



BSBDC
Bermuda Small Business
Development Corporation



Bermuda Small Business Development Corporation

Annual Report 2009-2010



BSBDC ANNUAL REPORT

1 APRIL 2009 TO 31 MARCH 2010

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GENERAL MANAGER'S REPORT

For the year ended March 31, 2010, the BSBDC was involved in many activities targeted at enhancing the local small business community.

The BSBDC continued to serve its current client sectors and the process of making updates to its legislation to evolve into the Bermuda Economic Development Corporation (BEDC). This process involved working towards adding to its palette of services the medium-sized business sector, a retail development programme, additional Economic Empowerment Zones (EEZs), a mentoring programme and a Business Register.

Within our current service offerings, and in terms of our work with entrepreneurs, 17 new guarantees were extended over the period April 1st 2009 – March 31st 2010 to increase the total amount of guarantees issued up to this date to \$3,547,103.00. The Business Development Officers provided 507 clients with advisory and business consulting services. Fifteen seminars and workshops were held on topics of interest to the small business owner in general, 6 of which were of interest to stakeholders of the EEZ.

In response to our stakeholder's request for additional support to help them better manage their finances, we ran three, two-day Quick Books workshops. Those who completed the workshops also received a complimentary copy of the Quick Books software.

We have continued our work to establish EEZs in the Eastern and Western ends of the Island, while further developing the already-established EEZ in North East Hamilton. To that effect, a total of \$194,692 was extended in financial assistance products to stakeholders of the Economic Empowerment Zone, including EEZ loans, EEZ grants, Payroll Tax concessions, and Customs Duty deferrals.

The Free Vendor Market had over 200 registered vendors that took advantage of our programme, gaining structure, experience, and know-how as entrepreneurs.

We launched our mentoring programme, Partnering for Success, pairing 10 BSBDC guarantee clients with mentors to help them better manage their businesses.

Last but not least, we held the 5th Small Business Construction Incubator (SBCI) class, graduating 14 professionals in the construction industry.



OBJECTIVES FOR THE REPORTING PERIOD

1. Continue to establish Economic Empowerment Zones in the north east Hamilton, the eastern and western ends of the island.
2. Continue to hold the Small Business Construction Incubator Program and develop Phase II of the programme.
3. Establish three outdoor Free Vendor Markets.
4. Maintain a Small Business Registry .
5. Establish a mentoring program to assist both youth entrepreneurship and “fledgling and existing entrepreneurs”.
6. Establish a support unit for medium sized businesses.
7. Conduct research to develop and design an Incubator initiative for the Restaurant and Retail Sectors.
8. Offer free professional support with Quick Books Accounting through Lunch & Learn series on a quarterly basis.
9. Meet with guarantee and advice clients to assist with the ongoing development of their business plans, timely generation of management accounts, financial capitalization, and any other items of priority to them.
10. Continue to develop and present regular small business development seminars and educational workshops and events that will proactively assist entrepreneurs in meeting their needs, while creating an environment where entrepreneurs and other major stakeholders can interact with each other.
11. Continue to increase the use and efficiency of the Corporation’s computer and database management systems, and use them to further establish the Corporation as the representative body of the small business community on the island.
12. Continue to provide a comprehensive research space within the Corporation’s offices with the expansion of the research center which consists of the library and the audio/visual center - specifically for the entrepreneur.
13. Cultivate and maintain the good working relationship that the corporation enjoys with Bermuda’s banks in providing assistance to the small business sector.
14. Expand the Corporation’s opportunities to serve as an intermediary between the government and the small business community.
15. Continue to create partnerships and alliances to leverage the Corporation’s resources in order to provide maximum benefits to the Corporation’s guarantee clients, and to the small business community at large.



16. Continue to train and develop the Corporation's staff to provide enhanced small business consulting and superior customer service.



ACHIEVEMENTS OVER THE REPORTING PERIOD

Internal Operations

Internally, the BSBDC continued to use the information garnered from its 2008 General Population and Stakeholders survey to provide its clients with authoritative business advice and guidance. The next bi-annual survey was scheduled to be conducted later in 2010.

During this reporting period the BEDC initiated a Request for Proposal to further develop its Business Register. A vendor was selected in May 2009 and the Business Register was redeveloped to create a flexible database capturing information about small businesses in Bermuda. In addition the Business Register was used as an internal tool to help to manage a portfolio of existing guarantee clients. Officers used the Register to keep notes of client interaction and were able to run required monthly activity reports.

The Cabinet Paper to amend the legislation governing the Bermuda Small Business Development Corporation Act 1980 (the "Act") was drafted during this reporting period. With approval of this legislation the Bermuda Economic Development Corporation (BEDC) would succeed the Bermuda Small Business Development Corporation (BSBDC) as a provider of business management advice, financial assistance to the local small business and medium-sized business sectors in Bermuda. In addition BEDC would continue to oversee the operations of the economic empowerment zones including vendor markets.

Business Development

1. Small Business Development:

The Corporation provides equitable opportunities for financial assistance to small business borrowers who would not likely qualify for financing under the usual banking criteria available on-island. These financing opportunities come in the form of partial guarantees for business loans: the BSBDC guarantees up to 50% of any loan made to a small business by a bank, to a maximum guarantee amount of \$200,000.

The BSBDC also provides a broad range of business consulting services. The Corporation's officers are experienced professionals who advise on the variety of business situations and opportunities that face the Bermuda entrepreneur. Additionally, the BSBDC's network of government entities, private organizations, and professional groups



gives it access to authoritative, up-to-date, and reliable information, which it passes on to its clients.

In addition to the advice given in individual client sessions, the BSBDC hosts educational workshops that cover a wide array of subjects including laws and regulations, cash flow planning, marketing, business valuation, franchising, financial statement analysis, employment practices, partnership agreements, and financial proposal writing.

The BSBDC prides itself on being client-focused while remaining mindful of its responsibilities to serve and advise the small business sector at large. Its extensive palette of services, from the loan guarantee programme to the business consulting services, allows the BSBDC to assist Bermudian entrepreneurs individually and as the significant pillar of the economy that they constitute together.

Clients continue to enjoy the unbridled focus of the BSBDC. The Corporation's staff remains active with clients, lending partners, and other stakeholders for the benefit of the island's small business sector:

- **Business Consulting:** over the reporting period, the BSBDC consulted with 507 clients.
- **Guarantee Programme:** over the reporting period, the BSBDC granted 17 small business loan guarantees totaling: \$896,000.
- **Bank Quarterly Meetings:** The BSBDC held quarterly meetings with small business lenders, HSBC Bermuda, Butterfield Bank and Capital G. The aim of these regular meetings is for both parties to review and update the guarantee client portfolios, lending policies, and any other items of relevance to the small business clients they all serve.

2. Seminars & Workshops¹

The BSBDC has developed a reputation for organizing successful seminars and workshops to provide small business owners and entrepreneurs in general with education and access to resources. Branded as the "Matters" series of quarterly seminars, the BSBDC has held and or sponsored 15 seminars/courses during this reporting period. These seminars cover a variety of topics that are of interest to small business owners. Evaluations show that 100% of attendees feel that our seminars provide value. Some of the seminars were targeted specifically to those clients in the North East Hamilton Economic Empowerment Zone.

29 Apr 2009 - Vendor Market Matters: 40 peddlers and other mobile/street vendors attended the evening seminar to learn, from the regulators themselves, how government regulations affect their sale of goods, and what opportunities lay in the sector.

¹ Seminars distinguished by a * were organized and held with the EEZ stakeholders in mind, although audience members that were not at the time EEZ stakeholders were not excluded.





20 May 2009 - Costing & Pricing Matters: 60 small business owners and operators were given information regarding the proper way to value and attribute the right cost and price to their products and services.

1 - 2 Jul 2009 -

Quickbooks Course:
people participated in

this two morning training seminar at the end of which participants received a complimentary copy of the Quick Books software. The purpose of this seminar was to help BSBDC and EEZ clients understand the importance of managing their accounts and to provide them with hands on instruction on how to produce financial statements.

“the event “...was a huge success! we made some valuable connections and found some great synergies!”

15 Jul 2009- Starting an Online Business Matters: 67 people registered to attend this seminar to learn about the basics of starting an online business. Industry experts presented on: the process for registering an online business, selecting and registering a domain name and other legal considerations, marketing the online business, and accepting payments online.

15 Aug – 14 Nov 2009 - Financial Peace University Course *: the BSBDC sponsored 5 EEZ-based property owners and businesses to attend this workshop, which instructed on personal financial management.

19 Aug 2009- Real Estate and Property Matters in the EEZ*: 50 EEZ stakeholders obtained advice about purchasing and selling property in the EEZ, the value of a land survey, and how to make an offer. Bankers went on to identify the specialised products available to the EEZ and reviewed how to obtain financing and loan pre-approval.

25 Aug 2009 - EEZ Loan & Grant Seminar*: 50 people attended this seminar focused on discussions about the allocation of BSBDC funds earmarked for the benefit of small EEZ businesses in the form of grants and loans. Information was shared regarding the preparation of cash flow projections and the importance of financial statements.

6 and 7 Oct 2009 - QuickBooks Course: 12 people participated in this two morning training seminar at the end of which participants received a complimentary copy of the Quick Books software. The purpose of this seminar was to help BSBDC and EEZ clients understand the importance of managing their accounts and to provide them with hands on instruction on how to produce financial statements.

8 Oct 2009 - Butterfield Bank – EEZ Benefits*: 30 existing and potential business owners attended this seminar to learn about the commercial and residential revitalisation of the EEZ, Butterfield's



banking team talked about its services and detailed its special programmes for EEZ residents, businesses and development projects which included preferential borrowing rates and terms.



20 Oct 2009- Taking Business Risk Matters: 50 entrepreneurs benefitted from the personal experiences of recognized, seasoned business owners. The discussion focused on differentiating between operational and financial risk and on taking calculated risks and making decisions in uncertain circumstances.

27 Jan 2010 - Human Resources Matters: 75 attendees were presented with the Employment Act, the responsibilities of Bermuda-based employers, and the correct procedures to make staff redundant. The attendants also heard about how to successfully hire in a competitive marketplace and how to manage their human capital during economically turbulent times.



2 – 4 Feb 2010 – Quickbooks Course: 16 people participated in this two morning training seminar at the end of which participants received a complimentary copy of the Quick Books software. The purpose of this seminar was to help BSBDC and EEZ clients understand the importance of managing their accounts and to provide them with hands on instruction on how to produce financial statements.

9 Feb 2010 - Payroll Tax Concession & Customs Duty Deferment*: 20 people attended this seminar which detailed the economic incentives available to EEZ stakeholders as well as the advantages of, and the application procedures for the two products specifically designed for EEZ business owners: the EEZ Payroll Tax concession and the Customs Duty deferment benefit.

17 Feb 2010 – Safety and Security Matters*: 25 attendees listened to presenters from the Bermuda Police Service, Crime Stoppers and Community Action Team discussed safety and security issues in North East Hamilton and encouraged attendees to give their ideas for solutions to help change the perception of the area including the establishment of an EEZ Neighbourhood Watch Programme.



31 Mar 2010 - Customer Service Matters: 70 existing and potential business owners received practical advice on how to improve customer service, how to handle customer complaints effectively, and how to cultivate a loyal customer base.

Economic Empowerment Zones

Under the Economic Development Act 1968, the BSBDC continued its work towards establishing Economic Empowerment Zones. North East Hamilton is the first zone with areas in the East and West Ends of the Island currently being researched for designation.

The Economic Empowerment Zone (EEZ) continues to be a designated area where special plans or programmes are implemented in order to relieve hardship or economic disadvantage or in order to assist disadvantaged persons or groups to achieve equal opportunity.

In conducting this work in the EEZs, the BSBDC strove to strike a balance between the economic environment (economic equality), the social environment (access to services), the physical environment (high quality design), and the spiritual environment (good quality of life).

1. The BSBDC continued its commitment to the development of policies to address socio-economic issues by creating products to assist in the redevelopment of each designated EEZ. In addition as part of the community focused component of the EEZ, the BEDC has provided grants and sponsorship of educational courses for business owners and community organizations located in the EEZs.

The BSBDC and EEZA continued to make the EEZ-focused financial instruments available to businesses based in the Economic Empowerment Zones:

- A total of \$100,000 was designated for interest-free loans of up to \$10,000. The proceeds of the EEZ Business Loans of Working Capital were to be used to assist business owners with working capital requirements such as inventory or seasonal staff. Two EEZ loans totaling \$27,744.30 were approved from April 1, 2009 to March 31, 2010
- A total of \$100,000 was allocated for grants of up to \$10,000, intended for non-working capital schemes aimed at assisting the business to access technical expertise. Nine EEZ Small Business Grants of Technical Assistance and Advice totaling \$81,219.02 were approved from April 1, 2009 to March 31, 2010
- A Payroll Tax concession was available for every new business that started up in the EEZ for nine (9) consecutive quarters. Three businesses took advantage of this



amounting to \$2,727.78 in concessions over the reporting period.

- A five-year Customs Duty deferral for all capital importations bound for the EEZ. A total of 3 EEZ duty deferments were approved from April 1, 2009 to March 31, 2010 totaling an estimated \$83,001.37 in duty payments being deferred (total value of goods imported was \$358,117.95).

Many businesses in the EEZ also took advantage of the BSBDC brokered partnerships with both HSBC and Butterfield, whereby they could benefit from preferential lending rates and terms HSBC has committed \$25.6 million and Butterfield Bank has committed \$15 million to the NEHEEZ.

To further develop the EEZA mandate, a Director, Mrs. Erica R. Smith, was hired on 1 April 2009. The Director of the EEZA is responsible for ensuring the development and implementation of Economic Empowerment Zones throughout Bermuda playing an integral part in the transformation of the Zones to ensure economic, social and physical issues are identified and addressed through adequate policies.



The official Open House of the EEZA office located at #38 Union Street occurred on 28 August 2009. Locating an office in the EEZ facilitated better front-line service to zone residents and business owners.

2. North East Hamilton Economic Empowerment EEZ

a. The North East Hamilton Design Competition:

In connection with the Cabinet approved, Background, Vision and Land Use Strategy Plan for North East Hamilton, the EEZ Design Competition was launched in December 2008. This competition encouraged competitors to submit creative and innovative designs to establish major and minor gateways throughout the EEZ and also sought plans for redesigning the major entrance into the EEZ from Till's Hill and its connection to the future public park. Six finalists presented their ideas to a jury and to the public. On April 13, 2009, the popular vote yielded two winning designs. The Gateway Competition was won by Mr. Michael Ferreira for his variation on the traditional Bermuda moon gate. Professional Architecture firm, The Studio Ltd. represented by Ms. Beryl Brown and Mr. Jeremy Crockett, submitted an evolved design comprised of erecting a modern steel moon gate structure with laser lights emanating from it located midway up Till's Hill as a dramatic entrance statement. Their design also proposed landscaping to screen the current façades of the existing steps; and changing the traffic patterns in the area to reinforce the entries into the zone.



b. **Community partnerships:**

The EEZA continued its support of the North East Hamilton Socio-Economic Strategy which addressed such issues as crime, safety, policing, and workforce development. The EEZA furthered its community outreach efforts with support for grass roots organizations that include:

- **Residents Neighbourhood Watch**
- **The City's Infrastructure Committee of the Corporation:**
- **Uptown Market Association (UMA)**
- **Youth on the Move (YOM)**

Continuing on with its plan to honour those who have contributed to the development of North East Hamilton, the EEZA partnered with community stakeholders and organizations to highlight stalwarts at the 2nd annual **For the People**.

- **On December 13th, 2009**, the 2nd Annual for the People Event was again held on Court Street. The festivities included live music and performances from a number of local entertainers; a complimentary buffet for 600 people catered by EEZ businesses; fashion shows that showcased retail shops in the North East Hamilton area and entertainment finale provided by H&H Gombeys. In addition the EEZA honoured Mrs. Hazel Christopher, the Augustus Family, the Clarke family, and the Bermuda Industrial Union. An EEZA partner, Youth on the Move Bermuda and Tetro Administrative Services celebrated 6 graduates of their training programme.
- The EEZA also supported professional development of Personal Care businesses within the NE Hamilton EEZ by sponsoring 35 professional stylists to attend the Mizani International Hair Event organized by The Salon Store on 5th and 6th July 2009.

3. West-End Economic Empowerment Zone

The EEZA was also tasked with establishing an Economic Empowerment Zone in the West End. A Town Hall meeting for Sandys residents and businesses was hosted on November 30th, 2009 to discuss with the public the future of the West End.

In addition, the EEZA commissioned research of the West End in order to determine which issues were most relevant to the area and which specific concessions and incentives were needed to help it reach its full potential. A SEEZ focus group meeting with Somerset residents was organised on December 8th, 2009 to share the findings.



4. East-End Economic Empowerment Zone

In the EEZA's continued quest to develop an Economic Empowerment Zone in the East End, a Town Hall meeting was hosted in St. George's by the BSBDC to introduce the EEZ concept to St. George's. The goals for establishing an empowerment zone in St George's were listed as creating jobs, attracting locals and visitors to the Town, relieving economic stress on businesses, and providing incentives for new business.

In addition, the EEZA commissioned research of the East End. The survey was performed to determine which issues were most relevant to the area and which specific concessions and incentives were needed to help the community to reach its full potential.

On September 24th and 28th 2009, the public and East End Stakeholders were invited to attend two public meetings held at Clear Water Middle School and East End Primary School respectively. The meetings were held to garner feedback from stakeholders to get their feedback on their vision for a better East End.

Free Market Vendors

As a continuation of the Free Market Vendor Sites Pilot Program that was launched in 2008, the BSBDC consistently provided a collective, vibrant marketplace for its 200 registered vendors. The BSBDC assisted its vendors with advisory services, grants, sponsorship, seminars, and workshops with three objectives in mind:

- To provide opportunities for micro-enterprise to develop and grow;
- To assist vendors and peddlars in meeting their fiduciary duties towards the public and the regulators; and
- To help them transition into storefront businesses if so desired.

The Warwick Rubber Tree market continued to operate as a well-established, family friendly, vibrant market. At intervals, entertainment was provided through music and choir performances, raffles were held to encourage a free child-friendly zone for vendors and their customers.

Due to the success of the BSBDC led Rubber Tree market, proposals were submitted to organize similar markets in the Eastern and Western Ends of Bermuda.



Small Business Construction Incubator

The Small Business Construction Incubator programme continued to strengthen the leadership and business acumen of Bermuda's small construction related businesses. Participants benefitted from instruction and support that guided them through the key components of operating a stable and efficient small construction business. With enhanced business operational skills, graduates of the 16-week programme become more capable of successfully competing in the Bermudian construction industry.

As of this reporting period a total of 68 individuals have participated in the SBCI course. Graduates of the SBCI have the benefit of:

- A much stronger understanding of how to effectively and efficiently run a construction-related business.
- The ability to secure bigger contracts and ensure higher revenues.
- The opportunity to share tendering and negotiation processes with other participants of the programme.
- The opportunity to network with industry professionals.
- Eligibility for the BSBDC's loan guarantee programme.
- Eligibility for the Butterfield Mobilisation Loan Guarantee Programme which included access to up to a total of \$2.5 million. The BSBDC would provide up to 100% loan guarantee with a maximum one-year term.

Youth Entrepreneurship

Global Entrepreneurship Week - this worldwide week-long event was created to encourage the spirit of entrepreneurship, innovation and creativity globally. The BSBDC along with the Youth Entrepreneurship Initiative of Bermuda (YEI) and the Department of Ecommerce have served as the organizing members of the Bermuda Host Committee since 2008. To date host committees have been formed, primarily through public and private sector partnerships and have hosted events such as invention competitions to entrepreneurship summits, designed to encourage creative thinking, jumpstart innovation and encouraging participants to make their mark in business in more non-traditional ways.



16 - 22 Nov 2009: With title sponsorship from HSBC Bermuda, the Host Committee, YEI, BSBDC and The Ministry of Energy, Telecommunications & E-Commerce showcased entrepreneurship ingenuity across a spectrum of ages. Senior school students participated in a sustainable energy challenge, while members of the community participated in a Creative Innovation Tournament and the HSBC sponsored Rocket Pitch Competition.

- **The BELCO Sustainable Energy Challenge** was a unique opportunity for senior school students to win a \$1,000 educational grant by submitting the best solution for new ways of harnessing or using sustainable energy.
- **Greenrock Innovation Tournament** five finalists presented their ideas for "Changing the Mindset" for construction and sustainable building processes in Bermuda. The top five finalists included: Duncan Simons of SHY Architecture, Eimier Johnston of OBMI Ltd., Michael Burke of thegreenhousebermuda, Richard Oldham of Bienevides and Associates and Jaqui Riordan of Transition Bermuda. Mrs. Riordan's presentation of an innovative passive-solar water heating system using recycled materials took the \$1,500 first place prize.



- **Rocket Pitch Competition** again showcased five budding entrepreneurs; Patricia Jeffers pitched "Wee Care Hair", a salon exclusively for children; DeShion DeShields' "Youbrella", a company that provides miscellaneous concierge services; K. Denaye Hinds' "Ecosante Consulting" goal was to help companies save money by reducing their energy expenses and becoming "greener"; Cymone Hollis, a certified dietician took



home the \$3,500 grand prize with her business idea, "Adult Weight Education & Support" to provide support services to the overweight insured community in Bermuda.

2. **Student Leadership Development Programme** – BSBDC continued its support of this summer training program designed to run from June – August to introduce students to potential careers by providing them with education and work industry placement opportunities. BSBDC participated in this programme by providing work force development to 2 students. In addition, BSBDC Officers also facilitated educational workshops.





3. **YouthNews.Com** – a product of Global Arts Entertainment - Youth News.com provides a newspaper supplement entirely written and edited by youth. BSBDC partnered with them for 20 editions of their newspaper in 2009. The newspaper was distributed every other Thursday during school term by The Royal Gazette and an additional 4,000 copies of the paper were delivered free of charge to students directly in their schools. The newspaper has won both global and national awards. Youth News.com enjoys readership with the youth of Bermuda, their parents, and general readers of The Royal Gazette. During this reporting period, BSBDC provided 4 articles for the paper focusing on entrepreneurship including:

- *Back to School Blues – Consider Entrepreneurship*

as a Cure: Discussed idea of students using entrepreneurship as a way to earn money for the necessities for school.

- *Facebook = Free Marketing* - Talked about the use of social media to promote your business or free.
- *Do you have what it Takes to be an Entrepreneur* - Reviewed the characteristics associated with being an entrepreneur.
- *Just Budget* – Discussed ways that young people can start early by establishing a budget to manage their money.
- BSBDC also participated as a judge and Presenter at the annual Youth News Harvesting Conference.

4. **ACE Career Fair:** held yearly, the two-day event takes place on the Bermuda College campus. Its purpose is to provide thousands of Bermuda's students with the opportunity to make a clear and direct connection between their studies and the workplace. It is a community effort to help Bermuda's children relate to the working world and become successful members of the workforce. The BSBDC & EEZA assist in the organization of the event which is visited by thousands of middle and senior school students. In addition, the BSBDC utilized its booth spaces to enable its clients to participate in the event at no charge, which exposed the students to the possibility of owning their own businesses in various different industries,

Over 3,000 of the Island's students visit the Careers Fair every year.



including automotive, personal care, and health care to name a few.

The BSBDC has also continued its participation as a member of the organizing Task Force along with other key stakeholders in the community.



on the personal care services industry.

During this year, the BSBDC was instrumental in helping the Task Force to include a Personal Care Services Booth. Every year, students had indicated in their exit survey that they wanted this industry to be represented. With the connection that exists with the EEZA, where a large number of personal services businesses are located, the BSBDC was able to help the Task Force meet one of its long standing objectives of including a booth with information

5. **Berkeley School Store** – worked with the Berkeley Institute Student Council over a period of 2 months in 2009 to assist with the re-establishment of their school store.

6. **Biz Camp** –Biz Camp is a summer programme created by the Youth Entrepreneurship Initiative of Bermuda to help students develop a business plan based on their solutions to a real problem. BSBDC participated as a presenter and Judge in June 2009.

7. **Youth Entrepreneurship Presentations:** BSBDC seizes every opportunity to speak to Bermuda's youth about entrepreneurship as a healthy and viable career option. Over this reporting period, the BSBDC facilitated presentations to local schools and organizations, including:

- 18 April 2009 – MIRRORS Programme presentation on Entrepreneurship and the importance of a business plan. This was an all day seminar with breakout sessions facilitated by BSBDC, Ray Jones of Faro Management Solutions, and William Spriggs of Sanchin Development.
- 28 April 2009 – Techweek Presentation – Coordinated presentation featuring entrepreneurs and service providers to highlight the use of technology in starting and operating a small business.
- 29 August 2009 - ShowOff Entrepreneurship Seminar - In celebration of its 5th Anniversary ShowOff Magazine held a seminar to help young people learn how to become an



entrepreneur. BSBDC presented along with other local entrepreneurs to 25 potential entrepreneurs.



- 8 - 9 October 2009 – Warwick Academy Presentation – delivered a presentation to 2 classes of 33 senior students on entrepreneurship.
- 15 February 2010 – Dellwood Middle School – presented to students on the requirements of how to start a small business.

Small Business Sector Representation

The BSBDC continues to advocate for the local business community. In an effort to further assist its stakeholders the BSBDC actively identifies opportunities to participate in and lead other events and meetings that can contribute to the education and development of a stronger small business sector. The BSBDC not only advocates for its clients with the **Chamber of Commerce**, but also participates in other private and public sector happenings including **Business Bermuda's** speed-dating and networking events.

In addition, the BSBDC implemented other initiatives:

Insurance Guide for Small Business: On May 26th 2009 BSBDC and Freisenbruch-Meyer Group (FMG) officially launched its small business Insurance Guide at a Press Conference. The Insurance Guide was designed to simplify identifying the types of insurance coverage that small businesses would need. The Guide encourages entrepreneurs to proactively take the necessary steps to protect their businesses without having to learn from experience. It is available at both BSBDC and FMG offices and on both websites.



Introducing the Insurance Guide for Small Business



The Bermuda Small Business Development Corporation (BSBDC) in conjunction with Freisenbruch-Meyer Insurance Services (FMIS) is pleased to make this guide available to clients of the BSBDC.

Log onto www.fmgroup.bm or www.bsbsdc.bm to download a copy of this guide or visit the offices of Freisenbruch-Meyer or the Bermuda Small Business Corporation to pick up a copy.



Other BSBDC Events and Initiatives

Entrepreneurship Class: the BSBDC has facilitated the weekly class offered through the Department of Community Education and Development Programme. The class runs over the Fall, Spring and Winter terms. During this reporting period, BSBDC facilitated 3 classes with over 30 persons enrolled. Participants learned the basics of small business management and compiled their own business plans. Guest presenters discussed the relevant legislation as well as the importance of budgeting and controls, financial management, human capital management, and customer service.



Partnering for Success mentoring programme (PFS): in keeping with the Corporation's strategic plan to establish a mentorship programme for fledgling entrepreneurs, PFS was developed as pilot programme based on an adaptation of the Barbados Youth Business Trust (BYBT) mentoring model which is in global partnership with Youth Business International. The model enlists senior business people,

experienced entrepreneurs, and retired business persons as mentors. They volunteer to regularly meet with their assigned mentee over the prescribed 18-month period and to guide, advise, encourage and support them through the development of their businesses.

Waternow.bm has implemented state-of-the-art technologies into one of Bermuda's oldest businesses-water delivery

The goal of PFS was to provide BSBDC clients with additional support through mentorship and professional business counseling. Ten clients were partnered with 10 mentors when the programme officially launched in February 2010.

Athena Awards: the event, which supports and celebrates women leaders worldwide, was presented to female leaders in Bermuda's business community. The BSBDC continued its support of this event in September 2009. This event focused on new female entrepreneurs by helping them to network with seasoned female entrepreneurs. The BSBDC worked to have its clients be present at the event as vendors, providing them with the opportunity to network and learn from leaders in the local and global communities.

TECHWEEK: a member of the TECHWEEK Organizing Committee, the BSBDC has contributed to this one week dedicated to help promote and showcase technology in Bermuda that is used by everyone, everywhere, every day.

BSBDC facilitated Lunch & Learn Presentations about starting online businesses in Bermuda in April 2009. In addition, BSBDC participated as a judge on the panel to select the best companies utilizing technology in Bermuda at the TECHAWARDS. In 2009, BSBDC guarantee client, Darren DeSilva, owner of WaterNow won Local



Innovator of the Year Award for his innovative approach to water delivery.



LOOKING FORWARD

Legislative & Organisational Structure: The BSBDC continued to proceed with getting legislation amended in order to expand the mandate to provide service to medium-sized businesses as well as economic empowerment zones. Once the Legislation has been approved and the Act amended, the BSBDC will transition into the BEDC: the Bermuda Economic Development Corporation responsible for overseeing the operations of the EEZs, for providing financial support and technical advice to small and medium-sized businesses, and for managing the operations of outside vendor markets.

Business Register: For the first time, Bermuda has a central repository of information relevant to the small and medium-sized businesses. Entrepreneurs sign up voluntarily upon their initial visit at the BSBDC and provide their business information. Already in use, though not publically launched yet, the Small Business Register contains the names, addresses, contact details and industry sector type of close to 3000 small businesses in Bermuda as well as those interested in starting small businesses.

The Register will allow the BSBDC to directly gather authoritative data about the sectors that it serves. This data will enable BSBDC to run reports using the aggregate, macroeconomic data that is gathered and allow BSBDC to aid in the creation of robust policies that affect local businesses in Bermuda.

Medium-Sized Business Unit: BSBDC continued to make progress with its evolution into the Bermuda Economic Development Corporation (BEDC) which will allow it to provide services to Medium Sized Businesses. In July 2009, KPMG was selected to survey the Medium Sized Business sector. Their findings were used to help develop a strategic business plan for how the BSBDC will support this sector.

The KPMG survey confirmed that the sector is comprised of over 300 businesses on-island who share at least 3 of the 5 the following characteristics:

- Annual revenue between \$1 and \$5 million,
- Net assets less than \$2.5 million,
- Annual payroll between \$0.5 and \$2.5 million,
- Between 11 and 30 employees, and
- In operation for more than 10 years.

The Strategic Plan for The Medium Size Business Unit will focus on the following categories based on the results of the KPMG survey.

- Managing through the economic downturn
- Representation of the Sector on Economic Policy Matters
- Business Succession & Transition Planning
- Identifying Growth Opportunities and Supporting Expansion
- Human Resource Strategies to recruit and retain staff



LEGAL NOTE

The BSBDC was established by the Bermuda Small Business Development Corporation Act 1980 to assist with the development of the small business sector through the provision of financial support and business start-up and management advice.

The BSBDC commenced operations on January 20, 1981, funded by an original capitalization of \$680,000. Such capitalization was subsequently increased to \$1,000,000 in 1996 and was contributed as follows:

- \$500,000 by the Government of Bermuda,
- \$228,600 by the Bank of Bermuda Limited,
- \$228,600 by the Bank of N. T. Butterfield & Sons Ltd. and
- \$42,800 by Bermuda Commercial Bank Ltd.

The capital remains invested in various financial instruments, yielding interest revenue which has occasionally been utilized to offset the Corporation's operating costs. Any further net operating deficiency is covered by the Government of Bermuda.

Governance Structure

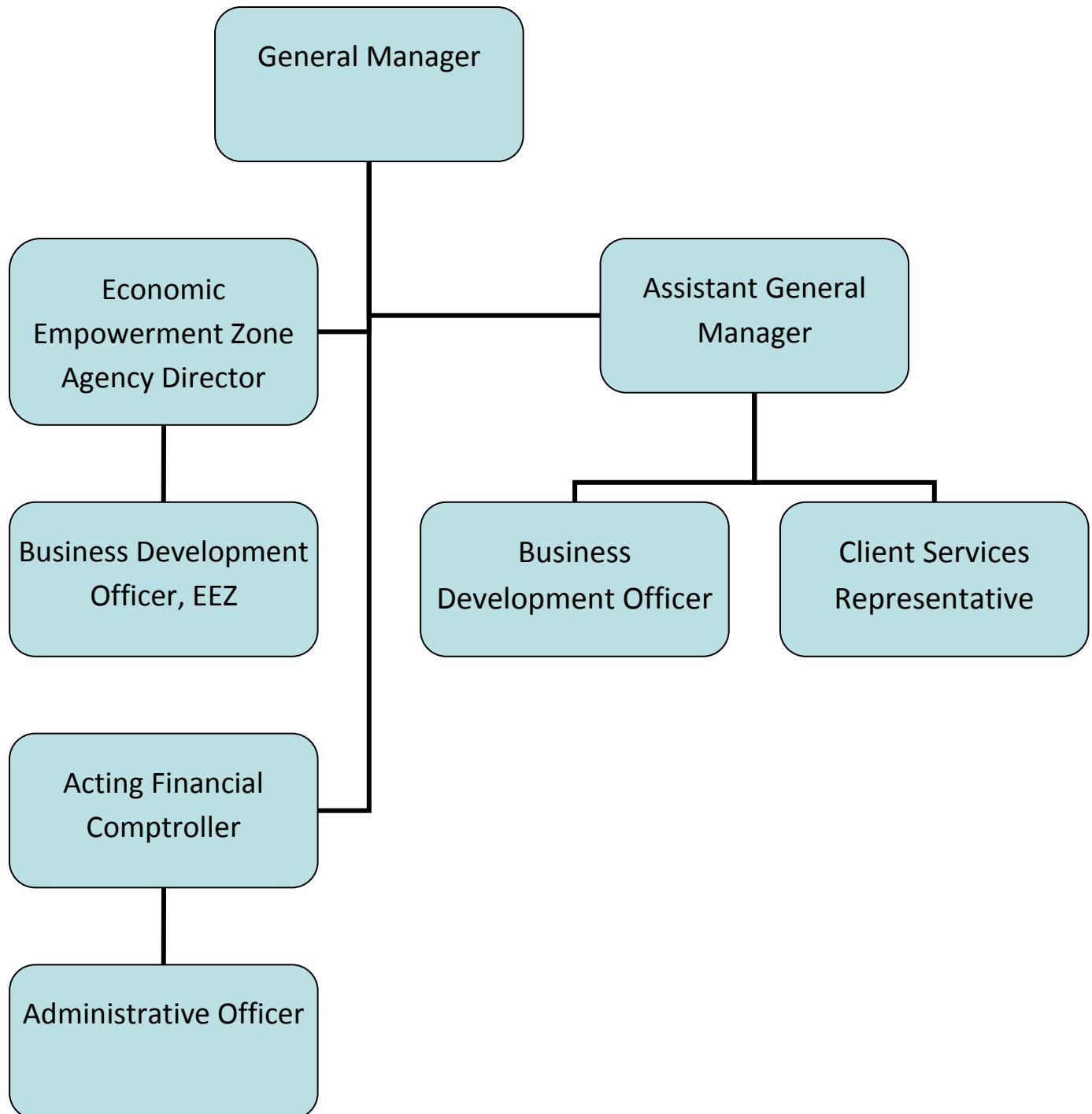
The BSBDC has aligned its governance with its main business lines through committees composed of board and staff members. As of 31-March-2010, the BSBDC committees were:

- Guarantee Approval
- Small Business Construction & Retail Sales Incubators
- Economic Empowerment Zones & Vendor Markets
- Medium-Sized Business Unit
- Mentoring and Youth Entrepreneurship
- Finance, BSX, Personnel, & Administration

In addition, Ad Hoc committees are convened to discuss and present recommendations regarding legislative and Act changes for the BSBDC, as well as policy, planning and stakeholder relations.

Organisational Structure





1. The Main Office – Church Street

The **General Manager (GM)** is responsible for the overall management of the Corporation's operations as well as the financial



and human capital management of the BSBDC according to the strategy as set by its Board of Directors.

The Assistant General Manager (AGM) assists the General Manager in the running of the Corporation, engaging in public relations, providing consulting services to clients, and liaising with the banks on a regular basis. This Officer is also responsible for the Small Business Construction Incubator programme.

The Business Development/Communications Officer (BDCO) provides consulting services to clients and liaises with the banks on a regular basis. This Officer is also responsible for the Corporation's internal and external communications activities as well as Youth Entrepreneurship Initiatives and the Partnering for Success Mentoring programme.

The Acting Financial Comptroller is in charge of the internal accounting of the Corporation, its database management, as well as its debt recovery efforts.

The Administrative Officer (AO) is responsible for office management including the database, and for performing secretarial duties.

The Client Services Representative is responsible for client inquiries, database management, and secretarial and clerical duties.

2. The EEZA Office – Union Street

The Corporation's staff members whose work focused on the EEZ moved to North East Hamilton to be closer to their stakeholders. The Economic Empowerment Zone Agency is now located at 38 Union Street. The team is composed of:

The EEZA Director: The Director of EEZA is responsible for the development and implementation of EEZs in four areas: Social Transformation, Physical Revitalisation, Economic Development, and District Liaison. The Director is also responsible for the financial and human capital management of the EEZA.

The Business Development Officer (BDO) provides consulting services to EEZ-based small businesses and organisations. This Officer is also responsible for the running and organization of the Free Vendor Markets.

In addition to the permanent staff, the EEZA occasionally draws from the expertise of external sources in order to perform its far-reaching mandate. Within the framework of inter-governmental collaboration to establish and develop EEZs, the BSBDC benefitted from the work and expertise from secondees from the Department of Architectural Design and Construction at the Ministry of Public Works, and from the Department of Tourism.

Additionally, and throughout the year, students from local high schools are given the opportunity to join the team and engage in EEZ



work. A Bermudian attending an overseas university also joined the team as an intern for the summer, as part of the BSBDC's partnership with the National Training Board.



BSBDC BOARD AND STAFF MEMBERS

Minister of Finance,

Hon. Paula A. Cox, JP MP

Board of Directors 2009

Mr. Larry Mussenden, Chairman
Mr. Philip Jones, Deputy Chair
Mr. George A. Scott, J.P.
Ms. Andrea Shakir
Mr. Randy Stafford
Mr. Anthony Foster
Ms. Barbara Tannock
Ms. Patrice Minors
Mr. Cromwell Shakir
Mr. Robert Horton (ex-officio)
Mr. Hasan Durham (ex-officio)

Board of Directors 2010

Mr. Larry Mussenden, Chairman
Mr. Anthony Foster, Deputy Chair
Mr. George A. Scott, J.P.
Ms. Andrea Shakir
Mr. Randy Stafford
Ms. Laquita Hill
Ms. Barbara Tannock
Ms. Patrice Minors
Mr. Cromwell Shakir
Mr. David Burt
Mr. Robert Horton (ex-officio)
Mr. Hasan Durham (ex-officio)

Staff

Michelle Khaldun, General Manager
Lucrecia Ming, Assistant General Manager
Erica Smith, Director, Economic Empowerment Zones Agency
Ray Jones, Acting Financial Comptroller
Jamillah Lodge, Business Development Officer
Roxanne Christopher, Business Development Officer, EEZ
Dorothy Butterfield, Administrative Officer
Valita Brown, Client Services Representative



**BERMUDA SMALL BUSINESS
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

MARCH 31, 2010



Office of the Auditor General

Reid Hall
3 Reid Street
Hamilton HM 11, Bermuda

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

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.



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
	<hr/>	<hr/>
	<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	-
	<hr/>	<hr/>
	<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
	<hr/>	<hr/>
	<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
	<hr/>	<hr/>	<hr/>
	2,978,514	2,798,465	3,170,021
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
	<hr/>	<hr/>	<hr/>
	3,777,200	2,681,253	2,357,849
ANNUAL (DEFICIT) SURPLUS			
ANNUAL (DEFICIT) SURPLUS	(798,686)	117,212	812,172
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,261,154	3,261,154	2,448,982
ACCUMULATED SURPLUS, END OF YEAR	<hr/>	<hr/>	<hr/>
ACCUMULATED SURPLUS, END OF YEAR	2,462,468	3,378,366	3,261,154

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	32,567	14,273
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	<u>209,124</u>	<u>152,800</u>
Cash flows from operating activities	<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	<u>(734,141)</u>	<u>-</u>
Cash flows used in investing activities	<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>2,023,016</u>	<u>1,905,200</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
	<hr/>	<hr/>
	2,023,016	1,905,200
	<hr/>	<hr/>

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	(18,838)	-
	<hr/>	<hr/>
	54,961	133,752
	<hr/>	<hr/>

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)
	<hr/>	<hr/>
	734,141	641,143
	<hr/>	<hr/>

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			2010	2009
	fixtures and equipment	Computer equipment	Leasehold improvements		
	\$	\$	\$	\$	\$
Opening cost	91,490	89,615	38,855	219,960	172,814
Additions	44,101	99,645	-	143,746	47,145
Closing cost	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value of tangible capital assets	62,857	116,123	1,326	180,306	69,127
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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
	<hr/> <u>1,032,102</u>	<hr/> <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
	<hr/> <u>1,000,000</u>	<hr/> <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.