Audited Financial Statements

Virgin Islands Recovery and Development Agency

FOR THE YEAR ENDED DECEMBER 31, 2023

Virgin Islands Recovery and Development Agency

Audited Financial Statements

For the Year Ended December 31, 2023

VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

For the Year Ended December 31, 2023

Table of Contents

	Pages
Financial Statements	
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Reserves	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 25

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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 Virgin Islands Recovery and Development Agency (the "Agency"), which comprise of the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material 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, 2023, and its financial performance and its cash flows for the year then ended 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

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

In preparing the financial statements, the Board 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 the Board 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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.

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Independent Auditor's Report

Report on the Audit of the Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Limited

Tortola, British Virgin Islands
October 26, 2024

VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

Statement of Financial Position
As at December 31, 2023
(Expressed in United States Dollars)

	Notes	2023 $	2022 $
ASSETS			
Non-current assets			
Property and equipment, net	4	96,415	103,627
Total non-current assets		**96,415**	**103,627**
Current assets			
Prepayments and deposits		130,000	128,549
Fixed deposit	6	10,065	10,065
Cash and cash equivalents	5	1,442,190	737,847
Total current assets		**1,582,255**	**876,461**
TOTAL ASSETS		**1,678,670**	**980,088**
LIABILITIES			
Current liabilities			
Trade and other payables	7	324,561	542,746
TOTAL LIABILITIES		**324,561**	**542,746**
Reserves			
Unrestricted		362,595	432,992
Restricted		991,514	4,350
TOTAL RESERVES		**1,354,109**	**437,342**
TOTAL LIABILITIES AND RESERVES		**1,678,670**	**980,088**

Approved on Behalf of the Board

Chairman

14 October 2024 Date

The accompanying notes form an integral part of these financial statements

VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

Statement of Comprehensive Income
For the Year Ended December 31, 2023
(Expressed in United States Dollars)

	Notes	2023 $	2022 $
UNRESTRICTED RESERVES			
Revenues			
BVI Government Operations Funding	8	1,990,000	2,209,500
Interest income	8	910	916
TOTAL REVENUES		**1,990,910**	**2,210,416**
Expenses			
Staff costs	10	403,414	377,748
Administrative expenses	11	1,625,152	1,666,439
Depreciation and lease amortisation	4	32,741	39,334
TOTAL EXPENSES		2,061,307	2,083,521
(DEFICIT) SURPLUS FROM UNRESTRICTED RESERVES		**(70,397)**	**126,895**
RESTRICTED RESERVES			
Revenues			
BVI Government Programme Funding	8	7,890,499	14,497,644
CDB Programme Funding	8	2,107,209	4,296,103
Donor Funding	8	169,900	20,000
Interest and other income	8	2,375	2,999
TOTAL REVENUES		**10,169,983**	**18,816,746**
Expenses			
Programme expenses	12	7,009,406	14,710,001
CDB Programme expenses	13	2,003,513	3,631,920
Donor expenses	8	169,900	-
TOTAL EXPENSES	8	9,182,819	18,341,921
SURPLUS FROM RESTRICTED RESERVES		**987,164**	**474,825**
TOTAL COMPREHENSIVE INCOME		**916,767**	**601,720**

VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

Statement of Changes in Reserves
For the Year Ended December 31, 2023
(Expressed in United States Dollars)

2023:	Opening balance $	Surplus (Deficit) for the year $	Closing balance $
Unrestricted reserves			
UK Government operations funding reserve	384,337	-	384,337
BVI Government operations funding reserve	48,655	(70,397)	(21,742)
Total	**432,992**	**(70,397)**	**362,595**
Restricted reserves			
BVI Government Programme funding reserve	(585,118)	713,568	128,450
UK Government Programme funding reserve	206,358	-	206,358
CDB Programme funding reserve	329,850	103,696	433,546
Donor funding reserve	53,260	169,900	223,160
Total	4,350	987,164	991,514
	437,342	**916,767**	**1,354,109**

2022:	Opening balance $	(Deficit) Surplus for the year $	Closing balance $
Unrestricted reserves			
UK Government operations funding reserve	384,337	-	384,337
BVI Government operations funding reserve	(78,240)	126,895	48,655
Total	**306,097**	**126,895**	**432,992**
Restricted reserves			
BVI Government Programme funding reserve	(1,006,281)	421,163	(585,118)
UK Government Programme funding reserve	836,879	(630,521)	206,358
CDB Programme funding reserve	(334,333)	664,183	329,850
Donor funding reserve	33,260	20,000	53,260
Total	**(470,475)**	**474,825**	**4,350**
	(164,378)	**601,720**	**437,342**

<u>Deficit:</u>
The current year and prior year deficits are a result of the allocation of non-cash expenses such as depreciation and the impact of the accrual basis of accounting.

VIRGIN ISLANDS RECOVERY AND DEVELOPMENT AGENCY

Statement of Cash Flows
For the Year Ended December 31, 2023
(Expressed in United States Dollars)

	2023	2022
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in reserves	916,767	601,720
Adjustments to reconcile to cash from operations before working capital changes:		
Depreciation	32,741	39,334
Operating surplus from operations before working capital changes:	949,508	641,054
(Increase)/decrease in prepayments and deposits	(1,451)	9,652
(Increase) in fixed deposit	-	(5)
(Decrease) in trade and other payables	(218,185)	(344,387)
Net cash flows from operating activities	729,872	306,314
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property and equipment	(25,529)	(12,728)
Net cash flows used in investing activities	(25,529)	(12,728)
NET INCREASE IN CASH AND CASH EQUIVALENTS	704,343	293,586
CASH AND CASH EQUIVALENTS		
At beginning of year	737,847	444,261
At end of year	1,442,190	737,847

The accompanying notes form an integral part of these financial statements

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.

During 2020 the House of Assembly approved a revised Recovery to Development Plan (the "RDP") which reduced the scope and scale of the Agency's activities.

The Agency was established with a five-year mandate and shall be dissolved at the end of five years unless otherwise determined by the Cabinet, with the approval of the House of Assembly. On October 5th 2022, the Cabinet made a decision based on a request from the Board of the Recovery and Development Agency (RDA) to extend the lifespan of the Agency to December 31, 2026. 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 a 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 to take advantage of business and employment opportunities arising out of implementation of the Plan.

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.

On November 30, 2018, the Government of the Virgin Islands contributed $9,995,000 via a deed of contribution to the Trust towards the charitable purposes of the Trust, which are to fund the objects and purpose of the Agency. At December 31, 2023 $1,510,027 (2022: $2,897,970) was held in the form of cash in a non interest bearing account at a third party financial institution. Additionally, an amount of $92,672 (2022: $4,360,010) is held on demand and $2,342,945 is held on time deposit, bearing interest of 3.50% at another third party institution. These assets do not represent assets of the Agency as explained in Note 1. During the year ended December 31, 2023, amounts of $6,714,058 (2022: 19,727,548) were received directly in the Trust. Access to property by the Agency is in accordance with the requirements as detailed in Note 1.

1 Organisation and objectives (Continued)

	2023 $	2022 $
Government of the Virgin Islands	6,586,044	13,812,624
FCDO	-	884,143
CDB RRL	-	5,030,781
Donors	128,014	-
	6,714,058	**19,727,548**

2 Material 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 ("IASB"). The principal accounting policies adopted in preparation of the Agency's financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(ii) Accounting convention

The financial statements are prepared under the historical cost convention, except for the revaluation of certain financial instruments which are recognised at fair value.

(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 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 the Agency's accounting policies. Significant judgements, 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 effective and relevant to the Agency

The Agency applied for the first-time certain standard and amendment, which are effective for annual periods beginning on or after January 1, 2023. The Agency has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2.** The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments have had an impact on the Agency's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Agency's financial statements.

- **Definition of Accounting Estimates - Amendments to IAS 8.** The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Agency's financial statements.

2 Material Accounting Policies (Continued)

(b) IFRS adoption (Continued)

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Agency has decided not to adopt early.

The following amendments are effective for the period beginning January 1, 2024:

- **Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);**
- **Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);**
- **Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and**
- **Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)**

The following amendments are effective for the period beginning 1 January 2025:

- **Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)**

(c) Financial Instrument

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. The Agency initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the profit and loss ("FVTPL"), transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ('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.

Subsequent measurement

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

- Financial assets at amortised cost
- Financial assets at FVOCI with recycling of cumulative gains and losses

2 Material Accounting Policies (Continued)

(c) Financial Instrument (Continued)

(i) Financial assets (Continued)

- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortised cost

The 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 ("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 include cash and cash and cash equivalents and fixed deposit. Cash and cash equivalents consist of cash and deposits held at call with banks.

At the reporting date, the Agency does not have any financial assets classified as financial assets at FVTPL or FVOCI.

(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.

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 expected credit losses ("ECLs"). Therefore, the Agency 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.

2 Material Accounting Policies (Continued)

(c) Financial Instrument (Continued)

(iv) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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 Agency's financial liabilities are measured at amortised cost using the EIR 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, the Agency 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.

(d) Property and equipment

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

Leasehold improvements	50% per year
Motor vehicles	30% per year
Computer and accessories	25% - 50% per year
Furniture and fixtures	25% 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.

2 Material Accounting Policies (Continued)

(e) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

For these leases, the Agency recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Agency's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

The lease liability is presented as a separate line in the statement of financial position.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Agency if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Agency is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term as follows:

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 2(d).

The right-of-use assets are included within property and equipment in Note 4.

When the Agency revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss

2 Material Accounting Policies (Continued)

(e) Leases (Continued)

When the Agency renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

(f) 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
- Interest income

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 is 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 FVTPL is determined on the average cost basis.

(g) Taxation

In accordance with Section 28 of the Act, the Agency is exempt from the payment of all taxes, levies and license 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.

(h) Expense

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

3 Critical accounting estimates and judgements

In the application of the Agency's accounting policies, management 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 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 statement of financial position.

(i) Going concern

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. A significant amount of judgement has been required to assess whether the entity is a going concern. The Agency was established with a five-year mandate and shall be dissolved at the end of five years unless otherwise determined by the Cabinet, with the approval of the House of Assembly. On October 5th 2022, the Cabinet made a decision based on a request from the Board of the Recovery and Development Agency (RDA) to extend the lifespan of the Agency to December 31, 2026.

(Expressed in United States Dollars)

4 Property and equipment, net

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

December 31, 2023	Motor vehicles $	Computer and Accessories $	Furniture, Fixtures and Office Equipment $	Total $
Cost				
Balance at December 31, 2022	79,985	105,644	115,989	301,618
Additions	-	24,579	950	25,529
Balance at December 31, 2023	**79,985**	**130,223**	**116,939**	**327,147**
Accumulated depreciation				
Balance at December 31, 2022	58,240	75,223	64,528	197,991
Charge	8,509	17,564	6,668	32,741
Balance at December 31, 2023	**66,749**	**92,787**	**71,196**	**230,732**
Carrying amount				
Balance at December 31, 2023	**13,236**	**37,435**	**45,743**	**96,415**

December 31, 2022	Motor vehicles $	Computer and Accessories $	Furniture, Fixtures and Office Equipment $	Total $
Cost				
Balance at December 31, 2021	79,985	95,010	113,895	288,890
Additions	-	10,634	2,094	12,728
Balance at December 31, 2022	**79,985**	**105,644**	**115,989**	**301,618**
Accumulated depreciation				
Balance at December 31, 2021	50,282	55,732	52,643	158,657
Charge	7,958	19,491	11,885	39,334
Balance at December 31, 2022	**58,240**	**75,223**	**64,528**	**197,991**
Carrying amount				
Balance at December 31, 2022	**21,745**	**30,421**	**51,461**	**103,627**

(Expressed in United States Dollars)

5 Cash and cash equivalents

	2023 $	2022 $
Restricted cash	1,248,365	434,732
Unrestricted cash	193,707	303,062
Cash on hand	118	53
Total cash and cash equivalents	**1,442,190**	**737,847**

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.

As at December 31, 2023 non bearing cash balances were $1,442,072 (2022: $361,545).

6 Fixed deposit

As at December 31, 2023, the Agency has a one-year fixed deposit of $10,065 (2022: $10,065) placed at a financial institution which earns interest at a rate of 1.3% (2022: 0.15%) per annum. During the year ended December 31, 2023 the Agency earned interest income of $3,285 (2022: $3,693) on Fixed Deposits.

7 Trade and other payables

	2023 $	2022 $
Capital expenses payable	201,248	363,027
Accrued liabilities	94,500	53,786
Payroll tax liabilities	28,276	122,191
CDB Programme expenses	-	2,000
Operational expenses payable	537	1,742
	324,561	**542,746**

8 Reserves

The Agency was established by the Act as a statutory corporation and a share capital was not assigned to it. The Agency is funded through Unrestricted and Restricted reserves.

Unrestricted Reserves

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

(Expressed in United States Dollars)

8 Reserves (Continued)

Unrestricted Reserves (Continued)

2023	**UK Government $**	**BVI Government $**	**Donors $**	**Total $**
Revenue				
Funding	-	1,990,000	-	1,990,000
Interest income	-	910	-	910
Total	-	**1,990,910**	**-**	**1,990,910**
Expenses				
Administrative expenses	-	1,511,521	-	1,511,521
Staff Costs	-	517,045	-	517,045
Depreciation and amortisation	-	32,741	-	32,741
Total	-	**2,061,307**	**-**	**2,061,307**
Deficit	-	**(70,397)**	**-**	**(70,397)**

2022	**UK Government $**	**BVI Government $**	**Donors $**	**Total $**
Revenue				
Funding	-	2,209,500	-	2,209,500
Interest income	-	916	-	916
Total	-	**2,210,416**	**-**	**2,210,416**
Expenses				
Administrative expenses	-	1,886,962	-	1,886,962
Staff Costs	-	157,225	-	157,225
Depreciation and amortisation	-	39,334	-	39,334
Total	-	**2,083,521**	**-**	**2,083,521**
Surplus/(Deficit)	-	**126,895**	**-**	**126,895**

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

During the year ended December 31, 2023, the Government contributed an amount of $1,990,000 (2022: $2,209,500) to the Agency to fund operational expenses.

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 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. In 2022 the Agency transitioned from having both the Foreign, Commonwealth & Development Office (“FCDO”) and MoF being contributors to the MoF being the Sole contributor to the Agency's Operations.

(Expressed in United States Dollars)

8 Reserves (Continued)

Unrestricted Reserves (Continued)

Government of the United Kingdom

The Government of the United Kingdom of Great Britain and Northern Ireland acting through the FCDO entered into a MoU with the Agency during the period ended December 31, 2018. Under the terms of the MoU, the FCDO will make available to the Agency an amount up to £6,850,106. The amount is expected to be allocated across three years and paid annually in tranches.

The funding 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 FCDO. The funding amount will be used solely for costs included as part of the budget approved by the FCDO for the delivery of the outputs and outcomes as outlined in the MoU.

The initial objective of funding for the Agency's operational cost was to ensure rapid growth to the required size to deliver the plan for recovery. The RDP, which was appointed to revise the Plan, has reduced the scope and scale of the Agency's deliverables. As such transition to the Government of the Virgin Islands being the sole contributor to the Agency's operational cost was accelerated. During the years ended 2022 and 2023, the Government of the Virgin Islands was the sole contributor and the FCDO contributed $Nil to the Agency to fund operational expenses. As at December 31, 2023, the FCDO contributed a cumulative amount of $5,141,442 (2022: $5,141,442) to the Agency.

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 exceeding US $20,000 received for the recovery and development efforts pursuant to the Plan has to be deposited with the Trust, from which the Agency must access the funding for the implementation of the Plan. During the year $169,900 was donated directly to the furnishing of the Jost Van Dyke Primary School from Unite BVI.

2023	UK Government $	BVI Government $	CDB $	Donors $	Total $
Revenue					
Funding	-	7,890,499	2,107,209	169,900	10,167,608
Interest income and other income	-	2,375	-	-	2,375
Total	-	**7,892,874**	**2,107,209**	**169,900**	**10,169,983**
Expenses					
Programme expenses	-	7,009,406	2,003,513	169,900	9,182,819
Total	-	**7,009,406**	**2,003,513**	**169,900**	**9,182,819**
Surplus	-	**883,468**	**103,696**	**-**	**987,164**

(Expressed in United States Dollars)

8 Reserves (Continued)

Restricted Reserves (Continued)

2022	UK Government $	BVI Government $	CDB $	Donors $	Total $
Revenue					
Funding	-	14,497,644	4,296,103	20,000	18,813,747
Interest income and other income	-	2,999	-	-	2,999
Total	-	**14,500,643**	**4,296,103**	**20,000**	**18,816,746**
Expenses					
Programme expenses	630,521	14,079,480	3,631,920	-	18,341,921
Total	**630,521**	**14,079,480**	**3,631,920**	**-**	**18,341,921**
(Deficit)/Surplus	**(630,521)**	**421,163**	**664,183**	**20,000**	**474,825**

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 (Implementation Schedule) 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. On an annual basis the Agency has provided an updated Implementation Schedule. The Implementation Schedule has not been approved by the Government. In the absence of an approved Implementation Schedule the Agency has funded approved RDP projects with Government of the VI funds (as well as other funding sources) as follows: Caribbean Development Bank ("CDB") funding (based on the CDB Loan Variation to the Agreement that lays out the role of the Agency for CDB funded projects) and funds from the $10M of Government of VI funds deposited with the Trust (30 November 2018) based on the Deed of Contribution.

During the year ended December 31, 2023, the Government contributed an amount of $7,890,499 (2022: $14,497,644) for programme funding. The funding was received by the Agency from the Trust for capital projects.

Government of the United Kingdom

Under the MoU with the Government of the United Kingdom, the Agency will receive funding for capital projects. During the years ended December 31, 2022 and 2023, the United Kingdom of Great Britain and Northern Ireland acting through the FCDO did not contribute any amounts to the Agency for programme funding.

Government of the Virgin Islands CDB, RRL Loan Funded

Several projects that are part of the CDB Programme were funded by the Rehabilitation and Reconstruction Loan ("RRL"). Loan funding was made available to the Government of the Virgin Islands for the implementation of the RRL. During the year ended December 31, 2023, an amount of $2,107,209 (2022: $4,296,103) was contributed to the Agency. The funding was received by the Agency from the Trust.

Donor funding

Donor funding is funding provided by non-governmental sources in relation to specific capital programmes or projects under the Plan. During the year ended December 31, 2023, contributions in kind for the furnishing of the Jost Van Dyke Primary School amounting to $169,900 (2022: $20,000) were donated directly to the Agency.

(Expressed in United States Dollars)

9 Lease

Short Term lease – Office space

In February 2022, the Agency entered into an agreement with Tortola Pier Park Limited ("TPPL") for lease of office space. Under the terms of the agreement, the Agency sub-leases office space from TPPL at an annual rental and service charge amount of $80,080. The lease is accounted for as a short-term lease and expired on June 30, 2023.The Agency continued to rent the office space monthly from July 1, 2023 to December 31, 2023.

The following are the amounts relating to lease contracts recognised in profit and loss.

	2023	2022
	$	$
Short term lease	70,335	80,080
Total amount recognised in profit and loss	**70,335**	**80,080**

The maturity analysis of the undiscounted lease liabilities is disclosed below:

	2023	2022
	$	$
Up to 3 months	-	19,185
3 and 12 months	-	19,185
Total	-	**38,370**

10 Staff costs

	2023	2022
	$	$
Salaries, allowance, and benefits	355,928	332,934
Payroll taxes	18,176	17,861
National health insurance	12,723	12,336
Social security	13,406	12,463
Recruitment and training	3,180	2,154
	403,414	**377,748**

11 Administrative expenses

	2023	2022
	$	$
Project and Programme management	1,175,528	1,247,552
Office expenses	147,059	93,441
Professional services	106,290	81,713
Rent expense (Note 9)	70,335	80,080
Board costs	66,389	78,058
Capacity building	25,415	35,839
Other	15,453	28,849
Public relations and communications	6,753	9,062
Bank charges	8,632	8,190
Travel and accommodation	3,298	3,655
	1,625,152	1,666,439

(Expressed in United States Dollars)

12 Programme expenses

December 31, 2023	UK Government $	2023 BVI Government $	Total $
JVD Primary School, a Multi-Purpose Educational Facility	-	2,968,200	2,968,200
Redevelopment of Elmore Stoutt High School	-	1,985,291	1,985,291
Joint Marine Shore Base	-	1,744,305	1,744,305
Tortola Landfill	-	177,349	177,349
Renewable Energy Installations	-	60,182	60,182
Anegada Recreational Grounds	-	51,832	51,832
Temporary school units	-	7,951	7,951
Removal of derelict boats	-	6,025	6,025
Other	-	4,649	4,649
TBL Airport	-	3,622	3,622
	-	**7,009,406**	**7,009,406**

December 31, 2022	UK Government $	2022 BVI Government $	Total $
Redevelopment of Elmore Stoutt High School	-	12,665,551	12,665,551
JVD Primary School, a Multi-Purpose Educational Facility	-	910,116	910,116
Road Town Police Station	473,593	-	473,593
Estate House #1	-	208,502	208,502
Virgin Gorda Sports Complex	-	168,721	168,721
Renewable Energy Installations	105,347	-	105,347
Joint Marine Shore Base	51,581	-	51,581
Anegada Recreational Grounds	-	35,124	35,124
Alexander Ogilvie Shirley Grounds	-	28,188	28,188
Virgin Gorda Police Barracks	-	27,998	27,998
Anegada Police Station	-	12,444	12,444
Removal of derelict boats	-	8,348	8,348
Temporary school units	-	6,331	6,331
Tortola Landfill	-	5,730	5,730
TBL Airport	-	1,048	1,048
Isabella Morris Primary School	-	882	882
Solid Waste Management Programme	-	419	419
Other	-	47	47
Marine Survey	-	31	31
	630,521	**14,079,480**	**14,710,001**

(Expressed in United States Dollars)

12 Programme expenses (Continued)

JVD Primary School, a Multi-Purpose Educational Facility

The purpose of this project is to construct the New Jost Van Dyke Multi-Purpose Educational Facility. This should have commenced on September 1, 2022, as per the Conditions of Contract, however the Contractor mobilised to site and commenced work in earnest on September 24, 2022. During the year ended December 31, 2023, the Agency incurred costs of $3,138,100 (2022: $910,116) in relation to this project. Construction was completed in December 2023.

Redevelopment of Elmore Stoutt High School

In December 2021, work began on the slab demolition and design services for installation of structures at the main campus. Demolition was scheduled to be completed by the end of January 2022, setting the stage for procurement and construction of the buildings. During the year ended December 31, 2023, the Agency incurred costs of $1,986,291 (2022: $12,665,551) in relation to the project.

In December 2022, major works were completed on the ESHS Redevelopment Project and this project was handed over to Central Government, facilitating the end of the shift system for ESHS students. Being the largest single project implemented by the RDA since its inception, the ESHS Redevelopment project has improved teaching and learning conditions for approximately 1,400 students on the ESHS campus.

Joint Marine Shore Base

The fencing, gates and drains activity for the Marine Base reached practical completion in July 2021 with final works for the motorised gates and installation of drainage grills and security spikes completed.

During the year ended December 31, 2023, the Agency incurred costs of $1,744,305 (2022: $51,581) in relation to the project.

In December 2022, the vessels at the Marine Base project site were relocated, facilitating commencement of works on construction of the main building. Submitted tenders from three of the prequalified construction tenders were evaluated, and a recommendation has been made for contract award. Construction on the main building was completed in February 2024.

13 CDB Programme expenses

	2023 $	2022 $
Eslyn Henley Richiez Learning Centre	1,144,083	-
Consultancy	309,986	323,600
West End Ferry	292,618	1,695
Roads, Slopes and Coastal Defences	256,431	2,383,267
Other	395	482
Government Buildings	-	407,383
Water Network Improvement	-	378,531
Magistrates Court Rehabilitation	-	75,050
Bregado Flax Educational Centre	-	61,912
	2,003,513	3,631,920

Eslyn Henley Richiez Learning Centre

Following casting and backfilling of footings in December 2023, work began on the ground floor slab. Some delays to project implementation have been caused by unstable weather conditions. Procurement of specialist long lead items has continued in order to prevent any future delivery of the planned project schedule. This project is scheduled to be completed by March 2025.

13 CDB Programme expenses (Continued)

West End Ferry Terminal

In December 2023, following conditional approval for the detailed designs of the West End ferry Terminal project secured form the Town and Country Planning department, full approval of the detailed design is awaited from the Building Authority. The four previously prequalified applicants are eligible to move forward into the full tender process. Also in December, the design consultant is reviewing the Bill of Quantities and specifications based on review. Following receipts of CDB's No Objection on the prepared tender documentation, bidding for construction of the terminal is expected to open in early 2024.

Roads, Slopes and Coastal Defence

This project includes several sub-projects which consist of the refurbishment of several roads geographically dispersed and of varying size and complexity. Estimated construction period range from six to eight months. Total of signed contract amount is $6,656,000.

Fish Bay Road - The Fish Bay Road works encompass the new construction of 313m of roadway. Other associated works include construction of storm-water drainage systems comprising lined roadside drains with metal gratings, reinforced concrete box culverts, storm-water drainage outfall and sidewalks. Construction of this project started in October 2021 and achieved practical completion in June 2022.

Long Trench - The Long Trench works encompass 127m of slope stabilisation and attendant road reconstruction. Other associated works include construction of kerb walls to road edge and refurbishment and reinstallation of road furniture. Construction of this project started in August 2021 and achieved practical completion in December 2022.

Asphaltic Works (Fish Bay) – The Asphaltic Works (Fish Bay) project consists of asphaltic concrete surfacing 50mm thick to existing road pavement at Fish Bay Road (4,100m^2). The contract was signed in August 2022 and substantially completed in October 2022.

14 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. Management identifies, evaluates and hedges financial risks in close co–operation with the Board. The Board 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 and fixed deposits. 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)

14 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Agency's financial instrument holdings. 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, 2023 approximately 1% (2022: 44%) of the Agency's assets were held in bank accounts with floating interest rates.

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Agency’s surplus would increase by $3,956 (2022: $2,191). 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 fixed deposits, cash and cash equivalents.

The Agency’s cash and cash equivalents and fixed deposits are held by financial institutions with the following rating per Standard & Poor’s ratings:

	2023 $	2022 $
A+	463,241	361,545
BB+	988,896	386,314
Unrated	118	53
	1,452,255	**747,912**

(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 Government of the VI, UK Government, and Donors.

(Expressed in United States Dollars)

14 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The table below shows the Agency's aging of its contractual repayment period to its creditors as of December 31, 2023:

December 31, 2023	On demand $	Within one year $	Total $
Trade and other payables	-	324,561	324,561
	-	**324,561**	**324,561**

December 31, 2022	On demand $	Within one year $	Total $
Trade and other payables	-	542,746	542,746
	-	**542,746**	**542,746**

15 Commitments

As explained in note 12, the Agency enters into various contracts for the execution of projects under the RDP. At December 31, 2023 the Agency had commitments of $6,560,198 (2022: $9,812,909) relating to the completion of various projects under the RDP. The Agency entered into various professional service contracts for auditing, payroll and website development and maintenance services. As at December 31, 2023, total commitments under these contracts amounted $313,388 (2022: $35,000).

16 Subsequent events

Management evaluated all activity of the Agency from January 1, 2023 through the issuance date of the financial statements and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements.