

THE BVI TOURIST BOARD
Financial Statements
For the year ended 31 December 2010

THE BVI TOURIST BOARD

Financial Statements

For the year ended 31 December 2010

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THE BVI TOURIST BOARD

The BVI Tourist Board Directory
At 31 December 2010

Members of the Board

Mr. Myron Walwyn
Ms. Bellencita Creque
Ms. Julia Dawson
Mr. Julio Henry
Mr. Lemuel Smith
Mr. Melvin Clifton
Mr. Vincent O'Neal
Mr. Allan Rhymer
Mr. Ajit George
Mr. Mike Rowe
Ms. Sharon Flax-Mars

(Chairman)



**BAKER TILLY
(BVI) LIMITED**

Chartered Accountants

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THE BVI TOURIST BOARD

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL,

GOVERNMENT OF THE BRITISH VIRGIN ISLANDS

We were engaged to audit the accompanying financial statements of The BVI Tourist Board (the "Board"), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, net surplus/(deficit) 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 15.

This report is made solely to the Auditor General, Government of the British Virgin Islands (the "Auditor General"), in accordance with the Tourist Board Act, 1969 (Chapter 280). Our audit work has been undertaken so that we might state to the Auditor General those matters we are required to state to her 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 Auditor General, 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 conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Due to the significant length of time that has lapsed from the statement of financial position date to the audit report date, adequate evidential matter in support of recorded transactions was not available in all cases. There have since been several changes in employees and key management personnel, creating a lack of continuity in the accounting system. This has proven very challenging for present management, rendering them unable to furnish knowledgeable representation of the facts and circumstances regarding certain transactions arising in 2010. It was impracticable to extend our procedures sufficiently to determine the extent to which the financial statements as of and for the year ended 31 December 2010, may have been affected by these conditions.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the accompanying financial statements.

Baker Tilly (BVI) Limited

Chartered Accountants

22 October 2015

Tortola, British Virgin Islands

THE BVI TOURIST BOARD

Statement of Financial Position

At 31 December 2010

Expressed in U.S. Dollars

	Note	2010	2009
Current assets			
Cash and cash equivalents		<u>1,643,061</u>	<u>489,904</u>
Non-current assets			
Property and equipment	3	263,728	139,737
Security deposits		<u>87,810</u>	<u>86,110</u>
Total non-current assets		<u>351,538</u>	<u>225,847</u>
Total assets		<u>\$ 1,994,599</u>	<u>\$ 715,751</u>
Current liabilities			
Bank overdraft		21	490,489
Accounts payable	5	<u>624,603</u>	<u>1,202,248</u>
Total liabilities		624,624	1,692,737
Net surplus/(deficit)		<u>1,369,975</u>	<u>(976,986)</u>
Total liabilities and net surplus/(deficit)		<u>\$ 1,994,599</u>	<u>\$ 715,751</u>

THE BVI TOURIST BOARD

Statement of Comprehensive Income For the year ended 31 December 2010

Expressed in U.S. Dollars

	Note	2010	2009
Income			
Government grants		11,183,330	13,260,002
Other income		35,286	49,143
Net foreign exchange loss		<u>(64,180)</u>	<u>(79,757)</u>
		<u>11,154,436</u>	<u>13,229,388</u>
Expenses			
Advertising and promotions		2,691,721	5,769,831
Bank charges		29,192	43,442
Board members' compensation	4	8,115	23,600
Capital projects		253,831	324,049
Depreciation	3	32,532	26,455
Insurance		171,682	295,597
Marketing		701,537	1,249,949
Miscellaneous		370,977	341,208
Office expenses	6	101,762	112,848
Professional fees	7	349,192	292,837
Postage and freight		28,408	70,569
Rent	8	296,359	380,625
Repairs and maintenance		55,918	79,677
Personnel costs	9	3,263,382	3,121,608
Telephone		142,055	246,213
Training		33,824	46,684
Travel and entertainment		233,767	734,361
Utilities		<u>43,221</u>	<u>57,944</u>
		<u>8,807,475</u>	<u>13,217,497</u>
Total comprehensive income		<u>\$ 2,346,961</u>	<u>\$ 11,891</u>

THE BVI TOURIST BOARD

Statement of Net Surplus/(Deficit)
For the year ended 31 December 2010
Expressed in U.S. Dollars

	2010	2009
Balances at beginning of year	(976,986)	(988,877)
Total comprehensive income	<u>2,346,961</u>	<u>11,891</u>
Balances at end of year	<u>\$ 1,369,975</u>	<u>\$ (976,986)</u>

THE BVI TOURIST BOARD

Statement of Cash Flows For the year ended 31 December 2010 *Expressed in U.S. Dollars*

	2010	2009
Operating activities		
Fees received	11,216,916	13,288,057
Advertising and marketing fees paid	(3,393,258)	(7,019,780)
Office expenses paid	(611,805)	(868,199)
Professional fees paid	(349,192)	(292,837)
Personnel costs paid	(3,263,382)	(3,121,608)
Other expenses paid	<u>(1,734,951)</u>	<u>(1,929,286)</u>
<i>Cash flows from operating activities</i>	<u>1,864,328</u>	<u>56,347</u>
Investing activities		
Purchase of fixed assets	<u>(156,523)</u>	<u>(24,154)</u>
<i>Cash flows from investing activities</i>	<u>(156,523)</u>	<u>(24,154)</u>
Net increase in cash and cash equivalents	1,707,805	32,193
Effect of exchange rate fluctuations on cash and cash equivalents	(64,180)	(79,757)
Cash and cash equivalents at beginning of year	<u>(585)</u>	<u>46,979</u>
Cash and cash equivalents at end of year	<u>\$ 1,643,040</u>	<u>\$ (585)</u>
Cash and cash equivalents comprise cash at banks.		
Cash at banks	1,643,061	489,904
Bank overdraft	<u>(21)</u>	<u>(490,489)</u>
	<u>\$ 1,643,040</u>	<u>\$ (585)</u>

THE BVI TOURIST BOARD

Notes to and forming part of the Financial Statements

For the year ended 31 December 2010

Expressed in U.S. Dollars

1. ORGANISATION AND ACTIVITIES

The BVI Tourist Board (the “Board”), which changed its name from the British Virgin Islands Tourist Board on 10 September 1990, was constituted as a body corporate in the British Virgin Islands under the Tourist Board Act, 1969 (Chapter 280)(the “Act”).

The duties of the Board as stated under Section 8 of the Act are as follows:

- a) to promote, foster and develop the tourist trade of the Virgin Islands and to promote its efficiency; and
- b) to promote, foster and encourage tourist investments within the Virgin Islands by such measures as the Board may deem fit and especially the development of such amenities as may be calculated to enhance the Virgin Islands as a holiday, pleasure or health resort.

The financial records and statements of the Board are maintained and presented in U.S. Dollars, rounded to the nearest dollar. The financial statements were authorised for issue on 22 October 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

The financial statements of the Board 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 consistently applied by the Board and are consistent with those used in the previous year.

There are no new, revised, or amended IFRSs or International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that are effective for the first time for the financial period beginning on 1 January 2010 that would be expected to have a material impact on the Board’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 may differ from these estimates.

THE BVI TOURIST BOARD

Notes to and forming part of the Financial Statements

For the year ended 31 December 2010

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES

(c) **Use of estimates**

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**

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Negative cash balances at banks that are repayable on demand and form an integral part of the Board's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

(e) **Financial liabilities**

Financial liabilities, other than those at fair value through profit or loss, are non-derivative contractual obligations to deliver cash or another financial asset to another entity. These comprise accounts payable.

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

(f) **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful economic lives of the fixed assets.

The annual rates of depreciation in use are as follows:

Motor vehicles	25%
Computer equipment	25%
Furniture and fixtures	10%
Office equipment	15%

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

(g) **Income and expense recognition**

Government grants are recognised as income when the Board's right to receive is established.

All expenses are recognised in the statement of comprehensive income on the accrual basis.

THE BVI TOURIST BOARD

Notes to and forming part of the Financial Statements For the year ended 31 December 2010

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) 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 at the reporting date are translated to U.S. Dollars at the foreign currency exchange rate ruling at the reporting 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 at the foreign currency exchange rates ruling at the dates that the values were determined.

(i) Lease payments

Payments under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

(j) Contingent liabilities

Certain conditions may exist as at the reporting date, which may result in a loss to the Board but which will only be resolved when one or more future events occur or fail to occur. The Board members 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 Board's financial statements. If the assessment indicates that there is a possible obligation, or it 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.

(k) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Board has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(l) Pension and other post-retirement benefits

The Board established a defined contribution pension scheme effective 1 June 2005 to provide a lump sum retirement benefit to its officers and employees. The pension fund is currently being funded at 5% of gross salaries per annum and contributions payable during the year are charged to the statement of comprehensive income.

THE BVI TOURIST BOARD

Notes to and forming part of the Financial Statements For the year ended 31 December 2010

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010 and have not yet been adopted in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Board.

3. PROPERTY AND EQUIPMENT

	Motor Vehicles	Computer equipment	Furniture and fixtures	Office equipment	Total
Cost:					
At 31 December 2009	147,704	216,101	498,100	227,517	1,089,422
Additions	—	—	92,576	63,947	156,523
At 31 December 2010	147,704	216,101	590,676	291,464	1,245,945
Depreciation:					
At 31 December 2009	122,209	206,200	479,745	141,531	949,685
Charge for the year	6,374	2,475	6,464	17,219	32,532
At 31 December 2010	128,583	208,675	486,209	158,750	982,217
Net book value:					
At 31 December 2010	\$ 19,121	\$ 7,426	\$ 104,467	\$ 132,714	\$ 263,728
At 31 December 2009	\$ 25,495	\$ 9,901	\$ 18,355	\$ 85,986	\$ 139,737

4. RELATED PARTY TRANSACTIONS

The Chairman and board members receive a stipend during the year which totalled \$8,115 (2009: \$23,600). In addition, during the year expenses totalling \$9,153 (2009: \$30,003) were paid to board members relating to marketing, travel and entertainment and personnel costs.

5. ACCOUNTS PAYABLE

	2010	2009
Trade payables	443,933	1,091,024
Payroll accruals	180,670	106,996
Credit cards payable	—	4,228
	<u>\$624,603</u>	<u>\$1,202,248</u>

THE BVI TOURIST BOARD

Notes to and forming part of the Financial Statements For the year ended 31 December 2010

Expressed in U.S. Dollars

	2010	2009
6. OFFICE EXPENSES		
Cleaning fees	10,443	12,261
IT services	53,220	51,602
Supplies	<u>38,099</u>	<u>48,985</u>
	<u>\$101,762</u>	<u>\$112,848</u>
7. PROFESSIONAL FEES		
Consultancy fees	74,702	177,768
Accounting fees	969	48,693
IT system fees	23,677	60,376
Legal fees	<u>249,844</u>	<u>6,000</u>
	<u>\$349,192</u>	<u>\$292,837</u>
<p>During the year, the Board was involved in a claim against one of its former advertisers, resulting in a significant increase in legal fees.</p>		
8. RENT		
Rent	296,359	361,958
Storage	—	5,200
Employee rent	<u>—</u>	<u>13,467</u>
	<u>\$296,359</u>	<u>\$380,625</u>
9. PERSONNEL COSTS		
Wages and salaries	3,059,648	2,799,636
Pension contributions	66,003	188,079
Employer's payroll tax	83,483	83,570
Employer's social security contributions	<u>54,248</u>	<u>50,323</u>
	<u>\$3,263,382</u>	<u>\$3,121,608</u>

The average number of employees during the year was 57 (2009: 57).

10. TAXATION

There is no mainstream taxation of profits in the British Virgin Islands. The Board pays payroll tax equating to 6% on all salaries, wages and benefits paid to employees.

THE BVI TOURIST BOARD

Notes to and forming part of the Financial Statements

For the year ended 31 December 2010

Expressed in U.S. Dollars

11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial assets of the Board comprise cash and cash equivalents. Financial liabilities comprise accounts payable. Accounting policies for financial assets and financial liabilities are set out in note 2.

The Board has exposure to a variety of financial risks from its use of financial instruments. The most important types of financial risk to which the Board is exposed are market risk, credit risk and liquidity risk.

(a) **Market risk**

Market risk embodies the potential for both losses and gains and includes foreign currency risk.

Market risk is managed on an ongoing basis by the Board in accordance with policies and procedures in place.

Currency risk

The Board invests in financial instruments and enters into transactions denominated in currencies other than its reporting currency. Consequently, the Board is exposed to risks that the exchange rate of the presentation currency relative to other foreign currencies may change in a manner which has an adverse effect on the reported value of that portion of the Board's assets or liabilities which are denominated in currencies other than the reporting currency.

The following significant exchange rate applied during the year:

	Reporting date spot rate	
	2010	2009
One British Pound	1.5468	1.5926

The Board's total net exposure to fluctuations in foreign currency exchange rates at 31 December 2010 were as follows:

	2010	2009
British Pound	<u>\$19,913</u>	<u>\$29,047</u>

A sensitivity analysis was performed in respect to the financial instruments denominated in foreign currencies and management noted that there would be no material effect to the net deficit and total comprehensive income.

(b) **Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Board.

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

THE BVI TOURIST BOARD

Notes to and forming part of the Financial Statements

For the year ended 31 December 2010

Expressed in U.S. Dollars

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

(b) Credit risk

At 31 December 2010, the Board's financial assets exposed to credit risk amounted to the following:

	2010	2009
Cash and cash equivalents	<u>\$1,643,061</u>	<u>\$489,904</u>

The Board invests available cash and cash equivalents with various banks. The Board is exposed to credit-related losses in the event of non-performance by these counterparties to financial instruments. However, management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Board's reputation.

12. FAIR VALUE INFORMATION

The carrying values of cash and cash equivalents and accounts payable approximate their fair values due to the relatively short periods to maturity of these instruments.

13. CAPITAL RISK MANAGEMENT

The Board's primary objective of capital management is to continue as a going concern whilst performing the duties as set out in note 1.

The main consideration is the adequacy of cash such that:

- working capital is available for the purpose of the operations of the Board; and
- capital is available for the development and sustainability of the Board.

The Board is not subject to regulatory imposed capital requirements.

14. SUBSEQUENT EVENTS

The Internal Audit Unit of the Government of the British Virgin Islands concluded the following in its audit report of the Board, dated November 2006:

- Inadequate financial management systems in place, resulting in a lack of internal controls;
- Significant abuse of credit cards at all levels in the organisation;
- Key managerial positions vacant for extended periods of time, resulting in a lack of segregation of duties; and
- A severe breakdown in the governance of the Board.

THE BVI TOURIST BOARD

Notes to and forming part of the Financial Statements

For the year ended 31 December 2010

Expressed in U.S. Dollars

14. SUBSEQUENT EVENTS (Cont'd)

On 16 October 2006, Verna Maduro, the Financial Comptroller, appeared in the Magistrate's Court facing 118 charges related to suspected fraudulent use of credit cards belonging to the Board. Ms. Maduro was charged with 81 counts of theft, 18 counts of breach of trust by a public official, 18 counts on invasion of liability by deception and 1 count of false accounting. Ms. Maduro was charged with stealing over \$500,000.

On 14 July 2011, Ms. Maduro was sentenced to five years in prison for each of the charges of breach of trust and furnishing false information. The Court also ordered that she repay the above sum to the Board no later than two years after serving her five year sentence.