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THE BVI TOURIST BOARD

Financial Statements
For the year ended 31 December 2018

THE BVI TOURIST BOARD

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For the year ended 31 December 2018

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Members of the Board

Mr. Russell Harrigan	*(Chairman)*
Ms. Sharon Flax-Brutus	
Mr. Sendrick Chinnery	
Ms. Julia Dawson	
Mr. Denniston Fraser	
Mr. Robert Henry	
Mr. Julien Johnson	
Mr. Clyde Lettsome	
Mr. Lenius Lendor	*(appointed October 2018)*
Mr. Mike Rowe	*(resigned May 2018)*
Ms. Delma Maduro	
Mr. Broderick Penn	*(reassigned November 2017)*
Mr. Romney Penn	
Mr. Melvin Vanterpool	*(appointed August 2018)*
Mr. Al Henley	*(resigned February 2018)*
Ms. Tanya Whistler	
Ms. Elvia Smith-Maduro	
Ms. Dawn Smith	*(appointed November 2017)*

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Chartered Accountants

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THE BVI TOURIST BOARD

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL,

GOVERNMENT OF THE BRITISH VIRGIN ISLANDS

Opinion

We have audited the financial statements of The BVI Tourist Board (the "Board"), which comprise the statement of financial position as at 31 December 2018, and the statements of financial performance, changes in net surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 20.

This report is made solely to the Auditor General, Government of the British Virgin Islands (the "Auditor General"), in accordance with the Tourist Board Act, 1969 (Chapter 280). Our audit work has been undertaken so that we might state to the Auditor General those matters we are required to state to the Auditor General in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Auditor General, as a body, for our audit work, for this report, or for the opinion we have formed.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at 31 December 2018, 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 Board in accordance with the 'International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the British Virgin Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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.

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

- Identify and assess the risks of material misstatement of the 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 Board'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 Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the 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 Board to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Board to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Baker Tilly (BVI) Limited

Chartered Accountants
Tortola, British Virgin Islands
9 July 2019

THE BVI TOURIST BOARD

Statement of Financial Position
At 31 December 2018
Expressed in U.S. Dollars

	Note	2018	2017
Assets			
Cash and cash equivalents		1,293,226	860,164
Government grants receivable		—	800,000
Accounts and other receivables		534,672	513,327
Property and equipment	4	437,679	401,267
Security deposits		31,742	116,304
Prepaid expenses		83,734	92,752
Total assets		$ 2,381,053	$ 2,783,814
Liabilities			
Accounts payable	5	380,854	560,117
Total liabilities		380,854	560,117
Net surplus		2,000,199	2,223,697
Total liabilities and net surplus		$ 2,381,053	$ 2,783,814

THE BVI TOURIST BOARD

Statement of Financial Performance
For the year ended 31 December 2018
Expressed in U.S. Dollars

	Note	2018	2017
Income			
Government grants		10,532,500	9,577,083
Foreign exchange gain		2,055	7,591
Other income		90,117	240,156
		10,624,672	9,824,830
Operating expenses			
Personnel costs and training	7	3,691,338	4,194,426
Marketing	8	2,070,358	1,459,621
Advertising and promotion	9	1,755,839	1,498,009
Travel and entertainment	10	1,047,075	584,349
Rent	14	355,435	500,976
Service contracts and repairs and maintenance		324,982	284,555
Other operating expenses		285,182	259,199
Office expenses		276,542	125,212
Telephone and utilities	11	272,106	271,335
Professional fees	6,12	212,169	99,737
Insurance	13	191,706	171,738
Depreciation	4	187,040	193,612
Programme fees		178,398	48,202
Bad debt expense		—	22,228
Total operating expenses		10,848,170	9,713,199
(Deficit)/surplus for the year		$ (223,498)	$ 111,631

THE BVI TOURIST BOARD

Statement of Changes in Net Surplus
For the year ended 31 December 2018
Expressed in U.S. Dollars

	2018	2017
Balance at beginning of year	2,223,697	2,112,066
(Deficit)/surplus for the year	(223,498)	111,631
Balance at end of year	$ 2,000,199	$ 2,223,697

THE BVI TOURIST BOARD

Statement of Cash Flows
For the year ended 31 December 2018
Expressed in U.S. Dollars

	2018	2017
Operating activities		
Grants and other income received	11,485,834	9,768,362
Advertising and marketing fees paid	(3,930,462)	(3,073,039)
Office expenses paid	(904,083)	(897,148)
Professional fees paid	(212,169)	(99,737)
Personnel costs paid	(3,757,318)	(4,245,069)
Other expenses paid	(2,027,343)	(1,387,475)
Cash flows from operating activities	654,459	65,894
Investing activities		
Purchase of fixed assets	(223,452)	(249,076)
Cash flows from investing activities	(223,452)	(249,076)
Net increase/(decrease) in cash and cash equivalents	431,007	(183,182)
Effect of exchange rate fluctuations on cash and cash equivalents	2,055	7,591
Cash and cash equivalents at beginning of year	860,164	1,035,755
Cash and cash equivalents at end of year	$ 1,293,226	$ 860,164

Cash and cash equivalents comprise cash at banks.

1. GENERAL INFORMATION

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

The financial statements were authorised for issue on 9 July 2019.

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

a) To promote, foster and develop the tourist trade of the Virgin Islands and to promote its efficiency; and

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRSs. The financial statements comply with IFRSs as issued by the International Accounting Standards Board.

b) Basis of preparation

The financial statements are prepared on the basis of historical costs and do not take into account increases in the market value of assets.

The financial statements and records of the Board are presented and maintained in U.S. Dollars, rounded to the nearest dollar.

The accounting policies have been applied consistently by the Board and are consistent with those used in the previous year, except for IFRS 9, "Financial Instruments: Classification and Measurement" ("IFRS 9"). See note 3 for an explanation of the impact.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

c) **Use of estimates**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

d) **Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, current deposits with banks and other short-term, highly liquid financial instruments with original maturities of three months or less that are readily convertible to known amounts of cash or are subject to an insignificant risk of changes in value, and bank overdrafts.

e) **Financial assets at amortised cost**

Financial assets at amortised cost comprise accounts and other receivables and security deposits. Financial assets are recognised initially at fair value plus transaction costs that are directly attributable to its acquisition. These financial assets are held for collection of contractual cash flows representing solely payments of principal and interest, if any, and therefore are measured subsequently at amortised cost using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of financial performance.

Regular way purchases and sales are recognised on the trade-date, the date on which the Board commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership.

From 1 January 2018, the Board applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

f) **Fixed assets**

Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is charged to the statement of financial performance on a straight line basis over the estimated useful lives of the fixed assets.

The annual rates of depreciation in use are as follows:

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

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

g) **Financial liabilities at amortised cost**

Financial liabilities are non-derivative contractual obligations to deliver cash or another financial asset to another entity and comprise accounts payable.

These financial liabilities are initially recognised at fair value on the date the Board becomes a party to the contractual provisions of an instrument and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the obligation specified in a contract is discharged, cancelled or expired.

h) **Accounting policies applied up to 31 December 2017**

The Board has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Board's previous accounting policy.

Until 31 December 2017, the Board classified its financial assets and financial liabilities at amortised cost as loans and receivables and financial liabilities, respectively.

The initial recognition, subsequent measurement and derecognition of these financial instruments did not change on adoption of IFRS 9.

i) **Net surplus**

Net surplus represents the cumulative balance of periodic net income/loss and prior period adjustments.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

j) **Income and expenditures**

Government grants are recognised as income when the Board's right to receive has been established. All other income is recognised in the statement of financial performance on the accrual basis.

All expenses are recognised in the statement of financial performance on the accrual basis.

k) **Service contracts**

Service contracts consist of agreements with vendors for recurring contracted charges for office maintenance, environmental and/or physical product enhancements and visitor intervention services.

l) **Programme fees**

Programme fees consist of incidental expenses associated with specific product programmes.

m) **Impairment**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

n) **Offsetting**

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

o) **Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Board as lessee are classified as operating leases. Payments under operating leases are recognised in the statement of financial performance on a straight-line basis over the term of the lease.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

p) **Provision for employee retirement plan**

The Board contributes to a defined contribution retirement plan. Obligations for contributions to the plan are recognised as an expense in the statement of financial performance as incurred. Further information is set out in notes 7 and 16.

q) **Foreign currencies**

Transactions in foreign currencies are converted at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. Dollars at the foreign currency exchange rate ruling at the reporting date.

Foreign currency exchange differences arising on conversion or translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of financial performance. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated at the foreign currency exchange rate ruling at the date of the transaction, or if impaired, at the date of the impairment recognition. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the foreign currency exchange rates ruling at the dates that the values were determined.

r) **Contingent liabilities**

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

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

Loss contingencies considered remote are generally not disclosed.

s) **Related parties**

Related parties are individuals and entities where the individual or entity has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

t) **Amended and newly issued accounting standards not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Board; however, IFRS 16, "Leases", effective for annual periods beginning on or after 1 January 2019, may result in additional disclosures to the financial statements upon implementation.

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Board applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The nature and the impact of IFRS 9 is described below:

IFRS 9, "Financial Instruments: Classification and Measurement"

The Board adopted IFRS 9 on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement and impairment. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

a) Classification and measurement

The Board has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9.
- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains and losses for financial liabilities designated at fair value through profit or loss attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability, including the effect of changes in credit risk, should be presented in profit or loss. The Board has not designated financial liabilities at fair value through profit or loss. Therefore, this requirement has not had an impact on the Board.

Expressed in U.S. Dollars

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** (Cont'd)

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

b) Impairment

IFRS 9 requires the Board to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the Board to credit risk, this amendment has not had a material impact on the financial statements. The Board holds accounts and other receivables, with no financing component and maturities of less than 12 months, and security deposits at amortised cost. Therefore, it has adopted an approach similar to the simplified approach to expected credit losses.

Impact of adoption of IFRS 9

The adoption of IFRS 9 did not result in any adjustment in the Board's financial instruments as at 31 December 2017. The financial instruments as at 31 December 2017 are presented and measured under IAS 39.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Board's financial assets and financial liabilities as at 1 January 2018:

Financial assets	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
Government grants receivable	Loans and receivables	800,000	Amortised cost	800,000
Accounts and other receivables	Loans and receivables	513,327	Amortised cost	513,327
Security deposits	Loans and receivables	116,304	Amortised cost	116,304

Financial liabilities	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
Accounts payable	Financial liabilities	560,117	Amortised cost	560,117

In line with the characteristics of the Board's financial instruments as well as its approach to their management, the Board neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Board's financial instruments due to changes in measurement categories. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transition to IFRS 9.

Expressed in U.S. Dollars

4. PROPERTY AND EQUIPMENT

	Computer equipment	Office equipment	Furniture and fixtures	Motor vehicles	Total
Cost					
At 31 December 2017	1,063,227	371,072	399,028	168,865	2,002,192
Additions	137,715	7,837	3,191	74,709	223,452
Disposals	—	—	—	(54,800)	(54,800)
At 31 December 2018	1,200,942	378,909	402,219	188,774	2,170,844
Accumulated depreciation					
At 31 December 2017	823,392	330,158	278,510	168,865	1,600,925
Charge for the year	144,370	27,761	7,462	7,447	187,040
Disposals	—	—	—	(54,800)	(54,800)
At 31 December 2018	967,762	357,919	285,972	121,512	1,733,165
Net book value					
At 31 December 2018	$ 233,180	$ 20,990	$ 116,247	$ 67,262	$ 437,679
At 31 December 2017	$ 239,835	$ 40,914	$ 120,518	$ —	$ 401,267

5. ACCOUNTS PAYABLE

	2018	2017
Trade payables	284,654	397,669
Payroll accruals	96,200	162,448
	$380,854	$560,117

6. RELATED PARTY TRANSACTIONS

The Chairman and Board members received a stipend during the year which totaled $86,785 (2017: $39,418). During the year, expenses totaling $215,546 (2017: $122,834) were paid to entities related to the Board through Board members. In the prior year, $15,200 was paid to Board members relating to marketing, travel and entertainment and sponsorship fees.

Expressed in U.S. Dollars

7. PERSONNEL COSTS AND TRAINING

	2018	2017
Wages and salaries	3,179,663	3,712,013
Pension contributions (see note 16)	129,637	157,309
Employer's payroll tax	136,695	157,817
Employer's social security contributions	87,365	93,170
Training	157,978	74,117
	$3,691,338	$4,194,426

The average number of employees during the year was 56 (2017: 63).

8. MARKETING

	2018	2017
General marketing expenses	889,661	790,759
Publicity and promotions	344,586	148,142
Sponsorship	484,114	327,201
Trade shows	293,146	145,697
Website and product development	986	5,946
Familiarisation and press trips	57,865	41,876
	$2,070,358	$1,459,621

9. ADVERTISING AND PROMOTION

	2018	2017
Magazine and newspaper	959,518	934,700
Radio and television	14,599	20,775
Design and printing	26,296	34,043
Public relations	454,180	350,753
Online and digital	286,095	144,878
General expenses	15,151	12,860
	$1,755,839	$1,498,009

10. TRAVEL AND ENTERTAINMENT

	2018	2017
Meals and entertainment	152,436	56,202
Transportation, travel and accommodation	894,639	528,147
	$1,047,075	$584,349

Expressed in U.S. Dollars

11. TELEPHONE AND UTILITIES

	2018	2017
Telefax	119,465	135,717
Cellphones	119,812	93,598
Water	3,591	2,819
Electricity	29,238	39,201
	$272,106	$271,335

12. PROFESSIONAL FEES

	2018	2017
Consultancy fees	8,098	3,784
Accounting fees	17,109	20,490
IT system fees	63,473	1,320
Legal fees	36,704	34,725
Board members' compensation	86,785	39,418
	$212,169	$99,737

13. INSURANCE

	2018	2017
Life	24,021	—
Auto	16,314	9,419
Office	6,535	8,887
Medical/National Health Insurance	144,836	153,432
	$191,706	$171,738

14. LEASE COMMITMENTS

The Board leases its office premises and storage space under various lease agreements. Future minimum lease payments under non-cancellable operating leases at 31 December 2018 are as follows:

	2018	2017
Within one year	152,640	439,431
Between one and five years	3,000	165,749
	$155,640	$605,180

Operating lease expense for the year totaled $355,435 (2017: $500,976).

15. TAXATION

There is no mainstream taxation of income or profits in the Territory. Effective 1 January 2005, the Government of the British Virgin Islands, by virtue of the introduction of the Payroll Taxes Act, 2004, which reduced the rate of income tax to zero, effectively abolished both personal and corporate income tax in the Territory. Further, beginning 1 January 2005, the Board became subject to payroll tax equating to 6% of all salaries, wages and benefits paid to employees.

16. RETIREMENT PLAN

The Board contributes to a defined contribution savings and retirement plan. The plan provides for a Board contribution of 5% of the gross pay for employees and management subject to varying qualifying periods of service.

The Board made contributions of $129,637 (2017: $157,309) during the year.

17. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

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

The Board has exposure to a variety of financial risks that are associated with these financial instruments. The most important types of financial risk to which the Board is exposed are market risk, credit risk and liquidity risk.

The Board's overall risk management program is established to identify and analyse this risk, to set appropriate risk limits and controls, and to monitor risks and adherence to limits in an effort to minimise potential adverse effects on the Board's financial performance.

a) Market risk

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

The Board's market risk is managed on an ongoing basis by the Board in accordance with policies and procedures in place.

Currency risk

The Board may invest in financial instruments and enter into transactions denominated in currencies other than its measurement currency. Consequently, the Board is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Board's assets or liabilities denominated in currencies other than the U.S. Dollar.

A sensitivity analysis was performed with respect to the financial instruments with exposure to fluctuations in foreign currency exchange rates and management noted that there would be no material effect on the net assets of the Board.

Expressed in U.S. Dollars

17. **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (Cont'd)

b) **Credit risk**

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

As at 31 December 2018, the Board's financial assets exposed to credit risk amounted to the following:

	2018	2017
Cash and cash equivalents	1,293,226	860,164
Government grants receivable	—	800,000
Accounts and other receivable	534,672	513,327
Security deposits	31,742	116,304
	$1,859,640	$2,289,795

i) Risk management

The extent of the Board's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Board's statement of financial position.

The Board's cash and cash equivalents are held by multiple banks and are exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but management does not expect any significant counterparty to fail to meet their obligations.

The Board's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

ii) Impairment of financial assets

The Board applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts and other receivables. However, as the Board's receivables are considered to have low credit risk or have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term, the Board assessed that the identified impairment loss, if any, has no material impact on the net surplus of the Board.

While cash and cash equivalents and security deposits are also subject to the impairment requirements of IFRS 9, the identified potential impairment loss was immaterial.

17. **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (Cont'd)

b) **Credit risk** (Cont'd)

*iii) **Previous accounting policy for impairment of trade receivables***

Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The Board considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor would enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

c) **Liquidity risk**

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Board's reputation. Typically the Board ensures that it has sufficient cash on demand to meet expected operational expenses for a period of sixty days.

18. **FAIR VALUE INFORMATION**

The carrying values of all financial assets and liabilities, except security deposits, approximate their fair values due to the relatively short periods to maturity of these financial instruments. The carrying value of the security deposit approximates its fair value as it is initially recognised at fair value.

19. **CAPITAL RISK MANAGEMENT**

The Board's primary objective of capital management is to ensure that it will be able to continue as a going concern while performing the duties as set out in note 1.

The main consideration is the adequacy of cash such that:

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

The Board is not subject to regulatory imposed capital requirements.

20. **COMPARATIVE INFORMATION**

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