INTERNATIONAL TAX AUTHORITY

Financial Statements
For the year ended 31 December 2020
(with comparatives for the period from 3 December 2018,
the date of commencement of operations, to 31 December 2019)

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Authority Directory
At 31 December 2020

Board

Executive Director – International Business
Attorney General
Managing Director – Financial Services Commission
Director – Financial Investigation Agency
Director – International Tax Authority

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INTERNATIONAL TAX AUTHORITY

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL

GOVERNMENT OF THE BRITISH VIRGIN ISLANDS

Opinion
We have audited the financial statements of the International Tax Authority (the "Authority") which comprise the statement of financial position as at 31 December 2020 and the statements of comprehensive income, changes in reserves and 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 Authority as at 31 December 2020 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 Authority in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the British Virgin Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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.

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 Authority'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 Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 Authority 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information
This report is made solely to the Auditor General, Government of the British Virgin Islands (the "Auditor General"), in accordance with the International Tax Authority Act. Our audit work has been undertaken so that we might state to the Auditor General those matters we are required to state to the Auditor General in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Auditor General, for our audit work, for this report, or for the opinion, we have formed.

Baker Tilly (BVI) Limited

Chartered Accountants
Tortola, British Virgin Islands
22 June 2023

INTERNATIONAL TAX AUTHORITY

Statement of Financial Position
At 31 December 2020

Expressed in U.S. Dollars

	Note	2020	2019
Non-current assets			
Fixed assets	3	910,799	138,991
Intangible assets	5	328,690	328,690
Right-of-use assets	4	2,310,736	—
Total non-current assets		3,550,225	467,681
Current assets			
Cash and cash equivalents		1,898,134	2,375,969
Prepayments		91,758	76,635
Leasehold deposits	4	78,831	78,831
Total current assets		2,068,723	2,531,435
Total assets		$ 5,618,948	$ 2,999,116
Current liabilities			
Accounts payable		134,593	270,217
Current portion of the lease liability	4	192,894	—
Total current liabilities		327,487	270,217
Non-current liabilities			
Non-current portion of the lease liability	4	2,120,633	—
Total non-current liabilities		2,120,633	—
Total liabilities		2,448,120	270,217
Reserves			
General reserves		3,170,828	2,728,899
Total reserves		3,170,828	2,728,899
Total liabilities and reserves		$ 5,618,948	$ 2,999,116

INTERNATIONAL TAX AUTHORITY

Statement of Comprehensive Income
For the year ended 31 December 2020

(with comparatives for the period from 3 December 2018, the date of commencement of operations, to 31 December 2019)
Expressed in U.S. Dollars

	Note	2020	2019
Income			
Subvention from:			
British Virgin Islands Government	6	2,700,000	3,978,856
		2,700,000	3,978,856
Expenses			
Personnel costs	7	1,387,897	734,337
Rentals		133,578	169,633
IT support and maintenance		128,488	102,633
Amortisation of right-of-use assets	4	121,618	—
Depreciation	3	119,279	29,755
Repairs and maintenance		61,268	46,657
Utilities		51,487	20,099
International membership fees		35,238	58,206
Travel and entertainment		33,999	19,772
Professional fees		26,100	9,167
Computer and internet expenses		24,317	15,808
Office supplies		24,240	9,201
Recruitment and training expense		21,370	1,435
Postage and delivery		17,874	26,003
Insurance expense		6,943	5,520
Bank charges		2,051	1,561
Automobile expense		1,367	534
Total expenses		2,197,114	1,250,321
Net income from operations		502,886	2,728,535
Other (expense)/income			
Interest income		4,155	364
Interest expense on lease liability	4	(65,112)	—
Total other (expense)/income		(60,957)	364
Net income before taxation		441,929	2,728,899
Taxation	8	—	—
Surplus for the year/period		$ 441,929	$ 2,728,899

INTERNATIONAL TAX AUTHORITY

Statement of Changes in Reserves
For the year ended 31 December 2020

(with comparatives for the period from 3 December 2018, the date of commencement of operations, to 31 December 2019)
Expressed in U.S. Dollars

	2020			
	Utilisation reserves	**Transfers**	**General Reserves**	**Total**
Opening balances	—	—	2,728,899	2,728,899
Surplus for the year	—	—	441,929	441,929
Closing balances	$ —	$ —	$ 3,170,828	$ 3,170,828

	2019			
	Utilisation reserves	**Transfers**	**General Reserves**	**Total**
Opening balances	—	—	—	—
Surplus for the period	—	—	2,728,899	2,728,899
Closing balances	$ —	$ —	$ 2,728,899	$ 2,728,899

INTERNATIONAL TAX AUTHORITY

Statement of Cash Flows
For the year ended 31 December 2020

(with comparatives for the period from 3 December 2018, the date of commencement of operations, to 31 December 2019)
Expressed in U.S. Dollars

	2020	2019
Operating activities		
Net income for the year/period	441,929	2,728,899
Adjustments to reconcile net income to cash from operations before working capital changes:		
Interest income	(4,155)	(364)
Depreciation	119,279	29,755
Interest expense on lease liability	65,112	—
Amortisation of right-of-use assets	121,618	—
Cash from operations before working capital changes:		
Interest received	4,155	364
Increase in prepayments	(15,123)	(76,635)
(Decrease)/Increase in accounts payable	(135,624)	270,217
Increase in leasehold deposits	—	(78,831)
Net cash flows from operating activities	597,191	2,873,405
Investing activities		
Purchase of fixed assets	(891,087)	(139,479)
Purchase of intangible assets	—	(328,690)
Transfer of fixed assets	—	(29,267)
Cash flows used in investing activities	(891,087)	(497,436)
Financing activities		
Interest paid on lease liabilities	(65,112)	—
Principal paid on lease liabilities	(118,827)	—
Cash flows used in financing activities	(183,939)	—
Net (decrease)/increase in cash and cash equivalents	(477,835)	2,375,969
Cash and cash equivalents at beginning of year/period	2,375,969	—
Cash and cash equivalents at end of year/period	$ 1,898,134	$ 2,375,969

Cash and cash equivalents comprise of cash at bank.

1) GENERAL INFORMATION

The International Tax Authority (the "Authority") was established as a body corporate under section 3(1) of the International Tax Authority Act (Revised Edition 2020) (the “ITA Act”). The ITA Act entered into force on 3 December, 2018 which is the date that the ITA commenced its operations. The core responsibilities of the Authority are:

- to carry out the functions of the Competent Authority under the Mutual Legal Assistance (Tax Matters) Act, 2003 (MLA), which were previously carried out by the Financial Secretary;
- to take a proactive stance in relation to all cross-border tax matters that currently affect or have the potential to affect the Virgin Islands; and
- to ensure that the Virgin Islands is fully compliant with the international standards of transparency and exchange of information for tax purposes.

The financial statements were approved for issue by the Board on 22 June 2023.

2) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Authority’s financial statements are set out below. The accounting policies have been consistently applied by the Authority and are consistent with those used in the previous period, unless otherwise stated.

a) Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations issued by the IFRS Interpretations Committee (“IFRS IC”) applicable to entities reporting under IFRSs. The financial statements comply with IFRSs as issued by the International Accounting Standards Board.

Historical cost convention

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

The financial statements and records of the Authority are presented and maintained in U.S. Dollars, rounded to the nearest dollar.

New and amended standards

The Authority has applied the following new standards and amendments to existing standards during the year:

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

a) **Basis of preparation** (Cont'd)

New and amended standards (Cont'd)

IFRS 16 – "Leases" ("IFRS 16")

This standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17, "Leases". (Refer to note 2(h))

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been adopted early in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Authority.

b) **Critical estimates and judgments**

The preparation of financial statements requires the use of accounting estimates which may differ from actual results. Management also needs to exercise judgments in the application of policies.

Below is an overview of the areas that involved a higher degree of judgment or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgments is included in the other notes together with information about the basis of calculation for each affected line item in the financial statements.

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.

Estimating the useful lives of fixed and intangible assets

The useful lives of the Authority's fixed and intangible assets are estimated based on the period which they are expected to be available for use. The estimated useful lives of fixed and intangible assets are reviewed and updated if expectations differ materially from previous estimates.

Determination of lease term and appropriate discount rate in accounting leases

The Authority determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend if management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

b) **Critical estimates and judgments** (Cont'd)

Determination of lease term and appropriate discount rate in accounting leases (Cont'd)

The rate implicit in the lease is not readily determinable. The Authority uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental rate is the rate of interest that the Authority has to pay to borrow over similar terms which requires estimations when no observable rates are available.

Judgments on going concern

A key assumption in the preparation of the financial statements is that the Authority will continue as a going concern. The going concern assumption assumes that the Authority 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.

c) **Fixed assets**

Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of fixed assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the fixed assets.

The current policy for the depreciation of fixed assets is as follows:

Computer equipment	3 years
Furniture and office equipment	3 years
Leasehold improvements	10 years
Motor vehicle	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leasehold improvements are carried at cost and amortized 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.

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

c) **Fixed assets** (Cont'd)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Authority's policy to transfer any amounts included in revaluation reserve in respect of those assets to general reserves.

d) **Intangible assets**

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

e) **Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include current deposits with banks and other short-term, highly liquid financial instruments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and bank overdrafts.

f) **Financial assets at amortised cost**

Financial assets at amortised cost compromise leasehold deposits. Financial assets are recognised initially at fair value plus transaction costs that are directly attributable to its acquisition. These financial assets are held for collection of contractual cash flows representing solely payments of principal and interest, if any, and therefore are measured subsequently at amortised cost using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

g) **Financial liabilities at amortised cost**

Financial liabilities are non-derivative contractual obligations to deliver cash or another financial asset to another entity and comprise accounts payable and lease liabilities.

These financial liabilities are initially recognised at fair value on the date the Authority becomes a party to the contractual provisions of an instrument and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the obligation specified in a contract is discharged, cancelled or expired.

h) **Leases**

The Authority had to change its accounting policies as a result of adopting IFRS 16. The Authority elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2020.

The Authority leases an office building. Rental contracts are typically made for fixed periods of 5 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From 1 January 2020, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Authority.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Authority under residual value guarantees;
- the exercise price of a purchase option if the Authority is reasonably certain to exercise that option; and
- payment of penalties for terminating the lease, if the lease term reflects the Authority exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

h) **Leases** (Cont'd)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Authority, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Authority:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Authority, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Authority is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Authority is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

h) **Leases** (Cont'd)

Extension and termination options

Extension and termination options are included in the leases of the Authority. These are used to maximize operational flexibility in terms of managing the assets used in the Authority's operations. The majority of extension and termination options held are exercisable only by the Authority and not by the respective lessor.

Accounting applied until 31 December 2019

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases.

Leases of property, plant and equipment where the Authority, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Authority will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Authority as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

i) **Reserves**

General reserves represent accumulated surplus of the Authority after deducting associated costs. General reserves may also include the effect of changes in accounting policy as may be required by the IFRSs transitional provisions.

j) **Income and expense recognition**

The Authority generates revenue from Government subventions.

Government subventions comprise contributions received from the Government of the British Virgin Islands (the "Government"). There are no conditions nor contingencies attached to these subventions. Revenue from subventions is recognised on an accrual basis.

Interest and other income are recognised in the statement of comprehensive income on the accrual basis.

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

2) **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

k) **Impairment**

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at the end of each reporting period.

l) **Related parties**

Related parties are individuals and entities where the individual or entity has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Expressed in U.S. Dollars

3) **FIXED ASSETS**

	Computer equipment	Furniture and office equipment	Leasehold improvements	Motor vehicle	Total
Cost					
At 1 January 2020	165,549	—	—	19,277	184,826
Additions	106,005	291,205	493,877	—	891,087
At 31 December 2020	271,554	291,205	493,877	19,277	1,075,913
Depreciation					
At 1 January 2020	34,590	—	—	11,245	45,835
Charges for the year	67,055	22,353	26,016	3,855	119,279
At 31 December 2020	101,645	22,353	26,016	15,100	165,114
Net book value					
At 31 December 2020	$ 169,909	$ 268,852	$ 467,861	$ 4,177	$ 910,799
At 31 December 2019	$ 130,959	$ —	$ —	$ 8,032	$ 138,991

Expressed in U.S. Dollars

4) LEASES

The statement of financial position shows the following amounts related to leases:

Right-of-use-assets

	2020	2019
Building	$ 2,310,736	$ —

Lease liabilities

	2020	2019
Current	192,894	—
Non-current	2,120,633	—
	$ 2,313,527	$ —

The statement of comprehensive income shows the following amounts related to leases:

Depreciation charge of right-of-use assets

	2020	2019
Building	$ 121,618	$ —
Interest expense	$ 65,112	$ —

The Authority entered into a lease agreement with Pickrun Leasing Limited to rent the office building for a period of five (5) years which commenced 1 May 2020 and has the option to extend for a further five (5) years. The Authority paid a security deposit of $78,831 equivalent to three (3) month's rent upon execution of the agreement.

5) INTANGIBLE ASSETS

The Authority has an on-going project to develop a software, Exchange Management & Monitoring Application. As at 31 December 2020, the project cost totalled $328,690 (2019: $328,690).

6) GOVERNMENT SUBVENTION

During the period, the Authority received a total of $2,700,000 (2019: $3,978,856) from a Government subvention, of which $41,203 (2019: $978,856) represented non-cash resources, for payments of operational expenditure, made directly by the Government on behalf of the Authority.

Expressed in U.S. Dollars

7) PERSONNEL EXPENSES

	2020	2019
Salaries and wages	1,153,915	685,277
Pension	95,719	—
Statutory payroll tax	60,854	27,622
Statutory national health insurance	41,420	8,128
Statutory social security contributions	33,193	7,458
Employee benefits and allowances	2,796	5,852
	$1,387,897	$734,337

The number of employees as at 31 December 2020 was 24 (2019: 13).

Pension Plan

The Authority contributes to a defined contribution retirement plan. The plan provides for a contribution of 20% of the gross pay for all participating employees.

Contributions to the defined contribution retirement plan comprises of 5% of gross salary contributed by the participating employees and 15% contributed by the International Tax Authority on their behalf.

The Authority made retirement plan contributions of $95,719 (2019: $nil) during the year.

8) TAXATION

There is no mainstream income or capital gains tax on profits in the British Virgin Islands. Effective 1 January 2005, the Government of the British Virgin Islands, by virtue of the introduction of the Payroll Taxes Act, 2004, which reduced the rate of income tax to zero, effectively abolished both personal and corporate income tax in the Territory. Further, beginning 3 December 2018, the date of commencement of operations, the Authority has been subject to payroll tax equating to 6% of all salaries, wages and benefits paid to employees.

9) FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Financial assets of the Authority include cash and cash equivalents and leasehold deposits. Financial liabilities of the Authority comprise accounts payable and lease liabilities. Accounting policies for financial assets and liabilities are set out in note 2.

The Authority has exposure to a variety of financial risks that are associated with these financial instruments. The most important types of financial risk to which the Authority is exposed are market risk, credit risk and liquidity risk.

The Authority's overall risk management program is established to identify and analyse this risk, to set appropriate risk limits and controls, and to monitor risks and adherence to limits in an effort to minimise potential adverse effects on the Authority's financial performance.

Expressed in U.S. Dollars

9) **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (Cont'd)

a) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors which includes interest rate risk.

Interest rate risk

The financial instruments exposed to interest rate risk comprise cash and cash equivalents. The Authority is exposed to interest rate cash flow risk on these financial instruments, which earn interest at floating interest rates that are reset as market rates change.

A sensitivity analysis was performed in respect of the interest-bearing financial instruments and management noted that anticipated interest rate changes would have no material impact on the net assets of the Authority.

b) **Credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

As at 31 December 2020, the Authority's financial assets exposed to credit risk amounted to the following:

	2020	**2019**
Cash and cash equivalents	1,898,134	2,375,969
Leasehold deposits	78,831	78,831
	$1,976,965	$2,454,800

a) Risk management

The extent of the Authority's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Authority's statement of financial position.

The Authority maintains all available cash with CIBC FirstCaribbean International Bank and Banco Popular de Puerto Rico. The Authority is exposed to credit-related losses to the extent that the banks may not be able to repay the amounts owed. However, the Board does not expect these parties to fail to meet their obligations.

b) Impairment of financial assets

While cash and cash equivalents and leasehold deposits are subject to the impairment requirements of IFRS 9 – "Financial Instruments", the identified impairment loss was immaterial.

9) **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS** (Cont'd)

c) **Liquidity risk**

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. At 31 December 2020, the Authority's financial liabilities include accounts payable and lease liability. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Authority's reputation.

The Authority maintains highly liquid assets in the form of cash and cash equivalents to ensure necessary liquidity and does not anticipate liquidity concerns in meeting liabilities as they fall due.

10) **FAIR VALUE INFORMATION**

The carrying value of all financial assets and liabilities approximate their fair value due to the relatively short periods to maturity of these financial instruments except for the non-current portion of the lease liability.

11) **CAPITAL RISK MANAGEMENT**

The Authority's primary objective of capital management is to ensure that it will be able to continue as a going concern while maximising its return through the optimisation of its reserves balance.

12) **SUBSEQUENT EVENTS**

On 4 November 2021, the Authority was instructed by the Judge of the Eastern Caribbean Supreme Court of the British Virgin Islands (the "High Court") to make a settlement of $116,176 to Friar Tuck Ltd and Quiver Inc (the "Claimants").

On 11 November 2021, the Government approved the 2021 budget of $3,200,000.

On 29 November 2022, the Government approved the 2022 budget of $3,000,000.