British Virgin Islands

2008

Electricity Corporation

Annual Report

British Virgin Islands

2008

Electricity Corporation

Annual Report

TABLE OF CONTENTS

CORPORATE STATEMENT

The British Virgin Islands Electricity Corporation Ordinance No. 7 of 1978 was legislated in 1978 to provide for the establishment of a Statutory Corporation to be known as the British Virgin Islands Electricity Corporation. This Ordinance came into effect in January of 1979.

The major functions of the Corporation are the generation, transmission, distribution, supply and sale of electricity throughout the British Virgin Islands.

The Corporation is made up of a Chairman, four ordinary members and two Ex-officio members all appointed by Executive Council.

The main goal and objective of the British Virgin Islands Electricity Corporation are to provide the best possible service to its customers and to aid in the development of the Territory's electrical infrastructure by adequately supplying a reliable and continuous electrical supply to the entire British Virgin Islands’ population at an affordable cost.

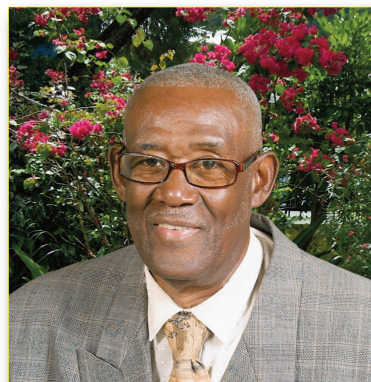
BOARD MEMBERS

Chairman; *Mrs. Margaret A. Penn,* CPA was appointed to the Corporation September 1, 2008 for a period of three years. Mrs. Penn is a self employed businesswoman.

Vice Chairman; *Mr. Frederick Creque,* was appointed on September 1, 2008 for a period of three years. Mr. Creque is a retired Civil Servant and previously held the position of Ag. Permanent Secretary in the Ministry of Communication and Works.

Member; *Mr. Ira O. Skelton* was appointed to the Corporation on September 1, 2008 for a period of four years. Mr. Skelton is retired from the Corporation after holding the position of Ag. Distribution Superintendent within the Transmission and Distribution Department. He is now a self-employed businessman.

Member; *Ms. Pearl Smith,* was appointed to the Corporation on September 1, 2008 for a period of three years. She is retired from the Corporation after holding the position of Corporate Secretary/Personnel Administrator.



Member; *John Rhymer,* was appointed to the Corporation on October 1, 2008 for a period of four years. He is a self-employed businessman

Ex-Officio Member; *Mr. Leroy Abraham* was appointed Ex-Officio Member since September 1, 2000 and was confirmed as General Manager on September 1, 2004.

Member; *Mr. Norbert E. Oneal ,* was appointed to the Corporation on October 1, 2008 for a period of three years. He is now a self-employed businessman.

Ex-Officio Member; *Mr. Gary Penn,* Deputy Secretary of Ministry of Communications and Works.

SENIOR MANAGEMENT

General Manager
Mr. Leroy A.E. Abraham,
B.Sc.EE, C. Eng, MIEE

Human Resource Manager
Mrs. Tamara George-Barry
B.Sc, M.P.A, M.H.A.

IT Manager
Mr. Kelvin Eubanks
B.S, M.S. Digital Technology

Deputy HR Manager
Mrs. Shonda Cameron
B.A. Business Admin

Transmission & Distribution Engineer
Mr. Henry Creque
B.EE (Hons), MIEEE.

Financial Controller
Mrs. Carmen A. Sully
B.A. Acct, A.A. Management, ACCA

JUNIOR MANAGEMENT

Accountant
Miss. Cleo Christian,
A.S. Accounting, B.S. Accounting

Vehicle Maintenance Supervisor
Mr. Damian Creque
B.S. (Hon) Automotive Technology

Systems Analyst
Miss Roxanne Isaacs
B.S. Management Information Systems

Engineer
Miss Symorne Penn
B. Eng Electrical Engneering (Hon)

Engineer
Mr. Ottley Rymer
B.S. Electrical Engineering

Engineer
Mr. Chaswell Varlack
B.S. Mechanical Engineering Technology

Accountant
Mr Kenrick Grant
B.S. Accounting and Finance Management

Inventory Management Unit Supervisor
Mr. Allan Skelton
B.B.A., M.B.A

Head Office, Bankers, Solicitors and Auditors

HEAD OFFICE
Long Bush, Tortola | British Virgin Islands | Mailing Address:P.O. Box 268 | Road Town, Tortola VG 1110 B.V.I | Tel: 284-494-3911 | Fax: 284-494-4291 | Email:bviecgm@bvielectricity.com

BANKERS
First Caribbean International Bank
Road Town,
Tortola, B.V.I.

Barclays Banks PLC
Old Broad Street Branch
London, England

Scotia Bank (BVI) Limited
Road Town
Tortola, B.V.I

First Bank VI
Road Town,
Tortola B.V.I.

Banco Popular de Puerto Rico
Road Town
Tortola, B.V.I.

Development Bank
of the Virgin Islands
Road Town
Tortola, B.V.I.

SOLICITORS
O'Neal Webster
Simmonds Building
Wickham's Cay 1,
Road Town,
Tortola, B.V.I.

AUDITORS
Principal:
Chief Auditor
Audit Department
B.V.I Government

Contracted:
BDO
Sea Meadow House,
P.O. Box 34,
Tobacco Wharf,
Road Town,
Tortola, B.V.I.

EXECUTIVE SUMMARY

Operating Revenues

At the end of the year in review, the Corporation realized operating revenue of $57.69 million compared to $47.89 million for the previous year. Revenue from electricity sales increased to $57.43 million which was 21.80% over 2007 ($47.15 million). During the year 79% of the revenue from the sale of electricity came from Tortola, 16% came from Virgin Gorda, 2% came from the other islands and 3% came from Streetlights.

Domestic customers contributed 35% of the revenue, commercial customers 55%, industrial customers 7% and streetlighting 3%.

Operating Expenses

Operating expenses, which were 107.6% of total revenue included depreciation expenses of $4.74 million. Overall, operating expenses increased from $43.43 million in 2007 to $62.06 million in 2008 i.e. an increase of 42.90%. Fuel cost of $38.34 million, which was the single largest expense, increased from $26.68 million in 2007.

During the preparation of the 2008 budget, sales were projected to increase approximately 5.2% over the previous year's sales. This assumption was made in light of the previous year's growth, the projection from BVIEC's Power Development Study 2003-2013 and the economic outlook for the British Virgin Islands for the year 2008.

The above revenue and operating expenses resulted in an operating loss of $4.37 million compared to an operating profit of $4.46 million in 2007.

Capital Expenditures

For the year in review, the Corporation spent 3.30 million dollars on capital additions. Details as follows: 3.76% was spent on Generating Plant and equipment, 64.09% on the Transmission and Distribution Systems, 2.14% on motor vehicles, 4.57% on furniture, 7.35% on computing equipment and 18.10% on Land and Building.

Other Income and Expenses

Finance charges increased by 39.16% mainly due to additional financing acquired to complete the Phase IV Development Project.

In 2008, there was an unrealized foreign exchange loss of $28,377 compared with a gain of $74,280 in 2007.

The islands which were within the Corporation's area of service during 2008 were:

1. Tortola
2. Beef Island
3. Frenchman's Cay
4. Virgin Gorda
5. Great Camanoe
6. Jost Van Dyke
7. Marina Cay
8. Little Thatch
9. Scrub Island
10. Saba Rock
11. Buck Island
12. Anegada

The electrical demands of the first eleven (11) islands were met from the power stations on the island of Tortola, at Long Bush and Pockwood Pond. The electrical demand of the 12th Island - Anegada, was met by a small power station at that location with an installed capacity of 1330 KW.

Operations

During the preparation of the 2008 budget, the Corporation projected an increase of 5.2% in the sale of electricity over the preceding year's budget. The actual units sold were 156.1 million units; 5.57% less than the projected value of 165.3 million units, revenue collected from unit sales was 9.39% less than the value projected.

During 2008, sales increased by 0.6 million units, an increase of 0.39% over 2007 and units generated increased by 0.65 million units, an increase of 0.36% over 2007.

Fuel usage in 2008 increased slightly over 2007 by approximately 0.43 million gallons. The total cost of fuel however increased significantly to $38.34 million in 2008 compared with $26.68 million in 2007, an increase of 43.70% or $11.66 million, mainly due to continuing global increases in crude oil prices and subsequent petroleum products.

During 2008 an additional 436 customers were added to the Distribution Network bringing the total number of customers on the system at December 31, 2008, to 14,376. The revenue per unit metered decreased 34.8% from 2007 and the cost per unit metered increased 31.6%.

FINANCIAL PROFILE

SUMMARY OF UNITS SOLD & REVENUE BY CUSTOMER GROUPING 2008

Customer Type	Units Sold kwh	No. Of Customers	Sales ($1000)
Domestic	**52,414,603**	**12,364**	**$20,068,686.01**
Commercial	88,121,887	1,958	$31,917,580.44
Industrial	**11,801,408**	**53**	**$3,951,287.20**
Streetlighting	3,761,960	1	$1,592,581.20
Total	**156,099,858**	**14,376**	**$57,530,134.85**

Sales increased by approximately 21.80% from 47.15 million in 2007 to 57.43 million in 2008. The Units sold and number of customers also increased by 0.39% (0.6 million units) and 3.13% (436 costomers) respectively.

Goals For The Future

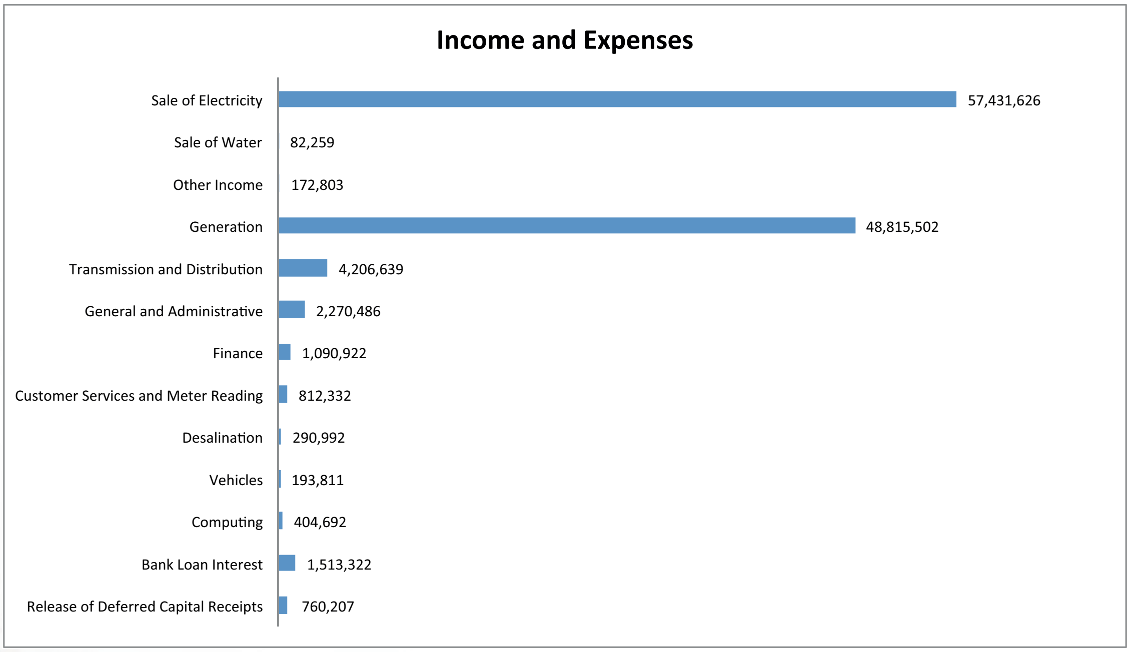
To increase initiatives to collect all accounts receivables within the standard thirty (30) days period and intensify efforts to collect all overdue accounts;

To enhance procedures and controls of the accounts payables operations to ensure complete, accurate and timely payment to our Suppliers;

To provide necessary training and development to employees of Finance Department, to fully equip and motivate staff towards Excellent Standards Of Performance.

To continue to work with other departments to improve the quality of service to external as well as internal customers.

Finance



AREAS OF SERVICE AND OPERATIONS

SALES BY ISLANDS ($1000) 2004 - 2008

ISLANDS	2004	2005	2006	2007	2008
Tortola	**$24,926.00**	**$31,401.00**	**$35,335.00**	**$36,875,202.33**	**$45,433,652.53**
Virgin Gorda	$5,368.00	$6,570.00	$7,291.00	$7,628,532.01	$9,308,595.69
Anegada	$226.00	$262.00	$327.00	$344,864.90	$437,213.06
JostVan Dyke	$258.00	$328.00	$383.00	$411,384.08	$499,650.14
Camanoe	$153.00	$169.00	$184.00	$209,058.79	$258,442.23
Streetlighting	$1,121.00	$1,256.00	$1,337.00	$1,335,007.30	$1,592,581.20
TOTAL	**$32,052.00**	**$39,986.00**	**$44,857.00**	**$46,804,049.41**	**$57,530,134.85**

BVIEC IT 2008

At the end of the third quarter of 2005, functional responsibility for the operation and maintenance of the computer technology equipment of the Corporation was assigned to the Information Technology Department under new head Kelvin Eubanks. Upon the formation the delineation and establishment of the various job duties within that Department in conjunction with the Human Resources Initiative in 2006 was performed. Job descriptions for the Systems Analyst, Systems Administrator, Systems Developer, Information Systems Officer and Information Systems Clerk as members of the Computer Department were developed.

The Year 2007 was the first full operational year of the Department with an entirely new staff complement. The members developed a Department mission; "To implement information systems which will support improvements in the Corporation's business processes, management and decision-making". This report includes the main events of the year 2008 with some reference to the previous two years of 2007 and 2006.

In order to facilitate an improvement in the delivery of customer service, such as electric bill payments via the internet among other new features, the IT Department conducted an upgrade of the Public Utilities Billing System (PUBS) Software Application in 2007 assisted by the Harris support consultants. In October 2008 the upgrade was extended with the format change of the BVIEC's electric utility bill. The project involved software modifications to change the bill to a layout that was deemed simpler to read and understand.

The most striking feature of the new bill included a graph of monthly consumption on the customer account highlighting comparison of usage on a month to month basis over a one year period. A public awareness campaign on the new bill format was launched by the BVIEC with the support of the Government Information Service (GIS) as a part of the project. New hardware equipment was also procured which included a Bill Folding and Inserting machine along with bill printers. This project was a resounding success as the customers expressed acceptance and appreciation of the new bill and its features. The BVIEC also hoped to extend many of the benefits of the pending Advanced Metering Initiative Project to the BVIEC's customers through the system.

By April 2008 the IT Department had completed the Business Process Re-engineering of the Service Installation Process. As a result of the new initiative, the BVIEC was able to track expenses related to new Electrical Service Installations, a capability that it was unable to perform in the past. As a part of the project, the UltraSys Work Order Management System (WOMS) was upgraded in 2007 and the existing business processes were re-engineered, remapped and updated to align with the workflow operation of the UltraSys WOMS. UltraSys employee pay rates were also updated to reflect a more accurate picture of the cost of employees performing the jobs. The project was a successful collaboration between the three Departments, IT Finance and Distribution. This was a relevant and effective initiative conducted on the request of the General Manager which directly affected the Corporation's bottom-line.

By early 2008 the Supervisory Control and Data Acquisition Systems (SCADA) monitoring system for Engines 3 and 4 and Diesel Engines #7 and #8 were upgraded and installed respectively. The new systems were similar and consisted of new Personal Computers, new communications through Ethernet instead of serial and new Programmable Logic Controller (PLC) Systems for the engines. The Computer Department was charged with the responsibility of providing first level support for the maintenance of these systems. Imtech-Vonk (IV), sub-contractors to Wartsila spent most of the early part of the year resolving several issues with the system. A faulty UPS system was identified as one of the causes of numerous intermittent problems which had been occurring on the SCADA Systems since the previous year. The problems were serious enough to cause intermittent shutdowns of the engines. A re-programming exercise of the PLC systems had to be performed along with the replacement of the faulty UPS system. The effort, executed by Imtech-Vonk was closely supported by the IT Department who also received unofficial instructions on how to perform certain minor maintenance tasks.

In May a work-order management software application named MAMA2i was installed for use by the members of the Generation Department and the Stores in Pockwood Pond. The software is a Wartsila-built proprietary application which is intended to support the efficient maintenance management of the Wartsila Diesel Engines. The system was installed on a server PC with the client portion installed on the end-users' PCs. The stock items catalogue was updated to match the items in the actual HFINS inventory, a separate system. Administrative training was delivered to the IT Department by the Wartsila system developers.

An ongoing concern of the Corporation was the lack of an efficient, error-free method of data capture and recording of customer meter readings for billing purposes. The existing manual method involved visiting each customer premise to read the meter and then key-punching the read data into the billing system at the main office. These procedures were not only error-prone but time-consuming as well. In late 2005, a team consisting of T&D Engineer (Henry Creque), the deputy Financial Controller (Kevin Richards) and the Information Technology Manager (Kelvin Eubanks) was charged by the General Manager to find a solution to the problem. After reviews of the capabilities and offerings of different industry solutions, it was decided that an Advanced Metering Initiative would be embarked upon. This system would consist of electronic meters with carrying embedded computer chips (smart meters), communication management equipment at the substations (SCE) and computer server systems and software at the main office. Such a system would communicate over the existing power lines directly to the consumer's smart meter, automatically reading the meter (AMR), reducing or eliminating the need for the manual reading process.

It would provide the Corporation with an advanced, efficient, error-free data capture methodology along with other new technologies in the international utilities sector. By 2008, the AMR vendor Aclara was already selected and the BVIEC set about installing the system. The AMR Server systems were installed and configured in 2008 along with the first Substation Communication Equipment (SCE) in Pockwood Pond. Aclara provided setup and training support to the Corporation. To complete the automatic electronic data transfer process between the AMI system and the billing system, the plan included a data transfer interface programme that would be configured onto the systems in the coming year.

In 2008 the Department would continue with the BVIEC Network Infrastructure Upgrade project by linking all substations and remote offices to the BVIEC Wide Area Network (WAN). This made all BVIEC locations accessible via computerised network to the Head Office in Long Bush. The main mechanism supporting the BVIEC WAN was managed by the Information Systems Unit of the Government who had embarked upon the construction of a territory-wide wireless wide area network (WWAN) to connect its offices and departments. The BVIEC would 'piggyback' on this network to provide connectivity to its offices and substations in Pockwood Pond, Virgin Gorda and East End. The stability of the new network however was unreliable and it was easily affected by a hurricane or other strong weather. A fibre-optic link between the power station and the stores building in Pockwood Pond was already laid in 2006 and was extended to include the SCE for the AMR. The East End and Virgin Gorda substations were also linked using a pre-existing subsea fibre-optic cable that was laid some years before with the power line linking Virgin Gorda to Tortola to also support AMR requirements. Links to Anegada and Jost Van Dyke were intermittent as the ISU experienced a number of issues with the network configuration on the two islands. DSL Modems were installed providing direct internet access in some areas such as Pockwood Pond, East End cashier's office and substation and Virgin Gorda to try to relieve the instability of the WWAN.

The network security systems were upgraded to protect against viruses, trojans and other forms of malicious software. Symantec Endpoint Protection Virus Management, a central virus scanning administration system was installed onto the BVIEC computer network. Individual virus programmes were installed on all PCs with included firewall and e-mail scanning elements.

The Corporation lost the use of three servers that were damaged by power surges due to restoration efforts after the passing of hurricane Omar in September. The IT Department redesigned the systems and created workarounds to account for the immediate loss of the servers which were eventually replaced. Throughout the year a number of new PCs were installed in the Finance, Human Resources and Distribution Departments. Some of the installations included those for the Vehicle Mechanics Supervisor - a newly employed engineer in Pockwood Pond, a stores clerk and new customer service PCs.

In 2008 the Corporation was already using its own in-house e-mail system. E-mail names were changed to a firstname.lastname@bvielectricity.com format. The existence of an in-house mail system encouraged more employees to use e-mail for correspondence as the Department Heads were fully online and already were assigned new e-mail addresses. Blackberry Enterprise server was also installed for sending the Corporation's e-mail to the assigned blackberry devices regardless of where in the world the user was located.

The proposed BVIEC Information Technology Policy Document was submitted to the General Manager to garner approval.

Some of the initiatives of the Computer Department that were planned for 2009 include;

1. Installing the AMI interface and bill customers using data from the AMR system.

2. Developing a Backup and Disaster recovery plan for the Corporation's IT systems.

3. Initiating Financial Systems Upgrade.

4. Upgrading the BVIEC Core Network Infrastructure and complete the network extensions to the remaining remote locations.

5.Upgrading hardware systems including PCs, printers and servers.

6. Install Modern UPS systems in the Server Center.

TRANSMISSION AND DISTRIBUTION

The narrative for the Department, the Corporation and the Territory continued similarly for the first three quarters of 2008. Consistency of supply had significantly improved over recent years with the installation of more reliable generating units at the Pockwood Pond Power Plant, and the price of oil, and correspondingly diesel fuel and local electricity prices continued their steady escalation.

By the third quarter of the year oil prices approached $150 per barrel, and BVIEC's fuel surcharge rate reached a record high of $0.20567 per unit. The price of equipment required to operate the system also continued to rise with worldwide commodity prices. In September however, the Financial Crisis struck which resulted in a downturn in most price levels, most notably oil, diesel fuel and later copper products.

During the course of 2008, the Department performed the following projects:

1 The Advanced Metering Infrastructure project progressed with the meter installations continuing, and the first substation at Pockwood Pond being commissioned.

2 The Wickham's Cay Feeder Relocation Project was completed which more than doubled the capacity of electrical power available to the Territory's commercial and financial district, and relocated underground all electrical services in the corresponding areas.

3 The Department continued to realize an improvement in the failure rates of medium voltage switch gear in the field due to initiatives to use newer technology equipment and more updated jointing methods, plus the covering of strategic switchgear around the territory.

4 Upgrading and Maintenance of the cooling systems on the key interconnector transformers at Pockwood Pond and Long Bush Power Stations.

5 The installion of a submarine cable from Carato Bay to Biras Creek for the Oil Nut Bay Development

6 The relocation of HV lines underground in the following areas:
- Frenchman's Cay (Spur)
- Mango Bay, Virgin Gorda (Mainline)
- Little Bay Lambert (Spur)

7 The relocation of sections of the HV mainline to more accessible locations in the following areas:
- Belmont Estate
- West End
- Apple Bay

8 The introduction of a new standard of earthing sets that would maintain the same level of safety to the linesman while making them more convenient to install and remove.

9 An initiative to continue locking the Corporation's meters was relaunched in order to help minimize energy theft and meter tampering

The Territory was also impacted by the passage of Hurricane Omar in October of 2008.

Some of the objectives the Department planned to accomplish in 2009 were:

• To upgrade the overhead lines from 0.025 to 0.1 from Fanny Hill to Gun Creek.

• To drop all overhead lines form the Basket Ball Court to the former Lord Nelson Feeder in Virgin Gorda.

• To change over H-Pole located at Savannah Bay, Virgin Gorda.

• To change all deteriorating poles and mainline hardware located at Windy Hill, Virgin Gorda.

• To complete the necessary changeovers from rotten poles in Anegada.

• To replace all rotten crossarms in the area of Flash Of Beauty in Anegada.

• To complete High Voltage changeover on Ridge Feeder in Belle Vue.

• To relocate the present Pockwood Pond West Feeder to accommodate the required Power Station extension.

• To complete the Waterfront Drive Streetlight installation and remove all wooden poles.

• To ensure that the Transmission network repairs are completed at all the various 34.5kv Substations with the exception of IBT2 at Long Swamp Substation.

• To complete the installation of substation equipment necessary to facilitate the AMI System at Long Bush Power Station and Fishers Cove Substation.

• To diagnose the problem on the Hawks Nest cable.

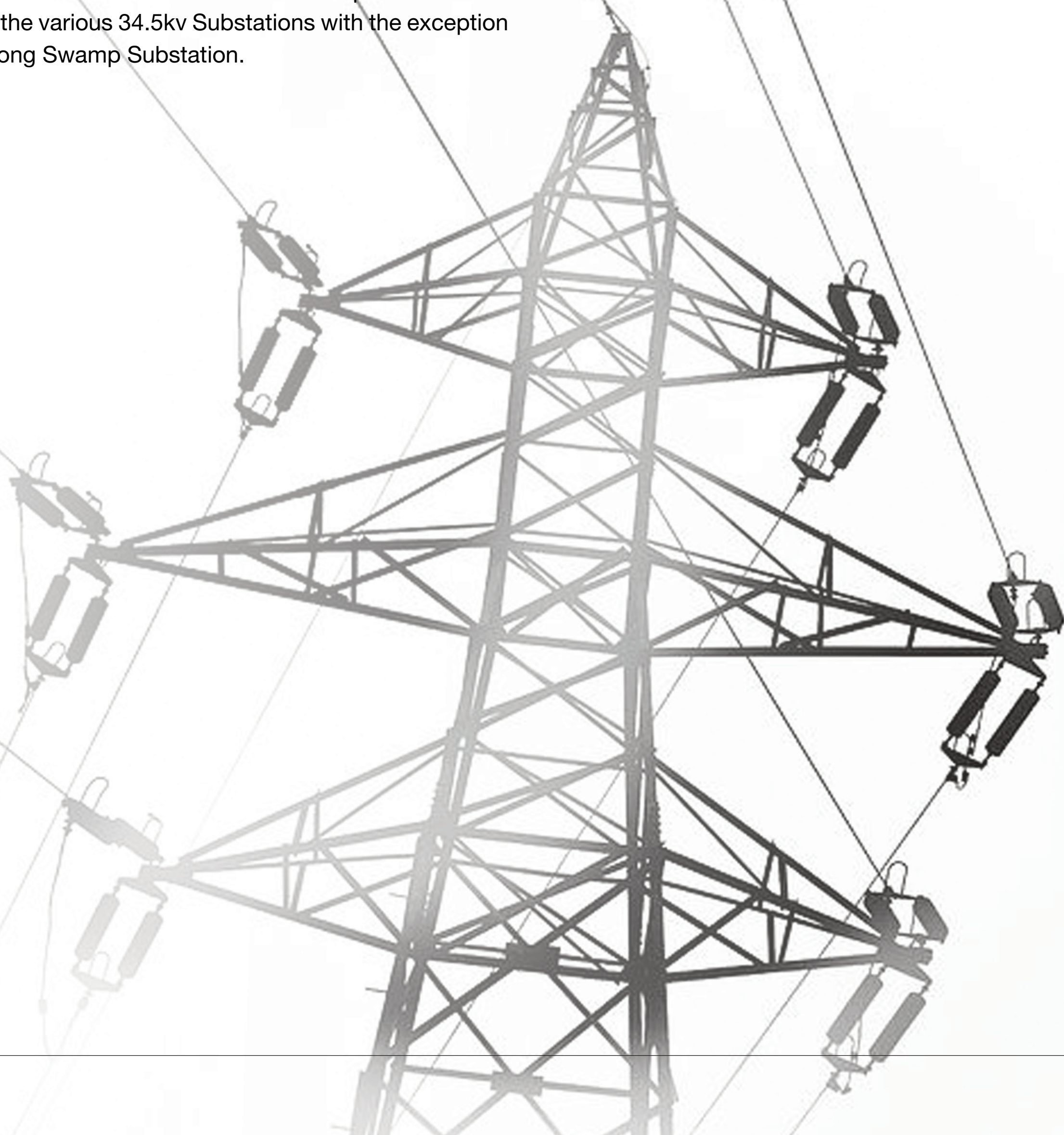
• To install the new High Voltage Mainline from Balsam Ghut to Hawks Nest.

• To complete the High Voltage line relocation between Pond Bay and Mahoe Bay in Virgin Gorda.

• To repair and reinstate Little Dix Bay Feeder in Virgin Gorda

• To identify the landing points of the Submarine Cable to be run from Gun Creek to Biras Creek and to ascertain the lengths of cable currently in Stores.

• To construct the Ridge/Spare Road Town Feeder Link between Long Trench and Johnson Ghut hill.

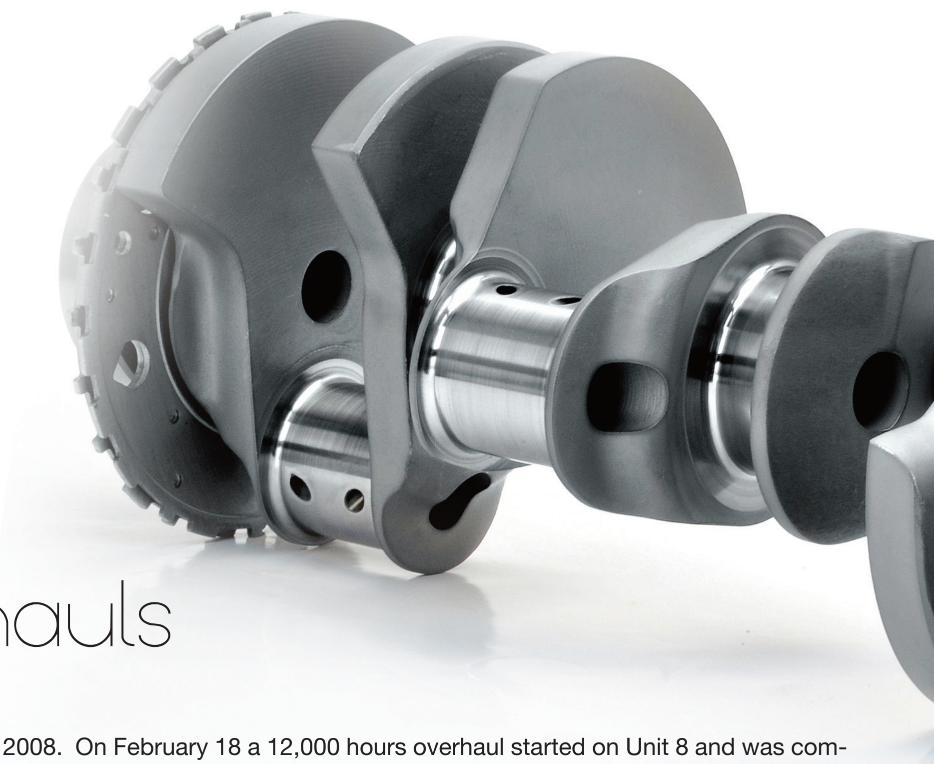


Major Assets of Generation Department for 2008

The number of employees in Generation in 2008 was forty six (46).

In 2008 the Corporation operated three power stations: Pock Wood Pond and Long Bush on Tortola, and one on Anegada. The number of Generating sets in Generation in 2008 was eight (8) at the Pock Wood Pond station, four (4) at the Long Bush station and 5 on Anegada. Two new Caterpillar sets were added in 2008 to the Anegada station.

The installed capacity of the Corporation was 54,775 kW. The maximum demand for the year was 29,510 kw which represented 53.88% of installed capacity. There was a total of 18,008,079 units generated in 2008, an increase of 646,538 units or 0.36 % of total units generated in 2007.



Major Overhauls

There were four major overhauls carried out in 2008. On February 18 a 12,000 hours overhaul started on Unit 8 and was completed on March 4. On March 10, Unit 7 started its 12,000 hours overhaul which was completed in April. On April 29, Unit 4 started its 2400 hours overhaul. It was completed on July 30. During the re-commissioning of this set the No. 1 cylinder sustained a piston seizure. This event accounted for the long overhaul time. Work was carried out by a service team from Wartsila.

On September 17, Unit 3 started its 24,000 hrs overhaul and was re-commissioned on December 19. During the overhaul, some water spots were found on the crank shaft. This finding created some concern. As a result an engineer was contracted to carry out necessary inspection and repairs. The inspection accounted for the long overhaul time. During this extended time, on December 11, the number 8 set sustained a turbo failure which resulted in load shedding for a period of time because the reserve engine was also undergoing an overhaul. The system was somewhat stabilised with the return of number three set in December 2008 just before the Christmas season. All four overhauls were carried out by a Wartsila service team.

Breakdowns

In addition to the overhauls there were major break downs which occurred at the Long Bush Station. The number 10 set had a crank shaft failure in 2007 but the repairs were done in 2008; a crankshaft from a retired unit at Long Bush Unit 8 was used. The No. 11 set at the Long Bush Station had an alternator failure in December.

On November 1, 2008, No. 8 set at the Pock Wood Pond station had a failure on the number one cylinder head. An exhaust valve burst causing extensive damage to the cylinder. Pieces from the cylinder entered the turbo, damaging the turbo charger turbine.

Other Major Projects

Other major projects included the following

- The installation of new building ventilation fans and repairs of old ones and motors.
- All fuel bulk storage tanks were cleaned and minor repairs were carried out on them.
- Major work was done to the sea water intake line. An area of it was removed and new pieces were fitted.
- On the fire protection system, new flame and smoke detectors were installed and some old ones repaired.
- Some improvements to the safety system were made.
- There were five turbo charger services, on units 6, 4, 5, 8 and 3, in 2008.
- There was a total of 8,027,620 gallons of water desalinated in 2008. 1,545,670 gallons were used in-house and 5,410,300 gallons were sold. 268,200 gallons were used for the Boiler and 119,600 gallons were sold to Tortola Concrete.

April 1, 2008 saw the commencement of Wartsila Advisory Agreement. The Maintenance Management System (MAMA2) was implemented in the Generation Department. At the end of 2008 the system was still being used for the day-to-day operation and maintenance schedules of the plant.

HUMAN RESOURCE AND ADMINISTRATION

EMPLOYEES

At the end of 2008 there was a total of 171 employees on the Corporation's payroll.

Employees by Departments 2005 – 2008

Department	2005	2006	2007	2008
Human Resource	10	11	8	8
Finance	41	38	38	43
Transmission & Distribution	45	45	46	48
Generation	71	74	69	68
Information Technology	4	4	4	4
Total	**171**	**172**	**165**	**171**

ON-THE-JOB TRAINING

Two students from the Elmore Stoutt High School were given the opportunity to receive on the job training at the Corporation during 2008. They were assigned as follows:

1. Adrian Corrington – Finance Department
2. Morris Wattley – Finance Department

One student from the Bregado Flax Educational Centre was given the opportunity to receive on the job training at the Corporation during 2008. He was assigned as follows:

1. Kirk O'Neal – Transmission and Distribution Department (VG)

SUMMER EMPLOYEES

Nine students were employed by the Corporation during 2008. They were assigned as follows:

1. Tyneshia Scatliffe - Finance Department
2. **Kaiana Demming - Finance Department**
3. Glenda Allen - Finance Department
4. **Ariel Ahmed Sattaur - Transmission and Distribution Department**
5. Khamal Bertie - Transmission and Distribution Department
6. **Lordon Hamlet - Transmission and Distribution Department**
7. Deane Fonseca - Transmission and Distribution Department
8. **Hector Cruz Jr. - Information Technology Department**
9. Cedric King - Information Technology Department

TRAINING

Training was given in the following areas:

Department	Courses	Venue	Number of Employees
Transmission & Distribution:	Tree Pruning Workshop	Training Division Conference Room	8
	Administrative Professional Luncheon	**Maria's By The Sea**	**1**
	Specialty Training Automatic Transmissions	Nibbs Auto Sales, Tortola	4
	Fire Safety Training	**Long Bush, Tortola**	**31**
	Cable Jointing Training	T & D Training Room	5
Generation:	**Administrative Professional Luncheon**	**Maria's by the Sea, Tortola**	**1**
	Fire Safety Training	Pockwood Pond, Tortola	43
	Alfa Laval Separator Training	**Pockwood Pond, Tortola**	**10**
Finance:	Harris South East User Group Meeting	Charleston, South Carolina	1
	ACLARA 2008 User Group Conference	**St. Louis, Missouri**	**1**
	Conference on Customer Service	Long Bush, Tortola	16
	Excelling as a Manager or Supervisor	**Long Bush, Tortola**	**8**
	Fire Safety Training	Pockwood Pond, Tortola	5
	Fire Safety Training	**Long Bush, Tortola**	**13**
Human Resource:	Administrative Professional Luncheon	Maria's By The Sea	1
	Conference on Customer Service	**Long Bush, Tortola**	**2**
	Fire Safety Training	Long Bush, Tortola	3
	Carilec's Human Resource Conference	**Long Bay Beach** Resort, Tortola	2
Information Technology:	Harris South East User Group Meeting	Charleston, South Carolina	1
	ACLARA 2008 User Group Conference	**St. Louis, Missouri**	**1**
	New Horizons Network + Certification Course	Orlando, Florida	1
	Fire Safety Training	**Long Bush, Tortola**	**3**

HUMAN RESOURCE:

Shonda Cameron - Deputy Human Resource Manager
Caroline Ismael - Receptionist

Finance:

Curtis Turnbull - Customer Service Field Clerk
Curteis Samuel - Customer Service Field Clerk
Leona Brewley - Senior Customer Service Representative
Stacy Baird - Customer Service Representative
David Nibbs - Customer Service Representative
Sakeda Browne - Customer Service Representative
Shemika Bute - Customer Service Representative
Kenrick Grant - Accountant
Bevin George - Accounts Officer

Transmission and Distribution:

Ottley Rymer Jr. - Engineer
Cleedon Mercurius - Assistant Linesman
Shemroy Skeete - Assistant Linesman
Karem Caines - Assistant Cable Jointer
Daymian Jennings - Assistant Planning Officer

Generation:

Julio Bristol - Plant Operator
Chaswell Varlack - Engineers (returned from Study Leave)

RESIGNATIONS

Human Resource:

Drusilla Fahie - Administrative Assistant

Finance:

Naresha Martin - Customer Service Representative
Latoya Freeman - Accounts Officer
Nicole Smith - Senior Inventory Officer

TERMINATIONS

Human Resource:

Lorna Tom - Receptionist

Finance:

E. Allan Skelton - Inventory Supervisor

Generation:

Khalifa Hodge - Plant Operator

RETIREMENTS

Finance:

Beryl Smith - Senior Customer Service Representative (re-engaged)
Eustace Rivers - Customer Service Field Clerk (re-engaged)
Cynthia Blaize - Customer Service Representative

Generation:

Sustin Chalwell - Operations Foreman
Fredrick Frett - Mechanic Foreman
Kelvin Scatliffe - Shift Controller

Transmission and Distribution:

Jesus Stephens-Safis - Senior Linesman
Wesley Hodge - Labourer
Phillip Smith - Senior Meter Installer

PROMOTIONS

Finance:

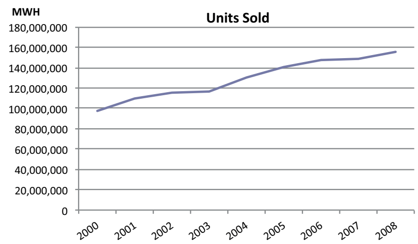
Clive Walwyn - Inventory Supervisor

STAFF CHANGES

SUMMARY OF STATISTICS

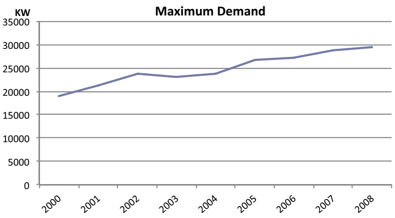
UNITS SOLD

Units sold increased from approximately 148.3 million units to 156.1 million units in 2008, an increase of 7.93%.



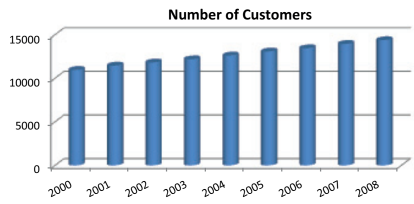
MAXIMUM DEMAND

The maximum demand experienced during 2008 increased to 29,510 KW, 2.32% over 2007's maximum demand of 28,840 KW.



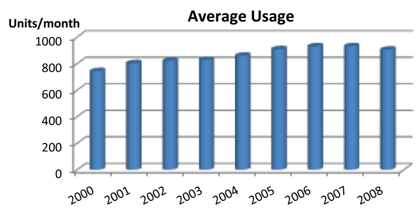
CUSTOMERS

At the end of 2008 there were 12,364 domestic, 1,958 commercial, 53 industrial and 1 streetlighting customer on the system. The total number of customers rose from 13,940 in 2008 to 14,376 in 2008, an increase of 3.13%. This year, domestic, commercial and industrial customers were responsible for the increase in the total number of new customers.



AVERAGE USAGE

The average usage per customer per month remained the same at 930 units to 905 units in 2008.



2008 VEHICLE FLEET

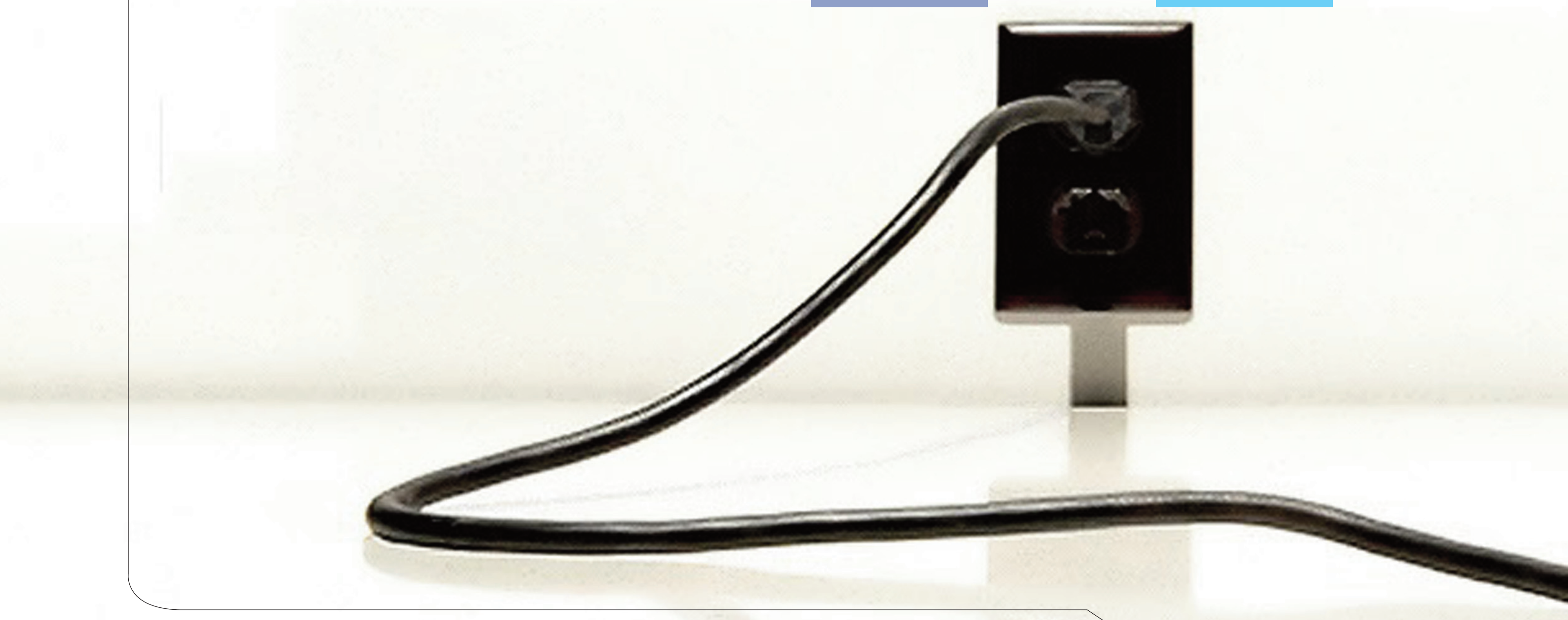
Item	Des.	Number	Type	Year	Section	Location
1	CM	3880	Chevrolet Envoy	2005	Administration	Tortola
2	**CM**	**3577**	**Chevrolet Colorado Pickup Truck**	**2004**	**Distribution**	**Tortola**
3	CM	476	Chevrolet Extra Cab Full Size Pickup Truck	2004	Distribution	Tortola
4	**CM**	**500**	**Chevrolet Full Size Pickup Truck**	**2004**	**Distribution**	**Tortola**
5	CM	483	Chevrolet Full Size Pickup Truck	2004	Distribution	Tortola
6	**CM**	**499**	**Chevrolet Colorado Pickup Truck**	**2004**	**Generation**	**Tortola**
7	CM	497	Chevrolet S-10 Pickup Truck	2003	Distribution	Tortola
8	**CM**	**495**	**Chevrolet S-10 Pickup Truck**	**2003**	**Distribution**	**Tortola**
9	CM	487	Chevrolet S-10 Pickup Truck	2003	Distribution	Tortola
10	**CM**	**502**	**Ford Ranger Pickup Truck**	**2003**	**Distribution**	**Virgin Gorda**
11	CM	486	Chevrolet S-10 Pickup Truck	2003	Generation	Tortola
12	**CM**	**480**	**Chevrolet S-10 Pickup Truck**	**2003**	**Meter Reading**	**Tortola**
13	CM	3254	Chevrolet S-10 Pickup Truck	2003	Meter Reading	Tortola
14	**CM**	**498**	**Ford Ranger Pickup Truck**	**2003**	**Meter Reading**	**Tortola**
15	CM	1049	Chevrolet S-10 Pickup Truck	2002	Customer Services	Tortola
16	**CM**	**488**	**Chevrolet S-10 Pickup Truck**	**2002**	**Customer Services**	**Tortola**
17	CM	496	Chevrolet S-10 Pickup Truck	2002	Customer Services	Tortola
18	**CM**	**491**	**Chevrolet Full Size Pickup Truck**	**2002**	**Distribution**	**Tortola**
19	CM	484	Ford F450 Dump Truck	2002	Distribution	Tortola
20	**CM**	**477**	**Chevrolet Full Size Pickup Truck**	**2002**	**Generation**	**Tortola**
21	CM	2879	Chevrolet Pickup 2500HD	2001	Distribution	Tortola
22	**CM**	**2245**	**2000 Suzuki Vitara**	**2000**	**Administration**	**Tortola**
23	CM	481	Mitsubushi Montero	2000	Distribution	Tortola
24	**CM**	**2564**	**Ford F550 Bucket Truck**	**2000**	**Distribution**	**Tortola**
25	CM	479	Ford F550 Bucket Truck	2000	Distribution	Tortola
26	**CM**	**507**	**Ford F550 Bucket Truck**	**2000**	**Distribution**	**Tortola**
27	CM	2595	Chevrolet Pickup Truck	2000	Distribution	Virgin Gorda
28	**CM**	**501**	**Mitsubushi Montero**	**1999**	**Administration**	**Tortola**
29	CM	478	Chevrolet Pick Up	1999	Distribution	Tortola
30	**CM**	**505**	**Chevrolet Pickup**	**1999**	**Distribution**	**Tortola**
31	CM	482	Chevrolet S-10 Pickup Truck	1999	Stores and Purchasing	Tortola
32	**CM**	**1829**	**Mazda Pickup Truck**	**1998**	**Customer Services**	**Tortola**
33	CM	1672	Ford F-150 Full Size Pickup Truck	1997	Distribution	Tortola
34	**CM**	**1162**	**Mitsubushi Montero**	**1997**	**Meter Reading**	**Anegada**
35	CM	1163	Mitsubushi Montero	1997	Meter Reading	Virgin Gorda
36	**CM**	**503**	**Mitsubishi Truck**	**1995**	**Distribution**	**Anegada**
37	CM	504	Mitsubishi Truck	1995	Distribution	Jost Van Dyke
38	**CM**	**2465**	**Chevrolet Bucket Truck**	**1994**	**Distribution**	**Tortola**
39	CM	493	Mitsubushi Montero	1993	Distribution	Generation
40	**CM**	**492**	**Mitsubushi Montero**	**1993**	**Distribution**	**Tortola**
41	CM	494	Mitsubushi Montero	1993	Distribution	Tortola
42	**CM**	**489**	**Cheverolet Full Size Pick-Up**	**1991**	**Generation**	**Tortola**
43	CM	490	Ford Bucket Truck F350	1990	Distribution	Tortola
44	**CM**	**485**	**Ford Bucket Truck F350**	**1990**	**Distribution**	**Virgin Gorda**
45	CM	1050	Altec Truck Model D880A-TB	1988	Distribution	Tortola
46	**CM**	**508**	**Ford Bucket Truck F800**	**1979**	**Distribution**	**Tortola**

2008 ANNUAL REPORT STATISTICAL DATA

STATISTICS

STREET LIGHTING

Island	Type of Fixture	Quantity	Wattage
Tortola	Mercury	954	166,950
	Sodium	1,248	187,200
	Urbis	64	4,480
	Tungsten	2	200
Total		**2,268**	**358,830**
Virgin Gorda	Mercury	111	19,425
	Sodium	205	30,750
Total		**316**	**50,175**
Jost Van Dyke	Mercury	16	2,800
	Sodium	88	13,200
	Urbis	1	70
Total		**105**	**16,070**
Anegada	Mercury	85	14,875
	Sodium	25	3,750
Total		**110**	**18,625**
Grand Total		**2,799**	**443,700**



TRANSMISSION & DISTRIBUTION NETWORK

TRANSMISSION & DISTRIBUTION NETWORK		2008	2007
34.5 KV Underground Cable	Miles	10.67	10.67
13.2 KV Overhead Lines	Miles	183.76	176.84
13.2 KV Underground Cable	Miles	43.62	41.97
13.2 KV Submarine Cable	Miles	32	32
34.5 KV Overhead Cable (Double Circuit)	Miles	2.28	2.28
34.5 KV Submarine Cable (Double Circuit)	Miles	19.88	19.88
LV Overhead Lines	Miles	212.62	209.16
LV Underground Cables	Miles	63.51	60.93
No. of Transformers	No.	1930	1870
Total Transformer Capacity	KVA	114723	106398.5
Average Size of Transformers	KVA	59.44196891	56.89759358

TRANSMISSION & DISTRIBUTION NETWORK ANEGADA

TRANSMISSION & DISTRIBUTION NETWORK			2008	2007
13.2 KV Overhead Lines		Miles	15.88	15.88
13.2 KV Underground Cable		Miles	0.09	0.09
LV Overhead Lines		Miles	9.10	9.011
LV Underground Cables		Miles	0.55	0.537
No. of Transformers		No.	60	60
Total Transformer Capacity		KVA	366	366
Average Size of Transformers		KVA	6.10	6.10
Streetlights -	a) No.		110	110
	b) Wattage	W	17250	17250

GENERATING SETS

	Long Bush				Pockwood Pond							
Units	10	11	14	17	1	2	3	4	5	6	7	8
Installed KVA	**2927**	**3210**	**2050**	**2000**	**3891**	**3891**	**6875**	**6875**	**6875**	**6875**	**6875**	**6875**
Installed KW	2342	2568	1640	1600	3112	3112	5500	5500	5500	5500	5500	5500
Effective KW	**2000**	**2300**	**1550**	**700**	**3100**	**3100**	**5500**	**5500**	**5500**	**5500**	**5500**	**5500**
Engine Mfr.	Ruston	Mirrlees	Mirrlees	Caterpillar	Mirrlees	Mirrlees	Wartsila	Wartsilla	Wartsilla	Wartsilla	Wartsilla	Wartsilla
Engine Model	**12 ATC**	**K6MK11**	**ESL12MK2**	**3516**	**KMAJMK3**	**KMAJMK3**	**9L38**	**9L38**	**9L38**	**9L38**	**9L38**	**9L38**
Engine Speed rpm	600	600	900	1800	600	600	600	600	600	600	600	600
Alternator	**Brush**	**Brush**	**Brush**	**Caterpillar**	**Brush**	**Brush**	**ABB**	**ABB**	**ABB**	**ABB**	**ABB**	**ABB**
Generating Voltage	13200	13200	13200	480	3300	3300	6600	6600	6600	6600	6600	6600
Installation year	**1981**	**1983**	**1988**	**2000**	**1990**	**1990**	**1995**	**1995**	**2007**	**2007**	**2006**	**2006**
Commissioned	Dec.	Dec.	May.	Feb.	Sep.	Sep.	Nov.	Dec.	March.	April.	Sep.	Aug.
Age in years	**26.08**	**24.08**	**19.67**	**8.08**	**17.34**	**17.34**	**12.17**	**12.08**	**1.83**	**1.75**	**2.33**	**2.42**
Hours run to 12/31/08	121,254	112,293	66,829		92,093	98,332	93,330	90,385	10,391	13,872	17,569	17,374

TABLES

Generation and Sales Statisticis 2000 - 2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Units Generated (MWh)	**107,131**	**122,906.60**	**139,009**	**138,895**	**146,034**	**158,303**	**166,166**	**179,434**	**180,080**
Annual Increase (%)	3.32%	14.73%	13.10%	-0.08%	5.14%	8.40%	4.97%	7.98%	0.36%
Units Sent Out (MWh)	**103,591**	**119,947**	**134,196**	**131,020**	**135,462**	**145,406**	**152,873**	**168,333**	**0**
Annual Increase (%)	-0.44%	15.79%	11.88%	-2.37%	3.39%	7.34%	5.14%	10.11%	-100.00%
Units Sold (MWh)	**97,505**	**110,139.50**	**115,377.40**	**120,541**	**129,447**	**140,315**	**148,097**	**155,552**	**156,100**
Annual Increase (%)	5.26%	12.96%	4.76%	4.48%	7.39%	8.40%	5.55%	5.03%	0.35%
Loss % Net Generation	**5.88%**	**8.18%**	**14.02%**	**8.00%**	**4.44%**	**3.50%**	**3.12%**	**7.59%**	
Max. Demand (KW)	18,910	21,340	23,870	23,080	23,840	26,750	27,240	28,840	29,510
Annual Increase (%)	**8.03%**	**12.85%**	**11.86%**	**-3.31%**	**3.29%**	**12.21%**	**1.83%**	**5.87%**	**2.32%**
System Load Factor (%)	64.5	65.57	66.3	68.51	69.74	64.8	64.67	66.63	0
(generated basis)									
Customers at Year End	**10,956**	**11,446**	**11,807**	**12,172**	**12,610**	**13,068**	**13,438**	**13,940**	**14,376**
(%) Increase	2.78%	4.47%	3.15%	3.09%	3.60%	3.63%	2.83%	3.74%	3.13%

Units Generated at Pockwood Pond and Long Bush Power Stations 2001 - 2008

Months	2001	2002	2003	2004	2005	2006	2007	2008
January	**9,826**	**10,639**	**10,179**	**11,705**	**12,004**	**12,972**	**14,115**	**14,612**
February	8,919	9,478	11,007	11,055	10,929	11,577	13,057	13,946
March	**10,094**	**10,796**	**11,130**	**11,594**	**13,342**	**13,502**	**13,973**	**14,494**
April	9,517	10,376	10,971	12,039	13,287	13,400	14,363	14,759
May	**10,077**	**10,200**	**11,879**	**12,268**	**13,405**	**14,484**	**15,942**	**16,305**
June	10,484	12,642	11,513	12,804	14,262	14,403	15,709	15,894
July	**10,412**	**13,376**	**12,617**	**13,373**	**14,418**	**14,785**	**16,538**	**16,648**
August	10,947	11,588	12,231	12,826	13,575	14,250	15,600	15,356
September	**9,632**	**12,331**	**11,320**	**11,654**	**13,315**	**12,941**	**14,822**	**14,587**
October	11,290	13,103	12,364	12,395	13,091	14,589	15,400	14,570
November	**10,795**	**12,917**	**11,569**	**11,861**	**13,444**	**14,702**	**14,714**	**14,417**
December	10,913	11,561	12,117	12,460	13,230	14,560	15,200	14,491
Total	**122,906**	**139,007**	**138,897**	**146,034**	**158,303**	**166,166**	**179,433**	**180,079**

AUDITOR'S REPORT

BRITISH VIRGIN ISLANDS
ELECTRICITY CORPORATION

Audited Financial Statements

For the year ended December 31, 2008

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Financial Statements
For the Year Ended December 31, 2008

Table of Contents

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Corporation Directory
At December 31, 2008

Board of Directors

Chairman
Mrs. Margaret A. Penn

Vice Chairman
Mr. Frederick Creque

Members
Mr. Ira Oliver Skelton
Ms. Pearl Smith
Mr. John Rhymer
Mr. Norbert Edison O'Neal

Ex- officio members
Mr. Leroy A. E. Abraham (General Manager)
Mr. Gary Penn

Registered Office

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

Tel: (284) 494 3783
Fax: (284) 494 2220
www.bdo.vg

PO Box 34
Sea Meadow House
Tobacco Wharf
Road Town
Tortola VG1110
British Virgin Islands

Independent Auditor's Report

To the Shareholder of
British Virgin Islands Electricity Corporation
Tortola, British Virgin Islands

We have audited the accompanying financial statements of British Virgin Islands Electricity Corporation which comprises of the balance sheet as at December 31, 2008, and the statements of income and retained earnings, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information on pages 3 to 20.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable, but not absolute assurance about whether the financial statements are free of material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on the financial statements.

Opinion

In our opinion, the financial statements on pages 3 to 20 present fairly, in all material respects, the financial position of British Virgin Islands Electricity Corporation as at December 31, 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Limited

Tortola, British Virgin Islands
June 23, 2010

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Balance Sheet
At December 31, 2008
Expressed in U.S. *Dollars*

	Notes	2008	2007
ASSETS			
Current assets			
Cash and cash equivalents		4,507,489	6,172,528
Receivables	3	10,419,637	10,257,509
Inventories	4	7,545,274	8,942,882
Total current assets		22,472,400	25,372,919
Non-current assets			
Fixed assets	5	60,179,884	61,614,665
Total non-current assets		60,179,884	61,614,665
TOTAL ASSETS		US$ 82,652,284	US$ 86,987,584
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Payables	6	6,290,025	6,291,489
Deferred revenue receipts	11	1,385,007	-
Customer deposits		2,321,736	1,399,040
Term loans payable within one year	7	3,750,532	2,558,879
Total current liabilities		13,747,300	10,249,408
Non- current liabilities			
Term loans payable outside one year	7	21,505,734	23,506,268
Pension fund liability	8	2,458,657	2,251,982
Deferred capital receipts	9	6,069,678	6,221,427
Total non-current liabilities		30,034,069	31,979,677
Total liabilities		43,781,369	42,229,085
Shareholder's equity			
Share capital	10	7,052,465	7,052,465
Contributed surplus	10	9,661,763	9,661,763
Retained earnings		22,156,687	28,044,271
Total shareholder's equity		38,870,915	44,758,499
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		US$ 82,652,284	US$ 86,987,584

APPROVED BY THE BOARD OF DIRECTORS

_______________ Director　　June 23, 2010 Date approved

_______________ Director　　June 23, 2010 Date approved

The accompanying notes on pages 6 to 20 form an integral part of these financial statements

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Income and Retained Earnings
For the year ended December 31, 2008
Expressed in U.S. *Dollars*

	Notes	2008	2007
INCOME			
Sale of electricity		57,431,626	47,145,826
Sale of water		82,259	567,648
Other income		172,803	176,594
		57,686,688	47,890,068
EXPENSES			
Generation		48,815,502	31,818,804
Distribution		4,206,639	2,829,863
General and administrative		2,270,486	2,194,997
Finance		1,090,922	1,109,183
Customer services and meter reading		812,332	749,256
Desalination		290,992	273,492
Vehicle		193,811	107,298
Computing		404,692	393,282
Depreciation	5	4,735,781	4,699,699
Release of deferred capital receipts	9	(760,207)	(748,681)
		62,060,950	43,427,193
OPERATING (LOSS) PROFIT		(4,374,262)	4,462,875
Interest expense		(1,588,464)	(1,141,494)
Interest income		103,019	238,261
Foreign exchange (loss) gain		(28,377)	74,280
Gain on disposal of fixed assets		500	-
NET (DEFICIT) INCOME FOR THE YEAR		(5,887,584)	3,633,922
RETAINED EARNINGS, BEGINNING OF YEAR		28,044,271	24,410,349
RETAINED EARNINGS, END OF YEAR		US$ 22,156,687	US$ 28,044,271

The Corporation has no recognised gains or losses in the year other than those passing through the statement of income and retained earnings presented above.

The accompanying notes on pages 6 to 20 form an integral part of these financial statements

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Statement of Cash Flows
For the year ended December 31, 2008
Expressed in U.S. *Dollars*

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (deficit) income for the year	(5,887,584)	3,633,922
Adjustments for:		
Depreciation	4,735,781	4,699,699
Interest expense	1,588,464	1,141,494
Interest and other income	(103,019)	(238,261)
Foreign exchange loss (gain)	28,377	(74,280)
Gain on disposal of fixed assets	(500)	-
Operating profit before working capital changes	361,519	9,162,574
Increase in receivables	(162,128)	(3,892,469)
Decrease (increase) in inventories	1,397,608	(1,505,496)
(Decrease) increase in payables	(1,464)	1,086,547
Increase in deferred revenue receipts	1,385,007	-
Increase in pension fund liability	206,675	348,240
(Decrease) increase in deferred capital receipts	(151,749)	162,588
Increase in customer deposits	922,696	133,883
Net cash flows from operating activities	3,958,164	5,495,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	500	-
Purchase of fixed assets	(3,301,000)	(11,343,110)
Phase IV development costs	-	2,129,465
Interest received	103,019	238,261
Net cash flows used in investing activities	(3,197,481)	(8,975,384)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans	(2,558,881)	(3,007,947)
Proceeds from new loans	1,750,000	-
Additional contributed surplus	-	4,360,000
Interest paid	(1,588,464)	(1,141,494)
Net cash flows (used in) from financing activities	(2,397,345)	210,559
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,636,662)	(3,268,958)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,172,528	9,367,206
Effect of exchange rate fluctuations on cash and cash equivalents	(28,377)	74,280
CASH AND CASH EQUIVALENTS, END OF YEAR	US$ 4,507,489	US$ 6,172,528
Cash and cash equivalents comprise the following items:		
Bank and cash balances	3,922,289	3,016,593
Money market deposits	585,200	3,155,935
Total	US$ 4,507,489	US$ 6,172,528

The accompanying notes on pages 6 to 20 form an integral part of these financial statements

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. *Dollars*

1. GENERAL INFORMATION

The British Virgin Islands Electricity Corporation (the "Corporation") is a body corporate established in the British Virgin Islands under the British Virgin Islands Electricity Corporation Act, 1978 (the " Act") and is wholly owned by the Government of the British Virgin Islands (the "Government"). The principal activities of the Corporation are the generation, transmission, supply, distribution and sale of electricity within the British Virgin Islands. The financial records and statements are maintained and presented in U.S. Dollars.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, which comprise standards issued or adopted by the International Accounting Standards Board and interpretations issued by its Standing Interpretations Committee. They have been prepared under the historical costs convention and are expressed in U.S. dollars.

(b) Use of estimates

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

(c) Revenue and expenditure recognition

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

Interest and other income is recognised as it accrues. Expenses are recorded on the accrual basis as charged.

(d) Financial instruments

Cash and cash equivalents
Cash and cash equivalents represent cash on hand, balances with banks, net of any overdrafts, and other highly liquid financial instruments with original maturities of three months or less from the date of acquisition.

Receivables
Trade accounts receivable are recorded at invoiced amounts based on meter readings reduced by appropriate allowances for estimated irrecoverable amounts. The allowance for doubtful accounts is the Corporation's best estimate of the amount of probable credit losses in the Corporation's existing receivables balance. The Corporation determines the allowance based on historical write-off experience.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (continued)

Financial liabilities
The Corporation recognizes its financial liabilities on the date it becomes a party to the contractual provisions of these instruments. Financial liabilities are not recognized unless one of the parties has performed.

Financial liabilities are measured initially at fair value (transaction price) plus transaction costs that are directly attributable to the issue of financial liability. Subsequent to initial recognition, these financial liabilities are measured at amortised cost. The Corporation derecognizes financial liabilities when the obligation specified in the contract has been discharged, cancelled, expired or surrendered. This is generally considered to be the trade date or transaction date.

(e) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Corporation has a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

(f) Inventories

Inventories are carried at the lower of cost and net realizable value. As items of inventory are used by the Corporation, they are transferred to fixed assets or expensed as repairs and maintenance, as appropriate.

(g) Fixed assets

Fixed assets, except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the fixed assets. The rates of depreciation in use are based on the following estimated useful lives:

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

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. *Dollars*

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fixed assets (continued)

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

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

(h) Impairment losses

The carrying amounts of the Corporation's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of income and retained earnings.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write down is reversed through the statement of income and retained earnings.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(i) Borrowing costs

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

(j) Deferred capital receipts

Customer contributions towards distribution and transmission equipment are taken to deferred capital receipts on the transaction date and are credited to the statement of income and retained earnings on a systematic basis over the respective useful life of the assets.

(k) Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Assets and liabilities are translated at the exchange rate in effect at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Retirement benefit costs

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

(m) Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(n) Contingencies

Contingent liabilities are not recognized in the Corporation's financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the Corporation's financial statements but are disclosed when an inflow of economic benefits is probable.

(o) Subsequent events

Post balance sheet events that provide additional information about the Corporation's position at balance sheet date, if any, are reflected in the Corporation's financial statements. However, post balance sheet events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. RECEIVABLES

	2008	**2007**
Accounts receivable, trade	9,763,626	9,922,074
Prepayments	45,312	114,308
Insurance receivable	472,292	-
Other receivables	555,417	458,044
	10,836,647	10,494,426
Provision for doubtful debts	(417,010)	(236,917)
	US$ 10,419,637	US$ 10,257,509

Movement in the provision for bad debts:

	2008	**2007**
Balance at the beginning of the year	236,917	206,917
Increase for the year	180,093	30,000
Balance at the end of the year	US$ 417,010	US$ 236,917

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. *Dollars*

4. INVENTORIES

	2008	2007
Generating plant and equipment parts	4,187,425	4,247,061
Distribution and transmission parts	1,735,234	2,062,527
Diesel fuel	1,045,037	1,255,283
Lubricating oil	69,460	38,495
Vehicle parts	88,869	55,225
Other spare parts and supplies	27,829	29,904
Goods in transit	665,140	1,528,107
	7,818,994	9,216,602
Provision for obsolete inventory	(273,720)	(273,720)
	US$ 7,545,274	US$ 8,942,882

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. Dollars

5. FIXED ASSETS

	Land & Buildings	Generating Plant & Equipment	Distribution & Transmission Equipment	Motor Vehicles	Computer & Other Equipment	Furniture & Fittings	Work in Progress	Total
Cost								
At 1 January 2008	17,042,021	60,049,340	42,494,244	1,264,890	1,161,640	495,174	558,810	123,066,119
Additions	597,531	124,030	535,445	70,568	242,515	150,788	1,580,123	3,301,000
Transfer	-	169,528	-	-	-	-	(169,528)	-
Disposals	-	-	-	(56,035)	-	-	-	(56,035)
At 31 December 2008	17,639,552	60,342,898	43,029,689	1,279,423	1,404,155	645,962	1,969,405	126,311,084
Accumulated depreciation								
At 1 January 2008	6,006,958	28,502,733	24,222,012	1,228,697	1,047,381	443,673	-	61,451,454
Charge for the year	383,359	2,236,435	1,871,749	40,780	118,18585,273		-	4,735,781
Disposals	-	-	-	(56,035)	-	-	-	(56,035)
At 31 December 2008	6,390,317	30,739,168	26,093,761	1,213,442	1,165,566	528,946	-	66,131,200
Net book value								
At 1 January 2008	US$ 11,035,063	US$ 31,546,607	US$ 18,272,232	US$ 36,193	US$ 114,259	US$ 51,501	US$ 558,810	US$ 61,614,665
At 31 December 2008	US$ 11,249,235	US$ 29,603,730	US$ 16,935,928	US$ 65,981	US$ 238,589	US$ 117,016	US$1,969,405	US$ 60,179,884

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. *Dollars*

5. FIXED ASSETS *(Continued)*

Work In Progress
At December 31, 2008, Work in Progress amounting to US$1,872,582 is related to the cost of the Automatic Meter Reading System of US$231,393 and the Wickham's Cay Feeder Underground project of US$1,641,189.

At December 31, 2007, Work in Progress amounting to US$558,810 is related to the cost of replacing the Anegada engines of US$169,528 and the Wickham's Cay Feeder Underground project of US$389,282.

6. PAYABLES

	2008	2007
Accounts payable	5,498,037	4,495,881
Accrued expenses	791,988	1,795,608
	US$ 6,290,025	US$ 6,291,489

7. TERM LOANS

	2008	2007
Caribbean Development Bank		
Repaid during year	-	245,014
British Virgin Islands Social Security Board		
Repaid during year	-	313,333
Banco Popular de Puerto Rico		
Revolving Line of Credit of US$2,000,000 shall be payable by interest quarterly on the amount advanced (if any). The revolving line of credit bears interest at Prime rate + 0.5% p.a. and is secured by a charge over the assets of the Corporation.	1,750,000	-
Banco Popular de Puerto Rico		
US$30,008,000 was borrowed in connection with the Phase IV Development Programme. The loan is repayable in 60 quarterly installments of US$500,133 which commenced December 31, 2005, bears interest at a fixed rate of 5.5% p.a. and is secured by a charge over the assets of the Corporation	23,506,266	25,506,800
	25,256,266	26,065,147
Less: repayable within one year	(3,750,532)	(2,558,879)
Repayable outside of one year	US$ 21,505,734	US$ 23,506,268

7. TERM LOANS (*Continued*)

Security Facilities
Both of the above loans are guaranteed by the Government.

The Corporation has an overdraft facility available from Scotiabank (BVI) Limited allowing the Corporation to borrow up to US$800,000, which would be secured by an unconditional and irrevocable guarantee from the Government. As at December 31, 2008, the Corporation had US$Nil (2007:US$Nil) drawn down under this facility.

8. PENSION FUND LIABILITY

The Corporation has established a defined benefit plan which is fully funded. The assets of the plan are held independently of the Corporation's assets. The plan is valued by independent actuaries with the most recent valuation being carried out on June 25, 2009.

	2008	2007
Present value of funded obligations	15,799,305	15,815,597
Fair value of plan assets	(10,183,883)	(9,992,173)
Unrecognised loss	(3,156,765)	(3,571,442)
Liability in the balance sheet	US$ 2,458,657	US$ 2,251,982

The amount recognised in the statement of income and retained earnings as pension expense is as follows:

	2008	2007
Current service cost	756,108	737,504
Interest cost	929,870	869,263
Amortised net loss	142,134	148,135
Expected return on plan assets	(756,710)	(692,194)
Past service cost	-	135,822
	US$ 1,071,402	US$ 1,198,530

The movement in the liability recognised in the balance sheet is as follows:

	2008	2007
Opening net liability	2,251,982	1,903,742
Net periodic pension cost	1,071.402	1,198,530
Contributions	(864,727)	(850,290)
	US$ 2,458,657	US$ 2,251,982

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

Discount rate	6.5%	6.0%
Expected rate of return on plan assets	7.5%	7.5%
Rate of compensation increase	4.0%	4.0%

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. Dollars

9. DEFERRED CAPITAL RECEIPTS

	2008	2007
Balance at 1 January	6,221,427	6,058,839
Customer contributions for the year	608,458	911,269
Released to the statement of income and retained earnings	(760,207)	(748,681)
Balance at 31 December	US$ 6,069,678	US$ 6,221,427

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	2008	2007
Issue and fully paid: 7,052,465 shares of $1.00 par value each	US$ 7,052,465	US$ 7,052,465

The Corporation has unlimited authorized share capital.

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

A Board of Directors has been appointed. The Chairman has a casting, as well as deliberative vote; however, the decision of the majority of the directors present and voting at any meeting of the Corporation is deemed to be the decision of the Corporation.

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

During the year ended December 31, 2007, the Corporation received additional contributed surplus from the Government of the British Virgin Islands of US$4,000,000 to assist in the construction and installation of Engines 5 & 6, and US$360,000 for use in offsetting the cost of replacing and installing the Anegada engines.

11. RELATED PARTY TRANSACTIONS

Sale of electricity
The Corporation earned US$ 7,777,952 (2007: US$6,378,373) in revenue from the Government for the provision of products and services, of which US$2,366,967 (2007: US$545,367) was outstanding at the year end.

Deferred revenue receipts
During the year the Government advanced US$1,489,107 to the Corporation to fund 50% of consumers December 2008 billings. The unutilized balance at December 31, 2008 was US$1,385,007 (2007: Nil) and a further US$796,430 was received in January 2009.

General and administrative expenses
Director's fees and expenses during the year amounted to US$44,163 (2007: US$45,315).

12. STAFF COSTS

	2008	2007
Wages and salaries	5,781,149	5,341,841
Social security	177,461	167,545
Pension expense	1,071,785	845,371
Payroll taxes	245,057	267,153
Other employee expenses	352,535	354,413
	US$ 7,627,987	US$ 6,976,323

The average number of full time employees in 2008 was 169 (2007: 165).

During the year ended December 31, 2008, the Corporation paid US$Nil (2007: US$135,822) for past service costs and US$ 765,108 (2007: US$737,504) for current service costs to the defined benefit pension plan, which has been included as part of pension expense. Details of the pension plan can be found in note 8.

13. COMMITMENTS

Lease Commitments

a. A tenancy agreement for US$2,000 per month with Ermyn Richardson for the period Mar 1, 2008 to February 29, 2009.

b. A tenancy agreement for US$2,000 per month with Neil Niles for the period Mar 1, 2008 to February 29, 2009.

c. A tenancy agreement for US$1,650 per month with Joy Wheatley for the period Mar 1, 2008 to February 29, 2010.

d. A tenancy agreement for US$2,000 per month with Karl Dawson for the period June 20, 2008 to June 30, 2009.

Other Commitments

The Corporation signed a contract with Delta Petroleum Caribbean Ltd. ("Delta") for the exclusive supply of 24,379,404 US gallons of refined petroleum products, for the period September 5, 2008 to August 31, 2010. Based on current fuel prices, the contract is valued at approximately US$$35,866,312. During the year US$38,287,991, (2007: US$27,641,466) was paid to Delta for supplies received.

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

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. Dollars

14. FINANCIAL INSTRUMENTS

Risk Associated With Financial Instruments

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

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

(a) Market 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. The Corporation incurs foreign currency risk on transactions that are denominated in currencies other than the United States Dollar (US$). The principal currencies giving rise to this risk are the British Pound (£) and Euro (EUR).

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

	GBP Currency	Total
Financial Assets		
Cash	402,150	402,150
Total foreign currency exposure	US$ 402,150	US$ 402,150

At December 31, 2007, the Corporation had net foreign currency exposure as follows:

	Euro Currency	GBP Currency	Total
Financial Assets			
Cash	-	73,153	73,153
Financial Liabilities			
Term loans payable	68,923	66,143	135,066
Total foreign currency exposure	US$(68,923)	US$ 7,010	US$(61,913)

(ii) *Cashflow and fair value interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation's income and operating cash flows are substantially independent of changes in market interest rates since the majority of interest bearing instruments are fixed rate instruments.

14. FINANCIAL INSTRUMENTS *(Continued)*

(*iii*) *Cashflow and fair value interest rate risk* (*continued*)

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

	Interest Bearing US$	**Non Interest Bearing US$**	**Total US$**
Financial assets			
Cash and cash equivalents	4,500,207	7,282	4,507,489
Receivables	-	10,419,637	10,419,637
Total financial assets	4,500,207	10,426,919	14,927,126
Financial liabilities			
Payables	-	6,290,025	6,290,025
Customer deposits	-	2,321,736	2,321,736
Term loans payable	25,256,266	-	25,256,266
Total financial liabilities	25,256,266	8,611,761	33,868,027
Interest Sensitivity Gap	(20,756,059)	-	(20,756,059)

At December 31, 2007, the Corporation's financial assets and liabilities were classified as follows:

	Interest Bearing US$	**Non Interest Bearing US$**	**Total US$**
Financial assets			
Cash and cash equivalents	6,158,299	14,229	6,172,528
Receivables	-	10,257,509	10,257,509
Total financial assets	6,158,299	10,271,738	16,430,037
Financial liabilities			
Payables	-	6,291,489	6,291,489
Customer deposits	-	1,399,040	1,399,040
Term loans payable	26,065,147	-	26,065,147
Total financial liabilities	26,065,147	7,690,529	33,755,676
Interest Sensitivity Gap	(19,906,848)	-	(19,906,848)

The Corporation is exposed to interest rate price risk on term loans payable to the extent that prevailing interest rates may fluctuate from the fixed interest rates stated in note 7. Movement in the interest rates will not have a significant impact on the carrying value of these loans. However, there is an inherent risk that during the period to maturity the rates shown in note 7 may be higher than the prevailing market rates.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. *Dollars*

14. FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk

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

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

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

	Neither past due nor impaired					
	High Grade (US$000)	Standard Grade (US$000)	Substandard Grade (US$000)	Past due but not impaired (US$000)	Past due and impaired (US$000)	Total (US$000)
Cash at bank	1,598	-	2,909	-	-	4,507
Receivables	7,752	-	-	2,667	418	10,837
Total	US$ 9,350	US$ -	US$ 2,909	US$2,667	US$ 418	US$ 15,344

The following tables summarize the credit quality and aging analysis of the Group's financial assets as of December 31, 2007:

	Neither past due nor impaired					
	High Grade (US$000)	Standard Grade (US$000)	Substandard Grade (US$000)	Past due but not impaired (US$000)	Past due and impaired (US$000)	Total (US$000)
Cash at bank	6,172	-	-	-	-	6,172
Receivables	8,707	-	-	1,550	237	10,494
Total	US$ 14,879	US$ -	US$ -	US$1,550	US$ 237	US$ 16,666

Expressed in U.S. Dollars

14. FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk (*continued*)

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

	Less than 30 days US$	Between 31 and 60 days US$	Between 61 and 90 days US$	Over 90 days US$	Total US$
Financial Assets					
Cash and cash equivalents	4,507,489	-	-	-	4,507,489
Receivables	7,590,781	778,319	463,724	2,003,823	10,836,647
Total Financial Assets	12,098,270	778,319	463,724	2,003,823	15,344,136

Of the balance over 90 days of US2,003,823, only US$417,010 is considered impaired and was fully provided for. This relates to the portion of the accounts receivable which the Corporation is not certain that they will recover.

The following table summarises the aging of the Corporation's financial assets at December 31, 2007:

	Less than 30 days US$	Between 31 and 60 days US$	Between 61 and 90 days US$	Over 90 days US$	Total US$
Financial Assets					
Cash and cash equivalents	6,172,528	-	-	-	6,172,528
Receivables	8,943,936	505,871	218,810	825,809	10,494,426
Total Financial Assets	15,116,464	505,871	218,810	825,809	16,666,954

Of the balance over 90 days of US$825,809, only US$236,917 is considered impaired and was fully provided for. This relates to the portion of the accounts receivable which the Corporation is not certain that they will recover.

(c) Liquidity risk

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

At December 31, 2008, the Corporation's liabilities of US$13,747,300 (2007: US$10,249,408) are due within 12 months and are equal to their carrying balances as the impact of discounting is not significant. These are adequately covered by the financial assets. Thus at December 31, 2008, the Corporation has no significant exposure to liquidity risk.

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Notes to and forming part of the Financial Statements
For the year ended December 31, 2008
Expressed in U.S. Dollars

14. FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk (*continued*)

(d) Fair value

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

15. CONTINGENCIES

In the ordinary course of business, the Corporation is subject to legal proceedings, claims, disputes and litigations. As at March 18, 2009, the Corporation is involved in two (2) cases for wrongful dismissal of employees and one (1) for loss and injury arising out of an accident. While it is not practicable to forecast or determine the final results of these pending and threatened legal proceedings, the Corporation estimates the financial impact of these cases to be less than US$250,000.

16. TAXATION

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

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Schedule to the Financial Statements - Expenses
For the year ended December 31, 2008
Expressed in U.S. Dollars

	2008	2007
Generation		
Fuel usage	38,336,382	26,680,215
Lubricating oil	236,190	249,581
Materials and maintenance	7,280,939	1,780,964
Wages and salaries	2,119,414	2,158,767
Social security	66,581	63,980
Pension expense	356,322	432,715
Payroll tax	89,221	83,865
Other employee expenses	126,114	133,379
Other generation expenses	204,339	235,338
	US$ 48,815,502	US$ 31,818,804
Distribution		
Materials and maintenance	1,666,724	625,346
Wages and salaries	1,639,637	1,342,667
Social security	49,492	43,890
Pension expense	291,828	320,184
Payroll tax	75,226	81,103
Other employee expenses	97,535	92,067
Other distribution expenses	386,197	324,606
	US$ 4,206,639	US$ 2,829,863
General and administrative		
Insurance	564,570	574,521
Legal and professional fees	464,910	369,434
Wages and salaries	361,207	377,199
Social security	9,165	9,659
Pension expense	82,931	90,198
Payroll tax	15,796	15,821
Other employee expenses	19,586	26,880
Other expenses	752,321	731,285
	US$ 2,270,486	US$ 2,194,997
Finance		
Wages and salaries	677,823	645,253
Social security	22,247	22,351
Pension expense	151,053	159,567
Payroll tax	27,010	52,093
Other employee expenses	47,364	47,634
Other expenses	165,425	182,285
	US$ 1,090,922	US$ 1,109,183

BRITISH VIRGIN ISLANDS ELECTRICITY CORPORATION

Schedule to the Financial Statements - Expenses
For the year ended December 31, 2008
Expressed in U.S. Dollars

	2008	2007
Customer service and meter reading		
Wages and salaries	520,924	497,981
Social security	16,599	15,997
Pension expense	110,133	115,386
Payroll tax	20,321	18,647
Other employee expenses	36,285	32,143
Other expenses	108,070	69,102
	US$ 812,332	US$ 749,256
Desalination		
Desalination plant	156,764	105,958
Wages and salaries	90,322	119,366
Social security	4,597	4,651
Pension expense	23,631	25,510
Payroll tax	6,227	8,001
Other employee expenses	8,678	9,042
Other expenses	773	964
	US$ 290,992	US$ 273,492
Vehicle		
Wages and salaries	131,888	71,672
Social security	4,330	2,849
Pension expense	26,724	19,617
Payroll tax	5,145	2,209
Other employee expenses	8,315	6,321
Other expenses	17,409	4,630
	US$ 193,811	US$ 107,298
Computing		
Wages and salaries	148,330	128,937
Social security	4,451	4,167
Pension expense	29,162	30,434
Payroll tax	6,112	5,416
Other employee expenses	8,658	6,947
Other computing expenses	207,979	217,381
	US$ 404,692	US$ 393,282