

**BERMUDA SMALL BUSINESS
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

MARCH 31, 2010



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Economic Development

I have audited the accompanying financial statements of the Bermuda Small Business Development Corporation, which comprise the statement of financial position as at March 31, 2010, and the statement of operations and accumulated surplus, the statement of changes in net financial assets and the statement of 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 Small Business Development Corporation as at March 31, 2010, 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.

A handwritten signature in blue ink, consisting of stylized initials and a long horizontal flourish.

Hamilton, Bermuda
December 6, 2013

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

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

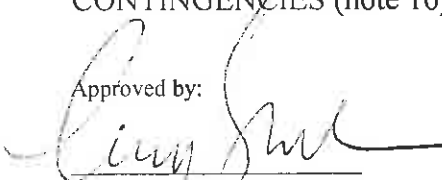
MARCH 31, 2010

	2010	2009
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (note 4)	2,023,016	1,905,200
Accounts receivable (note 5)	54,961	133,752
Short-term investments (notes 6 and 10)	819,822	796,641
Long-term investments (notes 7 and 10)	734,141	641,143
	<u>3,631,940</u>	<u>3,476,736</u>
LIABILITIES		
Accounts payable and accrued liabilities (notes 13 and 18)	125,522	214,924
Due to the Government of Bermuda (notes 12 and 18)	77,647	81,288
Deferred revenues (note 12)	238,514	-
	<u>441,683</u>	<u>296,212</u>
NET FINANCIAL ASSETS	<u>3,190,257</u>	<u>3,180,524</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	7,803	11,503
Tangible capital assets (note 8)	180,306	69,127
	<u>188,109</u>	<u>80,630</u>
ACCUMULATED SURPLUS	<u>3,378,366</u>	<u>3,261,154</u>

COMMITMENT (note 15)

CONTINGENCIES (note 16)

Approved by:


Executive Director


Chairman

The accompanying notes are an integral part of these financial statements.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2010

	2010 \$ Budget (Note 14)	2010 \$ Actual	2009 \$ Actual
REVENUES			
Government of Bermuda grant (note 12)	2,978,514	2,740,000	3,074,500
Interest on deposits (notes 6 and 7)	-	41,165	71,759
Commissions	-	8,960	7,529
Repayment of guarantees	-	700	1,800
Miscellaneous	-	7,640	14,433
	<u>2,978,514</u>	<u>2,798,465</u>	<u>3,170,021</u>
EXPENSES			
Programs (note 9)	2,099,485	1,032,102	1,038,129
Salaries, wages and employee benefits (note 13)	848,785	835,906	712,478
Rent (note 15)	100,000	139,331	101,934
Payment of guarantees (note 16)	100,000	121,092	25,000
Professional services	134,877	120,460	108,508
Advertising and promotion	111,820	105,675	152,680
Grants - Economic Empowerment Zone	130,000	80,213	59,392
Materials and supplies	75,770	73,240	28,974
Amortization of tangible capital assets (note 8)	-	32,567	14,273
Communications and postage	8,865	31,914	13,499
Training	57,558	28,950	16,245
Provision for doubtful accounts (note 5)	-	18,838	-
Travel, entertainment and gifts	19,760	18,258	22,722
Small business survey	33,000	15,819	24,500
Meetings	17,000	9,096	10,602
Dues and subscriptions	6,880	5,052	4,686
Property taxes	4,100	4,967	7,360
Bank charges	17,000	3,352	3,853
Repairs and maintenance	10,300	2,682	10,962
Water	1,000	771	854
Website	-	-	177
Miscellaneous	1,000	968	1,021
	<u>3,777,200</u>	<u>2,681,253</u>	<u>2,357,849</u>
ANNUAL (DEFICIT) SURPLUS	(798,686)	117,212	812,172
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,261,154</u>	<u>3,261,154</u>	<u>2,448,982</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>2,462,468</u>	<u>3,378,366</u>	<u>3,261,154</u>

The accompanying notes are an integral part of these financial statements.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
	\$	\$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>3,180,524</u>	<u>2,405,136</u>
Annual surplus	117,212	812,172
Change in prepaid expenses	3,700	(3,912)
Acquisition of tangible capital assets	(143,746)	(47,145)
Amortization of tangible capital assets	<u>32,567</u>	<u>14,273</u>
Change in net financial assets during the year	<u>9,733</u>	<u>775,388</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>3,190,257</u></u>	<u><u>3,180,524</u></u>

The accompanying notes are an integral part of these financial statements.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Annual surplus	117,212	812,172
Adjustments for items not affecting cash:		
Provision for doubtful accounts	18,838	-
Amortization of tangible capital assets	32,567	14,273
Net change in non-cash working capital	209,124	152,800
	<u>377,741</u>	<u>979,245</u>
CASH FLOW FROM CAPITAL ACTIVITY:		
Acquisition of tangible capital assets	<u>(143,746)</u>	<u>(47,145)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of long-term investments	641,143	-
Purchase of short-term investments	(23,181)	(36,322)
Purchase of long-term investments	(734,141)	-
	<u>(116,179)</u>	<u>(36,322)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	117,816	895,778
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,905,200</u>	<u>1,009,422</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>2,023,016</u></u>	<u><u>1,905,200</u></u>
SUPPLEMENTARY INFORMATION:		
Interest received	<u>116,180</u>	<u>39,959</u>

The accompanying notes are an integral part of these financial statements.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

1. AUTHORITY

The Bermuda Small Business Development Corporation (the "Corporation") is a corporate body established by the Bermuda Small Business 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 and to provide technical advice to persons who are seeking, or who are granted financial assistance.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with generally accepted accounting standards as recommended by the Public Sector Accounting Board of the CPA Canada.

For financial reporting purposes, the Corporation is classified as an other government organization and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are set out below:

(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 allowance. Valuation allowance are made when the collection is in doubt.

(c) Tangible capital assets and amortization

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

Office fixtures & equipment	-	5 years
Computer equipment	-	5 years
Leasehold improvements	-	5 years

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 goods and 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 SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

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.

Investment income is unrestricted and is recognized 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 generally accepted accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 classification and measurement basis of the Corporation's financial instruments are as follows:

- Cash and cash equivalents are held-for-trading and are measured at cost which approximates fair value due to the short-term maturity.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost which approximates fair value due to the relatively short period to maturity.
- Short-term investments and long-term investments are classified as held-to-maturity and are measured at fair value.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments (continued)

- Accounts payable and accrued liabilities and due to the Government of Bermuda are classified as other liabilities and are measured at amortized cost which approximates fair value due to the relatively short period to maturity.

3. ECONOMIC DEPENDENCE

The Corporation is economically dependent upon the Government of Bermuda for its daily operations, cash flow and capital development.

4. CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Checking account	1,782,119	1,664,303
Money market funds	141,008	141,008
Fixed deposit account	99,889	99,889
	<u>2,023,016</u>	<u>1,905,200</u>

5. ACCOUNTS RECEIVABLE

	2010	2009
	\$	\$
EEZ Loans	37,231	36,549
Accrued interest	18,488	93,503
Receivable from supplier	14,380	-
Others	3,700	3,700
Less provision for doubtful accounts	<u>(18,838)</u>	<u>-</u>
	<u>54,961</u>	<u>133,752</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 2.73% (2009 - 2.97%).

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

7. LONG-TERM INVESTMENTS

	2010	2009
	\$	\$
Fixed term deposit	734,141	641,143
Preferred shares - Cost	500,000	500,000
- Impairment	(500,000)	(500,000)
	<u>734,141</u>	<u>641,143</u>

Fixed term deposit represents an initial investment made by the Corporation in 2006 amounting to \$641,143 (2009 - \$641,143) plus re-invested interest of \$92,998 (2009 - \$Nil) at a rate of 2.68% (2009 - 1.92%) maturing on June 25, 2012.

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 make it highly unlikely that either party will redeem the shares. Management believes that this indicates a non-temporary decline and as a result, the Corporation has recognized a full write-down of its \$500,000 investment.

8. TANGIBLE CAPITAL ASSETS

	Office fixtures and equipment	Computer equipment	Leasehold improvements	2010	2009
	\$	\$	\$	\$	\$
Opening cost	91,490	89,615	38,855	219,960	172,814
Additions	44,101	99,645	-	143,746	47,145
Closing cost	<u>135,591</u>	<u>189,260</u>	<u>38,855</u>	<u>363,706</u>	<u>219,959</u>
Opening accumulated amortization	59,848	53,949	37,036	150,833	136,559
Amortization	12,886	19,188	493	32,567	14,273
Closing accumulated amortization	<u>72,734</u>	<u>73,137</u>	<u>37,529</u>	<u>183,400</u>	<u>150,832</u>
Net book value of tangible capital assets	<u>62,857</u>	<u>116,123</u>	<u>1,326</u>	<u>180,306</u>	<u>69,127</u>

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

9. PROGRAMS

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

- (a) Research, design and establishment of Economic Empowerment Zones for North-East Hamilton, Somerset and St. George's;
- (b) Research, design and execution of the Small Business Construction Incubator; and
- (c) Review and analysis of the issues of roadside vendors with a view to establish organized Vendor Markets.

The Corporation incurred the following expenses relating to these programs:

	2010	2009
	\$	\$
Economic Empowerment Zones	632,717	633,044
Small Business Construction Incubator	195,171	303,626
Events	106,282	46,396
Vendor Markets	97,932	55,063
	<u>1,032,102</u>	<u>1,038,129</u>

10. 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:

	2010	2009
	\$	\$
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 are invested in a combination of term deposits with a contributing bank under advice from Cabinet. 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.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

11. 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, 2010.

(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.

(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 rate

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

The Corporation is exposed to changes in interest rates, which may impact interest revenue on term deposits, short-term investments and long-term investments. The Corporation's payables are non-interest bearing.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

12. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common control to all Government of Bermuda created departments, boards and quasi-autonomous non-governmental organizations. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Operating grant

The Government of Bermuda provided the Corporation with a grant of \$2,740,000 (2009 - \$3,074,500) during the year to cover the operations of the Corporation.

(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 audit fees.

(c) Deferred revenues

On November 20, 2008, the Corporation entered into a Memorandum of Understanding ("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. During the year, 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.

13. EMPLOYEE BENEFITS

(a) 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 of Bermuda. Employee contributions to the Fund are 8% (2009 - 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 \$51,767 (2009 - \$44,154).

(b) Other benefits

Other employee benefits 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.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

13. EMPLOYEE BENEFITS (continued)

(b) Other benefits (continued)

Sick leave accumulates but does not 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, 2010 is \$22,047 (2009 - \$23,693) and is included in accounts payable and accrued liabilities.

14. BUDGET

These amounts represent the operating budget approved by the Board.

15. COMMITMENTS

The Corporation has entered into a lease agreement for the rental of its main office space. The lease expires on November 30, 2011 with monthly lease and service payments of \$7,800. The remaining obligation under this lease is \$155,993.

On March 31, 2010, the Corporation renewed its annual lease agreement with Inter-island Communications Limited for the rental of its North Hamilton Economic Empowerment Zone office space. The terms of this lease agreement cover the year ending March 31, 2011. A monthly rental payment of \$3,700 is charged under the lease agreement.

16. CONTINGENT LIABILITY

As per Section 4(1)(a) of the Act, the function of the Corporation is to grant loans or other forms of financial assistance to assist persons in establishing, carrying on or expanding of small 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, 2010, fifty-nine (2009 - fifty-nine) guarantees with a value of \$3,547,103 (2009 - \$3,141,701) were outstanding. Loan guarantees totalling \$121,092 (2009 - \$25,000) were paid by the Government of Bermuda's Consolidated Fund on behalf of the Corporation. The \$121,092 was recorded under grant revenues with a corresponding payment of guarantees expense in the Statement of Operations and Accumulated Surplus.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

17. SUBSEQUENT EVENTS

On March 31, 2011, the Corporation renewed its annual lease agreement with Inter-island Communications Limited for the rental of its North Hamilton Economic Empowerment Zone office space. The terms of this lease agreement cover the year ending March 31, 2012. A monthly rental payment of \$3,700 is charged under the lease agreement.

On August 4, 2011, the Bermuda Small Business Development Corporation Amendment Act 2011 (the "Amendment Act") came into operation and the Bermuda Small Business Development Corporation was renamed the Bermuda Economic Development Corporation. The Amendment Act expanded the functions of the Corporation by including medium sized businesses and entities within the economic empowerment zones. Additionally, the Amendment Act validated the issue of any grant by the Corporation as deemed to have been lawfully issued.

On September 23, 2011, the Corporation also extended its lease agreement for the rental of its main office space. The lease is for the period November 1, 2011 to October 31, 2014 with monthly lease payments of \$7,948 plus a monthly service charge that amounts to approximately \$5,045 in the first year of the lease and is assessed annually by the landlord based on a reasonable estimate of annual maintenance costs.

On March 31, 2012, the Corporation renewed its lease agreement with Inter-island Communications Limited for the rental of its North Hamilton Economic Empowerment Zone office space. The terms of this lease agreement cover the year ending March 31, 2013. A monthly rental payment of \$1,100 is charged under the lease agreement. This lease was subsequently amended to cover only the period from April 1, 2012 to May 31, 2012. 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 June 1, 2012 to September 30, 2012. A monthly rental payment of \$1,100 is charged under the lease agreement. This lease was renewed on October 1, 2012 to cover the period from October 1, 2012 to September 30, 2013 with an increased monthly rental at \$1,300.

The BEDC (formerly the BSBDC) holds \$500,000 of Preference Shares with the BSX. Management had previously believed that there was a non-temporary decline in the value of the BSX's Common Equity. However, with the investment by the TMX in November 2011, management is now of the view that an independent third party through their investment in the BSX has substantiated its value at an amount greater than zero.

18. COMPARATIVE FIGURES

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