British Virgin Islands Financial Investigation Agency

Audited Financial Statements

For The Year Ended December 31, 2015

British Virgin Islands Financial Investigation Agency

Audited Financial Statements

For the Year Ended December 31, 2015

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Table of Contents
For the Year Ended December 31, 2015

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

We have audited the accompanying financial statements of British Virgin Islands Financial Investigation Agency, which comprise of the statement of financial position as at December 31, 2015, and the related statements of comprehensive income and general 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 the fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes 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 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 financial statements present fairly, in all material respects, the financial position of British Virgin Islands Financial Investigation Agency 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

February 14, 2017
Tortola, British Virgin Islands

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Financial Position
December 31, 2015
(Expressed in United States Dollars)

	Notes	2015	2014
ASSETS			
Fixed assets	4	427,611	498,930
Total non-current assets		427,611	498,930
Cash and cash equivalents		3,350,425	966,354
Held-to-maturity investments	5	1,021,472	3,186,478
Other current assets	6	162,871	41,427
Total current assets		4,536,337	4,194,259
TOTAL ASSETS		$ 4,962,379	$ 4,693,189
EQUITY AND LIABILITIES			
Reserves			
General reserves	7	4,060,396	3,814,324
Liabilities			
Retirement benefit obligations	9	18,637	29,219
Total non-current liabilities		18,637	29,219
Accounts payable and accruals	8	883,346	849,646
Total current liabilities		883,346	849,646
Total liabilities		901,983	878,865
TOTAL EQUITY AND LIABILITIES		$ 4,962,379	$ 4,693,189

APPROVED BY THE BOARD

______________ Director   February 14, 2017 Date

______________ Chief Operating Officer   February 14, 2017 Date

The accompanying notes form an integral part of these financial statements

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Comprehensive Income and General Reserves
For the Year Ended December 31, 2015
(Expressed in United States Dollars)

	Notes	2015	2014
INCOME			
Contributions from:			
British Virgin Islands Financial Services Commission	10	500,000	500,000
British Virgin Islands Government	10	1,662,500	1,662,500
Interest income		11,580	7,731
TOTAL INCOME		2,174,080	2,170,231
EXPENSES			
Advertising and promotion		2,318	11,570
Bank charges		2,968	1,305
Depreciation	4	127,867	113,592
Employee costs	11	1,274,463	1,140,305
Egmont-related expense		15,898	28,827
Entertainment		787	8,433
Insurance		27,894	25,175
IT support and website		44,454	32,484
Other expenses		1,473	-
Maintenance and security		19,035	23,265
Office, postage and stationery		44,771	48,149
Professional fees		17,050	36,648
Rent	13	164,176	163,976
Subscriptions and dues		10,836	4,820
Training and conferences		33,545	74,865
Travel		44,599	130,416
Utilities		79,456	73,218
Vehicle expenses		16,418	10,459
TOTAL EXPENSES		1,928,008	1,927,507
SURPLUS FOR THE YEAR		246,072	242,724
General reserves at beginning of year		3,814,324	3,571,600
General reserves at end of year		$ 4,060,396	$ 3,814,324

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, 2015
(Expressed in United States Dollars)

		2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus for the year		246,072	242,724
Adjustments to reconcile net income to cash from operations before working capital changes:			
Depreciation		127,867	113,592
Loss on sale of fixed asset		261	-
Interest income		(11,580)	(7,731)
Net cash from operations before working capital changes:		362,620	348,585
Decrease in due from BVI Government		-	437,500
Increase in other current assets		(121,444)	(2,071)
Increase in accounts payable and accruals		33,700	7,478
Net decrease in retirement benefit obligation		(10,582)	(9,912)
NET CASH FLOWS FROM OPERATING ACTIVITIES		264,294	781,580
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of fixed assets		165	-
Purchase of fixed assets		(56,974)	(90,226)
Net decrease (increase) in held-to-maturity investments		2,165,006	(6,253)
Interest income		11,580	7,731
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		2,119,777	(88,748)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,384,071	692,832
CASH AND CASH EQUIVALENTS			
At beginning of year		966,354	273,522
At end of year	$	3,350,425 $	966,354

The accompanying notes form an integral part of these financial statements

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 located at Road Town, Tortola, British Virgin Islands.

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

The Agency's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements are presented in United States (“US”) dollars, which is the Agency's functional and presentation currency.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. Management is also required to exercise its judgement in the process of applying the Agency’s accounting policies. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are disclosed in Note 3.

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

- **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 16 Property, Plant and Equipment and IAS 38 Intangible Assets. Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

  IAS 24 Related Party Disclosures. Clarify how payments to entities providing management services are to be disclosed.

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 financial statements.

2. Significant Accounting Policies (continued)

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

- **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).

- **Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation**. The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The presumption can only be rebutted in two limited circumstances: (1) when the intangible assets is expressed as a measure of revenue (2) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated (effective for annual periods beginning on or after January 1, 2016).

2. Significant Accounting Policies (continued)

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

- **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.

- **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 Company’s future financial statements.

(d) Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates and assumptions.

(e) Fixed assets

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 capitalized; 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.

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

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

2. Significant Accounting Policies (continued)

(e) Fixed assets (continued)

Leasehold improvements are amortised over the term of the lease or the estimated useful lives of the improvements, 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 Assets).

The residual values and estimated useful lives of fixed assets are reviewed and adjusted if appropriate, at each reporting date.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from 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 derecognised.

(f) Impairment of assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable mount, which is the higher of value in use and fair value less costs 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 risks specific to the asset.

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

(g) Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are recognised in the statement of comprehensive income on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Revenue recognition

Contributions from the British Virgin Islands Government and the British Virgin Islands Financial Services Commission ("BVI FSC") are recognised on an accrual basis, based on the contributions designated per Section 12 of the Act. Other income and expenses are recognised on an accrual basis.

(i) Financial assets

The Agency classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

(i) 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.

2. Significant Accounting Policies (continued)

(i) Financial assets (continued)

(i) Loans and receivables (continued)

Impairment provisions are recognised when there is objective evidence that the Agency 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 Agency's loans and receivables comprise cash and cash equivalents, other assets and due from British Virgin Islands Government.

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

Due from the British Virgin Islands Government represents contributions from the Government outstanding as of the reporting date.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity where the Agency 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.

(j) Government grants

Government grants include contributions received from the British Virgin Islands Government as well as additional voluntary funding from the British Virgin Islands Financial Services Commission. There are no conditions nor contingencies attached to these fundings.

(k) Financial liabilities

The Agency's financial liabilities is composed of accounts payable and accruals and retirement benefit obligation. Accounts payable and accruals are stated at cost, which approximates fair value due to the short term nature of these liabilities.

(l) Retirement benefits

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

(m) Taxation

In accordance with Section 16 of the Act, the Agency is exempt from the payment of taxes on its income and operations.

3. Critical accounting judgement and key sources of estimate uncertainty

In the application of the Agency's accounting policies, the management is 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the management have 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.

Leases

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

The Agency 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.

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.

(a) Useful lives of fixed assets

The Agency estimates the useful lives of fixed assets based on the period over which the assets are expected to be available for use. The estimated useful lives of fixed assets 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 fixed assets are analysed in Note 4. Based on management's assessment as at December 31, 2015, there is no change in estimated useful lives of fixed assets during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) Impairment of non-financial assets

The Agency's policy on estimating the impairment of non-financial assets is discussed in Note 2(f). 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 results of operations.

(Expressed in United States Dollars)

4. Fixed assets

The breakdown of the Agency's fixed assets as of December 31 is presented below:

December 31, 2015	Furniture and equipment	Computer and software	Leasehold improvements	Motor vehicles	Total
Cost					
Opening balance	290,879	216,007	479,959	91,970	1,078,815
Additions	4,334	26,567	8,095	17,978	56,974
Disposal	(1,623)	-	-	-	(1,623)
Balance at December 31, 2015	$ 293,590	$ 242,574	$ 488,054	$ 109,948	$ 1,134,166
Accumulated depreciation					
Opening balance	172,382	156,834	182,593	68,076	579,885
Depreciation	40,951	31,366	47,952	7,598	127,867
Dispose	(1,197)	-	-	-	(1,197)
Balance at December 31, 2015	212,136	188,200	230,545	75,674	706,555
Carrying amount					
At December 31, 2015	$ 81,454	$ 54,374	$ 257,509	$ 34,274	$ 427,611

December 31, 2014	Furniture and equipment	Computer and software	Leasehold improvements	Motor vehicles	Total
Cost					
Opening balance	277,080	165,842	453,697	91,970	988,589
Additions	13,799	50,165	26,262	-	90,226
Balance at December 31, 2014	$ 290,879	$ 216,007	$ 479,959	$ 91,970	$ 1,078,815
Accumulated depreciation					
Opening balance	132,680	139,924	135,712	57,977	466,293
Depreciation	39,702	16,910	46,881	10,099	113,592
Balance at December 31, 2014	172,382	156,834	182,593	68,076	579,885
Carrying amount					
At December 31, 2014	$ 118,497	$ 59,173	$ 297,366	$ 23,894	$ 498,930

5. Held-to-maturity investments

As at December 31, 2015, the Agency holds investments in the form of certificates of deposit placed in local banks with a total principal amount of $1,021,472 (2014: $3,186,478). All deposits have original deposit terms of at least one year and mature in May and November 2016. For the year ended December 31, 2015, held-to-maturity investments earned total interest of $8,837 (2014: $3,781).

Included in held-to-maturity investments is an amount received from the BVI Government for the conviction and settlement of the IPOC case (see Note 7). An amount of $822,218 (2014: $822,218) remains payable to the Financial Investigation Unit of the Bermuda Police Service ("BPSFIU") relating to the IPOC court order.

6. Other current assets

	2015	2014
Security deposit and prepayments	144,783	41,066
Recoverable expenses	18,088	-
Interest receivable	-	361
Total	$ 162,871	$ 41,427

(Expressed in United States Dollars)

7. General reserves

The General Reserves account was established according to section 12 (5) of the Act, where the Agency is required to establish a reserve account. The surplus on the budget approved for the Agency's expenditure for any financial year, is allocated to the general reserve account.

8. Accounts payable and accruals

		2015	2014
IPOC investigation costs		822,218	822,218
Other accrued expenses		61,128	27,428
	$	883,346	849,646

IPOC investigation costs

On July 10, 2007, the Agency entered into a Memorandum of Understanding with the BPSFIU with respect to the investigation of IPOC International Growth Fund Limited ("IPOC"), a BVI-registered entity, and its related companies and persons. IPOC being suspected of having been engaged in criminal conduct and/or holding property representing the proceeds of criminal conduct. Under the Memorandum of Understanding, the Agency and BPSFIU would cooperate, on the basis of reciprocity, in the analysis of information concerning transactions suspected of being related to IPOC and its related entities and persons.

In accordance with the Memorandum of Understanding, it was agreed that BPSFIU and the Agency would share equally all expenses incurred in the investigation. During the year ended December 31, 2008, the Agency incurred expenses of $2,542,268 in the investigation of IPOC of which $992,809 was paid for by BPSFIU.

On April 30, 2008, the High Court of the Virgin Islands (the "High Court") convicted IPOC and its related companies of two qualifying offences under the Proceeds of Criminal Conduct Act, 1997 (the "Criminal Conduct Act"). The High Court ruled that the benefit and pecuniary advantage obtained by IPOC as a result of the offenses under the Criminal Conduct Act, including interest, was $45,455,431. A costs order of $2,200,000 was issued by the High Court whereby the Agency and BPSFIU recovered a significant portion of their expenses relating to their investigations. This was received by the Agency in 2008. As at December 31, 2015, a total of $822,218 (2014: $822,218) remained outstanding and payable to BPSFIU relating to this court order. The above outstanding amount is presented as part of accounts payable and accruals in the statement of financial position.

9. 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 benefit obligation 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 BVI FSC.

Under the Plan which is administered by Trustees appointed by the BVI FSC; the BVI FSC and the Agency (as employers) contribute 15% of employees' basic annual 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, 2015, the Agency incurred retirement benefit obligations of $88,124 (2014: $80,958) for employees participating in the Plan, of which $8,050 is unfunded (2014: $Nil).

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.

(Expressed in United States Dollars)

9. Retirement benefit obligations (continued)

Depending on 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.

The BVI Government has not invoiced the Agency for these costs, but using the Government's regime to accrue benefits, an estimate has been calculated based on 15% of employees' annual earnings.

For the year ended December 31, 2015, the Agency incurred retirement benefit obligations of $29,911 (2014: $29,225) for the seconded employees, of which $10,587 (2014: $29,219) is unfunded.

The unfunded retirement benefits can be broken down as follows:

		2015		2014
BVI Government - 2011 onwards		10,587		29,219
BVI FSC – 2011 onwards		8,050		
	$	18,637	$	29,219

10. Contributions from the BVI Government and the BVI FSC

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

During the year ended December 31, 2015, the Agency received contributions from the BVI Government and the BVI FSC amounting to $1,662,500 (2014: S1,662,500) and $500,000 (2014: $500,000), respectively. During the year, there was no funding provided from any asset sharing agreement.

11. Employee costs

		2015		2014
Allowances and other benefits		132,949		98,021
Payroll tax		49,791		45,605
Retirement expense		118,035		110,183
Salaries		973,688		886,496
	$	1,274,463	$	1,140,305

The Agency had an average number of full time employees during the year of 18 (2014: 15).

12. Risk Management

The Agency is exposed through its operations to a variety of financial risks: market risk (including currency risk, fair interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.

In common with all other organisations, the Agency is exposed to risks that arise from its use of financial instruments. This note describes the Agency's objectives, policies and processes for managing those risks and the methods used to measure them.

The principal financial instruments used by the Agency, from which financial instrument risk arises, are as follows: cash and cash equivalents, held-to-maturity investments, other current assets, and accounts payable and accruals.

(Expressed in United States Dollars)

12. Risk Management (continued)

(a) General objectives, policies and processes

The Agency's Directors have 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 Agency uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

(i) 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, held-to-maturity investments and other current assets.

The maximum exposure to credit risk before any credit enhancements at December 31, 2015 and December 31, 2014 is the carrying amount of the financial assets as set out in the statement of financial position as follows:

	2015	2014
Cash and cash equivalents	3,350,425	966,354
Held-to-maturity investments	1,021,472	3,186,478
Other current assets	158,516	36,952
	$ 4,530,413	$ 4,189,784

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 with several financial institutions whose parent companies have credit ratings as rated by Moody's Rating Services as follows:

Moody's	2015	2014
Aa2	2,573,844	2,566,557
Ba1	1,176,581	966,354
Ba2	621,472	619,921
Total rated	4,371,897	4,152,832
Non-rated	158,516	36,952
Total	$ 4,530,413	$ 4,189,784

The balance due from BVI Government is not rated and management does not consider the Agency to have significant exposure to credit risk on this counterparty.

(ii) Market Risk

Market risk arises from the Agency uses 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).

Cash flow and fair value interest rate risk

The Agency is exposed to cash flow interest rate risk from cash and cash equivalents and held-to-maturity investments. The Agency does not actively manage the interest rate risk as a result of holding cash and cash equivalents as well as certificates of deposit reported as held-to-maturity investments.

At December 31, 2015 and 2014, movement in the market interest rate of cash and cash equivalents in the Agency's net income or loss and net assets was estimated to be insignificant.

(Expressed in United States Dollars)

12. Risk Management (continued)

(a) General objectives, policies and processes (continued)

(ii) Market Risk (continued)

Foreign currency risk

At December 31, 2015 and 2014, the Agency has no financial assets and financial liabilities denominated in currencies other than the US dollar. As a result, the Agency is not exposed to significant foreign currency risk.

Other price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the statement of financial position date, the Agency has no significant concentration of price risk.

(iii) Liquidity Risk

Liquidity risk is the risk that the Agency 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.

To mitigate this risk the Agency maintains sufficient cash balances to meet short-term commitments.

As at December 31, 2015, the Agency's current liabilities of $883,346 (2014: $849,646) is covered by both cash and cash equivalents and held-to-maturity investments. Held-to-maturity investments can be terminated early should the need arise. As a result, the Agency is not exposed to significant liquidity risk.

(b) Operational risk

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.

13. Operating lease commitments

The Agency leases its offices from LM Business Centre Ltd. The lease is for a period of ten years commencing on September 1, 2009. On November 9, 2012, the Agency entered into another lease agreement for the use of additional office space at LM Business Centre Ltd. which will commence on January 1, 2013 and will end on January 31, 2017. On December 1, 2016, the Agency has executed an official surrender of lease which canceled the future lease commitments relating to the above lease agreement. Other than the lease payments, there are no further contractual obligations with regard to the leasing of this property.

On April 25, 2016, the Agency entered into a new lease agreement with Mar Investment Company Limited for the use of office space at the Ritter House Building, Wickham's Cay II. The lease commenced on April 25, 2016 and runs for a period of five years.

The total future minimum lease payments of non-cancellable operating lease rentals as a result of the above lease agreement as at December 31, are presented below:

	2015	2014
Within one year	154,402	163,344
Between one and five years	4,670	382,622
Five years and beyond	-	71,536
	159,072 $	617,502

For the year ended December 31, 2015, the Agency recognised rent expense amounting to $164,176 (2014: $163,976).

14. 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.