British Virgin Islands Financial Investigation Agency

Audited Financial Statements

For the Year Ended December 31, 2021

BDO

British Virgin Islands Financial Investigation Agency

Audited Financial Statements

For the Year Ended December 31, 2021

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

For the Year Ended December 31, 2021
Table of Contents

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 Members of
British Virgin Islands Financial Investigation Agency
Tortola, British Virgin Islands

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of British Virgin Islands Financial Investigation Agency (the "Agency"), which comprise of the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

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

Those charged with governance are responsible for overseeing the Agency’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report (Continued)

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 Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO Limited

Tortola, British Virgin Islands
January 10, 2023

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Financial Position
As at December 31, 2021
(Expressed in United States Dollars)

	Notes	2021 $	2020 $
ASSETS			
Non-current assets			
Property and equipment, net	4	864,769	1,019,814
Right-of-use asset	5	1,244,072	1,462,002
Other assets	6	80,531	94,541
Total non-current assets		**2,189,372**	**2,576,357**
Current assets			
Time deposits	7	800,000	586,829
Other assets	6	9,721	14,717
Other receivables	8	-	16,444
Cash and cash equivalents		1,416,407	1,066,372
Total current assets		**2,226,128**	**1,684,362**
TOTAL ASSETS		**4,415,500**	**4,260,719**
RESERVES			
Capital and revenue reserves			
Property and equipment reserve	9	864,769	1,019,814
Contingency reserve	9	236,829	1,247,761
Enforcement reserve	9	200,000	200,000
Investigative reserves	9	75,000	75,000
Training reserves	9	75,000	75,000
Retained Earnings	9	1,581,714	-
Total reserves		**3,033,312**	**2,617,575**
LIABILITIES			
Non-current liabilities			
Lease liability	5	1,059,479	1,284,148
Current liabilities			
Lease liability	5	281,857	255,431
Accounts payable and accruals	10	39,497	43,646
Retirement benefit obligations	11	1,355	59,919
Total current liabilities		**322,709**	**358,996**
Total liabilities		**1,382,188**	**1,643,144**
TOTAL RESERVES AND LIABILITIES		**4,415,500**	**4,260,719**

Approved on Behalf of the Board

Director ______________________ Director ______________________

Date 13th December 2022 Date 13 DECEMBER 2022

The accompanying notes form an integral part of these financial statements

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Comprehensive Income
For the Year Ended December 31, 2021
(Expressed in United States Dollars)

	Notes	2021 $	2020 $
INCOME			
Contributions from:			
British Virgin Islands Government	12	2,272,800	1,672,800
British Virgin Islands Financial Services Commission	12	750,000	750,000
Rental income		60,000	54,480
Interest income		5,040	8,054
Other income		200	-
TOTAL INCOME		**3,088,040**	**2,485,334**
EXPENSES			
Employee costs	13	1,662,643	1,697,416
Depreciation and amortisation	4,5	526,135	496,978
Utilities		103,568	126,464
Interest expense - lease	5	78,989	90,418
IT support and website		78,551	100,000
Rent and service charge		62,462	66,725
Professional fees		26,445	25,515
Maintenance and security		22,989	16,359
Insurance		22,738	24,039
Office cleaning		20,770	20,985
Subscriptions and dues		20,691	35,990
Office, postage and stationery		19,434	42,815
Training and conferences		7,812	28,336
Egmont-related expense		6,327	33,686
Vehicle expenses		5,867	4,039
Entertainment		4,153	4,808
Bank charges		2,417	4,416
Loss on disposal of asset		312	2,000
Miscellaneous expenses		-	20,232
Travel		-	2,630
Advertising and promotion		-	700
TOTAL EXPENSES		**2,672,303**	**2,844,551**
NET SURPLUS (DEFICIT) FOR THE YEAR		**415,737**	**(359,217)**

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Changes in Reserves
For the Year Ended December 31, 2021
(Expressed in United States Dollars)

	Opening balance (Refer to Note 2 (q)) $	Surplus for the year $	Transfers $	Utilisation reserves $	Closing balance $
Surplus for the year	-	415,737	(415,737)	-	-
Property and equipment reserve	1,019,814	-	(155,045)	-	864,769
Contingency reserve	236,829	-		-	236,829
Enforcement reserve	200,000	-	-	-	200,000
Investigative reserves	75,000	-	-	-	75,000
Training reserves	75,000	-	-	-	75,000
Retained earnings	1,010,932	-	570,782	-	1,581,714
	2,617,575	415,737	-	-	3,033,312

The accompanying notes form an integral part of these financial statements

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Cash Flows
For the Year Ended December 31, 2021
(Expressed in United States Dollars)

	Notes	2021 $	2020 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Surplus (net deficit) for the year		415,737	(359,217)
Adjustments to reconcile net surplus (deficit) to cash from operations before working capital changes:			
Depreciation and amortisation		526,135	496,978
Interest income		(5,040)	(8,054)
Interest expense - lease		78,989	90,418
Loss on disposal of property and equipment		312	2,000
Cash from operations before working capital changes:		**1,016,133**	**222,125**
Decrease (increase) in other assets current		4,996	(950)
Decrease (increase) in other receivables		16,444	(4,265)
Decrease in trade and other payables		(4,149)	(917,875)
Decrease in non-current other assets		14,010	22,582
Decrease in retirement benefit obligations		(58,564)	(18,412)
Net cash flows from (used in) operating activities		**988,870**	**(696,795)**
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Purchase of property and equipment		(89,030)	(63,305)
Proceeds on disposal of property and equipment		400	17,000
Net (increase) decrease in time deposits		(213,171)	445,333
Interest income		5,040	8,054
Net cash flows (used in) from investing activities		**(296,761)**	**407,082**
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Interest paid on lease liability		(78,989)	(90,418)
Principal paid on lease liability		(263,085)	(233,664)
Net cash flows used in financing activities		**(342,074)**	**(324,082)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**350,035**	**(613,795)**
CASH AND CASH EQUIVALENTS			
At beginning of year		1,066,372	1,680,167
At end of year		**1,416,407**	**1,066,372**

1 Organisation and Objectives

The British Virgin Islands Financial Investigation Agency (the "Agency") is a statutory body that was established under the Financial Investigation Act, 2003 (as amended) (the "Act") which came into force on April 1, 2004. The Agency's registered office is 2nd Floor, Ritter House Building, Road Town, Tortola, British Virgin Islands ("BVI").

The Act established the Agency as an autonomous law enforcement arm responsible for receiving, obtaining, investigating, analysing and disseminating information relating to a financial offence or the proceeds of a financial offence and requests for legal assistance from authorities in foreign jurisdictions. Under the Act, the Agency is also designated as the receiver of all disclosures of information required to be made pursuant to any financial services legislation relevant to its functions including suspicious transactions, reports and disclosures from foreign authorities.

2 Significant Accounting Policies

(a) Presentation of financial statements

(i) International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). The principal accounting policies adopted in the preparation of the Agency's financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(ii) Accounting convention

The financial statements are prepared under the historical cost convention.

(iii) Presentation and functional currency

The financial statements are presented in United States Dollars ("$"), which is the Agency's functional and presentation currency.

(iv) Significant accounting estimates and judgment

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. Management is also required to exercise its judgment in the process of applying Agency's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are disclosed in Note 3.

(b) IFRS compliance and adoption

(i) Standards, amendments and interpretations to existing standards effective and relevant to the Agency

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2021 that have a material effect on the financial statements of the Agency.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2021 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Agency.

(c) Property and equipment

All property and equipment held for use in the production or supply of goods or services, or for administrative purposes.

The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalised; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in the profit or loss for the period.

2 Significant Accounting Policies (Continued)

(c) Property and equipment (Continued)

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Furniture and equipment	6.6 years
Computer and software	3 years
Leasehold improvements	10 years
Motor vehicles	5 years

Leasehold improvements are amortised over the term of the lease or estimated useful life of the lease improvement whichever is shorter.

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 (see Impairment of non-financial asset).

The residual values and estimated useful life of property and equipment are reviewed and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

(d) Impairment of non-financial assets

Non-financial assets are tested for recoverability whenever events of changes in circumstances indicate that its carrying value may not be fully recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less cost to sell, the asset is written down accordingly.

For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment charges are included in net income, except to the extent they reverse gains previously recognised in other comprehensive income.

(e) Leases

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

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

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

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

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

2 Significant Accounting Policies (Continued)

(e) Leases (Continued)

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

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

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

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

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

Leasehold premises	10 years

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

The right-of-use assets are presented as a separate line in the statement of financial position.

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

The Agency did not make any such adjustments during the periods presented.

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

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

2 Significant Accounting Policies (Continued)

(e) Leases (Continued)

The Agency did not make any such adjustments during the periods presented.

For contracts that both convey a right to the Agency to use an identified asset and require services to be provided to the Agency by the lessor, the Agency has not elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in capacity as lessee)

The Agency leases its main office building in the jurisdiction from which it operates.

Agency as a lessor

Leases in which the Agency does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) Financial assets

(i) Recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Agency's business model for managing them. The Agency initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs.

Subsequent measurement

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

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Agency's strategic model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The strategic model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date i.e., the date that the Agency commits to purchase or sell the asset.

(ii) Financial assets at amortised cost

This category is most relevant to the Agency. The Agency measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

2 Significant Accounting Policies (Continued)

(f) Financial assets (Continued)

(ii) Financial assets at amortised cost (Continued)

- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Agency's financial assets measured at amortised cost comprise other receivables and cash and cash equivalents and time deposits in the statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less from the acquisition date and bank overdrafts.

(iii) Impairment of financial assets

At each reporting date, the Agency shall measure the loss allowance on cash and cash equivalents and time deposits at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Agency shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(iv) Derecognition of financial assets

Financial assets are derecognised and removed from the statement of financial position when the rights to cash flows from financial assets expire, or the financial assets have been transferred and the Agency has transferred substantially all the risks and rewards of ownership of the financial assets. Any interests created or retained on the transferred financial assets are recognised separately as assets or liabilities.

On derecognition of financial assets, the difference between carrying amounts and the total of considerations received and cumulative gains or losses that had been recognised in the statement of comprehensive income.

When the Agency retains substantially all of the risks and rewards of ownership for transferred financial assets, the financial assets continue to be recognised and the consideration received is recognised as a financial liability.

When financial assets are transferred and the Agency neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, nor transferred control of the assets, the financial assets continue to be recognised to the extent of the continuing involvement in the financial assets.

(g) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Agency’s financial liabilities include accounts payable and accruals, retirement benefit obligations and lease liabilities.

2 Significant Accounting Policies (Continued)

(g) Financial liabilities (Continued)

(i) Initial recognition and measurement (Continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Accounts payable and accruals and retirement benefit obligations are measured at amortised cost using the EIR method.

(ii) Derecognition of financial liabilities

Financial liabilities are derecognised and removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid, is recognised in profit or loss.

Where financial liabilities are replaced with the same lender or the terms are substantially modified, the original financial liabilities are derecognised and new financial liabilities have been recorded.

(iii) Offsetting of financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Agency has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net bases, or to realise the asset and settle the liability simultaneously.

(h) Reserves

A reserve is any contract that evidences a residual interest in the assets of the Agency after deducting all of its liabilities.

(i) General reserves

General reserves represent accumulated surplus of the Agency after deducting associated cost. General reserves may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

(i) Provisions

Provisions are recognised when the Agency has a present obligation (legal or constructive) as a result of a past event, and it is possible 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. Where the Agency expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, a provision is discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(j) Retirement benefits

The Agency's retirement benefits are provided under a defined contribution pension plan. Under this plan, the Agency pays fixed contributions into separate entities and will have no legal or constructive obligation to pay further amounts. The contributions payable to defined contribution plans are recognised as a liability and expense during the periods which employees render services. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or cash refund.

(k) Government contributions

Government contributions includes subventions received from the BVI Government as well as additional voluntary funding from the British Virgin Islands Financial Services Commission ("BVIFSC"). There are no conditions nor contingencies attached to these contributions.

2 Significant Accounting Policies (Continued)

(l) Foreign currency

Transactions in foreign currency are initially translated into the functional currency at the exchange rates prevailing at the transaction date. At the statement of financial position date, financial assets and monetary liabilities expressed in foreign currencies are translated at the closing foreign currency rate. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation of year-end exchange rates of financial assets and monetary liabilities expressed in foreign currencies are recognised in the statement of comprehensive income in the period in which they arise.

(m) Related party transaction and balances

A related party transaction is a transfer of resources, services or obligations between the Agency and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Agency and key management personnel of the Agency are also considered to be related parties.

(n) Revenue recognition

Government grant

The Agency derives revenue from contributions by the BVI Government and the BVIFSC based on the contributions designated per Section 12 of the Act. Revenue from contributions are recognised on an accrual basis.

Rental income

Revenue from rental income is recognised in the accounting period in which the services are rendered. Revenue is recognised over time as the services are provided. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the time.

Interest income

The Agency also generates revenue through interest income from its investments and deposits with banks. Interest income is recognised as interest accrued on a time basis by reference to the principal outstanding and to the effective interest rate applicable.

(o) Taxation

In accordance with Section 16 of the Act, the Agency is exempted from the payment of taxes on its income and operations and from payment of taxes, duties and rates on its property and documents.

Under the Virgin Islands Payroll Taxes Act, 2004, payroll tax is payable by the employer at the rate of 14% (8% being recoverable from the employees). The first US $10,000 of each employee's remuneration is tax exempt. The Agency and its employees are subject to payroll taxes.

(p) Expense recognition

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

(q) Comparative Figures

Certain accounts in the financial statements were reclassified to conform to current year presentation. The contingency reserve originally presented at December 31, 2020 as $1,247,761 was reclassified as a contingency reserve of $236,829 and retained earnings of $1,010,932.

(Expressed in United States Dollars)

2 Significant Accounting Policies (Continued)

(q) Comparative Figures (continued)

	31 December 2020 As originally presented $	Reclassification $	1 January 2021 $
Assets			
Property and equipment reserve	1,019,814	-	1,019,814
Contingency reserve	1,247,761	(1,010,932)	236,829
Enforcement reserve	200,000	-	200,000
Investigative reserves	75,000	-	75,000
Training reserves	75,000	-	75,000
Retained earnings	-	1,010,932	1,010,932
	2,617,575	-	2,617,575

3 Critical accounting estimates and judgments

In the application of the Agency's accounting policies, the management is required to make judgments, 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 judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimates, that the management has made in the process of applying the Agency's accounting policies and that have the most significant effect on the amounts recognised in the statement of financial position.

(i) Going concern

A key assumption in the preparation of the financial statements is that the entity will continue as going concern. The going concern assumption assumes that the Agency will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations. The Agency recorded net surplus for the year ended December 31, 2021 of $415,737 (2020: deficit of $359,217). The BVI Government and the BVIFSC have committed to providing the Agency with sufficient financial resources to enable the Agency to fund its operations and to meet its liabilities as they fall due and to carry on its business without significant curtailment of operations.

(ii) Determining the lease term of contracts with renewal options

The Agency determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it's reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Agency has lease contracts that include extension options. The Agency applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Agency reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise

3 Critical accounting estimates and judgments (Continued)

(a) Critical judgments in applying accounting policies (continued)

(ii) Determining the lease term of contracts with renewal options (continued)

the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Agency included a renewal period as part of the lease term for leases of its main office building. The Agency included a period of 5 years. The Agency typically exercises its option to renew for these leases because there will be a significant negative effect on operations to relocate.

(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.

(4) Useful life of property and equipment

The Agency estimates the useful life of property and equipment based on the period over which the assets are expected to be available for use. The estimated 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 and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2021, there is no change in estimated useful life of fixed assets during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(ii) Impairment of non-financial assets

The Agency's policy on estimating the impairment of non-financial assets is discussed in note 2.e. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the result of operations.

(iii) Borrowing rates used for leases

The Agency estimates the incremental borrowing rates used in the calculation of its right-of-use assets and lease liabilities in relation to its adoption of the IFRS 16. IFRS 16 requires that lease payments shall be discounted using the interest rates implicit in the lease if those rates can be readily determined. If the rate cannot be readily determined, the incremental borrowing rate shall be used. The borrowing rate was determined to be 5.5%.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the Agency's operations have not been significantly impacted as the Agency continued the implementation of its business continuity protocols; However, the Agency continues to monitor the situation. No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Agency's results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time."

(Expressed in United States Dollars)

4 Property and equipment, net

The breakdown of the Agency's property and equipment as of December 31, 2021 and 2020 is presented below:

December 31, 2021	Furniture and equipment $	Computer and software $	Leasehold improvements $	Motor vehicles $	Total $
Cost					
Balance at December 31, 2020	456,419	287,269	1,394,000	66,850	2,204,538
Additions	15,199	68,551	5,280	-	89,030
Disposals	(980)	(3,695)	-		(4,675)
Balance at December 31, 2021	470,638	352,125	1,399,280	66,850	2,288,893
Accumulated depreciation					
Balance at December 31, 2020	297,672	271,084	600,140	15,828	1,184,724
Depreciation	63,639	22,312	144,042	13,370	243,363
Disposals	(269)	(3,694)	-	-	(3,963)
Balance at December 31, 2021	361,042	289,702	744,182	29,198	1,424,124
Carrying amount					
Balance at December 31, 2021	109,596	62,423	655,098	37,652	864,769

December 31, 2020	Furniture and equipment $	Computer and software $	Leasehold improvements $	Motor vehicles $	Total $
Cost					
Balance at December 31, 2019	455,409	267,824	1,394,000	62,000	2,179,233
Additions	1,010	19,445	-	42,850	63,305
Disposals	-	-	-	(38,000)	(38,000)
Balance at December 31, 2020	456,419	287,269	1,394,000	66,850	2,204,538
Accumulated depreciation					
Balance at December 31, 2019	235,825	264,404	456,475	24,167	980,871
Depreciation	61,847	6,680	143,665	10,661	222,853
Disposals	-	-	-	(19,000)	(19,000)
Balance at December 31, 2020	297,672	271,084	600,140	15,828	1,184,724
Carrying amount					
Balance at December 31, 2020	158,747	16,185	793,860	51,022	1,019,814

5 Leases

The Agency leases an office space for its operational head office. The details of right-of-use asset and lease liability are as follows:

(a) Right-of-use asset

	2021 $	2020 $
Beginning balance	1,462,002	1,736,127
Variable lease payment adjustment	64,842	-
Less: lease payments	(282,772)	(274,125)
Ending balance	1,244,072	1,462,002

(Expressed in United States Dollars)

5 Leases (Continued)

(b) Lease liability

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	2021 $	2020 $
Beginning balance	1,539,579	1,773,243
Variable lease payment adjustment	64,842	-
Interest expense	78,989	90,418
Less: lease payments	(342,074)	(324,082)
Lease liability	**1,341,336**	**1,539,579**

	2021 $	2020 $
Lease liability	1,341,336	1,539,579
Less: current portion of lease liability	(281,857)	(255,431)
Non-current portion of lease liability	1,059,479	1,284,148

(Expressed in United States Dollars)

6 Other assets

The following tables details the other assets as at December 31, 2021 and 2020.

	2021 $	2020 $
Other assets - current		
Prepaid expenses	8,206	7,667
Employee advances	1,515	7,050
	9,721	14,717
Other assets - Non-current		
Security deposit	80,531	94,541
	90,252	109,258

Security deposit

Upon the signing of the lease agreements, the Agency paid security deposits. As at December 31, 2021 and 2020, the amount recoverable is shown as other assets in the statement of financial position.

7 Time deposits

As at December 31, 2021, the Agency held an amount of $800,000 at a local bank to facilitate the opening of a certificate of deposit for the purposes of establishing a new reserve fund in the said amount. The certificate of deposit was opened subsequent to year end (refer to Note 18).

As at December 31, 2020, the Agency held investments in the form of certificates of deposit placed in local banks with a total principal and interest amount of $586,829. These amounts were set aside and restricted for specific purposes and not available for general use by the Agency. Any interest income earned on these deposits shall be allocated to unrestricted accounts and be available for general use. For the year ended December 31, 2020, Time deposits earned total interest of $8,054. The deposits matured during the year ended December 31, 2021 and bore interest at a rate of 0.0375%. Any interest earned in the deposit shall be allocated to the unrestricted balances.

Asset fund

Under the Act the Agency is required to maintain bank accounts known as the Asset Fund, into which monies provided by the House of Assembly and proceeds arising out of an asset sharing agreement shall be paid. During the year, there was no funding provided from any asset sharing agreement.

8 Other receivables

The following table details the other receivables as at December 31.

	2021 $	2020 $
Rental income, rent and service charge refund	-	16,444
	-	16,444

(Expressed in United States Dollars)

9 Capital and revenue reserves

The Agency was established as a statutory corporation and no share capital was assigned to it. The Agency is funded by grants from the BVI Government and the BVIFSC.

In accordance with Section 12 (5) of the Act, the Agency is required to establish a reserve account into which the surplus on the budget approved for the Agency's expenditure for any financial year is allocated. The capital and revenue reserves established include:

(a) Capital reserves

- (i) Property and equipment reserve reflects the investment into property and equipment to date, less amortisation.
- (ii) Future capital expansion reserve to partly finance the acquisition of property, construction and equipment.

(b) Surplus reserves

- (i) Training reserve for long term training/study leave of staff. As at December 31, 2021 the training reserve amounted to $75,000 (2020: $75,000) which is fully funded (see Note 7);
- (ii) Investigative reserve for investigation expenses as they arise. As at December 31, 2021 the training reserve amounted to $75,000 (2020: $75,000) which is fully funded (see Noted 7);
- (iii) Enforcement reserve to establish a fund to address enforcement expenses as they arise. As at December 31, 2021, the training reserve amounted to $200,000 (2020: $200,000) which is fully funded (see Note 7); and
- (iv) Contingency reserve to establish a fund in the event of unforeseen circumstances. As at December 31, 2021 the training reserve amounted to $236,829 (2020: $1,247,761) (see Note 7).
- (v) Retained earnings represent accumulated surplus of the Agency after deducting associated costs. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's traditional provisions. As at December 31, 2021, retained earnings amounted to $1,581,714 (2020: $Nil)

10. Accounts payable and accruals

The following tables details the accounts payable and accruals as at December 31, 2021 and 2020.

	2021 **$**	**2020** **$**
Other accrued expenses	39,497	43,646
	39,497	43,646

(Expressed in United States Dollars)

11 Retirement benefit obligations

In accordance with the BVI Labour Code, 2010, the Agency as an employer is required to make provisions for retirement benefits to be paid to permanent employees. To comply with this requirement, the Agency provides retirement benefits as follows:

Employees of the Agency

The Agency which has not established its own pension plan, opted to join the defined contribution pension plan (the "Plan") established by the BVIFSC.

Under the Plan which is administered by Trustees appointed by the BVIFSC, the BVIFSC and the Agency (as employers) contribute 15% of employees' basic salary and the employees contribute a minimum of 5%. The employees' interest in the employers' contribution commences to vest after 7 years employment and is fully vested after 10 years.

For the year ended December 31, 2021, the Agency incurred pension expense of $153,927 (2020: $148,179) for employees participating in the Plan, of which $1,355 (2020: $2,266) is payable at year end.

Employees Seconded from Central Government

Employees seconded to the Agency from the BVI Government continue their entitlement to receive retirement benefits from the BVI Government.

The BVI Government offers post-employment benefits in the form of gratuities which are calculated according to set formulas based on the length of service and salaries or wages in the final year of service.

Depending in the length of service, employees may be entitled to one or more of the following:

- compassionate gratuities.
- reduced pension plus gratuities; and
- full pension

The Agency is obligated to compensate the BVI Government for the amount of contributions that are due for these seconded employees.

For the year ended December 31, 2021, the Agency incurred pension expense of $Nil (2020: recovery of $6,001) for the seconded employees, of which $Nil (2020: $57,653) is payable.

The retirement benefit obligations are broken down as follows:

	2021 $	2020 $
BVI Government	-	57,653
BVIFSC	1,355	2,266
	1,355	59,919

(Expressed in United States Dollars)

12 Contributions from the BVI Government and the BVIFSC

Under section 12 of the Act, the Agency is funded by monies appropriated by the House of Assembly of the Virgin Islands. Additional funding is provided by a portion of such assets obtained by the BVI Government under an asset sharing agreement, as the House of Assembly may, by resolution approve.

The BVIFSC has voluntarily contributed 5/12th of the Agency's budget up to a maximum of $500,000 per year to assist in the funding of the Agency's operations which is complementary to the BVIFSC's role as regulator of financial services within and from the BVI.

During the year ended December 31, 2021, the Agency received contributions from the BVI Government and the BVIFSC amounting to $2,272,800 (2020: $1,672,800) and $750,000 (2020: $750,000), respectively. During the year, there was no funding provided from any asset sharing agreement.

13 Employee costs

The following tables details the employee costs as at December 31, 2021 and 2020.

	2021 $	2020 $
Salaries	1,230,704	1,267,315
Pension expense (Note 12)	153,927	148,943
Allowances and other benefits	88,590	87,339
National health insurance	89,776	91,464
Payroll tax	60,179	64,839
Social security	39,467	37,516
	1,662,643	1,697,416

The Agency had an average number of full-time employees during the year of 28 (2020: 25).

14 Operational risk management

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Agency cannot expect to eliminate all operational risks, but by initiating an effective control framework and by monitoring and responding to potential risks, the Agency is able to manage risks.

15 Financial risk management

The Agency is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk, other price risk)

The Board of Directors has overall responsibility for the determination of the Agency's risk management objectives and policies and, whilst retaining ultimate responsibility for them, they have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Agency's management. The Board of Directors receive regular reports from management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Agency's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Agency is exposed and seeks to minimise potential adverse effects on the Agency's financial performance. The Agency uses different methods to measure and manage the various types of risk to which it is exposed.

(Expressed in United States Dollars)

15 Financial risk management (Continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Agency if a counterparty to a financial instrument fails to meet its contractual obligations. The Agency is mainly exposed to credit risk from cash and cash equivalents, time deposits and other assets.

The maximum exposure to credit risk, before any credit enhancement at December 31, 2021 and December 31, 2020 is the carrying amount of the financial assets as set out in the statement of financial position as follows:

	2021 $	**2020** $
Cash and cash equivalents	1,416,407	1,066,372
Time deposits	800,000	586,829
Other assets	9,721	14,717
Other receivables	-	16,444
Non-current other assets	80,531	94,541
	2,306,659	1,778,903

The Agency does not have significant exposure to any individual customer or counterparty. To reduce exposure to credit risk, the Agency holds its cash and cash equivalents and time deposits with several financial institutions whose parent companies have credit ratings as rated by Moody's Investors Services and Standard and Poor's Financial Services LLC as follows:

	2021 $	**2020** $
A-3	-	-
Ba1	-	1,066,372
Ba2	-	-
BBB-	1,416,407	586,829
Total Rated	1,416,407	1,653,201
Non-rated	800,000	14,717
Total	2,216,407	1,667,918

The table below summarises the aging of the Agency's financial assets:

December 31, 2021	**Current** $	**31-60 days** $	**Above 60 days** $	**Total** $
Non-current other assets	-	-	80,531	80,531
Other current assets	9,721		-	9,720
Other assets	-		-	-
Time deposits	-	800,000	-	800,000
Cash and cash equivalents	1,416,407	-	-	1,416,407
	1,426,127	800,000	80,531	2,306,658

(Expressed in United States Dollars)

15 Financial risk management (Continued)

(a) Credit risk (Continued)

December 31, 2020	Current $	31-60 days $	Above 60 days $	Total $
Non-current other assets	-	-	94,541	94,541
Other receivables	16,444	-	-	16,444
Other assets	14,717	-	-	14,717
Time deposits	-	586,829	-	586,829
Cash and cash equivalents	1,066,372	-	-	1,066,372
	1,097,533	586,829	94,541	1,778,903

(b) Liquidity risk

Liquidity risk is the risk that the Agency will encounter difficulty in meeting its short-term obligations associated with financial liabilities. The Agency is exposed to liquidity risk from its financial liabilities.

Liquidity needs are monitored by the Agency to ensure it has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses or breaches in borrowing limits or covenants. Liquidity is managed by monitoring forecasted and actual cash flows, maintaining sufficient funds to meet expected operational expenses and matching maturity profiles of financial assets and liabilities.

The table below shows the liquidity profile of the financial liabilities excluding lease liabilities based on their undiscounted cash flows and their earliest maturity:

December 31, 2021	On demand $	1 to 3 months $	Total $
Account payables and accruals	39,497	-	39,497
Retirement benefit obligations	1,355	-	1,355
	40,852	-	40,852

December 31, 2020	On demand $	1 to 3 months $	Total $
Account payables and accruals	43,646	-	43,646
Retirement benefit obligations	59,919	-	59,919
	103,565	-	103,565

Refer to Note 5 for the liquidity profile for the lease liability.

(c) Market risk

Market risk is the risk that changes in market prices, through foreign exchanges rates, interest rates, and equity prices, will cause fluctuations to the fair values and cash flows of financial instrument holdings.

(i) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Agency's financial instrument holdings. Floating rate instruments expose the Agency to cash flow interest rate risk whereas fixed rate instruments expose the Agency to fair value interest rate risk.

Interest rate sensitivity

At December 31, 2021 and 2020, the Agency has minimal interest bearing financial instruments. As a result, the Agency is not exposed to significant interest rate risk.

15 Financial risk management (Continued)

(c) Market risk (Continued)

(ii) Currency risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Agency's financial instrument holdings.

Foreign currency sensitivity

At December 31, 2021 and 2020, the Agency has no financial instruments denominated in currencies other than United States Dollars. As a result, the Agency is not exposed to significant foreign currency risk.

(iii) Equity price risk

Equity price risk is the risk that changes in market prices of equity securities will cause fluctuations to the fair values and cash flows of Agency's financial instrument holdings.

Equity price risk sensitivity

At December 31, 2021 and 2020, the Agency did not hold any investments and thus is not exposed to equity price risk.

16 Capital Risk Management

The Agency's objective when managing capital is to ensure that it will be able to continue as a going concern while maximizing benefits to stakeholders. There were no changes in the Agency's approach to capital management during the year.

17 Contingency

The Agency is subject to a dispute claim through the Department of Labour & Workforce Development filed against the Agency by a former employee on April 15, 2021. This dispute claim was transmitted to the Minister of Natural Resources, Labour and Immigration on October 1, 2021 for further action. The matter is still at the mediation stage. The Agency has put forward an offer for settlement in the amount of $90,000 and is currently awaiting a response from the former employee. If the former employee does not accept the offer the matter goes to the Tribunal for resolution.

18 Subsequent events

No events have occurred subsequent to December 31, 2021 and before the date of the report that would have a significant effect on these financial statements other than those disclosed in the note below:

Time deposit

Subsequent to December 31, 2021, the Agency opened a certificate of deposit at a local bank with a total principal of $800,000. The deposit bears interest at a rate of 0.55% and matures within 1 year.