FINANCIAL STATEMENTS

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For The Year Ended December 31, 2015

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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BOARD OF COMMISSIONERS

Mr. Robin Gaul	Chairman
Mr. Colin O'Neal	Deputy Chairman
Ms. Denise Reovan	Commissioner
Mr. Richard Peters	Commissioner
Mr. Ian Smith	Commissioner
Mr. Edward Price	Commissioner
Mr. Jonathan Fiechter	Commissioner
Mr. Robert Mathavious	Managing Director/CEO, ex officio Commissioner

REGISTERED OFFICE

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Road Town, Tortola
British Virgin Islands

COMMISSION SECRETARY

Ms. Annet Mactavious

INDEPENDENT AUDITORS

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Independent Auditor's Report

To the Board of Commissioners
British Virgin Islands Financial Services Commission
Tortola, British Virgin Islands

We have audited the accompanying consolidated financial statements of the British Virgin Islands Financial Services Commission and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2015, and the related consolidated statements of comprehensive income, changes in reserves, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015, 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
September 20, 2016

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2015
Expressed in United States Dollars

	Notes	2015	2014
ASSETS			
Non-current assets			
Property and equipment	4	5,648,340	5,149,196
VIRRGIN project under development	5	1,758,944	1,354,354
		7,407,284	6,503,550
Current assets			
Regulatory deposits	7	8,672,854	8,602,586
Cash and cash equivalents	8	16,145,893	13,407,768
Time deposits	9	5,079,996	5,032,475
Financial assets at fair value through profit or loss	10	3,039,586	3,052,536
Other receivables and deposits	11	532,363	1,028,001
		33,470,692	31,123,366
TOTAL ASSETS		$40,877,976	$37,626,916
RESERVES AND LIABILITIES			
Capital reserves			
Contributed capital	12	3,993,900	3,993,900
Property and equipment reserve	12	7,407,284	6,503,550
Total capital reserves		11,401,184	10,497,450
Revenue reserves			
Training reserve	12	400,000	400,000
Loan revolving reserve	12	165,000	165,000
Future capital expansion reserve	12	7,500,000	7,500,000
Refunds reserve	12	50,000	50,000
Enforcement reserve	12	2,000,000	2,000,000
Contingency reserve	12	1,988,382	1,470,595
Total revenue reserves		12,103,382	11,585,595
Total reserves		23,504,566	22,083,045
Current liabilities			
Trade and other payables	13	2,231,513	2,223,754
Deposits on account	14	2,469,043	1,717,531
Distribution payable to Government	15	4,000,000	3,000,000
Regulatory deposits from licensed entities	7	8,672,854	8,602,586
Total liabilities		17,373,410	15,543,871
TOTAL RESERVES AND LIABILITIES		$40,877,976	$37,626,916

Signed on behalf of the Commission on September 20, 2016

Chairman

Managing Director

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Comprehensive Income
For The Year Ended December 31, 2015
Expressed in United States Dollars

	Notes	2015	2014
INCOME			
Fees collected on behalf of the Government	8	205,674,937	207,890,300
Less: Fees due to the Government	8	(180,524,498)	(183,617,038)
Fees retained by the Commission		25,150,439	24,273,262
Other income	16	986,438	1,067,220
Interest income		176,351	155,354
Net changes in fair value on financial assets at fair value through profit or loss	10	(42,479)	(12,383)
TOTAL INCOME		26,270,749	25,483,453
EXPENSES			
Advertising		9,073	9,372
BVI House Asia funding		222,946	235,133
Conferences and seminars		146,373	101,673
Contributions		59,978	42,017
Depreciation	4	599,402	563,853
Financial Investigations Agency funding		500,000	500,000
Financial Services Institute funding		250,000	200,000
Insurance		97,455	94,002
International Arbitration Centre funding		302,103	-
Licenses and fees		63,332	53,512
Literature and reference		122,950	124,020
Maintenance and hire		476,842	481,236
Memberships and subscriptions		84,515	88,566
Miscellaneous		3,825	15,195
Office expenses		254,078	243,714
Professional services		1,139,714	1,311,049
Public relations		44,392	98,056
Rent and lease		1,085,116	1,029,337
Staff costs	17	13,786,515	12,852,921
Travel and subsistence		872,910	789,436
Telephone and communications		533,794	530,146
Utilities		193,915	256,757
TOTAL EXPENSES		20,849,228	19,619,995
SURPLUS BEFORE GOVERNMENT DISTRIBUTION		5,421,521	5,863,458
Distribution to Government	15	(4,000,000)	(3,000,000)
SURPLUS FOR THE YEAR		$ 1,421,521	$ 2,863,458

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Changes in Reserves
For The Year Ended December 31, 2015
Expressed in United States Dollars

	Opening balance	Surplus for the year	Transfers	Closing balance
2015:				
Surplus for the year	-	1,421,521	(1,421,521)	-
Contributed capital	3,993,900	-	-	3,993,900
Property & equipment reserve	6,503,550	-	903,734	7,407,284
Training reserve	400,000	-	-	400,000
Loan revolving reserve	165,000	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	7,500,000
Refunds & drawbacks reserve	50,000	-	-	50,000
Enforcement reserve	2,000,000	-	-	2,000,000
Contingency reserve	1,470,595	-	517,787	1,988,382
	$ 22,083,045	$1,421,521	$ -	$ 23,504,566

	Opening balance	Surplus for the year	Transfers	Closing balance
2014:				
Surplus for the year	-	2,863,458	(2,863,458)	-
Contributed capital	3,993,900	-	-	3,993,900
Property & equipment reserve	1,249,062	-	5,254,488	6,503,550
Training reserve	400,000	-	-	400,000
Loan revolving reserve	165,000	-	-	165,000
Future capital expansion reserve	10,000,000	-	(2,500,000)	7,500,000
Refunds & drawbacks reserve	50,000	-	-	50,000
Enforcement reserve	2,000,000	-	-	2,000,000
Contingency reserve	1,361,625	-	108,970	1,470,595
	$ 19,219,587	$2,863,458	$ -	$ 22,083,045

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Cash Flows
For The Year Ended December 31, 2015
Expressed in United States Dollars

	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	1,421,521	2,863,458
Adjustment to reconcile net surplus to net cash from operating activities before working capital changes:		
Depreciation	599,402	563,853
Interest income	(176,351)	(155,354)
Gain or loss on disposal of property and equipment	(23,560)	-
Net changes in fair value on financial assets at fair value through profit or loss	42,479	12,383
Operating surplus before working capital changes	1,863,491	3,284,340
Decrease (increase) in other receivables and deposits	495,638	(587,674)
Increase (decrease) in trade and other payables	7,759	(189,874)
Increase (decrease) in deposits on account	751,512	(393,483)
Increase in distribution payable to Government	1,000,000	500,000
Net cash generated from operations	4,118,400	2,613,309
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase) decrease in time deposits-net	(47,521)	32,791
Purchase of financial assets at fair value through profit and loss-net	(29,529)	(67,714)
Acquisition of property and equipment-net	(1,503,136)	(5,818,341)
Proceeds from sale of property and equipment	23,560	-
Interest received	176,351	155,354
Net cash used in investing activities	(1,380,275)	(5,697,910)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,738,125	(3,084,601)
CASH AND CASH EQUIVALENTS		
At beginning of year	13,407,768	16,492,369
At end of year	$ 16,145,893	$ 13,407,768

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

1. ORGANISATION AND OBJECTIVES

The British Virgin Islands Financial Services Commission (the "Commission" or the "Parent") was established under the Financial Services Commission Act, 2001 (the "Act") on December 31, 2001. The Act established the Commission including its subsidiaries (collectively referred to as the "Group") as an autonomous regulatory authority responsible for the regulation, supervision and inspection of all financial services in and from within the British Virgin Islands. Such services include insurance, banking, insolvency, fiduciary business, company management, mutual funds business as well as the registration of companies, limited partnerships and intellectual property. The registered office of the Commission is located at Pasea Estate, Road Town, Tortola, British Virgin Islands.

The Commission oversees all regulatory responsibilities previously handled by the Government of the British Virgin Islands (the "Government") through the Financial Services Department with the additional responsibilities of facilitating public understanding of the financial services system and its products, policing the perimeter of regulated activity, reducing financial crime and preventing market abuse.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated 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 cost convention (with the exception of the revaluation of financial assets at fair value through profit or loss) and are expressed in United States ("US") dollars.

2.2 Standards, amendments and interpretations to existing standards effective and relevant to the Group

- Improvements to IFRSs. 2010-2012 Cycle. In the 2010-2012 annual improvements cycle, the International Accounting Standards Board (IASB) issued seven amendments to six standards. The amendments are effective immediately and, thus, for periods beginning at July 1, 2014. Each of the amendments requires either prospective or retrospective application. These improvements include:

  IFRS 13 Fair Value Measurement. Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

  IAS 24 Related Party Disclosures. Clarify how payments to entities providing management services are to be disclosed.
- Improvements to IFRSs. 2011-2013 Cycle. In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards. The amendments are effective immediately and, thus, for periods beginning at July 1, 2014. Each of the amendments requires either prospective or retrospective application. These improvements include:

  IFRS 3 Business Combinations. Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  IFRS 13 Fair Value Measurement. Clarify the scope of the portfolio exception in paragraph 52.

  IAS 40 Investment Property. Clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The application of the above mentioned amendments had no significant effect on the current period or any prior period. None of the other new standards, interpretations and amendments effective for the first time from January 1, 2015, have had a material effect on the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Group

The following new standards, interpretations and amendments, which have not been applied in these consolidated financial statements will or may have an effect of the Group's future consolidated financial statements:

- IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with informative and relevant disclosures. The standard provides a single principles based five-step model to be applied to all contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes the following revenue Standards and Interpretations upon its effective date (effective for annual periods beginning on or after January 1, 2017):

  - *IAS 18 Revenue*
  - *IAS 11 Construction Contracts*
  - *IFRIC 13 Customer Loyalty Programmes*
  - *IFIC 15 Agreements for the Construction of Real Estate*
  - *IFIC 18 Transfers of Assets from Customers;IFIC and*
  - *SIC 31 Revenue-Barter Transactions Involving Advertising Services*

- IFRS 9, Financial Instruments (as revised in 2014). In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The new standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting. IFRS 9 introduces a logical approach for classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

  The new model also results in a single impairment model being applied to all financial instruments. The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

  IFRS 9 introduces a substantially reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model aligns the accounting treatment with risk management activities. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of nonfinancial items that are eligible for hedge accounting (effective for annual periods beginning on or after January 1, 2018).

- Annual Improvements 2012-2014 Cycle. These improvements contain numerous amendments to IFRS, which are considered non urgent but necessary. The improvements result in accounting changes for presentation, recognition or measurement purposes; or they are terminology or editorial changes only (mostly effective for annual periods beginning on or after July 1, 2016). These improvements include:

  IFRS 7 Financial Instruments: Disclosures. Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

  IAS 19 Employee Benefits. Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Group (continued)

- Disclosure Initiative (Amendments to IAS 1). Amends Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:
  - clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
  - clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
  - additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

  This amendment is effective for annual periods beginning on or after July 1, 2016.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after January 1, 2015 and which have not been adopted early, are expected to have a material effect on the Group's future consolidated financial statements.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Commission and its subsidiaries. Control is achieved when the Commission:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Commission reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Commission has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give the practical ability to direct the relevant activities of the investee unilaterally. The Commission considers all relevant facts and circumstances in assessing whether or not the Commission's voting rights in an investee are sufficient to give it power, including:

- the size of the Commission's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Commission, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Commission has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Commission obtains control over the subsidiary and ceases when the Commission loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Commission gains control until the date when the Commission ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are set aside under the reserves accounts. Total comprehensive income of subsidiaries is also closed to the reserves accounts.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.6 Property and equipment

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

Leasehold land	63 years
Motor vehicle	5 years
Furniture and equipment	5 years
Computer and software	3 years
Leasehold improvements	5 years

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

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

2.7 VIRRGIN project under development

Costs incurred on the Virtual Integrated Registry and Regulatory General Information Network ("VIRRGIN") project are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development costs for each phase, including licensing costs that have been capitalised, are transferred to fixed assets when each phase of project is completed. Depreciation will be charged on the costs of each phase as each phase is brought into use. Maintenance and support costs relating to the VIRRGIN project are expensed in the period to which they relate.

2.8 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as available-for-sale.

(i) Fair value through profit or loss

This category comprises investments held long and financial contracts in an asset. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income within "Net changes in fair value on financial assets at fair value through profit or loss".

(ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Group's loans and receivables comprise regulatory deposits, cash and cash equivalents and other receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (continued)

(ii) Loans and receivables (continued)

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three month or less .

Regulatory deposits are carried at costs and consist of current deposits held at commercial banks and US Treasury Bills with maturity dates of one year or less.

(iii) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity where the Group has the intention and the ability to hold in the long-term or until maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method.

Time deposits with maturities of greater than three months from the acquisition date have been classified as held-to-maturity investments.

2.9 Financial liabilities

Financial liabilities include trade and other payables, deposits on account, distribution payable to Government, due to Government and regulatory deposits from licensed entities.

Financial liabilities are recognised when the Company becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in the statements of comprehensive income.

Accounts payable and accruals and other short-term monetary liabilities are recognised initially at their fair values and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognised from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group measures instruments quoted in an active market at a mid price.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Fair value hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities at fair value through profit or loss to use a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical financial assets and financial liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the financial assets and the financial liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or the financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets are classified in their entirety into only one of the three levels.

2.12 Revenue recognition

Fees and commission income are recognised upon approval of the transaction by the Group. Interest income and expenses are recognised on an accrual basis.

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

Dividend income and expense from financial assets at fair value through profit or loss are recognised when the Group's right to receive payments or the Group's obligation is established, usually the ex-dividend date.

2.13 Taxation

In accordance with Section 28 of the Act, the Commission is exempt from the payment of taxes on its income and operations. Certain investment income may be subject to withholding taxes at its source from the country of origin.

2.14 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Foreign currencies (continued)

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into US Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in the other comprehensive income and accumulated in equity.

2.15 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.16 Pension plan

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

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

Operating and finance leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(b) Key sources of estimate uncertainty

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

Useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2015, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Notes to the Consolidated Financial Statements
For The Year Ended December 31, 2015
Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT

	Freehold land	Leasehold land	Motor vehicles	Furniture and equipment	Computer and software	Leasehold improvements	Total
Cost							
Balance at December 31, 2014	4,500,000	130,000	208,003	2,455,740	10,929,956	2,307,552	20,531,251
Additions	-	-	183,094	177,312	680,843	57,297	1,098,546
Disposals	-	-	(51,500)	-	-	-	(51,500)
Balance at December 31, 2015	4,500,000	130,000	339,597	2,633,052	11,610,799 $	2,364,849	21,578,297
Accumulated depreciation							
December 31, 2014	-	20,638	169,203	2,291,199	10,696,832	2,204,183	15,382,055
Depreciation	-	2,063	46,319	107,214	382,220	61,586	599,402
Disposals	-	-	(51,500)	-	-	-	(51,500)
Balance at December 31, 2015	-	22,701	164,022	2,398,413	11,079,052	2,265,769	15,929,957
Carrying amount							
At December 31, 2014	4,500,000	109,362	38,800	164,541	233,124	103,369	5,149,196
At December 31, 2015	$ 4,500,000 $	107,299 $	175,575 $	234,639 $	531,747 $	99,080 $	5,648,340

Cost							
Balance at December 31, 2013	-	130,000	159,503	2,405,441	10,696,414	2,289,505	15,680,863
Additions	4,500,000	-	48,500	50,299	233,542	18,047	4,850,388
Balance at December 31, 2014	4,500,000	130,000	208,003	2,455,740	10,929,956 $	2,307,552	20,531,251
Accumulated depreciation							
December 31, 2013	-	18,575	159,503	2,203,869	10,288,018	2,148,237	14,818,202
Depreciation	-	2,063	9,700	87,330	408,814	55,946	563,853
Balance at December 31, 2014	-	20,638	169,203	2,291,199	10,696,832	2,204,183	15,382,055
Carrying amount							
At December 31, 2013	-	111,425	-	201,572	408,396	141,268	862,661
At December 31, 2014	$ 4,500,000 $	109,362 $	38,800 $	164,541 $	233,124 $	103,369 $	5,149,196

Expressed in United States Dollars

5. VIRRGIN PROJECT UNDER DEVELOPMENT

As of December 31, 2015, the Commission has an existing contract with NCS Pte. Ltd (formerly Singapore Computer Systems Limited) and Vizor Limited relating to the development of an internet-based information system featuring electronic filing of documents called Virtual Integrated Registry and Regulatory General Information Network ("VIRRGIN").

VIRRGIN will be completed in three phases of development, each of which will be released separately. The VIRRGIN project costs to be capitalised will include (a) registry engine license; (b) implementation and development costs for Phases I, II and III; other additional consultancy and software implementation charges; and airfares, accommodation and other travel expenses incurred relating to the implementation of the project. Cost relating to Phase I and II of VIRRGIN have been capitalised as Computer and Software as part of Property and Equipment (see Note 4). The cost of $1,758,944 (2014: $1,354,354) relates to the uncompleted Phase III which is expected to be finished by December 31, 2016 of which $404,590 were added during the year ended December 31, 2015. The estimated costs to completion of the project, excluding any additional costs, is SGD 102,278 equivalent to $75,324 (2014: SGD 1,161,304; $877,829) and EUR 413,219 equivalent to $464,330 (2014: EUR 737,281; $896,313).

6. SUBSIDIARIES

Composition

The Parent has three wholly-owned subsidiaries as at December 31, 2015, two of which are domiciled in the British Virgin Islands and one in Hong Kong. These subsidiaries provide disaster recovery and Hong Kong liaison services to the Parent. Two of the subsidiaries commenced operations in 2014.

Financial support

The Parent is providing financial support to all three subsidiaries which currently do not derive revenue on their own therefore are dependent on the Parent for their operating financial requirements.

7. REGULATORY DEPOSITS FROM LICENSED ENTITIES

By statute, certain entities licensed to operate in the financial services sector within the British Virgin Islands are required to place a deposit with the Group. The Group has undertaken to hold these amounts in a designated interest-bearing account $2,069,918 (2014: $2,001,560) and fixed income securities $6,602,936 (2014: $6,601,026) and distributes interest thereon to the licensees on a semi-annual basis. The deposits are refundable upon surrender of the licence. For the year ended December 31, 2015, the deposits earned interest of 0.08% (2014: 0.06% to 0.08%). Total interest income earned for these deposits amounted to $6,717 (2014: $5,938).

8. CASH AND CASH EQUIVALENTS

	2015	2014
Cash held in Government Trust Account	6,166,500	7,332,746
Payable to Government	(4,004,435)	(5,414,566)
Net cash held in Government Trust Account	2,162,065	1,918,180
Cash in operating accounts	13,641,619	11,148,713
Cash in insolvency account	342,209	340,875
Total cash and cash equivalents	$ 16,145,893	$ 13,407,768

Fees collected on behalf of the Government are paid into a trust account maintained jointly in the name of the Commission and the Government. Prior to the commencement of the Group's financial year, the Government's Cabinet ("Cabinet") determines the percentage of fees collected on their behalf that is to be remitted to them, with the Commission retaining the balance. For the year ended December 31, 2015, the Commission retained 11.5% (2014: 11.0%) of revenue up to the projected revenue stream and thereafter, the Commission retained 7.5% (2014: 7.5%) of any revenue in excess of the projected revenue stream. This resulted in cash of $4,004,435 (2014: $5,414,566) being held on behalf of the Government as at December 31, 2015.

Expressed in United States Dollars

9. TIME DEPOSITS

Represents short term placements with the local depository banks whose maturity dates are between 3 and 207 days from the reporting date (2014: between 5 and 205 days), and are more than three months from the placement date with an average interest rate of 0.80% (2014: 0.83%). For the year ended December 31, 2015, total interest earned from time deposits amounted to $21,320 (2014: $21,518).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	2014
Government and agency fixed income securities	951,263	1,182,525
Corporate bonds	2,088,323	1,870,011
	$ 3,039,586	$ 3,052,536

The government and agency securities and corporate bonds are categorised as Level 2 within the fair value hierarchy.

	2015	2014
Realised losses	(22,498)	(25,675)
Unrealised movement	(19,981)	13,292
	($ 42,479)	($ 12,383)

The net realised and unrealised gains and losses are presented under "Net changes in fair value on financial assets at fair value through profit or loss" in the statement of comprehensive income.

11. OTHER RECEIVABLES AND DEPOSITS

	2015	2014
Loan to employees	36,809	24,333
Travel advances	49,842	41,823
Interest receivable	37,706	41,591
Prepaid expenses	346,216	331,382
Receivable from pension plan	-	587,404
Due from BVI House Asia	61,790	1,468
	$ 532,363	$ 1,028,001

Receivable from pension plan represents pension initially paid by the Commission from its own funds to cover pension payments to employees that separated from the Commission. This amount has been recovered from the pension plan during the year ended December 31, 2015.

12. RESERVES

In accordance with Section 26 of the Act, the surplus for the year is allocated to capital and revenue reserve accounts at the discretion of the Commission. The capital and revenue reserves established include:

Capital reserves

(i) Contributed capital represents an initial transfer of capital from the Government of the British Virgin Islands on the establishment of the Commission. It represented approximately 3 months of operating expenses; and
(ii) Property & equipment reserve reflects the investment into property & equipment to date, less amortisation.

Expressed in United States Dollars

12. RESERVES (Continued)

Revenue reserves

(i) Training reserve for long term training/ study leave of staff;
(ii) Loan revolving reserve to facilitate staff loans (personal, medical, etc.) as the Act requires employees transferred from Government at the inception of the Commission to be no less well off than they were with Government;
(iii) Future capital expansion reserve to partly finance the future securing of property, constructing and equipping the Commission's own building;
(iv) Refunds and drawback reserve to provide cash for making refunds when necessary;
(v) Enforcement reserve to establish a fund to address enforcement expenses as they arise; and
(vi) Contingency reserve to establish a fund in the event of unforeseen circumstances.

13. TRADE AND OTHER PAYABLES

	2015	2014
Accounts payable and accrued expenses	690,965	747,045
Insolvency surplus reserve	327,616	327,477
Deferred revenue	301,317	286,265
Employee deductions and benefits payable	911,615	862,967
	$ 2,231,513	$ 2,223,754

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $820,773 (2014: $862,967) payable to the Commission's employees.

Pursuant to the Insolvency Rules, 2005, the insolvency surplus reserve pertains to monies representing unclaimed assets received from liquidators or bankruptcy trustees after the completion of a liquidation or bankruptcy.

Funds are paid out of the reserve to any person the Commission is satisfied to make payment with respect to the insolvency proceedings for which the monies were paid into the reserve.

Deferred revenue pertains to fees collected by the official receiver, held by the Commission for safekeeping, pending administrative arrangements between the Government and the Commission, including whether the benefit of these funds will accrue to the Commission.

14. DEPOSITS ON ACCOUNT

In 2006, the Commission introduced a new internet-based information system (VIRRGIN) that allows companies to administer transactions online. As a result of this development, companies are required to deposit funds with the Commission in advance of effecting an online transaction. As at December 31, 2015, the balance on this account amounted to $2,469,043 (2014: $1,717,531).

15. DISTRIBUTION PAYABLE TO GOVERNMENT

On September 20, 2016, the Board of Commissioners approved a distribution to Government of $4,000,000, (2014: $3,000,000) from surplus earned by the Commission during the year ended December 31, 2015.

Expressed in United States Dollars

16. OTHER INCOME

	2015	2014
Enforcement proceeds	573,730	374,300
Court ordered legal cost receipts	85,500	60,150
Miscellaneous income	327,208	632,770
	$ 986,438	$ 1,067,220

17. STAFF COSTS

	2015	2014
Wages and salaries	10,651,447	10,069,920
Allowances and benefits	2,033,516	1,796,940
Social Security benefits	278,591	253,028
Employment costs	265,101	220,902
Payroll taxes	557,860	512,131
	$13,786,515	$12,852,921

The average number of full time employees in 2015 was 178 (2014: 163).

During the year ended December 31, 2015, the Commission paid $1,322,208 (2014: $1,342,402) for current service costs toward a defined contribution plan (the "Plan"), which has been included in allowances and benefits.

18. RELATED PARTY TRANSACTIONS

The Government's Financial Secretary and Accountant General along with the Chairman of the Board of Commissioners and the Managing Director of the Commission are signatories to a joint account maintained in the names of the Government and the Commission referred to as the Government Trust Account as per Section 19 (1) and (7) of the Act (see Note 8).

19. COMMITMENTS AND CONTINGENCIES

Commitments

As explained in Note 5, the Group is contracted with NCS Pte. Ltd (formerly Singapore Computer Systems Limited) and Vizor Limited to design and implement the VIRRGIN project. The contracted cost to completion of the design and implementation of the project is SGD 102,278 equivalent to $75,324 (2014: SGD 1,161,304; $877,829) and EUR 413,219 equivalent to $464,330 (2014: EUR 737,281; $896,313) as at December 31, 2015, respectively, plus maintenance and support costs of EUR 100,000 equivalent to $112,369 (2014: $121,570) as at December 31, 2015.

The Group has an existing contract with Digicel wherein Digicel will provide the Group with dedicated internet access to and from the Group's data center at a monthly cost of $14,506. The contract commenced in March 2014 and will run for three years.

In a separate agreement, the Group also contracted Equinix Hong Kong Limited to provide the Group with data center services. The contract commenced in 2014 with a monthly cost of $3,886.

The Group currently occupies various properties in accordance with the terms of annual operating lease agreements and is committed to making payments on these leases as agreed in the future.

Expressed in United States Dollars

19. COMMITMENTS AND CONTINGENCIES (Continued)

The future aggregate minimum lease payments under non-cancellable leases are as follows:

	2015	2014
Within one year	1,100,689	686,492
Between one and five years	1,816,485	352,633
Five years and beyond	-	-
	$ 2,917,174	$ 1,039,125

For the year ended December 31, 2015, the Group recognised rent expense amounting to $1,085,116 (2014: $1,029,337).

Contingencies

In the ordinary course of business, the Group is subject to legal proceedings, claims, disputes and litigation as a result of its role as the regulator of the British Virgin Islands financial services industry. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, the Group does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

20. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

Financial assets of the Group include cash and cash equivalents, financial assets at fair value through profit or loss, time deposits, regulatory deposits, other receivables and deposits. Financial liabilities include trade and other payables, deposits on account, distribution payable to Government, due to Government and regulatory deposits from licensed entities.

20.1 Market risk

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

(i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In the normal course of business, the Group may enter into transactions denominated in foreign currencies. As a result the Group is subject to transaction and translation exposure from fluctuations in foreign exchange rates.

20. FINANCIAL RISK MANAGEMENT (Continued)

(i) Foreign currency risk (continued)

The Group is exposed to foreign currency risk on the agreement to supply, develop, implement and commission the VIRRGIN project (Note 5). The contracted costs for the project are in Singapore Dollars (SGD) and Euro (EUR). As at December 31, 2015, the foreign exchange rate was $0.7071 (2014: $0.7559) per SGD and $1.0925 (2014: $1.2157) per EUR. Had the Singapore dollar and Euro foreign exchange rates strengthened against the US dollar by 1% (2014: 1%) with all other variables remaining constant, the overall costs to complete the project, including maintenance/support costs, would increase by $6,888 (2014: $25,998). A weakening of 1% in the Singapore dollar against the US dollar, with all other variables held constant, would have an equal but opposite effect.

(ii) Interest rate risk

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

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and time deposits. As at December 31, 2015 approximately 61% (2014: 58%) of the Group's assets were held in bank accounts, with floating interest rates.

Cash flow interest rate sensitivity analysis

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Group's surplus would increase by $62,043 (2014: increase by $55,022). A decrease of 25 basis points in the market interest rate, with all other variables held constant, would decrease the Group's surplus by an equal amount.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk on its financial assets at fair value through profit or loss in government and agency securities and corporate bonds. These government and agency securities and corporate bonds bear fixed rates of interest and the fair value of the bonds are inversely affected by movements in market interest rates. The Group does not hedge itself against fair value interest rate risk.

Fair value interest rate sensitivity analysis

With all other variables held constant, given a 25 basis point increase in the yield rate of government and agency securities and corporate bonds, the Group's income and surplus would decrease by $28,163 (2014: $30,592). A decrease of 25 basis points in the yield rate, with all other variables held constant, would increase the Group's income and surplus by $28,695 (2014: $31,247).

20.2 Credit risk

Credit risk arises from regulatory deposits, cash and cash equivalents, time deposits, other receivables and deposits and its financial assets at fair value through profit or loss. These financial assets are held with financial institutions with an investment grade credit rating. Other receivables include travel expense advances and unsecured loans extended to various employees of the Commission. The extent of the Commission's exposure to credit risk in respect of these financial assets approximate the carrying values as recorded in the Commission's statement of financial position.

The Group's management addresses credit risk through placement of cash on short term money market placements, financial assets at fair value through profit or loss, interest bearing deposits and U.S Treasury Bills at a variety of regulated BVI and US financial institutions and effective and efficient collection policies.

Expressed in United States Dollars

20. FINANCIAL RISK MANAGEMENT (Continued)

20.2 Credit risk (continued)

The Group's regulatory deposits, cash and cash equivalents (excluding petty cash), time deposits, other receivables and deposits and financial assets at fair value through profit or loss are held by financial institutions with the following rating per Moody's Investors Services.

Moody's	2015	2014
Aa2	243,125	246,820
Aa3	2,546,362	2,533,890
Ba1	15,702,460	13,511,857
Baa1	10,840,511	10,812,969
Ba3	1,070,769	489,801
Total rated	30,403,227	27,595,337
Non-rated	2,721,249	3,196,648
Total	$ 33,124,476	$ 30,791,985

20.3 Liquidity risk

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

The Group is exposed to liquidity risk from its financial liabilities which include trade and other payables, deposits on account, distribution to Government, due to Government and Regulatory deposits from licensed entities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet its current operating requirements. The Commission is not exposed to significant liquidity risk as it maintains sufficient cash and cash equivalents to meet its current and foreseeable future obligations.

The table below analyses the Commission's financial liabilities into relevant maturity groupings based on the remaining period at the date of the financial statements to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2015:

	On demand	Within one year	Total
Trade and other payables	2,037,294	194,219	2,231,513
Deposits on account	2,469,043	-	2,469,043
Distribution payable to Government	4,000,000	-	4,000,000
Regulatory deposits from licensed entities	8,672,854	-	8,672,854
Total	$ 17,179,191	$ 194,219	$ 17,373,410

Expressed in United States Dollars

20. FINANCIAL RISK MANAGEMENT (Continued)

20.3 Liquidity risk (continued)

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2014:

	On demand	Within one year	Total
Trade and other payables	2,094,358	129,396	2,223,754
Deposits on account	1,717,531	-	1,717,531
Distribution payable to Government	3,000,000	-	3,000,000
Regulatory deposits from licensed entities	8,602,586	-	8,602,586
Total	$ 15,414,475	$ 129,396	$ 15,543,871

21. DEFINED CONTRIBUTION PENSION PLAN

The Commission has established a defined contribution plan (the "Plan") to provide retirement benefits for all established employees and is administered by trustees appointed by the Commission. Under the Plan, the Commission has an obligation limited to 15% of the participants' basic annual salary, with the participants contributing a minimum of 5%. A participant's interest in the Commission's contributions commences to vest after 7 years employment and is fully vested after 10 years.

22. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2015 and before the date of the report that would have a significant effect on these financial statements other than those already disclosed in the notes.