# VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

Audited Financial Statements
For the Period from August 1, 2018
(Commencement of Operations)
to December 31, 2018

# VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

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**For the Period from August 1, 2018 (Commencement of Operations) to December 31, 2018**

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**Independent Auditor's Report**

Virgin Islands Recovery and Development Agency
Tortola, British Virgin Islands

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of the Virgin Islands Recovery and Development Agency (the "Agency"), which comprise of the statement of financial position as at December 31, 2018, and the statement of comprehensive income, of changes in reserves and of cash flows for the period from August 1, 2018 ("commencement of operations") to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2018, and its financial performance and its cash flows for the period from commencement of operations to December 31, 2018 in accordance with International Financial Reporting Standards ("IFRSs").

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

BDO Limited

Tortola, British Virgin Islands
July 25, 2019

# VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

**Statement of Financial Position**
**As at December 31, 2018**
*Expressed in United States Dollars*

| | Notes | 2018 $ |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property and equipment | 4 | 86,149 |
| **Total non-current assets** | | 86,149 |
| **Current assets** | | |
| Other receivable | 8 | 467,474 |
| Cash and cash equivalents | 5 | 1,767,069 |
| **Total current assets** | | 2,234,543 |
| **TOTAL ASSETS** | | **2,320,692** |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Non-current portion of finance lease | 8 | 374,319 |
| **Total non-current liabilities** | | 374,319 |
| **Current liabilities** | | |
| Trade and other payables | 6 | 100,676 |
| Current portion of finance lease | 8 | 75,078 |
| **Total current liabilities** | | 175,754 |
| **TOTAL LIABILITIES** | | 550,073 |
| **RESERVES** | | |
| Unrestricted | 7 | 750,083 |
| Restricted | 7 | 1,020,536 |
| **TOTAL RESERVES** | | 1,770,619 |
| **TOTAL LIABILITIES AND RESERVES** | | **2,320,692** |

Signed on behalf of the Agency on July 25, 2019

*Chairman*

*Director*

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

# VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

**Statement of Comprehensive Income**
**For the Period from August 1, 2018 (Commencement of Operations) to December 31, 2018**
*Expressed in United States Dollars*

| | Notes | 2018 $ |
|---|---|---|
| **UNRESTRICTED RESERVES** | | |
| **Revenues** | | |
| UK Government Operations Funding | 7 | 1,070,359 |
| BVI Government Operations Funding | 7 | 385,704 |
| Interest income | 5 | 1,015 |
| **TOTAL REVENUES** | | 1,457,078 |
| **Expenses** | | |
| Staff costs | 9 | 445,995 |
| Administrative expenses | 10 | 246,253 |
| Depreciation | 4 | 7,825 |
| Finance costs | 8 | 6,922 |
| **TOTAL EXPENSES** | | 706,995 |
| **SURPLUS FROM UNRESTRICTED RESERVES** | | **750,083** |
| **RESTRICTED RESERVES** | | |
| BVI Government Programme Funding | 7 | 500,000 |
| UK Government Programme Funding | 7 | 1,194,735 |
| Donor Funding | 7 | 83,970 |
| **TOTAL REVENUES** | | 1,778,705 |
| **EXPENSES** | | |
| Project expenses | 11 | 758,169 |
| **TOTAL EXPENSES** | | 758,169 |
| **SURPLUS FROM RESTRICTED RESERVES** | | **1,020,536** |
| **TOTAL COMPREHENSIVE INCOME** | | **1,770,619** |

# VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

**Statement of Changes in Reserves**
**For the Period from August 1, 2018 (Commencement of Operations) to December 31, 2018**
*Expressed in United States Dollars*

| | Opening balance $ | Surplus for the year $ | Closing balance $ |
|---|---|---|---|
| **2018:** | | | |
| **Unrestricted reserves** | | | |
| UK Government operations funding reserve | - | 550,644 | 550,644 |
| BVI Government operations funding reserve | - | 199,439 | 199,439 |
| Total | - | 750,083 | 750,083 |
| **Restricted reserves** | | | |
| BVI Government Programme Funding Reserve | - | 340,476 | 340,476 |
| UK Government Programme Funding Reserve | - | 680,060 | 680,060 |
| Donor funding reserve | - | - | - |
| Total | - | 1,020,536 | 1,020,536 |
| | - | **1,770,619** | **1,770,619** |

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

# VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

**Statement of Cash Flows**
**For the Period from August 1, 2018 (Commencement of Operations) to December 31, 2018**
*Expressed in United States Dollars*

| | 2018<br>$ |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Increase in reserves | 1,770,619 |
| Adjustments to reconcile net surplus to net cash from operation activities before working capital changes: | |
| Depreciation | 7,825 |
| Finance costs | 6,922 |
| Operating surplus from operations before working capital changes: | 1,785,366 |
| Increase in trade and other payables | 100,676 |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | 1,886,042 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Purchase of property and equipment | (93,974) |
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES** | (93,974) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | |
| Repayments under finance lease | (24,999) |
| **NET CASH FLOWS USED IN FINANCING ACTIVITIES** | (24,999) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 1,767,069 |
| **CASH AND CASH EQUIVALENTS** | |
| At beginning of period | - |
| **At end of period** | **1,767,069** |

## 1. ORGANISATION AND OBJECTIVES

The Virgin Islands Recovery and Development Agency (the "Agency") was established under the Virgin Islands Recovery and Development Act, 2018 (the "Act") which was gazetted on April 16, 2018.

The British Virgin Islands ("BVI") was significantly impacted by substantial flooding caused by a tropical wave in August 2017 and Hurricanes Irma and Maria during September 2017. These disasters caused widespread damage to infrastructure, social services and telecommunications throughout the BVI. In response to these disasters the House of Assembly approved the Recovery to Development Plan (the "Plan") on October 23, 2018. The Plan sets out the Government of the Virgin Islands (the "Government") plans to help the BVI recover from the disasters with a view to returning the BVI to a state of normalcy in the short term and to a more sustainable and resilient state in the long term.

The Agency was established with a five year mandate to serve as an independent arms-length body to ensure that the Plan is implemented in a timely and efficient manner and without undue interference or influence. The Act established the Agency as a body corporate whose functions include:

- Ensuring the timely and proper implementation and execution of the Plan;
- Administering the procurement of services and goods required to implement projects under the Plan and ensuring that projects under the plan are executed in manner that provides the greatest benefit relative to the cost;
- Managing the tendering process including evaluating bids and making recommendations;
- Providing policy advice, research, analysis and technical assistance to the Ministries of Government;
- Collaborating with Ministries and other implementation agencies;
- Preparing business cases for recovery, reconstruction and development projects; and
- Building capacity in skill sets required to execute the Plan by assisting Virgin Islanders take advantage of business and employment opportunities arising out of implementation of the Plan.

The Agency commenced operations on August 1, 2018. Accordingly, the financial statements relate to the period from August 1, 2018 to December 31, 2018.

**Virgin Islands Recovery Trust**

To assist with the implementation of the Plan, the Virgin Islands Recovery Trust (the "Trust") was established on November 30, 2018 through an Instrument of Trust entered into by the Government acting as the settlor (the "Settlor") and ATU General Trust (BVI) Limited acting as the trustee (the "Trustee"). In accordance with the Act, the Trust was established for the purpose of receiving all contributions for the recovery and development efforts pursuant to the Plan and the Trust shall principally fund projects and programmes under the Plan.

The Agency shall only be able to access the property of the Trust required for the implementation of the Plan and access to the property of the Trust by the Agency must be done through non-binding recommendations to the Trustee in relation to the manner in which the Trust's property is applied.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Presentation of financial statements

#### (i) International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

#### (ii) Accounting convention

The financial statements are prepared under the historical cost convention.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Presentation of financial statements (continued)

#### (iii) Presentation and functional currency

The financial statements are presented in United States Dollars, which is the Agency's functional and presentation currency.

#### (iv) Significant accounting estimates and judgement

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. Management is also required to exercise its judgement in the process of applying Agency's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are disclosed in Note 3.

### (b) IFRS adoption

#### (i) Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Agency

A number of new standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted, however, the Agency has not early adopted the new or amended standards in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Agency's financial statements in the period of initial application.

**IFRS 16 Leases.** The Agency is required to adopt IFRS 16 Leases from January 1, 2019. The Agency has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impacts of adopting the standard on January 1, 2019 may change because:

The Agency has not finalised its assessment; and

- The new accounting policies are subject to change until the Agency presents its first financial statements that include the date of initial application.

  IFRS 16 introduces a single, on balance sheet lease accounting model for leases. A lessee recognises a right-of-use asset representing its right to use the underlying assets and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

  IFRS 16 replaces existing guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The Agency will recognise new assets and liabilities for its operating leases of office space. The nature of expenses related to those leases will not change because the Agency will recognise a depreciation charge for right-of-use assets and interest on lease liabilities.

  The interpretation which is effective for periods beginning after January 1, 2019 and has not been adopted early by the Company, is not expected to have material effect on the Company's financial statements.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) IFRS adoption (continued)**

**(i) Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Agency (continued)**

**Other standards.** The following amended standards and interpretations are not expected to have a significant impact on the Agency's financial statements.

- Amendments to IFRS 10 and IAS 28: Sale or contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 9: Prepayment features with Negative Compensation;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures;
- Annual Improvements 2015-2017 Cycle (Issued in December 2017);
- IFRS 17 Insurance Contracts; and
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment.

**(c) Financial instruments**

A financial instrument that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**(i) Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Agency's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Agency has applied the practical expedient, the Agency initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Agency has applied the practical expedient are measured at the transaction prices determined under IFRS 15. Refer to the accounting policies section 2 (f).

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Agency's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date i.e., the date that the Agency commits to purchase or sell the asset.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Financial instruments (continued)

#### (i) Financial assets (continued)

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through Other Comprehensive Income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through Other Comprehensive Income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Agency. The Agency measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Agency's financial assets at amortised cost includes restricted cash and cash and cash equivalents. Cash and cash equivalents consist of cash and deposits held at call with banks.

**Financial assets at fair value through other comprehensive income (debt instruments)**

At the reporting the date, the Agency does not have any financial assets classified as financial assets at fair value through OCI.

**Financial assets designated at fair value through other comprehensive income (equity instruments)**

At the reporting the date, the Agency does not have any financial assets classified as financial assets designated at fair value through OCI.

**Financial assets at fair value through profit or loss**

At the reporting the date, the Agency does not have any financial assets classified as financial assets at fair value through profit or loss.

#### (ii) Derecognition of financial assets

Financial assets are derecognised and removed from the statement of financial position when the rights to cash flows from financial assets expire, or the financial assets have been transferred and the Agency has transferred substantially all the risks and rewards of ownership of the financial assets. Any interests created or retained on the transferred financial assets are recognised separately as assets or liabilities.

On derecognition of financial assets, the difference between carrying amounts and the total of considerations received and cumulative gains or losses that had been recognised in other comprehensive income are recognised in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Financial instruments (continued)**

**(ii) Derecognition of financial assets (continued)**

When the Agency retains substantially all of the risks and rewards of ownership for transferred financial assets, the financial assets continue to be recognised and the consideration received is recognised as a financial liability.

When financial assets are transferred and the Agency neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, nor transferred control of the assets, the financial assets continue to be recognised to the extent of the continuing involvement in the financial assets.

When continuing involvement takes the form of guaranteeing the transferred assets, the continued involvement is measured at the lower of the carrying amount of the financial assets and the maximum amount of consideration received that the Agency could be required to repay.

**(iii) Impairment of financial assets**

For trade receivables, the Agency applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Agency has established a provision matrix that is based on its historical credit loss experience.

**(iv) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Agency's financial liabilities include trade and other payables.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables are measured at amortised cost using the effective interest rate method.

**(v) Derecognition of financial liabilities**

Financial liabilities are derecognised and removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid, is recognised in profit or loss.

Where financial liabilities are replaced with the same lender or the terms are substantially modified, the original financial liabilities are derecognised and new financial liabilities have been recorded.

**(vi) Offsetting financial instruments**

Financial assets and financial liabilities are off-set and the net amount presented in the statement of financial position when, and only when, Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated on the straight-line method to write off the cost of each asset over their estimated useful life as follows:

| | |
|---|---|
| Motor vehicles | 30 % per year |
| Computer and accessories | 25% - 50 % per year |

At the end of each reporting period, the Agency is required to assess whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and losses on disposals are determined by comparing the proceeds with the carrying amounts of the assets and are recorded in the statement of comprehensive income.

### (e) Revenue recognition

**Revenue Streams, Performance Obligations and Revenue Recognition Policies**

The Agency generates revenue from grants and contributions. Revenue streams from these include the following:

- BVI Government Funding
- UK Government Funding
- Donor Funding

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Funding and donations are recognised upon receipt of the transaction by the Agency.

Interest income and expenses are recognised on an accrual basis.

The Agency records investment transactions based on settlement date. Realised gain or loss on financial assets and financial liabilities at fair value through profit or loss is determined on the average cost basis.

### (f) Expense recognition

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

### (g) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Agency as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Agency is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Leases (continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Agency will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

### (h) Taxation

In accordance with Section 28 of the Act, the Agency is exempt from the payment of all taxes, levies and licence fees on its income and operations and from the payment of all taxes, duties and rates on its property and documents. Taxes payable by the Agency pertain to payroll taxes. Certain investment income may be subject to withholding taxes at its source from the country of origin.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs in those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

### (i) Foreign currencies

In preparing the financial statements transactions in currencies other than the Agency's functional currency (foreign currencies) are recognised at the rates of exchange 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the application of the Agency's accounting policies, which are described in Note 2, the Management of the Agency is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the Management has made in the process of applying the Agency's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

*Expressed in United States Dollars*

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY (Continued)

### (a) Critical judgements in applying accounting policies (continued)

***Going concern (continued)***

A key assumption in the preparation of financial statements is that the entity will continue as a going concern. The going concern assumption assumes that the Agency will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations. The Agency shall be dissolved at the end of five years unless it is otherwise determined by Cabinet with the approval of the House of Assembly.

### (b) Key sources of estimate uncertainty

The following are the key assumptions concerning the future, and other key sources of estimate uncertainty at the end of the reporting period, that may have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Useful lives of property and equipment***

The Agency estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2018, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

## 4. PROPERTY AND EQUIPMENT

The movements on the carrying amounts of the Agency's property and equipment are as follows:

| | Motor Vehicles<br>$ | Computer and Accessories<br>$ | Total<br>$ |
|---|---|---|---|
| **Cost** | | | |
| Balance at August 1, 2018 | - | - | - |
| Additions | 49,990 | 43,984 | 93,974 |
| **Balance at December 31, 2018** | **49,990** | **43,984** | **93,974** |
| **Accumulated depreciation** | | | |
| Balance at August 1, 2018 | - | - | - |
| Depreciation | 4,299 | 3,526 | 7,825 |
| **Balance at December 31, 2018** | **4,299** | **3,526** | **7,825** |
| **Carrying amount** | | | |
| **At December 31, 2018** | **45,691** | **40,458** | **86,149** |

*Expressed in United States Dollars*

## 5. CASH AND CASH EQUIVALENTS

| | 2018 |
|---|---|
| | $ |
| Unrestricted cash | 746,383 |
| Restricted cash | 1,020,536 |
| Petty cash | 150 |
| | **1,767,069** |

Unrestricted cash represents amounts held for the purpose regarding the Agency's operations.

Restricted cash represents amounts held for specific projects. These amounts are not allowed to be used for any other purpose other than what it has been allocated for.

At the end of the reporting period, cash balances are held in interest-bearing deposit accounts.

Cash balances bear interest at rates of 0.25%.

During the period ended December 31, 2018, the Agency earned interest income of $1,015 on cash and cash equivalents.

## 6. TRADE AND OTHER PAYABLES

| | 2018 |
|---|---|
| | $ |
| Accounts payable | 12,203 |
| Accrued liabilities | 30,437 |
| Payroll tax liabilities | 58,036 |
| | **100,676** |

*Expressed in United States Dollars*

## 7. RESERVES

**Unrestricted**

| | UK Government $ | BVI Government $ | Donors $ | Total $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Funding | 1,070,359 | 385,704 | - | 1,456,063 |
| Interest Income | - | 1,015 | - | 1,015 |
| **Total** | **1,070,359** | **386,719** | **-** | **1,457,078** |
| **Expenses** | | | | |
| Staff Costs | 327,853 | 118,142 | - | 445,995 |
| Administrative expenses | 186,110 | 67,065 | - | 253,175 |
| Depreciation | 5,752 | 2,073 | - | 7,825 |
| **Total** | **519,715** | **187,280** | **-** | **706,995** |
| **Surplus** | **550,644** | **199,439** | **-** | **750,083** |

**Restricted**

| | UK Government $ | BVI Government $ | Donors $ | Total $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Debris Collection | 562,949 | - | 83,970 | 646,919 |
| A.O. Shirley Ground | - | 70,000 | - | 70,000 |
| Jost Van Dyke Police Barracks | 291,987 | 146,000 | - | 437,987 |
| Virgin Gorda Police Barracks | 339,799 | 284,000 | - | 623,799 |
| **Total** | **1,194,735** | **500,000** | **83,970** | **1,178,705** |
| **Expenses** | | | | |
| Debris Collection | 491,157 | - | 83,970 | 575,127 |
| A.O. Shirley Ground | 23,518 | - | - | 23,518 |
| Jost Van Dyke Police Barracks | - | 346 | - | 346 |
| Virgin Gorda Police Barracks | - | 159,178 | - | 159,178 |
| **Total** | **514,675** | **159,524** | **83,970** | **758,169** |
| **Surplus** | **680,060** | **340,476** | **-** | **1,020,536** |

**Unrestricted Reserves**

Unrestricted reserves represent the assets acquired and liabilities incurred for the purpose regarding the Agency's operations.

<u>Government of the Virgin Islands</u>

During the period ended December 31, 2018, the Government contributed an amount of $385,704 to the Agency to fund operational expenses.

*Expressed in United States Dollars*

## 7. RESERVES (Continued)

**Unrestricted Reserves (continued)**

Subsequent to year end, the Agency and the Government of the Virgin Islands through the Ministry of Finance ("MoF") entered into a Memorandum of Understanding ("MoU") dated January 25, 2019 which sets out the Virgin Islands Government funding to be made available for the Plan and how the Agency will be accountable to the Virgin Islands Government in respect of its use of the funding.

The Agency will provide the MoF with a rolling 5- year operational budget and subject to approval by Cabinet and pursuant to section 19 (8) of the Act, the MoF will provide funding as per the approved estimates to the Agency. The annual payments for 2019 and 2020 are expected to be $1,200,000 per year. Where there is an underspend or saving against budgeted operational costs, this saving should be rolled over into the next fiscal year. Funding amounts are subject to revision and dependent on fulfilment of provisions of the MoU, any revisions to budgets, actual expenditure needs and continuing availability of the resources of the Government.

Government of the United Kingdom

The Government of the United Kingdom of Great Britain and Northern Ireland acting through the Foreign and Commonwealth Office ("FCO") entered into a MoU with the Agency during the period ended December 31, 2018. Under the terms of the MoU the FCO will make available to the Agency an amount up to GBP 6,850,106 for technical assistance. The amount is expected to be allocated across three years and paid annually in tranches. The cumulative annual contributions are expected to be as follows:

| | |
|---|---|
| 1 April 2018 - 31 March 2019 | GBP 1,410,106 |
| 1 April 2019 - 31 March 2020 | GBP 2,865,500 |
| 1 April 2020 - 31 March 2021 | GBP 2,574,500 |

The funding amount is subject to revision and is dependent on the fulfilment of the provisions of the MoU, any revisions to the budget, actual expenditure and need, and the continuing available resources to the FCO. During the period ended December 31, 2018 the FCO contributed $1,070,359 to the Agency to fund operational expenses.

**Restricted Reserves**

Restricted reserves represent the assets acquired and liabilities incurred for specific programme funding. Restricted reserves are restricted based on the designation of the assets and liabilities. These reserves are allocated to specific asset accounts including cash and cash equivalents. These reserves are not allowed to be used for any other purpose other than what they have been allocated for. Under the Act, all programme funding received for the recovery and development efforts pursuant to the Plan has to be deposited to the Trust, from which the Agency must access the funding for the implementation of the Plan.

During the period amounts of $1,194,735 and $83,970 were received directly by the Agency form the UK Government and Donors respectively.

Government of the Virgin Islands

Under the MoU with the Government of the Virgin Islands, the Agency will provide the MoF with a rolling 5- year capital budget based on priorities approved by Cabinet. The MoF will provide capital funding to the Agency on a quarterly basis supported by the Agency's reporting commitments.

During the period ended December 31, 2018, the Government contributed an amount of $500,000 for programme funding. The funding was received by the Agency from the Trust. The funding is to be allocated to the A. O. Shirley Ground, Virgin Gorda Police Barracks and Jost Van Dyke Police Barracks projects.

Government of the United Kingdom

Under the MoU with the Government of the United Kingdom will provide capital projects funding. During the period ended December 31, 2018, the United Kingdom of Great Britain and Northern Ireland acting through the FCO contributed an amount of $1,194,735 to the Agency for programme funding. The funding is to be allocated to the Debris Collection, Virgin Gorda Police Barracks and Jost Van Dyke Police Barracks projects.

*Expressed in United States Dollars*

## 7. RESERVES (Continued)

**Unrestricted Reserves (continued)**

Donor funding

Donor funding is funding provided by non-governmental sources in relation to specific capital programmes or projects under the Plan.

## 8. FINANCE LEASE

| The balance comprises: | 2018 $ |
|---|---|
| Finance lease liability | 449,397 |
| Less: current portion of finance lease | (75,078) |
| Non - current portion of finance lease | **374,319** |

In November 2018, the Agency entered into an agreement with the BVI International Arbitration Centre (the "BVI IAC") for the fit out and sub lease of office space for the Agency's occupancy. Under the terms of the agreement, the Agency will sub lease office space from the BVIIAC at an initial rent of $37 per square foot with rental payments and occupancy expected to commence on April 21, 2019. The Agency will pay a total of $550,000 to cover the cost associated with the fit out of the premises in sixty-six (66) monthly instalments of $8,333 each commencing on October 1, 2018. The finance lease liability has been initially recognised at an amount of $467,474 which represents the present value of the cumulative fit out payments using an imputed rate of interest of 6%.

During the period ended December 31, 2018 the Agency made repayments amounting to $24,999 and recorded finance costs of $6,922.

| | 2018 $ |
|---|---|
| Beginning balance | 467,474 |
| Less: payment of principal during the period | (18,077) |
| Finance lease liability | **449,397** |

The future payments under the agreement are as follows:

| | 2018 $ |
|---|---|
| Within one year | 75,078 |
| Between one and five years | 349,567 |
| Five years and beyond | 24,752 |
| | **449,397** |

**Other Receivable**

Once the fit out of the office space is completed, the Agency will record an asset of US$467,474 on its records which will be depreciated over its useful life. In the event that after execution, the sub lease is terminated by any party prior to the payment of the build cost in full, the remaining amount shall become immediately due and payable by the Agency.

*Expressed in United States Dollars*

## 8. FINANCE LEASE (Continued)

### Other Receivable (continued)

At December 31, 2018, the fit out of the office space is incomplete and a corresponding receivable of $467,474 has been recognised due from BVIIAC. The Agency expects the fit out of the office space to be completed by June 2019.

## 9. STAFF COSTS

| | 2018 |
|---|---|
| | $ |
| Salaries, allowance and benefits | 364,654 |
| Recruitment expense | 10,805 |
| Staff relocation expense | 12,500 |
| Payroll taxes | 37,806 |
| National health insurance | 12,242 |
| Social security | 7,988 |
| | **445,995** |

## 10. ADMINISTRATIVE EXPENSES

| | 2018 |
|---|---|
| | $ |
| Professional services | 66,857 |
| Board costs | 46,128 |
| Public relations and communications | 44,197 |
| Rent | 34,131 |
| Office expenses | 27,979 |
| Travel and accommodation | 25,236 |
| Bank charges | 986 |
| Other | 739 |
| | **246,253** |

## 11. PROJECT EXPENSES

| | 2018 |
|---|---|
| | $ |
| Debris Clearance | 575,127 |
| Virgin Gorda Police Barracks | 159,178 |
| A.O. Shirley Grounds | 23,518 |
| Jost Van Dyke Police Barracks | 346 |
| | **758,169** |

### Debris Clearance

After the devastating hurricane season in 2017, there remained a large amount of debris in the Virgin Islands. Much of the debris was in high risk areas having the potential to cause further damage and present risk to life in the event of another hurricane. The Agency developed a project to support the Department of Waste Management of the BVI Government to collect the debris. The project comprised a series of work packages that moved a significant portion of the debris on the islands to a single location therefore reducing the risk to both life and critical infrastructure.

## 11. PROJECT EXPENSES (Continued)

**Debris Clearance (continued)**

During the period ended December 31, 2018, the Agency incurred costs of $575,127 in relation to the project. The estimated committed costs to complete the project are $109,682.

**Virgin Gorda Police Barracks**

The purpose of this project is to return the Virgin Gorda Police Barracks of the Royal Virgin Islands Police Force to a fully functional state. An objective of the project is for the police to be able to sleep personnel on Virgin Gorda to ensure a shift system can be effectively managed and enable the pre-disposition of resources key to disaster preparedness ahead of the upcoming hurricane season.

During the period ended December 31, 2018, the Agency incurred costs of $159,178 in relation to the project. The estimated committed costs to complete the project are $606,851.

**A. O. Shirley Grounds**

The A. O. Shirley athletics grounds was designated a priority project which involves renovating the grounds to meet international accreditation standards as a Level 2 ground which would facilitate the housing of national and international events. The project involves preparation of the grounds prior to the installation of the new track, repairs to make the perimeter secure thereby increasing income generation, installation of bathroom facilities and lights and repairs to the spectator stand and clubhouse pavilion.

During the period ended December 31, 2018, the Agency incurred costs of $23,518 in relation to the project. There was no committed costs to complete the project at December 31, 2018.

## 12. FINANCIAL RISK MANAGEMENT

*Financial risk factors*

The Agency's activities expose it to a variety of financial risks; market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Agency's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Agency's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. The management identifies, evaluates and hedges financial risks in close co-operation with the Board of Directors. The Board of Directors provides guidance for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial assets of the Agency include cash and cash equivalents. Financial liabilities include trade and other payables.

**(a) Market risk**

Market risk arises from the Agency's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency risk) or other market factors (other price risk).

*(i) 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. In the normal course of business, the Agency may enter into transactions denominated in foreign currencies. As a result, the Agency is subject to transaction and translation exposure from fluctuations in foreign exchange rates.

*Expressed in United States Dollars*

## 12. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Market risk (continued)

*(ii) Interest rate risk*

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating rate instruments expose the Agency to cash flow interest rate risk whereas fixed rate instruments expose the Agency to fair value interest rate risk.

*(iii) Cash flow interest rate risk*

The Agency's exposure to the risk of changes in market interest rates relates primarily to the Agency's cash and cash equivalents. As at December 31, 2018 approximately 94% of the Agency's assets were held in bank accounts, with floating interest rates.

*(iv) Cash flow interest rate sensitivity analysis*

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Agency's surplus would increase by $4,417. A decrease of 25 basis points in the market interest rate, with all other variables held constant, would decrease the Agency's surplus by an equal amount.

### (b) Credit risk

Credit risk arises from regulatory deposits, cash and cash equivalents, time deposits. These financial assets are held with financial institutions with an investment grade credit rating.

The Agency's cash and cash equivalents are held by financial institutions with the following rating per Moody's Investors Services.

| Moody's | 2018 $ |
|---|---|
| Ba2 | 1,766,919 |
| Total rated | 1,766,919 |
| Non-rated | 150 |
| **Total** | **1,767,069** |

### (c) Liquidity risk

Liquidity risk is the risk that the Agency may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Agency is exposed to liquidity risk from its financial liabilities which include trade and other payables.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet its current operating and programme requirements. The Agency is not exposed to significant liquidity risk within this period as it maintains sufficient cash and cash equivalents to meet its current and foreseeable future obligations. The Agency's ability to meet its obligations is dependent on funding provided by the UK Government, BVI Government and Donors.

The following table shows the Agency's aging of its contractual repayment period to its creditors as of December 31, 2018:

| | On demand $ | Within One Year $ | Total $ |
|---|---|---|---|
| Trade and other payables | - | 100,676 | 100,676 |
| **Total** | **-** | **100,676** | **758,169** |

## 13. PROPERTY HELD BY THE TRUST

On November 30, 2018, the Government of the Virgin Islands contributed $9,995,000 via a deed of contribution to the Trust towards charitable purposes of the Trust, which are to fund the objects and purposes of the Plan. At December 31, 2018, the assets held by the Trust amounted to $9,528,642 and are held in the form of cash in a non-interest bearing account at a third-party financial institution. These assets do not represent assets of the Agency as explained in Note 1.

Under the terms of the Instrument of Trust, the Trustee shall hold the capital and income of the Trust to apply to charitable purposes of the Plan at such times and in such manner as determined by the Trustees at its discretion on request by the Board by way of Board resolution.

## 14. COMMITMENTS

As explained in Note 10, the Agency enters into various contracts for the execution of projects under the Plan. At December 31, 2018, the Agency had commitments of $1,351,201 relating to the completion of various projects under the Plan.

As explained in Note 8, the Agency entered into an agreement for the cost associated with the fit out of office space that the Agency is desirous of leasing.

During the year ended December 31, 2018, the Agency entered into various professional service contracts for auditing, payroll and website development and maintenance services. As at December 31, 2018, total commitments under these contracts amounted to $274,640.

## 15. SUBSEQUENT EVENTS

### Memorandum of Understanding with BVI Government

As explained in Note 7, on January 25, 2019, the Agency and the MoF entered into a MoU for the funding to be made available to the Agency for the implementation of the Plan. Under the terms of the MoU, the MoF will make available to the Agency an amount up to the annual allocation agreed by the House of Assembly in the approved budget for the Agency's operational and capital purposes.