AUDITED FINANCIAL STATEMENTS

BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For The Year Ended December 31, 2016

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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For the Year Ended December 31, 2016

BOARD OF COMMISSIONERS

Mr. Robin Gaul	Chairman
Mr. Colin O'Neal	Deputy Chairman
Ms. Denise Reovan	Commissioner
Mr. Richard Peters	Commissioner
Mr. Ian Smith	Commissioner
Mr. Edward Price	Commissioner
Mr. Jonathan Fiechter	Commissioner
Mr. Robert Mathavious	Managing Director/CEO, ex officio Commissioner

REGISTERED OFFICE

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British Virgin Islands

COMMISSION SECRETARY

Ms. Annet Mactavious

INDEPENDENT AUDITORS

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Independent Auditor's Report

To the Board of Commissioners
British Virgin Islands Financial Services Commission
Tortola, British Virgin Islands

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the British Virgin Islands Financial Services Commission and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, changes in reserves and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

BDO Limited

Tortola, British Virgin Islands
December 18, 2017

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2016
Expressed in United States Dollars

	Notes	2016 $	2015 $
ASSETS			
Non-current assets			
Property and equipment	4	7,099,880	5,648,340
VIRRGIN project under development	5	386,401	1,758,944
		7,486,281	7,407,284
Current assets			
Regulatory deposits	7	8,735,634	8,672,854
Cash and cash equivalents	8,19	16,211,294	16,145,893
Time deposits	9	5,120,734	5,079,996
Financial assets at fair value through profit or loss	10	-	3,039,586
Other receivables and deposits	11	1,347,290	532,363
		31,414,952	33,470,692
TOTAL ASSETS		**38,901,233**	**40,877,976**
RESERVES AND LIABILITIES			
Capital reserves			
Contributed capital	12	3,993,900	3,993,900
Property and equipment reserve	12	7,486,281	7,407,284
Total capital reserves		11,480,181	11,401,184
Revenue reserves			
Training reserve	12	400,000	400,000
Loan revolving reserve	12	165,000	165,000
Future capital expansion reserve	12	7,500,000	7,500,000
Refunds reserve	12	50,000	50,000
Enforcement reserve	12	2,000,000	2,000,000
Contingency reserve	12	1,512,594	1,988,382
Administrative penalties fund reserve	12	1,636,166	-
Total revenue reserves		**13,263,760**	**12,103,382**
Total reserves		**24,743,941**	**23,504,566**
Current liabilities			
Trade and other payables	13	2,124,643	2,231,513
Deposits on account	14	3,297,015	2,469,043
Distribution payable to Government	15	-	4,000,000
Regulatory deposits from licensed entities	7	8,735,634	8,672,854
Total liabilities		**14,157,292**	**17,373,410**
TOTAL RESERVES AND LIABILITIES		**38,901,233**	**40,877,976**

Signed on behalf of the Commission on December 12, 2017

Chairman *Managing Director*

The accompanying notes form an integral part of these consolidated financial statements

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Comprehensive Income
For The Year Ended December 31, 2016
Expressed in United States Dollars

	Notes	2016 $	2015 $
INCOME			
Fees collected on behalf of the Government	8	193,756,051	205,674,937
Less: Fees due to the Government	8	(169,851,534)	(180,524,498)
Fees retained by the Commission		23,904,517	25,150,439
Other income	16	319,398	412,708
Interest income		132,486	176,351
Net changes in fair value on financial assets at fair value through profit or loss	10	(1,903)	(42,479)
TOTAL INCOME		24,354,498	25,697,019
EXPENSES			
Advertising		21,869	9,073
BVI House Asia funding		236,389	222,946
Conferences and seminars		150,917	146,373
Contributions		3,871	59,978
Depreciation	4	1,403,809	599,402
Financial Investigations Agency funding		500,000	500,000
Financial Services Institute funding		221,336	250,000
Insurance		152,476	97,455
International Arbitration Centre funding		1,094,724	302,103
Licenses and fees		68,059	63,332
Literature and reference		100,563	122,950
Maintenance and hire		714,644	476,842
Memberships and subscriptions		98,834	84,515
Miscellaneous		9,316	3,825
Office expenses		191,513	254,078
Professional services		1,239,354	1,139,714
Public relations		78,018	44,392
Rent and lease		1,172,167	1,085,116
Staff costs	18	15,174,964	13,786,515
Travel and subsistence		736,951	872,910
Telephone and communications		591,060	533,794
Utilities		216,725	193,915
TOTAL EXPENSES		**24,177,559**	**20,849,228**
SURPLUS BEFORE GOVERNMENT DISTRIBUTION AND ENFORCEMENT PROCEEDS		**176,939**	**4,847,791**
Distribution to Government	15	-	(4,000,000)
SURPLUS BEFORE ENFORCEMENT PROCEEDS		**176,939**	**847,791**
Enforcement proceeds	17	1,062,436	573,730
SURPLUS FOR THE YEAR		**1,239,375**	**1,421,521**

The accompanying notes form an integral part of these consolidated financial statements

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Changes in Reserves
For The Year Ended December 31, 2016
Expressed in United States Dollars

	Opening balance $	Surplus for the year $	Transfers $	Closing balance $
2016:				
Surplus	-	1,239,375	(1,239,375)	-
Contributed capital	3,993,900	-	-	3,993,900
Property & equipment reserve	7,407,284	-	78,997	7,486,281
Training reserve	400,000	-	-	400,000
Loan revolving reserve	165,000	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	7,500,000
Refunds & drawbacks reserve	50,000	-	-	50,000
Enforcement reserve	2,000,000	-	-	2,000,000
Contingency reserve	1,988,382	-	(475,788)	1,512,594
Administrative penalties fund reserve	-	-	1,636,166	1,636,166
	23,504,566	**1,239,375**	**-**	**24,743,941**
2015:				
Surplus for the year	-	1,421,521	(1,421,521)	-
Contributed capital	3,993,900	-	-	3,993,900
Property & equipment reserve	6,503,550	-	903,734	7,407,284
Training reserve	400,000	-	-	400,000
Loan revolving reserve	165,000	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	7,500,000
Refunds & drawbacks reserve	50,000	-	-	50,000
Enforcement reserve	2,000,000	-	-	2,000,000
Contingency reserve	1,470,595	-	517,787	1,988,382
	22,083,045	**1,421,521**	**-**	**$ 23,504,566**

The accompanying notes form an integral part of these consolidated financial statements

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Cash Flows
For The Year Ended December 31, 2016
Expressed in United States Dollars

	2016 $	2015 $
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	1,239,375	1,421,521
Adjustment to reconcile net surplus to net cash from operating activities before working capital changes:		
Depreciation	1,403,809	599,402
Interest income	(132,486)	(176,351)
Gain or loss on disposal of property and equipment	(20,000)	(23,560)
Net changes in fair value on financial assets at fair value through profit or loss	1,903	42,479
Operating surplus before working capital changes	2,492,601	1,863,491
(Increase) decrease in other receivables and deposits	(814,927)	495,638
(Decrease) increase in trade and other payables	(106,870)	7,759
Increase in deposits on account	827,972	751,512
(Decrease) increase in distribution payable to Government	(4,000,000)	1,000,000
Net cash generated from operations	(1,601,224)	4,118,400
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in time deposits - net	(40,738)	(47,521)
Proceeds from sale (purchase of) financial assets at fair value through profit and loss - net	3,037,683	(29,529)
Acquisition of property and equipment-net	(1,482,806)	(1,503,136)
Proceeds from sale of property and equipment	20,000	23,560
Interest received	132,486	176,351
Net cash used in investing activities	1,666,625	(1,380,275)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,401	2,738,125
CASH AND CASH EQUIVALENTS		
At beginning of year	16,145,893	13,407,768
At end of year	**16,211,294**	**16,145,893**

The accompanying notes form an integral part of these consolidated financial statements

1. ORGANISATION AND OBJECTIVES

The British Virgin Islands Financial Services Commission (the "Commission" or the "Parent") was established under the Financial Services Commission Act, 2001 (the "Act") on December 31, 2001. The Act established the Commission including its subsidiaries (collectively referred to as the "Group") as an autonomous regulatory authority responsible for the regulation, supervision and inspection of all financial services in and from within the British Virgin Islands. Such services include insurance, banking, insolvency, fiduciary business, company management, mutual funds business as well as the registration of companies, limited partnerships and intellectual property. The registered office of the Commission is located at Pasea Estate, Road Town, Tortola, British Virgin Islands.

The Commission oversees all regulatory responsibilities previously handled by the Government of the British Virgin Islands (the "Government") through the Financial Services Department with the additional responsibilities of facilitating public understanding of the financial services system and its products, policing the perimeter of regulated activity, reducing financial crime and preventing market abuse.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Presentation of financial statements

(i) Accounting convention

The consolidated 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 Group's functional and presentation currency.

(iii) Significant accounting estimates and judgement

The preparation of the consolidated 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 Group'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 recognized 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 consolidated financial statements are disclosed in Note 3.

2.2 IFRS compliance and adoption

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

2.3 Standards, amendments and interpretations to existing standards effective and relevant to the Group

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 consolidated 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 consolidated 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 consolidated statement of financial position and the statement(s) of profit or loss and OCI.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards, amendments and interpretations to existing standards effective and relevant to the Group (continued)

- **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization.** 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 and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively.

- **Amendments to IAS 27: Equity Method in Separate Financial Statements**. The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidated Exception**. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves. The amendments apply retrospectively.

- **Annual Improvements to IFRSs 2012-2014 Cycle.** *The Annual Improvements to IFRSs 2012-2014 Cycle* include a number of amendments to various IFRSs, which are summarized 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 consolidated financial statements.

2.4 Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Group

- **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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- **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 amortized 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 OCI 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 recognized. 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).

- **IFRS 15, Revenue from Contracts with Customers.** IFRS 15 specifies how and when an entity will recognize 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 recognize 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 recognized 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)

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

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 recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

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 re-measurement 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 Group's future consolidated financial statements.

2.5 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Commission and its subsidiaries. Control is achieved when the Commission:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Commission reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Commission has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give the practical ability to direct the relevant activities of the investee unilaterally. The Commission considers all relevant facts and circumstances in assessing whether or not the Commission's voting rights in an investee are sufficient to give it power, including:

- the size of the Commission's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Commission, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Commission has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Commission obtains control over the subsidiary and ceases when the Commission loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Commission gains control until the date when the Commission ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are set aside under the reserves accounts. Total comprehensive income of subsidiaries is also closed to the reserves accounts.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated on the straight-line method to write off the cost of each asset over their estimated useful life as follows:

Leasehold land	63 years
Motor vehicle	5 years
Furniture and equipment	5 years
Computer and software	3 years
Leasehold improvements	5 years

At the end of each reporting period, the Group is required to assess whether there is any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. 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.

Gain and losses on disposals are determined by comparing the proceeds with the carrying amounts of the assets and are recorded in the statement of comprehensive income.

2.7 VIRRGIN project under development

Costs incurred on the Virtual Integrated Registry and Regulatory General Information Network ("VIRRGIN") project are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. Development costs for each phase, including licensing costs that have been capitalised, are transferred to fixed assets when each phase of project is completed. Depreciation will be charged on the costs of each phase as each phase is brought into use. Maintenance and support costs relating to the VIRRGIN project are expensed in the period to which they relate.

2.8 Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as available-for-sale.

(i) Fair value through profit or loss

This category comprises investments held long and financial contracts in an asset. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income within "Net changes in fair value on financial assets at fair value through profit or loss".

(ii) 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 recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence that the Group 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 Group's loans and receivables comprise regulatory deposits, cash and cash equivalents and other receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (continued)

(ii) Loans and receivables (continued)

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

Regulatory deposits are carried at costs and consist of current deposits held at commercial banks and US Treasury Bills with maturity dates of one year or less.

(iii) Held to maturity investments

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

2.9 Financial liabilities

Financial liabilities include trade and other payables, deposits on account, distribution payable to Government, due to Government and regulatory deposits from licensed entities.

Financial liabilities are recognised when the Company becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in the statements of comprehensive income.

Accounts payable and accruals and other short-term monetary liabilities are recognised initially at their fair values and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognised from the statements of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.10 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group measures instruments quoted in an active market at a mid price.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Fair value hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities at fair value through profit or loss to use a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical financial assets and financial liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the financial assets and the financial liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
- Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or the financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets are classified in their entirety into only one of the three levels.

2.12 Revenue recognition

Fees and commission income are recognised upon approval of the transaction by the Group. Interest income and expenses are recognised on an accrual basis.

The Group records investment transactions based on settlement date. Realised gain or loss on financial assets and financial liabilities at fair value through profit or loss is determined on the average cost basis.

Dividend income and expense from financial assets at fair value through profit or loss are recognised when the Group’s right to receive payments or the Group’s obligation is established, usually the ex-dividend date.

2.13 Taxation

In accordance with Section 28 of the Act, the Commission is exempt from the payment of taxes on its income and operations. Certain investment income may be subject to withholding taxes at its source from the country of origin.

2.14 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs in those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Foreign currencies (continued)

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into US Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in the other comprehensive income and accumulated in equity.

2.15 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.16 Pension plan

Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Directors of the Group are 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.

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Operating and finance leases

The Group 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.

(b) Key sources of estimate uncertainty

The following are the key assumptions concerning the future, and other key sources of estimate uncertainty at the end of the reporting period, that may have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property and equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property, plant and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2016, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT

	Freehold land $	Leasehold land $	Motor vehicles $	Furniture and equipment $	Computer and software $	Leasehold improvements $	Total $
Cost							
Balance at December 31, 2015	4,500,000	130,000	339,597	2,633,052	11,610,799	2,364,849	21,578,297
Additions	-	-	-	171,560	1,254,892	56,354	1,482,806
Transfers from capital work-in-progress	-	-	-	-	1,372,543	-	1,372,543
Disposals	-	-	(74,800)	-	-	-	(74,800)
Balance at December 31, 2016	4,500,000	130,000	264,797	2,804,612	14,238,234 $	2,421,203	24,358,846
Accumulated depreciation							
Balance at December 31, 2015	-	22,701	164,022	2,398,413	11,079,052	2,265,769	15,929,957
Depreciation	-	2,063	46,319	119,768	1,180,607	55,052	1,403,809
Disposals	-	-	(74,800)	-	-	-	(74,800)
Balance at December 31, 2016	-	24,764	135,541	2,518,181	12,259,659	2,320,821	17,258,966
Carrying amount							
At December 31, 2016	4,500,000	105,236	129,256	286,431	1,978,575	100,382	7,099,880
Cost							
Balance at December 31, 2014	4,500,000	130,000	208,003	2,455,740	10,929,956	2,307,552	20,531,251
Additions	-	-	183,094	177,312	680,843	57,297	1,098,546
Disposals	-	-	(51,500)	-	-	-	(51,500)
Balance at December 31, 2015	4,500,000	130,000	339,597	2,633,052	11,610,799 $	2,634,849	21,578,297
Accumulated depreciation							
December 31, 2014	-	20,638	169,203	2,291,199	10,696,832	2,204,183	15,382,055
Depreciation	-	2,063	46,319	107,214	382,220	61,586	599,402
Disposals	-	-	(51,500)	-	-	-	(51,500)
Balance at December 31, 2015	-	22,701	164,022	2,398,413	11,079,052	2,265,769	15,929,957
Carrying amount							
At December 31, 2015	4,500,000	107,299	175,575	234,639	531,747	369,080	5,648,340

Expressed in United States Dollars

5. VIRRGIN PROJECT UNDER DEVELOPMENT

As of December 31, 2016, the Commission has an existing contract with NCS Pte. Ltd (formerly Singapore Computer Systems Limited) relating to the development of an internet-based information system featuring electronic filing of documents called Virtual Integrated Registry and Regulatory General Information Network ("VIRRGIN").

VIRRGIN will be completed in three phases of development, each of which will be released separately. The VIRRGIN project costs to be capitalized will include (a) registry engine license; (b) implementation and development costs for Phases I, II and III; other additional consultancy and software implementation charges; and airfares, accommodation and other travel expenses incurred relating to the implementation of the project. Cost relating to Phase I and II of VIRRGIN have been capitalized as Computer and Software as part of Property and Equipment (see Note 4). The cost of $386,401 (2015: $1,758,944) relates to the uncompleted Phase III. During the year ended December 31, 2016, the Commission transferred assets totaling to $1,372,543 from the uncompleted Phase III portion of the project to Computer and Software (see Note 4) as they were deemed ready for use. The estimated costs to completion of the project, excluding any additional costs, is SGD102,278 equivalent to $70,664 (2015: SGD102,278; $75,324).

6. SUBSIDIARIES

Composition

The Parent has three wholly-owned subsidiaries as at December 31, 2016, two of which are domiciled in the British Virgin Islands and one in Hong Kong. These subsidiaries provide disaster recovery and Hong Kong liaison services to the Parent. Two of the subsidiaries commenced operations in 2014.

Financial support

The Parent is providing financial support to all three subsidiaries which currently do not derive revenue on their own therefore are dependent on the Parent for their operating financial requirements.

7. REGULATORY DEPOSITS

By statute, certain entities licensed to operate in the financial services sector within the British Virgin Islands are required to place a deposit with the Group. The Group has undertaken to hold these amounts in a designated interest-bearing account $8,735,634 (2015: $2,069,918) and fixed income securities $Nil (2015: $6,602,936) and distributes interest thereon to the licensees on a semi-annual basis. The deposits are refundable upon surrender of the licence. For the year ended December 31, 2016, the deposits earned an average rate of interest of 0.20% (2015: 0.08%). Total interest income earned for these deposits amounted to $17,601 (2015: $6,717).

8. CASH AND CASH EQUIVALENTS

	2016 **$**	**2015** **$**
Cash held in Government Trust Account	8,108,383	6,166,500
Payable to Government	(4,591,164)	(4,004,435)
Net cash held in Government Trust Account	3,517,219	2,162,065
Cash in operating accounts	12,333,302	13,641,619
Cash in insolvency account	360,773	342,209
Total cash and cash equivalents	**16,211,294**	**16,145,893**

Fees collected on behalf of the Government are paid into a trust account maintained jointly in the name of the Commission and the Government. Prior to the commencement of the Group's financial year, the Government's Cabinet ("Cabinet") determines the percentage of fees collected on their behalf that is to be remitted to them, with the Commission retaining the balance. For the year ended December 31, 2016, the Commission retained 11.5% (2015: 11.5%) of revenue up to the projected revenue stream and thereafter, the Commission retained 7.5% (2015: 7.5%) of any revenue in excess of the projected revenue stream. This resulted in cash of $4,591,164 (2015: $4,004,435) being held on behalf of the Government as at December 31, 2016.

Expressed in United States Dollars

8. CASH AND CASH EQUIVALENTS (continued)

The cash and cash equivalents disclosed above and in the statement of cash flows include $1,294,615 (2015: $566,336) which are held in a separate bank account. These deposits relate to funds received for enforcement penalties and not available for general use by the Commission (see Note 12 for restrictions on the administrative penalties fund reserve).

9. TIME DEPOSITS

Time deposits represent short term placements with the local depository banks whose maturity dates are between 5 and 206 days from the reporting date (2015: between 3 and 207 days), and are more than three months from the placement date with an average interest rate of 0.75% (2015: 0.80%). For the year ended December 31, 2016, total interest earned from time deposits amounted to $38,608 (2015: $41,006).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 $	2015 $
Government and agency fixed income securities	-	951,263
Corporate bonds	-	2,088,323
	-	**3,039,586**

The government and agency securities and corporate bonds are categorised as Level 2 within the fair value hierarchy.

	2016 $	2015 $
Realised losses	(30,748)	(22,498)
Unrealised movement	28,845	(19,981)
	($ 1,903)	**($ 42,479)**

The net realised and unrealised gains and losses are presented under "Net changes in fair value on financial assets at fair value through profit or loss" in the statement of comprehensive income.

11. OTHER RECEIVABLES AND DEPOSITS

	2016 $	2015 $
Loan to employees	41,955	36,809
Travel advances	43,531	49,842
Interest receivable	12,872	37,706
Prepaid expenses	807,757	346,216
Receivable from licensee – penalty	340,000	-
Due from BVI House Asia	101,175	61,790
	1,347,290	**532,363**

12. RESERVES

In accordance with Section 26 of the Act, the surplus for the year is allocated to capital and revenue reserve accounts at the discretion of the Commission. The capital and revenue reserves established include:

Expressed in United States Dollars

12. RESERVES (continued)

Capital reserves

(i) Contributed capital represents an initial transfer of capital from the Government of the British Virgin Islands on the establishment of the Commission. It represented approximately 3 months of operating expenses; and
(ii) Property & equipment reserve reflects the investment into property & equipment to date, less amortisation.

Revenue reserves

(i) Training reserve for long term training/ study leave of staff;
(ii) Loan revolving reserve to facilitate staff loans (personal, medical, etc.) as the Act requires employees transferred from Government at the inception of the Commission to be no less well off than they were with Government;
(iii) Future capital expansion reserve to partly finance the future securing of property, constructing and equipping the Commission's own building;
(iv) Refunds and drawback reserve to provide cash for making refunds when necessary;
(v) Enforcement reserve to establish a fund to address enforcement expenses as they arise; and
(vi) Contingency reserve to establish a fund in the event of unforeseen circumstances.
(vii) Administration penalties fund reserve is funded by enforcement proceeds imposed and received by the Commission and is restricted for administration of public awareness and education in salient areas identified by the Commission.

13. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Accounts payable and accrued expenses	680,325	690,965
Insolvency surplus reserve	344,936	327,616
Deferred revenue	259,230	301,317
Employee deductions and benefits payable	840,152	911,615
	2,124,643	**2,231,513**

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $838,352 (2015: $820,773) payable to the Commission's employees.

Pursuant to the Insolvency Rules, 2005, the insolvency surplus reserve pertains to monies representing unclaimed assets received from liquidators or bankruptcy trustees after the completion of a liquidation or bankruptcy.

Funds are paid out of the reserve to any person the Commission is satisfied to make payment with respect to the insolvency proceedings for which the monies were paid into the reserve.

Deferred revenue pertains to fees collected by the official receiver, held by the Commission for safekeeping, pending administrative arrangements between the Government and the Commission, including whether the benefit of these funds will accrue to the Commission.

14. DEPOSITS ON ACCOUNT

In 2006, the Commission introduced a new internet-based information system (VIRRGIN) that allows companies to administer transactions online. As a result of this development, companies are required to deposit funds with the Commission in advance of effecting an online transaction. As at December 31, 2016, the balance on this account amounted to $3,297,015 (2015: $2,469,043).

15. DISTRIBUTION PAYABLE TO GOVERNMENT

On September 20, 2016, the Board of Commissioners approved a distribution to Government of $4,000,000 from surplus earned by the Commission during the year ended December 31, 2015. The Board of Commissioners have not approved a distribution from surplus earned for the year ended December 31, 2016.

Expressed in United States Dollars

16. OTHER INCOME

	2016 $	2015 $
Court ordered legal cost receipts	115,250	85,500
Miscellaneous income	204,148	327,208
	319,398	**412,708**

17. ENFORCEMENT PROCEEDS

Enforcement proceeds relates to fees imposed and received for enforcement actions against licensees. These fees are not available for general use by the Commission. Refer to Notes 8 and 12.

18. STAFF COSTS

	2016 $	2015 $
Wages and salaries	11,337,499	10,651,447
Allowances and benefits	2,389,645	2,033,516
Social Security benefits	292,404	278,591
Employment costs	239,007	265,101
National health insurance	345,370	-
Payroll taxes	571,039	557,860
	15,174,964	**13,786,515**

The average number of full time employees in 2016 was 184 (2015: 178).

During the year ended December 31, 2016, the Commission paid $1,388,374 (2015: $1,322,208) for current service costs toward a defined contribution plan (the "Plan"), which has been included in allowances and benefits.

19. RELATED PARTY TRANSACTIONS

The Government's Financial Secretary and Accountant General along with the Chairman of the Board of Commissioners and the Managing Director of the Commission are signatories to a joint account maintained in the names of the Government and the Commission referred to as the Government Trust Account as per Section 19 (1) and (7) of the Act (see Note 8).

20. COMMITMENTS AND CONTINGENCIES

Commitments

As explained in Note 5, the Group is contracted with NCS Pte. Ltd (formerly Singapore Computer Systems Limited) to design and implement the VIRRGIN project. The contracted cost to completion of the design and implementation of the project is SGD102,278 (2015: SGD102,278) as at December 31, 2016.

The Group has an existing contract with Digicel wherein Digicel will provide the Group with dedicated internet access to and from the Group's data center at a monthly cost of $14,506. The contract commenced in March 2014 and will run for three years.

In a separate agreement, the Group also contracted Equinix Hong Kong Limited to provide the Group with data center services. The contract commenced in 2014 with a monthly cost of $3,886.

The Group currently occupies various properties in accordance with the terms of annual operating lease agreements and is committed to making payments on these leases as agreed in the future.

20. COMMITMENTS AND CONTINGENCIES (continued)

The future aggregate minimum lease payments under non-cancellable leases are as follows:

	2016	2015
	$	$
Within one year	1,217,760	1,100,689
Between one and five years	2,187,346	1,816,485
Five years and beyond	-	-
	3,405,106	2,917,174

For the year ended December 31, 2016, the Group recognized rent expense amounting to $1,172,167 (2015: $1,085,116).

Contingencies

In the ordinary course of business, the Group is subject to legal proceedings, claims, disputes and litigation as a result of its role as the regulator of the British Virgin Islands financial services industry. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, the Group does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

21. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks; market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Commissioners. The management identifies, evaluates and hedges financial risks in close co–operation with the Board of Commissioners. The Board of Commissioners provides guidance for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial assets of the Group include cash and cash equivalents, financial assets at fair value through profit or loss, time deposits, regulatory deposits, other receivables and deposits. Financial liabilities include trade and other payables, deposits on account, distribution payable to Government, due to Government and regulatory deposits from licensed entities.

21.1 Market risk

Market risk arises from the Group's use 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).

(i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. In the normal course of business, the Group may enter into transactions denominated in foreign currencies. As a result the Group is subject to transaction and translation exposure from fluctuations in foreign exchange rates.

The Group is exposed to foreign currency risk on the agreement to supply, develop, implement and commission the VIRRGIN project (Note 5). The contracted costs for the project are in Singapore Dollars (SGD). As at December 31, 2016, the foreign exchange rate was $0.6909 (2015: $0.7071) per SGD. Had the Singapore dollar foreign exchange rates strengthened against the US dollar by 1% (2015: 1%) with all other variables remaining constant, the overall costs to complete the project, including maintenance/support costs, would increase by $707 (2015: $6,888). A weakening of 1% in the Singapore dollar against the US dollar, with all other variables held constant, would have an equal but opposite effect.

21. FINANCIAL RISK MANAGEMENT (Continued)

21.1 Market Risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk whereas fixed rate instruments expose the company to fair value interest rate risk.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and time deposits. As at December 31, 2016 approximately 64% (2015: 61%) of the Group's assets were held in bank accounts, with floating interest rates.

Cash flow interest rate sensitivity analysis

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Group's surplus would increase by $62,207 (2015: increase by $62,043). A decrease of 25 basis points in the market interest rate, with all other variables held constant, would decrease the Group's surplus by an equal amount.

Fair value interest rate risk

The Group is exposed to fair value interest rate risk on its financial assets at fair value through profit or loss in government and agency securities and corporate bonds. These government and agency securities and corporate bonds bear fixed rates of interest and the fair value of the bonds are inversely affected by movements in market interest rates. The Group does not hedge itself against fair value interest rate risk.

Fair value interest rate sensitivity analysis

With all other variables held constant, given a 25 basis point increase in the yield rate of government and agency securities and corporate bonds, the Group's income and surplus would decrease by $Nil (2015: $28,163). A decrease of 25 basis points in the yield rate, with all other variables held constant, would increase the Group's income and surplus by $Nil (2015: $28,695).

21.2 Credit risk

Credit risk arises from regulatory deposits, cash and cash equivalents, time deposits, other receivables and deposits and its financial assets at fair value through profit or loss. These financial assets are held with financial institutions with an investment grade credit rating. Other receivables include travel expense advances and unsecured loans extended to various employees of the Commission. The extent of the Commission's exposure to credit risk in respect of these financial assets approximate the carrying values as recorded in the Commission's statement of financial position.

The Group's management addresses credit risk through placement of cash on short term money market placements, financial assets at fair value through profit or loss, interest bearing deposits and U.S Treasury Bills at a variety of regulated BVI and US financial institutions and effective and efficient collection policies.

The Group's regulatory deposits, cash and cash equivalents (excluding petty cash), time deposits, other receivables and deposits and financial assets at fair value through profit or loss are held by financial institutions with the following rating per Moody's Investors Services.

Expressed in United States Dollars

21. FINANCIAL RISK MANAGEMENT (Continued)

21.2 Credit Risk (continued)

Moody's	2016 $	2015 $
Aa2	412,563	243,125
Aa3	2,552,644	2,546,362
Ba1	23,317,706	15,702,460
Baa1	-	10,840,511
Ba3	1,215,315	1,070,769
Total rated	27,498,228	30,403,227
Non-rated	3,065,436	2,721,249
Total	30,563,664	33,124,476

21.3 Liquidity risk

Liquidity risk is the risk that the Group 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.

The Group is exposed to liquidity risk from its financial liabilities which include trade and other payables, deposits on account, distribution to Government, due to Government and Regulatory deposits from licensed entities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet its current operating requirements. The Commission is not exposed to significant liquidity risk as it maintains sufficient cash and cash equivalents to meet its current and foreseeable future obligations.

The table below analyses the Commission's financial liabilities into relevant maturity groupings based on the remaining period at the date of the financial statements to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2016:

	On demand $	Within one year $	Total $
Trade and other payables	2,006,914	117,729	2,124,643
Deposits on account	3,297,015	-	3,297,015
Distribution payable to Government	-	-	-
Regulatory deposits from licensed entities	8,735,634	-	8,735,634
Total	14,039,563	117,729	14,157,292

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2015:

	On demand $	Within one year $	Total $
Trade and other payables	2,037,294	194,219	2,231,513
Deposits on account	2,469,043	-	2,469,043
Distribution payable to Government	4,000,000	-	4,000,000
Regulatory deposits from licensed entities	8,672,854	-	8,672,854
Total	17,179,191	194,219	17,373,410

22. DEFINED CONTRIBUTION PENSION PLAN

The Commission has established a defined contribution plan (the "Plan") to provide retirement benefits for all established employees and is administered by trustees appointed by the Commission. Under the Plan, the Commission has an obligation limited to 15% of the participants' basic annual salary, with the participants contributing a minimum of 5%. A participant's interest in the Commission's contributions commences to vest after 7 years employment and is fully vested after 10 years.

23. 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.

24. COMPARATIVE FINANCIAL INFORMATION

Prior year comparatives have been amended to conform with current year presentation.

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