</u>
ACCUMULATED SURPLUS, END OF YEAR			<u>33,829,262</u>	<u>36,737,534</u>

The accompanying notes are an integral part of these financial statements

BERMUDA LAND DEVELOPMENT COMPANY LIMITED
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2012

	2012 \$	2012 \$	2011 \$
	Budget	Actual	Actual
ANNUAL (DEFICIT) SURPLUS	597,558	(2,908,272)	(2,576,578)
Acquisition of tangible capital assets	-	(1,390,335)	(2,341,318)
Amortization of tangible capital assets	1,750,000	2,205,969	2,100,529
Write-off of tangible capital assets	1,000,000	1,475,015	265,599
Change in prepaid expenses	-	(720)	853
	<u>3,347,558</u>	<u>(618,343)</u>	<u>(2,550,915)</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR		<u>6,738,252</u>	<u>9,289,167</u>
NET FINANCIAL ASSETS, END OF YEAR		<u>6,119,909</u>	<u>6,738,252</u>

The accompanying notes are an integral part of these financial statements

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual deficit	(2,908,272)	(2,576,578)
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	2,205,969	2,100,529
Write-off of tangible capital assets	1,475,015	265,599
Changes in non-cash working capital:		
Decrease in tenant receivables	378,957	430,481
Decrease (increase) in other receivables	1,081	(2,081)
Decrease (increase) in due from the Government of Bermuda	153,691	(67,672)
(Increase) decrease in prepaid expenses	(720)	853
Increase (decrease) in accounts payable and accrued liabilities	58,545	(545,209)
(Decrease) increase in due to the government of Bermuda	(159,961)	174,034
Decrease in deferred revenue	(104,303)	(111,318)
Net cash generated from (used in) operating activities	<u>1,100,002</u>	<u>(331,362)</u>
CASH FLOWS FROM CAPITAL ACTIVITY		
Acquisition of tangible capital assets	<u>(1,390,335)</u>	<u>(2,341,318)</u>
Net cash used in capital activity	<u>(1,390,335)</u>	<u>(2,341,318)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(290,333)	(2,672,680)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,501,831</u>	<u>10,174,511</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>7,211,498</u></u>	<u><u>7,501,831</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest received	<u>11,720</u>	<u>20,736</u>

The accompanying notes are an integral part of these financial statements

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

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 Bermuda.

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

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of 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 and the accounting policies considered particularly significant are as follows:

(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, are treated as deferred revenue. These rental payments are amortized to income on a monthly basis until the full payment is depleted.

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.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 & Vehicles	5 years
Infrastructure	5 to 20 years
Buildings & 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.

No carrying value has been assigned to the buildings and other assets assumed by the Company included as part of the lease (see note 12).

(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.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

4. CASH AND CASH EQUIVALENTS

	2012	2011
	\$	\$
Unrestricted cash and cash equivalents:		
Cash at bank	173,827	305,027
Call deposit	5,033,434	5,194,542
Money market fund	1,824,882	1,824,702
	<u>7,032,143</u>	<u>7,324,271</u>
Restricted cash:		
Call deposits	179,355	177,560
	<u>7,211,498</u>	<u>7,501,831</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

4. CASH AND CASH EQUIVALENT (continued)

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

	2012	2011
	\$	\$
Tenant receivables	2,364,585	2,333,371
Less: provision for doubtful accounts	<u>(2,094,214)</u>	<u>(1,684,043)</u>
	<u>270,371</u>	<u>649,328</u>

6. TANGIBLE CAPITAL ASSETS

	2012							Total
	Buildings	Building Improvements	Tenant Improvements & Minor Work	Equipment	Vehicles	Infrastructure	Assets Under Development	
	\$	\$	\$	\$	\$	\$	\$	
Opening cost	24,849,389	1,554,740	483,150	1,207,226	248,108	12,812,413	5,037,409	46,192,435
Additions	-	183,000	-	-	-	-	1,207,335	1,390,335
Transfers	228,569	-	-	-	-	-	(228,569)	-
Write-offs	-	-	(16,885)	-	-	(140,236)	(1,317,894)	(1,475,015)
Closing cost	<u>25,077,958</u>	<u>1,737,740</u>	<u>466,265</u>	<u>1,207,226</u>	<u>248,108</u>	<u>12,672,177</u>	<u>4,698,281</u>	<u>46,107,755</u>
Opening accumulated amortization	7,832,745	880,242	466,265	1,004,996	223,806	5,785,766	-	16,193,820
Amortization	<u>1,234,733</u>	<u>116,279</u>	<u>-</u>	<u>107,780</u>	<u>10,672</u>	<u>736,505</u>	<u>-</u>	<u>2,205,969</u>
Closing accumulated amortization	<u>9,067,478</u>	<u>996,521</u>	<u>466,265</u>	<u>1,112,776</u>	<u>234,478</u>	<u>6,522,271</u>	<u>-</u>	<u>18,399,789</u>
Net book value	<u>16,010,480</u>	<u>741,219</u>	<u>-</u>	<u>94,450</u>	<u>13,630</u>	<u>6,149,906</u>	<u>4,698,281</u>	<u>27,707,966</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

6. TANGIBLE CAPITAL ASSETS (continued)

	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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
	\$	\$
Trade payables	344,387	379,507
Contractors' retention	101,936	56,581
Accrued expenses	91,943	45,483
Other	29,148	27,298
	<u>567,414</u>	<u>508,869</u>

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.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

8. RELATED PARTY TRANSACTIONS (continued)

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 to by the related parties. Related party transactions entered into by the Company during the year are as follows:

	2012	2011
	\$	\$
Transactions during the year:		
Rental revenue	2,222,179	2,119,023
Property insurance	629,463	553,851
Salaries, wages and employee benefits	216,032	233,283
IT system support services	23,981	-
Reimbursement for renovations	1,036,298	-
Balances at the end of the year:		
Due to the Government of Bermuda		
Payroll tax	70,606	76,998
Social insurance	8,087	6,688
Waste treatment	20	163
Divested land	-	199,825
Other	115,000	70,000
Due from the Government of Bermuda		
Rental income, water charges, service and expense expense recoveries	69,528	223,219

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 contribution 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 \$77,552 (2011 - \$92,294).

(b) Compensated absences

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

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

9. POST-EMPLOYMENT BENEFITS AND COMPENSATED ABSENCES (continued)

(b) Compensated absences (continued)

Maternity leave 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 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, 2012 is \$35,067 (2011 - \$36,305) and is included in accounts payable and accrued liabilities.

10. EXPENSES BY OBJECT

	2012 \$ Budget	2012 \$ Actual	2011 \$ Actual
Facilities:			
Amortization of tangible capital assets	1,750,000	2,205,969	2,100,529
Write-off of tangible capital assets	1,000,000	1,475,015	265,599
Salaries and employee benefits	1,258,613	1,457,284	1,478,971
Utilities	386,250	572,631	471,850
Repairs and maintenance	937,000	562,009	1,723,367
Security services	110,136	100,961	145,178
	<u>5,441,999</u>	<u>6,373,869</u>	<u>6,185,494</u>
Administration:			
Salaries and employee benefits	724,047	859,509	714,908
Property insurance	400,000	629,463	553,851
Bad debt	500,000	442,360	421,070
Professional services	210,000	376,515	331,216
General and administrative	733,000	323,737	532,603
	<u>2,567,047</u>	<u>2,631,584</u>	<u>2,553,648</u>
Leasing:			
Salaries and employee benefits	251,756	291,496	261,709
	<u>251,756</u>	<u>291,496</u>	<u>261,709</u>

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

11. STATEMENT OF REMEASUREMENT GAINS AND LOSSES

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.

12. 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.

In addition, the Company has entered into various contracts relating to operational support and delivery of services. The aforementioned contracts have commencement terms prior to March 31, 2012 and the latest contract termination date is December 31, 2016. These contractual obligations will become liabilities in the future when the terms of the contracts are met. The remaining obligations of the contracts are as follows:

	2013	2014	2015	Thereafter
	\$	\$	\$	\$
Description of services:				
Equipment and infrastructure maintenance	64,886	38,107	38,107	5,250
Office cleaning services	79,680	-	-	-
Property management software system	7,093	7,731	8,118	17,106
	<u>151,659</u>	<u>45,838</u>	<u>46,225</u>	<u>22,356</u>

13. 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.

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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 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

Accounts 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, 2012, the maximum credit risk to which the Company is exposed represents the fair value of its accounts receivable.

The amounts outstanding at year-end were as follows:

	Total	Current	Past Due		
			31- 60 days	61-90 days	91+ days
	\$	\$	\$	\$	\$
Tenant receivables	2,285,833	159,433	74,562	70,124	1,981,714
Other receivables	9,224	1,486	-	-	7,738
Due from Government of Bermuda	69,528	28,570	7,339	633	32,986
Gross receivables	2,364,585	189,489	81,901	70,757	2,022,438
Less: Impairment allowances	(2,094,214)	-	-	-	(2,094,214)
Net receivables	270,371	189,489	81,901	70,757	(71,776)

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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:

	Total	Past Due			
		Current	31- 60 days	61-90 days	91+ days
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	567,414	124,414	-	-	443,000
Due to Government of Bermuda	193,713	123,713	-	-	70,000
Total financial liabilities	<u>761,127</u>	<u>248,127</u>	-	-	<u>513,000</u>

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

BERMUDA LAND DEVELOPMENT COMPANY LIMITED

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MARCH 31, 2012

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the 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, 2012, 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.

14. CAPITAL MANAGEMENT

The Company's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Company seeks to achieve this objective through rental income and generating an annual surplus. The Company maintains sufficient liquidity to meet its short-term obligations as they come due. The Company is not subject to any externally imposed capital requirements.

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15. ACCUMULATED SURPLUS

The accumulated surplus is made up as follows:

	2012	2011
	\$	\$
Accumulated surplus	28,829,262	31,737,534
Share capital	5,000,000	5,000,000
	<u>33,829,262</u>	<u>36,737,534</u>
a) Accumulated surplus		
Accumulated surplus, beginning of year	31,737,534	34,314,112
Annual deficit	(2,908,272)	(2,576,578)
	<u>28,829,262</u>	<u>31,737,534</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>
50% called and fully paid in cash	<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.

16. NEW PUBLIC SECTOR ACCOUNTING STANDARDS

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, 2012. In particular, the new and amended standards, which became effective for annual periods beginning on or after April 1, 2012 are:

- PS 3410 - Government Transfers (effective date April 1, 2012)
- PS 3450 - Financial Instruments (effective date April 1, 2012)
- PS 2601 - Foreign Currency Translation (effective date April 1, 2012)
- PS 1201 - Financial Statement Presentation (effective date April 1, 2012)
- PS 3260 - Liabilities for Contaminated Sites (effective date April 1, 2014)
- PS 2200 - Related Party Disclosures (effective date April 1, 2017)
- PS 3210 - Assets (effective date April 1, 2017)
- PS 3320 - Contingent Assets (effective date April 1, 2017)
- PS 3380 - Contractual Rights (effective date April 1, 2017)

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16. NEW PUBLIC SECTOR ACCOUNTING STANDARDS (continued)

PS 3420 - Inter-entity Transactions (effective date April 1, 2017)

PS 3430 - Restructuring Transactions (effective date April 1, 2018)

The Company early adopted PS 1201 – Financial Statement Presentation, PS 2601 – Foreign Currency Translation, PS 3410 – Government Transfers and PS3450 – Financial Instruments on April 1, 2010. Management does not anticipate a significant impact as a result of adoption of the other standards once they become effective.

17. SUBSEQUENT EVENT

On September 27, 2012, the Company issued a written notice to terminate the proposed development of the Daniel's Head site. The Government had originally approved a Special Development Order on October 27, 2010 for the development and sub division of the Daniel's Head site into a tourism and residential community, under the authority of the 9 Beaches (Daniel's Head, Sandy's Parish) Order 2010. A final agreement with IRC Sandys Limited that would permit the actual development was not signed. On December 22, 2015, the Court ruled that IRC Sandys Limited must vacate 9 Beaches in Sandy's Parish. As per the Court ruling, on January 27, 2017 the evictions took place.