British Virgin Islands Financial Investigation Agency

Audited Financial Statements

For the Year Ended December 31, 2014

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

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For the Year Ended December 31, 2014

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Independent Auditor's Report

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

We have audited the accompanying financial statements of British Virgin Islands Financial Investigation Agency, which comprise of the statement of financial position as at December 31, 2014, and the related statements of comprehensive income and general reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of British Virgin Islands Financial Investigation Agency as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

July 8, 2015
Tortola, British Virgin Islands

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Financial Position
December 31, 2014
(Expressed in United States Dollars)

	Notes	2014	2013
ASSETS			
Fixed assets	3	498,930	522,296
Total non-current assets		498,930	522,296
Cash and cash equivalents		966,354	273,522
Due from BVI Government	9	-	437,500
Held-to-maturity investments	4,6	3,186,478	3,180,225
Other current assets	5	41,427	39,356
Total current assets		4,194,259	3,930,603
TOTAL ASSETS		$ 4,693,189	$ 4,452,899
EQUITY AND LIABILITIES			
Reserves			
General reserve	6	3,814,324	3,571,600
Liabilities			
Retirement benefit obligations	8	29,219	39,131
Total non-current liabilities		29,219	39,131
Accounts payable and accruals	7	849,646	842,168
Total current liabilities		849,646	842,168
Total liabilities		878,865	881,299
TOTAL EQUITY AND LIABILITIES		$ 4,693,189	$ 4,452,899

APPROVED BY THE BOARD

_______________ Director

_______________ Chief Operating Officer

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, 2014
(Expressed in United States Dollars)

	Notes	2014	2013
INCOME			
Contributions from:			
British Virgin Islands Financial Services Commission	9	500,000	500,000
British Virgin Islands Government	9	1,662,500	1,750,000
Interest income		7,731	6,061
TOTAL INCOME		2,170,231	2,256,061
EXPENSES			
Advertising and promotion		11,570	5,127
Bank charges		1,305	1,420
Depreciation	3	113,592	104,096
Employee costs	10	1,140,305	998,047
Egmont related expense		28,827	58,865
Entertainment		8,433	3,766
Insurance		25,175	26,664
IT support and website		32,484	33,815
Maintenance and security		23,265	27,751
Office, postage and stationery		48,149	34,868
Professional fees		36,648	28,562
Rent	12	163,976	163,996
Subscriptions and dues		4,820	5,784
Training and conferences		74,865	58,820
Travel		130,416	73,570
Utilities		73,218	68,568
Vehicle expenses		10,459	10,363
TOTAL EXPENSES		1,927,507	1,704,082
NET INCOME FOR THE YEAR		242,724	551,979
General reserves at beginning of year		3,571,600	3,019,621
General reserves at end of year		$ 3,814,324	$ 3,571,600

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, 2014
(Expressed in United States Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	242,724	551,979
Adjustments to reconcile net income to cash from operations before working capital changes:		
Depreciation	113,592	104,096
Interest income	(7,731)	(6,061)
Net cash from operations before working capital changes:	348,585	650,014
Decrease in due from BVI Government	437,500	562,500
Increase in other assets	(2,071)	(309)
Increase (decrease) in accounts payable and accruals	7,478	(19,754)
Net decrease in retirement benefit obligation	(9,912)	(166,860)
NET CASH FLOWS FROM OPERATING ACTIVITIES	781,580	1,025,591
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(90,226)	(145,915)
Net increase in held-to-maturity investments	(6,253)	(882,842)
Interest income	7,731	6,061
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(88,748)	(1,022,696)
NET INCREASE IN CASH AND CASH EQUIVALENTS	692,832	2,895
CASH AND CASH EQUIVALENTS		
At beginning of year	273,522	270,627
At end of year	$ 966,354	$ 273,522

The accompanying notes form an integral part of these financial statements

1. Organisation and Objectives

The British Virgin Islands Financial Investigation Agency (the "Agency"), a statutory body, was established under the Financial Investigation Act, 2003 (as amended) (the "Act") which came into force on April 1, 2004. The Agency's registered office is located at Road Town, Tortola, British Virgin Islands.

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

2. Significant Accounting Policies

(a) Basis of preparation

The Agency's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), under the historical cost convention. The Agency's financial accounting records are kept in United States ("US") dollars.

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

- **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities.** These amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments require retrospective application

- **Improvements to IFRSs. 2011-2013 Cycle.** In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at January 1, 2014, and it clarified in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's IFRS financial statements. Each of the amendments requires either prospective or retrospective application.

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, 2014, have had a material effect on the financial statements.

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

The following new standards, interpretations and amendments, which have not been applied in these financial statements will or may have an effect of the Agency's future financial statements:

- **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.

(Expressed in United States Dollars)

2. Significant Accounting Policies (continued)

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

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).

- **Improvements to IFRSs.** These improvements contain numerous amendments to IFRS, which are considered non urgent but necessary. The improvements result in accounting changes for presentation, recognition or measurement purposes; or they are terminology or editorial changes only (mostly effective for annual periods beginning on or after July 1, 2014). These improvements include:

  IAS 24 Related Party Disclosures. The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

  IFRS 13 Fair Value Measurement. The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

None of the other new standards, interpretations and amendments, which are effective for periods beginning after January 1, 2015 and which have not been adopted early, are expected to have a material effect on the Agency's future financial statements.

(d) Use of estimates

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

(e) Fixed assets

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

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

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

Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

2. Significant Accounting Policies (continued)

(e) Fixed assets (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Impairment of Assets).

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

(f) Impairment of assets

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

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

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

(g) Operating leases

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

(h) Revenue recognition

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

(i) Financial assets

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

(i) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Agency will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Agency's loans and receivables comprise cash and cash equivalents, other assets and due from British Virgin Islands Government.

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

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

2. Significant Accounting Policies (continued)

(i) Financial assets (continued)

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity where the Agency has the intention and the ability to hold in the long-term or until maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method.

Time deposits with maturities of greater than three months from the acquisition date have been classified as held-to-maturity investments.

(j) Financial liabilities

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

(k) Retirement benefits

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

(l) Taxation

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

(Expressed in United States Dollars)

3. Fixed assets

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

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

December 31, 2013		Furniture and equipment		Computer and software		Leasehold improvements		Motor vehicles		Total
Cost										
Opening balance		252,942		148,339		379,923		61,470		842,674
Additions		24,138		17,503		73,774		30,500		145,915
Balance at December 31, 2013	$	277,080	$	165,842	$	453,697	$	91,970	$	988,589
Opening balance		95,821		120,685		96,222		49,469		362,197
Depreciation		36,859		19,239		39,490		8,508		104,096
Balance at December 31, 2013		132,680		139,924		135,712		57,977		466,293
Carrying amount										
At December 31, 2013	$	144,400	$	25,918	$	317,985	$	33,993	$	522,296

4. Held-to-maturity investments

As at December 31, 2014, the Agency holds investments in the form of certificates of deposit placed in local banks with a total principal amount of $3,186,478 (2013: $3,180,225). All deposits have original deposit terms of six months and mature in November 2015. For the year ended December 31, 2014, held-to-maturity investments earned total interest of $3,781 (2013: $2,921).

Included in held-to-maturity investments is an amount received from the BVI Government for the conviction and settlement of the IPOC case (see Note 7). An amount of $822,218 (2013: $822,218) remains payable to the Financial Investigation Unit of the Bermuda Police Service ("BPSFIU") relating to the IPOC court order.

5. Other current assets

		2014		2013
Security deposit and prepayments		41,068		39,025
Interest receivable		359		331
Total	$	41,427	$	39,356

(Expressed in United States Dollars)

8. Retirement benefit obligations (continued)

6. General reserves

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

7. Accounts payable and accruals

	2014	2013
IPOC investigation costs	822,218	822,218
Other accrued expenses	27,428	19,950
	849,646	842,168

IPOC investigation costs

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

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

On April 30, 2008, the High Court of the Virgin Islands (the "High Court") convicted IPOC and its related companies of two qualifying offences under the Proceeds of Criminal Conduct Act, 1997 (the "Criminal Conduct Act"). The High Court ruled that the benefit and pecuniary advantage obtained by IPOC as a result of the offenses under the Criminal Conduct Act, including interest, was $45,455,431. A costs order of $2,200,000 was issued by the High Court whereby the Agency and BPSFIU recovered a significant portion of their expenses relating to their investigations. This was received by the Agency in 2008. As at December 31, 2014, a total of $822,218 (2013: $822,218) remained outstanding and payable to BPSFIU relating to this court order. The above outstanding amount is presented as part of accounts payable and accruals in the statement of financial position.

8. Retirement benefit obligations

Employees of the Agency

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

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

For the year ended December 31, 2014, the Agency incurred retirement benefit obligations of $80,958 (2013: $79,347) for employees participating in the Plan, of which there was no unfunded amount (2013: $Nil).

Employees Seconded from Central Government

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

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

(Expressed in United States Dollars)

8. Retirement benefit obligations (continued)

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

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

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

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

For the year ended December 31, 2014, the Agency incurred retirement benefit obligations of $29,225 (2013: $39,312) for the seconded employees, of which $29,219 (2013: $39,131) is unfunded.

The unfunded retirement benefits can be broken down as follows:

	2014	2013
BVI Government - 2011 onwards	29,219	39,131
	$ 29,219	$ 39,131

9. Contributions from the BVI Government and the BVI FSC

Under section 12 of the Act, the Agency is funded by monies appropriated by the House of Assembly. Additional funding is provided by a portion of such assets obtained by the BVI Government under an asset sharing agreement (see also Note 9), as the House of Assembly may, by resolution approve.

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

During the year ended December 31, 2014, the Agency received contributions from the BVI Government and the BVI FSC amounting to $1,662,500 (2013: $1,750,000) and $500,000 (2013: $500,000), respectively of which a total of $Nil (2013: $437,500) is outstanding from the BVI Government as at December 31, 2014. During the year, there was no funding provided from any asset sharing agreement.

10. Employee costs

	2014	2013
Allowances and other benefits	98,021	88,313
Payroll tax	45,605	38,541
Retirement expense	110,183	118,659
Salaries	886,496	752,534
	$ 1,140,305	$ 998,047

The Agency had an average number of full time employees during the year of 15 (2013: 13).

11. Risk Management

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

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

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

(Expressed in United States Dollars)

11. Risk Management (continued)

(a) General objectives, policies and processes

The Agency's Directors have overall responsibility for the determination of the Agency's risk management objectives and policies and, whilst retaining ultimate responsibility for them, they have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Agency's management.

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

(i) Credit Risk

Credit risk is the risk of financial loss to the Agency if a counterparty to a financial instrument fails to meet its contractual obligations. The Agency is mainly exposed to credit risk from cash and cash equivalents, due from BVI Government, held-to-maturity investments and other current assets.

The maximum exposure to credit risk before any credit enhancements at December 31, 2014 and December 31, 2013 is the carrying amount of the financial assets as set out in the statement of financial position as follows:

	2014	2013
Cash and cash equivalents	966,354	273,522
Due from BVI Government	-	437,500
Held-to-maturity investments	3,186,478	3,180,225
Other current assets	36,952	36,925
	$ 4,189,784	$ 3,928,172

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

Moody's	**2014**	**2013**
Aa2	2,566,557	2,564,007
Ba1	966,354	273,522
Ba2	619,921	616,218
Total rated	4,152,832	3,453,747
Non-rated	36,952	474,425
Total	$ 4,189,784	$ 3,928,172

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

(ii) Market Risk

Market risk arises from the Agency uses of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency risk) or other market factors (other price risk).

Cash flow and fair value interest rate risk

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

At December 31, 2014 and 2013, movement in the market interest rate of cash and cash equivalents in the Agency's net income or loss and net assets was estimated to be insignificant.

(Expressed in United States Dollars)

11. Risk Management (continued)

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

(ii) Market Risk (continued)

Foreign currency risk

At December 31, 2014 and 2013, the Agency has no financial assets and financial liabilities denominated in currencies other than the US dollar. As a result, the Agency is not exposed to significant foreign currency risk.

Other price risk

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

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

(iii) Liquidity Risk

Liquidity risk is the risk that the Agency may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

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

As at December 31, 2014, the Agency's current liabilities of $849,646 (2013: $842,168) is covered by both cash and cash equivalents and held-to-maturity investments. Held-to-maturity investments can be terminated early should the need arise. As a result, the Agency is not exposed to significant liquidity risk.

(b) Operational risk

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

12. Operating lease commitments

The Agency leases its offices from LM Business Centre Ltd. The lease is for a period of 10 years commencing on September 1, 2009. On November 9, 2012, the Agency entered into another lease agreement for the use of additional office space at LM Business Centre Ltd. which will commence on January 1, 2013 and will end on January 31, 2017. Other than the lease payments, there are no further contractual obligations with regard to the leasing of this property.

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

	2014	2013
Within one year	163,344	163,344
Between one and five years	382,622	545,966
Five years and beyond	71,536	71,536
	$ 617,502	$ 780,846

For the year ended December 31, 2014, the Agency recognised rent expense amounting to $163,976 (2013: $163,996).

13. Subsequent events

No events have occurred subsequent to December 31, 2014 and before the date of the report that would have a significant effect on these financial statements.