



ANNUAL REPORT

2011/12

Bermuda Economic Development Corporation



BERMUDA ECONOMIC DEVELOPMENT CORPORATION
(BEDC) ANNUAL REPORT
FOR THE PERIOD April 1, 2011 to March 31, 2012

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MISSION STATEMENT

The BEDC's mission is to be positioned as the foremost resource for small and medium businesses and community enterprise through the provision of effective technical guidance, financial assistance, useful relationship networks, pertinent business intelligence, and accurate and timely business and data-based policy advice.

Chairman's Message

August 20, 2018

The Hon. Jamahl Simmons, JP, MP
Ministry of Economic Development & Tourism
Government Administration Building
30 Parliament Street
Hamilton HM12

Dear Minister

BEDC Annual Report 2011 - 2012

I am pleased to submit the annual report of the Bermuda Economic Development Corporation (the "Corporation") for the year ended March 31, 2012.

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

GENERAL MANAGER'S REPORT

During the reporting period the Economic Empowerment Zones Agency Director, Erica Smith, assumed the role of Acting General Manager from the period April 1, 2011 – October 3, 2011. The General Manager, Michelle Khaldun returned from her Secondment with the Department of Tourism on October 3, 2011.

For the period from April 1, 2011 through March 31, 2012, the Bermuda Economic Development Corporation has continued to serve its stakeholders. In keeping with the plan towards expanding its service offerings to include small and medium sized businesses and business in the Economic Empowerment Zones, we continued to move forward with the amended Bermuda Small Business Development Corporation (BSBDC) legislation to become Bermuda Economic Development Corporation which took effect on August 4, 2011.

During this reporting period, 7 new guarantees were extended to small businesses totalling \$472,539 and 487 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 the 3rd Annual Networking Seminar that brought small businesses and service providers together to facilitate ease of networking.

Following the successful establishment of EEZs in the Eastern and Western ends of the Island, two posts were created to identify and hire Economic Development Officers (EDOs) for Somerset and St. George's to provide needed support and guidance to businesses and community establishments in the Western end of the Island. We successfully hired an EDO for Somerset during this reporting period.

Further outreach into the communities included the continuation of the Free Vendor Markets initiative which provides peddlers/vendors with a designated area to sell their wares.

In order to uphold our mission to be the authoritative source of local business information in Bermuda, we utilised previously established marketing platforms to reach our stakeholders. The Mind Your Business radio show on Hott 107.5 continued as did our monthly column in the Royal Gazette. Both of these forums allowed BEDC to promote its brand and solidify its support of the local business community. To further reach the public we also added a monthly column in the Bermuda Sun specifically to reach out to businesses and stakeholders in the EEZs.

Building on the success of the Small Business Construction Incubator (SBCI), BEDC undertook research into the challenges of Bermuda's retail sector in order to develop a programme to assist small businesses in this industry sector. The Retail Sales Development Pilot Programme commenced in January 2012 – March 2012, with the funding allocated used to develop a curriculum that helped retailers learn best practices related to inventory management, marketing strategies, staffing, utilisation of technology, customer service and branding.

The second phase of the SBCI, The Hands Up Empowerment Programme continued with the graduates of the Small Business Construction Incubator participating in several Government Programmes targeted to small contractors and unemployed labourers. With our help the Government was able to meet its objectives and deliver on several programmes related to increasing jobs for Bermudians.

ABOUT THE BEDC

BEDC was originally established as BSBDC under 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.

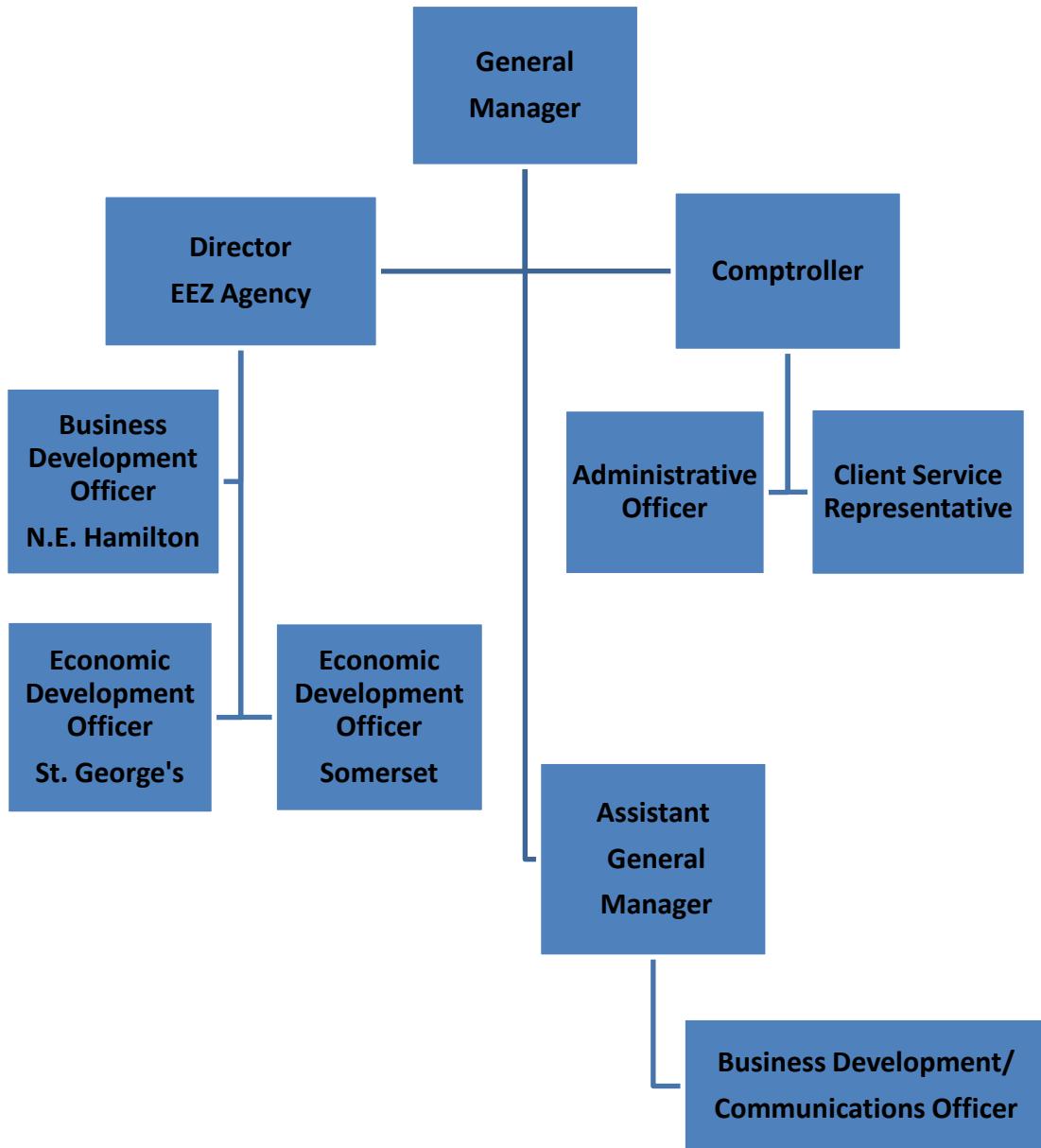
The capital remains invested in various financial instruments, yielding interest revenue that has occasionally been utilised to offset the Corporation's operating costs. The Government of Bermuda covers any further net operating deficiency.

The BEDC legislation was passed in the House of Assembly on July 15, 2011, and subsequently in the Senate on July 25, 2011. Once signed by the Governor on August 4, 2011, the BEDC name became effective, replacing the BSBDC.

In addition to providing guarantees and loans on its own and via its EEZs, BEDC is also focused on providing knowledge and expertise on starting up a business of small and medium scale, facing various challenges often met by local businesses, and different ways and means of improving the profitability of a business through managerial skills and financial management knowledge. Various seminars and workshops are conducted to this end, either singularly through the BEDC or in collaboration with other partners.

In addition, the BEDC negotiates with various government agencies to create opportunities for its stakeholders to seek employment and/or benefit from developments in the EEZs.

Organizational Structure



The Main Office – Church Street

- ✓ The main BEDC office is located at #48 Church Street, City of Hamilton and houses a full complement of staff.
- ✓ 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 BEDC according to the strategy 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 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.

The EEZA Office – Union Street

During the reporting period, the main Economic Empowerment Zones Agency (EEZA) was 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 Economic Development Officers (EDO) provide consulting services to EEZ-based small businesses and organisations. These Officers are also responsible for the running and organisation of the Free Vendor Markets as well as leading economic and community development projects within the zones.

OBJECTIVES FOR THE 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 BEDC 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 centre which consists of the library and the audio/visual centre - 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.

PROGRESS OVER THE REPORTING PERIOD - OPERATIONS

During the review period between 1 April 2011 and 31 March 2012, the Bermuda Economic Development Corporation (BEDC) legislation was passed allowing the BEDC name to become effective, replacing the BSBDC.

The primary objective of the BEDC is to provide free confidential business advice to upcoming small and medium businesses of Bermuda. In this reporting period, the BEDC continued its efforts in this direction, adding to its product and service offering and enhancing the existing portfolio of products and services while being fiscally responsible in its stewardship of public monies.

The BEDC worked to make severe budgetary cuts to operate with the reduced \$937,000 allotted Government funding in addition to the approximately \$238,000 that was projected to be carried over from the last fiscal year. As a result, the management and the team decided to suspend the EEZ loan program for the fiscal year and to reduce the EEZ grants to a maximum of \$5,000 from the previous \$10,000 limit. Additionally, the BEDC approached KPMG to seek assistance with providing a part-time seconded resource to start up the Medium Sized Business Unit and approached the Ministry of Finance to agree to fund any payout losses for the upcoming fiscal year.

The BEDC has continued to develop its partnerships with HSBC and Butterfield, as well as work towards developing a relationship with Capital G whereby small businesses based in any Economic Empowerment Zone could benefit from preferential lending rates and terms.

Business Development

In order to continue to uphold its mission statement, despite the reduction in budget, the BEDC leveraged its relationship with its partners to continue to deliver on its core products and services, including:

- **Loan Guarantee Programme:** While the BEDC is not a bank, it will consider acting as a guarantor for portion of a bank loan for small businesses that appear viable and where the creditworthiness of the borrower is sound. As the guarantor of last resort, the BEDC can guarantee up to 50% of the agreed loan amount, subject to a ceiling of \$200,000. However, BEDC does not substantially support any loan guarantee applications where the clients have collateral.

During the fiscal year ended March 31, 2012, the BEDC approved 7 new guarantee requests amounting to a total of \$472,529 in guarantee support.

The BEDC held quarterly meetings with all three local banks HSBC Bermuda, Butterfield Bank and Capital G (now Clarien Bank) during the reporting period to review and discuss the guaranteed client portfolio, assess lending policies and discuss other issues relevant to the clientele BEDC serves. As the BEDC does not substantially support any loan guarantee applications where the clients have collateral, these meetings helped the BEDC to ensure that its guarantee clients receive the support they need from these financiers.

- **Technical advice:** One of the primary responsibilities of BEDC officers is to provide the local community with business management advice. During this reporting period 487 individuals received expert advice and guidance on areas of business management , including:
 1. Developing a business plan
 2. Bookkeeping/accounting
 3. Managing cash flow
 4. Inventory and stock controls
 5. Expense and overhead controls
 6. Developing marketing and communication strategies
 7. Relevant taxes and Government regulations
 8. Lease arrangements
 9. Insurance requirements
 10. Staffing issues/policies
- **Resource Library:** The BEDC's library continues to be a source of information for the local public. It 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:** Throughout its tenure the team at BEDC has developed relationships with many organisations, professional groups and Government departments. These relationships are utilized to ensure that accurate and timely advice is provided to BEDC clients. In addition, these partnerships are leveraged in order to extend additional services and support to stakeholders.

Client activity

During the year ended 31 March 2012, BEDC officials provided technical advice and guidance to 487 clients of which 173 were new. While the majority of these clients were seeking advice on start-up businesses, there was also a rising trend of existing businesses seeking business and financial management advice.

Client Watch List

The BEDC Client Watch List is a tool that identifies guarantee clients that may be in need of additional support. These clients are flagged when and if any loan payments are missed or if the bank determines there may be an issue. Starting in April 2012, all Officers at the BEDC started intensive management of the Watch List clients under their purview, and efforts were made to meet with as many of them as possible over the year. The objective of close monitoring of the Watch List was to liaise proactively with clients and banks in order to minimize having calls being made on the BEDC guarantees.

Guarantee Proposal Recommendation Development

The BEDC staff met on a weekly basis to develop and enhance their financial analysis skills and credit proposal writing. During these meetings, the team developed an excel-based financial model template

containing revenue drivers, cost drivers, and integrated balance sheet, income statement and cash flow projections. They also developed a 12-Point Guarantee Proposal Template Guidance Document. These tools were implemented to assist with the preparation of Guarantee Proposals and to standardize the process for applying for guarantees.

Seminars and workshops

Seminars and workshops are a key communication strategy to reach BEDC clients. The topics covered in these seminars and workshops are of interest to local business owners and aim to provide stakeholders with required tools to successfully conduct a business.

During the reporting period ended 31 March 2012, the BEDC conducted and/or sponsored 5 seminars/courses, details of which are listed below. These topics included a variety of topics including managing existing and new customers, business mentoring, career development and contractor compliance.

At the end of each seminar, participants' feedback was garnered for the benefit of future programmes as well as to maintain an understanding of topics that our stakeholders are interested in.

May 11, 2011 – Contractor Compliance Matters Seminar

Thirty people participated in this seminar, which focused on occupational safety and health requirements for the construction industry, administration process for subcontracting for the hospital project, requirements needed for subcontractors to be considered for projects and mobilization of financing from banks – how to apply and what it is used for. One attendee remarked that as a result of attending the seminar he would "Take steps to meet the standard requirements of subcontracting."

November 16, 2011 – Business Mentoring Seminar

Over 70 people attended the Business Mentoring Matters seminar. This seminar was held as part of Global Entrepreneurship Week, an annual event that occurs around the world where entrepreneurship is celebrated, and provided opportunities for attendees to get support and advice from a group of mentors in the following industries: Financing, Human Resources, Marketing, Cash Flow Management and Strategic Planning. The majority of the attendees found this workshop to be excellent and beneficial because of the information that was shared and the opportunity to network with others.

August 25, 2011 – Small Business Networking Event

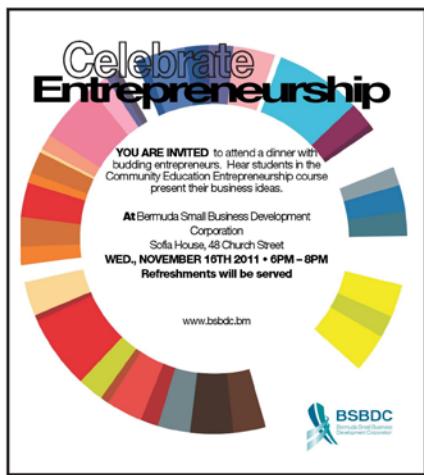
This was the 2nd Annual Small Business Networking Event and seminar created to provide a much-needed platform for stakeholders to interact with each other and gain advice and information from business vendors such as lawyers, accountants, IT specialist, PR firms, banks, government departments. BEDC invited international guest speaker Magnus Greaves co-founder of 100 Urban Entrepreneurs to speak to the over 265 people that participated. Mr. Greaves maximized his time in Bermuda by also facilitating a Breakfast for entrepreneurs in the EEZ as well as a Lunch & Learn for young people with entrepreneurial aspirations. Ninety-eight percent of those evaluated agreed that this seminar provided material that they can use in their business.

January 25, 2012 – Managing Existing and New Customers Seminar

Over 50 participants attended this seminar. The topics covered included improving customer service and staff relations, and marketing and branding advice. The feedback from attendees indicated that over 95% of the participants found the workshop useful, while 88% found that the material used was helpful.

Community Education Partnership - Entrepreneurship Course

The BEDC in partnership with the Community Education Programme facilitated three Entrepreneurship Courses over the reporting period. There were a total of 32 students enrolled in the courses. Through the Entrepreneurship course, students learn of the process of creating a business plan and covered



topics that include: legal matters, marketing research and advertising, financial management including pricing products and services, Government obligations, obtaining bank financing. The course

curriculum was enhanced with guest experts who provided guidance of each of the listed topics. The course culminated with the final presentation of business plans from each of the participants. This last

class for the winter course occurred during Global Entrepreneurship Week where students participated in a Celebration of Entrepreneurship event which saw them deliver their completed business plans to a panel of industry and community leaders who provided them with feedback.

Small Business Development

During the period ended March 31, 2012, BEDC provided advisory and business consultancy services to 487 clients, extended 7 guarantees to new small businesses totaling \$472,539 and coordinated 5 seminars and workshops on topics of appeal to small and medium business owners. The annual small business networking event held in August 2011 was particularly helpful in allowing small business owners to network with each other and with other different types of stakeholders.

As the authoritative body of local business information in Bermuda, the BEDC continued with its mission of connecting with a variety of stakeholders by strengthening our public relations and communications channels. It continued with Business Buzz, its monthly advice column in the Royal Gazette, and with Mind Your Business, its weekly radio show on HOTT 107.5. Both channels of communication allowed it to reach out to the public at large providing them with business guidance, advice and assistance on a variety of topics related to starting and managing a successful business. Additionally, the EEZA team continued with EEZy Does It!, the monthly Bermuda Sun series focusing on topics related to businesses and residents located in designated EEZs.

The BEDC Small Business Construction Incubator (SBCI) graduates established The Bermuda Small Contractors Association which was created to continue to support small businesses in the Construction industry but specifically for those graduates of the SBCI. The BEDC continued to provide patronage to this group as it sought to increase its membership base and work together to assist each other in finding work and creating synergistic relationships to bid as a sub-contracting group. BEDC facilitated The Hands Up Empowered programme to continue to assist graduates in obtaining gainful employment in both the public and the private sectors, utilizing the skills and knowledge gathered in the SBCI programme by assisting with the identification of work opportunities for SBCI graduates with Government.

In addition, steps were taken to revamp the existing mentorship programme, Partnering for Success (PFS), into one with an element of coaching with volunteer industry leaders.

Last but not least, the BEDC continued to engage in constructive dialogue with its financial partners in its continued effort to facilitate budding entrepreneurs and has completed the two financial years in this reporting period on multiple levels – outreach, presence and impact on the society.

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 an Agency within the BEDC to oversee the establishment of Zones throughout the Island and to ensure that special programmes are carried out.

The EEZA team was expanded to include two additional Officers, each of whom was assigned a satellite office at either end of the island.

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 the newly established EEZs in the East and West ends of the Island. The current incentives and aid available to stakeholders in EEZs include the following:

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

During the reporting period, and in terms of progress on EEZs, the portfolio running totals as of March 31, 2012 were:

- ✓ 6 EEZ grants totaling \$58,539 and 2 EEZ loans totaling \$15,000,
- ✓ 1 Payroll Tax concession, and
- ✓ 2 Customs Duty deferrals totaling \$4,405

The Free Vendor Markets continued to maintain a membership of over 200 registered vendors, and continued to provide a platform for members to gain exposure, learning and know-how as entrepreneurs. Moreover, BEDC engaged in the process of drafting new vendor legislation to replace the existing Pedlars Act. The new EEZs in Somerset and St. George's became fully functional and actively engaged in increasing stakeholder benefits and welfare. Of the two, St. George's remained focused on tourist and home-based businesses.

North East Hamilton Economic Empowerment Zone (NEHEEZ)

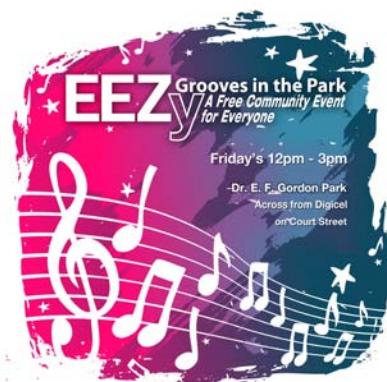
- a. **NEHEEZ Expansion/Transition Zone** – The Transition Zone & Local Plan research work undertaken on the potential expansion of the NEHEEZ to surrounding transition areas was completed. In this regard, there were in-depth surveys of identified 115 businesses between the Happy Valley Road and North Shore Road in addition to research into transition/buffer zones and urban development policies. Meetings were also held with significant stakeholders such as the Hamilton Corporation, the Department of Airport Operations, etc. Last but not least, the EEZ continued to provide development advice on NEHEEZ applications to the Department of Planning and to property owners. The recommendation report based on the findings were completed and presented to the Minister during the reporting period.
- b. **NEHEEZ Map Directory** – On February 2, 2012, the foldable pocket-size map of NEHEEZ was launched. The map contains a listing of over 200 businesses in the NEHEEZ and has been distributed to various hotels, Visitor Information Centres, businesses, and other key locations throughout Bermuda.
- c. **NE Hamilton Infrastructure** – Work proceeded to upgrade and underground all of the overhead cables running along Court Street, which had been advocated for many years and was hoped to result in the on-going beautification of Court Street. There are longer-term plans to continue the same throughout NE Hamilton.
- d. **Youth Development Zone** – The EEZA partnered with the Department of Youth & Sports and The Family Centre to establish NE Hamilton as a Youth Development Zone, with the Centre on Angle Street as its hub. Programmes that would be established are the Youth Police Initiative (modeled after the US) and the Youth Leadership Academy. The EEZA planned on bringing to the partnership the youth entrepreneurship component. The plan was to get funding to work with 60 children from the neighbouring area for 1 year, costing approximately \$280,000.

Furthermore, PRIDE worked with CADCA (community coalition building), and conducted 2 training programmes. The final objective was to build a Coalition Academy Advisory Group to drive community change in NE Hamilton, Pembroke and surrounding areas.

YDZ Meeting: Family Centre and Principals of all public schools in Pembroke from pre-schools to high schools took part in this meeting, which covered the programmes that are available to

students along with a discussion of challenges currently faced by students. Furthermore, introducing the concept of YDZ, gathering information on their current issues, identifying their priority needs and getting their buy-in to be partners in YDZ were also part of the agenda.

- e. **Venture Capital Fund for NE Hamilton** – The BEDC is keen to look at sources to secure venture capital to the EEZs. The plan is to focus investment on a specific tangible development project in NE Hamilton EEZ. The research in this regard was centred on the idea of a Convention Centre. EEZA held preliminary discussions in this regard.
- f. **PurEnergy** – EEZA held preliminary discussions with high level stakeholders to discuss opportunities for renewable energy in the energy supply mix for NE Hamilton.
- g. **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.
 - **Angle Street Community Association** – The EEZA supported the association's annual grassroots community get-together (annual block party) as well as their fundraiser event by providing assistance with advertising and marketing. The fundraiser was completely sold out and a huge success.
 - **EEZy Shopping, Dining, Living** – In partnership with NE Hamilton EEZ businesses, the EEZA launched this promotion on May 20, 2011 to give special discounts and incentives to Government workers expanding from the original concept of welcoming the workers in Dame Lois Browne-Evans building to the EEZ.



- **EEZy Grooves in the Park** – In partnership with NE Hamilton EEZ stakeholders the EEZA launched this initiative on May 20, 2011 in order to bring entertainment into the zone on Fridays at lunchtime to entice workers to consider NE Hamilton for lunch, shopping, and other services. In both reporting periods, the EEZA managed to organize lunchtime entertainment for the community.

- **EEZy Money** – In partnership with NE Hamilton EEZ stakeholders and Power 95, Mix 106, and HOTT 107.5, the EEZA held a Holiday Shopping Discount event for area businesses.

- **HSBC Community Week** – The EEZA office led this community volunteer week project and supported 150 HSBC volunteers during October 24 – 28, 2011. The murals have enhanced the beautification of NE Hamilton and revitalizing Princess Terraces provided a boost to residents in that complex.
- **Family Connect** – The programme was expanded and moved from the EEZA boardroom to the Centre on Angle Street to capture more participants. This was also a first step towards developing a Youth Development Centre, with the Centre as the hub for activities.
- **Restaurant Week** – The programme, partnered with MEF Group, included the NE Hamilton EEZ restaurants that aimed to be exposed to additional clientele and introduce them to their foods.
- **Big Brothers and Sisters** – This was a community outreach programme to support the families of the area, and to get them involved in community workshops.

NE Hamilton EEZ Meetings

During the reporting period ended 31 March, 2012, the NEHEEZ conducted several meetings with different stakeholders, which ended into actionable agendas for the benefit of EEZ constituents.

- Coalition for the Protection of Children –
 - i. Microloan programmes to support entrepreneurs with start-up capital, focusing on single mothers in Bermuda. Applicants would be required to complete the Community Entrepreneur Class facilitated by BEDC, and a guarantor is required to ensure repayment by the client.
 - ii. A new Habitat for Humanity programme was launched, focusing on painting and minor works on NEHEEZ homes, and with a budget of \$20,000. The first beneficiary was Hope Homes on Brunswick Street.
- Corporation of Hamilton Utilities Committee Meeting – Discussions included the current city road works, undergrounding cables, beatification through art, and setting up new traffic lights
- Corporation of Hamilton Business Advisory Committee Meeting – The focus was on how Hamilton could compete globally. To this end, the subjects at hand were city infrastructure development and improved city security.
- Department of Planning (Forward Planning Section) – Discussions on moving the NEHEEZ Local Plan forward.

Somerset Economic Empowerment Zone (SEEZ)

This EEZ was signed into assent then Gazetted on April 1, 2011. Subsequently, the Economic Development Officer position of the SEEZ was filled and office space was secured. To clarify the EEZ designation and its consequences on the local marketplace and to inform stakeholders on how to take advantage of the current incentives and aid available, the BEDC conducted a public meeting on July 13, 2011 that was attended by participants from the local community. The Somerset EEZ office was officially opened on June 14, 2012.



Several meetings were conducted with the business community in the locality to explore avenues of helping them grow their businesses. To this end, Somerset EEZ secured an agreement from WEDCo to allow Somerset businesses to display their business information in Dockyard at a Somerset information booth/table, and had several meetings with the Department of Parks with regards to creating some entrepreneurship opportunities at Long Bay and Mangrove Bay.

Somerset EEZ also partnered in and/or was involved in organizing several events including the Christmas Wonderland Event, Sandys Parish Council Networking Cocktail Event, Mangrove Bay Beach Concession and the 360 Adoption of Sandy's Middle School Luncheon.

To increase community engagement and development, SEEZ had additional monthly meetings with Sandys Parish Council Stakeholders, Somerset Community Planning and Development and West End Division of Chamber on an ongoing basis:

- **Somerset Community Speaks** – SEEZ partnered with The Sandys Parish Council, Sandys 360, Kiwanis Club of Sandys, Sandys Middle School, Somerset Police, Somerset Cricket Club, Sandys Rotary, West End Ministerial Alliance, National Training Board and key small Somerset businesses to host the Somerset Community Speaks event, held on February 16, 2012 at Sandys 360. More than 400 people attended to hear community stakeholder's dialogue around Somerset challenges and forward opportunities. In addition to organizing community leaders, the SEEZ presented on the topic of '10 Somerset Business Opportunities.'



- **Business Cooperative Session** – focused group meetings were conducted with Somerset businesses to receive their feedback. There was active dialogue on Somerset's business cooperative positioning and relationship with other similar entities.
- **Somerset map** – SEEZ met with Aardvark Communications to discuss developing and designing a Somerset map.
- **National Library Partnering** – SEEZ started discussions to partner with the Bermuda National Library to establish a branch in Somerset for nominal rent.
- **Mangrove/Long Bay Beach RFP Process** – SEEZ started exploring non-subsidy options for Mangrove and Long Bay Beach Development.
- **Historical/Forward vision brochure** – SEEZ commenced drafting a document taking into account bridging SEEZ set-up data/community information and forward vision for regeneration.

Significant projects and partnerships of SEEZ during the reporting period from April, 2011 to March, 2012 included the following.

- **Christmas & Somerset Marketing Initiative** - SEEZ partnered with the Sandys Parish Council (SPC) and Sandys Middle School (SMS) to lead a public radio marketing initiative. There were 6 radio broadcasts where SPC marketed their Somerset Bridge Winter Wonderland Event alongside SMS Students whom, within 12 days of Christmas theme, also discussed 2 Somerset Treasures on each of the 6 radio interview days. Some of the Somerset treasures discussed were Somerset Cricket Club, Somerset Bridge, Somerset Beaches, Long Bay Nature Reserve, Heydon Nature Reserve, Fort Scaur, Gladys Morrell Nature Reserve, Prince Albert Lodge and the Loyal Irresistible Lodge on Manchester Street.
- **Sandys 360, Scholar Athlete Arts Leadership Academy (SAAL)** – SEEZ partnered with Sandys Rotary with a vision of enabling the Rotary to fund Sandys 360's SAAL luncheon at Cambridge Beaches. SEEZ sponsored T-Shirts for the event.

St. George's Economic Empowerment EEZ

This EEZ was signed then Gazetted on April 1, 2011, allowing stakeholders to take advantage of the various incentives and aid available. A permanent office space was secured at the Prince Albert Lodge, allowing the office to relocate from its temporary location in the Town Hall. The BEDC conducted a public meeting on July 14, 2011 to explain the EEZ designation and what it meant to stakeholders. The meeting was attended by participants from the local community.

The St. George's EEZ is primarily focused on two types of businesses, namely, tourism-based and residential based.

- Tourism – The focus is mainly on uncovering new excursions, services and partnerships and means of increasing the energy and utility of King's Square and other properties for tourist activities.

- Residential – While working closely with clients who are already in business, providing them with advisory services in improving their current business activities, meetings were also held with people, particularly young entrepreneurs, who are keen to open new businesses.

The St. George's EEZ conducted several meetings and formed several associations in the period ended March 31, 2012 to increase its impact on society.

- **National Concierge Day** – The event was expanded with the help of the Chamber of Commerce, adding a bus tour to St. George's and a tourist industry trade show at the Hamilton Princess. The bus tour included approximately 40 people and involved a 30-minute walking tour around the Town. The tour highlighted historic points of interest and many of the new businesses around the town.
- **Business/Property Owners' Meeting** – This was attended by about 50 participants. People who were interested in forming a 'task force' signed up and met on a continuous basis in the reporting period ended March 31, 2012.
- **St. George's Foundation** – Meeting were held to discuss the status on the St George's Discount Card and whether it could be resumed and focused towards locals as opposed to just visitors.

One of the major projects for the East End was to re-open the St. George's Golf Course to spur economic stimulus for the Olde Town, and an agreement was facilitated by the EEZA and signed by several stakeholders on May 6, 2011 to this end.

Free Market Vendors' Initiative

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

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

The BEDC'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 BEDC, and other Government entities.

- Rubber Tree Market – The Rubber Tree Market continued to be a well-established, family-friendly, vibrant market that assembles on a weekly basis. Towards the 2012 fiscal year-end, the Rubber Tree Market Committee had taken over many functions of the EEZA and had become more independent in managing its own affairs. There have been events organized at the market from time to time, with the latest addition of a mobile library from the Bermuda Library.
- Olde Towne Market (St. George's) – Launched on October 31, 2010, a few concerned citizens of St. George's organized the Olde Towne Market with support from the Corporation of St. George's and the EEZA, which serves on its steering committee. Operating

once a week during the weekend, the market has been well subscribed with vendors and visitors and has approximately 25 vendors participating every week along Water Street. It provides locals and tourists with access to local made products, fish, produce, baked goods and more.

- Hidden Treasures Market (Somerset) – This market continues to operate at Springfield Community Centre every other Saturday. Following meetings with key Somerset stakeholders, business owners and influences, the Somerset EEZ has taken the initiative to help grow this market. The People’s Market was studied as a model to understand and learn from their experience how to run this market. Creative events were held such as “Our Bermudian Heritage” to attract crowd to the market. The market continued to grow in terms of activities and events.
- St. George’s Day Market – This market was launched on July 12, 2011 on Ordnance Island and targeted visitors from the cruise ships. The market was scheduled to run every Tuesday from 11 am to 4 pm and was timed to coincide directly with the Government tender and ferry schedules.

Small Business Construction Incubator

- Hands up Empowered Programme - The ‘Hands-Up Empowerment Programme’ was borne as the second phase of the Construction Incubator with the objective of increasing the ‘pool’ or number of local contractors with the contract management knowledge and skills who can effectively provide construction services on public projects. BEDC and the Ministry of Public Works partnered to ensure that graduates of the Construction Incubator have access to a series of small projects that will allow them to apply the knowledge that they learned as graduates of the Construction Incubator programme.
 - The first of these projects was Sea Song. Through BEDC’s tendering process one of the graduates of the Construction Incubator, Solo Contracting Limited was selected as the successful winner of the bid. The 7-week project started on July 18, 2011, and was completed towards October, 2011, with all jobs completed on time and under budget, for a total cost of \$136,000.

Other opportunities for SBCI graduates during this reporting time included:

1. Bus shelter renovation in Southampton
2. Renovation of Magistrate’s Courts
3. West End Primary School
4. Walls repair for Ministry of Public Works

- Jobs Programme – The purpose of the programme was to help employ 23 unemployed people. Participants were recruited from Labour & Training and Financial Assistance for a 10 week job stint, 20 were hired to do the manual labour and 3 administrative support persons were hired. Candidates were chosen for minor/temporary employment in various projects such as painting the stand-alone post office boxes throughout the Island. A successful contractor with the Small

Business Construction Association was selected to manage the projects and the workers. A job fair and training seminar was held with the potential employees on August 11th. The programme was completed, under budget, in mid-December, 2011.

This programme also resulted in a participant to bid for and win the cleaning contract for the Dame Lois Brown-Evans building: Stardust Cleaning hired staff from the Department of Labour and Training's list, and benefitted from additional support from the BEDC in the form of training and cleaning workshops.

- West End School Small Business Construction Incubator (SBCI) Project - SEEZ partnered with the Estates Department and Department of Education to work with the BEDC's SBCI clients to facilitate a West End School work bid process. Two successful SBCI clients were selected to complete \$80,000 worth of Department of Education work at the school in Somerset.
- SBCI Mobilization - There were 3 SBCI mobilizations in the year ended March 31, 2012, totaling \$41,000, with \$35,000 paid back by August 2011.
- The Bermuda Small Contractor Association - Formed from SBCI input provided by the BEDC. The



group continues to increase their member numbers who work together to find work and create synergistic relationships to bid as a subcontracting group. A networking event and fundraising event for



members of the Association and the Construction Industry at large was held on August 18, 2011 and gave smaller business owners the opportunity to network with larger more established service providers in the Construction Industry.

Youth Entrepreneurship

- **Global Entrepreneurship Week (GEW) held November, 2011**

Global Entrepreneurship Week Bermuda 2011 took place Nov 14 – 20, 2011. With 9 partners, 8 events, 5,135 participants over half of Bermuda's population of sixty thousand people were touched by entrepreneurship.



The GEW Host Committee, BEDC and the Youth Entrepreneurship Initiative of Bermuda officially launched GEW with Press Conference on Nov 14th. The Minister of Economy Trade and Industry, The Hon. Patrice Minors stated: "We are keen to continue to ignite the passion with our existing and new entrepreneurs, by encouraging imagination, innovation and ultimately rewarding their creativity." The Minister also shared that over the past 4 years, the Bermuda initiative has created over \$200K in financial support..." for entrepreneurs.

Coinciding with the launch of GEW, local cable channel, Bermuda Sports Network also re-aired last year's episodes of the Launch Pad which featured 8 Bermudian entrepreneurs seeking financing by pitching their ideas to three local banks, HSBC Bermuda, Butterfield and Capital G.

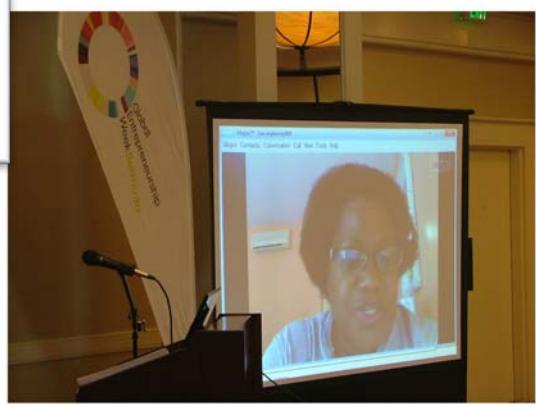
On November 13th and November 20th, on BEDC's Sunday evening radio show, Mind Your Business, entrepreneurs, Alexandra Mosher and John Narraway were interviewed about their businesses. Ms. Mosher shared the process of starting her online business, Alexandra Mosher Jewelry and how participating in previous GEW events has helped to advance her business. Mr. Narraway discussed the transition from winning 2nd place in last year's Rocket Pitch for the Lyter Group to running a fledgling business.

On Tuesday, Nov 14th an educational seminar entitled 'Shopping Carts, eCommerce and eBilling 101' was held. Industry leaders and entrepreneurs discussed how to incorporate ecommerce into an online business. This seminar was the lead up to another GEW event, eMonday. On this day eTailers offered promotions and discounts to encourage Bermudians to shop local online.



objective of seasoned and new entrepreneurs with issues around: Obtaining Financing, Human Resource Management, Marketing and Promotions, Managing Cash

BEDC hosted a breakfast seminar entitled Business Mentoring Matters on Wednesday, November 16th. Over 70 existing and potential entrepreneurs participated in Group Mentoring Sessions led by industry professionals with the



Flow and Strategic Planning for Business Continuity. During the 3 ½ hour session participants were also treated to a Skype presentation from mentoring expert, Marcia Brandon Executive Director of the Barbados Youth Business Trust. Mrs. Brandon was integral in helping BEDC establish its Partnering for Success Mentoring Programme. Mrs. Brandon offered that mentoring for young entrepreneurs is vital to the success of their businesses.

Wednesday evening, students enrolled in the Community Education Entrepreneurship Course and celebrated the completion of the course by presenting their business plans and networking with entrepreneurs. Fifteen students completed the course. One participant remarked that the course helped them to further refine their idea and start developing their business plan.

The 4th Annual Rocket Pitch Competition, sponsored by Butterfield and Capital G, again served as a catalyst to encourage would-be entrepreneurs to get their ideas off the ground. This year, the judging panel included Michelle Khaldun, BEDC General Manager; entrepreneur and BEDC



Chairman, Anthony Foster, and Taiwo Ogunyemi, Vice President Corporate Banking, Butterfield and Michael Veale, Sr. Vice President, Capital G. Six young entrepreneurs pitched their business ideas in hopes of winning part of a \$4,500 cash prize. 1st, 2nd and 3rd place prizes went to Kristan Ball for her Bermuda Parent Magazine; Alex Jones for Mantastic Shopping (the solution for men buying their partners the wrong gifts); and finally Natalie Bennett and Stuart McIntosh for Island Sole.

- **Career Fair held on October 12 - 13, 2011** – BEDC continues to sit in the steering committee of the Career Fair. Thousands of youngsters attended the fair at the Bermuda College to benefit from over 100 career opportunities featured. The BEDC display featured entrepreneurship quizzes and prizes, and was cited in the press as one of the most popular booths. The BEDC noticed burgeoning interest in beauty, barbering and skin care professions among the youth.



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- **Sandys Middle School M3 Girls Small Business Rap Session** – This was a session focused on 30 M3 Girls to discuss what it takes to be an entrepreneur.

Small Business Sector Representation

Retail Development Programme (RDP) – 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: 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 Board and highlighted seven development 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, it was decided to establish a Retail Development Programme utilizing an instruction model that was already established with the SBCI.

The 6-week curriculum was developed and the incubator courses commenced in early 2012. The first cohort was celebrated at a graduation ceremony that was held after the reporting period on April 12, 2012, in the BEDC training room.



BEDC subsequently conducted discussions with Butterfield Bank to create a RDP Mobilization Loan for the participants. By the end of March 31, 2012, the details of the loan programme were still being finalized.

Government Policy Meetings

- BEDC was consulted on Government Procurement policies and processes presently being drafted and provided feedback and information on programmes in other jurisdictions that allow and enable business owners to successfully bid for Government contracts.
- Two members of the Bermuda Deposit Insurance Corporation Board (BDIC), recently established to administer an insurance scheme and manage a fund to protect individuals, charities and small businesses in the event that a bank fails, met with BEDC. The meeting was to discuss the BEDC Register and understand how to use the register to assist in determining the value of the fund that is to be funded by its members such as the banks and credit union as the BDIC establishes the first phase of this insurance fund to cover depositors up to a maximum of threshold of \$25,000 in accordance with the Deposit Insurance Act 2011. One of the definitions of “an insured depositor” is “a company that is registered in the Register of Small Businesses maintained by the Bermuda Economic Development Corporation.”

Other Developments and Initiatives

- **Government Concessions & Incentives Guide** - The BEDC started the process of creating the first subject guide in 2012. This is a document that identifies the concessions and incentives available to entrepreneurs throughout Government Departments by industry sector. The Guide further showcases business opportunities that can be created to take advantage of the concessions.
- **Entrepreneur Course, Community Education** – This is a regularly-held 8-week course that covers all aspects of entrepreneurship from preparing financial statements to marketing to preparing a business plan, etc. It also features guest speakers who present on their specialist areas.
- **Mind Your Business (MYB)** –BEDC partially-sponsored weekly radio show on Hott 107.5 continued to 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 BEDC and the current benefits in place to assist small businesses. Since its launch, the Corporation hosted 32 shows in the reporting period ending March 31, 2011 and a further 19 shows by March 2012. The discussions focused on topics ranging from the BEDC’s service offerings to how to start and market your small business. The MYB show was a platform to give the small business owner an outlet to promote their business by way of personal interviews. BEDC continued to reach out to the community at large via the weekly programme on HOTT 107.5, on a variety of topics related to business and entrepreneurship. BEDC managed to renew its sponsorship contract thanks to funds raised in partnership with Link Bermuda.
- **Business Buzz** – BEDC continues to reach out to its stakeholders via print media through its monthly article in the Royal Gazette, covering timely and practical business topics.
- **EEZy Does It!** – This is another monthly article authored by the EEZA team and published in the Bermuda Sun. Its first article was published on February 13, 2012.

- **CITV Today** – This is BEDC's means of reaching out to the community using visual media, broadcasting different interviews and programmes on BEDC initiatives with resource personnel from BEDC.
- **Partnering for Success programme (PFS)** – It was decided that a coaching programme would be instituted, upgrading the existing PFS programme into more of a coaching plan with industry leaders volunteering to meet with the general public on a variety of topics. Businesses were surveyed regarding needed services, and sponsorship and assistance has been discussed with the US State Department. Potential mentors were contacted via Volunteer.bm and social media.
- **Link Bermuda News Letter** – BEDC drafted a newsletter in collaboration with Link Bermuda, which is to be sent out to BEDC Register.
- **eMonday activity** – The goal of the eMonday initiative was to support and encourage the development of local e-commerce business in Bermuda. The eMonday website was developed as a directory of local eTailers on the island. It is also a vehicle to promote online shopping, including tips for eTailers regarding e-commerce. eTailers were encouraged to participate and offer discounts to online shoppers for 24 hours on December 5th 2011.



eMonday
SHOP BERMUDA ONLINE

SPONSORED BY:

- BEDC** (Bermuda Economic Development Corporation)
- NORTH ROCK COMMUNICATIONS**
- GOVERNMENT OF BERMUDA**
The Ministry of Business Development and Tourism
The Department of E-Commerce
- THE BERMUDA YES** (The Bermuda YES is a transfer of control)

Are you an eTailor?
Attend the Customs Workshop
Customs duties made clear: A guide for entrepreneurs.
Do you have questions customs clearance and processes?
Then attend the **FREE** eMonday workshop for answers.
Register for our eMonday Workshop:

Thursday, November 1st from 5:30pm - 7:30pm at
The Bermuda Chamber of Commerce, Front Street, Hamilton, Bermuda
Next to the Ferry Terminal.

Bermuda Customs Agents will be on hand to provide you with best practices and
processes as eTailers regarding customs procedures.

Register to attend the **FREE workshop.**
To sign up and for more information visit www.emonday.bm

eMonday 2011 was sponsored by the Department of E-Commerce within the Ministry of Business Development and Tourism, BEDC and the Bermuda Chamber of Commerce – Retail Division. Butterfield, HSBC Bermuda and

Capital G were participating sponsors offering services and advice during the educational sessions. One educational session was offered during Entrepreneurship week at the Hamilton Princess. This was organized by BEDC and YEI – The Youth Entrepreneur Initiative.

Thirty-five eTailers participated in eMonday ranging from retailers to service providers. Some additional statistics include:

- 4,800 visitors to eMonday.bm came from Bermuda, US, Canada, the UK, Spain, Mexico, Philippines, Antigua, Barbuda and Australia
- Over 5,000 page views
- 143 likes on Facebook

Looking Forward To 2012-2013

The BEDC intends to deliver the following core and newly revised programmes in the next fiscal year 2012-13:

- a) **Business Advice** - The main remit of the Corporation is to assist with the development of the small business sector through the provision of technical advice. In 2012-2013 this remit will continue through the provision of face-to-face client meetings; online advice and information; and educational seminars and workshops. In addition to the advice given in individual client sessions, the BEDC 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.
- b) **Loan Guarantees** – In addition to providing advice to those who want to start a business and those already in business, the Corporation will continue to provide 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 (security) for business loans. BEDC will continue to be the guarantor of last resort guaranteeing up to 50% of any loan made to a local small or medium sized business by a bank, to a maximum guarantee amount of \$200,000, and will continue to work with the island's financial institutions ensuring that other forms of security and collateral are used first.
- c) **Construction Incubator** - Launched in 2007 and designed specifically for the small construction contractors, this initiative aimed to strengthen the leadership and business acumen of Bermuda's small construction related businesses. Graduates of the 16-week programme became better capable of successfully competing in the Bermudian construction industry. After six successful cohorts, the Construction Incubator moved to Phase II of its development in 2009 when the BEDC forged a partnership with the then, Ministry of Works & Engineering, in a programme called Hands Up! Empowered, for the benefit of all SBCI graduates. Supported by the Ministry of Works & Engineering, this initiative ensured that graduates of the Construction Incubator continued to benefit from BEDC consulting services as they bid for jobs and managed them from project inception to close-out. In 2012-2013 graduates of the incubator will be eligible for the Butterfield Bank Mobilisation Loan Guarantee Programme with up to a 100% BEDC loan guarantee from the BEDC with a maximum one-year term.
- d) **Economic Empowerment Zones** - Under the Economic Development Act 1968, the BEDC continues to forge ahead in establishing Economic Empowerment Zones across the Island. Economic Empowerment Zones are designated areas 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 first EEZ was established in 2007 in North East Hamilton with over 200 businesses in the NE Hamilton database. In 2011-2012 two additional EEZs were established in Sandy's Parish and in St. George's Parish

respectively. The policies and products the BEDC and its Economic Empowerment Zones Agency (EEZA) have developed to assist in the redevelopment of the NE Hamilton EEZ will be extended to the new EEZs. This includes EEZ grants, EEZ interest-free loans, EEZ payroll tax concession for new businesses, EEZ customs duty deferment on capital items, seminars and workshops, and support to community organizations. The EEZA will also develop specific policies and products for these new zones.

- e) **Free Market Vendor Sites** - In 2008, the Free Market Vendor Sites Pilot Program was launched to support and encourage micro-enterprise within our community by using public sites throughout the Island for the benefit of current Pedlar's License holders who sell on the road side. The idea was for them to meet in one designated location and sell their wares on established market dates. This BEDC initiative aimed to provide a collective, vibrant marketplace for road side vendors, which would alleviate the presence of road side vending. Currently there are over 200 vendors registered in the vendor database. In 2011-2012, BEDC continued to expand the programme to create active vendor markets in other locations, especially within the new EEZs. This consisted of partnering with existing markets and providing them with advice and support to strengthen their operations. In 2012-2013, the work is to be finalized for making recommendations to modernize the legislation by repealing the Pedlar'Act and instituting a new modern Vendor's Act.
- f) **Partnering for Success** - In keeping with the Corporation's strategic plan to establish a mentorship programme for fledgling entrepreneurs, the Partnering for Success mentoring programme (PFS) was developed as 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 guide, advise, encourage and support them through the development of their businesses. The goal of PFS is to provide BEDC clients with additional support through mentorship and professional business counseling. Evaluation of this programme during the past year indicates that revisions to the structure are required. As a result a more flexible coaching initiative is in the making which is to be launched early summer 2012.
- g) **Global Entrepreneurship Programmes** - Global Entrepreneurship Week is a worldwide event which aims to encourage the spirit of entrepreneurship, innovation and creativity globally. BEDC has been a member of the Bermuda Host Committee since its formation in 2008. Along with over 100 countries around the world, Bermuda has celebrated entrepreneurship in 2009 through 2011 with BEDC organising the following events:
 - i. Business Plan Competition
 - ii. Rocket Pitch Competition
 - iii. "Launch Pad" Competition and TV Series
 - iv. Face 2 Face Competition
 - v. e-Monday

BEDC has also supported youth entrepreneurship in Bermuda through hosting an Entrepreneurship Booth at the Bermuda College Career Fair, sponsorship funding to an Entrepreneur Column in Youth News and adhoc presentations to various schools and youth groups. In 2012-2013 BEDC will continue fostering entrepreneurship locally aligned with broader global movements.

- h) **Entrepreneurship Seminars & Education Programme** – In 2012-2013 BEDC will continue to offer the weekly Entrepreneurship class through the Community Education and Development Programme. Participants learn the basics of small business management and compile their own business plan. Presenters discuss the relevant legislation as well as the importance of budgeting and controls, financial management, human capital management, and customer service. BEDC will also continue its quarterly business seminars. Additionally, sponsorship will be sought to support its popular Sunday evening radio show, Mind Your Business.
- i) **Small Business Registry** - The Small Business Register currently lists the names, addresses, contact details and industry sector type of close to seven hundred small businesses in Bermuda. The project was initiated as a request by the Ministry of Finance to address a long-standing Management Audit Point in the Consolidated Accounts for the Government of Bermuda. In 2012-2013 BEDC will continue to register small businesses with the database eventually being able to provide detailed statistics on this segment of the economy.
- j) **Retail Sales Development Programme** – Following on the success of the Construction Incubator, BEDC undertook research into the challenges of Bermuda's retail sector in order to develop a programme to assist small businesses in this industry sector. In 2011-2012 the Retail Sales Development Pilot Programme commenced with the funding allocated to be used for setting courses to deliver education on inventory, marketing, staffing, best practices, and other retail areas. BEDC will also use the funds to find ways of helping retailers find shared venues and to cut down on cost by sharing resources, such as sharing brick and mortar buildings or a website for retailers to advertise and sell goods collectively. A second nine week Retail Development Programme will be held January 2013.

BEDC Key Member Profiles

Minister of Economy, Trade, and Industry

- Senator the Hon. Kim N. Wilson, JP

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

- Mr. Anthony Foster, Chairman
- Mr. Cyril Whitter Jr., Deputy Chairman
- Mr. George A. Scott, JP
- Mr. Curtis Dickinson
- Mrs. Laquita Hill
- Mrs. Lorianne Gilbert
- Mrs. Karen Tucker
- Mr. Sayeed Ramadan
- Senator 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)

Board of Directors from Jan 1, 2012 – Dec 31, 2012

- Mr. Anthony Foster, Chairman
- Mr. Curtis Dickinson, Deputy Chairman
- Mr. George A. Scott, JP
- Mrs. Laquita Hill
- Mrs. Lorianne Gilbert
- Senator David Burt
- Mrs. Kristi Grayston
- Mr. Ralph Adderley
- Mr. Ashfield DeVent, JP
- Mr. Andre Famous
- Mr. Hasan Durham (ex-officio)
- 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, 2011 - September 30, 2011)

- Ray Jones, Acting Comptroller
- Jamillah Lodge, Business Development Officer
- Roxanne Christopher, Business Development Officer, EEZ
- Dorothy Butterfield, Administrative Officer
- Valita Brown, Client Services Representative
- William Spriggs, Economic Development Officer, Somerset EEZ (commenced October 17, 2011)
- Corey Butterfield, Economic Development Officer, St. George's EEZ (commenced October 24, 2011)

Audited Financial Statements

**BERMUDA ECONOMIC
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

MARCH 31, 2012



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Home Affairs

I have audited the accompanying financial statements of the Bermuda Economic Development Corporation, which comprise the statement of financial position as at March 31, 2012, 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 Economic Development Corporation as at March 31, 2012, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.



Hamilton, Bermuda
November 2, 2015

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

BERMUDA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

	2012	2011
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents (note 4)	182,894	1,835,939
Accounts receivable and accrued interest (note 5)	67,377	59,939
Short-term investments (notes 6 and 11)	844,691	839,839
Long-term investments (notes 7 and 11)	734,141	734,141
	<hr/>	<hr/>
	1,829,103	3,469,858
LIABILITIES		
Accounts payable and accrued liabilities	74,933	45,212
Due to the Government of Bermuda (note 13)	224,877	94,683
Deferred revenues (note 13)	126,836	238,514
Post-employment benefits and compensated absences (note 14)	88,006	31,345
Provision for guarantee pay-out (note 17)	-	277,500
	<hr/>	<hr/>
	514,652	687,254
NET FINANCIAL ASSETS		
	<u>1,314,451</u>	<u>2,782,604</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	4,235	18,861
Tangible capital assets (note 8)	149,200	161,298
	<hr/>	<hr/>
	153,435	180,159
ACCUMULATED SURPLUS (note 11)		
	<u>1,467,886</u>	<u>2,962,763</u>

CONTRACTUAL OBLIGATIONS (note 16)

CONTINGENCIES (note 17)

APPROVED BY:

Eileen R. Smith
Executive Director

Melole J
Chairman

The accompanying notes are an integral part of these financial statements

BERMUDA ECONOMIC DEVELOPMENT CORPORATION
 STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
 FOR THE YEAR ENDED MARCH 31, 2012

	2012 \$ Budget (Note 15)	2012 \$ Actual	2011 \$ Actual
REVENUES			
Government of Bermuda - operating grant (note 13)	800,000	500,000	2,440,000
Government of Bermuda - grants from ministries (note 13)	-	437,043	-
Interest (notes 6 and 7)	-	18,372	28,436
Commissions	-	3,650	5,695
Rubbertree vendor rent	-	3,180	2,080
Repayment of guarantees	-	2,800	200
Seminar income	-	1,218	4,867
Miscellaneous	-	4,004	7,728
	<hr/>	<hr/>	<hr/>
	800,000	970,267	2,489,006
EXPENSES (note 10)			
General administration	1,490,939	1,366,356	1,316,583
Programs (note 9)	1,344,250	919,837	997,090
Professional fees	44,500	124,885	140,927
Amortization of tangible capital assets (note 8)	-	54,066	49,165
Provision for guarantee pay-out (note 17)	-	-	277,500
Payment of guarantees (note 17)	-	-	100,000
Provision for doubtful accounts (note 5)	-	-	23,344
	<hr/>	<hr/>	<hr/>
	2,879,689	2,465,144	2,904,609
ANNUAL DEFICIT			
	(2,079,689)	(1,494,877)	(415,603)
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
	<hr/>	<hr/>	<hr/>
ACCUMULATED SURPLUS, END OF YEAR			
	<hr/>	<hr/>	<hr/>

BERMUDA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2012

	2012 \$	2011 \$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,782,604</u>	<u>3,190,257</u>
Annual deficit	(1,494,877)	(415,603)
Change in prepaid expenses	14,626	(11,058)
Acquisition of tangible capital assets (note 8)	(41,968)	(30,157)
Amortization of tangible capital assets (note 8)	54,066	49,165
Changes in net financial assets during the year	<u>(1,468,153)</u>	<u>(407,653)</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>1,314,451</u></u>	<u><u>2,782,604</u></u>

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Annual deficit	(1,494,877)	(415,603)
Adjustment for items not affecting cash:		
Provision for doubtful accounts	-	23,344
Provision for guarantee pay-out	(277,500)	277,500
Amortization of tangible capital assets	54,066	49,165
Net change in non-cash working capital	<u>112,086</u>	<u>(71,309)</u>
Cash flows used in operating activities	<u>(1,606,225)</u>	<u>(136,903)</u>
CASH FLOW FROM CAPITAL ACTIVITY:		
Acquisition of tangible capital assets	<u>(41,968)</u>	<u>(30,157)</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of short-term investments	<u>(4,852)</u>	<u>(20,017)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,653,045)	(187,077)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,835,939</u>	<u>2,023,016</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>182,894</u>	<u>1,835,939</u>
SUPPLEMENTARY INFORMATION:		
Interest received	<u>4,852</u>	<u>20,017</u>

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

1. AUTHORITY

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, the Corporation is classified as an other government organization. These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada and the accounting policies considered particularly significant are as follows:

(a) Cash and cash equivalents

Cash and cash equivalents include all cash held with financial institutions that can be withdrawn without prior notice or penalty, and time deposits with an original maturity of 3 months or less from the date of acquisition.

(b) Accounts receivable

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

(c) Tangible capital assets and amortization

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

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

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

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

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

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

Interest is recognized as revenue when earned.

(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 public sector accounting standards generally accepted in Bermuda and Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable and accrued interest, investments, accounts payable and accrued liabilities, and due to the Government of Bermuda. These financial instruments are measured at cost or amortized cost.

It is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from these financial statements.

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

3. ECONOMIC DEPENDENCE

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

4. CASH AND CASH EQUIVALENTS

	2012	2011
	\$	\$
Checking account	82,866	1,595,042
Money market funds	-	141,008
Fixed deposit account	<u>100,028</u>	<u>99,889</u>
	<u><u>182,894</u></u>	<u><u>1,835,939</u></u>

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

5. ACCOUNTS RECEIVABLE AND ACCRUED INTEREST

	2012	2011
	\$	\$
EEZ loans	51,013	42,213
Accrued interest	52,652	26,909
Others	5,894	32,999
Less: provision for doubtful accounts	<u>(42,182)</u>	<u>(42,182)</u>
	<u>67,377</u>	<u>59,939</u>

6. SHORT-TERM INVESTMENTS

Temporary investments represent the various short-term deposits with maturity dates ranging from three months to one year with an average rate of return of 0.51% (2011 - 1.73%).

7. LONG-TERM INVESTMENTS

	2012	2011
	\$	\$
Fixed term deposit	734,141	734,141
Preferred shares - Cost	500,000	500,000
- Impairment	<u>(500,000)</u>	<u>(500,000)</u>
	<u>734,141</u>	<u>734,141</u>

Fixed term deposit represents an investment made by the Corporation at a rate of 2.68% (2011 - 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.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

8. TANGIBLE CAPITAL ASSETS

	2012			
	Office furniture & equipment	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Opening cost	135,591	219,417	38,855	393,863
Additions	8,813	-	33,155	41,968
Closing cost	144,404	219,417	72,010	435,831
Opening accumulated amortization	89,263	105,403	37,899	232,565
Amortization	17,263	33,547	3,256	54,066
Closing accumulated amortization	106,526	138,950	41,155	286,631
Net book value of tangible capital assets	37,878	80,467	30,855	149,200

	2011			
	Office furniture & equipment	Computer equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Opening cost	135,591	189,260	38,855	363,706
Additions	-	30,157	-	30,157
Closing cost	135,591	219,417	38,855	393,863
Opening accumulated amortization	72,734	73,137	37,529	183,400
Amortization	16,529	32,266	370	49,165
Closing accumulated amortization	89,263	105,403	37,899	232,565
Net book value of tangible capital assets	46,328	114,014	956	161,298

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

9. PROGRAMS

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

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

10. EXPENSES BY OBJECT

	2012 \$ Budget (Note 15)	2012 \$ Actual	2011 \$ Actual
General Administration:			
Salaries, wages and employee benefits	1,043,349	950,061	844,847
Rent	209,325	164,962	138,698
Materials and supplies	80,000	83,209	85,911
Communications and postage	40,065	65,999	60,155
Repairs and maintenance	5,000	31,972	12,939
Advertising and promotions	60,000	20,914	44,613
Meetings	9,000	9,540	4,873
Training	20,000	9,061	60,766
Property taxes	4,100	7,203	5,911
Travel, entertainment and gifts	10,000	6,954	24,334
Dues and subscriptions	6,300	5,860	5,606
Bank charges	1,800	4,224	3,326
Website	-	2,550	22,075
Miscellaneous	1,000	2,396	1,085
Water	1,000	1,451	1,444
	1,490,939	1,366,356	1,316,583

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

10. EXPENSES BY OBJECT (continued)

	2012 \$ Budget (Note 15)	2012 \$ Actual	2011 \$ Actual
Programs:			
Jobs Program	420,000	364,919	-
Economic Empowerment Zones	339,750	258,754	576,573
Events	82,500	84,597	116,496
Retail Incubator Program	120,000	74,534	-
Grants - Economic Empowerment Zone	170,000	58,359	83,184
Small Business Construction Incubator	150,000	47,298	139,711
Vendor Markets	50,000	31,376	81,126
Mentor Program	12,000	-	-
	<u>1,344,250</u>	<u>919,837</u>	<u>997,090</u>
Professional fees	44,500	124,885	140,927
Amortization of tangible capital assets	-	54,066	49,165
Provision for guarantee pay-out	-	-	277,500
Payment of guarantees	-	-	100,000
Provision for doubtful accounts	-	-	23,344
	<u>2,879,689</u>	<u>2,465,144</u>	<u>2,904,609</u>

11. RESTRICTED ASSETS

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

Contributors and amounts are as follows:

	2012 \$	2011 \$
Government of Bermuda	500,000	500,000
The Bank of Bermuda Limited	228,600	228,600
The Bank of N.T. Butterfield & Son Ltd.	228,600	228,600
Bermuda Commercial Bank Limited	42,800	42,800
	<u>1,000,000</u>	<u>1,000,000</u>

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

11. RESTRICTED ASSETS (continued)

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

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.

12. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various risks through its financial instruments. The Board has overall responsibility for the establishment and oversight of its risk management framework. The Corporation manages its risks and risk exposures through sound business practices. The following analysis provides a measure of the risks at the reporting date, March 31, 2012.

(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.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

12. FINANCIAL RISK MANAGEMENT (continued)

(i) Foreign exchange risk

The Corporation's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

(ii) Interest rate risk

The Corporation is exposed to changes in interest rates, which may impact interest revenue on term deposits, short-term investments and long-term investments.

13. RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common control to all Government 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 and grants from ministries

The Government provided the Corporation with a grant of \$500,000 (2011 - \$2,440,000) during the year to cover the operations of the Corporation.

During the year, the Corporation entered into a Memorandum of Understanding ("MOU") with the Department of E-Commerce and the Ministry of Business Development and Tourism to launch the eMondays initiative to educate entrepreneurs about the process of starting an online business and setting up E-commerce. In 2012, the Corporation recognized the grant received amounting to \$25,365.

In addition, the Corporation entered into a MOU with the Ministry of Economy, Trade and Industry, the Ministry of Government Estates and Information Services and the Ministry of Youth, Families and Sport to launch the small jobs initiative to support short-term employment opportunities for unemployed Bermudians registered with the Department of Labour and Training. In 2012, the Corporation recognized the grant received amounting to \$300,000.

(b) Due to the Government of Bermuda

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

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

13. RELATED PARTY TRANSACTIONS (continued)

(c) Deferred revenues

On November 20, 2008, the Corporation entered into a MOU with the Ministry of Works and Engineering. The MOU was established to set-up a budget to support small construction businesses and participants of the Corporation's Small Business Construction Incubator programme. In 2010, the Corporation recognized the grant received amounting to \$238,514 as deferred revenues. These funds will be amortized to revenues as the related expenses are incurred. During the year, funds amounting to \$111,678 (2011 - \$Nil) was amortized to revenues.

14. EMPLOYEE BENEFITS

(a) Contributory defined benefit pension plan

Employees of the Corporation are covered by the Public Service Superannuation Fund (the "Fund"), which is a defined benefit plan administered by the Government. Employee contributions to the Fund are 8% (2011 - 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 \$62,465 (2011 - \$54,468).

(b) Post-employment benefits

The Corporation provides its employees with greater than ten years of service with continued pay for a period of up to twelve weeks, subsequent to their retirement. The length of the continued pay is dependent on the length of service of the employee. An actuarial valuation was performed on March 31, 2012, using the projected benefit method, prorated on years of service.

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

There were no assets associated with this plan, as the Corporation provides fully for the benefit. There were no benefits paid by the Corporation during the year. The discount rate used to determine the benefit cost and accrued benefit obligation was 6.5%. Based on the employees currently eligible for this benefit, the actuarial valuation determined that the accrued benefit liability as at March 31, 2012 amounted to \$40,778 and is included in post-employment benefits and compensated absences.

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

14. EMPLOYEE BENEFITS (continued)

(c) Compensated absences

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

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognized when applied for and approved. There were no maternity benefits applied for or approved during the current year and therefore, no liability has been accrued in the accounts.

Sick leave 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, 2012 is \$47,228 (2011 - \$31,345) and is included in post-employment benefits and compensated absences.

15. BUDGET

These amounts represent the operating budget approved by the Board on March 2, 2011.

16. CONTRACTUAL OBLIGATIONS

The Corporation has entered into a lease agreement for the rental of its main office space. The lease expires on October 31, 2014 with monthly lease and service payments of \$7,948 plus a monthly service charge that amounts to approximately \$5,045 and is assessed annually by the landlord based on a reasonable estimate of annual maintenance cost. The remaining obligation under this lease is \$402,787.

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.

17. CONTINGENCIES

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

BERMUDA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

17. CONTINGENCIES (continued)

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, 2012, fifty-three (2011 - sixty-one) guarantees with a value of \$3,166,822 (2011 - \$3,501,101) were outstanding. Loan guarantees totalling \$277,500 (2011 - \$100,000) were paid by the Corporation. The Corporation provisioned for future losses of \$Nil (2011 - \$277,500) in the current year.

18. SUBSEQUENT EVENTS

On November 8, 2012, the Corporation amended its lease agreement with Inter-island Communications Limited to cover only the period from April 1, 2011 to May 31, 2012. The remaining obligation under this lease is \$2,200.

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 to \$1,300. This lease was amended on June 1, 2013 to cover the period from June 1, 2013 until May 31, 2014 with a decreased monthly rental of \$650.

In July 2013, the Corporation renegotiated a lease for the main office reducing the monthly lease amount to \$6,617 plus a monthly service charge that amounts to approximately \$5,045, and extending the term until October 2017.

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

19. COMPARATIVE FIGURES

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