

***BRITISH VIRGIN ISLANDS
ELECTRICITY CORPORATION***

Financial Statements for the year
ended December 31, 2009
and Independent Auditor's report

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Corporation Directory At December 31, 2009

Board of Directors

Chairman

Mr. Allan Parker (Appointed – March 1, 2009)

Mrs. Margaret A. Penn (Resigned – February 15, 2009)

Vice Chairman

Mr. Frederick Creque (Appointment expired on September 30, 2009)

Members

Ms. Pearl Smith

Mr. Ira Oliver Skelton

Mr. Norbert Edison O'Neal

Mr. John Rhymer

Ex-officio members

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

Mr. John Samuel (Ag. Permanent Secretary – Ministry of Communications and Works)

Registered Office

Long Bush
P.O Box 268
Road Town,
Tortola, VG 1110
British Virgin Islands

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder 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 of December 31, 2009, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements of the Corporation as of December 31, 2008 were audited by another auditor whose report dated June 23, 2010 expressed an unqualified audit opinion.

Management's responsibility for the financial statements

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

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 present fairly, in all material respects, the financial position of the Corporation as of December 31, 2009 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

September XX, 2011
British Virgin Islands

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2009

(Expressed in United States dollars)

	Note	2009	2008
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 2,929,039	\$ 6,979,076
Trade and other receivables	5	14,718,309	10,419,637
Inventories	6	7,343,575	7,545,274
Total current assets		<u>24,990,923</u>	<u>24,943,987</u>
Non-current assets			
Property, plant and equipment	7	57,339,574	60,179,884
Total assets		<u>\$ 82,330,497</u>	<u>\$ 85,123,871</u>
EQUITY AND LIABILITIES			
Share capital	8	\$ 7,052,465	\$ 7,052,465
Contributed surplus	8	12,611,763	9,661,763
Retained earnings		23,313,880	22,156,687
Total equity		<u>42,978,108</u>	<u>38,870,915</u>
Current liabilities			
Trade and other payables	9	5,201,714	6,290,025
Bank overdraft		338,233	2,471,587
Deferred revenue receipts		465,772	1,385,007
Borrowings	10	2,000,532	3,750,532
Customer deposits		2,713,983	2,321,736
Total current liabilities		<u>10,720,234</u>	<u>16,218,887</u>
Non-current liabilities			
Borrowings	10	19,505,201	21,505,734
Pension fund liability	11	2,679,299	2,458,657
Deferred capital receipts	12	6,447,655	6,069,678
Total non-current liabilities		<u>28,632,155</u>	<u>30,034,069</u>
Total liabilities		<u>39,352,389</u>	<u>46,252,956</u>
Total liabilities and shareholder's equity		<u>\$ 82,330,497</u>	<u>\$ 85,123,871</u>

APPROVED BY THE BOARD OF DIRECTORS:

Director

Date

See notes to the financial statements

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

	Note	2009	2008
INCOME			
Sale of electricity		\$ 48,404,635	\$ 57,431,626
Sale of water		8,789	82,259
Other Income		149,195	172,803
		<u>48,562,619</u>	<u>57,686,688</u>
EXPENSES			
Generation		32,201,768	48,815,502
Depreciation	7	4,822,594	4,735,781
Transmission and distribution		4,254,865	4,206,639
Human resources and administrative		2,375,339	2,270,486
Finance		1,295,801	1,090,922
Customer services and meter reading		835,921	812,332
Information technology		451,785	4,173,740
Desalination		296,726	290,992
Vehicles		183,635	193,811
Amortization		84,981	-
Release of deferred capital receipts	12	(741,165)	(760,207)
		<u>46,062,250</u>	<u>65,829,998</u>
OPERATING PROFIT/ (LOSS)		2,500,369	(8,143,310)
Interest expense		(1,412,810)	(1,588,464)
Interest income		31,052	103,019
Foreign exchange gain/(loss)		30,736	(28,377)
Gain on disposal of property, plant and equipment		7,846	500
PROFIT/ (LOSS) FOR THE YEAR		<u>\$ 1,157,193</u>	<u>\$ (5,887,584)</u>

See notes to the financial statements

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

	Note	Share capital	Contributed surplus	Retained earnings	Total equity
Balance at January 1, 2008		\$ 7,052,465	\$ 9,661,763	\$ 28,044,271	\$ 44,758,499
Loss for the year		-	-	(5,887,584)	(5,887,584)
Balance at 31 December, 2008		7,052,465	9,661,763	22,156,687	38,870,915
Profit for the year		-	-	1,157,193	1,157,193
Additional contributed surplus	8	-	2,950,000	-	2,950,000
Balance at December 31, 2009		<u>\$ 7,052,465</u>	<u>\$ 12,611,763</u>	<u>\$ 23,313,880</u>	<u>\$ 42,978,108</u>

See notes to the financials statements

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED TO DECEMBER 31, 2009

(Expressed in United States dollars)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	\$ 1,157,193	\$ (5,887,584)
<i>Items not involving the movement of cash:</i>		
Depreciation	4,822,594	4,735,781
Interest expense	1,412,810	1,588,464
Interest income	(31,052)	(103,019)
Foreign exchange (gain)/loss	(30,736)	28,377
Gain on disposal of fixed assets	(7,846)	(500)
	<hr/>	<hr/>
Operating profit before working capital changes	7,322,963	361,519
Increase in trade and other receivables	(4,298,672)	(162,128)
Decrease in inventory	201,699	1,397,608
Decrease in trade and other payables	(1,088,311)	(1,464)
(Decrease)/increase in bank overdraft	(2,133,354)	2,471,587
(Decrease)/increase in deferred revenue receipts	(919,235)	1,385,007
Increase in customer deposits	392,247	922,696
Increase in pension fund liability	220,642	206,675
Increase/(decrease) in deferred capital receipts	377,977	(151,749)
	<hr/>	<hr/>
Net cash provided by operating activities	75,956	6,429,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed asset	7,846	500
Payment for purchase of fixed assets	(1,812,782)	(3,301,000)
Phase V development costs	(169,503)	-
Interest received	31,052	103,019
	<hr/>	<hr/>
Net cash used in investing activities	(1,943,387)	(3,197,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan	(3,750,532)	(2,558,881)
Proceeds from new loan	-	1,750,000
Additional contributed surplus	2,950,000	-
Interest paid	(1,412,810)	(1,588,464)
	<hr/>	<hr/>
Net cash provided used in financing activities	(2,213,342)	(2,397,345)
DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS	(4,080,773)	834,925
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,979,076	6,172,528
Effect of exchange rate fluctuations on cash and cash equivalents	30,736	(28,377)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,929,039	\$ 6,979,076
	<hr/>	<hr/>
Cash and cash equivalents comprise the following items:		
Bank and cash balances	766,397	2,256,840
Money market deposits	2,162,642	4,722,236
	<hr/>	<hr/>
Total	\$ 2,929,039	\$ 6,979,076
	<hr/>	<hr/>

See notes to the financial statements

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

1. GENERAL INFORMATION

The British Virgin Islands Electricity Corporation (the "Corporation") is a body corporate established in the British Virgin Islands under the Electricity Corporation Act, 1978 (the "Act") 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 ("US") dollars.

These financial statements were approved by the Board of Directors and authorised for issue on [date] by [XXX] on behalf of the Board of Directors.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Standards adopted having an effect on the financial statements

The following new and revised standards and interpretations have been adopted in the current period, but have had no effect on the amounts reported in these financial statements.

- IAS 1 (2007) *Presentation of Financial Statements* has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* – The standard has been amended to require that the benefit of a government loan at below-market rate of interest be treated as a government grant. This accounting treatment was not permitted prior to these amendments. As at December 31, 2009 the Corporation had no loans from the Government thus the changes have no effect on the financial statements.
- IAS 23 *Borrowing Costs* – The principal change to the standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Corporation's policy to capitalise borrowing costs incurred on qualifying assets.

Standards and interpretations in issue not yet adopted

- Improvements to IFRSs (2009) - The improvements have led to a number of changes in the detail of the Corporation's accounting policies, some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these improvements are effective from January 1, 2010.
- Amendments to IAS 24 *Related Party Disclosures* (Revised November 2009) – The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of related party. This revised standard will be effective for period beginning on or after January 1, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with IFRS.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

The Corporation has elected to present a single statement of comprehensive income. Because the Corporation does not have separate components of other comprehensive income, comprehensive income is equal to profit/(loss) reported for all periods presented.

The financial statements have been prepared on the historical cost basis and do not take into account changes in the market value of assets. The accounting policies have been applied consistently throughout the period from January 1, 2009 to December 31, 2009 and the principal accounting policies are set out below.

Foreign currency translation

The financial statements are presented in US dollars, which is both the presentation and the functional currency. Transactions in currencies other than the Corporation's functional currency ("foreign currencies") are recorded at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise. Net gains or losses from assets or liabilities denominated in foreign currencies are reported separately in the statement of comprehensive income within "Foreign exchange gains or losses".

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates.

Financial instruments

Classification

The Corporation classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities or terms greater than twelve months after the reporting date. These are classified as non-current assets.

Specific financial instruments

Cash and cash equivalents – The Corporation considers cash and short-term deposits with a maturity of less than three (3) months to be cash and cash equivalents.

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Specific financial instruments (continued)

Trade and other receivables (continued)

Specific allowances are also established on a case-by-case basis by management. 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 collection outweigh the likelihood of recovery.

Trade and other payables – Trade and other payables are stated at their cost. No interest is charged on trade and other payables.

Bank borrowings – Interest bearing bank loans and overdrafts are initially measured at fair value, and subsequently measured at amortised cost using the effective interest rate method.

Equity instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership of the asset to another entity. The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or expired.

Inventories

Inventories are carried at the lower of cost and net realisable value, on a first-in, first-out basis. Cost includes any expenditure incurred in bringing the inventory to its present condition and location. As items of inventories are used by the Corporation, they are transferred to fixed assets or expenses as repairs and maintenance, as appropriate.

Property, plant and equipment

Property, plant and equipment except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

The initial cost of property, plant and equipment consists of the purchase price, including import duties, taxes and any directly attributable cost to bring the assets to the working condition and location for their intended use. Repairs and maintenance costs are normally charged to income in the period costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalised as additional cost of property, plant and equipment.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the property, plant and equipment. The rates of depreciation in use are based on the following estimated useful lives:

Freehold buildings	20-40 years
Generating plants and equipment	8-25 years
Distribution and transmission equipment	5-25 years
Motor vehicles	4 years
Computer and other equipment	5 years
Furniture and fittings	8 years

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

When an asset is sold or disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in current operations.

Work in progress which includes construction in progress and equipment under installation is stated at cost and includes cost of construction, equipment, and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalised during the construction period. Construction in progress and equipment under installation are not depreciated until such time as the relevant assets are completed and put into operational use.

Impairment of assets

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. The recoverable amount is estimated as the greater of an asset's net selling price and value in use. The impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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 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.

Revenue and expenditure recognition

Revenue derived from the sale of electricity is recognised based on meter readings which are billed to customers on a monthly basis. In addition, the Corporation takes into account an estimated amount, which represents consumption for the days unread at the end of the year.

Interest and other income are recognised as they accrue. Expenses are recorded on the accrual basis as incurred.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs not directly attributable to the acquisition or construction of a qualifying asset are expensed when incurred.

Government grants

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

Retirement benefit costs

Retirement benefits cost is actuarially computed using the accrued benefit actuarial cost method (projected unit credit cost). This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement benefits cost includes current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the average of the expected remaining working lives of covered employees.

Taxation

In accordance with section 20 of the Act, the Corporation is exempt from custom duties, land and house taxes, stamp duties and income taxes. Effective January 1, 2005, the Government of the British Virgin Islands, by virtue of the introduction of the Payroll Taxes Act, 2004, zero rated both personal and corporate income taxes in the Territory. Further, beginning January 1, 2005, the Corporation became subject to a payroll tax equating to 6% on all salaries, wages and benefits to employees.

4. CASH AND CASH EQUIVALENTS

	2009	2008
Current accounts	\$ 763,697	\$ 2,254,340
Cash at hand	2,700	2,500
Short term deposits	2,162,642	4,722,236
	<u>\$ 2,929,039</u>	<u>\$ 6,979,076</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

5. TRADE AND OTHER RECEIVABLES

	<u>2009</u>	<u>2008</u>
Trade receivables	\$ 11,016,424	\$ 9,763,626
Prepayments	3,051,783	45,312
Insurance receivable	708,421	472,292
Other receivables	357,846	555,417
	<u>15,134,474</u>	<u>10,836,647</u>
Provision for doubtful debts	(416,165)	(417,010)
	<u>\$ 14,718,309</u>	<u>\$ 10,419,637</u>

Movement in provision for doubtful debts

	<u>2009</u>	<u>2008</u>
Balance at the beginning of the year	\$ 417,010	\$ 236,917
(Decrease)/ increase for the year	(845)	180,093
Balance at the end of the year	<u>\$ 416,165</u>	<u>\$ 417,010</u>

6. INVENTORIES

	<u>2009</u>	<u>2008</u>
Generating plant and equipment parts	\$ 4,577,432	\$ 4,187,425
Distribution and transmission parts	2,078,773	1,735,234
Diesel fuel	795,415	1,045,037
Lubricating oil	16,411	69,460
Vehicle parts	133,388	88,869
Other spare parts and supplies	38,641	27,829
Goods in transit	403,496	665,140
	<u>8,043,556</u>	<u>7,818,994</u>
Provision for obsolete inventory	(699,981)	(273,720)
	<u>\$ 7,343,575</u>	<u>\$ 7,545,274</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	<u>Land & Buildings</u>	<u>Generating Plant & Equipment</u>	<u>Distribution & Transmission Equipment</u>	<u>Motor Vehicles</u>	<u>Computer & Other Equipment</u>	<u>Furniture & Fittings</u>	<u>Work in Progress</u>	<u>Total</u>
<u>Cost</u>								
At January 1, 2009	\$ 17,639,552	\$ 60,342,898	\$ 43,029,689	\$ 1,279,423	\$ 1,404,155	\$ 645,962	\$ 1,969,405	\$ 126,311,084
Additions	37,251	12,546	1,097,086	70,608	118,688	133,299	512,806	1,982,284
Transfer	-	-	1,713,721	-	-	-	(1,713,721)	-
Disposals	-	-	-	(34,900)	-	-	-	(34,900)
At December 31, 2009	<u>17,676,803</u>	<u>60,355,444</u>	<u>45,840,496</u>	<u>1,315,131</u>	<u>1,522,843</u>	<u>779,261</u>	<u>768,490</u>	<u>128,258,468</u>
<u>Accumulated depreciation</u>								
At January 1, 2009	6,390,317	30,739,168	26,093,761	1,213,442	1,165,566	528,946	-	66,131,200
Charge for the year	403,264	2,271,318	1,956,904	48,349	107,405	35,354	-	4,822,594
Eliminated on disposals	-	-	-	(34,900)	-	-	-	(34,900)
At December 31, 2009	<u>6,793,581</u>	<u>33,010,486</u>	<u>28,050,665</u>	<u>1,226,891</u>	<u>1,272,971</u>	<u>564,300</u>	<u>-</u>	<u>70,918,894</u>
<u>Net book value</u>								
At January 1, 2009	<u>\$ 11,249,235</u>	<u>\$ 29,603,730</u>	<u>\$ 16,935,928</u>	<u>\$ 65,981</u>	<u>\$ 238,589</u>	<u>\$ 117,016</u>	<u>\$ 1,969,405</u>	<u>\$ 60,179,884</u>
At December 31, 2009	<u>\$ 10,883,222</u>	<u>\$ 27,344,958</u>	<u>\$ 17,789,831</u>	<u>\$ 88,240</u>	<u>\$ 249,872</u>	<u>\$ 214,961</u>	<u>\$ 768,490</u>	<u>\$ 57,339,574</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land & Buildings</u>	<u>Generating Plant & Equipment</u>	<u>Distribution & Transmission Equipment</u>	<u>Motor Vehicles</u>	<u>Computer & Other Equipment</u>	<u>Furniture & Fittings</u>	<u>Work in Progress</u>	<u>Total</u>
<u>Cost</u>								
At January 1, 2008	\$ 17,042,021	\$ 60,049,340	\$ 42,494,244	\$ 1,264,890	\$ 1,161,640	\$ 495,174	\$ 558,810	\$ 123,066,119
Additions	597,531	124,030	535,445	70,568	242,515	150,788	1,580,123	3,301,000
Transfer	-	169,528	-	-	-	-	(169,528)	-
Disposals	-	-	-	(56,035)	-	-	-	(56,035)
At December 31, 2008	<u>17,639,552</u>	<u>60,342,898</u>	<u>43,029,689</u>	<u>1,279,423</u>	<u>1,404,155</u>	<u>645,962</u>	<u>1,969,405</u>	<u>126,311,084</u>
<u>Accumulated depreciation</u>								
At January 1, 2008	6,006,958	28,502,733	24,222,012	1,228,697	1,047,381	443,673	-	61,451,454
Charge for the year	383,359	2,236,435	1,871,749	40,780	118,185	85,273	-	4,735,781
Eliminated on disposals	-	-	-	(56,035)	-	-	-	(56,035)
At December 31, 2008	<u>6,390,317</u>	<u>30,739,168</u>	<u>26,093,761</u>	<u>1,213,442</u>	<u>1,165,566</u>	<u>528,946</u>	<u>-</u>	<u>66,131,200</u>
<u>Net book value</u>								
At January 1, 2008	<u>\$ 11,035,063</u>	<u>\$ 31,546,607</u>	<u>\$ 18,272,232</u>	<u>\$ 36,193</u>	<u>\$ 114,259</u>	<u>\$ 51,501</u>	<u>\$ 558,810</u>	<u>\$ 61,614,665</u>
At December 31, 2008	<u>\$ 11,249,235</u>	<u>\$ 29,603,730</u>	<u>\$ 16,935,928</u>	<u>\$ 65,981</u>	<u>\$ 238,589</u>	<u>\$ 117,016</u>	<u>\$ 1,969,405</u>	<u>\$ 60,179,884</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Work in progress

At December 31, 2009, work in progress amounting to \$768,490 is related to the cost of the Automatic Meter Reading System of \$598,987 and the Phase 5 capital expansion programme of \$169,503.

At December 31, 2008, work in progress amounting to \$1,969,463 was related to the cost of the Automatic Meter Reading System of \$328,275 and the Wickham's Cay Feeder Underground project of \$1,641,188.

8. SHARE CAPITAL

Authorised capital

The Corporation has an unlimited authorised share capital.

	2009	2008
Issued capital		
778 fully paid shares of \$1.00 par value each	\$ 778	\$ 778
Share premium	7,051,687	7,051,687
	<u>\$ 7,052,465</u>	<u>\$ 7,052,465</u>

All shares in the Corporation are owned by the Government of the British Virgin Islands.

Governance

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

Contributed surplus represents amounts contributed by the Government of the British Virgin Islands in addition to its subscription to the issued share capital.

During the year ended December 31, 2009, the Corporation received additional contributed surplus from the Government of the British Virgin Islands of \$2,950,000 to assist in the purchase of a Man Diesel 3.87 megawatt ("MW") Generator.

9. TRADE AND OTHER PAYABLES

	2009	2008
Trade payables	\$ 4,564,748	\$ 5,498,037
Other payables	636,966	791,988
	<u>\$ 5,201,714</u>	<u>\$ 6,290,025</u>

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10. BORROWINGS

<u>Bank loans</u>	2009	2008
Banco Popular de Puerto Rico		
Revolving line of credit of US\$2,000,000, which bears interest at Prime rate + 0.5% p.a. and is secured by a charge over the assets of the Corporation, was repaid during the year.	\$ -	\$ 1,750,000
 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 installments of \$500,133 which commenced on December 31, 2005, bears interest at a fixed rate of 5.5% per annum and is guaranteed by the Government of the BVI.	21,505,733	23,506,266
	21,505,733	25,256,266
Less: repayable within one year	(2,000,532)	(3,750,532)
Repayable outside of one year	\$ 19,505,201	\$ 21,505,734

Overdraft facilities

The Corporation has an overdraft facility available from Scotiabank (BVI) Limited allowing the Corporation to borrow up to \$800,000, and is secured by an unconditional and irrevocable guarantee from the Government. As at December 31, 2009, the Corporation had \$Nil (2008 - \$Nil) drawn down under this facility.

11. 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 July 14, 2010.

	2009	2008
Present value of funded obligations	\$ 17,027,605	\$ 15,799,305
Fair value of plan assets	(11,418,502)	(10,183,883)
Unrecognised loss	(2,929,804)	(3,156,765)
Liability in the statement of financial position	\$ 2,679,299	\$ 2,458,657

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

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11. PENSION FUND LIABILITY (continued)

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

	2009	2008
Current service cost	\$ 719,902	\$ 756,108
Interest cost	1,007,673	929,870
Amortised net loss	156,122	142,134
Expected return on plan assets	(773,531)	(756,710)
	<u>\$ 1,110,166</u>	<u>\$ 1,071,402</u>

The movement in the liability recognised in the statement of financial position is as follows:

	2009	2008
Opening net liability	\$ 2,458,657	\$ 2,251,982
Net periodic pension cost	1,110,166	1,071,402
Contributions	(889,524)	(864,727)
	<u>\$ 2,679,299</u>	<u>\$ 2,458,657</u>

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

	2009	2008
Discount rate	6.5%	6.5%
Expected rate of return on plan assets	7.5%	7.5%
Rate of compensation increase	4.0%	4.0%

12. DEFERRED CAPITAL RECEIPTS

	2009	2008
Balance at 1 January	\$ 6,069,678	\$ 6,221,427
Customer contributions for the year	1,119,142	608,458
Released to the statement of comprehensive income	(741,165)	(760,207)
Balance at 31 December	<u>\$ 6,447,655</u>	<u>\$ 6,069,678</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

13. RELATED PARTY TRANSACTIONS

Sale of electricity

The Corporation earned \$8,228,184 (2008 - \$7,777,952) in revenue from Government for the provision of products and services, of which \$3,842,699 (2008 - \$2,366,967) was outstanding at the year end.

Trade receivable credit balances

During the prior year, the Government agreed to fund 50% of the December 2008 billings for consumers which totalled \$1,819,765. In 2008 the Government advanced an amount of \$1,489,107 and further advanced an amount of \$796,430 during the year. After allocating the total above to the consumers' accounts, the unutilised balance as at December 31, 2009 was \$465,772.

General and administrative expenses

Director's fees and expenses during the year amounted to \$49,733 (2008 - \$44,163).

14. STAFF COSTS

	2009	2008
Wages and salaries	\$ 6,112,602	\$ 5,781,149
Social security	187,975	177,461
Pension expense	1,110,166	1,071,785
Payroll taxes	267,435	245,057
Other employee expenses	371,579	352,535
	<u>\$ 8,049,757</u>	<u>\$ 7,627,987</u>

The average number of full time employees in 2009 was 164 (2008 – 169).

During the year ended December 31, 2009, the Corporation paid \$Nil (2008 - \$Nil) for past service costs and \$719,902 (2008 - \$756,108) for current service costs to the defined benefit pension plan, which has been included as part of pension expense. Details of the pension plan can be found in Note 11.

15. COMMITMENTS

Lease commitments

- A tenancy agreement for \$2,000 per month with Ermyn Richardson for the period May 1, 2008 to February 28, 2009 and March 1, 2009 to February 28, 2010.
- A tenancy agreement for \$2,000 per month with Neil Niles for the period March 1, 2009 to February 28, 2011.
- A tenancy agreement for \$1,650 per month with Joy Wheatley for the period March 1, 2009 to February 28, 2010.
- A tenancy agreement for \$2,000 per month with Karl Dawson for the period June 20, 2008 to June 30, 2009.

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FOR THE YEAR ENDED DECEMBER 31, 2009

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15. COMMITMENTS (continued)

Commitments for capital expenditure

	<u>2009</u>	<u>2008</u>
Commitments for the acquisition of property, plant and equipment	<u>\$ 2,940,125</u>	<u>\$ -</u>

The Corporation was directed to purchase a 3.87 MW Generator at an estimated amount of \$6,613,250. As at December 31, 2009, the Corporation paid \$2,940,125 of the amount.

Other commitments

The Corporation signed a contract with Delta Petroleum Caribbean Ltd. ("Delta") for the exclusive supply of 24,379,404 US gallons of refined petroleum products, for the period September 5, 2008 to August 31, 2010. Based on current fuel prices, the contract is valued at approximately \$35,820,431. During the year \$23,057,767 (2008 – \$38,287,991) was paid to Delta for supplies received.

On January 16, 2008 the Corporation signed a three (3) year agreement with Wartsila Caribbean, Inc for advisory services relating to the operations and maintenance of the Generation department. The Corporation is to pay a fixed fee of \$60,000 per month, adjusted annually for inflationary increases, along with all reimbursable costs and extraordinary expenses, if any.

On November 22, 2007, the Corporation renewed its contract for cash in transit services with Top Priority Services, Ltd. For the period from February 7, 2008 to February 6, 2009. In accordance with the terms of the contract, the Corporation will pay Top Priority a monthly fee of US\$3,450 (US\$41,400 per annum). The monthly fee paid for the remainder of 2009 was \$4,950.

16. FINANCIAL INSTRUMENTS

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

The Corporation's activities expose it to a variety of risks: market risk (including foreign currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

Market risk

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes foreign exchange rates. The Corporation incurs foreign currency risk on transactions that are denominated in currencies other than the US dollar. The principal currency giving rise to this risk is the British Pound ("£").

At December 31, 2009, the Corporation had net foreign currency exposure as follows:

	<u>GBP Currency</u>
<i>Financial Assets</i>	
Cash	<u>\$ 13,207</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

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16. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign currency risk (continued)

At December 31, 2008, the Corporation had net foreign currency exposure as follows:

	<u>GBP Currency</u>
<i>Financial Assets</i>	
Cash	<u>\$ 402,150</u>

Cashflow and fair value 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.

At December 31, 2009, the Corporation's financial assets and liabilities were classified as follows:

	<u>Interest Bearing</u>	<u>Non-Interest Bearing</u>	<u>Total</u>
<u>Financial assets</u>			
Cash and cash equivalents	\$ 2,916,226	\$ 12,813	\$ 2,929,039
Receivables	-	14,718,309	14,718,309
Total financial assets	<u>\$ 2,916,226</u>	<u>\$ 14,731,122</u>	<u>\$ 17,647,348</u>
<u>Financial liabilities</u>			
Payables	\$ -	\$ 5,201,714	\$ 5,201,714
Bank overdraft	338,233	-	338,233
Deferred revenue receipts	-	465,772	465,772
Customer deposits	-	2,713,983	2,713,983
Term loan payable	21,505,733	-	21,505,733
Total financial liabilities	<u>\$ 21,843,966</u>	<u>\$ 8,381,469</u>	<u>\$ 30,225,435</u>
Interest sensitivity gap	<u>\$ (18,927,740)</u>	<u>\$ -</u>	<u>\$ (18,927,740)</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

16. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Cashflow and fair value interest rate risk (continued)

At December 31, 2008, the Corporation's financial assets and liabilities were classified as follows:

	<u>Interest Bearing</u>	<u>Non-Interest Bearing</u>	<u>Total</u>
<u>Financial assets</u>			
Cash and cash equivalents	\$ 6,971,794	\$ 7,282	\$ 6,979,076
Receivables	-	10,419,637	10,419,637
Total financial assets	<u>\$ 6,971,794</u>	<u>\$ 10,426,919</u>	<u>\$ 17,398,713</u>
<u>Financial liabilities</u>			
Payables	\$ -	\$ 6,290,025	\$ 6,290,025
Bank overdraft	2,471,587	-	2,471,587
Deferred revenue receipts	-	1,385,007	1,385,007
Customer deposits	-	2,321,736	2,321,736
Term loan payable	25,256,266	-	25,256,266
Total financial liabilities	<u>\$ 27,727,853</u>	<u>\$ 9,996,768</u>	<u>\$ 37,724,621</u>
Interest sensitivity gap	<u>\$ (20,756,059)</u>	<u>\$ -</u>	<u>\$ (20,756,059)</u>

The Corporation is exposed to interest rate price risk on term loans payable to the extent that prevailing interest rates may fluctuate from the fixed interest rate stated in Note 10. Movement in the interest rate will not have a significant impact on the carrying value of these loans. However, there is an inherent risk that during the period to maturity, rates shown in Note 10 may be higher than the prevailing market rates.

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. Financial assets, which potentially expose the Corporation to credit risk, consist of cash and cash equivalents and receivables. The extent of the Corporation's exposure to credit risk in respect of these financial assets approximate the carrying values as recorded in the Corporation's statement of financial position.

To reduce exposure to credit risk, the Corporation regularly reviews the credit performance of its customers. The Corporation invests available cash with various local banks, and is exposed to credit related losses in the event of non-performance by these counterparties to financial instruments but, given their high credit ratings, management does not expect any counterparty to fail to meet its obligation.

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16. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The following table summarizes the credit quality and aging analysis of the Corporation's financial assets as of December 31, 2009:

	<u>Neither past due nor impaired</u>			Past due but not impaired (US\$000)	Past due and impaired (US\$000)	Total (US\$000)
	High Grade (US\$000)	Standard Grade (US\$000)	Substandard Grade (US\$000)			
Cash at bank	\$ 2,929	\$ -	\$ -	\$ -	\$ -	\$ 2,929
Receivables	10,637	-	-	4,081	416	15,134
Total	\$13,566	\$ -	\$ -	\$ 4,081	\$ 416	\$ 18,063

The following table summarizes the credit quality and aging analysis of the Group's financial assets as of December 31, 2008:

	<u>Neither past due nor impaired</u>			Past due but not impaired (US\$000)	Past due and impaired (US\$000)	Total (US\$000)
	High Grade (US\$000)	Standard Grade (US\$000)	Substandard Grade (US\$000)			
Cash at bank	\$ 5,378	\$ -	\$ 1,601	\$ -	\$ -	\$ 6,979
Receivables	7,752	-	-	2,667	418	10,837
Total	\$13,130	\$ -	\$ 1,601	\$ 2,667	\$ 418	\$ 17,816

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

16. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The following table summarises the aging of the Corporation's financial assets at December 31, 2009:

	<u>Less than 30 days</u>	<u>Between 31 and 60 days</u>	<u>Between 61 and 90 days</u>	<u>Over 90 days</u>	<u>Total</u>
<u>Financial Assets</u>					
Cash and cash equivalent	\$ 2,929,039	\$ -	\$ -	\$ -	\$ 2,929,039
Receivables	11,052,888	1,060,777	440,357	2,580,452	15,134,474
	<u>\$ 13,981,927</u>	<u>\$ 1,060,777</u>	<u>\$ 440,357</u>	<u>\$ 2,580,452</u>	<u>\$ 18,063,513</u>

Of the balance over 90 days of \$2,580,452 only \$416,165 is considered impaired and was fully provided for. This relates to the portion of the accounts receivable which the Corporation is not certain that they will recover.

The following table summarises the aging of the Corporation's financial assets at December 31, 2008:

	<u>Less than 30 days</u>	<u>Between 31 and 60 days</u>	<u>Between 61 and 90 days</u>	<u>Over 90 days</u>	<u>Total</u>
<u>Financial Assets</u>					
Cash and cash equivalent	\$ 6,979,076	\$ -	\$ -	\$ -	\$ 6,979,076
Receivables	7,590,781	778,319	463,724	2,003,823	10,836,647
	<u>\$ 14,569,857</u>	<u>\$ 778,319</u>	<u>\$ 463,724</u>	<u>\$ 2,003,823</u>	<u>\$ 17,815,723</u>

Of the balance over 90 days of \$2,003,823 only \$417,010 is considered impaired and was fully provided for. This relates to the portion of the accounts receivable which the Corporation is not certain that they will recover.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

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16. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

At December 31, 2009, the Corporation's current liabilities of \$10,720,234 (2008 - \$16,218,887) are due within 12 months and are equal to their carrying balances as the impact of discounting is not significant. These are adequately covered by the financial assets. Thus at December 31, 2009, the Corporation has no significant exposure to liquidity risk.

Fair value

The fair value of cash and cash equivalents, receivables, payables, customer deposits and the current portion of borrowings payable are not materially different from their carrying amounts due to the relatively short periods to maturity of these financial instruments.

17. CONTINGENCIES

In the ordinary course of business, the Corporation is subject to legal proceedings, claims, disputes and litigations. At the reporting date, the Corporation was involved in two (2) cases for wrongful dismissal of employees, which were subsequently closed as detailed in note 18. There was also one (1) case for loss and injury arising out of an accident and it is not practicable to forecast or determine the final results of the pending and threatened legal proceeding.

18. EVENTS AFTER THE REPORTING DATE

On June 14, 2010, the BVI Government advanced a further amount of \$1,180,000 to the Corporation for the purchase of the 3.87 MW MAN diesel generator. However, on December 7, 2010, upon request from the BVI Government in a letter dated September 8, 2010, the full amount of \$4,130,000 was returned.

The two (2) cases for wrongful dismissal of employees were closed in 2010 due to the following events after the reporting date. In 2010, the Corporation paid \$334,003 to the first claimant, based on a judgment order which stated that the claimant was wrongfully dismissed. The second case was ended after the claimant's application for leave to appeal was refused by the Privy Council.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION
SCHEDULE TO THE FINANCIAL STATEMENTS - EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

	<u>2009</u>	<u>2008</u>
Generation		
Fuel usage	\$ 23,057,767	\$ 38,336,382
Lubricating oil	386,304	236,190
Materials and maintenance	5,568,059	7,280,939
Wages and salaries	2,275,116	2,119,414
Social security	68,520	66,581
Pension expense	372,944	356,322
Payroll tax	95,988	89,221
Other employee expenses	131,149	126,114
Other generation expenses	245,921	204,339
	<u>\$ 32,201,768</u>	<u>\$ 48,815,502</u>
Transmission and Distribution		
Materials and maintenance	\$ 1,698,445	\$ 1,666,724
Wages and salaries	1,724,844	1,639,637
Social security	52,788	49,492
Pension expense	302,995	291,828
Payroll tax	82,527	75,226
Other employee expenses	103,581	97,535
Other distribution expenses	289,685	386,197
	<u>\$ 4,254,865</u>	<u>\$ 4,206,639</u>
Human Resources and Administrative		
Insurance	\$ 487,957	\$ 564,570
Legal and professional fees	348,364	464,910
Wages and salaries	371,240	361,207
Social security	9,471	9,165
Pension expense	85,544	82,931
Payroll tax	16,884	15,796
Other employee expenses	20,457	19,586
Other expenses	1,035,422	752,321
	<u>\$ 2,375,339</u>	<u>\$ 2,270,486</u>
Finance		
Wages and salaries	\$ 754,347	\$ 677,823
Social security	23,624	22,247
Pension expense	167,778	151,053
Payroll tax	31,144	27,010
Other employee expenses	47,787	47,364
Other expenses	271,121	165,425
	<u>\$ 1,295,801</u>	<u>\$ 1,090,922</u>

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION
SCHEDULE TO THE FINANCIAL STATEMENTS - EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in United States dollars)

	<u>2009</u>	<u>2008</u>
Customer service and meter reading		
Wages and salaries	\$ 567,576	\$ 520,924
Social security	19,201	16,599
Pension expense	98,006	110,133
Payroll tax	21,853	20,321
Other employee expenses	41,848	36,285
Other expenses	87,437	108,070
	<u>\$ 835,921</u>	<u>\$ 812,332</u>
Information Technology		
Wages and salaries	\$ 189,799	\$ 148,330
Social security	4,958	4,451
Pension expense	31,945	29,162
Payroll tax	6,995	6,112
Other employee expenses	9,054	8,658
Other computing expenses	209,034	207,979
	<u>\$ 451,785</u>	<u>\$ 404,692</u>
Desalination		
Desalination plant maintenance	\$ 149,997	\$ 156,764
Wages and salaries	101,523	90,322
Social security	4,990	4,597
Pension expense	23,904	23,631
Payroll tax	6,869	6,227
Other employee expenses	8,887	8,678
Other expenses	556	773
	<u>\$ 296,726</u>	<u>\$ 290,992</u>
Vehicle		
Wages and salaries	\$ 128,157	\$ 131,888
Social security	4,423	4,330
Pension expense	27,050	26,724
Payroll tax	5,175	5,145
Other employee expenses	8,816	8,315
Other expenses	10,014	17,409
	<u>\$ 183,635</u>	<u>\$ 193,811</u>