BVI INTERNATIONAL ARBITRATION CENTRE

Financial Statements
for the period from October 1, 2014
(commencement of operations) to
December 31, 2015
and Independent Auditors' Report

BVI INTERNATIONAL ARBITRATION CENTRE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BVI International Arbitration Centre

Opinion

We have audited the financial statements of the BVI International Arbitration Centre (the Centre), which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive income, changes in equity and cash flows for the period from October 1, 2014 (commencement of operations) to December 31, 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2015, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of Management and Those charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (Cont'd)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control.

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

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

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

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

Deloitte Ltd.

December 30, 2020

BVI INTERNATIONAL ARBITRATION CENTRE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015
(Expressed in United States dollars)

	Note		2015
ASSETS			
Non-current assets			
Other assets	4	$	86,529
Total assets		$	86,529
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable and accrued expenses		$	31,200
Non-current liabilities			
Deferred Grants- BVI FSC	5		55,329
Total liabilities		$	86,529
Net assets			
Net assets			-
Total liabilities and net assets		$	86,529

Approved by the Board of Directors

______________________________ ________________________

Director Date

See notes to the financial statements

BVI INTERNATIONAL ARBITRATION CENTRE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM OCTOBER 1, 2014
(COMMENCEMENT OF OPERATIONS)
TO DECEMBER 31, 2015
(Expressed in United States dollars)

	Note		2015
Operating Income			
BVI FSC contribution	5	$	160,246
Operating Expenses			
Employee costs	7		98,710
Board expenses	6		46,683
Travel and subsistence			8,558
Conferences			5,013
Advertising and marketing			902
Professional expenses			330
Office expenses			50
Total expenses			160,246
Net operating income for the period		$	-

See notes to the financial statements

BVI INTERNATIONAL ARBITRATION CENTRE
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM OCTOBER 1, 2014
(COMMENCEMENT OF OPERATIONS)
TO DECEMBER 31, 2015
(Expressed in United States dollars)

	2015
Cash flows from operating activities	
Net operating income for the period	$ -
Changes in non-cash working capital:	
(Increase) in other assets	(86,529)
Increase in accounts payable	31,200
Net cash used in operating activities	(55,329)
Cash flows from financing activities	
Net change in Deferred FSC Grants	55,329
Net cash provided by financing activities	55,329
Net increase/(decrease) in cash and cash equivalents	-
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	$ -

See notes to the financial statements

1. ESTABLISHMENT AND ACTIVITY

BVI International Arbitration Centre (the "Centre") was established by the Virgin Islands Arbitration Act of 2013 and commenced operations on October 1, 2014. The objective of the Centre is to provide commercial arbitration and establish the British Virgin Islands as a competitive centre in commercial arbitration. The Centre was "incubated" with the help of the BVI Financial Services Commission ("BVI FSC"), and the Government of the Virgin Islands over a period of at least five years, beginning October 2014. The Centre was established as an independent not-for-profit organization, to meet the demands of the business community for neutral, impartial, efficient and reliable dispute resolution in the Caribbean, Latin America, and beyond.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

The accounting principles have been consistently applied to all years presented, except as otherwise stated, and the significant accounting policies are set out below.

Use of estimates
The preparation of financial statements in conformity with IFRS 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 the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates. Significant items subject to such estimates include the useful life of property, plant and equipment and any provision for doubtful accounts receivable.

Cash and cash equivalents
For the purpose of the statement of cash flows, the Centre considers cash and cash equivalents to include amounts held in the Centre's bank and deposits purchased with a maturity of three months or less.

Accounts receivable
Accounts receivable do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for doubtful accounts.

Property, Plant and Equipment
Capital assets are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset ready for its intended use.

Subsequent expenditure included after the asset has been put into operation, such as repairs, and maintenance and overhaul costs are charged to income in the period the costs are incurred. However, expenditures that result in an increase in the future economic benefit of more than the originally assessed standard of performance of the asset are capitalized as an additional cost of property and equipment. When assets are sold or no longer in use, their cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss included in the statement of comprehensive income of such period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)
Depreciation is computed using the straight-line method over the estimated useful lives of the capital assets, which are reviewed on a regular basis:

Equipment	5 years
Furniture & Fixtures	5 years
IT Systems, Hardware and software	3 years
Leasehold Improvements	5 years

At each statement of financial position date, items of property, plant and equipment are assessed for indicators of impairment.

Impairment of financial assets
At each statement of financial position date, financial assets are assessed for indicators of impairment. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Advances from parties to arbitration
The Centre periodically requests parties to proceedings to make advance payments to cover case administrative charges and the fees and expenses of Tribunal, Commission and Committee members. These advances are recorded as liabilities.

Income taxes
Under the current laws of the British Virgin Islands, the Centre is not subject to income, estate, corporation or capital gains taxes. Accordingly, no provision has been made for these taxes in these financial statements.

Revenue and expense recognition
Revenue is measured at the fair value of the consideration received. The Centre recognises revenue when the amount of revenue can be reliably measured, and it is probable that the future economic benefits will flow to the entity. The Centre's core activities consist of room rental fees, arbitration services including conference, seminars and training income.

Deferred revenue is recognized to income over the useful life of assets the funds were used to acquire, and over the period of time the funds were provided to cover.

Operating expenses are recorded on the accrual basis as they are incurred.

Government grants
Government grants related to the acquisition of fixed assets are recognized in the statement of comprehensive income on a systematic basis over the over the useful life of the asset. Government grants related to expenses are recognized in the statement of comprehensive income in the period in which the entity recognizes the related costs for which the grants are intended to compensate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related parties

The Centre's transactions and outstanding balances with related parties are disclosed and additional information is provided in Notes 5 and 6 below. Parties are considered related if one party has control, joint control, and significant influence over the other party in making financial and operating decisions.

3. ADOPTION OF NEW AND REVISED STANDARDS

3.1 New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 15, *Revenue from Contracts with Customers*

In the current period, the Centre has applied IFRS 15, *Revenue from Contracts with Customers*, (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

According to the evaluation made by the Centre's Management, no additional performance obligations were identified that are satisfied at different times, nor any concessions that could affect the transaction price, therefore, the application of IFRS 15 has not had a significant impact on the financial statements of the Centre.

Impact of initial application of IFRS 9, *Financial Instruments*

In the current period, the Centre has applied IFRS 9, *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

The Centre's Management evaluated the financial assets existing as of beginning of period based on the facts and circumstances that existed on that date, and concluded that the financial assets corresponded to trade receivables, which were measured at amortized cost according to the IAS 39, continue at amortized cost according to IFRS 9, since they are within a business model whose objective is to maintain the financial assets to obtain the contractual cash flows consisting exclusively of capital and interest payments on the outstanding principal amount.

The Centre's Management evaluated the credit risk of its existing financial assets as of beginning of period 1 and December 31, 2015 and considered among its main factors the risk or probability of a credit loss occurring, the time value of money, the information available in the filing date about past events, current conditions and forecasts of future economic conditions. Based on its analysis, the Management of the Centre determined that historical credit loss of the financial assets has not been material.

3.2 New and revised IFRS Standards in issue but not yet effective

Certain new accounting standards and amendments to standards have been published that are not mandatory for the December 31, 2015 reporting period and have not been early adopted by the Centre. These standards are not expected to have a material impact on the entity in the current period. With the exception of IFRS 16, Leases, the standards are also not expected to have a material impact on future periods and on foreseeable future transactions. The Centre is currently evaluating the impact of IFRS 16 on the financial statements.

4. OTHER ASSETS

Other assets relate to a refundable security deposit retained by the landlord for the rental of office space located at Parcel 247, Block 2938B, Road Town Registration Section, Tortola, British Virgin Islands and will be refunded within 60 days after the termination date of the lease.

5. GOVERNMENT GRANTS

The Centre received funding from the BVI FSC for establishing the Centre, acquiring capital assets, and supporting expenditure. There are no unfulfilled conditions or other contingencies related to the funding received. The BVI FSC also provides gratuitous assistance in the form of accounting services, general counsel and IT oversight to the Centre.

During the period ended December 31, 2015, contributions from the BVI FSC amounted to $215,575. At December 31, 2015, there is $55,329 of funding deferred from the BVI FSC which will be recognized in future periods to the extent of expenditure incurred. During the period ended December 31, 2015, $160,246 was recognized as income to the extent of expenditure incurred in that period.

All of the above are related party transactions.

6. BOARD EXPENSES

This account relates to costs associated with the board members for their remuneration and travel and accommodation. During the period ended December 31, 2015, board expenses amounted to $46,683.

7. EMPLOYEE COSTS

Employee costs relate to costs including: salaries, allowances, taxes, social insurance and national health insurance associated with the remuneration of employees. During the period ended December 31, 2015, remuneration of employees amounted to $98,710. There were no full-time employees during the period.

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Centre's activities expose it to a variety of financial risks, credit risk, and liquidity risk.

This note presents information about the Centre's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Board has overall responsibility for the establishment and oversight of the Centre's risk management framework.

<u>Credit risk</u>

The Centre's principal financial assets are cash and cash equivalents and accounts receivable which represent the Centre's maximum exposure to credit risk in relation to the financial statements.

he Centre seeks to mitigate its exposure to credit risk by placing cash and cash equivalents with reputable financial institutions.

At December 31, 2015, the Centre had not yet opened a bank account (transactions were processed by the BVI FSC) and there were no accounts receivable.

8. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Centre will encounter difficulty in meeting obligations associated with its financial liabilities. As of December 31, 2015, the Centre's financial liabilities include accounts payable and accrued expenses. The Centre does not anticipate liquidity concerns regarding these liabilities given the funding commitment by the BVI FSC.

9. SUBSEQUENT EVENTS

The Centre has evaluated the impact of all subsequent events through the date that these financial statements were available to be issued. The Centre has considered the recent outbreak of the novel coronavirus in many countries which continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The Centre is precluded from making any prediction as to the ultimate adverse impact of the novel coronavirus as it relates to the Centre's financial statements as reported due to the rapid development and fluidity of this situation.

In November 2019, the BVI FSC incubation period was extended to 2022. Accordingly, the Board of Directors recommended that the Centre develops a plan for sustainability.