

Wickhams Cay Development Authority

Financial Statements
December 31, 2004
(expressed in U.S. dollars)





MEADE MALONE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

Geneva Place, 2nd Floor, 333 Waterfront Drive
Road Town, Tortola, British Virgin Islands

September 3, 2010

Mailing Address:
P.O. Box 3339
Road Town, Tortola
British Virgin Islands

Auditors' Report

**To the Auditor General
Government of the British Virgin Islands
Wickham's Cay Development Authority**

Telephone: (284) 494-4388
Facsimile: (284) 494-3088
Email: info@mwmabacus.com
Web: www.mwmabacus.com

We have audited the accompanying financial statements of **Wickham's Cay Development Authority**, which comprise the balance sheet as at December 31, 2004 and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in cursive script, appearing to read "W. S. & Co.", is written in black ink.

Certified Public Accountants

Wickhams Cay Development Authority

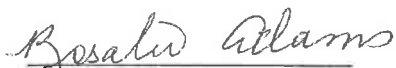
Balance Sheet

December 31, 2004

(expressed in U.S. dollars)

	2004	2003
	\$	\$
Assets		
Current assets		
Cash at bank	13,746	121,861
Accounts receivable	1,092,456	994,334
Less: Provisions for doubtful debts	(781,983)	(625,982)
	<u>324,219</u>	490,213
Property, plant and equipment (note 3)	<u>1,747,740</u>	1,823,939
	<u>2,071,959</u>	<u>2,314,152</u>
Liabilities		
Accounts payable and accrued liabilities	63,721	50,299
Unamortised rental premiums (note 7)	4,320,841	4,174,640
	<u>4,384,562</u>	<u>4,224,939</u>
Equity		
Contributed capital	118,040	118,040
Retained earnings	(2,430,643)	(2,028,827)
	<u>(2,312,603)</u>	<u>(1,910,787)</u>
	<u>2,071,959</u>	<u>2,314,152</u>

Approved on behalf of the Members on September 3, 2010 by:


Permanent Secretary
Premier's Office

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

Wickhams Cay Development Authority

Statement of Income

For the year ended December 31, 2004

(expressed in U.S. dollars)

	2004	2003
	\$	\$
Income		
Lease income	142,436	139,247
Other income	588	3,512
Amortisation of premiums (note 7)	48,689	48,105
	<hr/> 191,713	<hr/> 190,864
Expenses (note 4)	<hr/> 593,529	<hr/> 532,945
Operating loss for the year	<hr/> (401,816)	<hr/> (342,081)

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

Wickhams Cay Development Authority

Statement of Changes in Equity

For the year ended December 31, 2004

(expressed in U.S. dollars)

	Contributed Capital	Retained Earnings	Total
	\$	\$	\$
Balance at December 31, 2002	118,040	(1,686,746)	(1,568,706)
Net loss for the year	—	(342,081)	(342,081)
		<hr/>	<hr/>
Balance at December 31, 2003	118,040	(2,028,827)	(1,910,787)
Net loss for the year	—	(401,816)	(401,816)
		<hr/>	<hr/>
Balance at December 31, 2004	118,040	(2,430,643)	(2,312,603)

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

Wickhams Cay Development Authority

Statement of Cash Flows

For the year ended December 31, 2004

(expressed in U.S. dollars)

	2004	2003
	\$	\$
Cash flows from operating activities		
Net income (loss) for the year	(401,816)	(342,081)
Adjustments:		
Increase in Provision for doubtful debts	156,001	89,486
Depreciation	76,199	76,199
Amortisation of rental premiums	(48,689)	(48,105)
Operating income (loss) before working capital changes	(218,305)	(224,501)
(Increase)/decrease in accounts receivable	(96,072)	24,823
Increase in accounts payable and accrued liabilities	13,422	4,614
Net decrease from operating activities	(300,955)	(195,064)
Cash flows from investing activities		
Purchase of fixed assets and leasehold improvements	-	(8,030)
Net decrease in investing activities	-	(8,030)
Cash flows from financing activities		
Increase in rental premiums during the year	194,890	145,957
Net increase from financing activities	194,890	145,957
Net decrease in cash	(106,065)	(57,137)
Cash and cash equivalent – beginning of year	119,811	178,998
Cash and cash equivalent – end of year	13,746	121,861

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

Wickhams Cay Development Authority

Notes to the Financial Statements

December 31, 2004

(expressed in U.S. dollars)

1 General information

Wickhams Cay Development Authority (“the Authority”) is a statutory body established in the British Virgin Islands under the Wickhams Cay Development Authority Ordinance, Cap.281. The aim of the Authority is to manage the development of Wickhams Cay. In meeting this objective the Authority is authorized to oversee the planning and implementation of the physical layout and development of Wickhams Cay. The Authority also negotiates, approves and revokes leases for land and other property on Wickhams Cay and arranges for construction or engineering works, which may be required to achieve its objectives.

2 Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards. Significant accounting principles are as follows: -

(a) Basis of preparation

The financial statements of the Authority have been prepared in accordance with the historical cost convention.

(b) Estimates

Preparation of financial statements in conformity with International Financial Reporting Standards require management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

(c) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and is stated at historical cost less depreciation.

Depreciation is calculated on a straight-line basis so as to write off the cost of fixed assets over their estimated useful lives as follows:

Land (Wickhams Cay)	- Nil
Buildings (Capital Works)	- 3%
Buildings (Palm Grove Centre)	- 3%
Furniture and fittings	- 10- 20%

(d) Leases

Land leased to tenants under operating leases is included in property, plant and equipment at cost in the balance sheet. Rental premiums invoiced to tenants under the terms of the leases are recorded initially as a receivable and credited to unamortised rental premiums. Unamortised rental premiums are amortised on a straight line basis and credited to the statement of income over the term of the lease.

Wickhams Cay Development Authority

Notes to Financial Statements

December 31, 2004

(expressed in U.S. dollars)

2 Significant accounting policies...continued

(d) (Revenue recognition)

In relation to the rendering of services, performance is measured by relating revenue to work billed and is regarded as having been achieved when no significant uncertainties remain concerning the derivation of consideration. Provision for deferred income is included in current liabilities for services billed in advance and recognizes the period to which it relates and the extent to which it has not yet been earned.

3 Property, plant and equipment

	Land \$	Palm Grove Centre \$	Capital Work \$	Furniture and Equipment \$	Total \$
Cost					
At January 1, 2004	591,108	618,387	1,742,925	53,601	3,006,021
Additions	-	-	-	-	-
At December 31, 2004	591,108	618,387	1,742,925	53,601	3,006,021
Accumulated depreciation					
At January 1, 2004	-	347,460	788,965	45,657	1,182,082
Charge for the year	-	18,552	52,287	5,360	76,199
At December 31, 2004	-	366,012	841,252	51,017	1,258,281
Net book value at December 31, 2004	591,108	252,375	901,673	2,584	1,747,740
Net book value at January 1, 2003	591,108	270,927	953,960	7,944	1,823,939

Wickhams Cay Development Authority

Notes to Financial Statements

December 31, 2004

(expressed in U.S. dollars)

4 Expenses

	2004	2003
	\$	\$
Accounting fees	4,500	—
Audit Fees	5,000	5,000
Bank charges	67	291
Building Repairs	6,635	4,858
Depreciation	76,199	76,199
Social security contribution	3,472	5,556
Electricity	4,504	4,035
Increase in Provision for bad debts	156,001	89,485
Insurance	11,875	11,875
Janitorial Services	3,181	3,433
Maintenance	62,912	40,620
Miscellaneous	1,650	974
Office Supplies	2,613	3,157
Payroll	158,723	213,656
Telephone	5,259	7,206
Water	(167)	444
Wickhams Cay Upkeep	91,105	66,156
	<hr/>	<hr/>
	593,529	532,945

5 Financial instruments

Risk associated with financial instruments

A financial instrument is any contract that gives rise to financial asset of one enterprise or a financial liability or equity instrument of another enterprise.

The Authority's activities expose it to a variety of risks; market risk (limited to fair value interest rate risk), credit risk and liquidity risk.

Wickhams Cay Development Authority

Notes to Financial Statements

December 31, 2004

(expressed in U.S. dollars)

5 Financial instruments...continued

Market risk

(i) Fair value interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Authority's cash flows are substantially independent of changes in market interest rates since the majority of the Authority's financial instruments are non-interest bearing.

At December 31, 2004, the Authority's financial assets and liabilities were classified as follows:

	Interest Bearing	Non-interest Bearing	Total
	\$	\$	\$
Financial assets			
Cash at bank	13,746	—	13,746
Accounts receivable	—	1,092,456	1,092,456
Less: Provision for doubtful debts	—	(781,983)	(781,983)
Total financial assets	13,746	310,473	324,219
Financial liabilities			
Accounts payable and accrued liabilities	—	63,721	63,721
Interest sensitivity gap	13,746	246,752	260,498

At December 31, 2003, the Authority's financial assets and liabilities were classified as follows:

	Interest Bearing	Non-interest Bearing	Total
	\$	\$	\$
Financial assets			
Cash at bank	121,861	—	121,861
Accounts receivable	—	994,334	994,334
Less: Provision for doubtful debts	—	(625,982)	(625,982)
Total financial assets	121,861	368,352	490,213
Financial liabilities			
Accounts payable and accrued liabilities	—	50,299	50,299
Interest sensitivity gap	121,861	318,053	439,914

Wickhams Cay Development Authority

Notes to Financial Statements

December 31, 2004

(expressed in U.S. dollars)

5 Financial instruments...continued

Credit risk

Credit risk arises from the possibility that third parties may default in their obligation to the Authority and cause the Authority to incur a financial loss. Financial assets that expose the Authority to credit risk consist of cash at bank and accounts receivable. The extent of the Authority's exposure to credit risk in respect of these financial assets approximate their carrying values as recorded in the Authority's balance sheet.

To reduce exposure to credit risk the Authority regularly reviews the credit performance of its tenants.

The following table summarises the aging of the Authority's financial assets at December 31, 2004:

	Current	Between 31 and 60 days	Between 61 and 90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
Cash at bank	13,746	—	—	—	13,746
Accounts receivable	258,054	(624)	26,437	808,589	1,092,456
Total financial assets before provision for doubtful accounts	271,800	(624)	26,437	808,589	1,106,202

The Authority changed its accounting policy from a cash basis to the accrual basis of accounting in the 1999 audited financial statements. Management agreed to record all amounts tenants owed as current balances in the receivable subledger at the date of adoption. As a result balances classified as current in the receivable ledger were higher than expected. At December 31, 2004 account receivable balances classified as current amounted to \$258,054 (2003-\$282,552). \$186,871 of the amount classified as current is considered impaired and has been provided for.

Of the \$808,589 classified as over 90 days, \$595,112 is considered impaired and has been provided for bringing the total doubtful provision at December 31, 2004 to \$781,983. This relates to the portion of the accounts receivable, which the Authority is not certain that they will recover.

The following table summarises the aging of the Authority's financial assets at December 31, 2003:

	Current	Between 31 and 60 days	Between 61 and 90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
Cash at bank	121,861	—	—	—	121,861
Accounts receivable	282,552	(378)	(3,166)	715,326	994,334
Total financial assets before provision for doubtful accounts	404,413	(378)	(3,166)	715,326	1,116,195

Wickhams Cay Development Authority

Notes to Financial Statements

December 31, 2004

(expressed in U.S. dollars)

5 Financial instruments...continued

Credit risk... continued

Of the \$715,326 classified as over 90 days \$457,263 is considered impaired and has been provided for. In addition, of the balance of \$282,552 classified as current, \$168,719 is considered impaired and has been provided for bringing the total doubtful debt provision at December 31, 2003 to \$625,982. This relates to the portion of the accounts receivable, which the Authority is not certain that they will recover.

Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed facilities

At December 31, 2004, the Authority liabilities of \$63,721 (2003 – \$50,299) are due within 12 months and are equal to their carrying balances as the impact of discounting is not significant. These are adequately covered by financial assets. Therefore at December 31, 2004, the Authority has no significant exposure to liquidity risk.

Fair value

The Authority's financial assets include cash at bank and accounts receivable. Financial liabilities include accounts payable and accrued liabilities. The carrying value of the financial assets and liabilities disclosed on the balance sheet approximate their fair value.

6 Operating lease agreements

Operating leases relate to land at Wickhams Cay, Road Town owned by the Authority and let to tenants with lease terms of ninety-nine (99) years, the first of which commenced on January 1, 1974. All operating lease contracts contain market review clauses whereby there is an option for the Authority to increase the ground rent on the expiration of the seventh year after the signing of the lease and every succeeding fifth year thereafter. The tenants do not have the option to purchase the land at the expiry of the lease term.

The lease income earned by the Authority from the land owned at Wickhams Cay and leased out under operating leases (including rent in lieu of premiums) amounted to \$142,436 (2003: \$139,247). Direct operating expenses arising on leased property during the year amounted to \$593,529 (2003: \$532,945).

Wickhams Cay Development Authority

Notes to Financial Statements

December 31, 2004

(expressed in U.S. dollars)

6 Operating lease agreements...continued

Minimum non-cancellable operating lease receivables were as follows:

	2004	2003
	\$	\$
Not later than 1 year	43,021	45,107
Later than 1 year but not longer than 5 years	172,084	180,429
Later than 5 years	514,026	729,114
	<hr/>	<hr/>
	729,131	944,650
	<hr/>	<hr/>

7 Unamortised rental premiums

	2004	2003
	\$	\$
Rental premiums		
Rental premiums at beginning of year	4,816,534	4,670,577
Increase in rental premium during the year	194,890	145,957
	<hr/>	<hr/>
Rental premiums at end of year	5,011,424	4,816,534
	<hr/>	<hr/>
Accumulated amortisation		
Accumulated amortisation at beginning of year	641,894	593,789
Amortisation for the year	48,689	48,105
	<hr/>	<hr/>
Accumulated amortisation at end of year	690,583	641,894
	<hr/>	<hr/>
Unamortised rental premiums	4,320,841	4,174,640
	<hr/>	<hr/>