

**BERMUDA ECONOMIC
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

MARCH 31, 2014

Knowledgeable
Progressive
Supportive
Professional
Innovative

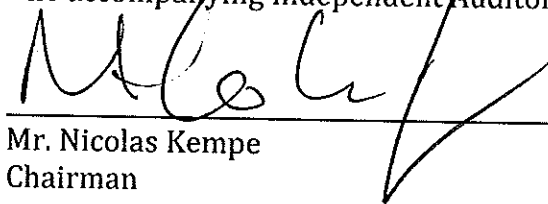
Management's Responsibility for the Financial Statements

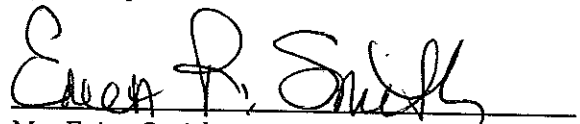
The financial statements have been prepared by management, which is responsible for the integrity, reliability and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgments, where appropriate.

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 is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board of Directors meets periodically with management to discuss matters pertaining to financial reporting, internal control and audits. 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. Nicolas Kempe
Chairman


Ms. Erica Smith
Executive Director

February 16th, 2016

Growing
Bermuda one
Business at
a time



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INDEPENDENT AUDITOR'S REPORT

To the Minister of Home Affairs

I have audited the accompanying financial statements of the Bermuda Economic Development Corporation, which comprise the statement of financial position as at March 31, 2014, 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 Economic Development Corporation as at March 31, 2014, 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.

Hamilton, Bermuda
February 16, 2016



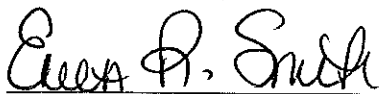
Heather A. Jacobs Matthews, JP, FCPA, FCA, CFE
Auditor General

BERMUDA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION

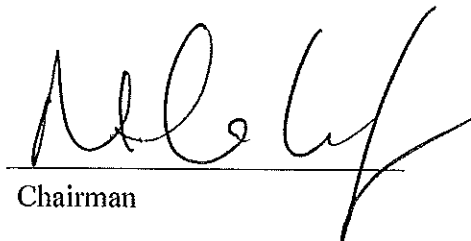
MARCH 31, 2014

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (note 4)	1,099,442	859,668
Accounts receivable and accrued interest (note 5)	9,263	27,692
Short-term investments (notes 6 and 11)	34,510	290,533
Long-term investments (notes 7 and 11)	-	-
	1,143,215	1,177,893
LIABILITIES		
Accounts payable and accrued liabilities	35,623	30,794
Due to the Government of Bermuda (note 13)	118,940	209,567
Post-employment benefits and compensated absences (note 14)	67,193	85,606
	221,756	325,967
NET FINANCIAL ASSETS	921,459	851,926
NON-FINANCIAL ASSETS		
Prepaid expenses	16,876	5,848
Tangible capital assets (note 8)	43,235	90,868
	60,111	96,716
ACCUMULATED SURPLUS (note 11)	981,570	948,642
CONTRACTUAL OBLIGATIONS (note 16)		
CONTINGENCIES (note 17)		

APPROVED BY:



Executive Director



Chairman

The accompanying notes are an integral part of these financial statements

BERMUDA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 \$ Budget (Note 15)	2014 \$ Actual	2013 \$ Actual
REVENUES			
Government of Bermuda grant (note 13)	1,600,000	1,600,000	1,123,900
Interest (note 6)	1,000	53,879	6,028
Government of Bermuda - grants from ministries (note 13)	-	45,000	159,836
Sponsorships	16,600	27,000	8,000
Repayment of guarantees	3,000	3,957	3,041
Miscellaneous	1,200	3,032	2,822
Seminar income	-	1,883	3,410
Commissions	-	1,090	3,405
	<u>1,621,800</u>	<u>1,735,841</u>	<u>1,310,442</u>
EXPENSES (note 10)			
General administration	1,553,800	1,508,684	1,417,136
Programs (note 9)	67,000	115,259	264,709
Amortization of tangible capital assets (note 8)	-	47,633	58,866
Professional services	38,000	21,894	88,975
Provision for doubtful accounts	-	9,443	-
	<u>1,658,800</u>	<u>1,702,913</u>	<u>1,829,686</u>
ANNUAL SURPLUS (DEFICIT)	(37,000)	32,928	(519,244)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	948,642	948,642	<u>1,467,886</u>
			<u><u>948,642</u></u>

The accompanying notes are an integral part of these financial statements

BERMUDA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
	\$	\$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>851,926</u>	<u>1,314,451</u>
Annual surplus (deficit)	32,928	(519,244)
Change in prepaid expenses	(11,028)	(1,613)
Acquisition of tangible capital assets (note 8)	-	(534)
Amortization of tangible capital assets (note 8)	<u>47,633</u>	<u>58,866</u>
Changes in net financial assets during the year	<u>69,533</u>	<u>(462,525)</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>921,459</u></u>	<u><u>851,926</u></u>

The accompanying notes are an integral part of these financial statements

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Annual surplus (deficit)	32,928	(519,244)
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	47,633	58,866
Net change in non-cash working capital	(96,810)	(150,613)
	<u> </u>	<u> </u>
Cash flows used in operating activities	(16,249)	(610,991)
	<u> </u>	<u> </u>
CASH FLOW FROM CAPITAL ACTIVITY:		
Acquisition of tangible capital assets	-	(534)
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of long-term investments	-	734,141
Proceeds from maturity of short-term investments	256,023	554,158
	<u> </u>	<u> </u>
Cash flows from investing activities	256,023	1,288,299
	<u> </u>	<u> </u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	239,774	676,774
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	859,668	182,894
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS, END OF YEAR	1,099,442	859,668
	<u> </u>	<u> </u>
SUPPLEMENTARY INFORMATION:		
Interest received	53,879	6,028
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

1. AUTHORITY

The Bermuda Economic Development Corporation (formerly the Bermuda Small Business Development Corporation) (the "Corporation") is a corporate body established by the Bermuda Economic Development Corporation Act 1980 (the "Act") as amended.

The Corporation is empowered to grant loans or give other forms of financial assistance, including the guarantee of loans, to assist persons resident in Bermuda in establishing, carrying on, or expanding small businesses, medium-sized businesses and entities within economic empowerment zones, to provide technical advice to persons who are seeking, or who are granted financial assistance, to operate and manage markets and to oversee and manage the development and implementation of the economic empowerment zones.

2. SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, the Corporation is classified as an other government organization. These financial statements are 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) 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 3 months or less from the date of acquisition.

(b) Accounts receivable

Accounts receivable are recorded at cost less any amount for valuation allowances. Valuation allowances are made when the collection is in doubt.

(c) Tangible capital assets and amortization

Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Amortization is recorded on a straight-line basis over their estimated useful lives as follows:

Office furniture & equipment -	5 years
Computer equipment -	5 years
Leasehold improvements -	5 years or term of lease

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the asset no longer contributes to the Corporation's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value. In either case the cost of the tangible capital asset is reduced to reflect the decline in the asset's value.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the year the related expenses are incurred, services performed or when the stipulations are met.

(e) Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Operating grants are recorded as revenues when the grants are authorized.

Interest is recognized as revenue when earned.

(f) Contributed materials and services

Contributed materials and services are recognized in the financial statements when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Corporation's operations and would otherwise have been purchased.

(g) Use of estimates

The preparation of financial statements in accordance 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. Actual results could differ from these estimates.

(h) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable and accrued interest, investments, accounts payable and accrued liabilities, and due to the Government of Bermuda. 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, currency or credit risks arising from these financial instruments.

The carrying value of these financial instruments approximates their fair value due to their relative short-term nature.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

3. ECONOMIC DEPENDENCE

The Corporation is economically dependent upon the financial assistance provided by the Government of Bermuda (the "Government") to fund its daily operations, cash flow, capital development and capital acquisitions.

4. CASH AND CASH EQUIVALENTS

	2014	2013
	\$	\$
Checking account	999,414	759,640
Fixed deposit account	100,028	100,028
	<u>1,099,442</u>	<u>859,668</u>

5. ACCOUNTS RECEIVABLE AND ACCRUED INTEREST

	2014	2013
	\$	\$
EEZ loans	40,404	50,686
Accrued interest	54	658
Others	20,430	18,530
Less: provision for doubtful accounts	<u>(51,625)</u>	<u>(42,182)</u>
	<u>9,263</u>	<u>27,692</u>

6. SHORT-TERM INVESTMENTS

Temporary investments represent the various short-term deposits with maturity dates ranging from three months to one year with an average rate of return of 0.30% (2013 – 0.52%).

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

7. LONG-TERM INVESTMENTS

	2014	2013
	\$	\$
Preferred shares - Cost	500,000	500,000
- Impairment	(500,000)	(500,000)
	<u>-</u>	<u>-</u>

In May 2003 and April 2004, the Corporation invested a total of \$500,000 in preferred shares of the Bermuda Stock Exchange ("BSX"). The shares are redeemable at the option of the Corporation if the retained earnings of BSX exceed \$3 million. The shares are redeemable by the BSX at any time.

In 2008, management assessed this investment to be impaired due to the BSX incurring continual operating losses resulting in reduction of shareholders equity to \$125,043 as at December 31, 2008. Both factors made it highly unlikely that either party would redeem the shares. Management believed made that this indicated a non-temporary decline and as a result the Corporation has recognized a full write-down of its \$500,000 investment.

Notwithstanding the previous write down of the investment in preferred shares, during the year, the BSX agreed to redeem the preferred shares from the Corporation at the cost of \$500,000 plus interest of \$53,537 from the BSX and is included as interest income.

8. TANGIBLE CAPITAL ASSETS

	2014			
	Office furniture & equipment	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Opening cost	144,404	219,951	72,010	436,365
Additions	-	-	-	-
Closing cost	<u>144,404</u>	<u>219,951</u>	<u>72,010</u>	<u>436,365</u>
Opening accumulated amortization	123,495	173,753	48,249	345,497
Amortization	<u>12,603</u>	<u>28,399</u>	<u>6,631</u>	<u>47,633</u>
Closing accumulated amortization	<u>136,098</u>	<u>202,152</u>	<u>54,880</u>	<u>393,130</u>
Net book value of tangible capital assets	<u><u>8,306</u></u>	<u><u>17,799</u></u>	<u><u>17,130</u></u>	<u><u>43,235</u></u>

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

8. TANGIBLE CAPITAL ASSETS (continued)

	2013			
	Office furniture & equipment	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Opening cost	144,404	219,417	72,010	435,831
Additions	-	534	-	534
Closing cost	144,404	219,951	72,010	436,365
Opening accumulated amortization	106,526	138,950	41,155	286,631
Amortization	16,969	34,803	7,094	58,866
Closing accumulated amortization	123,495	173,753	48,249	345,497
Net book value of tangible capital assets	20,909	46,198	23,761	90,868

9. PROGRAMS

The Corporation has six socio-economic programs included in its portfolio as follows:

- (a) Research, design and establishment of an Economic Empowerment Zone for North-East Hamilton, Somerset and St. George's;
- (b) Research, design and execution of the Small Business Construction Incubator;
- (c) Review and analysis of the issues of roadside vendors with a view to establish organized Vendor Markets;
- (d) Research, design and establishment of a Retail incubator program;
- (e) Execution of a small jobs program in conjunction with the Department of Public Works; and
- (f) Research, design and execution of seminars and workshops to provide small business owners and entrepreneurs in general with education and access to resources.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

10. EXPENSES BY OBJECT

	2014 \$ Budget (Note 15)	2014 \$ Actual	2013 \$ Actual
General administration			
Salaries, wages and employee benefits	1,207,565	1,160,044	1,072,809
Rent	162,695	166,496	167,536
Communications and postage	65,450	64,064	62,424
Materials and supplies	37,000	45,593	55,684
Advertising and promotions	35,000	24,700	13,930
Property taxes	13,000	17,564	12,914
Repairs and maintenance	10,200	6,112	9,916
Dues and subscriptions	5,500	5,920	4,272
Meetings	6,000	5,728	7,982
Training	6,670	3,371	872
Bank charges	3,000	3,198	3,536
Travel, entertainment and gifts	-	2,788	2,658
Miscellaneous	-	1,750	1,408
Water	1,750	1,356	1,195
	<u>1,553,830</u>	<u>1,508,684</u>	<u>1,417,136</u>
Programs			
Events	7,000	85,018	50,067
Economic Empowerment Zones	25,000	16,870	34,439
Vendor Markets	8,000	3,452	1,580
Retail Incubator Program	25,000	209	9,585
Jobs Program	-	-	135,285
Grants - Economic Empowerment Zone	-	9,710	33,753
Medium-sized Business Seminar	2,000	-	-
	<u>67,000</u>	<u>115,259</u>	<u>264,709</u>
Amortization of tangible capital assets	-	47,633	58,866
Professional fees	38,000	21,894	88,975
Provision for doubtful accounts	-	9,443	-
	<u>1,658,830</u>	<u>1,702,913</u>	<u>1,829,686</u>

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

11. RESTRICTED ASSETS

Restricted assets represent the capital of the Corporation defined as the aggregate of the amounts paid to the Corporation under section 11(2), 11(3)(a) and 11(3)(b) of the Act.

Contributors and amounts are as follows:

	2014	2013
	\$	\$
Government of Bermuda	500,000	500,000
The Bank of Bermuda Limited	228,600	228,600
The Bank of N.T. Butterfield & Son Ltd.	228,600	228,600
Bermuda Commercial Bank Limited	42,800	42,800
	<u>1,000,000</u>	<u>1,000,000</u>

The capital contributions amounting to \$1,000,000 is included in accumulated surplus.

The capital contributions are invested in a combination of term deposits, savings account and checking account with each respective contributing bank. Under section 21 of the Act the contributors are given special voting rights with respect to "any question of so establishing or altering the proportion which the maximum amount of money that the Corporation may guarantee bears to the capital of the Corporation" and any question of winding up the Corporation.

12. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various risks through its financial instruments. The Board has overall responsibility for the establishment and oversight of its risk management framework. The Corporation manages its risks and risk exposures through sound business practices. The following analysis provides a measure of the risks at the reporting date, March 31, 2014.

(a) Credit risk

Credit risk arises from cash held with banks and other receivables. The maximum exposure to credit risk is equal to the carrying values of these financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Corporation determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value. It is management's opinion that the Corporation is not exposed to significant credit risk.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

12. FINANCIAL RISK MANAGEMENT (continued)

(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 generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

(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 term deposits, short-term investments and long-term investments.

13. RELATED PARTY TRANSACTIONS

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

The Corporation enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

(a) Operating grant and grants from ministries

The Government provided the Corporation with a grant of \$1,600,000 (2013 - \$1,123,900) during the year to cover the operations of the Corporation.

During the prior year, the Corporation entered into a Memorandum of Understanding ("MOU") with the Department of E-Commerce and the Ministry of Business Development and Tourism to launch the eMondays initiative to educate entrepreneurs about the process of starting an online business and setting up E-commerce. During the year, the Corporation recognized the grant received amounting to \$45,000 (2013 - \$33,000).

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

13. RELATED PARTY TRANSACTIONS (continued)

(b) Due to the Government of Bermuda

The amount due to the Government of Bermuda represents year-end accruals for payroll tax, pension, social insurance, health insurance and other expenses payable at year-end.

(c) Deferred revenue

On November 20, 2008, the Corporation entered into a MOU with the Ministry of Works and Engineering. The MOU was established to set-up a budget to support small construction businesses and participants of the Corporation's Small Business Construction Incubator programme. In 2010, the Corporation recognized the grant received amounting to \$238,514 as deferred revenues. These funds will be amortized to revenues as the related expenses are incurred. During the year, funds amounting to \$Nil (2013 - \$126,836) was amortized to revenues.

14. EMPLOYEE BENEFITS

(a) Contributory defined benefit pension plan

Employees of the Corporation 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% (2013 - 8%) of gross salary and they are matched equally by the Corporation.

The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Fund. As a result, the current year contributions to the Fund represent the total expense of the Corporation. The Corporation's contributions to the Fund during the year were \$84,143 (2013 - \$73,953).

(b) Post-employment benefits

The Corporation provides its employees with greater than ten years of service with continued pay for a period of up to twelve weeks, subsequent to their retirement. The length of the continued pay is dependent on the length of service of the employee. An actuarial valuation was performed on March 31, 2014, using the projected benefit method, prorated on years of service.

The assumptions were Government's best estimates of future events, including inflation rates, interest rates and, wage and salary rates.

There were no assets associated with this plan, as the Corporation provides fully for the benefit. There were no benefits paid by the Corporation during the year. The discount rate used to determine the benefit cost and accrued benefit obligation was 6.50%.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

14. EMPLOYEE BENEFITS (continued)

(b) Post-employment benefits (continued)

	2014	2013
	\$	\$
Post-employment benefits, beginning of year	46,348	40,778
Amortization of actuarial loss	(605)	(605)
Current period benefit cost	4,007	3,844
Interest on post-employment benefits	2,312	2,331
Benefit payments	(13,125)	-
	<u>38,937</u>	<u>46,348</u>

(c) Compensated absences

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

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognized when applied for and approved. There were no maternity 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 leave, a liability is recorded only when extended leave is 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, 2014 is \$28,256 (2013 - \$39,258) and is included in post-employment benefits and compensated absences.

15. BUDGET

These amounts represent the operating budget approved by the Board.

16. CONTRACTUAL OBLIGATIONS

The Corporation has entered into a lease agreement for the rental of its main office space. The lease expires on October 31, 2014 with monthly lease and service payments of \$7,948 plus a monthly service charge that amounts to approximately \$5,045 and is assessed annually by the landlord based on a reasonable estimate of annual maintenance cost. In July 2013, the Corporation renegotiated a lease for the main office reducing the monthly lease amount to \$6,617 plus a monthly service charge that amounts to approximately \$5,045, and extending the term until October 2017. The remaining obligation under the revised lease is \$501,461.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

16. CONTRACTUAL OBLIGATIONS (continued)

On June 1, 2012, the Corporation, through the Economic Empowerment Zones Agency, entered into a new lease agreement with the Bermuda Industrial Union for the rental of its North Hamilton Economic Empowerment Zone office space. The terms of this lease agreement cover the period from October 1, 2012 to September 30, 2013. A monthly rental payment of \$1,300 is charged under the lease agreement. In June 2013, this lease was amended to cover the period from June 1, 2013 to May 31, 2014 with a decreased monthly rental of \$650. The remaining obligation under the revised lease is \$1,300.

17. CONTINGENCIES

As per Section 4(1)(a) of the Act, the function of the Corporation is to grant loans or give other forms of financial assistance to assist persons in establishing, carrying on or expanding of small and medium-sized businesses. To this end, the Corporation provides guarantees to its clients to help them procure financial assistance from the financial institution of their choice.

The Corporation has the power to guarantee up to six times its capital, with a maximum for each guarantee of \$200,000 or fifteen per centum of the capital of the Corporation, whichever is greater. The Corporation is required to pay out these guarantees should their clients default on the related loans.

As at March 31, 2014, forty-four (2013 - fifty-five) guarantees with a value of \$2,341,430 (2013 - \$3,120,388) were outstanding. There were no loan guarantees paid by the Corporation during the year.

18. SUBSEQUENT EVENT

In April 2014, the Corporation received \$250,000 and an additional \$304,904 in July 2014 from the BSX for its long-term investment of preferred shares.