

**CORPORATION OF HAMILTON**

**Annual Financial Statements**

(With Independent Auditor's Report Thereon)

December 31, 2024

*The accompanying report of KPMG Audit Limited ("KPMG") is for the sole and exclusive use of the Corporation of Hamilton (the "Corporation"). No person, other than the Corporation, is authorised to rely upon the report of KPMG unless KPMG expressly so authorises. Furthermore, the report of KPMG is as at July 28, 2025 and KPMG has carried out no procedures of any nature subsequent to that date which in any way extends that date.*



**KPMG Audit Limited**  
Crown House  
4 Par-la-Ville Road  
Hamilton  
HM 08  
Bermuda

Telephone +1 441 295 5063  
Fax +1 441 295 9132  
Internet [www.kpmg.bm](http://www.kpmg.bm)

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Members of Corporation of Hamilton**

#### **Opinion**

We have audited the financial statements of Corporation of Hamilton (the "Corporation"), which comprise the statement of financial position as at December 31, 2024, the statements of operations, changes in accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards generally accepted in Bermuda and Canada ("PSAS").

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
July 28, 2025

**CORPORATION OF HAMILTON**

## Statement of Financial Position

December 31, 2024

*(Expressed in Bermuda Dollars)*

	<u>2024</u>	<u>2023</u>
<b>Financial assets</b>		
Cash and cash equivalents	\$ 2,221,867	\$ 1,822,524
Short-term deposits	1,166,330	1,961,096
Accounts receivable, net (Notes 3 and 9)	<u>1,577,840</u>	<u>1,965,855</u>
 Total financial assets	 <u>4,966,037</u>	 <u>5,749,475</u>
 <b>Liabilities</b>		
Accounts payable and accrued liabilities (Notes 4 and 9)	10,039,460	8,794,390
Due to Mexico Infrastructure Finance LLC (Notes 2 (a) (ii), 12 and 13)	8,200,000	22,472,725
Asset retirement obligation (Note 10)	81,700	105,893
Pension plans and other post-retirement benefits (Note 6)	<u>548,673</u>	<u>624,538</u>
 Total liabilities	 <u>18,869,833</u>	 <u>31,997,546</u>
 <b>Net debt</b>	 <u>(13,903,796)</u>	 <u>(26,248,071)</u>
 <b>Non-financial assets</b>		
Tangible capital assets, net (Note 5 and 8)	75,263,609	74,126,918
Inventory of materials and supplies	117,777	119,240
Prepaid expenses	<u>72,272</u>	<u>68,941</u>
 Total non-financial assets	 <u>75,453,658</u>	 <u>74,315,099</u>
 <b>Accumulated surplus</b>	 <u>\$ 61,549,862</u>	 <u>\$ 48,067,028</u>

*The accompanying notes are an integral part of the financial statements.*

Signed on behalf of the Corporation of Hamilton:

 Charles R Gosling, Mayor

 Tanya Iris, Chief Financial Officer

**CORPORATION OF HAMILTON**

## Statement of Operations

For the Year Ended December 31, 2024  
*(Expressed in Bermuda Dollars)*

	Budget 2024 (Note 2(b))	Actual 2024	Actual 2023
<b>Revenue</b>			
Property taxes	\$ 8,639,738	\$ 8,594,538	\$ 8,649,872
Goods wharfage (Note 3)	7,800,000	8,052,203	7,908,178
Car parking fees	4,945,260	5,226,188	4,997,628
Sewage disposal contracts	2,440,766	2,435,629	2,441,719
Rents from properties	760,711	1,068,288	991,456
Other permit and license fees	425,380	439,169	440,072
Sewage tax	432,171	419,397	429,453
Dock charges	336,000	340,212	285,920
Ships wharfage	264,000	279,037	325,017
Miscellaneous	121,051	234,956	118,470
City Hall rents	80,000	80,795	115,512
Interest	<u>15,600</u>	<u>53,094</u>	<u>85,985</u>
Total revenue (Note 11)	<u>26,260,677</u>	<u>27,223,506</u>	<u>26,789,282</u>
<b>Expenditures</b>			
Administrative and general expenses	9,196,530	10,240,375	9,344,424
Sanitation services	3,655,894	4,039,908	3,793,556
Street operations and maintenance	3,379,849	3,015,902	3,093,137
Works depot expenses	3,097,600	3,196,819	2,922,606
Parks and gardens maintenance	2,111,957	1,925,655	1,935,305
Wharf operations and maintenance	1,588,237	1,622,261	1,593,565
Car parks expenses	1,488,814	1,512,935	1,504,926
City Hall maintenance	1,120,385	1,074,934	1,190,614
Sewerage maintenance and operating	867,552	1,042,507	788,637
Interest and finance charges	213,000	242,564	229,089
Property maintenance	263,725	267,549	173,636
Asset retirement (credit) expense (Note 10)	-	(24,193)	105,893
Bad debt (credit) expense	<u>42,000</u>	<u>(143,819)</u>	<u>(375,727)</u>
Total expenditures (Notes 7 and 11)	<u>27,025,543</u>	<u>28,013,397</u>	<u>26,299,661</u>
Due to Mexico Infrastructure Finance LLC (Note 13)	-	(14,272,725)	22,472,725
Excess (deficit) of revenue over expenditures	<u>\$ (764,866)</u>	<u>\$ 13,482,834</u>	<u>\$ (21,983,104)</u>

*The accompanying notes are an integral part of the financial statements.*

**CORPORATION OF HAMILTON**

## Statement of Changes in Accumulated Surplus

For the Year Ended December 31, 2024  
(Expressed in Bermuda Dollars)

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	<u>2024</u>	<u>2023</u>
Accumulated surplus, beginning of year	\$ 48,067,028	\$ 70,050,132
Excess (deficit) of revenue over expenditure	<u>13,482,834</u>	<u>(21,983,104)</u>
Accumulated surplus, end of year	<u>\$ 61,549,862</u>	<u>\$ 48,067,028</u>

*The accompanying notes are an integral part of the financial statements.*

**CORPORATION OF HAMILTON**

## Statement of Changes in Net Debt

For the Year Ended December 31, 2024  
(Expressed in Bermuda Dollars)

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	<u>2024</u>	<u>2023</u>
Excess (deficit) of revenue over expenditures	\$ 13,482,834	\$ (21,983,104)
Acquisition of tangible capital assets, net	(3,864,664)	(4,498,535)
Amortization of tangible capital assets, net	2,727,973	2,582,352
Acquisition of inventory	(656,638)	(392,012)
Consumption of inventory	658,101	427,899
Acquisition of prepaid expenses	(403,910)	(358,148)
Consumption of prepaid expenses	<u>400,579</u>	<u>367,430</u>
Decrease (increase) in net debt	12,344,275	(23,854,118)
Net debt, beginning of year	<u>(26,248,071)</u>	<u>(2,393,953)</u>
Net debt, end of year	\$ (13,903,796)	\$ (26,248,071)

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*The accompanying notes are an integral part of the financial statements.*

**CORPORATION OF HAMILTON**

## Statement of Cash Flows

For the Year Ended December 31, 2024  
*(Expressed in Bermuda Dollars)*

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Excess (deficit) of revenue over expenditures	\$ 13,482,834	\$ (21,983,104)
Adjustment for non-cash items:		
Amortization of tangible capital assets, net	2,727,973	2,582,352
(Decrease) increase in asset retirement expense	(24,193)	105,893
(Decrease) increase in due to Mexico Infrastructure Finance LLC	(14,272,725)	22,472,725
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable	388,015	(130,029)
Decrease in recoverable costs	-	91,214
Increase in accounts payable and accrued liabilities	1,245,070	783,786
Decrease in pension plans and other post-retirement benefits	(75,865)	(83,179)
Decrease in inventory of materials and supplies	1,463	35,887
(Increase) decrease in prepaid expenses	<u>(3,331)</u>	<u>9,282</u>
Net cash from operating activities	<u>3,469,241</u>	<u>3,884,827</u>
<b>Cash flows from investing activities</b>		
Acquisition of tangible capital assets, net	(3,864,664)	(4,498,535)
Net investment in short-term deposits	<u>794,766</u>	<u>1,422,047</u>
Net cash used in investing activities	<u>(3,069,898)</u>	<u>(3,076,488)</u>
Net increase in cash and cash equivalents	399,343	808,339
Cash and cash equivalents, beginning of year	<u>1,822,524</u>	<u>1,014,185</u>
Cash and cash equivalents, end of year	<u>\$ 2,221,867</u>	<u>\$ 1,822,524</u>
<b>Supplemental cash flow disclosure:</b>		
Interest received for the year	<u>\$ 50,101</u>	<u>\$ 82,193</u>

*The accompanying notes are an integral part of the financial statements.*



## CORPORATION OF HAMILTON

### Notes to the Financial Statements

For the Year Ended December 31, 2024  
(Expressed in Bermuda Dollars)

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#### 1. General

The Corporation of Hamilton (the "Corporation") is responsible for the provision of certain municipal services within the boundaries of the City of Hamilton (the "City") in accordance with the Municipalities Act 1923 (the "Act") as subsequently amended. The principal sources of revenue include property taxes, goods wharfage, sewage disposal and car parking fees. The various expenditures are controlled by committees established for sanitation, sewerage, wharfs, parks, properties, streets, finance and City Hall.

#### 2. Significant accounting policies

These financial statements have been prepared in accordance with Public Sector Accounting Standards generally accepted in Bermuda and Canada ("PSAS") as provided by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). The following are the significant accounting policies adopted by the Corporation:

##### (a) Basis of preparation

###### (i) Use of estimates

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures for the year. Actual amounts could differ from those estimates. Significant areas requiring the use of management estimates and assumptions are described in the following notes:

- Note 2(f) – the measurement of pension plans and other post-retirement benefits
- Note 3 – the recoverability of accounts receivable
- Note 10 – the estimate and timing of asset retirement obligations
- Notes 12 and 13 – the estimate of accrued and contingent liabilities

###### (ii) Going concern

##### *Legal proceedings by MIF against the Corporation*

Mexico Infrastructure Finance LLC ("MIF") obtained a summary judgment in the amount of US\$18 million against the Corporation on May 27, 2015, (see Note 13) under a guarantee given by the Corporation for a loan to Par-la-Ville Hotel and Residences, Ltd ("PHRL"). MIF sought enforcement of the \$18 million judgment debt against the Corporation and PHRL that may lead to uncertainty about the Corporation's ability to continue as a going concern, if forced to repay this debt out of current income. The judgement was set aside by the Bermuda Supreme Court in May 2015, the Court of Appeal in May 2017 and the Privy Council in January 2019 on the basis that the Corporation acted ultra vires (see Note 13).

MIF started additional legal proceedings against the Corporation in the Supreme Court of the State of New York on this matter (see Note 13). The case was later transferred to the U.S. District Court for the Southern District of New York. On July 5, 2023, the US District court ruled in favor of MIF and against the Corporation. The court determined that MIF was entitled to recover \$22,472,725 from the Corporation. The Corporation was required to record this potential liability in the financial statements as an expense for the year ended December 31, 2023. Legal advice was sought on whether this was enforceable in Bermuda given the Privy Council decision in January 2019. The Corporation appealed against the U.S. ruling. That judgment, if enforced, raised substantial uncertainty regarding the Corporation's ability to continue as a going concern, given the absence of committed funding at that time.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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## 2. Significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (ii) Going concern (continued)

##### *Legal proceedings by MIF against the Corporation (continued)*

Following mediation in October 2024, the Corporation and MIF reached a full and final settlement of all disputes. Under the terms of the settlement, the Corporation agreed to make a one-time payment of \$8.2 million in exchange for the retrieval of property deeds and the conclusion of all legal proceedings in both Bermuda and the United States.

To fund the settlement, the Corporation obtained a loan of \$8.75 million from Clarien Bank on February 25, 2025. The loan is repayable over a 10-year period through fixed monthly instalments secured against the Corporation's revenues from car parking and ships wharfage. The Corporation has budgeted for these repayments in its long-term cash flow forecasts.

##### *Assessment of future cash flows and financial position*

Management has assessed the Corporation's future cash flows and financial obligations, including the Clarien Bank loan servicing requirements. The Corporation maintains stable and predictable revenue streams which are sufficient to support operating and financing costs. The Corporation also maintains short-term deposits and cash balances that remain unused and available to support liquidity. Based on the latest cash flow projections, the Corporation expects to maintain adequate liquidity through 2030. Management has identified cost control measures and potential revenue enhancements to mitigate any longer-term risks. A liability of \$6,742,919 due to the Government of Bermuda ("Government") for tipping fees remains unresolved (Note 4). The Corporation intends to negotiate settlement terms with the Government to allow it to maintain its operations.

Based on this assessment, the Corporation is satisfied that it has adequate resources to continue in operational existence for the foreseeable future, and that there are no material uncertainties related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern as at the reporting date. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

#### (iii) *Municipalities Amendment Act*

As explained in Note 14, in March 2018 the Government of Bermuda passed the Municipalities Amendment Act which announced changes to the Act, and on March 13, 2019 the Municipal Reform Act 2019 (the "Reform Act") was passed in the Bermuda House of Assembly but was defeated in the Senate on March 22, 2019. In July 2020, the Government of Bermuda announced that it intends to continue with the proposed implementation of the Reform Act or similar new legislation.

In March 2019 the Corporation filed a court case with the Bermuda Supreme Court on the basis that prior amendment acts, and the proposed Reform Act infringe upon the constitutional rights of the Corporation. The Supreme Court rejected that claim in a judgement handed down on March 31, 2021.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

## 2. Significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (iii) Municipalities Amendment Act (continued)

An appeal filed by the Corporation in May 2021 was dismissed in March 2022 by the Court of Appeal. In March 2022 the Corporation filed a notice of appeal with the Privy Council in London. The case was heard on December 11 and 12, 2024. The Corporation is still awaiting the final judgement.

Whilst the legislation may impact the legal form of the entity, the activities of the Corporation are unlikely to be altered. On this basis, management of the Corporation does not consider that the matters relating to the potential amendments to the legislation result in a material uncertainty related to going concern.

### (b) Revenues

Revenues are recorded on the accruals basis and recognized when earned. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the Corporation discharges the obligations that led to the collection of funds.

### (c) Budget information

Budget information approved by the Corporation and the Minister responsible for the Municipalities on December 6, 2023 is presented using a basis consistent with that used for the actual results.

### (d) Expenditures

Expenditures are recorded on the accruals basis in the period in which the goods or services are acquired, or a liability is incurred.

### (e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives existing beyond the current year and are not intended for sale in the ordinary course of operations.

#### (i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the acquisition, construction, development, or betterment of the asset. The costs, less residual values, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

<u>Assets</u>	<u>Useful life – Years</u>
Betterments	50
Land improvements	50
Buildings	40 – 100
Fixed plant and equipment	3 – 50
Mobile plant and equipment	8 – 15
Roads	100
Sewer lines	40 – 100
Wharfs	75

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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## 2. Significant accounting policies (continued)

### (e) Non-financial assets (continued)

#### (i) Tangible capital assets (continued)

Annual amortization is charged in the year of acquisition and in the year of disposal. Land is not amortized. Assets under construction are not amortized until the asset is available for productive use.

Subsequent expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to the statement of operations in the period the costs are incurred. However, expenditures that result in an increase in the future economic benefit in excess of the originally assessed standard of performance of the existing asset are capitalized as an additional cost of tangible capital assets. When assets are sold or retired, their cost, accumulated amortization and accumulated impairment losses are eliminated from the financial statements and any resulting gain or loss is included in the statement of operations of such period.

#### *Contributions of tangible capital assets*

Tangible capital assets received as contributions are recorded at their fair values at the date of receipt and are also recorded as revenue.

#### *Works of art and cultural and heritage assets*

Works of art and cultural and heritage assets are not recorded as tangible capital assets in these financial statements.

#### *Methods used for determining the cost of each major category of tangible capital assets*

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The Corporation applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, the Canada Non-residential Building Construction Price Index formulated by Statistics Canada was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

#### (ii) Inventories

Inventories are comprised of supplies and materials to be used to maintain properties and other assets of the Corporation and are valued at the lower of average cost and net realizable value.

#### (iii) Leases

##### *The Corporation as lessor*

Costs, including amortization, incurred in earning lease income are recognized as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognized on a straight-line basis over the lease term. Lease income is recorded in rents from properties in the statement of operations.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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#### 2. Significant accounting policies (continued)

##### *(iv) Impairment of non-financial assets*

At each statement of financial position date, tangible capital assets, net, and other long-lived assets are reviewed for impairment whenever events or circumstances indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is expected to be less than its net book value on a permanent basis. The excess is recognized as impairment loss in the statement of operations and the assets are written down to their residual value, or a revised estimate of the value of the asset's remaining service potential.

##### *(f) Pension plans and other post retirement benefits*

The Corporation sponsors a defined contribution pension plan covering all eligible employees. The cost of this plan is expensed as earned by the employees. The Corporation makes monthly contributions in accordance with the plan agreements to the employees' individual accounts, which are administered by an insurance company—pursuant to and in accordance with the National Pension Scheme (Occupational Pensions) Act 1998 and applicable amendments thereto and regulations.

The Corporation sponsors a defined benefit plan for post-retirement medical healthcare benefits of its eligible former employees. The Corporation closed this plan for new members with effect from August 2008. The Corporation pays 50% of the total premiums due to the insurer with the remainder being assumed by the insured. The cost of accrued retirement benefit obligations is actuarially determined and represents the Corporation's share of the present value of future premiums for former employees over their expected lives. Actuarial gains and losses on the accrued retirement benefit obligation arise from differences between actual and expected experience and from changes to actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains and losses on the accrued benefit obligation are recognized over the average remaining life of the former employees.

The expenses related to these plans are included in wages, salaries and benefits (Notes 6, 7 and 11).

##### *(g) Financial instruments*

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Corporation does not use financial instruments for trading or speculative purposes.

##### *(h) Cash and cash equivalents and short-term deposits*

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in value. Short-time deposits are represented by deposits with an original maturity of greater than three months, which mature within twelve months after the financial year end date. Included in short-term deposits is cash internally designated for sewage projects only of \$327,944 (2023 - \$1,143,670).

##### *(i) Receivables*

Receivables are recognized and carried at their original values or invoice amounts as reduced by appropriate allowances for doubtful accounts.

Bad debts, if any, are written off during the year.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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#### 2. Significant accounting policies (continued)

##### *(j) Allowance for doubtful accounts*

The Corporation provides an allowance for doubtful accounts when there is evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is equal to the estimated collection losses based on past collection experience and management's review of the current status of the long-outstanding receivables.

##### *(k) Payables and provisions*

Payables are stated at their original values.

The Corporation recognizes a provision if a present obligation has arisen as a result of a past event, payment is probable, and the amount can be measured reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date, that is, the amount the Corporation would rationally pay to settle the obligation to a third party.

##### *(l) Related parties*

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Corporation members, officers, associates or companies and other related interests that directly or indirectly control or are controlled by or under common control are considered related parties. The changes to the Municipalities Act in March 2018 created a related party relationship between the Corporation and the Government of Bermuda (see Note 14).

The implementation of the Municipal Reform Act 2019 has been delayed (Note 2). Therefore, the future impact on the relationship with the Government of Bermuda is not currently known.

##### *(m) Foreign currency transactions*

Transactions involving foreign currency are converted into Bermuda dollar equivalents using rates of exchange in effect at the time of the transactions.

##### *(n) Asset retirement obligations*

Asset retirement obligations ("ARO") are costs expected to be incurred as a result of the retirement or disposal of a tangible capital asset ("TCA"). An ARO is recognized on the statement of financial position when all of the following criteria are met:

- (a) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) The past transaction or event giving rise to the liability has occurred;
- (c) It is expected that future economic benefits will be given up and,
- (d) A reasonable estimate of the amount can be made.

The ARO liability for the Corporation stems from the removal of asbestos in several of the buildings owned by the Corporation which were built before 1991. The ARO liability for removal of asbestos has been calculated based on estimated future expenses on the asbestos removal.

PS 3280 *Asset Retirement Obligations* has been adopted prospectively effective January 1, 2023 and the transaction has been recorded as an expense in the year ended December 31, 2023 (Note 10).

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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## 2. Significant accounting policies (continued)

### (o) Segment disclosures

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Corporation has adopted Section PS 2700 *Segment Disclosures* and has provided definitions of segments used by the Corporation as well as presented financial information in segmented format in Note 11.

### (p) Adoption of newly effective accounting standards

#### *Revenue*

PSAB issued section PS 3400 *Revenue* in November 2018. This section provides guidance on accounting for and reporting revenue transactions. It provides a detailed definition of revenue and how it should be measured and at what point in time it should be recognized. The section specifically differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. Revenue from transactions with performance obligations should be recognized when (or as) the public sector entity satisfies a performance obligation by providing the promised goods or services to a payer. Revenue from transactions with no performance obligations should be recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset.

Effective January 1, 2024, the Corporation adopted PS 3400 *Revenue* on a prospective basis. The implementation of this standard did not require the Corporation to reflect any adjustments to these financial statements.

#### *Public Private Partnerships*

PSAB issued section PS 3160 *Public Private Partnerships* in April 2021. The main features of the new section are:

- Public private partnership infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use; and operate and/or maintain the infrastructure.
- Public private partnership infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is recognized when the public sector entity recognizes an asset.
- An infrastructure asset acquired in a private partnership arrangement is recorded at the public sector entity's cost. The liability is initially measured at the cost of the infrastructure asset.
- Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset.
- Subsequent measurement of a financial liability should be at amortized cost using the effective interest method. For a performance obligation, revenue should be recognized and the liability reduced in accordance with the substance of the public private partnership agreement.

Effective January 1, 2024, the Corporation adopted PS 3160 *Public Private Partnerships*, on a prospective basis. The implementation of this standard did not require the Corporation to reflect any adjustments to these financial statements.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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## 2. Significant accounting policies (continued)

### (p) Adoption of newly effective accounting standards (continued)

#### *Purchased Intangibles*

PSAB issued section PSG-8 *Purchased Intangibles* in November 2020. The new standard explains the scope of the intangibles now allowed to be recognized in financial statements given the removal of the recognition prohibition relating to purchased intangibles in Section PS 1000. It explains what a purchased intangible is and provides guidance on the recognition of, accounting for, and classification of purchased intangible assets that are within the scope of PSG-8.

Effective January 1, 2024, the Corporation adopted PSG-8 on a prospective basis. The implementation of this standard did not require the Corporation to reflect any adjustments to these financial statements.

### (q) Future accounting standards

The Corporation continues to assess the impact of the following upcoming changes to PSAS, effective for its fiscal year beginning on January 1, 2027:

- *The Conceptual Framework for Financial Reporting in the Public Sector* – The new Conceptual Framework prescribes the nature, function and limits of financial accounting and reporting. It is the foundation on which PSAS are developed and professional judgment is applied. It will replace the conceptual aspects of PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*.

- *PS 1202 Financial Statement Presentation* – The new standard provides updated guidance on the general and specific requirements for the presentation of information in general purpose financial statements. The implementation of this standard will require substantive changes to the Corporation's financial statement presentation. PS 1202 will replace the current PS 1201 *Financial Statement Presentation*.

The impact of these standards on the Corporation's financial statements is not reasonably determinable at this time.

## 3. Accounts receivable

Accounts receivable of \$1,577,840 (2023 - \$1,965,855) are shown net of an allowance for doubtful accounts of \$817,000 (2023 - \$962,000). Included within accounts receivable is an amount due from the Government of Bermuda of \$612,792 (2023 - \$630,969) relating to goods wharfage revenue.

The Government of Bermuda collects goods wharfage on imported goods unloaded at the Hamilton docks and remits this to the Corporation monthly. The Corporation records this as goods wharfage revenue which amounted to \$8,052,203 for the year ended December 31, 2024 (2023 - \$7,908,178).



## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

#### 4. Due to the Government of Bermuda and accounts payable and accrued liabilities

##### *Due to the Government of Bermuda*

The Hamilton Fire Service was originally set up by the Corporation and then transferred to the Government of Bermuda. At that time, the Corporation agreed to assist with paying a share of the fire service costs. The last payment was made in 2008 as a formal agreement had never been signed for this arrangement and the peppercorn lease as described below had expired. However, based on confirmations received from the Government of Bermuda, the Corporation continued to accrue for potential expenses payable until October 2017.

The original lease for the property which was for a period of 25 years and an annual peppercorn rent of only \$1 ended in 2008 and a new lease agreement has never been finalized. However, as no amounts were received from the Government in relation to rent due subsequent to 2008, no amount was recorded that related to this revenue or contingent asset in the Corporation's financial statements.

In October 2017, the Government of Bermuda agreed to write off an amount receivable of \$6,270,950 from the Corporation and the Corporation also agreed to write off rental income of \$4,550,000 due from the Government with the expectation that the outstanding tipping fees due to the Government of Bermuda will also be waived. The derecognition of the fire service accrual of \$6,270,950 was included in the statement of operations for the year ended December 31, 2017.

As no waiver has yet been agreed, tipping fees of \$6,742,619 (2023 - \$6,137,627) due to the Government of Bermuda have continued to be accrued as at December 31, 2024 and are included in vendor accounts payable.

Payroll tax due to the Government of Bermuda amounted to \$256,202 as at December 31, 2024 (2023 - \$219,921). The payroll tax expense for the Corporation in the year ended December 2024 was \$387,737 (2023 - \$357,601).

##### *Accounts payable and accrued liabilities*

Accounts payable and accrued liabilities is comprised of:

	<u>2024</u>	<u>2023</u>
Vendor accounts payable	\$ 8,564,112	\$ 7,849,992
Accrued liabilities and other payables	1,036,240	629,800
Employee benefits payable	251,730	189,600
Unearned revenue	<u>187,378</u>	<u>124,998</u>
	<u>\$ 10,039,460</u>	<u>\$ 8,794,390</u>

# CORPORATION OF HAMILTON

## Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

### 5. Tangible capital assets, net

	<u>2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>2024</u>
<b>Cost</b>					
Land	\$ 12,052,112	\$ -	\$ -	\$ -	\$ 12,052,112
Land improvements	-	-	-	192,190	192,190
Betterments	3,182,320	-	-	-	3,182,320
Buildings	44,451,698	-	-	22,893	44,474,591
Fixed plant and equipment	19,933,293	33,438	-	554,958	20,521,689
Mobile plant and equipment	5,374,689	-	-	595,640	5,970,329
Roads	869,191	-	-	-	869,191
Sewer Lines	5,038,616	-	-	-	5,038,616
Wharf	25,763,478	-	-	-	25,763,478
Assets under construction	5,408,625	3,831,226	-	(1,365,681)	7,874,170
<b>Total</b>	<b>\$ 122,074,022</b>	<b>\$ 3,864,664</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 125,938,686</b>

	<u>2023</u>	<u>Amortization expense</u>	<u>2024</u>
<b>Accumulated amortization</b>			
Land improvements	\$ -	\$ 3,212	\$ 3,212
Betterments	773,833	80,978	854,811
Buildings	16,043,673	803,385	16,847,058
Fixed plant and equipment	10,651,989	909,567	11,561,556
Mobile plant and equipment	3,929,976	234,061	4,164,037
Roads	468,769	7,834	476,603
Sewer lines	2,440,496	133,862	2,574,358
Wharf	13,638,368	555,074	14,193,442
	<b>\$ 47,947,104</b>	<b>\$ 2,727,973</b>	<b>\$ 50, 675,077</b>

	<u>2024</u>	<u>2023</u>
<b>Net book value</b>		
Land	\$ 12,052,112	\$ 12,052,112
Land improvements	188,978	-
Betterments	2,327,509	2,408,487
Buildings	27,627,533	28,408,025
Fixed plant and equipment	8,960,133	9,281,304
Mobile plant and equipment	1,806,292	1,444,713
Roads	392,588	400,422
Sewer lines	2,464,258	2,598,120
Wharf	11,570,036	12,125,110
Assets under construction	7,874,170	5,408,625
	<b>\$ 75,263,609</b>	<b>\$ 74,126,918</b>

**CORPORATION OF HAMILTON**

## Notes to the Financial Statements

December 31, 2024

*(Expressed in Bermuda Dollars)***6. Pension plans and other post-retirement benefits**

As described in Note 2(f), the Corporation sponsors a defined contribution pension plan covering all eligible employees. Contributions to this plan by employees are at the rate of 5% of remuneration, which is matched by the Corporation for the defined contribution plan.

Pension contributions for the year are as follows:

	<u>2024</u>	<u>2023</u>
Corporation's contributions	\$ 431,853	\$ 431,547
	<u>                    </u>	<u>                    </u>
Employee contributions	\$ 481,841	\$ 466,512
	<u>                    </u>	<u>                    </u>

The Corporation also sponsors a defined benefit plan for post-retirement medical healthcare benefits to eligible former employees. This plan was valued by qualified actuaries as at December 31, 2024. The information about this plan is as follows:

	<u>2024</u>	<u>2023</u>
<b>Accrued benefit obligation</b>		
Balance, beginning of year	\$ 643,736	\$ 692,956
Interest cost	38,032	41,082
Benefits paid	(117,250)	(121,847)
Actuarial loss	<u>67,768</u>	<u>31,545</u>
Balance, end of year	\$ 632,286	\$ 643,736
	<u>                    </u>	<u>                    </u>
<b>Plan assets</b>		
Fair value, beginning of year	\$ -	\$ -
Employer contributions	117,250	121,847
Benefits paid	<u>(117,250)</u>	<u>(121,847)</u>
Fair value, end of year	\$ -	\$ -
	<u>                    </u>	<u>                    </u>
<b>Funded status</b>		
Accrued benefit obligation	\$ 632,286	\$ 643,736
Unamortized actuarial loss	<u>(83,613)</u>	<u>(19,198)</u>
Retirement benefit liability	\$ 548,673	\$ 624,538
	<u>                    </u>	<u>                    </u>

**CORPORATION OF HAMILTON**

## Notes to the Financial Statements

December 31, 2024

*(Expressed in Bermuda Dollars)***6. Pension plans and other post-retirement benefits (continued)**

The significant assumptions used are as follows:

	<u>2024</u>	<u>2023</u>
<b>Accrued benefit obligation:</b>		
Discount rate	6.5%	6.5%
<b>Benefits cost for the year:</b>		
Discount rate	6.5%	6.5%
<b>Healthcare cost trend rates:</b>		
Rates in years 2023 to 2024	5.0%	5.0%
Ultimate rate in 2025 and beyond	5.0%	5.0%

Increasing or decreasing the assumed healthcare cost trend rates by one percentage point would have the following effects for 2024:

	<u>Increase</u>	<u>Decrease</u>
Total of service cost and interest cost	\$ 1,729	\$ (1,617)
Accrued benefit obligation	\$ 25,274	\$ (23,713)

The elements of the Corporation's retirement healthcare benefit costs recognized during the year are as follows:

	<u>2024</u>	<u>2023</u>
Interest cost	\$ 38,032	\$ 41,082
Actuarial loss	<u>67,768</u>	<u>31,545</u>
Element of retirement benefit costs before adjustments	105,800	72,627
Adjustments to recognize the long-term nature of retirement benefit costs:		
Difference between recognized and actual actuarial loss	<u>(64,415)</u>	<u>(33,960)</u>
Employee future benefit cost recognized	<u>\$ 41,385</u>	<u>\$ 38,667</u>

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

#### 7. Expenditures by object

	<u>2024</u>	<u>2023</u>
Wages, salaries and benefits	\$ 13,126,751	\$ 12,327,388
Contract services	9,696,202	9,142,577
Amortization of tangible capital assets (Note 5)	2,727,973	2,582,352
Supplies and materials	2,244,100	1,912,362
Asset retirement (credit) expense	(24,193)	105,893
Interest and finance	<u>242,564</u>	<u>229,089</u>
Total expenditures	<u>\$ 28,013,397</u>	<u>\$ 26,299,661</u>
Due to Mexico Infrastructure Finance LLC	<u>\$ (14,272,725)</u>	<u>\$ 22,472,725</u>

#### 8. Capital commitments

The Corporation has contractual commitments for capital expenditures as at December 31, 2024, in the amount of \$262,534 (2023 - \$467,118), which will be paid for in 2025.

#### 9. Financial risk management

The Corporation's activities expose it to a range of financial risks from its financial instruments. These risks include credit risk and liquidity risk and market risk (including interest rate risk, currency and other price risk). The Finance Committee of the Corporation has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Finance Committee regularly reports to the board on their activities. The Corporation's risk management program seeks to minimize potential adverse effects on the Corporation's financial performance. The Corporation manages risk and risk exposures through a combination of insurance and sound business practices.

##### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and other price risk.

##### (i) Interest rate risk

Interest rate risk is the risk of an increase in interest expense or reduction in interest income as a consequence of adverse movements in interest rates. The Corporation is exposed to interest rate fluctuations with respect to the retirement benefit liability which bears interest at floating rates as disclosed in Note 6. Management does not believe that the impact of interest rate fluctuations will be significant.

##### (ii) Currency and other price risk

The Corporation believes it is not subject to significant foreign currency or other price risks arising from its financial instruments as it holds insignificant amounts in foreign currency.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

#### 9. Financial risk management (continued)

##### (b) Credit risk

Credit risk relates to the potential that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk on its accounts receivable, cash and cash equivalents and deposits. The Corporation's cash and cash equivalents and deposits are held with three financial institutions based in Bermuda. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with financial institutions whose rating and status are consistently monitored by the Corporation. Cash and cash equivalents are held with financial institutions rated in the range of 'A-1 to 'BBB+' by Standard & Poor's. The Corporation has accounts receivable from a wide range of individuals, businesses, and government organizations. Management actively monitors outstanding accounts receivable and believes its allowance for doubtful accounts is sufficient to mitigate its credit risk. The Corporation's maximum exposure to credit risk is represented by the carrying amount of its financial assets in the statement of financial position.

##### (c) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties meeting its financial obligations as they become due. The Corporation manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. The table below summarizes the Corporation's contractual undiscounted cash flows. Balances due within twelve months are met within the Corporation's normal thirty-day cycle of disbursements.

	<u>Total</u>	<u>0-3 months</u>	<u>4-12 months</u>	<u>Greater than 1 year</u>
<b>December 31, 2024</b>				
Accounts payable	\$ 9,246,368	\$ 9,246,368	\$ -	\$ -
<b>December 31, 2023</b>				
Accounts payable	\$ 8,306,695	\$ 8,306,695	\$ -	\$ -

The Corporation does not carry a liability in relation to the contingencies as further detailed in Note 12.

##### (d) Changes in financial risk exposures

The Corporation's financial risks arising from its financial instruments have not changed significantly in the year, except for the impact of the Mexico Infrastructure Finance LLC litigation (Notes 2 and 13). The Corporation believes that the financial risks are appropriately mitigated and do not pose significant risk to the Corporation's operations. There have been no significant changes in the policies, procedures, and methods used to manage these risks in the year.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

#### 10. Asset retirement obligation

The Corporation owns and operates several buildings that are known to have asbestos, which represents a health hazard upon demolition of the building and there is a legal obligation to remove it. Following the adoption of PS 3280 *Asset Retirement Obligations*, the Corporation has recognized an obligation of \$81,700 (2023 - \$105,893) relating to the removal and post-removal care of the asbestos in these buildings as estimated at December 31, 2024.

	<u>2024</u>	<u>2023</u>
<b>Asset retirement obligations</b>		
Balance, beginning of year	\$ 105,893	\$ -
Recognised during the year	17,700	105,893
Remediation expenses incurred	<u>(41,893)</u>	<u>-</u>
Balance, end of year	<u>\$ 81,700</u>	<u>\$ 105,893</u>

#### 11. Segmented reporting

The Corporation provides a range of services to both residents and businesses within the boundaries of the City. Certain services such as connection to the City sewer lines are available to persons/businesses outside the City boundaries on a fee basis. Most revenue lines have been allocated directly to the relevant segment. However, taxation has been split equally between Governance and Civic Services, Sanitation and Sewer, and Public Works and Planning to defray some of the costs of providing these services. From April 1, 2014, the Government of Bermuda returned the right of the Corporation to charge goods wharfage on imported goods. For segmented disclosure purposes, these services are grouped and reported under service areas/departments that are responsible for providing such services. They are as follows:

##### *Governance and Civic Services*

City Hall provides for the Mayoral and Council functions, Theatre and Arts facilitation, Corporate, Finance, Engineering and Event administration. Parks are included under this caption because of public entertainment that is provided in them.

##### *Sanitation and Sewer*

Sanitation and Sewer is responsible for the general cleanliness of the City including daily garbage collection and maintenance of the sewer system.

##### *Public Works and Planning*

Public Works and Planning provides maintenance services to ensure that roads, traffic lights, streetlights, Corporation vehicles and equipment are in good working order. In addition, any future major construction development is handled by this segment.

##### *Parking*

Parking which includes both on and off-street parking is administered through this department. Consideration is given to the availability of car parking spaces to meet the public demand for parking.

##### *Wharf*

Wharf is responsible for the security of the waterfront in the City. Good working order of the docks for both cruise ships and cargo vessels is of prime importance for efficient transfer of goods and passengers through the port.

Segmented results as reported below exclude the impact of amounts due to MIF (Note 13) as these do not relate to any specific segment.

**CORPORATION OF HAMILTON**

## Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

**11. Segmented reporting (continued)**

	2024						2023
	Governance and Civic Services	Sanitation and Sewer	Public Works and Planning	Parking	Wharf	Total	Total
<b>Revenue</b>							
Property taxes	\$ 2,864,846	\$ 2,864,846	\$ 2,864,846	\$ -	\$ -	\$ 8,594,538	\$ 8,649,872
Goods wharfage	-	-	-	-	8,052,203	8,052,203	7,908,178
Car parking fees	-	-	-	5,226,188	-	5,226,188	4,997,628
Sewer disposal contracts	-	2,435,629	-	-	-	2,435,629	2,441,719
Rents from properties	755,393	75,511	17,615	-	219,769	1,068,288	991,456
Other permit and license fees	22,280	142,740	-	-	274,149	439,169	440,072
Sewage tax	-	419,397	-	-	-	419,397	429,453
Ship's wharfage	-	-	-	-	279,037	279,037	325,017
Dock charges	-	-	-	-	340,212	340,212	285,920
Miscellaneous	9,797	224,678	-	-	481	234,956	118,470
City Hall rents	80,795	-	-	-	-	80,795	115,512
Interest	53,094	-	-	-	-	53,094	85,985
	<u>3,786,205</u>	<u>6,162,801</u>	<u>2,882,461</u>	<u>5,226,188</u>	<u>9,165,851</u>	<u>27,223,506</u>	<u>26,789,282</u>
<b>Expenditures</b>							
Wages, salaries and benefits	4,719,878	3,388,006	3,704,085	1,188,615	126,167	13,126,751	12,327,388
Contract services	5,434,526	1,217,030	1,484,850	173,719	1,386,077	9,696,202	9,142,577
Supplies and material	482,318	477,379	1,023,786	150,601	110,016	2,244,100	1,912,362
Amortization of tangible capital assets	299,008	380,555	1,205,752	353,373	489,285	2,727,973	2,582,352
Asset retirement expense	(24,193)	-	-	-	-	(24,193)	105,893
Interest and finance	242,564	-	-	-	-	242,564	229,089
Total expenditures	<u>11,154,101</u>	<u>5,462,970</u>	<u>7,418,473</u>	<u>1,866,308</u>	<u>2,111,545</u>	<u>28,013,397</u>	<u>26,299,661</u>
Due to MIF (Note 13)	<u>(14,272,725)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,272,725)</u>	<u>22,472,725</u>
Excess (deficit) of revenue over expenditures	\$ 6,904,829	\$ 699,831	\$ (4,536,012)	\$ 3,359,880	\$ 7,054,306	\$ 13,482,834	\$ (21,983,104)



## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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#### 12. Contingencies

On August 1, 2017, the attorneys for the Corporation wrote to the receivers of PHRL (Note 13) asking them to return any funds in their possession in relation to their appointment as receivers for the Par-la-Ville car park property (the "Property"). In response to the letter MIF filed a generally endorsed writ of summons in the Supreme Court of Bermuda on August 17, 2017. MIF's claim was for a declaration that the mortgage (Note 13) was valid and binding; a declaration that the appointment of the receivers was valid and binding; and a claim for further other relief and costs. They argued that the mortgage was an obligation discreet from the guarantee and enforceable in any event. Based on legal advice, the Corporation considered the mortgage document to be null and void since the guarantee has been held to be ultra vires (Notes 2 and 13). On August 21, 2019, MIF filed a summons application seeking to amend the writ. The case was heard on October 23, 2019 and the ruling was handed down on January 16, 2020 in favour of MIF who subsequently filed an amended writ for a declaration that the Corporation be estopped from denying the validity of the mortgage; that MIF had equitable title to the Property; and seeking damages and interest thereon or further relief. It was the Corporation's intention to move ahead in defending this matter. However, no hearing date had been set. No provision was made in the financial statements for the year ended December 31, 2023 as based on legal advice the outcome could not be determined.

The Corporation had also been notified of a potential claim by a third party which was itself subject to a claim by MIF in relation to the Par-la-Ville car park matter. Based on legal advice received the Corporation believed it had a strong defense against any potential claim by the third party and the possibility of a loss was remote. Accordingly, no provision was made in the financial statements for the year ended December 31, 2023.

As a result of the full and final settlement between the Corporation and MIF in October 2024 (Note 13) the above matters are now resolved.

#### 13. Mexico Infrastructure Finance LLC ("MIF")

In 2012, the Corporation entered into a Development Agreement and Ground Lease with Par-la-Ville Hotel and Residences Ltd ("PHRL") to build a luxury hotel and condominium residence in the Par-la-Ville car park (the "Project").

Mexico Infrastructure Fund Limited ("MIF"), PHRL and the Corporation executed a credit agreement (the "Credit Agreement") on July 9, 2014, in which MIF agreed to loan PHRL \$18 million as bridge financing for the construction of the Project. The Credit Agreement was executed on the basis that the Corporation agreed to:

1. provide a mortgage over the property known as the Par-la-Ville car park (the "Property"); and
2. guarantee the loan (the "Guarantee").

On July 9, 2014, an escrow agreement was entered into between MIF, PHRL, the Corporation and BNY Mellon ("the Escrow Agent"). Under the terms and conditions of the escrow agreement, the Escrow Agent was to hold the loan proceeds until such time as PHRL had secured permanent financing comprising debt of \$225 million and equity of \$100 million or a "substantially similar financing structure from the Permanent Lender". The Corporation authorized the release of the funds from the escrow account in October 2014 based on an agreement reached between PHRL and Argyle Limited, a company which PHRL represented to the Corporation as the "Permanent Lender".

Due to the default on repayment of the loan by PHRL, on December 30, 2014, MIF initiated legal proceedings against the Corporation and PHRL. On March 31, 2015, Joint Receivers were appointed over the Property. On May 27, 2015, the Supreme Court awarded summary judgment to MIF over claims against PHRL and the Corporation. The judgment against the Corporation was for \$18 million and accrued interest from the date of judgment at the rate of 7% per annum or \$3,452 per day until the obligation is satisfied.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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#### 13. Mexico Infrastructure Finance LLC ("MIF") (continued)

On November 18, 2016, the Supreme Court ruled that the Corporation had no power to guarantee the loan from MIF to build a hotel on the Par-la-Ville car park. The Court resolved that in providing the guarantee, the Corporation had acted ultra vires. Therefore, the previously unchallenged Consent Order that had required the Corporation to pay MIF the loan plus interest was set aside. The judge's decision was appealed by MIF in the March 2017 session of the appellate court. On May 12, 2017 the Court of Appeal dismissed the appeal and upheld the Supreme Court ruling. As the guarantee cannot be enforced against the Corporation and the Corporation is not liable for the guaranteed sum of \$18 million the Corporation derecognised the liability related to the guarantee of \$18 million together with previously accrued interest of \$752,548 and this reversal of \$18,752,548 was included in the statement of operations for the year ended December 31, 2016.

In June 2017 MIF served notice of its application to appeal this decision to the Privy Council. The Privy Council hearing was held on October 16, 2018. In January 2019 the Privy Council also dismissed the appeal and ruled in favour of the Corporation. In November 2020, MIF was ordered to pay the Corporation's court costs of \$253,089. The funds were received by the Corporation in January 2021.

In accordance with the terms of the Credit Agreement, PHRL was due to pay the Corporation \$900,000 upon the closing of financing from the Permanent Lender. In July 2015, the Corporation issued a statutory demand for payment. PHRL did not make this payment and on August 28, 2015 the Corporation petitioned the Supreme Court to wind up PHRL in accordance with Section 161 (e) of the Companies Act 1981. Joint Provisional Liquidators ("JPLs") were appointed over PHRL on October 9, 2015.

The JPLs of PHRL have been successful in their proceedings in the High Court of Justice in England against parties involved with the transfer of funds loaned to PHRL and subsequently transferred to Argyle Limited. As the creditor who appeared to have the major economic interest in the liquidation of PHRL at the time, the Corporation agreed, in August 2016, to place a deposit of \$275,000 with the courts for these proceedings to cover any potential costs should the Corporation lose the case. In November 2018, \$262,500 of the amount deposited was returned to the Corporation. The remaining \$12,500 was received in April 2021.

In May 2016, the Corporation provided funding of \$25,000 for the winding up of Argyle Limited and in August 2016 a further \$100,000 was provided to fund the liquidation of PHRL, the Skyline Trust and Argyle Limited. In the event of recoveries by the JPLs these funds will be returned to the Corporation. The successful outcome of the High Court proceedings has resulted in Orders for Sale of certain assets in the UK, which are in the process of being realized. The remaining funding of \$125,000 will be used to fund future legal expenses.

In July 2017 MIF filed proceedings against the Bank of New York Mellon (BNY Mellon) and the Corporation in the Supreme Court of the State of New York. The proceedings allege five causes of action against the Corporation, including breach of contract, breach of fiduciary duty, negligence, fraud and negligent misrepresentation. MIF was seeking damages in an amount to be determined at trial but not less than \$13,749,858 plus interest thereon to the date of entry of judgement. These proceedings were then transferred to the U.S. District Court for the Southern District of New York.

On August 7, 2020, the Court dismissed all of MIF's tort claims, but declined to dismiss MIF's breach of contract claim. On September 21, 2020, the Court denied the Corporation's motion for reconsideration regarding the remaining breach of contract claim.

On July 5, 2023, the U.S. District court ruled in favor of MIF and against the Corporation of Hamilton. The court determined that MIF is entitled to recover \$22,472,725 from the Corporation of Hamilton. This included the sum of \$12,549,217 plus interest at a rate of 9% from December 30, 2014, to the date of the judgment which amounted to \$9,923,508. The Corporation was required to record this potential liability in the financial statements as an expense in the prior year ended December 31, 2023. Legal advice was sought on whether this was enforceable in Bermuda given the Privy Council decision in January 2019. The Corporation appealed against the U.S. ruling.

## CORPORATION OF HAMILTON

### Notes to the Financial Statements

December 31, 2024

(Expressed in Bermuda Dollars)

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#### **13. Mexico Infrastructure Finance LLC ("MIF") (continued)**

On October 21 and 22, 2024, the Corporation and MIF reached a full and final settlement of all the disputes arising out of the failed development to build a luxury hotel and condominium residence on the Par-la-Ville car park. To fund the settlement, the Corporation obtained a loan of \$8.75 million from Clarien Bank on February 25, 2025. As part of the settlement, the Corporation also secured the return of the associated property deeds. This agreement resulted in the conclusion of all existing and potential legal proceedings between the parties in both Bermuda and the United States.

#### **14. Municipal Reform Act**

On March 13, 2019, the Members of Parliament passed the Municipal Reform Act 2019 in the House of Assembly. The Bill would abolish municipal elections, provide for the selection and appointment of Members of the Corporation, and make consequential amendments to the Municipalities Act 1923 ("the principal Act"). It would also make certain directions given by the Minister to a Corporation subject to parliamentary scrutiny. The Act would turn the Corporation into a quasi-autonomous non-government organization ("QUANGO") controlled by the Government of Bermuda. The Municipal Reform Act 2019 was defeated in the Senate on March 22, 2019.

The Corporation filed an application with the courts on March 19, 2019 seeking declaration that the Municipalities Reform Act 2010 ("the Reform Act"), The Municipal Reform Act 2019 and the other Amendment Acts, as well as the decision by the Government to convert the Corporation to a QUANGO contravene sections 1 and 13 of the Bermuda Constitution on the basis that this legislation would deprive the Corporation of compensation for its property and the protection of law over its property. The case was heard in the Supreme Court on February 24 and 25, 2021. On March 31, 2021, a judgement was handed down from the Supreme Court of Bermuda. The judge ruled against the Corporation and dismissed the claim that the legislation infringed on the fundamental rights and freedoms of the Corporation as set in the Bermuda Constitution. On May 12, 2021, the Corporation filed a notice of appeal. The appeal was dismissed on March 18, 2022. In February 2023, the Corporation filed a notice of appeal to the Privy Council in London. The case was heard on December 11 and 12, 2024. The Corporation is still awaiting the final judgement.

#### **15. Subsequent events**

The Corporation evaluated events and transactions occurring from January 1, 2025, through to July 28, 2025, for potential recognition or disclosure in the notes to the financial statements.

On February 25, 2025, subsequent to the reporting date, the Corporation obtained a loan from Clarien Bank in the amount of \$8.75 million. The loan proceeds were used to settle litigation with MIF as disclosed in Note 13. The loan is repayable over a period of 10 years through fixed monthly instalments secured against the Corporation's revenues from car parking and ships wharfage.

Management believes that there are no additional post-year end events that need to be reflected in the financial statements or disclosed in the notes to the financial statements.