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BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Financial Statements
For the year ended 31 December 2018

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Financial Statements
For the year ended 31 December 2018

Table of Contents

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Corporation Directory
At 31 December 2018

Board of Directors

Chairman
Mrs. Rosemarie Flax

Vice Chairman
Mr. Wayne Robinson

Members
Ms. Pearl Smith
Mr. Aymen Husein
Mr. Jasin Fahie

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
Simmonds Building
Wickhams Cay 1
30 DeCastro Street
Road Town, Tortola VG 1110
British Virgin Islands

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Chartered Accountants

PO Box 650
Tropic Isle Building
Nibbs Street
Road Town, Tortola VG 1110
British Virgin Islands

T: +1 284 494 5800
F: +1 284 494 6565

info@bakertilly.vg
www.bakertilly.vg

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 2018, 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 32.

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 2018, 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 30 and 32 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
28 May 2020

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Financial Position
At 31 December 2018
Expressed in U.S. Dollars

	Note(s)	2018	2017
Current assets			
Cash and cash equivalents		6,993,108	9,583,857
Fixed term deposits	4	4,922,020	2,750,263
Trade and other receivables	5,12	13,983,916	27,938,058
Inventory	6	7,533,045	11,882,465
Other current assets		456,756	128,802
		33,888,845	52,283,445
Non-current assets			
Property, plant and equipment	7	83,123,084	84,143,375
Total assets		$ 117,011,929	$ 136,426,820
Current liabilities			
Trade and other payables	8	5,226,730	11,660,550
Loans payable	9	4,333,864	3,083,999
Customers' deposits		1,727,095	1,188,967
		11,287,689	15,933,516
Non-current liabilities			
Loans payable	9	29,417,205	33,751,069
Pension fund liability	10	14,841,043	11,820,640
Deferred capital receipts	11	8,779,504	9,124,186
		53,037,752	54,695,895
Total liabilities		64,325,441	70,629,411
Equity			
Share capital	13	7,052,465	7,052,465
Contributed surplus	13	9,661,763	9,661,763
Retained earnings		35,972,260	49,083,181
Total equity		52,686,488	65,797,409
Total liabilities and equity		$ 117,011,929	$ 136,426,820

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Comprehensive Income
For the year ended 31 December 2018
Expressed in U.S. Dollars

	Note	2018	2017
Income			
Sale of electricity	12	44,505,254	39,410,425
Total income		44,505,254	39,410,425
Cost of sales			
Fuel cost		22,557,845	19,634,402
Gross profit		21,947,409	19,776,023
Expenses			
Generation		5,124,719	6,201,507
Depreciation	7	5,415,255	6,030,414
Distribution and transmission		4,579,643	2,571,732
General and administrative	12	3,328,490	2,982,442
Finance		1,510,635	1,300,101
Customer service and meter reading		929,620	872,654
Information technology		647,033	632,252
Vehicles		301,188	329,139
Other expenses		57,689	589,974
Total expenses		21,894,272	21,510,215
Operating profit/(loss)		53,137	(1,734,192)
Other (expenses)/income			
Insurance recoveries		1,062,013	10,000,000
Hurricane expenditure		(10,358,428)	(6,530,311)
Loss on disposal of property, plant and equipment		(82,617)	(3,143,228)
Release of deferred capital receipts	11	588,088	575,341
Other income		81,350	264,726
Interest income		60,753	58,080
Foreign exchange loss		(31,243)	(57,879)
Total net other (expenses)/income		(8,680,084)	1,166,729
Loss before finance cost		(8,626,947)	(567,463)
Finance cost		1,589,632	996,908
Net loss before taxation		(10,216,579)	(1,564,371)
Taxation	14	—	—
Net loss after taxation		(10,216,579)	(1,564,371)
Other comprehensive income			
Remeasurement (loss)/gain on defined benefit obligation	10	(2,466,858)	573,883
Total comprehensive loss		$ (12,683,437)	$ (990,488)

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 2018
Expressed in U.S. Dollars

	2018			
	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	—	—	(10,216,579)	(10,216,579)
Change in accounting policy	—	—	(427,484)	(427,484)
Other comprehensive loss for the year	—	—	(2,466,858)	(2,466,858)
Total comprehensive loss	—	—	(13,110,921)	(13,110,921)
Balance at 31 December	$ 7,052,465	$ 9,661,763	$ 35,972,260	$ 52,686,488

	2017			
	Share capital	**Contributed surplus**	**Retained earnings**	**Total**
Balance at 1 January	7,052,465	9,661,763	50,073,669	66,787,897
Net loss for the year	—	—	(1,564,371)	(1,564,371)
Other comprehensive income for the year	—	—	573,883	573,883
Total comprehensive loss	—	—	(990,488)	(990,488)
Balance at 31 December	$ 7,052,465	$ 9,661,763	$ 49,083,181	$ 65,797,409

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Cash Flows
For the year ended 31 December 2018
Expressed in U.S. Dollars

	2018	2017
Cash flows from operating activities		
Total comprehensive loss	(12,683,437)	(990,488)
Adjustments for:		
Depreciation	5,415,255	6,030,414
Finance cost	1,589,632	996,908
Loss on disposal of property, plant & equipment	82,617	3,143,228
Interest income	(60,753)	(58,080)
Foreign exchange loss	31,243	57,879
Operating (loss)/profit before working capital changes	(5,625,443)	9,179,861
Decrease in trade and other receivables	13,526,658	2,762,641
(Increase)/decrease in other current assets	(327,954)	395,382
Decrease/(increase) in inventory	4,349,420	(3,135,705)
(Decrease)/increase in trade and other payables	(6,433,820)	5,556,097
Increase/(decrease) in customer deposits	538,128	(791,046)
Increase/(decrease) in pension fund liability	3,020,403	(411,435)
(Decrease)/increase in deferred capital receipts	(344,682)	1,031,318
Net cash flows from operating activities	8,702,710	14,587,113
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,488,608)	(15,464,442)
Proceeds from sale of property, plant and equipment	11,027	265,883
Purchase of fixed term deposits	(2,171,757)	(44,267)
Interest received	60,753	58,080
Net cash flows used in investing activities	(6,588,585)	(15,184,746)
Cash flows from financing activities		
Net (payment of)/proceeds from loans payable	(3,083,999)	8,407,360
Interest paid	(1,589,632)	(996,908)
Net cash flows (used in)/from financing activities	(4,673,631)	7,410,452
Net (decrease)/increase in cash and cash equivalents	(2,559,506)	6,812,819
Cash and cash equivalents at beginning of year	9,583,857	2,828,917
Effect of exchange rate fluctuations on cash and cash equivalents	(31,243)	(57,879)
Cash and cash equivalents at end of year	$ 6,993,108	$ 9,583,857
Cash and cash equivalents comprise the following items:		
Cash on hand	3,600	3,600
Cash at bank	6,989,508	9,580,257
Cash and cash equivalents	$ 6,993,108	$ 9,583,857

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 28 May 2020.

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, except for IFRS 9, "Financial Instruments" ("IFRS 9"). See note 3 for an explanation of the impact.

(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.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

(c) **Use of estimates** (Cont'd)

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 2018 was $374,904 (2017: $344,811). Refer to note 5.

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 2018 was $7,533,045 (2017: $11,882,465). 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 2018 was $83,123,084 (2017: $84,143,375). Refer to note 7.

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 2018 and 2017. Refer to note 7.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Use of estimates (Cont'd)

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.

(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.

From 1 January 2018, the Corporation applied 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.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

(e) **Financial assets at amortised cost** (Cont'd)

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 15(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.

(g) **Accounting policies applied up to 31 December 2017**

The Corporation has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Corporation's previous accounting policy.

Until 31 December 2017, the Corporation classified its financial assets and financial liabilities at amortised cost as loans and receivables and other financial liabilities, respectively.

The initial recognition, subsequent measurement and derecognition of these financial instruments did not change on adoption of IFRS 9.

The Corporation primarily used the specific identification method to determine if the receivable was impaired. The carrying amount of the receivable was reduced through the use of an allowance account, and the amount of the loss was recognised in the statement of comprehensive income.

The Corporation determined its allowance by considering a number of factors, including the length of time trade receivables were past due, the Corporation's previous loss history, the customer's ability to pay its obligation to the Corporation, and the condition of the general economy and the industry as a whole. The Corporation wrote off accounts receivable when they became uncollectible. Actual bad debts, when determined, reduced the allowance, the adequacy of which management then reassessed. The Corporation wrote off accounts after a determination by management that the amounts at issue were no longer likely to be collected, following the exercise of reasonable collection efforts and upon management's determination that the costs of pursuing the collection outweighed the likelihood of recovery.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

(h) **Other specific instruments**

Fixed term deposit

Fixed term deposit is a term deposit held at a financial institution that is generally short-term with maturities ranging from more than three (3) 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.

(i) **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.

(j) **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

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

(j) **Property, plant and equipment** (Cont'd)

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

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.

(k) **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.

(l) **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.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

(m) **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 credit method.

The Corporation must meet the balance of the cost of funding the Pension. 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.

(n) **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 is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. All other income is recognised in the statement of comprehensive income on the accrual basis.

Expenses are recorded on the accrual basis.

(o) **Borrowing cost**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

(p) **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. 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.

(q) **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.

(r) **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.

(s) **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 2018 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; however, IFRS 16, "Leases", effective for annual periods beginning on or after 1 January 2019, may result in additional disclosures for the Corporation upon implementation.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Corporation applied for the first time, IFRS 9 effective 1 January 2018. IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

The nature and the impact of IFRS 9 is described below:

(a) Classification and measurement

The Corporation has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9.

- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains and losses for financial liabilities designated at fair value through profit or loss attributable to changes in credit risk.

  IFRS 9 requires that such element be recognised in other comprehensive income, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability, including the effect of changes in credit risk, should be presented in profit or loss. The Corporation has not designated any financial liabilities at fair value through profit or loss. Therefore, this requirement has not had an impact on the Corporation.

(b) Impairment

IFRS 9 requires the Corporation to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the Corporation to credit risk, this amendment has not had a material impact on the financial statements. The Corporation only holds trade receivables, with no financing component and have maturities of less than 12 months, at amortised cost. Therefore, it has adopted an approach similar to the simplified approach to expected credit losses.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018. However, the Corporation has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

Expressed in U.S. Dollars

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Cont'd)

Impact of adoption of IFRS 9 (Cont'd)

The total impact on the Corporation's retained earnings as at 1 January 2018 and 1 January 2017 is as follows:

	2018	2017
Restated retained earnings – 31 December	49,083,181	49,083,181
Increase in provision for trade receivables	(427,484)	—
Adjustment to retained earnings from adoption of IFRS 9	(427,484)	—
Opening retained earnings – 1 January	$48,655,697	$49,083,181

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Corporation's financial assets and financial liabilities as at 1 January 2018:

Account	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
Financial assets				
Cash and cash equivalents	Loans and receivables	9,580,257	Amortised cost	9,580,257
Fixed term deposits	Loans and receivables	2,750,263	Amortised cost	2,750,263
Trade and other receivables	Loans and receivables	27,938,058	Amortised cost	27,510,574
Financial liabilities				
Trade and other payables	Other financial liabilities	11,660,550	Amortised cost	11,660,550
Customers' deposits	Other financial liabilities	1,188,967	Amortised cost	1,188,967
Loans payable	Other financial liabilities	36,835,068	Amortised cost	36,835,068
Pension fund liability	Other financial liabilities	11,820,640	Amortised cost	11,820,640

In line with the characteristics of the Corporation's financial instruments as well as its approach to their management, the Corporation neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Corporation's financial instruments due to changes in measurement categories. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transition to IFRS 9.

4. FIXED TERM DEPOSITS

As at 31 December 2018, the Corporation had fixed term deposits totalling $4,922,020 (2017: $2,750,263). These deposits earn interest ranging between 0.25% to 1.21% (2017: 0.25% to 1.21%) per annum and will automatically renew upon their maturity, which are between six (6) to twelve (12) months.

Expressed in U.S. Dollars

5. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables (refer also to note 15)	10,378,802	17,036,584
Other receivables	3,980,018	11,246,285
	14,358,820	28,282,869
Provision for expected credit losses (refer also to note 15)	(374,904)	(344,811)
	$13,983,916	$27,938,058

6. INVENTORY

	2018	2017
Generating plant and equipment parts	6,292,081	6,106,915
Hurricane restoration stocks	9,969	3,457,477
Distribution and transmission parts	2,319,599	1,404,163
Diesel fuel	602,565	862,152
Lubricating oil	86,306	59,805
Vehicle parts	237,769	226,162
Other spare parts and supplies	43,095	43,139
Goods in transit	344,089	1,404,980
	9,935,473	13,564,793
Provision for obsolete inventory	(2,402,428)	(1,682,328)
	$7,533,045	$11,882,465

During the year, the Corporation recognised an additional provision of $720,100 (2017: $285,860) for obsolete inventory.

Expressed in U.S. Dollars

7. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Generating plant & equipment	Distribution & transmission equipment	Motor vehicles	Computer & other equipment	Furniture & fittings	Total
Cost							
At 1 January 2018	29,505,816	92,749,253	41,293,568	1,873,412	3,343,888	248,232	169,014,169
Additions during the year	204,836	—	3,815,569	145,107	271,261	51,835	4,488,608
Write-off's	(1,199,624)	(3,934,223)	(17,494)	(97,620)	—	—	(5,248,961)
At 31 December 2018	28,511,028	88,815,030	45,091,643	1,920,899	3,615,149	300,067	168,253,816
Accumulated depreciation							
At 1 January 2018	9,340,260	44,237,586	28,271,888	1,302,905	1,475,606	242,549	84,870,794
Charge for the year	746,254	2,667,717	1,315,842	305,092	370,035	10,315	5,415,255
Write-off's	(1,134,404)	(3,934,182)	(10,347)	(76,384)	—	—	(5,155,317)
At 31 December 2018	8,952,110	42,971,121	29,577,383	1,531,613	1,845,641	252,864	85,130,732
Net book value							
At 31 December 2018	$ 19,558,918	$ 45,843,909	$ 15,514,260	$ 389,286	$ 1,769,508	$ 47,203	$ 83,123,084
At 31 December 2017	$ 20,165,556	$ 48,511,667	$ 13,021,680	$ 570,507	$ 1,868,282	$ 5,683	$ 84,143,375

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 2018 and 2017 are impaired or their carrying amounts cannot be recovered.

Fully depreciated property, plant and equipment not written-off as at 31 December 2018 amounted to $46,273,210 (2017: $48,504,100).

Expressed in U.S. Dollars

8. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	4,646,889	10,857,148
Accrued expenses	579,841	803,402
	$5,226,730	$11,660,550

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

9. LOANS PAYABLE

	2018	2017
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.	4,001,067	6,501,733
Repayable within one year	(2,000,532)	(2,500,666)
Repayable outside of one year	$2,000,535	$4,001,067
British Virgin Islands Social Security Board		
$35,000,000 (2017: $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.	29,750,002	19,175,710
Drawdowns during the year	—	11,157,625
Repayable within one year	(2,333,332)	(583,333)
Repayable outside of one year	$27,416,670	$29,750,002

Overdraft facility

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%

Expressed in U.S. Dollars

9. **LOANS PAYABLE** (Cont'd)

Overdraft facility (Cont'd)

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 2018 and 2017, these facilities were unused.

10. **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 24 October 2019.

	2018	**2017**
Present value of funded obligations	32,712,774	30,000,857
Fair value of plan assets	(17,871,731)	(18,180,217)
Liability in the statement of financial position	$14,841,043	$11,820,640

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

	2018	**2018**
Current service cost	1,088,629	1,076,734
Net interest on net defined benefit liability/(asset)	563,893	574,830
Administrative expense allowance	25,866	25,805
	$1,678,388	$1,677,369

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

	2018	**2017**
Opening net liability	11,820,640	12,232,075
Net pension cost	1,678,388	1,677,369
Remeasurements recognised in other comprehensive income	2,466,858	(573,883)
Corporation contributions	(1,124,843)	(1,514,921)
Closing net liability	$14,841,043	$11,820,640

Remeasurements recognised in other comprehensive income were as follows:

	2018	**2017**
Actuarial loss on obligations/adjustments	1,753,229	40,419
Actuarial loss from changes in financial assumptions	(2,772,946)	—
Expected return on plan assets	(1,447,141)	533,464
	$(2,466,858)	$573,883

Expressed in U.S. Dollars

10. PENSION FUND LIABILITY (Cont'd)

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

	2018	**2017**
Discount rate	4.25%	5.0%
Rate of compensation increase	3.5%	4.0%

The major categories of plan assets are as follows:

	2018	**2017**
Equity securities	32.9%	32.9%
Debt securities	22.4%	22.4%
Others	44.7%	44.7%
	100.0%	100.0%

For the year ended 31 December 2018, the Corporation paid contributions to the pension fund of $1.025 million (2017: $1.515 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 2018 would have changed as a result of an approximate 1% per annum change.

	2018	**2017**
Discount rate	(4,427,841)	(3,915,295)
Future salary increases	1,599,575	1,507,624
	$(2,828,266)	$(2,407,671)

11. DEFERRED CAPITAL RECEIPTS

	2018	**2017**
Balance at 1 January	9,124,186	8,092,866
Customer contributions for the year	243,406	1,606,661
Released to the statement of comprehensive income	(588,088)	(575,341)
Balance at 31 December	$8,779,504	$9,124,186

12. RELATED PARTY TRANSACTIONS

The Corporation earned $7,107,502 (2017: $6,164,505) in revenue from the Government for the sale of electricity during the year. $4,070,986 (2017: $11,214,779) remained outstanding as at 31 December 2018.

Directors' fees and expenses during the year amounted to $92,138 (2017: $88,221).

During the year, the Corporation paid salaries and wages of $1,145,661 (2017: $1,216,536) with respect to remuneration for key management personnel.

Expressed in U.S. Dollars

12. RELATED PARTY TRANSACTIONS (Cont'd)

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. $29,750,002 (2017: $30,333,335) remained outstanding at year end. Refer also to note 9.

13. SHARE CAPITAL

The Corporation has an unlimited authorised share capital.

	2018	**2017**
Issued and fully paid: 778 shares of $1.00 par value each	778	778
Share premium	7,051,687	7,051,687
	$7,052,465	$7,052,465

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 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.

14. 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.

15. 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.

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

(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.

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:

	2018		2017	
	Fair value	**% of Total assets**	**Fair value**	**% of Total assets**
Liabilities				
British Pound	$(57,911)	(0.05)%	$(401,969)	(0.29)%

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:

	2018	**2017**
Cash at bank	0.38%	0.22%
Fixed term deposits	0.79%	1.62%
Loans payable	3.87%	2.35%

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.

Expressed in U.S. Dollars

15. **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 2020 (refer to note 17).

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 10% (2017: 10%) resulting in a change of $60,257 (2017: $86,215), 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 2018, the Corporation's financial assets exposed to credit risk amounted to the following:

	2018	**2017**
Cash and cash equivalents	6,989,508	9,580,257
Fixed term deposits	4,922,020	2,750,263
Trade and other receivables	13,983,916	27,938,058
	$25,895,444	$40,268,578

(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.

Expressed in U.S. Dollars

15. **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 expect credit losses which uses a lifetime expected loss allowance for trade receivables.

While cash and cash equivalents 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 2018 or 1 January 2018 respectively 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 2018 and 1 January 2018 (on adoption of IFRS 9) 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 2018					
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
1 January 2018					
Expected loss rate	2.0%	2.0%	4.0%	5.0%	
Trade receivables	2,157,528	493,551	97	14,385,408	17,036,584
Loss allowance	43,150	9,871	4	719,270	772,295

Expressed in U.S. Dollars

15. **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (Cont'd)

(b) **Credit risk** (Cont'd)

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

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade Receivables 2018	2017
31 December – IAS 39	344,811	400,913
Restated through retained earnings	427,484	—
Opening loss allowance as at 1 January 2018 - IFRS 9	772,295	400,913
Decrease in loss allowance recognised in profit or loss during the year	(395,329)	(39,195)
Receivables written off during the year as uncollectible	(2,062)	(16,907)
	$374,904	$344,811

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.

(iv) *Previous accounting policy for impairment of trade receivables*

Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Corporation considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor would enter bankruptcy or financial reorganisation; and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(c) **Liquidity risk**

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

Expressed in U.S. Dollars

15. **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS POLICIES** (Cont'd)

(c) **Liquidity risk** (Cont'd)

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:

2018	**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
	$6,953,825	$2,166,932	$2,166,932	$44,258,248	$55,545,937

2017	**On Demand**	**Less than 6 months**	**6 months to 1 year**	**More than 1 year**	**Total**
Trade and other payables	11,660,550	—	—	—	11,660,550
Loans payable	—	1,000,266	1,583,599	34,251,203	36,835,068
Customers' deposits	1,188,967	—	—	—	1,188,967
Pension fund liability	—	—	—	11,820,640	11,820,640
	$12,849,517	$1,000,266	$1,583,599	$46,071,843	$61,505,225

16. **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.

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

17. **COMMITMENTS**

(a) **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 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 2018, the remaining volume of the contract as of that date was 25,000 U.S. gallons and its contract value was approximately $230,545.

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 2018, the remaining volume of the contract as of that date was 254,400 U.S. gallons and its contract value was approximately $494,528.

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 2018 the remaining volume of the contract as of that date was 50,400 U.S. gallons and its contract value was approximately $75,600.

(b) **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 2020. Based on prices as at 31 December 2018, the remaining volume of the contract as of that date was 23,211,126 U.S. gallons and its contract value was approximately $45,120,108.

18. **SUBSEQUENT EVENTS**

On 17 April 2019, the Corporation's Board of Directors was dissolved with immediate effect.

On 15 November 2019, the British Virgin Islands Cabinet approved the appointment of the Corporation's current Board of Directors.

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

The Directors recognize that there is material uncertainty on the global economy caused by the COVID-19 pandemic. However, the impact on the operations of the Corporation could not yet be determined as at the date of the report.

19. **COMPARATIVE INFORMATION**

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Schedule to the Financial Statements - Expenses
For the year ended 31 December 2018
Expressed in U.S. Dollars

	2018	2017
Generation		
Materials and maintenance	1,992,984	2,669,091
Wages and salaries	1,916,622	1,985,132
Social security	62,697	59,240
Pension expense	529,829	495,651
Payroll tax	86,925	92,874
Other employee expenses	143,387	150,632
Other generation expenses	392,275	748,887
	$ 5,124,719	$ 6,201,507
Distribution and transmission		
Materials and maintenance	1,707,223	(76,354)
Wages and salaries	1,719,990	1,465,496
Social security	53,617	83,488
Pension expense	427,462	491,436
Payroll tax	101,680	154,980
Other employee expenses	134,020	129,480
Other distribution expenses	435,651	323,206
	$ 4,579,643	$ 2,571,732
General and administrative		
Insurance	1,833,892	727,157
Legal and professional fees	456,643	377,943
Wages and salaries	606,817	657,938
Social security	14,395	15,329
Pension expense	196,988	183,765
Payroll tax	42,169	49,291
Other employee expenses	42,337	40,240
Other expenses	135,249	930,779
	$ 3,328,490	$ 2,982,442

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Schedule to the Financial Statements - Expenses (Cont'd)
For the year ended 31 December 2018
Expressed in U.S. Dollars

	2018	2017
Finance		
Wages and salaries	767,228	768,850
Social security	21,906	21,165
Pension expense	218,304	201,594
Payroll tax	35,468	38,386
Other employee expenses	50,227	51,354
Other expenses	417,502	218,752
	$ 1,510,635	$ 1,300,101
Customer services and meter reading		
Wages and salaries	631,249	570,522
Social security	21,103	20,715
Pension expense	160,830	161,196
Payroll tax	25,798	23,723
Other employee expenses	49,533	47,763
Other expenses	41,107	48,735
	$ 929,620	$ 872,654
Information technology		
Wages and salaries	241,972	282,602
Social security	8,052	8,310
Pension expense	82,188	76,624
Payroll tax	17,980	15,864
Other employee expenses	19,809	20,487
Other expenses	277,032	228,365
	$ 647,033	$ 632,252

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Schedule to the Financial Statements - Expenses (Cont'd)
For the year ended 31 December 2018
Expressed in U.S. Dollars

	2018	2017
Vehicles		
Wages and salaries	195,991	203,180
Social security	7,512	7,722
Pension expense	62,786	67,104
Payroll tax	10,031	11,731
Other employee expenses	17,560	17,743
Other expenses	7,308	21,659
	$ 301,188	$ 329,139

About Baker Tilly
Baker Tilly is a full-service accounting and advisory firm that offers industry specialised services in assurance, tax and advisory.

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Contact us
PO Box 650
Tropic Isle Building
Nibbs Street
Road Town, Tortola VG 1110
British Virgin Islands

www.bakertilly.vg