

# BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION



## Annual Report 2010-2011



# BSBDC ANNUAL REPORT

## 1 APRIL 2010 TO 31 MARCH 2011

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## CHAIRMAN'S LETTER

August 20, 2018

The Hon. Jamahl Simmons, JP, MP  
Ministry of Economic Development & Tourism  
Government Administration Building  
30 Parliament Street, 3<sup>rd</sup> floor  
Hamilton HM12

Dear Minister

### **BSBDC Annual Report 2010 - 2011**

I am pleased to submit the consolidated annual report of the Bermuda Small Business Development Corporation (the Corporation) for the year ended March 31, 2011.

This report highlights the Corporation's work in providing a wide range of business development services to the Bermudian entrepreneur and in pursuing its three socio-economic initiatives: Economic Empowerment Zones, Free Market Vendors, and the Small Business Construction Incubator.

I would like to thank the Corporation's Board members, former and current, as well as its management and staff for their unwavering commitment to small business success.

Respectfully yours,



Felicia Rickards,  
BEDC Board Chair



## ACTING GENERAL MANAGER'S REPORT

It should be noted that the General Manager, Michelle Khaldun was seconded to the Department of Tourism to act in her capacity as Permanent Secretary. The Assistant General Manager, Lucrecia Ming, and the Economic Empowerment Zones Agency Director, Erica Smith, assumed the role of Acting General Manager in her stead from January 4 through to March 31, 2011.

For the period from April 1 2010 through March 31 2011, the Bermuda Small Business Development Corporation has continued to serve its stakeholders as the organisation has diligently worked towards expanding its service offerings to include medium sized businesses. In addition to supporting businesses through its retail development programme, there was the expansion of the Economic Empowerment Zones (EEZs), a new mentoring programme, and an updated Business Register.

During this period, we continued to make strides toward amending the BSBDC Legislation to become Bermuda Economic Development Corporation legislation with the Cabinet Paper detailing the proposed changes having been approved.

During this period, 13 guarantees were extended to new small businesses totaling \$569,500 and 525 clients were provided with advisory and business consulting services. The BEDC's Officers coordinated 5 seminars and workshops on topics of interest to the small business owner, including an annual Networking Seminar that brought small businesses and service providers together to facilitate ease of networking.

We successfully established EEZs in the Eastern and Western ends of the Island allowing more small businesses the opportunity to take advantage of EEZ incentives. In addition, we made considerable progress on the research and survey work looking to extend the boundaries of the N.E. Hamilton EEZ. A total of \$138,447 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 Markets continue to maintain a membership of over 200 registered vendors that are taking advantage of our programme, gaining structure, experience, and know-how as entrepreneurs. During this calendar period we also participated in the launch of two new vendor markets in Somerset and St. George's.

Staying true to our mission to be the authoritative source of local business information in Bermuda we ramped up our public relations presence, establishing a monthly advice column in the Royal Gazette and



creating the Mind Your Business radio show on Hott 107.5. Both of these outlets provided us with the opportunity to further deliver advice, guidance, and assistance to the public at large.

Last but not least, the final cohort of the Small Business Construction Incubator (SBCI) graduated from the programme making a total of 91 individuals having gained business training and project management experience. While the SBCI programme was focused on educating tradesmen and women, we launched a support services initiative called the Hands Up Empowerment Programme to assist graduates with the application of what they learned while in the SBCI programme. Specifically, the Hands Up programme was designed to help graduates utilise their newly learned skills to obtain work from the public and private sectors.



## 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. Develop Phase II of the SBCI programme to be known as *Hands Up Empowered*. - assisting graduates to attain work in both the public and private sectors.
3. Establish two new outdoor Free Vendor Markets at the eastern and western ends of the island.
4. Launch the Small Business Registry.
5. Implement the pilot mentoring program to be known as *Partnering for Success* to assist both youth entrepreneurship and existing BSBDC and Economic Empowerment zones agency (EEZA) clients.
6. Establish a support unit for medium sized businesses.
7. Conduct research to develop and design an Incubator initiative for the Retail Sector.
8. Offer free professional support with Quick Books Accounting through 3 day morning 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 capitalisation, 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.
17. Establish and create strategic plan for the Bermuda Economic Development Corporation upon Cabinet approval.



## ACHIEVEMENTS OVER THE REPORTING PERIOD

### Internal Operations

The team at BEDC strives to ensure that the services provided meet the expectations of its stakeholders. Part of that process includes surveying stakeholders. In 2010, the BSBDC conducted its bi-annual stakeholder's survey.

The survey showed a significant improvement in the level of awareness of familiarity with the BSBDC and its products and services, and a reaffirmation of its core values. In 2010 as a result of the focused activities and the success of the initiatives that took place during the time period, the percentage of awareness of BSBDC products and services increased to 98%.

*When asked to mention local organisations that provide services/assistance to small and medium business owners, survey respondents mentioned the BSBDC most often (98%) followed by the banks (8%).*

### Business Development

#### 1. Small Business Development:

The BSBDC is Bermuda's source of free, confidential business advice. The mission is to actively assist the development of a strong, well-managed and prosperous small business sector in Bermuda. The key objective of the BSBDC remains providing a broad range of business advice, counsel and financial assistance to small businesses in Bermuda. The BSBDC Act defines a small business as:

"Bermudian – owned and managed, operating locally, having an annual gross payroll not exceeding five hundred thousand dollars (\$500,000) and having annual sales revenues of less than one million dollars (\$1,000,000)."



To ensure that the BSBDC achieves its mission as stated above, specific products and services are delivered to the local business community including:

- **Loan Guarantee Programme:** while not a bank, the BSBDC will consider acting as a guarantor for a portion of a bank loan for small businesses that appear viable and where the creditworthiness of the borrower is sound. As guarantor of last resort, the BSBDC can guarantee up to 50% of the agreed loan amount to a maximum of \$200,000. During this reporting period the BSBDC issued 13 new guarantees for a total value of \$569,500. The issuance of these guarantees facilitated the creation of 13 new businesses.

In order to ensure that our guarantee clients are receiving the support needed, the BSBDC meets quarterly with the local Banks: 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.

- **Technical advice:** BSBDC officers are experienced professionals who can provide business management advice on a variety of issues, including:
  - Developing a business plan
  - Bookkeeping/accounting
  - Managing cashflow
  - Inventory and stock controls
  - Expense and overhead controls
  - Developing marketing and communication strategies
  - Relevant taxes and Government regulations
  - Lease arrangements
  - Insurance requirements
  - Staffing issues/policies

BSBDC Officers provided technical advice and guidance to 525 clients over the reporting period.

- **Resource Library:** the BSBDC's library contains tapes, videos, CD ROMs, books and periodicals, all focused on small business management issues such as business planning tutorials, strategic planning advice, customer service training and more.
- **Relationships:** the BSBDC has direct access to many organisations, professional groups and Government departments, which enables it to ensure that the advice provided is accurate and up-to-date. No question is considered unimportant and we are committed to assisting all entrepreneurs who seek guidance.



## **2. Seminars & Workshops<sup>1</sup>**

The BSBDC continues to deliver successful seminars and workshops to provide small business owners and entrepreneurs in general with education and access to resources. The BSBDC held and or sponsored 9 seminars/courses during this reporting period. These seminars covered a variety of topics that are of interest to small business owners including, identifying new business opportunities, customer service, managing finances and understanding Government obligations. At the end of each seminar we ask participants to evaluate the seminar sessions so that we maintain an understanding of what topics our stakeholders are interested in. The feedback we receive indicates that the "Matters" series of seminars continue to be timely and the information provided with the majority of attendees indicating that the seminars were excellent or very good.

**4 – 6 May 2010 – Quickbooks Course:** 15 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 seminars help] to recognize the business resources in the industry that assist in building and forming a business"*

**23 Jun 2010 – Small Business Networking Matters:** This first annual event allowed 38 local business owners to speed network with over 60 existing and aspiring entrepreneurs with the objective of allowing each attendee to speak with providers from every industry including Financial Services, Government, Insurance/Pension, Legal, Marketing/Advertising, Business Management, and Information Technology.



**18 Aug 2010 – Discovering New Business Matters:** this seminar exposed over 70 existing and new entrepreneurs to the process of identifying and utilizing trends in the industry to discover new

<sup>1</sup> 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.



business ideas that they can capitalize on. This was the first seminar that included an international speaker, Ms. Sonia Alleyne, editorial director of US-based magazine Black Enterprise. Ms Alleyne spoke about identifying new business opportunities for entrepreneurs and gave insight into her experiences based largely from interviews with business people who shared their success stories.

**\*19 Aug 2010 – Discovering New Business Matters EEZ Breakfast meeting:** 20 EEZ business owners attended this intimate breakfast meeting held in the NEH EEZ to discuss exposed existing and new entrepreneurs to international speaker, Ms. Sonia Alleyne.



**28 – 30 Sep 2010 – Quickbooks Course:** 10 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.

**20 Oct 2010 – Consultant Networking Matters:** close to 100 people attended this seminar. The audience included professionals looking to start a consultant business, aspiring entrepreneurs, existing business owners, tax and social insurance officers, lawyers, bankers, accountants, marketing and communication specialists, IT professionals, insurance agents and manager; all gathered to listen, learn and network with each other on the subject of starting a consultancy business.



**7 Dec 2010 – Going Green Matters:** Over 60 aspiring entrepreneurs, business owners attended to learn how “Going Green” could save them money and the environment. The subject matter included presentations from the Government on reducing Bermuda’s carbon footprint to practical tips from entrepreneurs on how they have used green technology to earn a living and save money. A popular networking event allowed attendees to mingle with thirteen vendors who sold and utilised green technologies.





**16 Feb 2011 – Money Matters:** 50 business owners and potential entrepreneurs attended a seminar to learn why money matters when it comes to identifying financing for their businesses and what other sources of financing are available besides a bank loan. Industry professionals and senior banking officers answered this question and discussed how to acquire financial backing for a business.

**14 Mar 2011 - Financial Peace University:** The BSBDC were able to offer 5 free spots of this 12-week personal debt and money management course to call-ins to its weekly Mind Your Business radio show. The EEZA also subsidised 3 persons with debt management issues in the EEZ to attend the course.

## Economic Empowerment Zones Agency

The Economic Empowerment Zone (EEZ) is 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. The Economic Empowerment Zones Agency (EEZA) was formed as a Agency within the BSBDC to oversee the establishment of Zones throughout the Island and to ensure that the special programmes are carried out.

Throughout the reporting period, the EEZA in accordance with the Economic Development Act 1968, continued to work towards delivering services to business owners that were located in the N.E. Hamilton EEZ and also worked towards establishing EEZs in the East and West ends of the Island.

During this reporting period, legislation was passed to allow the addition of two new EEZs in Somerset and St. George's. As a result, additional stakeholders were able to take advantage of the current incentives and aid available that include:

- EEZ Payroll Tax Concession
- EEZ Customs Duty Deferral
- EEZ Small Business Loans of Working Capital
- EEZ Small Business Grants of Technical Assistance and Advice

Following is a breakdown of the incentives that business owners in the EEZs have received:

*Only 49% of business owners in the EEZ derive a monthly salary (2009 EEZ Business Survey).*



- A total of \$100,000 was designated for interest-free loans of up to \$10,000. Loan proceeds are to be used to assist business owners with working capital requirements. A total of 3 EEZ loans were approved from April 2010 to March 2011 totaling \$25,700..
- A total of \$100,000 was allocated for grants of up to \$10,000, intended for non-working capital . A total of 11 EEZ Grants were approved from April 2010 to March 2011 totaling \$83,184.
- A Payroll Tax concession for every EEZ-business for five consecutive quarters. A total of 4 EEZ payroll tax concessions were approved from April 2010 to March 2011. \$5,843 in tax concessions was awarded during this fiscal period.
- A five-year Import Duty deferral for all capital importations bound for the EEZ. A total of 3 EEZ duty deferments were approved from April 2010 to March 2011 totaling an estimated \$5,742 in duty payments being deferred (total value of goods imported is \$27,405).

The BSBDC has continued to develop its partnerships with both HSBC and Butterfield, whereby small businesses based in any Economic Empowerment Zone could benefit from preferential lending rates and terms.

### **3. North East Hamilton Economic Empowerment EEZ**

- a. **NEHEEZ Business Establishment Survey** – A survey was conducted of existing and new EEZ Businesses in the area in order to ascertain the needs of the stakeholders. The results of the survey were compiled in a full report presented to the BSBDC Board in May 2010. As a result of the survey and in conjunction with recommendations from the Economic Advisor to the Ministry of Finance, additional policies were presented to the BSBDC Board.
- b. **NE Hamilton EEZ Map/Directory** – During this reporting period a map of the businesses located in the EEZ was developed to advertise and help to orient the public with the location and hours of operation of the businesses. These maps were distributed to businesses and Visitor Information Centre's throughout the Island, as well as placed in Taxis. In addition the Map was made available on the BSBDC website at [www.bsbdc.bm](http://www.bsbdc.bm).
- c. **NE Hamilton Land Regulations** - Over the reporting period, the EEZA with support from consultants, developed and drafted a land use plan for the area. The plan was forwarded to stakeholders for feedback and the EEZA continues to advance this work. The EEZA also began preliminary research on the expansion of the NE Hamilton EEZ into the surrounding transition areas.



d. **Community partnerships** - In addition to providing EEZ businesses with business advice and guidance, the EEZA also engaged in supporting community-related programmes that would invigorate and support the social components of the NE Hamilton EEZ.

- **Accountancy Mentor Programme (AMP)** – The AMP pilot programme, in partnership with KPMG, launched October 2010. The programme paired 5 EEZ business owners who had completed the BSBDC QuickBooks introductory course, with KPMG Interns to assist the businesses with the preparation of financial statements and developing best practices that they can utilize once the programme concluded. The programme ran for 6 weeks and had a 50% success rate.
- **EZSundays** – The EEZA supported the launch of EZSundays run by ccBigg Productions. Launched on October 31, 2010 and running every Sunday afternoon through December 31, 2010, this community project brought entertainment and vibrancy to the NE Hamilton EEZ and provided fun for families; promoted better health; and facilitated ethnic vending and cultural entertainment.
- **Angle Street Community Association** – The EEZA supported the association's annual grassroots community event (annual block party) by providing assistance with advertising and marketing. Hundreds of people attended the successful event.
- **ADHT Conference** – The African Diaspora Heritage Trail Conference entitled "Evolution of the Trail", provided stakeholders with a historical opportunity to learn the significance of the NE Hamilton EEZ and to understand the importance of past and current business owners' relevance in the development of Bermuda. The EEZA supported this Conference with sponsorship in the amount of \$5,000. This support enabled 12 EEZ stakeholders to attend the conference and provided 10 EEZ businesses with an opportunity to exhibit at the conference. In addition the EEZA led a Round Table discussion on economic empowerment.
- **NE Hamilton Neighbourhood Watch Community Group** - The EEZA continued its support of this group by acting as a member of the committee along with EEZ residents/activists and representatives from the Bermuda Police Service Central Community Action Team, Crime Stoppers Bermuda, and the Crime Prevention Unit. In May 2010 the first meeting of the group was held followed by a neighbourhood cleanup day in partnership with KBB.



- **The City's Infrastructure Committee of the Corporation Members** - This policy-making committee has a remit for streets, wharfs, security, sanitation, parking, lighting, sidewalks, and other infrastructure issues throughout the City. An EEZA representative sat on the committee to ensure the issues in NE Hamilton were highlighted and continually advocated to be addressed.
- **Uptown Market Association (UMA)** - The UMA established a new strategic plan and new leadership for the organisation. Under the new plan the name changed to UP! Bermuda (Uplifting Community Family and Businesses). It maintained regular meetings with the EEZA in partnership of delivering its strategic plan. The BSBDC provided a \$20,000 grant to UMA for 2010/11.
- **Youth on the Move (YOM)** - The BSBDC provided \$20,000 grant to the YOM for 2010/11 to assist them with the delivery of the Tetro Administrative Services Skills Programme and events promoting the EEZ.
- **Family Connect** - a partnership with The Family Centre was launched in November 2010 as a pilot programme for 3 months. The programme was designed to assist anyone in the community with social challenges with triage and to partner those who need help with the surrounding area's Community Social Workers.
- **Marsh IAS Community Day** - the EEZA coordinated the Marsh Community Day in conjunction with Keep Bermuda Beautiful to help beautify parts of North East Hamilton on February 21, 2011. Employees spent the day working alongside residents and business owners in North East Hamilton to paint and hang murals on and around the Hamilton Community Centre, Ewing Street, Court Street and Elliot Street. They also spent the day at the city's plant nursery, on Laffan Street, creating planters and hanging baskets to beautify the area. Lastly, they picked up trash all throughout NE Hamilton. The day created an excitement about change in the EEZ and allowed people from outside NE Hamilton to experience the area and meet and work with various stakeholders in the community.
- **Asthma and Allergy Free Day/BIU** - The EEZA was a sponsor of the event on October 23, 2010 held at the BIU. It was well attended and many children and families received free asthma care products that were helpful for those who were financially strapped.

**For the People** - The EEZA continued to highlight stalwarts in the NE Hamilton EEZ community at its 3<sup>rd</sup>





Annual **For the People** event held on Nov 13, 2010. This event was created out of the need to recognise those who had contributed to building North East Hamilton and to highlight those stakeholders who have continued to work to build the community from strength to strength. This celebration of the people allowed the EEZA to highlight the talent that exists in Bermuda and highlight the many unique businesses in the NEHEEZ. Over 700 people attended the 3rd annual event which encompassed all of Elliott, Princess & Angle Streets in NE Hamilton. This event,

coordinated by Chewstick saw the EEZ partner with another community organization, The Centre. Festivities included live music and performances from a number of local entertainers; a complimentary buffet catered by restaurants in the area and enjoyed live entertainment provided by some of Bermuda's most talented artists and musicians. 2010/11's honourees included Mrs. Margaret Lambe, Mr. Earlston "Scratchie" Lawrence, Mr. Dale Butler JP MP, Mr. David Williams, The Late Rev. Ronald Smith, First Church of God (Angle Steet), and the Leopard's Club. In addition, Youth on the Move Bermuda and Tetro Administrative Services celebrated 2 graduates of their training programme.

#### **4. West-End Economic Empowerment Zone**

The Somerset EEZ was signed into assent on March 29, 2011 and gazetted on April 1, 2011. From this date stakeholders in the West End EEZ became eligible to take advantage of the current incentives and aid available. The EEZA, with the support of consultants, facilitated meetings and discussions with key stakeholders in the West End. In addition potential entrepreneurs in the West End who were interested in applying for EEZ grants and loans met with the EEZA.



## 5. East-End Economic Empowerment Zone

The St. George's EEZ was signed into assent on March 29, 2011 and Gazetted on April 1, 2011. From this date, stakeholders in the East End EEZ became eligible to take advantage of the incentives and aid available to EEZ businesses. The EEZA, with the support of a consultant, met with interested persons to discuss the opportunities that were created as a result of the area being designated an EEZ. As part of the new designation, representatives of the EEZA began the work with stakeholders to re-open the St. George's Golf Course as an economic stimulus in the town.



### Free Market Vendors



Since the launch of the Free Market Vendor Site Programme in 2008, the BSBDC has consistently provided a collective, vibrant marketplace for over 200 registered vendors. The BSBDC provides support to its registered vendors through advisory services, , seminars, workshops, and subsidised support with two objectives in mind:

- To assist the vendors in meeting their fiduciary duties towards the public and the regulators, and
- To help them transition into storefront businesses.

The BSBDC's work with the vendors has also enabled it to provide them with a unified lobbying voice and to act as their entry point vis-à-vis their external stakeholders. As a result, an increased collaboration and liaison is taking place between individual entrepreneurs, the BSBDC, and other government entities.

**The Warwick Rubber Tree** continued to be a well-established, family friendly, vibrant market. At intervals through the year, entertainment was provided through music



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and choir performances, and raffles to ensure that vendors and customers were captured and engaged throughout the day.



The Ministry of Tourism began a tour stop at the Rubber Tree Market as part of its African Diaspora Heritage Trail (ADHT) Tour which was for a 30 minute period every Monday through August 31, 2010. The tour originated in Dockyard and catered to Cruise passengers.

**Somerset Vendor Market** - Saturday, May 8, 2010 marked the Grand Opening of the Somerset Vendor Market on the field of Somerset Cricket Club and marked the start of the seasonal Vendor Market that was located on the field on Saturdays

through December 31, 2010. There were over 20 vendors that participated in the market. The variety of products available included: pet supplies, children's clothing and shoes, hand-made hats and scarves, jewellery, fresh produce, homemade barbecue, baked goods and ice cream.

**St. George's Market** – Launched on October 31, 2010, the Olde Towne Market was organized by a few concerned citizens of St. George's with support from the Corporation of St. Georges and the EEZA. The EEZA Director sat on the Market Steering Committee to assist with regenerating St. George's. The market was held on Sunday afternoons and continued until December 31, 2010.

*All vendors are eligible for the lowest Customs Duty rate, starting at 6.5%.*



The market provided locals and tourists with access to local made products, fish, produce, baked goods and more.

## Small Business Construction Incubator

**1 July , 2010 - SBCI Final Cohort** - The final graduation of the Small Business Construction Incubator (SBCI) cohorts was held. Since its launch in 2007 the SBCI had graduated a total of 91 people. After six successful cohorts, the SBCI moved to Phase II of its development in 2010. The Hands Up Empowerment Initiative, supported by the Ministry of Works & Engineering ensured that graduates of the SBCI continued to benefit



from BSBDC consulting services as they bid for jobs and managed them from project inception to close-out.

The goal of the Hands Up Programme is to continue to improve the business acumen of small Bermudian construction companies, to increase contracting and procurement dollars spent with them, to facilitate a greater involvement of small businesses in growth sectors of the construction industry, to provide local contractors with the contract management knowledge and skills necessary to effectively provide construction services on public projects.

A variety of events were organized to help to promote the graduates of the programme. In addition the BSBDC actively worked with graduates to assist them with the preparation of a portfolio so that they would have a readily available document of their past projects to support them to actively bid on public and private works.

**28 May 2010 – SBCI Networking Event** — was held at Grotto Bay Hotel with close to fifty of the participants gathered to hear about the Hands Up Programme, including upcoming work with the Bermuda Housing Corporation, as well as the Communications/PR initiative. The Deputy Chair of the BSBDC Board, Mr. Anthony Foster was present to speak to the group regarding the importance of networking and maintaining good business relations. The BSBDC Assistant General Manager also outlined the requirements for joining in any work projects assigned or provided via the BSBDC. In addition, a special gift presentation was made to Mr. Chris Marteseck from PSMJ who had facilitated the Construction Project Management course for all of the SBCI classes.

**Jul – Sep 2010 – Hands Up Empowerment Workshops** - To prepare the graduates of the SBCI to compete in the market, BSBDC held a series of workshops that helped them put together a portfolio of their work. Each participant received instruction from a marketing professional, a leatherette portfolio and a digital camera which they used to take pictures of their various job sites. At the conclusion of the workshops, they each had a professional portfolio that could be used to bid on jobs. Thirty five of the graduates attended the first portfolio preparation class. These graduates received personalized assistance in putting their portfolios together. The portfolios included: SBCI graduates professional and educational qualifications and relevant certifications, client references, pictures of work sites in progress and completed and other relevant documentation supporting their credibility and success in the construction industry. A second session for those graduates who missed the first session was offered the end of the first week in August when approximately 20 graduates took advantage of the training session. As part of the support, the BSBDC offered individual sessions for the graduates through to September.

**Aug – Sep 2010 – SBCI Documentary** – BSBDC produced a documentary on the Small Business Construction Incubator which showed that the process that participants engaged in over the 16 week period of instruction helped strengthen the leadership and business acumen of Bermuda's small



construction related businesses. The program aired on Fresh TV on Aug 23, ZBM on Sep 2, and VSB on Sep 9.

**Jul 2010 – BELCO Make Work Programme** - BSBDC in partnership with the Bermuda Electric Light Company developed a program where members of the construction incubator could bid for improvement and renovation work on BELCO plant and properties. The goal was to employ one or more small contractors over a 3-6 month period to carry out the work. Five graduates of the SBCI submitted a bid for the work and the winner of this bid was SBCI graduate Mr. Larry Packwood.

**Feb 12 and 13 2011 - Coldwell Banker Home Show** - BSBDC again participated in the 9<sup>th</sup> Annual Home Show with even more BSBDC SBCI clients featured ranging from interior design, exterior design, construction and wood working.

**Mar 2010 - Bermuda Small Contractors Association (BSCA)** – BSBDC was integral in the formation of this association. The Board of the BSCA comprised entirely of graduates of the SBCI. The Association was formed to provide small contractors with access to information, education, and networking opportunities.



## Youth Entrepreneurship

1. **Global Entrepreneurship Week (GEW)** – The BSBDC continued to participate as a member of the Bermuda Host Committee of this worldwide week-long event created to encourage the spirit of entrepreneurship, innovation, and creativity globally. The other members of the Host Committee included the Youth Entrepreneurship Initiative of Bermuda (YEI) and the Department of E-Commerce. **GEW took place November 15-21 2010**, with HSBC Bermuda again supporting GEW with title sponsorship. The Host committee increased the number of partners and the number of sponsors to 24 partners, 8 events, more than 2,500 participants and over 30,000 people reached during the 2010 campaign. Along with over 100 countries from around the world, Bermuda celebrated entrepreneurship by organising the following events.
  - **Face-To-Face** – This competition launched in August 2010, was sponsored by British Airways in partnership with the BSBDC and its Economic Empowerment Zones Agency. The competition gave 6 winners a chance to meet, face-to-face, with companies in the UK that would help their business in Bermuda. Winners flew out of Bermuda on November 16 and



also participated in UK events with GEW partner Enterprise UK.

- **eMonday** launched on November 15 was sponsored by the Department of E-Commerce, and sought to educate entrepreneurs about the process of starting an online business and setting up E-Commerce. On eMonday, the public received 24 hours of discounts from participating retailers. In addition two educational seminars were held for businesses interested in learning about ecommerce. Two participating etailers won ecommerce web development assistance and free website hosting for one year.
- The third annual **BSBDC Rocket Pitch** business plan competition, held on Nov 16 at the HSBC Head Office, enabled young Bermudians to compete for seed money by delivering a 5-minute “business pitch”. HSBC, the lead sponsor of this event provided the \$7,500 prize money to be divided amongst 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> place. First place was captured by, Kamilah Cannonier owner of Cakes by Lah.
- **The Greenrock Innovation Tournament** coordinated by Greenrock.org in cooperation with the Department of Energy and BELCO sought innovative solutions for sustainable products or systems that can “Change the Mindset” of transportation in Bermuda. 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> place winners received cash awards of \$1,500, \$1,000 and \$500 respectively. Top prize went to Michelle Wales who proposed that satellite government offices be created to minimize traffic.
- **The BSBDC Launch Pad** filmed at the Warwick Academy Drama Studio was coordinated in conjunction with the YEI, and Sharpe Financial Services, featured 8 Bermudian entrepreneurs seeking financing by pitching their ideas to three local banks, HSBC Bermuda, Butterfield, and Capital G. Four offers of financing were made and three offers were broadcast in three half hour programs on local TV station, VSB. As a result over \$200,000 in financing was extended.



- **Global Entrepreneurship Week Congress** is an opportunity for the various Host Countries to meet after GEW to review best practices and highlight the various activities that were held in each of their respective countries. The



2010 Congress was held in Dubai in March 2010 and GEC 2011 Congress was held in Shanghai in March 2011.

2. **Student Leadership Development Programme** – A summer training programme designed to run from June – August to introduce students to potential careers by providing them with education and work industry placement opportunities. BSBDC participated again marking its 3<sup>rd</sup> year of participation since 2008 in this programme. During this time BSBDC provided work force development to 2 students. In addition, BSBDC Officers facilitated educational workshops.
3. **ACE Career Fair** - held on Oct 22 and 23 2010 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. Since 2007, the BSBDC & EEZA assist in the organisation of the event which is visited by thousands of middle and senior school students. The BSBDC used its booth spaces to enable its clients to participate in the event at no charge.



The BSBDC continued to participate on the organising Task Force along with other key stakeholders in the community. Since assisting the Task Force with establishing a Personal Services Booth in 2009, the BSBDC coordinated representation for this booth by utilising key stakeholders in the business community that were primarily made up of EEZ business owners.

4. **Biz Camp** – BSBDC participated in Biz Camp, 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 both a presenter and Judge.
5. **Youth Entrepreneurship Presentations:** BSBDC continued its objective of speaking to Bermuda's youth about entrepreneurship as a healthy and viable career option. As such, over this reporting period, the BSBDC facilitated presentations to local schools and organisations as follows:
  - April 2010 – Facilitated 3 presentations to students in the Business Class at The Berkeley Institute.



- July 2010 – Coordinated BSBDC participation in the BIBA Student Networking Event.
- 4 Aug 2010 – Endicott College – Presented to the Bermuda cohort of 15 students on the requirements for starting a business in Bermuda.
- 24 Nov 2010 – participated in Mt. St. Agnes Career Day by delivering a presentation on Entrepreneurship and the possibilities that exist for entrepreneurs.



Agnes

## Small Business Sector Representation

The BSBDC sees itself as an advocate for the sector that it represents. To further assist the people it serves, it seizes every opportunity to participate, lead, and attend events and meetings where it believes the benefit of small businesses will be upheld.

To that end, the BSBDC not only advocates for its clients with the **Chamber of Commerce**, but also participates in **Business Bermuda**'s speed-dating and networking events.

- **Retail Development Programme** - Deloitte & Touche was commissioned to conduct research of the retail industry sector in Bermuda to determine if there was a need in this segment for assistance as this is a sector which the Corporation believed should receive specific and focused attention in light of how the current global economic downturn was affecting it. A Retail Sales Incubator would, much like the Small Business Construction Incubator (SBCI), assist entrepreneurs developing their own capacity as well as services and products for the upcoming season. The findings of the research were presented to the BSBDC Board on June 17, 2010. There were seven themed key findings that were detailed with implications and opportunities for the Retail Sector in Bermuda: *Local Competition, Overseas Competition, Increased Overheads, Work Ethic, Local Demand, Visitor Demand, and Business Operations*. As a result of the findings and in liaison with other various stakeholders who service this sector, it was decided to establish a Retail Development Programme utilising an instruction model that was already established with the SBCI.



- **Shop Local Campaign** – In 2010 BEDC partnered with the Chamber of Commerce to assist with the funding and development of a Shop Local Campaign that included small businesses, vendors, and other unconventional Bermuda retailers. BSBDC allocated \$25,000 to assist with the campaign with the understanding that BSBDC would retain ownership of the creative products and advertisements that were produced.



## Other BSBDC Events and Initiatives

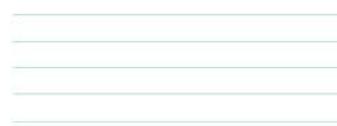
**Entrepreneurship Class** - The BSBDC continued to facilitate the weekly class offered through the Department of Community Education and Development Programme. During this period the class ran twice, during the Winter Terms, January 20 – March 10, 2010 and January 9 – March 11, 2011. There were a total of 38 students enrolled. Participants learn the basics of small business management and compiled their own business plan. 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)**- During this reporting period, the PFS programme partnered all 10 business owners with mentors. The Mentors provided updates to the BSBDC Officers and worked with their assigned business owners to guide, advise and encourage them as it related to the development of their businesses. The Programme came to an end in July 2011 and a recommendation was made to continue the programme with revisions.

**TECHWEEK** - a member of the TECHWEEK Organising Committee, the BSBDC contributed to this one week by participating as a judge and facilitating workshops during the week. TechWeek helps promote and showcase technology in Bermuda that is used by everyone, everywhere, every day. BSBDC facilitated a Lunch & Learn Presentation about starting an online business in Bermuda on April 28, 2010. BSBDC has also participated as a judge on the panel at the TECHAWARDS.

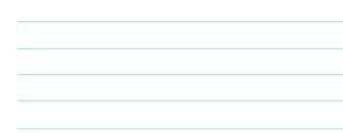
**Business Buzz** – Business Buzz is a monthly column in *The Royal Gazette* presented by BSBDC. Every month, readers learn about entrepreneurship, obtain business management tips, and find out what's



going on in the small business sector. The column was started in 2010. During the reporting period 5 articles were published:

- 7 Dec 2010 - Are you ready to take the plunge (into entrepreneurship)
- 4 Jan 2011 – Tips to Start a Small Business
- 1 Feb 2011 – A Blueprint for Managing Your Business in a Slow Economy – Part 1
- 1 Mar 2011 - A Blueprint for Managing Your Business in a Slow Economy – Part 2, Cash Management
- 29 Mar 2011 – The Importance of Mapping Out the Future of Your Business

**Mind Your Business (MYB)** - BSBDC launched a weekly show on October 10, 2010 with the focus on bringing issues and topics related to the starting, running, and expanding a business to the Bermuda public via the radio. Every week the host highlighted the various initiatives of BSBDC and the current benefits in place to assist small businesses. Since its launch BSBDC hosted 24 shows ranging in topics from BSBDC services to how to start and market your small business. The MYB show was a platform to give small business owner an outlet to promote their business by way of personal interviews.



## LOOKING FORWARD

**Legislative & Organisational Structure:** In order to expand its mandate to medium-sized businesses as well as economic empowerment zones, the BSBDC began its transition into the BEDC: the Bermuda Economic Development Corporation. The BEDC is to be 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 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 officially launched publicly, the Small Business Register contains the names, addresses, contact details, and industry sector type of over 3,000 small businesses and those interested in starting small businesses in Bermuda.

The purpose of the register is to allow the BSBDC to directly gather authoritative data about the sector that it serves, using the aggregate, macroeconomic data that the Register continuously gathers from the Corporation's clients. This will enable it to track patterns of business formation nationwide and to have concrete statistics that will aid it in the creation of robust policies.

**Medium-Sized Business Unit:** Cabinet approved to expand the remit of the BSBDC to include the medium-size sector as BSBDC is evolving to become the Bermuda Economic Development Corporation (BEDC). A survey conducted by KPMG on BSBDC's behalf made the following observations:

The sector is comprised of over 300 businesses on-island who share at least 3 of the following 5 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.

It was determined that a Medium Size Business Unit be formed to provide advocacy and services to this sector. In this reporting year the BEDC is moving to formulate its inaugural business plan for the unit for the next three years, focusing on the following service categories:

- Management of the economic downturn,
- Representation on economic policy and issues affecting local businesses,
- Business planning,



- Identifying growth opportunities and supporting expansion, and
- Human capital management strategies.

## 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 original capital of \$680,000. Such capital 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 utilised to offset the Corporation's operating costs. Any further net operating deficiency is covered by the Government of Bermuda.

## Governance Structure

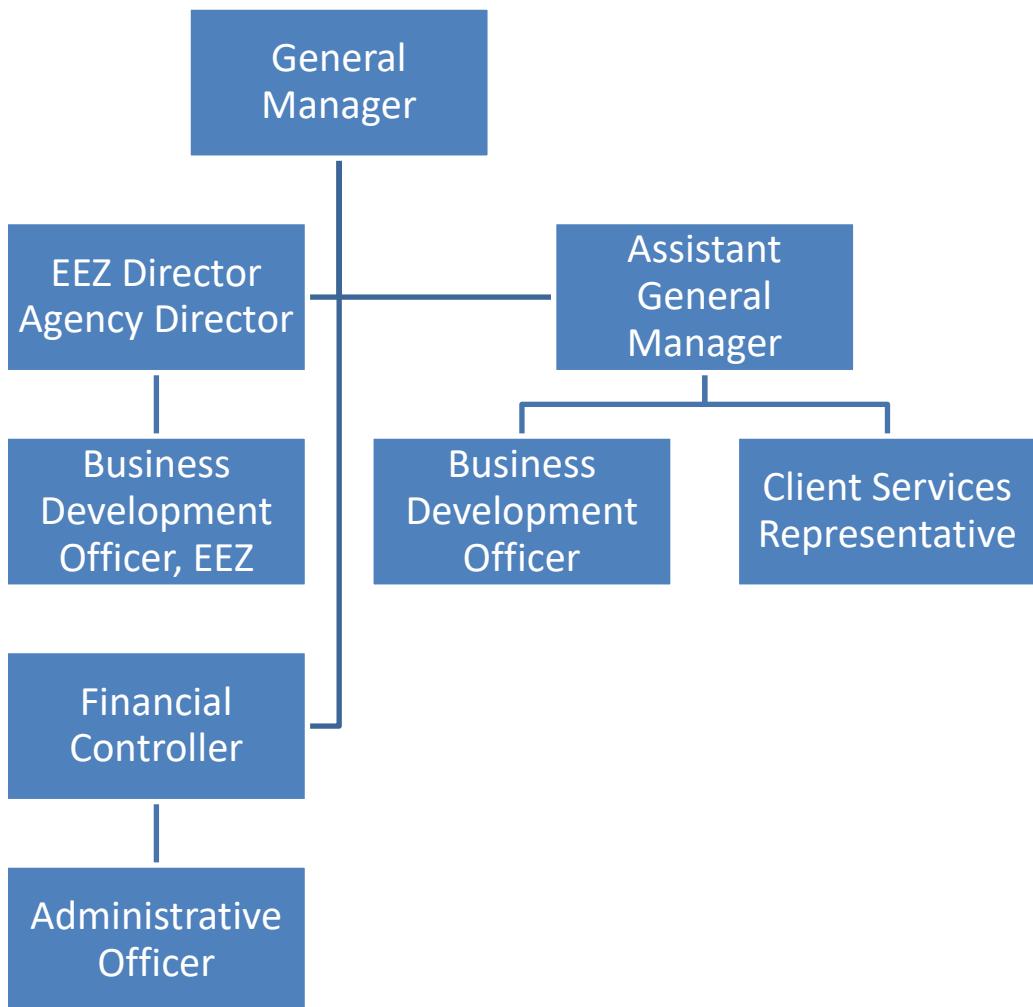
The BSBDC has aligned its governance with its main business lines through committees composed of board and staff members. As of March 31, 2010, the BSBDC committees are:

- Finance Committee/ 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 changes for the BSBDC, as well as policy, planning and stakeholder relations.



## Organisational Structure



### 1. The Main Office – Church Street

The main BSBDC office is located at #48 Church Street, City of Hamilton.

**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 for 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 Economic Empowerment Zones Agency (EEZA) is physically located at #38 Union Street, City of Hamilton within the North East Hamilton Economic Empowerment Zone (NEH EEZ). The team is composed of:

**The EEZA Director** is responsible for establishing and managing the economic empowerment zones throughout Bermuda. The Director is responsible for the overall management of the Economic Empowerment Zones Agency's operations (a division of the Corporation), for the approval and issuance of any EEZ loans and grants, and for the provision of financial and technical advice to clients. The Director is also in charge of public relations, financial and personnel management within the Agency.

**The Business Development Officer (BDO)** provides consulting services to EEZ-based small businesses and organisations. This Officer is also responsible for the running and organisation of the Free Vendor Markets as well as leading economic and community development projects within the zone.

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, high school and university students are given the opportunity to join the team and engage in EEZ work.

## BSBDC BOARD AND STAFF MEMBERS

### **Minister of Economy, Trade, and Industry**

Senator the Hon. Kim N. Wilson, JP

### **Board of Directors from January 1, 2010 – Dec 31, 2010**

Mr. Larry Mussenden, Chairman (resigned November 16, 2010)

Mr. Anthony Foster, Deputy Chairman and acting Chairman as at 16<sup>th</sup> November 2010

Sen. David Burt

Mr. George A. Scott, J.P.

Mrs. Patrice Minors, JP. MP. (resigned November 5, 2010)

Ms. Andrea Shakir (resigned June 15, 2010)

Ms. Barbara Tannock (resigned as at July 20, 2010)

Mr. Stanley Douglas (appointed as at July 20, 2010)

Mr. Cromwell Shakir

Mrs. Laquita Hill

Mr. Randolph Stafford

Mr. Hasan Durham (ex-officio)

Mr. Robert Horton (ex-officio)

### **Board of Directors from Jan 1, 2011 – Dec 31, 2011**

Mr. Anthony Foster, Chairman

Mr. Cyril Whitter Jr., Deputy Chairman

Mr. George A. Scott, J.P.

Mr. Curtis Dickinson

Mrs. Laquita Hill

Mrs. Lorianne Gilbert

Mrs. Karen Tucker

Mr. Sayeed Ramadan



Sen. David Burt (as at May 17, 2011)  
Mr. Robert Trew (as at March 14, 2011)  
Mr. Hasan Durham (ex-officio)  
Mr. Robert Horton (ex-officio) (resigned April 2011)  
Mr. Randy Rochester (ex-officio)

#### **Staff**

Michelle Khaldun, General Manager (seconded to Ministry of Tourism and Business Development - January 4 - September 30, 2011)  
Lucrecia Ming, Assistant General Manager (Acting General Manager - January 4 - February 28, 2011)  
Erica Smith, Economic Empowerment Zones Agency Director (Acting General Manager - March 1, - September 30, 2011)  
Ray Jones, Acting Financial Controller  
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, 2011**



## *Office of the Auditor General*

Reid Hall  
3 Reid Street  
Hamilton HM 11, Bermuda

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Fax: (441) 295-3849  
Email: [oag@oabermuda.bm](mailto:oag@oabermuda.bm)  
Website: [www.oagbermuda.gov.bm](http://www.oagbermuda.gov.bm)

### INDEPENDENT AUDITOR'S REPORT

To the Minister of Education & 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, 2011, 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, 2011, 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  
March 25, 2014

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

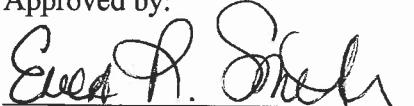
BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2011

	2011	2010
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents (note 4)	1,835,939	2,023,016
Accounts receivable and accrued interest (note 5)	59,939	54,961
Short-term investments (notes 6 and 10)	839,839	819,822
Long-term investments (notes 7 and 10)	734,141	734,141
	<hr/> <u>3,469,858</u>	<hr/> <u>3,631,940</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (notes 13 and 18)	76,557	125,522
Due to the Government of Bermuda (notes 12 and 18)	94,683	77,647
Deferred revenues (note 12)	238,514	238,514
Provision for Guarantee Payout (note 16)	277,500	-
	<hr/> <u>687,254</u>	<hr/> <u>441,683</u>
<b>NET FINANCIAL ASSETS</b>	<hr/> <u>2,782,604</u>	<hr/> <u>3,190,257</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	18,861	7,803
Tangible capital assets (note 8)	161,298	180,306
	<hr/> <u>180,159</u>	<hr/> <u>188,109</u>
<b>ACCUMULATED SURPLUS</b>	<hr/> <u>2,962,763</u>	<hr/> <u>3,378,366</u>

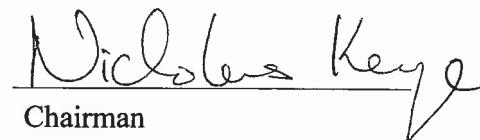
**COMMITMENTS (note 15)**

**CONTINGENT LIABILITIES (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, 2011**

	2011 \$ Budget (Note 14)	2011 \$ Actual	2010 \$ Actual
<b>REVENUES</b>			
Government of Bermuda grant (note 12)	2,440,000	2,440,000	2,740,000
Interest on deposits (notes 6 and 7)	45,000	28,436	41,165
Commissions	-	5,695	8,960
Repayment of guarantees	-	200	700
Miscellaneous	-	14,675	7,640
	<hr/>	<hr/>	<hr/>
	2,485,000	2,489,006	2,798,465
<b>EXPENSES</b>			
Programs (note 9)	1,290,664	913,906	1,032,102
Salaries, wages and employee benefits (note 13)	1,050,162	844,847	835,906
Provision for Guarantee Payout (note 16)	-	277,500	-
Professional services	167,433	140,927	120,460
Rent (note 15)	157,000	138,698	139,331
Payment of guarantees (note 16)	-	100,000	121,092
Materials and supplies	71,444	85,911	73,240
Grants - Economic Empowerment Zone	210,000	83,184	80,213
Training	71,000	60,766	28,950
Communications and postage	40,865	60,155	31,914
Amortization of tangible capital assets (note 8)	-	49,165	32,567
Advertising and promotion	70,000	44,613	105,675
Travel, entertainment and gifts	25,000	24,334	18,258
Provision for doubtful accounts (note 5)	-	23,344	18,838
Website	30,000	22,075	-
Repairs and maintenance	15,690	12,939	2,682
Property taxes	4,100	5,911	4,967
Dues and subscriptions	7,538	5,606	5,052
Meetings	16,800	4,873	9,096
Bank charges	3,800	3,326	3,352
Water	-	1,444	771
Miscellaneous	900	1,085	968
Small business survey	33,000	-	15,819
	<hr/>	<hr/>	<hr/>
	3,265,396	2,904,609	2,681,253
<b>ANNUAL (DEFICIT) SURPLUS</b>			
	(780,396)	(415,603)	117,212
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,378,366	3,378,366	3,261,154
ACCUMULATED SURPLUS, END OF YEAR	<hr/>	<hr/>	<hr/>
	2,597,970	2,962,763	3,378,366

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

**BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

	2011	2010
	\$	\$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>3,190,257</u>	<u>3,180,524</u>
Annual (deficit) surplus	(415,603)	117,212
Change in prepaid expenses	(11,058)	3,700
Acquisition of tangible capital assets	(30,157)	(143,746)
Amortization of tangible capital assets	<u>49,165</u>	<u>32,567</u>
Changes in net financial assets during the year	<u>(407,653)</u>	<u>9,733</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>2,782,604</u></u>	<u><u>3,190,257</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, 2011**

	2011	2010
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Annual (deficit) surplus	(415,603)	117,212
Adjustments for items not affecting cash:		
Provision for doubtful accounts	23,344	18,838
Provision for guarantee payout	277,500	-
Amortization of tangible capital assets	49,165	32,567
Net change in non-cash working capital	<u>(71,309)</u>	<u>209,124</u>
Cash flows (used in) from operating activities	<u>(136,903)</u>	<u>377,741</u>
<b>CASH FLOW FROM CAPITAL ACTIVITY:</b>		
Acquisition of tangible capital assets	<u>(30,157)</u>	<u>(143,746)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from maturity of long-term investments	-	641,143
Purchase of short-term investments	<u>(20,017)</u>	<u>(23,181)</u>
Purchase of long-term investments	<u>-</u>	<u>(734,141)</u>
Cash flows used in investing activities	<u>(20,017)</u>	<u>(116,179)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(187,077)</b>	<b>117,816</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,023,016</b>	<b>1,905,200</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>1,835,939</u></b>	<b><u>2,023,016</u></b>
<b>SUPPLEMENTARY INFORMATION:</b>		
Interest received	<u>20,017</u>	<u>116,180</u>

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

**BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2011**

**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 public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of 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 allowances. Valuation allowances are made when the collection is in doubt.

**(c) Tangible capital assets and amortization**

Tangible capital assets are recorded at cost less accumulated amortization. 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, 2011

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) Provision for guarantee payout

A provision for losses on loan guarantees is recognized in the financial statements when it is determined that a loss is likely. The provision for losses on loan guarantees is determined using the best estimates available in light of past events, current conditions, and taking into account all circumstances known at the date of preparation of the financial statements. A provision for loss on a loan guarantee is removed from the statement of financial position when the guaranteed loan has been discharged or the term of the loan guarantee has expired.

(f) Revenue recognition

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.

(g) 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.

(h) 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.

(i) 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 short-term maturity.

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

- Accounts receivable and accrued interest 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 cost.
- 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

	2011	2010
	\$	\$
Checking account	1,595,042	1,782,119
Money market funds	141,008	141,008
Fixed deposit account	99,889	99,889
	<hr/>	<hr/>
	1,835,939	2,023,016
	<hr/>	<hr/>

5. ACCOUNTS RECEIVABLE AND ACCRUED INTEREST

	2011	2010
	\$	\$
EEZ Loans	42,213	37,231
Accrued interest	26,908	18,488
Others	32,999	18,080
Less provision for doubtful accounts	(42,181)	(18,838)
	<hr/>	<hr/>
	59,939	54,961
	<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 1.73% (2010 - 2.73%).

**BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION**  
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**7. LONG-TERM INVESTMENTS**

	2011	2010
	\$	\$
Fixed term deposit	734,141	734,141
Preferred shares - Cost	500,000	500,000
- Impairment	(500,000)	(500,000)
	<hr/>	<hr/>
	734,141	734,141
	<hr/>	<hr/>

Fixed term deposit represents an investment made by the Corporation at a rate of 2.68% (2010 - 2.68%) 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 Equipment	Computer Equipment	Leasehold Improvements	2011	2010
	\$	\$	\$	\$	\$
Opening cost	135,591	189,260	38,855	363,706	219,960
Additions	-	30,157	-	30,157	143,746
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Closing cost	135,591	219,417	38,855	393,863	363,706
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Opening accumulated amortization	72,734	73,137	37,529	183,400	150,833
Amortization	16,529	32,266	370	49,165	32,567
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Closing accumulated amortization	89,263	105,403	37,899	232,565	183,400
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value of tangible capital assets	46,328	114,014	956	161,298	180,306
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**BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION**  
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**9. PROGRAMS**

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

- (a) Research, design and establishment of an Economic Empowerment Zone for North-East Hamilton, Somerset and St. George's;
- (b) Research, design and execution of the Small Business Construction Incubator; 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:

	2011	2010
	\$	\$
Economic Empowerment Zones	576,573	632,717
Small Business Construction Incubator	139,711	195,171
Events	116,496	106,282
Vendor Markets	81,126	97,932
	<hr/>	<hr/>
	913,906	1,032,102
	<hr/>	<hr/>

**10. RESTRICTED ASSETS**

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

Contributors and amounts are as follows:

	2011	2010
	\$	\$
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/>	<hr/>
	1,000,000	1,000,000
	<hr/>	<hr/>

BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION  
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**10. RESTRICTED ASSETS (continued)**

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.

**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, 2011.

*(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.

# BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

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### 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 \$2,440,000 (2010 - \$2,740,000) 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 payroll tax, pension, social insurance, health insurance and other expenses payable at year end.

#### (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 support small construction businesses and participants of the Corporation's Small Business Construction Incubator programme. In 2010, the Corporation received \$238,514 for this program. 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% (2010 - 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 \$54,468 (2010 - \$51,767).

#### (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

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MARCH 31, 2011

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, 2011 is \$31,345 (2010 - \$22,047) and is included in accounts payable and accrued liabilities.

14. BUDGET

These amounts represent the operating budget approved by the Board on January 19, 2010.

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 \$54,600.

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 period ending December 31, 2011 with a three-month option to renew. A monthly rental payment of \$3,700 is charged under the lease agreement. The remaining obligation under this lease is \$44,400.

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, 2011, sixty-one (2010 - fifty-nine) guarantees with a value of \$3,501,101 (2010 - \$3,547,103) were outstanding. Loan guarantees totalling \$100,000 were paid by the Corporation in the current year. The Corporation also provisioned for future losses of \$277,500 in the current year.

In the previous year, the Government of Bermuda's Consolidated Fund paid \$121,092 for losses on behalf of the Corporation.

## BERMUDA SMALL BUSINESS DEVELOPMENT CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

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#### 17. SUBSEQUENT EVENTS

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 "BEDC"). 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 issuance of any prior 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 on November 8, 2012 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 of \$1,300. This lease was amended on June 1<sup>st</sup> 2013 to cover the period from June 1, 2013 until May 31, 2014 with a decreased monthly rental of \$650.

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 reclassified to conform to the current year's presentation.