

**BRITISH VIRGIN ISLANDS
ELECTRICITY CORPORATION**

Financial Statements
For the year ended 31 December 2015

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Financial Statements For the year ended 31 December 2015

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BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Corporation Directory At 31 December 2015

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 VG 1110

British Virgin Islands

Legal Advisors

O'Neal Webster

Simmonds Building

Wickhams Cay 1

30 DeCastro Street

Road Town, Tortola VG 1110

British Virgin Islands

**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 2015, 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 27.

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 2015, 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 28 and 29 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

23 November 2016

Tortola, British Virgin Islands

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Financial Position

At 31 December 2015

Expressed in U.S. Dollars

	Note	2015	2014
Current assets			
Cash and cash equivalents		8,286,942	9,993,378
Fixed term deposits		2,696,516	812,083
Trade and other receivables	4,11	29,090,491	25,120,533
Inventory	5	8,573,501	8,958,834
Other current assets		<u>439,855</u>	<u>493,811</u>
		49,087,305	45,378,639
Non-current assets			
Property, plant and equipment	6	<u>58,196,997</u>	<u>44,013,601</u>
Total assets		<u>\$ 107,284,302</u>	<u>\$ 89,392,240</u>
Current liabilities			
Trade and other payables	7	7,613,242	4,390,242
Loans payable	8	4,333,864	2,000,532
Customers' deposits		<u>1,717,589</u>	<u>2,633,830</u>
		<u>13,664,695</u>	<u>9,024,604</u>
Non-current liabilities			
Loans payable	8	12,848,641	9,502,533
Pension fund liability	9	13,697,674	12,290,311
Deferred capital receipts	10	<u>8,366,169</u>	<u>7,228,582</u>
		<u>34,912,484</u>	<u>29,021,426</u>
Total liabilities		<u>48,577,179</u>	<u>38,046,030</u>
Equity			
Share capital	12	7,052,465	7,052,465
Contributed surplus	12	9,661,763	9,661,763
Retained earnings		<u>41,992,895</u>	<u>34,631,982</u>
Total equity		<u>58,707,123</u>	<u>51,346,210</u>
Total liabilities and equity		<u>\$ 107,284,302</u>	<u>\$ 89,392,240</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

**Statement of Comprehensive Income
For the year ended 31 December 2015**

Expressed in U.S. Dollars

	Note	2015	2014
Income			
Sale of electricity	11	<u>54,238,388</u>	<u>66,364,688</u>
Total income		54,238,388	66,364,688
Cost of sales			
Fuel cost		<u>26,253,670</u>	<u>39,754,686</u>
Gross profit		<u>27,984,718</u>	<u>26,610,002</u>
Expenses			
Generation		6,879,311	7,001,094
Depreciation	6	4,034,550	4,104,843
Distribution and transmission		2,886,077	4,729,670
General and administrative	11	2,812,205	2,463,817
Finance		1,433,288	1,243,495
Customer service and meter reading		970,979	1,023,566
Information technology		548,098	527,092
Vehicles		248,428	241,361
Other expenses		<u>381,981</u>	<u>130,345</u>
Total expenses		<u>20,194,917</u>	<u>21,465,283</u>
Operating profit		<u>7,789,801</u>	<u>5,144,719</u>
Other income/(expenses)			
Release of deferred capital receipts	10	939,197	848,985
Other income		178,565	185,299
Interest income		43,192	36,891
Foreign exchange loss		<u>(14,436)</u>	<u>(19,098)</u>
Total other income		<u>1,146,518</u>	<u>1,052,077</u>
Income before finance cost		8,936,319	6,196,796
Finance cost		<u>811,941</u>	<u>941,890</u>
Net income before taxation		8,124,378	5,254,906
Taxation	13	<u>—</u>	<u>—</u>
Net income during the year		8,124,378	5,254,906
Other comprehensive income			
Remeasurement loss on defined benefit obligation	9	<u>(763,465)</u>	<u>(1,688,739)</u>
Total comprehensive income		<u>\$ 7,360,913</u>	<u>\$ 3,566,167</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 2015**

Expressed in U.S. Dollars

	2015			
	Share capital	Contributed surplus	Retained earnings	Total
Balance at 1 January	7,052,465	9,661,763	34,631,982	51,346,210
Net income during the year	–	–	8,124,378	8,124,378
Other comprehensive loss for the year	–	–	(763,465)	(763,465)
Total comprehensive income	–	–	7,360,913	7,360,913
Balance at 31 December	\$ 7,052,465	\$ 9,661,763	\$ 41,992,895	\$ 58,707,123

	2014			
	Share capital	Contributed surplus	Retained earnings	Total
Balance at 1 January	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
Balance at 31 December	\$ 7,052,465	\$ 9,661,763	\$ 34,631,982	\$ 51,346,210

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Cash Flows For the year ended 31 December 2015

Expressed in U.S. Dollars

	2015	2014
Cash flows from operating activities		
Total comprehensive income	7,360,913	3,566,167
Adjustments for:		
Depreciation	4,034,550	4,104,843
Finance cost	811,941	941,890
Interest income	(43,192)	(36,891)
Foreign exchange loss	14,436	19,098
	12,178,648	8,595,107
<i>Operating profit before working capital changes</i>		
Increase in trade and other receivables	(3,916,002)	(2,274,649)
Decrease/(increase) in inventory	385,333	(521,277)
Increase/(decrease) in trade and other payables	3,223,000	(1,707,710)
(Decrease)/increase in customer deposits	(916,241)	450,518
Increase in pension fund liability	1,407,363	2,156,180
Increase/(decrease) in deferred capital receipts	1,137,587	(467,099)
	13,499,688	6,231,070
<i>Cash flows from operating activities</i>		
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,217,946)	(1,601,619)
Purchase of fixed term deposits	(1,884,432)	(812,083)
Interest received	43,192	36,891
	(20,059,186)	(2,376,811)
<i>Cash flows from investing activities</i>		
Cash flows from financing activities		
Net proceeds/(repayment) of loans payable	5,679,439	(2,000,532)
Interest paid	(811,941)	(941,890)
	4,867,498	(2,942,422)
<i>Cash flows from financing activities</i>		
Net (decrease)/increase in cash and cash equivalents	(1,692,000)	911,837
Cash and cash equivalents at beginning of year	9,993,378	9,100,639
Effect of exchange rate fluctuations on cash and cash equivalents	(14,436)	(19,098)
	8,286,942	9,993,378
Cash and cash equivalents at end of year	\$ 8,286,942	\$ 9,993,378
Cash and cash equivalents comprise the following items:		
Cash on hand	3,600	3,600
Cash at bank	8,283,342	8,373,369
Short-term deposits	—	1,616,409
	8,286,942	9,993,378
Cash and cash equivalents	\$ 8,286,942	\$ 9,993,378

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

1. GENERAL INFORMATION

The British Virgin Islands Electricity Corporation (the “Corporation”) is a corporate body established in the British Virgin Islands under the British Virgin Islands Electricity Corporation Ordinance, 1978 (the “Ordinance”) and is wholly owned by the Government of the British Virgin Islands (the “Government”). The principal activities of the Corporation are the generation, transmission, supply, distribution and sale of electricity within the British Virgin Islands. The financial 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 23 November 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 2015 that would be 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 2015 was \$497,028 (2014: \$495,213). Refer to note 4.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

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 2015 was \$8,573,501 (2014: \$8,958,834). Refer to note 5.

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 2015 was \$58,196,997 (2014: \$44,013,601). As of 31 December 2015 and 2014, the Corporation's property, plant and equipment had no residual value. Refer to note 6.

Determination of impairment of property, plant and equipment

The Corporation determines whether its property, plant and equipment are impaired on a regular basis. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Corporation's financial condition and results of operations. While management believes that the assumptions made are appropriate and reasonable, significant changes in assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under IFRSs. There were no impairment losses recognised on property, plant and equipment as of 31 December 2015 and 2014. Refer to note 6.

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) 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.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) 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.

(e) 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.

(f) Other specific 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 (3) months or less from the date of acquisition.

Fixed term deposit

Fixed term deposit is a term deposit held at a financial institution that is generally short-term with maturities ranging from more than three (3) months to a year. When a term deposit is purchased, the money can only be withdrawn after the term has ended or by giving a predetermined number of days' notice.

Share capital

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Inventory

Fuel items

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

Non-fuel items

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

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

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

(h) 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 they are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

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

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Property, plant and equipment

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

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

(i) 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.

(j) 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.

(k) 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.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Pension plan

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

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

(l) 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.

(m) Borrowing cost

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

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) 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.

(o) Contingent liabilities

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

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

Loss contingencies considered remote are generally not disclosed.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, 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:

IAS 1, "Presentation of Financial Statements" ("IAS 1")

IAS 1 is effective from 1 January 2016 and amends IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

IAS 1, "Presentation of Financial Statements" ("IAS 1")

- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and,
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

IFRS 9, "Financial Instruments: Classification and Measurement" ("IFRS 9")

IFRS 9, effective for annual periods beginning on or after 1 January 2018, 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.

During the year, the Corporation accounted for its financial assets in accordance with the classifications and measurement requirements under IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 will be applied in the Corporation's financial statements for the year ending 31 December 2018, which may result in additional disclosures to the Corporation's financial statements upon implementation.

3. FIXED TERM DEPOSITS

As at 31 December 2015, the Corporation had fixed term deposits totalling \$2,696,516 (2014: \$812,083). These deposits earn interest ranging between 0.65% to 1.35% per annum and will automatically renew upon their maturity, which are between six (6) to twelve (12) months.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

4. TRADE AND OTHER RECEIVABLES

	2015	2014
Accounts receivable, trade (refer also to note 11)	26,653,150	22,805,080
Other receivables	<u>2,934,369</u>	<u>2,810,666</u>
	29,587,519	25,615,746
Provision for doubtful accounts	<u>(497,028)</u>	<u>(495,213)</u>
	<u>\$29,090,491</u>	<u>\$25,120,533</u>

5. INVENTORY

	2015	2014
Generating plant and equipment parts	5,764,469	5,646,252
Distribution and transmission parts	2,647,396	2,700,961
Diesel fuel	575,169	1,193,525
Lubricating oil	31,621	15,499
Vehicle parts	211,716	208,054
Other spare parts and supplies	52,914	46,774
Goods in transit	<u>401,285</u>	<u>258,838</u>
	9,684,570	10,069,903
Provision for obsolete inventory	<u>(1,111,069)</u>	<u>(1,111,069)</u>
	<u>\$8,573,501</u>	<u>\$ 8,958,834</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 2015

Expressed in U.S. Dollars

6. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Generating plant & equipment	Distribution & transmission equipment	Motor vehicles	Computer & other equipment	Furniture & fittings	Work in progress	Total
Cost								
At 1 January 2015	17,871,199	59,405,733	49,376,401	1,792,469	3,096,563	414,209	821,946	132,778,520
Additions during the year	69,823	58,081	1,627,761	564,197	347,950	12,741	15,537,393	18,217,946
Write-offs	—	—	—	(342,177)	—	—	—	(342,177)
At 31 December 2015	17,941,022	59,463,814	51,004,162	2,014,489	3,444,513	426,950	16,359,339	150,654,289
Accumulated depreciation								
At 1 January 2015	8,850,806	38,963,958	37,799,991	1,546,870	1,318,499	284,795	—	88,764,919
Charge for the year	415,523	1,395,701	1,676,792	208,888	296,633	41,013	—	4,034,550
Write-offs	—	—	—	(342,177)	—	—	—	(342,177)
At 31 December 2015	9,266,329	40,359,659	39,476,783	1,413,581	1,615,132	325,808	—	92,457,292
Net book value								
At 31 December 2015	\$ 8,674,693	\$ 19,104,155	\$ 11,527,379	\$ 600,908	\$ 1,829,381	\$ 101,142	\$ 16,359,339	\$ 58,196,997
At 31 December 2014	\$ 9,020,393	\$ 20,441,775	\$ 11,576,410	\$ 245,599	\$ 1,778,064	\$ 129,414	\$ 821,946	\$ 44,013,601

The Corporation's management, after due consideration of the assessment of their assets for impairment, believes that there are no indications that the property, plant and equipment as of 31 December 2015 and 2014 are impaired or their carrying amounts cannot be recovered.

Fully depreciated property, plant and equipment not written-off as at 31 December 2015 amounted to \$48,283,354 (2014: \$47,507,676).

The amount of borrowing costs capitalised for the year ended 31 December 2015 was \$26,298 (2014: \$nil). The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 3.5% (2014: nil%).

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

**Notes to and forming part of the Financial Statements
For the year ended 31 December 2015**

Expressed in U.S. Dollars

7. TRADE AND OTHER PAYABLES

	2015	2014
Accounts payable	7,303,139	4,085,429
Accrued expenses	<u>310,103</u>	<u>304,813</u>
	<u>\$7,613,242</u>	<u>\$4,390,242</u>

Accounts payable and accrued expenses include outstanding creditor balances, accrued payroll and other employee benefits, accrued professional fees and other accrued expenses.

8. LOANS PAYABLE

	2015	2014
Banco Popular de Puerto Rico		
\$30,008,000 was borrowed in connection with the Phase IV Development Programme. The loan is repayable in 60 quarterly instalments which commenced 31 December 2005 and bears interest at a fixed rate of 5.5% per annum. This loan is secured by assets of the Corporation and is guaranteed by the Government.	9,502,533	11,503,065
Repayable within one year	<u>(2,000,532)</u>	<u>(2,000,532)</u>
Repayable outside of one year	<u>\$7,502,001</u>	<u>\$ 9,502,533</u>
British Virgin Islands Social Security Board		
\$8,263,305 of the \$35,000,000 total value of the loan, was borrowed in connection with the Phase V Development Programme. The loan is repayable over fifteen (15) years or sixty (60) quarterly instalments which commenced on 31 October 2015 and bears interest at a fixed rate of 3.5% per annum for the first 7 years and 5.0% for the next 8 years. This loan is secured by assets of the Corporation and is guaranteed by the Government.	7,679,972	—
Repayable within one year	<u>(2,333,332)</u>	<u>(—)</u>
Repayable outside of one year	<u>\$5,346,640</u>	<u>\$ —</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 2015 and 2014, the facility was unused.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

8. LOANS PAYABLE (Cont'd)

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 2015 and 2014, these facilities were unused.

9. PENSION FUND LIABILITY

The Corporation has established a defined benefit plan which is fully funded. The assets of the plan are held independently of the Corporation's assets. The plan is valued by independent actuaries with the most recent valuation being carried out on 15 March 2016.

	2015	2014
Present value of funded obligations	28,055,338	26,732,772
Fair value of plan assets	<u>(14,357,664)</u>	<u>(14,442,461)</u>
Liability in the statement of financial position	<u>\$13,697,674</u>	<u>\$12,290,311</u>

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

	2015	2014
Current service cost	1,038,980	927,673
Net interest on net defined benefit liability/(asset)	590,202	532,730
Administrative expense allowance	<u>25,258</u>	<u>25,200</u>
	<u>\$1,654,440</u>	<u>\$1,485,603</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

9. PENSION FUND LIABILITY (Cont'd)

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

	2015	2014
Opening net liability	12,290,311	10,134,131
Unrecognised loss in previous years charged to retained earnings	<u>-</u>	<u>-</u>
Opening net liability	12,290,311	10,134,131
Net pension cost	1,654,440	1,485,603
Remeasurements recognised in other comprehensive income	763,465	1,688,739
Corporation contributions	<u>(1,010,542)</u>	<u>(1,018,162)</u>
Closing net liability	<u>\$13,697,674</u>	<u>\$12,290,311</u>

Remeasurements recognised in other comprehensive income were as follows:

	2015	2014
Actuarial loss on obligations/adjustments	188,822	(550,560)
Actuarial loss from changes in financial assumptions	-	(1,887,391)
Expected return on plan assets	<u>(952,287)</u>	<u>749,212</u>
	<u>\$(763,465)</u>	<u>\$(1,688,739)</u>

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

	2015	2014
Discount rate	5.0%	5.0%
Rate of compensation increase	4.0%	4.0%

The major categories of plan assets are as follows:

	2015	2014
Equity securities	39.7%	40.0%
Debt securities	23.9%	26.3%
Others	<u>36.4%</u>	<u>33.7%</u>
	<u>100.0%</u>	<u>100.0%</u>

For the year ended 31 December 2015, the Corporation had paid contributions to the pension fund of \$1.011 million (2014: \$1.018).

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 2015 would have changed as a result of an approximate 1% per annum change.

	2015	2014
Discount rate	4,738,805	4,556,825
Future salary increases	<u>(1,231,507)</u>	<u>(1,076,307)</u>
	<u>\$3,507,298</u>	<u>\$3,480,518</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

10. DEFERRED CAPITAL RECEIPTS

	2015	2014
Balance at 1 January	7,228,582	7,695,681
Customer contributions for the year	2,076,784	381,886
Released to the statement of comprehensive income	(939,197)	(848,985)
Balance at 31 December	<u>\$8,366,169</u>	<u>\$7,228,582</u>

11. RELATED PARTY TRANSACTIONS

The Corporation earned \$6,507,742 (2014: \$9,938,678) in revenue from the Government for the sale of electricity during the year. \$18,559,697 (2014: \$13,548,951) remained outstanding as at 31 December 2015. Refer also to note 14(b).

Directors' fees and expenses during the year amounted to \$129,466 (2014: \$131,413).

During the year, the Corporation paid salaries and wages of \$826,748 (2014: \$867,461) with respect to remuneration for key management personnel.

12. SHARE CAPITAL

The Corporation has an unlimited authorised share capital.

	2015	2014
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.

13. TAXATION

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

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Corporation include cash and cash equivalents, fixed term deposits 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:

	2015		2014	
	Fair value	% of Total assets	Fair value	% of Total assets
Liabilities				
British Pound	\$(116,273)	(0.11)%	\$(198,707)	(0.22%)

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:

	2015	2014
Cash at bank	0.47%	0.37%
Loans payable	3.50% to 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.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

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

(a) Market risk

Interest rate risk

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, since it is locked into a fixed price supply agreement until 31 August 2018 (refer to note 16).

The sensitivity analysis of the Corporation's profit before tax for changes in commodity prices is based on the assumption that year-end diesel fuel inventory prices move 22% (2014: 28%) resulting in a change of \$126,357 (2014: \$334,187), 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 U.S. 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, fixed term deposits 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 2015 and 2014, the Corporation's financial assets exposed to credit risk amounted to the following:

	2015	2014
Cash and cash equivalents	8,286,942	9,993,378
Fixed term deposits	2,696,516	812,083
Trade and other receivables	<u>29,090,491</u>	<u>25,120,533</u>
	<u>\$40,073,949</u>	<u>\$35,925,994</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

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

(b) Credit risk

Cash and cash equivalents and fixed term deposits

The Corporation held cash and cash equivalents and fixed term deposits with various financial institutions totaling \$10,983,458 (2014: \$10,805,461) as at 31 December 2015. 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.

Trade and other receivables - net

The aging of the Corporation's trade and other receivables as at 31 December 2015 and 2014, is as follows:

	2015		2014	
	Gross	Impairment	Gross	Impairment
Current	6,530,155	—	7,518,877	—
31 – 90 days	2,773,992	—	3,111,489	—
Over 90 days	<u>20,283,372</u>	<u>497,028</u>	<u>14,985,380</u>	<u>495,213</u>
	<u>\$29,587,519</u>	<u>\$497,028</u>	<u>\$25,615,746</u>	<u>\$495,213</u>

The movement in the allowance for doubtful accounts as at 31 December 2015 and 2014 is as follows:

	2015	2014
Balance at 1 January	495,213	658,878
Additional allowance	17,624	—
Accounts written-off during the year	(15,809)	(163,665)
Balance at 31 December	<u>\$497,028</u>	<u>\$495,213</u>

Of the total balance over 90 days, only \$497,028 (2014: \$495,213) 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.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

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

(b) Credit risk

Trade and other receivables - net

As at 31 December 2015 and 2014, the Corporation's receivables from the Government were as follows:

	2015	2014
Current	857,019	885,756
31 – 90 days	1,761,085	1,849,738
Over 90 days	<u>15,941,593</u>	<u>10,813,457</u>
	<u>\$18,559,697</u>	<u>\$13,548,951</u>

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
2015					
Trade and other payables	7,613,242	—	—	—	7,613,242
Loans payable	—	2,166,932	2,166,932	12,848,641	17,182,505
Customers' deposits	1,717,589	—	—	—	1,717,589
Pension fund liability	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,697,674</u>	<u>13,697,674</u>
	<u>\$9,330,831</u>	<u>\$2,166,932</u>	<u>\$2,166,932</u>	<u>\$26,546,315</u>	<u>\$40,211,010</u>
2014					
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,290,311</u>	<u>12,290,311</u>
	<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>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

15. FAIR VALUE INFORMATION

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

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

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

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

16. COMMITMENTS

(a) **Delta Petroleum Caribbean Limited ("Delta")**

On 30 August 2014, the Corporation entered into a contract with Delta Petroleum Caribbean Limited ("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. Based on fuel prices as at 31 December 2015, the remaining volume of the contract as of that date was 53,763,800 (2014: 67,552,300) U.S. gallons and its contract value was approximately \$153,535,498 (2014: \$192,419,407). Refer also to note 18.

(b) **Wartsila Finland Oy ("Wartsila")**

On 6 March 2015, the Corporation entered into a contract with Wartsila Finland Oy ("Wartsila") involving the Phase V Development Programme – Package A. This project involves extending the present primary power station located at Pockwood Pond to accommodate four (4) generating units and the installation of various generating, distribution and transmission equipment. The estimated cost of the Package A project was \$31,315,149 and the project commenced on 29 July 2015.

On 18 August 2015, the Corporation issued variation order BVI A001 to the Package A project with Wartsila for the supply of electrical equipment for the Long Bush sub-station valued at \$788,295. This variation order is as directed under Clause 13 of the Conditions of the Contract to make variations in the works for the Phase V Development Programme: Package A – Pockwood Pond Power Station.

On 6 November 2015, Wartsila issued negative change order BVI A002 for slope protection, erosion protection, and flood ditches. By this variation order all works related to slope protection, erosion protection, and flood ditches was transferred from Wartsila to the Corporation's scope of work, and the work will now be performed under Wartsila's supervision. The contract price was adjusted reducing it by \$500,000.

On 11 December 2015, the Corporation executed variation order Expansion Scope. This variation expands the scope of the project by adding one (1) 9L46 diesel oil fired generating set complete with all associated mechanical and electrical equipment and required civil works. This has increased the contract price of Package A by \$8,161,281.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements For the year ended 31 December 2015

Expressed in U.S. Dollars

16. COMMITMENTS (Cont'd)

(b) Wartsila Finland Oy (“Wartsila”)

On 25 February 2016, the Corporation issued variation order BVI A003. This variation expands the scope of the project by adding the foundation for a fourth (4th) generating unit. This has increased the contract price by \$161,704 bringing the total contract value to \$39,926,429.

(c) K-Line International (Canada) Ltd. (“K-Line”)

On 8 April 2015, the Corporation entered into a contract with K-Line International (Canada) Ltd. (“K-Line”) involving the Corporation’s Phase V Development Programme – Package B. This project involves infrastructure reinforcement through the installation of two (2) new one hundred eighty five (185) square millimetre power cables between the Pockwood Pond Power Station and the Long Bush Power Station. The estimated cost of the Package B project was \$6,009,105 and the commencement date was on 14 April 2015.

(d) Other

The Corporation also has a commitment under the Phase V project which will include earthworks, preparation for additional costs associated with future fuel storage, soil stabilisation, Long Bush sub-station building extension, Long Bush sub-station electrical equipment and consultancy costs. These works have been awarded to various contractors, and the total cost has been estimated at \$4,356,102. Therefore, the Corporation’s total commitment under the Phase V Development Programme inclusive of the third engine which is valued at \$8,161,281 is approximately \$12,517,383. The source of funding for these commitments will be from internally generated funds and not from loan funds.

17. CONTINGENT LIABILITY

On 31 August 2015, Mr. Alex George was electrocuted while in service as an employee of the Corporation. There was a case management hearing on 10 October 2016 and the court was advised that the parties were engaged in settlement negotiations. The Corporation is still in the process of settlement negotiation whereby the Corporation’s insurers authorise the increase in offer to \$210,000. This settlement is still outstanding.

18. SUBSEQUENT EVENTS

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 16). 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. Delta has subsequently appealed the decision and the Corporation is awaiting the decision of the Court of Appeal.

19. COMPARATIVE INFORMATION

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Schedule to the Financial Statements - Expenses

For the year ended 31 December 2015

Expressed in U.S. Dollars

	2015	2014
Generation		
Materials and maintenance	3,683,273	3,843,897
Wages and salaries	2,161,943	2,160,077
Social security	60,958	63,473
Pension expense	480,337	442,042
Payroll tax	94,055	97,743
Other employee expenses	128,220	139,239
Other generation expenses	270,525	254,623
	<u>\$ 6,879,311</u>	<u>\$ 7,001,094</u>
Distribution and transmission		
Materials and maintenance	174,511	1,960,389
Wages and salaries	1,672,407	1,689,873
Social security	56,862	56,810
Pension expense	445,720	402,410
Payroll tax	83,778	79,049
Other employee expenses	119,119	121,715
Other distribution expenses	333,680	419,424
	<u>\$ 2,886,077</u>	<u>\$ 4,729,670</u>
General and administrative		
Insurance	676,282	661,176
Legal and professional fees	583,477	471,505
Wages and salaries	599,206	582,875
Social security	16,159	15,584
Pension expense	188,306	159,369
Payroll tax	30,092	27,229
Other employee expenses	31,294	30,395
Other expenses	687,389	515,684
	<u>\$ 2,812,205</u>	<u>\$ 2,463,817</u>
Finance		
Wages and salaries	798,448	777,725
Social security	23,299	22,939
Pension expense	239,426	207,453
Payroll tax	37,726	36,434
Other employee expenses	47,318	47,256
Other expenses	287,071	151,688
	<u>\$ 1,433,288</u>	<u>\$ 1,243,495</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION**Schedule to the Financial Statements - Expenses (Cont'd)****For the year ended 31 December 2015***Expressed in U.S. Dollars*

	2015	2014
Customer services and meter reading		
Wages and salaries	639,278	689,917
Social security	22,351	23,813
Pension expense	173,514	162,219
Payroll tax	22,826	25,590
Other employee expenses	54,402	60,931
Other expenses	58,608	61,096
	<u>\$ 970,979</u>	<u>\$ 1,023,566</u>
Information technology		
Wages and salaries	245,108	240,857
Social security	7,554	7,348
Pension expense	75,200	65,626
Payroll tax	12,096	11,636
Other employee expenses	13,227	13,202
Other expenses	194,913	188,423
	<u>\$ 548,098</u>	<u>\$ 527,092</u>
Vehicles		
Wages and salaries	156,969	158,573
Social security	5,872	5,814
Pension expense	51,937	46,484
Payroll tax	6,801	6,527
Other employee expenses	13,017	13,010
Other expenses	13,832	10,953
	<u>\$ 248,428</u>	<u>\$ 241,361</u>