

**BRITISH VIRGIN ISLANDS
ELECTRICITY CORPORATION**

Financial Statements
For the year ended 31 December 2019

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Financial Statements For the year ended 31 December 2019

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BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Corporation Directory At 31 December 2019

Board of Directors

Chairman

Mrs. Rosemarie Flax

Vice Chairman

Mr. Wayne Robinson

Members

Ms. Pearl Smith

Mr. Aymen Husein

Mr. Jasin Fahie

Mrs. Violet de Castro

Ex-officio members

Mr. Leroy A. E. Abraham *(General Manager)*

Mrs. Carolyn O'Neal Morton *(Permanent Secretary – Premier's Office)*

Registered Office

Long Bush

P.O. Box 268

Road Town, Tortola VG 1110

British Virgin Islands

Legal Advisors

O'Neal Webster

2nd Floor, Commerce House

Road Town, Tortola VG 1110

British Virgin Islands

Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Opinion

We have audited the financial statements of the British Virgin Islands Electricity Corporation (the "Corporation"), which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 28.

This report is made solely to the Corporation's shareholders in accordance with section 21(3) of the British Virgin Islands Electricity Corporation Ordinance, 1978. Our audit work has been undertaken so that we might state to the Corporation's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Corporation's shareholders, as a body, for our audit work, for this report, or for the opinion we have formed.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 of Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the British Virgin Islands, 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.

Other Information

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Corporation taken as a whole. The supplementary information included in the schedule to the financial statements set out on pages 29 to 31 is presented for the purpose of additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 IFRSs, 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, then 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.

Baker Tilly (BVI) Limited

**Chartered Accountants
Tortola, British Virgin Islands
26 August 2021**

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Financial Position

At 31 December 2019

Expressed in U.S. Dollars

	Note(s)	2019	2018 Restated
Non-current assets			
Property, plant and equipment	3	<u>82,536,387</u>	<u>83,747,739</u>
Current assets			
Cash and cash equivalents		5,023,937	6,993,108
Fixed term deposits	4	4,883,136	4,922,020
Trade and other receivables	5,11	12,761,808	13,959,261
Inventory	6	8,754,473	7,533,045
Other current assets		<u>267,181</u>	<u>456,756</u>
		<u>31,690,535</u>	<u>33,864,190</u>
Total assets		<u>\$ 114,226,922</u>	<u>\$ 117,611,929</u>
Current liabilities			
Trade and other payables	7	6,816,738	5,226,730
Loans payable	8	4,333,867	4,333,864
Customers' deposits		<u>1,996,050</u>	<u>1,727,095</u>
		<u>13,146,655</u>	<u>11,287,689</u>
Non-current liabilities			
Loans payable	8	25,083,338	29,417,205
Pension fund liability	9	20,124,290	14,841,043
Deferred capital receipts	10	<u>8,869,451</u>	<u>8,779,504</u>
		<u>54,077,079</u>	<u>53,037,752</u>
Total liabilities		<u>67,223,734</u>	<u>64,325,441</u>
Equity			
Share capital	12	7,052,465	7,052,465
Contributed surplus	12	9,661,763	9,661,763
Retained earnings		<u>30,288,960</u>	<u>36,572,260</u>
Total equity		<u>47,003,188</u>	<u>53,286,488</u>
Total liabilities and equity		<u>\$ 114,226,922</u>	<u>\$ 117,611,929</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Comprehensive Income
For the year ended 31 December 2019

Expressed in U.S. Dollars

	Note	2019	2018 Restated
Income			
Sale of electricity	11	<u>50,208,266</u>	<u>44,505,254</u>
Total income		50,208,266	44,505,254
Cost of sales			
Fuel cost		<u>25,457,967</u>	<u>22,557,845</u>
Gross profit		<u>24,750,299</u>	<u>21,947,409</u>
Expenses			
Generation		7,642,364	4,524,719
Depreciation	3	5,517,578	5,415,255
Transmission and distribution		5,609,382	4,579,643
General and administrative	11	4,150,546	3,328,490
Finance		1,330,538	1,510,635
Customer services and meter reading		992,949	929,620
Information technology		620,033	647,033
Vehicles		311,996	301,188
Other expenses		<u>143,683</u>	<u>57,689</u>
Total expenses		<u>26,319,069</u>	<u>21,294,272</u>
Operating (loss)/profit		<u>(1,568,770)</u>	<u>653,137</u>
Other income/(expenses)			
Insurance recoveries		400,000	745,000
Hurricane expenditure		(208,075)	(10,358,428)
Profit/(loss) on disposal of property, plant and equipment		900	(82,617)
Release of deferred capital receipts	10	597,569	588,088
Other income		614,459	398,363
Interest income		92,028	60,753
Foreign exchange loss		<u>(27,063)</u>	<u>(31,243)</u>
Total net other income/(expenses)		<u>1,469,818</u>	<u>(8,680,084)</u>
Loss before finance cost		(98,952)	(8,026,947)
Finance cost		<u>1,638,146</u>	<u>1,589,632</u>
Net loss before taxation		(1,737,098)	(9,616,579)
Taxation	13	<u>—</u>	<u>—</u>
Net loss after taxation		(1,737,098)	(9,616,579)
Other comprehensive income			
Remeasurement loss on defined benefit obligation	9	<u>(4,546,202)</u>	<u>(2,466,858)</u>
Total comprehensive loss		<u>\$ (6,283,300)</u>	<u>\$ (12,083,437)</u>

Refer to the schedule to the financial statements for a detailed analysis of expenses.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

**Statement of Changes in Equity
For the year ended 31 December 2019**

Expressed in U.S. Dollars

	2019			
	Share capital	Contributed surplus	Retained earnings	Total
Balance at 1 January	7,052,465	9,661,763	36,572,260	53,286,488
Net loss for the year	—	—	(1,737,098)	(1,737,098)
Other comprehensive loss for the year	—	—	(4,546,202)	(4,546,202)
Total comprehensive loss	—	—	(6,283,300)	(6,283,300)
Balance at 31 December	\$ 7,052,465	\$ 9,661,763	\$ 30,288,960	\$ 47,003,188

	2018 Restated			
	Share capital	Contributed surplus	Retained earnings	Total
Balance at 1 January	7,052,465	9,661,763	49,083,181	65,797,409
Net loss for the year	—	—	(9,616,579)	(9,616,579)
Change in accounting policy	—	—	(427,484)	(427,484)
Other comprehensive loss for the year	—	—	(2,466,858)	(2,466,858)
Total comprehensive loss	—	—	(12,510,921)	(12,510,921)
Balance at 31 December	\$ 7,052,465	\$ 9,661,763	\$ 36,572,260	\$ 53,286,488

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Cash Flows
For the year ended 31 December 2019
Expressed in U.S. Dollars

	2019	2018 Restated
Cash flows from operating activities		
Total comprehensive loss	(6,283,300)	(12,083,437)
Adjustments for:		
Depreciation	5,517,578	5,415,255
Finance cost	1,638,146	1,589,632
(Profit)/loss on disposal of property, plant & equipment	(900)	82,617
Interest income	(92,028)	(60,753)
Foreign exchange loss	27,063	31,243
	<u>806,559</u>	<u>(5,025,443)</u>
<i>Operating profit/(loss) before working capital changes</i>		
Decrease in trade and other receivables	1,197,453	13,551,313
Decrease/(increase) in other current assets	189,575	(327,954)
(Increase)/decrease in inventory	(1,221,428)	4,349,420
Increase/(decrease) in trade and other payables	1,590,008	(6,433,820)
Increase in customer deposits	268,955	538,128
Increase in pension fund liability	5,283,247	3,020,403
Increase/(decrease) in deferred capital receipts	89,947	(344,682)
	<u>8,204,316</u>	<u>9,327,365</u>
<i>Net cash flows from operating activities</i>		
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,306,226)	(5,113,263)
Proceeds from sale of property, plant and equipment	900	11,027
Purchase of fixed term deposits	38,884	(2,171,757)
Interest received	92,028	60,753
	<u>(4,174,414)</u>	<u>(7,213,240)</u>
<i>Net cash flows used in investing activities</i>		
Cash flows from financing activities		
Net repayment of loans payable	(4,333,864)	(3,083,999)
Interest paid	(1,638,146)	(1,589,632)
	<u>(5,972,010)</u>	<u>(4,673,631)</u>
<i>Net cash flows used in financing activities</i>		
Net decrease in cash and cash equivalents	(1,942,108)	(2,559,506)
Cash and cash equivalents at beginning of year	6,993,108	9,583,857
Effect of exchange rate fluctuations on cash and cash equivalents	(27,063)	(31,243)
Cash and cash equivalents at end of year	<u>\$ 5,023,937</u>	<u>\$ 6,993,108</u>
Cash and cash equivalents comprise the following items:		
Cash on hand	3,600	3,600
Cash at bank	<u>5,020,337</u>	<u>6,989,508</u>
Cash and cash equivalents	<u>\$ 5,023,937</u>	<u>\$ 6,993,108</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2019

Expressed in U.S. Dollars

1. GENERAL INFORMATION

The British Virgin Islands Electricity Corporation (the "Corporation") is a corporate body established in the British Virgin Islands under the British Virgin Islands Electricity Corporation Ordinance, 1978 (the "Ordinance") and is wholly owned by the Government of the British Virgin Islands (the "Government"). The principal activities of the Corporation are the generation, transmission, supply, distribution and sale of electricity within the British Virgin Islands.

The financial statements were authorised for issue by the Board of Directors on 26 August 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Corporation's financial statements are set out below.

(a) Statement of compliance

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRSs. The financial statements comply with IFRSs as issued by the International Accounting Standards Board ("IASB").

(b) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The financial records and statements are maintained and presented in United States (U.S.) Dollars, rounded to the nearest dollar.

The accounting policies have been applied consistently by the Corporation and are consistent with those used in the previous year.

(c) Use of estimates

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Estimation of expected credit losses

Recoverability of specific receivables and other asset items is evaluated based on the best available facts and circumstances, including but not limited to, the length of the Corporation's relationship with its debtors and debtors' payment behaviour. The provisions are re-evaluated and adjusted when additional information is received. The total provision for expected credit losses as at 31 December 2019 was \$304,981 (2018 Restated: \$374,904). Refer to note 5.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2019

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Use of estimates (Cont'd)

Determination of net realisable value of inventory

The Corporation's estimates of the net realisable values of inventory are based on the most reliable evidence available, at the time the estimates are made, of the amount that the inventory is expected to be realised at. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made of net realisable value in each subsequent period. When the circumstances that previously caused inventory to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of a change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realisable value. Inventory stated at net realisable value as at 31 December 2019 was \$8,754,473 (2018 Restated: \$7,533,045). Refer to note 6.

Estimation of useful lives and residual values of property, plant and equipment

The estimated useful lives and residual values of property, plant, and equipment are based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and legal or other limits on the use of the assets. The carrying value of property, plant and equipment as at 31 December 2019 was \$82,536,387 (2018 Restated: \$83,747,739). Refer to note 3.

Determination of impairment of property, plant and equipment

The Corporation determines whether its property, plant and equipment are impaired on a regular basis. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Corporation's financial condition and results of operations. While management believes that the assumptions made are appropriate and reasonable, significant changes in assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under IFRSs. There were no impairment losses recognised on property, plant and equipment as of 31 December 2019 and 2018. Refer to note 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, current deposits with banks and other short-term, highly liquid financial instruments with original maturities of three months or less that are readily convertible to known amounts of cash or are subject to an insignificant risk of changes in value, and bank overdrafts.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2019

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Financial assets at amortised cost

Financial assets at amortised cost comprise cash and cash equivalents, fixed term deposits and trade and other receivables. Financial assets are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition. These financial assets are held for collection of contractual cash flows representing solely payments of principal and interest, if any, and therefore are measured subsequently at amortised cost using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

Regular way purchases and sales are recognised on the trade-date, the date on which the Corporation commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

The Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses ("ECLs") to be recognised from initial recognition of the receivables.

The Corporation holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime expected credit losses at each reporting date.

The Corporation's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Corporation uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

See note 14(b).

(f) Financial liabilities at amortised cost

Financial liabilities are non-derivative contractual obligations to deliver cash or another financial asset to another entity and comprise trade and other payables, loans payable, customers' deposits and pension fund liability.

These financial liabilities are initially recognised at fair value on the date the Corporation becomes a party to the contractual provisions of an instrument and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the obligation specified in a contract is discharged, cancelled or expired.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

**Notes to and forming part of the Financial Statements
For the year ended 31 December 2019**

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Other specific instruments

Fixed term deposits

Fixed term deposits are term deposits held at a financial institution that are generally short-term with maturities ranging from more than six (6) months to a year. When a term deposit is purchased, the money can only be withdrawn after the term has ended or by giving a predetermined number of days' notice.

Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity.

(h) Inventory

Fuel items

Fuel items are carried at cost which is determined on a first-in, first-out basis. The cost includes the cost of bringing these items to their existing location and condition.

Non-fuel items

Non-fuel items are carried at the lower of cost and net realisable value. The cost of inventory is based on the weighted average cost principle which is also reduced by a specific provision for obsolete items, as determined by management. The cost includes the cost of bringing items to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When items of inventory are used by the Corporation, these are transferred to property, plant and equipment or expensed as repairs and maintenance, as deemed appropriate.

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives.

The rates of depreciation in use are based on the following estimated useful lives:

Buildings	20-40 years
Generating plant and equipment	8-25 years
Distribution and transmission equipment	5-25 years
Motor vehicles	4 years
Computer and other equipment	5-16 years
Furniture and fittings	8 years

Freehold land is not depreciated where the cost is distinguishable from the cost of the buildings.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2019

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Property, plant and equipment (Cont'd)

The useful lives, residual values and depreciation methods are reviewed periodically to ensure that they are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The initial cost of an item of property, plant and equipment includes its purchase price plus any cost attributable in bringing the asset to its intended location and working condition. Cost also includes interest and other financing charges on borrowed funds used to finance the acquisition of assets to the extent incurred during the period of installation and construction.

Subsequent expenditure incurred to replace a component of an asset is capitalised only when it increases the future economic benefits embodied in that asset. All other expenditure is recognised in the statement of comprehensive income when it is incurred.

Construction in progress is carried at cost and transferred to the related asset account when the construction or installation and related activities necessary to prepare the asset for its intended use are complete, and the asset is ready for service. Construction in progress is not depreciated until it is brought into use.

When an asset is retired or otherwise disposed of, the cost and the related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

(j) Deferred capital receipts

Customer contributions towards distribution and transmission equipment are taken to deferred capital receipts on the transaction date and are credited to the statement of comprehensive income on a systematic basis over the respective useful life of the assets.

(k) Impairment

The carrying amount of the Corporation's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is estimated as the greater of an asset's net selling price and value in use.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the statement of comprehensive income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements

For the year ended 31 December 2019

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Pension plan

The Corporation's net obligation in respect of its defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the unrecognised past service cost and fair value of plan assets are deducted. The discount rate is the yield at the reporting date in AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit method.

The Corporation must meet the balance of the cost of funding the Pension plan. The funding requirements are based on regular (annual) actuarial valuations of the Pension Fund.

In calculating the Corporation's obligation in respect of its defined benefit pension plan, all actuarial gains and losses are recognised in the statement of comprehensive income. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that applies to the Corporation.

The past service cost, the service cost and the net interest expense for the year is included in the employee benefits expense in the statement of comprehensive income. The remeasurement on the net defined benefit liability is included in the statement of comprehensive income as part of other comprehensive income.

(m) Revenue and expenditure recognition

Income from the sale of electricity is recognised based on units of electricity consumed by customers multiplied by the unit price per usage. The unit price per usage is based on a standard rate stated in the Corporation's by-laws. The Corporation also includes a fuel price levy in the electricity charges billed to customers.

The fuel price levy represents any fluctuations in the cost of fuel which is the difference between the standard cost of fuel and the average cost of fuel purchased.

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing financing instruments using the effective interest method. All other income is recognised in the statement of comprehensive income on the accrual basis.

Expenses are recorded on the accrual basis.

(n) Foreign currency transactions

Transactions in foreign currencies are converted at the foreign currency exchange rate ruling at the date of the transaction.

Foreign currency exchange differences arising on conversion or translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2019

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Foreign currency transactions (Cont'd)

Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost are translated at the foreign currency exchange rate ruling at the date of the transaction, or if impaired, at the date of the impairment recognition. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the foreign currency exchange rates ruling at the dates that the values were determined.

(o) Contingent liabilities

Certain conditions may exist as of the reporting date, which may result in a loss to the Corporation but which will only be resolved when one or more future events occur or fail to occur. The Directors assess such contingent liabilities, and such assessment inherently involves an exercise of judgment.

If the assessment of a contingency indicates that there is a present obligation as a result of a past event, that it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated, then the estimated liability is accrued in the Corporation's financial statements. If the assessment indicates that there is a possible obligation, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, is disclosed.

Loss contingencies considered remote are generally not disclosed.

(p) Related parties

Related parties are individuals and entities where the individual or entity has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(q) Amended and newly issued accounting standards not yet adopted

A number of new standards, amendments to existing standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Corporation.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

**Notes to and forming part of the Financial Statements
For the year ended 31 December 2019**

Expressed in U.S. Dollars

3. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Generating plant & equipment	Distribution & transmission equipment	Motor vehicles	Computer & other equipment	Furniture & fittings	Total
Cost							
At 1 January 2019	29,111,028	88,839,685	45,091,643	1,920,899	3,615,149	300,067	168,878,471
Additions during the year	1,792,297	1,453,767	489,438	201,068	296,554	73,102	4,306,226
At 31 December 2019	30,903,325	90,293,452	45,581,081	2,121,967	3,911,703	373,169	173,184,697
Accumulated depreciation							
At 1 January 2019	8,952,110	42,971,121	29,577,383	1,531,613	1,845,641	252,864	85,130,732
Charge for the year	807,272	2,666,211	1,324,366	286,548	412,023	21,158	5,517,578
At 31 December 2019	9,759,382	45,637,332	30,901,749	1,818,161	2,257,664	274,022	90,648,310
Net book value							
At 31 December 2019	\$21,143,943	\$44,656,120	\$14,679,332	\$303,806	\$1,654,039	\$99,147	\$82,536,387
At 31 December 2018 Restated	\$20,158,918	\$45,868,564	\$15,514,260	\$389,286	\$1,769,508	\$47,203	\$83,747,739

The Corporation's management, after due consideration of the assessment of their assets for impairment, believes that there are no indications that the property, plant and equipment as of 31 December 2019 and 2018 are impaired or their carrying amounts cannot be recovered.

Fully depreciated property, plant and equipment not written-off as at 31 December 2019 amounted to \$45,079,047 (2018 Restated: \$46,273,210).

Included in 'Land and Buildings' is an amount of \$nil (2018 Restated: \$600,000) relating to work in progress. Included in 'Generating Plant and Equipment' is an amount of \$837,591 (2018 Restated: \$24,655) relating to work in progress.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements

For the year ended 31 December 2019

Expressed in U.S. Dollars

4. FIXED TERM DEPOSITS

As at 31 December 2019, the Corporation had fixed term deposits totalling \$4,883,136 (2018 Restated: \$4,922,020). These deposits earn interest ranging between 0.10% and 1.50% (2018 Restated: 0.25% and 1.21%) per annum and will automatically renew upon their maturity, which are between six (6) to twelve (12) months.

5. TRADE AND OTHER RECEIVABLES

	2019	2018 Restated
Trade receivables (refer also to note 14)	9,317,306	10,378,802
Other receivables	<u>3,749,483</u>	<u>3,955,363</u>
	13,066,789	14,334,165
Provision for expected credit losses (refer also to note 14)	(304,981)	(374,904)
	<u>\$12,761,808</u>	<u>\$13,959,261</u>

6. INVENTORY

	2019	2018 Restated
Generating plant and equipment parts	6,485,440	6,292,081
Distribution and transmission parts	2,427,369	2,319,599
Diesel fuel	1,431,616	602,565
Goods in transit	347,225	344,089
Vehicle parts	231,474	237,769
Lubricating oil	94,822	86,306
Other spare parts and supplies	38,184	43,095
Hurricane restoration stocks	<u>9,969</u>	<u>9,969</u>
	11,066,099	9,935,473
Provision for obsolete inventory	(2,311,626)	(2,402,428)
	<u>\$8,754,473</u>	<u>\$7,533,045</u>

During the year, the Corporation recognised a provision reversal of \$90,802 (2018 Restated: \$720,100 addition) for obsolete inventory.

7. TRADE AND OTHER PAYABLES

	2019	2018 Restated
Trade payables	5,902,497	4,646,889
Accrued expenses	<u>914,241</u>	<u>579,841</u>
	<u>\$6,816,738</u>	<u>\$5,226,730</u>

Trade payables and accrued expenses include outstanding creditor balances, accrued payroll and other employee benefits, accrued professional fees and other accrued expenses.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2019

Expressed in U.S. Dollars

8. LOANS PAYABLE

	2019	2018 Restated
Banco Popular de Puerto Rico		
\$30,008,000 was borrowed in connection with the Phase IV Development Programme. The loan is repayable in 60 quarterly instalments which commenced 31 December 2005 and bears interest at a fixed rate of 5.5% per annum. This loan is secured by assets of the Corporation and is guaranteed by the Government.	2,000,535	4,001,067
Repayable within one year	(2,000,535)	(2,000,532)
Repayable outside of one year	\$ —	\$2,000,535
British Virgin Islands Social Security Board		
\$35,000,000 was borrowed in connection with the Phase V Development Programme. The loan is repayable over fifteen (15) years or sixty (60) quarterly instalments which commenced on 31 October 2015 and bears interest at a fixed rate of 3.5% per annum for the first 7 years and 5.0% for the next 8 years. This loan is secured by assets of the Corporation and is guaranteed by the Government.	27,416,670	29,750,002
Repayable within one year	(2,333,332)	(2,333,332)
Repayable outside of one year	\$25,083,338	\$27,416,670
<i>Overdraft facility</i>		

The Corporation has the following facilities available from Scotia Bank (BVI) Limited:

	Amount authorised	Rate
Operating line of credit	\$800,000	Prime rate + 1%
Standby line of credit	\$1,000,000	Prime rate + 1%

Both of the facilities bear interest at Prime rate plus 1% per annum. The standby line of credit is subject to a standby fee of ½% of the amount authorised or \$5,000 per annum. These facilities are secured by an unconditional and irrevocable guarantee from the Government. As at 31 December 2019 and 2018, these facilities were unused.

9. PENSION FUND LIABILITY

The Corporation has established a defined benefit plan which is fully funded. The assets of the plan are held independently of the Corporation's assets. The plan is valued by independent actuaries with the most recent valuation being carried out on 21 October 2020.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

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9. PENSION FUND LIABILITY (Cont'd)

	2019	2018 Restated
Present value of funded obligations	40,056,333	32,712,774
Fair value of plan assets	<u>(19,932,043)</u>	<u>(17,871,731)</u>
Liability in the statement of financial position	<u>\$20,124,290</u>	<u>\$14,841,043</u>

The amount recognised in the statement of comprehensive income as pension expense is as follows:

	2019	2018 Restated
Current service cost	1,202,521	1,088,629
Net interest on net defined benefit liability	608,166	563,893
Administrative expense allowance	<u>25,693</u>	<u>25,866</u>
	<u>\$1,836,380</u>	<u>\$1,678,388</u>

The movement in the present value of the pension liability in the current year was as follows:

	2019	2018 Restated
Opening net liability	14,841,043	11,820,640
Net pension cost	1,836,380	1,678,388
Remeasurements recognised in other comprehensive income	4,546,202	2,466,858
Corporation contributions	<u>(1,099,335)</u>	<u>(1,124,843)</u>
Closing net liability	<u>\$20,124,290</u>	<u>\$14,841,043</u>

Remeasurements recognised in other comprehensive income were as follows:

	2019	2018 Restated
Actuarial loss on obligations/adjustments	261,122	1,753,229
Actuarial loss from changes in financial assumptions	5,650,568	(2,772,946)
Expected return on plan assets	<u>(1,365,488)</u>	<u>(1,447,141)</u>
	<u>\$4,546,202</u>	<u>\$(2,466,858)</u>

The principal actuarial assumptions used in calculating the pension fund liability are:

	2019	2018 Restated
Discount rate	3.25%	4.25%
Rate of compensation increase	3.0%	3.5%

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

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9. PENSION FUND LIABILITY (Cont'd)

The major categories of plan assets are as follows:

	2019	2018 Restated
Equity securities	33.5%	31.2%
Debt securities	25.6%	21.8%
Cash and cash equivalents	<u>40.9%</u>	<u>47.0%</u>
	<u>100.0%</u>	<u>100.0%</u>

For the year ended 31 December 2019, the Corporation paid contributions to the pension fund of \$1.099 million (2018 Restated: \$1.025 million).

Significant actuarial assumptions for the determination of the pension fund liability are discount rate and rate of compensation increase. The following table summarises how the pension fund liability as at 31 December 2019 would have changed as a result of an approximate 1% per annum change.

	2019	2018 Restated
Discount rate	(5,850,140)	(4,427,841)
Future salary increases	<u>1,989,797</u>	<u>1,599,575</u>
	<u>\$(3,860,343)</u>	<u>\$(2,828,266)</u>

10. DEFERRED CAPITAL RECEIPTS

	2019	2018 Restated
Balance at 1 January	8,779,504	9,124,186
Customer contributions for the year	687,516	243,406
Released to the statement of comprehensive income	<u>(597,569)</u>	<u>(588,088)</u>
Balance at 31 December	<u>\$8,869,451</u>	<u>\$8,779,504</u>

11. RELATED PARTY TRANSACTIONS

The Corporation earned \$7,891,051 (2018 Restated: \$7,107,502) in revenue from the Government for the sale of electricity during the year. \$3,055,359 (2018 Restated: \$4,070,986) remained outstanding as at 31 December 2019.

Directors' fees and expenses during the year amounted to \$54,871 (2018 Restated: \$92,138).

During the year, the Corporation paid salaries and wages of \$1,023,132 (2018 Restated: \$1,145,661) with respect to remuneration for key management personnel.

The Corporation entered into a loan agreement of \$35,000,000 with the British Virgin Islands Social Security Board, an entity related by way of common ownership. \$27,416,670 (2018 Restated: \$29,750,002) remained outstanding at year end. Refer also to note 8.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

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12. SHARE CAPITAL

The Corporation has an unlimited authorised share capital.

	2019	2018 Restated
Issued and fully paid: 778 shares of \$1.00 par value each	778	778
Share premium	<u>7,051,687</u>	<u>7,051,687</u>
	<u>\$7,052,465</u>	<u>\$7,052,465</u>

All shares in the Corporation are owned by the Government.

A Board of Directors has been appointed. The Chairman has a casting, as well as a deliberative vote; however, the decision of the majority of the directors present and voting at any meeting of the Corporation is deemed to be the decision of the Corporation.

Contributed surplus represents amounts contributed by the Government in addition to its subscription to the issued share capital.

13. TAXATION

In accordance with section 20 of the Ordinance, the Corporation is exempt from customs duties, land and house taxes, stamp duties and income taxes.

Effective 1 January 2005, the Government of the British Virgin Islands, by virtue of the introduction of the Payroll Taxes Act, 2004, which reduced the rate of income tax to zero, effectively abolished both personal and corporate income tax in the Territory. Further, beginning 1 January 2005, the Corporation became subject to a payroll tax equating to 6% of all salaries, wages and benefits paid to employees.

14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial assets of the Corporation include cash and cash equivalents, fixed term deposits and trade and other receivables. Financial liabilities of the Corporation comprise trade and other payables, loans payable, customers' deposits and pension fund liability. Accounting policies for financial assets and liabilities are set out in note 2.

The Corporation has exposure to a variety of financial risks that are associated with these financial instruments. The most important types of financial risk to which the Corporation is exposed are market risk, credit risk and liquidity risk.

The Corporation's overall risk management program is established to identify and analyse this risk, to set appropriate risk limits and controls, and to monitor risks and adherence to limits in an effort to minimise potential adverse effects on the Corporation's financial performance.

(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 which includes foreign currency risk, interest rate risk and commodity risk.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2019

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14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Cont'd)

(a) Market risk (Cont'd)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation incurs foreign currency risk on transactions that are denominated in currencies other than the U.S. Dollar. Foreign currency balances held at year end expressed in U.S. Dollars are as follows:

	2019		2018 Restated	
	Fair value	% of Total assets	Fair value	% of Total assets
Liabilities				
British Pound	\$(111,790)	(0.10)%	\$(57,911)	(0.05)%
Euro	\$(301,460)	(0.26)%	\$ —	—

A sensitivity analysis was performed in respect to the assets and liabilities denominated in currencies other than the U.S. Dollar and management noted that there would be no material effect to the Corporation's total equity and total comprehensive income.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's income and operating cash flows are substantially independent of changes in market rates since the majority of interest bearing instruments are fixed rate instruments.

The table below summarises the weighted average interest rates for the interest-bearing financial instruments:

	2019	2018 Restated
Cash at bank	0.58%	0.38%
Fixed term deposits	1.29%	0.79%
Loans payable	4.31%	3.87%

The Corporation is exposed to interest rate cash flow risk on cash and cash equivalents and fixed term deposits to the extent that prevailing interest rates may fluctuate on these instruments.

The Corporation is exposed to interest rate price risk on those loans with fixed interest rates to the extent that the applied interest rates may be greater than the prevailing market rates in the period to maturity.

A sensitivity analysis was performed in respect to the interest-bearing financial instruments and management noted that there would be no material effect to the Corporation's total equity and total comprehensive income.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements

For the year ended 31 December 2019

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14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Cont'd)

(a) Market risk (Cont'd)

Commodity/price risk

The Corporation is exposed to the risk of fluctuations in prevailing market commodity prices on fuel and oil. The commodity prices are greatly affected by world economic events that dictate the level of supply and demand. The Corporation has not entered into hedged agreements to reduce its exposure to commodity price risk, since it is locked into a fixed price supply agreement until 31 August 2021 (refer to note 16).

The sensitivity analysis of the Corporation's profit before tax for changes in commodity prices is based on the assumption that year-end diesel fuel inventory prices move 8% (2018 Restated: 10%) resulting in a change of \$118,257 (2018 Restated: \$60,257), with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the historical prices of fuel from New York Harbor Ultra-Low Sulfur Diesel (ULSD) End of Day Settlement Prices as regulated by the U.S. Energy Information Administration.

(b) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties to financial instruments failed to perform as contracted.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

As at 31 December 2019, the Corporation's financial assets exposed to credit risk amounted to the following:

	2019	2018 Restated
Cash and cash equivalents	5,020,337	6,989,508
Fixed term deposits	4,883,136	4,922,020
Trade and other receivables	<u>12,761,808</u>	<u>13,959,261</u>
	<u>\$22,665,281</u>	<u>\$25,870,789</u>

(i) Risk management

The Corporation invests available cash and cash equivalents and fixed term deposits with various banks. The Corporation is exposed to credit-related losses in the event of non-performance by such counterparties to financial instruments, but given their reasonable credit ratings, management does not expect any such counterparty to fail to meet its obligations.

The Corporation does not believe it is subject to any significant concentration of credit risk as its private accounts receivable are largely derived from sales of electricity supplied to consumers throughout the British Virgin Islands.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

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14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Cont'd)

(b) Credit risk (Cont'd)

(ii) Security

The Corporation requires security deposits from customers occupying rental premises upon application of a new service. Management performs periodic reviews of receivable balances and uses disconnection exercises to encourage payment of accounts.

(iii) Impairment of financial assets

The Corporation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

While cash and cash equivalents, other receivables and fixed term deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenues over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified the GDP and the unemployment rate of the countries in which it provides its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2019 and 2018 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
31 December 2019					
Expected loss rate	2.0%	2.0%	4.0%	5.0%	
Trade receivables	3,770,976	1,377,383	643,355	3,525,592	9,317,306
Loss allowance	75,420	27,548	25,734	176,279	304,981
31 December 2018 Restated					
Expected loss rate	2.0%	2.0%	4.0%	5.0%	
Trade receivables	3,190,519	1,271,743	1,016,803	4,899,737	10,378,802
Loss allowance	63,810	25,435	40,672	244,987	374,904

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14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Cont'd)

(b) Credit risk (Cont'd)

(iii) Impairment of financial assets (Cont'd)

The closing loss allowance for trade receivables as at 31 December 2019 and 2018 reconciles to the opening loss allowance as follows:

	Trade Receivables	
	2019	2018
		Restated
Opening balance	374,904	772,295
Decrease in loss allowance recognised in profit or loss during the year	(64,800)	(395,329)
Recovery of receivables previously allowed for	(5,123)	—
Receivables written off during the year as uncollectible	<u>—</u>	<u>(2,062)</u>
	<u>\$304,981</u>	<u>\$374,904</u>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Corporation, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due.

The Corporation's approach to managing its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed.

The following are the contractual maturities of financial liabilities based on contractual undiscounted payments:

2019	On Demand	Less than 6 months	6 months to 1 year	More than 1 year	Total
Trade and other payables	6,816,738	—	—	—	6,816,738
Loans payable	—	2,166,932	2,166,935	25,083,338	29,417,205
Customers' deposits	1,996,050	—	—	—	1,996,050
Pension fund liability	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,124,290</u>	<u>20,124,290</u>
	<u>\$8,812,788</u>	<u>\$2,166,932</u>	<u>\$2,166,935</u>	<u>\$45,207,628</u>	<u>\$58,354,283</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

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14. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (Cont'd)

(c) Liquidity risk (Cont'd)

2018 Restated	On Demand	Less than 6 months	6 months to 1 year	More than 1 year	Total
Trade and other payables	5,226,730	—	—	—	5,226,730
Loans payable	—	2,166,932	2,166,932	29,417,205	33,751,069
Customers' deposits	1,727,095	—	—	—	1,727,095
Pension fund liability	—	—	—	14,841,043	14,841,043
	<u>\$6,953,825</u>	<u>\$2,166,932</u>	<u>\$2,166,932</u>	<u>\$44,258,248</u>	<u>\$55,545,937</u>

15. FAIR VALUE INFORMATION

Many of the Corporation's financial instruments are measured at fair value in the statement of financial position. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with absolute precision. Nevertheless, fair values can be reliably determined within a reasonable range of estimates.

For certain other financial instruments, including cash and cash equivalents, fixed term deposits, trade and other receivables, trade and other payables, loans payable - current and customers' deposits, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The carrying value of the loans payable - non-current is assumed to approximate its fair value.

Pension fund liability is measured at fair value based on actuarial valuation of the Pension Fund.

16. COMMITMENTS

(a) SOL St. Lucia Ltd ("SOL")

On 18 December 2018, the Corporation entered into a contract with SOL for the exclusive supply and delivery of an estimated 26,009,537 U.S. Gallons of diesel fuel to Henry Wilfred Smith Power Station for the period covering 1 September 2018 to 31 August 2021. Based on prices as at 31 December 2019, the remaining volume of the contract as of that date was 14,689,343 U.S. gallons and its contract value was approximately \$31,831,000.

(b) Delta Petroleum (Caribbean) Limited ("Delta")

On 21 December 2018, the Corporation entered into a contract with Delta for the exclusive supply and delivery of an estimated 167,000 U.S. Gallons of petrol fuel to the Corporation's operations on Tortola and Virgin Gorda for the period covering 1 September 2018 to 31 August 2022. Based on prices as at 31 December 2019, the remaining volume of the contract as of that date was 115,500 U.S. gallons and its contract value was approximately \$275,000.

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16. **COMMITMENTS** (Cont'd)

(b) **Delta Petroleum (Caribbean) Limited ("Delta")** (Cont'd)

On 21 December 2018, the Corporation entered into a contract with Delta for the exclusive supply and delivery of an estimated 306,400 U.S. Gallons of diesel fuel to the Anegada Power Station for the period covering 1 September 2018 to 31 August 2020. Based on prices as at 31 December 2019, the remaining volume of the contract as of that date was 96,000 U.S. gallons and its contract value was approximately \$242,000.

On 21 December 2018, the Corporation entered into a contract with Delta for the exclusive supply and delivery of an estimated 32,000 U.S. Gallons of lubricating oil to Henry Wilfred Smith Power Station for the period covering 1 September 2018 to 31 August 2020. Based on prices as at 31 December 2019, the remaining volume of the contract as of that date was 9,000 U.S. gallons and its contract value was approximately \$95,000.

On 21 December 2018, the Corporation entered into a contract with Delta for the removal and disposal of an estimated 56,700 U.S. Gallons of waste oil from Henry Wilfred Smith Power Station for the period 1 September 2018 to 31 August 2020. Based on the fixed price per the agreement, as at 31 December 2019 the remaining volume of the contract as of that date was 18,900 U.S. gallons and its contract value was approximately \$28,000.

17. **SUBSEQUENT EVENTS**

In March 2020, the World Health Organisation ("WHO") declared the outbreak of a novel corona virus ("COVID-19") as a global pandemic. In response to WHO's recommendation to contain and mitigate the spread of COVID-19, entities worldwide have adopted various restrictions or closure on operations.

The Corporation has closely monitored the developments of COVID-19 and has since applied measures to ensure for the safety and well-being of its employees.

The Directors recognise that there is material uncertainty on the global economy caused by the COVID-19 pandemic. However, the impact on the operations of the Corporation has not been material as at the date of the report.

18. **CONTINGENT LIABILITY**

The Corporation obtained judgement against Delta for specific performance of the Refined Petroleum Supply Agreement dated 30 August 2014 (the "Contract") and \$794,000 in liquidation damages. The court dismissed Delta's counterclaim for damages for breach of contract, advanced on the basis that the Corporation unlawfully refused its request for performance relief to permanently relieve Delta of its obligation to supply fuel under the Contract. After unsuccessfully appealing at the Court of Appeal, Delta obtained leave to appeal at the Privy Council. On 11 November 2020 the Privy Council allowed the appeal in substantial part and awarded Delta compensation for any loss suffered as a result of injunctive relief. The quantum of the compensation is to be assessed but the Privy Council is yet to rule on the issue of costs.

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19. CORRECTION OF PRIOR YEAR ERROR

During the year it was identified that an amount of \$600,000, paid in the prior year towards the reconstruction of the roof at the Henry Wilfred Smith Power Station, had been erroneously expensed as a period cost through the statement of comprehensive income. As a result, 'generation: materials and maintenance' was overstated and retained earnings and property, plant and equipment were understated. This error has been corrected by the Corporation retroactively.

An amount of \$24,655 was reclassified from trade and other receivables to property, plant and equipment in the comparatives as it related to work in progress.

The prior year adjustments had the following impact on the Corporation's financial statements:

	2019	2018 Restated
Statement of financial position		
<i>Retained earnings</i>		
Balance at 1 January, as restated/previously reported	36,572,260	49,083,181
Net loss for the year, as previously reported	(1,737,098)	(10,216,579)
Effect of correction of error	—	600,000
Net loss for the year, as restated	(1,737,098)	(9,616,579)
Change in accounting policy	—	(427,484)
Other comprehensive loss for the year	(4,546,202)	(2,466,858)
Balance at 31 December, as restated	\$ 30,288,960	\$ 36,572,260
<i>Property, plant and equipment</i>		
Balance at 1 January, as restated/previously reported	83,747,739	84,143,375
Transactions during the year - net	(1,211,352)	(1,020,291)
Reclassification	—	24,655
Effect of correction of error	—	600,000
Balance at 31 December, as restated	\$ 82,536,387	\$ 83,747,739
<i>Trade and other receivables</i>		
Balance at 1 January, as restated/previously reported	13,959,261	27,938,058
Transactions during the year - net	(1,197,453)	(13,954,142)
Reclassification	—	(24,655)
Balance at 31 December, as restated	\$ 12,761,808	\$ 13,959,261

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended 31 December 2019

Expressed in U.S. Dollars

19. CORRECTION OF PRIOR YEAR ERROR (Cont'd)

	2019	2018 Restated
Statement of comprehensive income		
<i>Generation: materials and maintenance</i>		
Expense for the year/as previously reported	3,883,709	1,992,984
Effect of correction of error	<u>—</u>	<u>(600,000)</u>
Expense for the year, as restated	\$ <u>3,883,709</u>	\$ <u>1,392,984</u>
Statement of cash flows		
<i>Net cash flows used in investing activities</i>		
Cash flows for the year/as previously reported	(4,175,314)	(6,588,585)
Reclassification from receivables	—	(24,655)
Effect of correction of error	<u>—</u>	<u>(600,000)</u>
Cash flows for the year, as restated	\$ <u>(4,175,314)</u>	\$ <u>(7,213,240)</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Schedule to the Financial Statements - Expenses For the year ended 31 December 2019

Expressed in U.S. Dollars

	2019	2018 Restated
Generation		
Materials and maintenance	3,883,709	1,392,984
Wages and salaries	2,051,107	1,916,622
Social security	64,068	62,697
Pension expense	576,878	529,829
Payroll tax	92,297	86,925
Other employee expenses	145,189	143,387
Consulting fees	625,906	238,512
Other generation expenses	203,210	153,763
	<u>\$ 7,642,364</u>	<u>\$ 4,524,719</u>
Transmission and distribution		
Materials and maintenance	2,386,123	1,707,223
Wages and salaries	1,838,315	1,719,990
Social security	58,201	53,617
Pension expense	513,246	427,462
Payroll tax	86,903	101,680
Other employee expenses	137,010	134,020
Consulting fees	30,804	28,766
Vehicle expenses	256,480	204,903
Other expenses	302,300	201,982
	<u>\$ 5,609,382</u>	<u>\$ 4,579,643</u>
General and administrative		
Insurance	1,436,003	1,833,892
Legal and professional fees	608,446	456,643
Wages and salaries	587,136	606,817
Social security	13,624	14,395
Pension expense	197,713	196,988
Payroll tax	29,254	42,169
Other employee expenses	38,156	42,337
Consulting fees	317,133	194,638
Provision for doubtful debt	(64,800)	(395,329)
Inventory adjustments	656,905	52,690
Other expenses	330,976	283,250
	<u>\$ 4,150,546</u>	<u>\$ 3,328,490</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

**Schedule to the Financial Statements - Expenses (Cont'd)
For the year ended 31 December 2019**

Expressed in U.S. Dollars

	2019	2018 Restated
Finance		
Wages and salaries	710,278	767,228
Social security	20,824	21,906
Pension expense	219,280	218,304
Payroll tax	32,741	35,468
Other employee expenses	45,178	50,227
Consulting fees	17,660	19,444
Repairs and maintenance	42,875	125,773
Computer expenses	66,354	35,306
Other expenses	175,348	236,979
	<u>\$ 1,330,538</u>	<u>\$ 1,510,635</u>
Customer services and meter reading		
Wages and salaries	630,559	631,249
Social security	23,105	21,103
Pension expense	185,615	160,830
Payroll tax	25,407	25,798
Other employee expenses	51,671	49,533
Other expenses	76,592	41,107
	<u>\$ 992,949</u>	<u>\$ 929,620</u>
Information technology		
Wages and salaries	231,378	241,972
Social security	6,485	8,052
Pension expense	75,418	82,188
Payroll tax	12,071	17,980
Other employee expenses	16,324	19,809
System maintenance	162,517	125,239
Other expenses	115,840	151,793
	<u>\$ 620,033</u>	<u>\$ 647,033</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Schedule to the Financial Statements - Expenses (Cont'd)
For the year ended 31 December 2019

Expressed in U.S. Dollars

	2019	2018 Restated
Vehicles		
Wages and salaries	198,663	195,991
Social security	7,244	7,512
Pension expense	68,231	62,786
Payroll tax	8,288	10,031
Other employee expenses	16,403	17,560
Other expenses	13,167	7,308
	<u>311,996</u>	<u>301,188</u>
	\$	\$
	<u><u>311,996</u></u>	<u><u>301,188</u></u>