



# AUDITOR'S REPORT



## OFFICE OF THE AUDITOR GENERAL GOVERNMENT OF THE VIRGIN ISLANDS

PO Box 174, Road Town, Tortola, British Virgin Islands  
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To: The Chairman, Members and Shareholder  
British Virgin Islands Electricity Corporation

### **Audit Certificate** **Financial Statements for the Year Ended 31 December 2014**

I hereby certify that, in accordance with Section 21(3) of the British Virgin Islands Electricity Corporation Ordinance, CAP. 277, the accounts of the Corporation for the year ended 31 December 2014 as attached hereto have been examined.

The audit examination was carried out on my behalf by the firm of chartered accountants, Baker Tilly (BVI) Limited, as provided for under Section 21(b) of the Audit Act 2003. The audit was conducted in accordance with International Standards on Auditing, which require that the audit comply with ethical requirements and be planned and performed to obtain reasonable assurance that the financial statements are free from material misstatements. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of judgments made by management in the preparation of financial statements.

I have received all the information and explanations which to the best of my knowledge and belief were necessary, and the Corporation has complied with the financial provisions of the British Virgin Islands Electricity Corporation Ordinance, with which it is the duty of the Corporation to comply including the maintenance of proper accounting and related records.

Based on, and in concordance with, the report submitted by the firm of chartered accountants Baker Tilly (BVI) Limited, in my opinion the financial statements present fairly in all material respects the financial position of the British Virgin Islands Electricity Corporation as at 31 December 2014 and the results of its operations for the year then ended in conformity with International Financial Reporting Standards applied on the basis consistent with the preceding year.

Amoret Davies  
Acting Auditor General  
7 April 2016

**BRITISH VIRGIN ISLANDS  
ELECTRICITY CORPORATION**

Financial Statements  
For the year ended 31 December 2014

## **BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION**

### **Financial Statements**

**For the year ended 31 December 2014**

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## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Corporation Directory At 31 December 2014

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#### Board of Directors

##### *Chairman*

Mr. Ron Potter

##### *Vice Chairman*

Ms. Pearl Smith

##### *Members*

Mr. Ira Oliver Skelton

Mr. Ellsworth Flax

Ms. Lucia Lettsome

Mr. Sean Palmer

##### *Ex-officio members*

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

Mr. Anthony McMaster (*Ag. Permanent Secretary – Ministry of Communications and Works*)

#### Registered Office

Long Bush

P.O. Box 268

Road Town, Tortola VG1110

British Virgin Islands

#### Legal Advisors

O'Neal Webster

Simmonds Building

Wickhams Cay 1

30 DeCastro Street

Road Town, Tortola VG1110

British Virgin Islands



**BAKER TILLY  
(BVI) LIMITED**

Chartered Accountants

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Nibbs Street  
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British Virgin Islands  
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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION**

We have audited the accompanying financial statements of the British Virgin Islands Electricity Corporation (the "Corporation"), which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 26.

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.

**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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

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

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 referred to above present fairly, in all material respects, the financial position of the Corporation as at 31 December 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

**Supplementary 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 27 and 28 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.

*Baker Tilly (BVI) Limited*

**Chartered Accountants**  
**17 February 2016**  
**Tortola, British Virgin Islands**

# BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

## Statement of Financial Position

At 31 December 2014

Expressed in U.S. Dollars

	Note	2014	2013
<b>Current assets</b>			
Cash and cash equivalents		10,805,461	9,100,639
Trade and other receivables	3,10	25,120,533	22,812,945
Inventory	4	8,958,834	8,437,557
Other current assets		493,811	526,750
		<u>45,378,639</u>	<u>40,877,891</u>
<b>Non-current assets</b>			
Property, plant and equipment	5	44,013,601	46,516,825
<b>Total assets</b>		<u>\$ 89,392,240</u>	<u>\$ 87,394,716</u>
<b>Current liabilities</b>			
Trade and other payables	6	4,390,242	6,097,952
Loans payable	7	2,000,532	2,000,532
Customers' deposits		2,633,827	2,183,309
		<u>9,024,601</u>	<u>10,281,793</u>
<b>Non-current liabilities</b>			
Loans payable	7	9,502,536	11,503,068
Pension fund liability	8	12,290,311	10,134,131
Deferred capital receipts	9	7,228,582	7,695,681
		<u>29,021,429</u>	<u>29,332,880</u>
<b>Total liabilities</b>		<u>38,046,030</u>	<u>39,614,673</u>
<b>Equity</b>			
Share capital	11	7,052,465	7,052,465
Contributed surplus	11	9,661,763	9,661,763
Retained earnings		34,631,982	31,065,815
<b>Total equity</b>		<u>51,346,210</u>	<u>47,780,043</u>
<b>Total liabilities and equity</b>		<u>\$ 89,392,240</u>	<u>\$ 87,394,716</u>

**BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION**

**Statement of Comprehensive Income  
For the year ended 31 December 2014**

*Expressed in U.S. Dollars*

	Note	2014	2013
<b>Income</b>			
Sale of electricity	10	<u>66,364,688</u>	<u>67,380,191</u>
<b>Total income</b>		<u>66,364,688</u>	<u>67,380,191</u>
<b>Cost of sales</b>			
Fuel cost		<u>39,754,686</u>	<u>40,816,415</u>
<b>Gross profit</b>		<u>26,610,002</u>	<u>26,563,776</u>
<b>Expenses</b>			
Generation		7,001,094	6,777,933
Depreciation	5	4,104,843	3,951,446
Distribution and transmission		4,729,670	4,244,433
General and administrative	10	2,463,817	2,797,675
Finance		1,243,495	1,404,167
Customer service and meter reading		1,023,566	1,022,340
Information technology		527,092	515,081
Desalination		—	29,350
Vehicles		241,361	244,054
Other expenses		<u>130,345</u>	<u>179,423</u>
<b>Total expenses</b>		<u>21,465,283</u>	<u>21,165,902</u>
<b>Operating profit</b>		<u>5,144,719</u>	<u>5,397,874</u>
<b>Other income/(expenses)</b>			
Release of deferred capital receipts	9	848,985	860,265
Other income		185,299	108,240
Interest income		36,891	33,100
Foreign exchange loss		<u>(19,098)</u>	<u>(35,965)</u>
<b>Total other income</b>		<u>1,052,077</u>	<u>965,640</u>
<b>Income before finance cost</b>		<u>6,196,796</u>	<u>6,363,514</u>
Finance cost		<u>941,890</u>	<u>1,021,269</u>
<b>Net income before taxation</b>		<u>5,254,906</u>	<u>5,342,245</u>
Taxation	12	<u>—</u>	<u>—</u>
<b>Net income during the year</b>		<u>5,254,906</u>	<u>5,342,245</u>
<b>Other comprehensive income</b>			
Remeasurement (loss)/gain on defined benefit obligation	8	<u>(1,688,739)</u>	<u>2,554,613</u>
<b>Total comprehensive income</b>		<u>\$ 3,566,167</u>	<u>\$ 7,896,858</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 2014**  
*Expressed in U.S. Dollars*

	<b>2014</b>			
	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January</b>	7,052,465	9,661,763	31,065,815	47,780,043
Net income during the year	—	—	5,254,906	5,254,906
Other comprehensive loss for the year	—	—	(1,688,739)	(1,688,739)
Total comprehensive income	—	—	3,566,167	3,566,167
<b>Balance at 31 December</b>	<b>\$ 7,052,465</b>	<b>\$ 9,661,763</b>	<b>\$ 34,631,982</b>	<b>\$ 51,346,210</b>

	<b>2013</b>			
	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January</b>	7,052,465	9,661,763	23,168,957	39,883,185
Net income during the year	—	—	5,342,245	5,342,245
Other comprehensive income for the year	—	—	2,554,613	2,554,613
Total comprehensive income	—	—	7,896,858	7,896,858
<b>Balance at 31 December</b>	<b>\$ 7,052,465</b>	<b>\$ 9,661,763</b>	<b>\$ 31,065,815</b>	<b>\$ 47,780,043</b>

# BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

## Statement of Cash Flows

For the year ended 31 December 2014

Expressed in U.S. Dollars

	2014	2013
<b>Cash flows from operating activities</b>		
Total comprehensive income	3,566,167	7,896,858
Adjustments for:		
Depreciation	4,104,843	3,951,446
Finance cost	941,890	1,021,269
Interest income	(36,891)	(33,100)
Foreign exchange loss	19,098	35,965
<i>Operating profit before working capital changes</i>	<u>8,595,107</u>	<u>12,872,438</u>
Increase in trade and other receivables	(2,274,649)	(4,572,418)
(Increase)/decrease in inventory	(521,277)	316,526
Decrease in trade and other payables	(1,707,710)	(332,686)
Increase/(decrease) in customer deposits	450,518	(26,692)
Increase/(decrease) in pension fund liability	2,156,180	(1,934,366)
Decrease in deferred capital receipts	(467,099)	(110,294)
<i>Cash flows from operating activities</i>	<u>6,231,070</u>	<u>6,212,508</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,601,619)	(1,709,541)
Interest received	36,891	33,100
<i>Cash flows from investing activities</i>	<u>(1,564,728)</u>	<u>(1,676,441)</u>
<b>Cash flows from financing activities</b>		
Repayment of loans payable	(2,000,532)	(2,000,537)
Interest paid	(941,890)	(1,021,269)
<i>Cash flows from financing activities</i>	<u>(2,942,422)</u>	<u>(3,021,806)</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,723,920</u>	<u>1,514,261</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>9,100,639</u>	<u>7,622,343</u>
Effect of exchange rate fluctuations on cash and cash equivalents	(19,098)	(35,965)
<b>Cash and cash equivalents at end of year</b>	<u>\$ 10,805,461</u>	<u>\$ 9,100,639</u>
Cash and cash equivalents comprise the following items:		
Cash on hand	3,600	3,100
Cash at bank	4,097,020	3,689,850
Short-term deposits	6,704,841	5,407,689
<b>Cash and cash equivalents</b>	<u>\$ 10,805,461</u>	<u>\$ 9,100,639</u>

## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

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

The financial statements were authorised for issue by the Board of Directors on 17 February 2016.

#### 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).

##### (b) Basis of preparation

The financial statements are prepared on the basis of historical costs and do not take into account increases in the market value of assets.

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

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2014 that would have expected to have a material impact on the Corporation's financial statements.

##### (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 provision for doubtful accounts*

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 as additional information received affects the amount estimated to be uncollectible. The total provision for doubtful accounts as at 31 December 2014 was \$495,213 (2013: \$658,878). Refer to note 3.



## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

Expressed in U.S. Dollars

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#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (c) Use of estimates

###### *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 2014 was \$8,958,834 (2013: \$8,437,557). Refer to note 4.

###### *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 2014 was \$44,013,601 (2013: \$46,516,825). As of 31 December 2014 and 2013, the Corporation's property, plant and equipment had no residual value. Refer to note 5.

###### *Property, plant and equipment impairment*

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 2014 and 2013. Refer to note 5.

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) Financial instruments

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and cash deposited with banks and short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition.

## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

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

##### (d) Financial instruments

###### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are classified as loans and receivables.

Trade and other receivables are recorded at invoiced amounts based on meter readings and are subsequently recorded at fair value reduced by any appropriate allowances for estimated irrecoverable amounts. An allowance for doubtful accounts is established when there is evidence that the Corporation will not be able to collect amounts due. The Corporation primarily uses the specific identification method to determine if the receivable is impaired. The carrying amount of the receivable is reduced through the use of the allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

The Corporation determines its allowance by considering a number of factors, including the length of time trade receivables are past due, the Corporation's previous loss history, the customer's current ability to pay its obligation to the Corporation, and the condition of the general economy and the industry as a whole. The Corporation writes off accounts receivable when they become uncollectible. Actual bad debts, when determined, reduce the allowance, the adequacy of which management then reassesses. The Corporation writes off accounts after a determination by management that the amounts at issue are 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 outweigh the likelihood of recovery.

###### *Financial liabilities at amortised cost*

Financial liabilities measured at amortised cost are non-derivative contractual obligations to deliver cash or another financial asset to another entity. These comprise trade and other payables, loans payable and customers' deposits.

These financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

###### *Share capital*

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

##### (e) Inventory

###### *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.



## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

Expressed in U.S. Dollars

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

##### (e) Inventory

###### *Non-fuel items*

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.

###### *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.

##### (f) 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.

The useful lives, residual values and depreciation methods are reviewed periodically to ensure that these 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.

## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

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

(f) **Property, plant and equipment**

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.

(g) **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.

(h) **Impairment**

The carrying amounts 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.

(i) **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 Fund and the Corporation must pay contributions at least equal to those paid by members, which are fixed. 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.

## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

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

##### (i) Pension plan

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.

##### (j) 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 price 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.

##### (k) Foreign currency transactions

Transactions in foreign currencies are converted at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. Dollars at the foreign currency exchange rates ruling at the statement of financial position date. 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 into U.S. Dollars at the foreign currency exchange rates ruling at the dates that the values were determined.

##### (l) 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.



## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

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

##### (l) Contingent liabilities

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.

##### (m) Newly issued accounting standard not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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, except the following as set out below:

IFRS 9 (new), "Financial Instruments: Classification and Measurement" effective for annual periods beginning on or after 1 January 2018, is relevant to the Corporation's operations. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Corporation currently accounts for its financial assets in accordance with the classification and measurement requirements under IAS 39. Due to the nature of these investments, these requirements will remain the same under IFRS 9; however, the adoption may result in additional disclosures to the Corporation upon implementation.

# BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

## Notes to and forming part of the Financial Statements For the year ended 31 December 2014

*Expressed in U.S. Dollars*

### 3. TRADE AND OTHER RECEIVABLES

	2014	2013
Accounts receivable, trade	22,805,080	21,155,593
Other receivables	<u>2,810,666</u>	<u>2,316,230</u>
	25,615,746	23,471,823
Provision for doubtful accounts	( 495,213)	( 658,878)
	<u>\$25,120,533</u>	<u>\$22,812,945</u>
Refer also to notes 10 and 13(b).		

### 4. INVENTORY

	2014	2013
Generating plant and equipment parts	5,646,252	4,669,719
Distribution and transmission parts	2,700,961	2,318,074
Diesel fuel	1,193,525	1,465,891
Lubricating oil	15,499	33,431
Vehicle parts	208,054	195,698
Other spare parts and supplies	46,774	49,315
Goods in transit	<u>258,838</u>	<u>816,498</u>
	10,069,903	9,548,626
Provision for obsolete inventory	( 1,111,069)	(1,111,069)
	<u>\$ 8,958,834</u>	<u>\$ 8,437,557</u>

During the year, the Corporation did not recognise any additional provision for obsolete inventory.



# BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

Expressed in U.S. Dollars

## 5. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Generating Plant & Equipment	Distribution & Transmission Equipment	Motor Vehicles	Computer & Other Equipment	Furniture & Fittings	Work in Progress	Total
<b>Cost</b>								
At 1 January 2014	17,826,993	59,153,892	49,063,514	1,752,646	2,976,383	482,560	354,145	131,610,133
Additions	44,206	251,841	312,841	236,813	244,903	43,214	467,801	1,601,619
Write-offs	—	—	—	(196,990)	(124,723)	(111,519)	—	(433,232)
At 31 December 2014	17,871,199	59,405,733	49,376,355	1,792,469	3,096,563	414,255	821,946	132,778,520
<b>Accumulated depreciation</b>								
At 1 January 2014	8,435,161	37,551,782	35,979,524	1,567,520	1,205,502	353,819	—	85,093,308
Charge for the year	415,645	1,412,176	1,820,467	176,340	237,720	42,495	—	4,104,843
Write-offs	—	—	—	(196,990)	(124,723)	(111,519)	—	(433,232)
At 31 December 2014	8,850,806	38,963,958	37,799,991	1,546,870	1,318,499	284,795	—	88,764,919
<b>Net book value</b>								
At 31 December 2014	\$ 9,020,393	\$ 20,441,775	\$ 11,576,364	\$ 245,599	\$ 1,778,064	\$ 129,460	\$ 821,946	\$ 44,013,601
At 31 December 2013	\$ 9,391,832	\$ 21,602,110	\$ 13,083,990	\$ 185,126	\$ 1,770,881	\$ 128,741	\$ 354,145	\$ 46,516,825

The Corporation's management, after due consideration of the assessment of its assets for impairment, believes that there are no indications that the property, plant and equipment as of 31 December 2014 and 2013 are impaired or its carrying amounts cannot be recovered.

Fully depreciated property, plant and equipment not written-off as at 31 December 2014 was \$47,507,676 (2013: \$38,442,798).

# BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

## Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

Expressed in U.S. Dollars

### 6. TRADE AND OTHER PAYABLES

	2014	2013
Accounts payable	4,085,429	5,686,435
Accrued expenses	<u>304,813</u>	<u>411,517</u>
	<u>\$4,390,242</u>	<u>\$6,097,952</u>

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

### 7. LOANS PAYABLE

	2014	2013
<b>Banco Popular de Puerto Rico</b>		
\$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.	11,503,068	13,503,600
Repayable within one year	(2,000,532)	(2,000,532)
Repayable outside of one year	<u>\$9,502,536</u>	<u>\$11,503,068</u>

#### Revolving line of credit

The Corporation has a \$2,000,000 revolving line of credit which bears interest at prime rate plus 0.5% per annum and is secured by a charge over the assets of the Corporation and an unconditional and irrevocable guarantee from the Government. As at 31 December 2014 and 2013, the facility was unused.

#### 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%

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 2014 and 2013, these facilities were unused.

# BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

## Notes to and forming part of the Financial Statements For the year ended 31 December 2014

*Expressed in U.S. Dollars*

### 8. 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 28 September 2015.

	2014	2013
Present value of funded obligations	26,732,772	23,181,108
Fair value of plan assets	(14,442,461)	(13,046,977)
Liability in the statement of financial position	<u>\$12,290,311</u>	<u>\$10,134,131</u>

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

	2014	2013
Current service cost	927,673	1,041,981
Net interest on net defined benefit liability/(asset)	532,729	578,718
Administrative expense allowance	<u>25,200</u>	<u>25,653</u>
	<u>\$1,485,602</u>	<u>\$1,646,352</u>

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

	2014	2013
Opening net liability	10,134,131	12,068,497
Unrecognised loss in previous years charged to retained earnings	<u>-</u>	<u>-</u>
Opening net liability	10,134,131	12,068,497
Net pension cost	1,485,602	1,646,352
Remeasurements recognised in other comprehensive income	1,688,739	(2,554,613)
Corporation contributions	<u>(1,018,161)</u>	<u>(1,026,105)</u>
Closing net liability	<u>\$12,290,311</u>	<u>\$10,134,131</u>

Remeasurements recognised in other comprehensive income were as follows:

	2014	2013
Actuarial loss on obligation/adjustments	( 550,560)	1,010,725
Actuarial loss from changes in financial assumptions	(1,887,391)	1,794,197
Expected return on plan assets	<u>749,212</u>	<u>( 250,309)</u>
	<u>\$(1,688,739)</u>	<u>\$2,554,613</u>

## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

#### 8. PENSION FUND LIABILITY (Cont'd)

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

	2014	2013
Discount rate	5.0%	5.5%
Rate of compensation increase	4.0%	4.0%

The major categories of plan assets are as follows:

	2014	2013
Equity securities	40.0%	19.2%
Debt securities	26.3%	46.5%
Others	<u>33.7%</u>	<u>34.3%</u>
	<u>100.0%</u>	<u>100.0%</u>

For the year ended 31 December 2014, the Corporation is expected to pay contributions to the pension fund of \$1.060 million (2013: \$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 2014 would have changed as a result of an approximate 1% per annum change.

	2014	2013
Discount rate	4,556,825	3,823,833
Future salary increases	(1,076,307)	(1,018,602)
	<u>\$3,480,518</u>	<u>\$2,805,231</u>

#### 9. DEFERRED CAPITAL RECEIPTS

	2014	2013
Balance at 1 January	7,695,681	7,805,975
Customer contributions for the year	381,886	749,971
Released to the statement of comprehensive income	( 848,985)	( 860,265)
Balance at 31 December	<u>\$7,228,582</u>	<u>\$7,695,681</u>

#### 10. RELATED PARTY TRANSACTIONS

The Corporation earned \$9,938,678 (2013: \$11,135,840) in revenue from the Government for the sale of electricity during the year. \$13,548,951 (2013: \$11,945,658) remained outstanding as at 31 December 2014. Refer also to note 13(b).

Directors' fees and expenses during the year amounted to \$131,413 (2013: \$81,634).

During the year, the Corporation paid salaries and wages of \$867,461 (2013: \$878,128), representing remuneration for key management personnel.



## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

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For the year ended 31 December 2014

*Expressed in U.S. Dollars*

#### 11. SHARE CAPITAL

The Corporation has an unlimited authorised share capital.

	2014	2013
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 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.

#### 12. 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.

#### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Corporation include cash and cash equivalents and trade and other receivables. Financial liabilities include trade and other payables, loans payable and customers' deposits.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Board or Directors are discussed below.

##### (a) Market 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:



## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

Expressed in U.S. Dollars

#### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

##### (a) Market risk

###### *Foreign currency risk*

	2014		2013	
	Fair value	% of Total assets	Fair value	% of Total assets
<b>Assets</b>				
British Pound	—	—%	32,496	0.04%
<b>Liabilities</b>				
British Pound	(198,707)	(0.22%)	(379,578)	(0.43%)

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:

	2014	2013
Cash at bank	0.37%	0.40%
Loans payable	5.50%	5.50%

The Corporation is exposed to interest rate cash flow risk on cash and cash equivalents 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.

###### *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.

## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

Expressed in U.S. Dollars

#### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

##### (a) Market risk

###### *Commodity/price risk*

The sensitivity analysis of the Corporation's profit before tax for changes in commodity prices is based on the assumption that the fuel prices moves 28% (2013: 7%) resulting in a change of \$334,187 (2013: \$103,556), 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 Price as regulated by the US Energy Information Administration.

##### (b) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted. Financial assets which potentially expose the Corporation to credit risk consist of cash and cash equivalents and trade and other receivables. The Corporation invests available cash with banks with high credit ratings. Credit risk on trade and other receivables is limited, as these are shown net of a provision for doubtful debts. The extent of the Corporation's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Corporation's statement of financial position.

As at 31 December 2014 and 2013, the Corporation's financial assets exposed to credit risk amounted to the following:

	2014	2013
Cash at bank and short-term deposits	10,801,861	9,097,539
Trade and other receivables	<u>25,120,533</u>	<u>22,812,945</u>
	<u>\$35,922,394</u>	<u>\$31,910,484</u>

###### *Cash at bank and short-term deposits*

The Corporation held cash and short-term deposits with various financial institutions of \$10,801,861 (2013: \$9,097,539) as at 31 December 2014. The Corporation is subject to credit risk to the extent that these institutions may be unable to fulfil their obligations either to return the Corporation's cash and cash equivalents or repay amounts owed. The Corporation does not anticipate any losses as a result of this concentration.

# BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

## Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

Expressed in U.S. Dollars

### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

#### (b) Credit risk

##### Trade and other receivables - net

The ageing of the Corporation's trade and other receivables as at 31 December 2014 and 2013, is as follows:

	2014		2013	
	Gross	Impairment	Gross	Impairment
Current	7,518,877	—	8,439,080	—
31 – 90 days	3,111,489	—	3,935,118	—
Over 90 days	<u>14,985,380</u>	<u>495,213</u>	<u>11,097,625</u>	<u>658,878</u>
	<u>\$25,615,746</u>	<u>\$495,213</u>	<u>\$23,471,823</u>	<u>\$658,878</u>

The movement in the allowance for doubtful accounts as at 31 December 2014 and 2013 is as follows:

	2014	2013
Balance at 1 January	658,878	332,483
Additional allowance	—	326,395
Accounts written-off during the year	<u>(163,665)</u>	<u>—</u>
Balance at 31 December	<u>\$495,213</u>	<u>\$658,878</u>

Of the total balance over 90 days, only \$495,213 (2013: \$658,878) is considered impaired and was fully provided in the provision for bad debts. This relates to the portion of the receivable which the Corporation is not certain that it will recover.

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

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.

As at 31 December 2014 and 2013, the Corporation's receivables from the Government were as follows:

	2014	2013
Current	885,756	1,048,690
31 – 90 days	1,849,738	2,110,120
Over 90 days	<u>10,813,457</u>	<u>8,786,848</u>
	<u>\$13,548,951</u>	<u>\$11,945,658</u>



# BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

## Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

### 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

#### (b) Credit risk

The balances due from the Government are expected to be repaid and the risk of default is considered minimal by management.

#### (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:

	On Demand	Less than 6 months	6 months to 1 year	More than 1 year	Total
<b>2014</b>					
Trade and other payables	4,390,242	—	—	—	4,390,242
Loans payable	—	1,000,266	1,000,266	9,502,536	11,503,068
Customers' deposits	2,633,827	—	—	—	2,633,827
Pension fund liability	—	—	—	12,290,311	12,290,311
	<u>\$7,024,069</u>	<u>\$1,000,266</u>	<u>\$1,000,266</u>	<u>\$21,792,847</u>	<u>\$30,817,448</u>
<b>2013</b>					
Trade and other payables	6,097,952	—	—	—	6,097,952
Loans payable	—	1,000,266	1,000,266	11,503,068	13,503,600
Customers' deposits	2,183,309	—	—	—	2,183,309
Pension fund liability	—	—	—	10,134,131	10,134,131
	<u>\$8,281,261</u>	<u>\$1,000,266</u>	<u>\$1,000,266</u>	<u>\$21,637,199</u>	<u>\$31,918,992</u>

### 14. 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, trade and other receivables, trade and other payables, loans payable – current and customer deposits, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

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#### 14. FAIR VALUE INFORMATION (Cont'd)

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

#### 15. COMMITMENTS

On 30 August 2014, the Corporation entered into a contract with Delta Petroleum Caribbean Ltd ("Delta") for the exclusive supply of 72,140,300 U.S. gallons of refined petroleum products for the period covering 1 September 2014 to 31 August 2018 (2013: 27,023,800 U.S. gallons for the period covering 1 September 2012 to 31 August 2014). Based on fuel prices as at 31 December 2014, the remaining volume of the contract as of that date was 67,552,300 (2013: 8,647,300) U.S. gallons and its contract value was approximately \$192,419,407 (2013: \$27,578,684).

#### 16. SUBSEQUENT EVENTS

The Corporation's Phase V Development Programme – Package A involves extending the present primary power station located at Pockwood Pond to accommodate four (4) generating units and initially installing the following:

- Two (2) Wartsila 9L46 rated at 8.1 MW
- New central control room
- New 13.2 KV switchgear bus
- Additional 34.5 switchgear
- New station step-up and earthing transformers

The Letter of Acceptance was signed by Wartsila Finland Oy (Wartsila) to carry out the "Works" detailed above for the sum of approximately thirty-three million dollars (\$33,000,000.00). The Commencement Date and Notice to Proceed Date was recognised as July 29, 2015.

The Corporation's Phase V Development Programme – Package B involves reinforcing the transmission infrastructure by installing two (2) new 185 mmsq. Power cables, extending the Long Bush substation building, and the installation of all relevant switchgear and transformers.

This aspect of the project is to be undertaken by K-Line International (Canada) Ltd. at an estimated cost of six million, nine thousand, one hundred and four dollars and nineteen cents (\$6,009,104.19), and it is the Corporation's intention to partially self-finance the needed infrastructural requirements to reinforce the transmission system.

The Letter of Acceptance was signed by K-Line on March 3, 2015.

The Corporation's commitment under the Phase V project which will include a third engine, earthworks, future fuel storage, soil stabilization, Long Bush Substation Building extension, and Long Bush Substation equipment is approximately four million, three hundred and fifty thousand, six hundred and forty five dollars (\$4,350,645.00).

## BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

### Notes to and forming part of the Financial Statements

For the year ended 31 December 2014

*Expressed in U.S. Dollars*

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#### 16. SUBSEQUENT EVENTS (Cont'd)

On 4 September 2015, the Corporation obtained a loan ("Loan Agreement") of \$35,000,000 at the fixed rate of 3.5% interest per annum for the first seven years and 5.0% per annum thereafter from the British Virgin Islands Social Security Board to aid in financing the Corporation's Phase V Development Program. The loan is repayable over fifteen years, in sixty quarterly instalments commencing 31 October 2015, and thereafter on the 31<sup>st</sup> day of January, the 30<sup>th</sup> day of April, the 31<sup>st</sup> day of July and the 31<sup>st</sup> day of October in each year.

The Government unconditionally and irrevocably guarantees the BVI Social Security Board, as principal obligor and not merely as surety, the due and punctual payment of all principal moneys and interest becoming due and payable by the Corporation under the said Loan Agreement and if and whenever any such principal moneys and/or interest are not paid in accordance with the provisions of the Loan Agreement, the Government will within six months of demand in writing pay the same in the manner, at the place and in the currency provided for in the Loan Agreement as of the Government, instead of the BVI Electricity Corporation.

On 28 October 2015, the Corporation agreed to the full and final settlement of \$290,000 inclusive of legal costs (the remainder of the quantum of damages and being the balance owed from a total settlement of \$490,000) arising from an accident involving one of its former employees. An interim payment of \$200,000 had been made in August 2012 by the Corporation's insurers who had subordinated the claim.

On 14 July 2015, after a dispute over contractual fuel delivery pricing, the Corporation sought interim injunction relief from the Eastern Caribbean Supreme Court (the "Court") compelling Delta to continue deliveries in accordance with the terms of their renewed contract dated 30 August 2014 (refer also to note 15). Subsequently on 13 January 2016, a High Court judge ruled in favour of the Corporation and ordered Delta that specific performance should be made on the contract dated 30 August 2014 which will continue in full force and effect for the duration of tenure and that the sum of \$794,000 be paid to the Corporation as liquidated damages under the contract for the periods that they have been found liable.

#### 17) 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 2014

Expressed in U.S. Dollars

	2014	2013
<b>Generation</b>		
Materials and maintenance	3,843,897	3,122,462
Wages and salaries	2,160,077	2,539,440
Social security	63,473	73,143
Pension expense	442,042	518,425
Payroll tax	97,743	112,486
Other employee expenses	139,239	152,815
Other generation expenses	254,623	259,162
	<u>\$ 7,001,094</u>	<u>\$ 6,777,933</u>
<b>Distribution and transmission</b>		
Materials and maintenance	1,960,389	1,311,457
Wages and salaries	1,689,873	1,785,223
Social security	56,810	59,015
Pension expense	402,410	450,991
Payroll tax	79,049	82,584
Other employee expenses	121,715	130,853
Other distribution expenses	419,424	424,310
	<u>\$ 4,729,670</u>	<u>\$ 4,244,433</u>
<b>General and administrative</b>		
Insurance	661,176	615,560
Legal and professional fees	471,505	380,669
Wages and salaries	582,875	558,561
Social security	15,584	14,951
Pension expense	159,369	170,951
Payroll tax	27,229	27,861
Other employee expenses	30,395	29,541
Other expenses	515,684	999,581
	<u>\$ 2,463,817</u>	<u>\$ 2,797,675</u>
<b>Finance</b>		
Wages and salaries	777,725	812,780
Social security	22,939	24,274
Pension expense	207,453	220,189
Payroll tax	36,434	35,897
Other employee expenses	47,256	51,202
Other expenses	151,688	259,825
	<u>\$ 1,243,495</u>	<u>\$ 1,404,167</u>

**BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION**

**Schedule to the Financial Statements - Expenses (Cont'd)**

**For the year ended 31 December 2014**

*Expressed in U.S. Dollars*

	2014	2013
<b>Customer services and meter reading</b>		
Wages and salaries	689,917	687,394
Social security	23,813	23,184
Pension expense	162,219	170,290
Payroll tax	25,590	25,887
Other employee expenses	60,931	60,762
Other expenses	61,096	54,823
	<u>\$ 1,023,566</u>	<u>\$ 1,022,340</u>
<b>Information technology</b>		
Wages and salaries	240,857	220,446
Social security	7,348	7,037
Pension expense	65,626	66,751
Payroll tax	11,636	10,698
Other employee expenses	13,202	12,844
Other expenses	188,423	197,305
	<u>\$ 527,092</u>	<u>\$ 515,081</u>
<b>Desalination</b>		
Desalination plant maintenance	<u>\$ —</u>	<u>\$ 29,350</u>
<b>Vehicles</b>		
Wages and salaries	158,573	157,358
Social security	5,814	5,579
Pension expense	46,484	48,755
Payroll tax	6,527	6,123
Other employee expenses	13,010	13,047
Other expenses	10,953	13,192
	<u>\$ 241,361</u>	<u>\$ 244,054</u>

An aerial night photograph of a city, likely Victoria, British Columbia, featuring a harbor with numerous boats and illuminated buildings. The entire image is overlaid with a semi-transparent orange filter and numerous white starburst light effects. The text 'BVI ELECTRICITY CORPORATION ANNUAL REPORT 2014' is positioned at the bottom center in a white, bold, sans-serif font.

**BVI ELECTRICITY CORPORATION ANNUAL REPORT 2014**