British Virgin Islands Financial Investigation Agency

Audited Financial Statements

For the Year Ended December 31, 2016

BDO

British Virgin Islands Financial Investigation Agency

Audited Financial Statements

For the Year Ended December 31, 2016

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

For the Year Ended December 31, 2016
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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, 2016, and the statement of comprehensive income and general 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 British Virgin Islands Financial Investigation Agency as at December 31, 2016, 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.

BDO Limited

Tortola, British Virgin Islands
February 28, 2018

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Financial Position
As At December 31, 2016
(Expressed in United States Dollars)

	Notes	2016 $	2015 $
ASSETS			
Non-current assets			
Fixed assets, net	4	1,917,186	427,611
Current assets			
Held-to-maturity investments	5	1,024,134	1,021,472
Other current assets	6	152,812	162,871
Cash and cash equivalents		1,441,433	3,350,425
Total current assets		2,618,379	4,534,768
TOTAL ASSETS		4,535,565	4,962,379
EQUITY AND LIABILITIES			
Reserves			
General reserves	7	3,634,885	4,060,396
Liabilities			
Non-current liabilities			
Retirement benefit obligations	9	-	18,637
Current liabilities			
Accounts payables and accruals	8	900,680	883,346
TOTAL EQUITY AND LIABILITIES		4,535,565	4,962,379

Approved on Behalf of the Board

________________ Director (AY)

February 28, 2018 Date

________________ Chief Operating Officer

February 28, 2018 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, 2016
(Expressed in United States Dollars)

	Notes	2016 $	2015 $
INCOME			
Contributions from:			
British Virgin Islands Government	10	1,620,500	1,662,500
British Virgin Islands Financial Services Commission	10	500,000	500,000
Rental income		9,614	-
Interest income		5,814	11,580
TOTAL INCOME		2,135,928	2,174,080
EXPENSES			
Advertising and promotion		7,825	2,318
Bank charges		4,502	2,968
Depreciation	4	156,910	127,867
Egmont-related expense		6,298	15,898
Employee costs	11	1,274,139	1,274,463
Entertainment		3,644	787
Insurance		24,955	27,894
IT support and website		73,423	44,454
Maintenance and security		35,915	19,035
Office, postage and stationery		53,278	44,771
Office relocation		25,472	-
Professional fees		39,984	17,050
Rent	13	382,799	164,176
Subscriptions and dues		8,051	10,836
Training and conferences		28,519	33,545
Travel		84,491	44,599
Utilities		107,166	79,456
Vehicle expenses		14,140	16,418
Miscellaneous expenses		4,154	1,212
TOTAL EXPENSES		2,335,665	1,927,747
(LOSS) INCOME FROM OPERATIONS		(199,737)	246,333
OTHER INCOME AND EXPENSES			
Loss on sale disposal of assets	4	(225,774)	(261)
(DEFICIT) SURPLUS FOR THE YEAR		(425,511)	246,072
General reserves at the beginning of the year		4,060,396	3,814,324
General reserves at end of year		3,634,885	4,060,396

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, 2016
(Expressed in United States Dollars)

	2016 $	2015 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net (loss) income for the year	(425,511)	246,072
Adjustments to reconcile net (loss) income to cash from operations before working capital changes:		
Depreciation expense	156,910	127,867
Loss on sale of fixed assets	225,774	261
Interest income	(5,814)	(11,580)
Cash (used in) from operations before working capital changes:	(48,641)	362,620
Decrease (increase) in other current assets	10,059	(121,444)
Increase in accounts payable and accruals	17,334	33,700
Decrease in retirement benefit obligations	(18,637)	(10,582)
Net cash flows (used in) from operating activities	(39,885)	264,294
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	10,848	165
Purchase of fixed assets	(1,883,107)	(56,974)
Net decrease (increase) in held-to-maturity investments	(2,662)	2,165,006
Interest income	5,814	11,580
Net cash flows (used in) from investing activities	(1,869,107)	2,119,777
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,908,992)	2,384,071
CASH AND CASH EQUIVALENTS		
At beginning of year	3,350,425	966,354
At end of year	1,441,433	3,350,425

The accompanying notes form an integral part of these financial statements

1 Organisation and Objectives

Entity information

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 offense 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

(I) Presentation of financial statements

(i) Accounting convention

The Agency's financial statements are prepared under the historical cost convention.

(ii) Presentation and functional currency

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

(iii) Significant accounting estimates and judgements

The preparation of financial statements in accordance with International Financial Reporting Standards ("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. 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.

(II) IFRS compliance and adoption

(i) International Financial Reporting Standards (IFRS)

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

- **Amendments to IAS 1 Disclosure Initiative.** The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and other comprehensive income (OCI) and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

2 Significant Accounting Policies (Continued)

(II) IFRS compliance and adoption (Continued)

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

- **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.** The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather that the economic benefits that are consumed through use of the asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively.

- **Annual Improvements to IFRSs 2012-2014 Cycle.** *The Annual Improvements to IRFSs 2012-2014 Cycle* include a number of amendments to various IFRSs, which are summarised below.

  IFRS 7 Financial Instruments: Disclosure. The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract in continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

  IAS 19 Employee Benefits. The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

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, 2016 have had a material effect on the financial statements.

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

- **IAS 7 Disclosure Initiative – Amendments to IAS 7**. The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

- **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.

2 Significant Accounting Policies (Continued)

(II) IFRS compliance and adoption (Continued)

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

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 non-financial items that are eligible for hedge accounting (effective for annual periods beginning on or after January 1, 2018).

- **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 principle 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, 2018):

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

- **IFRS 16 Leases.** IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

    IFRS 16 distinguishes leases and services contracts on the basis of whether and identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

2 Significant Accounting Policies (Continued)

(II) IFRS compliance and adoption (Continued)

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and no interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or financing lease.

Furthermore, extensive disclosures are required by IFRS 16.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after January 1, 2016 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

(III) Fixed assets

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.

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 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 nonfinancial 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 derecognised

2 Significant Accounting Policies (Continued)

(IV) Cash and cash equivalents

Cash and cash equivalents includes short-term investments and highly liquid investments in money market instruments with a maturity date of three months or less from the acquisition date. These are valued at cost which approximates market value.

(V) Financial assets

(i) Financial assets

Financial assets are initially measured at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit or loss, which are measured only at fair value.

Financial assets are classified in the following categories after initial recognition:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial assets.

The classification determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity where 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. This method uses a rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost using the effective interest method. This method uses a rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, and through the amortisation process.

(iv) Financial liabilities

Financial liabilities are initially measured at fair value plus directly attributable transaction costs, except for financial liabilities at fair value through profit or loss, which are measured only at fair value.

Financial liabilities are classified in the following categories after initial recognition:

- financial liabilities at fair value through profit or loss;
- financial guarantee contracts; and
- other financial liabilities.

At the reporting date, the Agency holds financial liabilitiess in the category of other financial liabilities.

(v) Other financial liabilities

Other financial liabilities composed of account payables and accruals and retirement benefit obligation. Account payable and accruals are stated at cost, which approximates fair value due to short term nature of these liabilities.

2 Significant Accounting Policies (Continued)

(VI) Impairment of 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 disocunt 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.

(VII) Operating leases

Payments made under operating leases (net of any incentives received from the lessor) and 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 assets are consumed.

(VIII) Retirement benefits

The Agency's retirement benefits are provided under the defined contribution plans. 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 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.

(IX) Government grants

Government grants includes contributions received from the British Virgin Islands 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 fundings.

(X) Revenue recognition

Contributions from the British Virgin Islands Government and the BVIFSC 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.

(XI) 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.

The Agency and its employees are subject to payroll taxes.

(XII) Expense recognition

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

3 Critical accounting estimates and judgements

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.

3 Critical accounting estimates and judgements (Continued)

(I) Critical judgements in applying accounting policies

The following are the critical judgements, 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 financial statements is that the entity will continue as a 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. A significant amount of judgement has been required is assessing whether the entity is a going concern as described in Note 2.

(ii) Leases

The evaluation of whether an arrangement contains a lease is based 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 arrangements. Critical judgement 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 judgement will result in either overstatement or understatement of assets and liabilities.

(II) 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.

(i) Useful life of fixed assets

The Agency estimates the useful life of fixed assets based on the period over which the assets are expected to be available for use. The estimated 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, 2016, 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 2f. 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.

(Expressed in United States Dollars)

4 Fixed assets

The breakdown of the Agency's fixed assets as of December 31, 2016 and 2015 is presented below:

December 31, 2016	Furniture and equipment $	Computer and software $	Leasehold improvements $	Motor vehicles $	Total $
Cost					
Balance at December 31, 2015	293,590	242,574	488,054	109,948	1,134,166
Additions	395,440	64,433	1,423,235	-	1,883,108
Disposals	(246,178)	(44,744)	(476,899)	(21,470)	(789,291)
Balance at December 31, 2016	442,852	262,263	1,434,390	88,478	2,227,983
Accumulated depreciation					
Balance at December 31, 2015	212,136	188,200	230,545	75,674	706,555
Depreciation	48,672	34,107	64,442	9,689	156,910
Disposals	(217,094)	(44,730)	(269,374)	(21,470)	(552,668)
Balance at December 31, 2016	43,714	177,577	25,613	63,893	310,797
Carrying amount					
Balance at December 31, 2016	399,138	84,686	1,408,777	24,585	1,917,186

December 31, 2015	Furniture and equipment $	Computer and software $	Leasehold improvements $	Motor vehicles $	Total $
Cost					
Balance at December 31, 2014	290,879	216,007	479,959	91,970	1,078,815
Additions	4,334	26,567	8,095	17,978	56,974
Disposals	(1,623)	-	-	-	(1,623)
Balance at December 31, 2015	293,590	242,574	488,054	109,948	1,134,166
Accumulated depreciation					
Balance at December 31, 2014	172,382	156,834	182,593	68,076	579,885
Depreciation	40,951	31,366	47,952	7,598	127,867
Disposals	(1,197)	-	-	-	(1,197)
Balance at December 31, 2015	212,136	188,200	230,545	75,674	706,555
Carrying amount					
Balance at December 31, 2015	81,454	54,374	257,509	34,274	427,611

The disposal of items in furniture and equipment and leasehold improvement relates to items that were deemed no longer deemed usable after the relocation of the Agency's office space.

(Expressed in United States Dollars)

5 Held-to-maturity investments

As at December 31, 2016, the Agency holds investments in the form of certificates of deposit placed in local banks with a total principal amount of $1,024,134 (2015: $1,021,472). All deposits have original deposit terms of at least one year and mature in May and November 2017. For the year ended December 31, 2016, held-to-maturity investments earned total interest of $5,814 (2015: $8,837).

Asset Fund

Under the Act the Agency is required to maintain bank accounts known as Asset Fund, into which monies provided by the House of Assembly and proceeds arising out of an asset sharing agreement shall be paid.

Included in held-to-maturity investments are a time deposit account with proceeds received from the BVI Government for the conviction and settlement of the IPOC case (see Note 8).

An amount of $822,218 (2015: $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

The following tables details the other current assets. as at December 31, 2016 and 2015.

	2016 $	2015 $
Security deposit and prepayments	117,123	144,783
Recoverable expenses	23,887	18,088
Due from sub-tenant	11,802	-
	152,812	162,871

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 into which the surplus on the budget approved for the Agency's expenditure for any financial year is allocated.

8 Accounts payable and accruals

The following tables details the accounts payable and accruals as at December 31, 2016 and 2015.

	2016 $	2015 $
IPOC investigation costs	822,218	822,218
Other accrued expenses	78,462	61,128
	900,680	883,346

IPOC investigation costs

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

In accordance with the MOU, it was agreed that BPSFIU and the Agency would share equally all proceeds received from (and by extension, all expenses incurred in) the investigation. Investigations of the IPOC case incurred costs of $2,542,268 of which BPSFIU paid $992,809. Proceeds of $2.2m was received by the Agency, on behalf of both parties. A refund of $822,218 is due to BPSFIU.

(Expressed in United States Dollars)

8 Accounts payable and accruals (Continued)

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 offences under the Criminal Conduct Act, including interest, was $45,455,431. A cost 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 2009. As at December 31, 2016, a total of $822,218 (2015: $822,218) remained outstanding and payable to BPSFIU related 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 benefits 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 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, 2016, the Agency incurred retirement benefit obligations of $80,791 (2015: $80,958) for employees participating in the Plan of which $Nil (2015: $8,050) is unfunded.

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 un 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 to the BVI Government for the amount of contributions that are due for these seconded employees.

For the year ended December 31, 2016, the Agency incurred retirement benefit obligations of $37,244 (2015: $29,911) for the seconded employees, of which $Nil (2015: $10,587) is unfunded.

The unfunded retirement benefits can be broken down as follows:

	2016 $	2015 $
BVI Government - 2011 onwards	-	10,587
BVIFSC - 2011 onwards	-	8,050
	-	18,637

The Agency had an average number of full time employees during the year of 18 (2015:18).

(Expressed in United States Dollars)

10 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 BVI FSC 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 FSC's role as regulator of financial services within and from the BVI.

During the year ended December 31, 2016, the Agency received contributions from the BVI Government and the BVI FSC amounting to $1,620,500 (2015: $1,662,500) and $500,000 (2015: $500,000), respectively. During the year, there was no funding provided from any asset sharing agreement.

11 Employee costs

The following tables details the employees' costs as at December 31, 2016 and 2015.

	2016 $	2015 $
Salaries	960,724	973,688
Retirement expense	130,160	118,035
National health insurance	65,596	-
Allowances and other benefits	70,842	132,949
Payroll tax	46,817	49,791
	1,274,139	1,274,463

The Agency had an average number of full time employees during the year of 18 (2015: 18).

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 processed of 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 account payable and accruals.

(I) 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 method to measure and manage the various type of risk to which it is exposed; these methods are explained below:

(Expressed in United States Dollars)

12 Risk Management (Continued)

(I) General objectives, policies and processes (Continued)

(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 enhancement at December 31, 2016 and December 31, 2015 is the carrying amount of the financial assets as set out in the statement of financial position as follows:

	2016 $	2015 $
Cash and cash equivalents	1,441,433	3,350,425
Held-to-maturity investments	1,024,134	1,021,472
Other current assets	152,812	162,871
	2,618,379	4,534,768

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:

	2016 $	2015 $
Aa2	-	2,573,844
Aa3	779,077	-
Ba1	623,029	1,176,581
Ba2	1,058,776	621,472
Total Rated	2,460,882	4,371,897
Non-rated	157,497	158,516
Total	2,618,379	4,530,413

(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 of 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 on its 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, 2016 and 2015, movement in market interest rate of cash and cash equivalents in the Agency's net income or loss and net assets was estimated to be insignificant.

Foreign currency risk

At December 31, 2016 and 2015, 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.

(Expressed in United States Dollars)

12 Risk Management (Continued)

(I) General objectives, policies and processes (Continued)

(ii) Market risk (Continued)

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 instrument 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, 2016, the Agency's current liabilities of $900,680 (2015: $883,346) 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.

(II) 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.

All financial liabilities of the Agency as of December 31, 2016 and 2015 have a maturity period of less than one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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 commenced January 1, 2013 and will end on January 31, 2017. On December 1, 2016 the Agency has executed an official surrender of lease which cancelled the future lease commitments relating to the above lease agreement. Other than the lease payments, there are no future 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-cancelable operating lease rentals as a result of the above lease agreement as at December 31, as presented below:.

	2016 $	2015 $
Within one year	357,284	154,402
Between one and five years	1,429,138	4,670
	1,786,422	159,072

For the year ended December 31, 2016, the Agency recognised rent expense amounting to $382,799 (2015: $164,176).

14 Subsequent events

No events have occurred subsequent to December 31, 2016 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.