British Virgin Islands Financial Investigation Agency
Audited Financial Statements
For the Year Ended December 31, 2018

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Audited Financial Statements

For the Year Ended December 31, 2018

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

For the Year Ended December 31, 2018
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of British Virgin Islands Financial Investigation Agency (the "Agency"), which comprise of the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Limited

Tortola, British Virgin Islands
May 17, 2021

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Financial Position
As At December 31, 2018
(Expressed in United States Dollars)

	Notes	2018 $	2017 $
ASSETS			
Non-current assets			
Property and equipment, net	4	1,429,858	1,669,274
Other assets	5	117,123	117,123
Total non-current assets		1,546,981	1,786,397
Current assets			
Time deposits	6	1,029,481	1,026,807
Other assets	5	12,876	167,352
Cash and cash equivalents		1,416,615	1,070,492
Total current assets		2,458,972	2,264,651
TOTAL ASSETS		4,005,953	4,051,048
RESERVES AND LIABILITIES			
Reserves			
General reserves	7	3,032,060	3,082,388
Current liabilities			
Accounts payables and accruals	8	911,383	938,189
Retirement benefit obligations	9	62,510	30,471
Total current liabilities		973,893	968,660
TOTAL RESERVES AND LIABILITIES		4,005,953	4,051,048

Approved on Behalf of the Board

______________, Director

17th May 2021, Date

______________, Deputy Director

14 MAY 2021, Date

The accompanying notes form an integral part of these financial statements

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Comprehensive Income
For the Year Ended December 31, 2018
(Expressed in United States Dollars)

	Notes	2018 $	2017 $
INCOME			
Contributions from:			
British Virgin Islands Government	10	1,672,500	1,472,500
British Virgin Islands Financial Services Commission	10	750,000	500,000
Rental income		53,376	53,376
Interest income	6	4,549	4,194
TOTAL INCOME		2,480,425	2,030,070
EXPENSES			
Advertising and promotion		700	4,412
Bank charges		7,795	2,240
Bad debts	5	-	23,887
Depreciation	4	246,823	257,302
Egmont-related expense		21,274	6,320
Employee costs	12	1,434,416	1,456,420
Entertainment		7,228	1,740
Insurance		-	14,032
IT support and website		54,487	86,327
Maintenance and security		29,367	64,484
Office, postage and stationery		20,220	29,626
Office relocation		-	2,565
Professional fees		28,412	102,066
Rent	15	379,724	369,104
Subscriptions and dues		2,503	10,490
Training and conferences		51,538	41,401
Travel		82,637	57,669
Utilities		155,619	120,829
Vehicle expenses		7,171	6,910
Miscellaneous expenses		839	1,395
TOTAL EXPENSES		2,530,753	2,659,219
LOSS FROM OPERATIONS		(50,328)	(629,149)
OTHER INCOME AND EXPENSES			
Insurance settlement	11	-	45,984
Gain on disposal of property and equipment	4	-	30,668
TOTAL OTHER INCOME AND EXPENSES		-	76,652
DEFICIT FOR THE YEAR		(50,328)	(552,497)

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Changes in Reserves
For the Year Ended December 31, 2018
(Expressed in United States Dollars)

	General reserves $	Total $
Balance as at December 31, 2016	3,634,885	3,634,885
Deficit for the year	(552,497)	(552,497)
Balance as at December 31, 2017	3,082,388	3,082,388
Deficit for the year	(50,328)	(50,328)
Balance as at December 31, 2018	3,032,060	3,032,060

BRITISH VIRGIN ISLANDS FINANCIAL INVESTIGATION AGENCY

Statement of Cash Flows
For the Year Ended December 31, 2018
(Expressed in United States Dollars)

	2018 $	2017 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Deficit for the year	(50,328)	(552,497)
Adjustments to reconcile deficit to cash from operations before working capital changes:		
Depreciation expense	246,823	257,302
Gain on disposal of property and equipment	-	(30,668)
Interest income	(4,549)	(4,194)
Cash from (used in) operations before working capital changes:	191,946	(330,057)
Decrease (increase) in other assets	146,005	(131,663)
Increase in accounts payables and accruals	24,558	37,509
Increase in retirement benefit obligations	32,039	30,471
Net cash flows from (used in) operating activities	394,548	(393,740)
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	48,790
Purchase of property and equipment	(50,300)	(27,512)
Net movement in time deposits	(2,674)	(2,673)
Interest income	4,549	4,194
Net cash flows (used in) from investing activities	(48,425)	22,799
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	346,123	(370,941)
CASH AND CASH EQUIVALENTS		
At beginning of year	1,070,492	1,441,433
At end of year	1,416,615	1,070,492

1 Organisation and Objectives

The British Virgin Islands Financial Investigation Agency (the "Agency") is a statutory body that was established under the Financial Investigation Act, 2003 (as amended) (the "Act") which came into force on April 1, 2004. The Agency's registered office is 2nd Floor Ritter House Building, Road Town, Tortola, British Virgin Islands ("BVI").

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

2 Significant Accounting Policies

(a) Presentation of financial statements

(i) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The principal accounting policies adopted in the preparation of the Agency’s financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are prepared under the historical cost convention.

(ii) Presentation and functional currency

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

(iii) Significant accounting estimates and judgement

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. Management is also required to exercise its judgement in the process of applying Agency’s accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are disclosed in Note 3.

(b) IFRS compliance and adoption

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

The Agency has initially applied IFRS 15 and IFRS 9 from January 1, 2018. A number of other new standards are also effective for January 1, 2018 but they do not have material effect on the Agency's financial statements.

- **IFRS 15, Revenue from Contracts with Customers.** In the current year, the Agency has applied *IFRS 15 Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced *IAS 18, Revenue, IAS 11 Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added to IFRS 15 to deal with specific scenarios.

The application of IFRS 15 has not had a significant impact on the financial position and/or performance of the Agency apart from adding greater details on revenue recognition policies. For additional information about the Agency’s accounting policies relating to revenue recognition, see Note 2.l.

(Expressed in United States Dollars)

2 Significant Accounting Policies (Continued)

(b) IFRS compliance and adoption (Continued)

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

- **IFRS 9 Financial Instruments.** IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

Classification and Measurements

IFRS 9 contains the principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely contains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Impairment

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECLs") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For an explanation on how the Agency classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 2.e.

Impact of adoption of IFRS 9

IFRS 9 has been applied retrospectively by the Agency and did not result in a change to the classification or measurement of financial instruments. In line with the characteristics of the Agency's financial instruments as well as its approach to their management, the Agency neither revoked nor made any new designations on the date of initial application. The Agency has chosen to take advantage of the option not to restate comparatives, therefore, the 2017 figures are presented under IAS 39. IFRS 9 has not resulted in changes in the carrying amount of the Agency's financial instruments due to changes in measurement categories. All financial assets that were classified as FVTPL under IAS 39 are still classified as FVTPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Agency's financial assets and liabilities as at January 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 $	New carrying amount under IFRS 9 $
Cash and cash equivalents	Loans and receivables	Amortised cost	1,070,492	1,070,492
Other assets	Loans and receivables	Amortised cost	167,352	167,352
Time deposits	Held-to-maturity	FVTPL	1,026,807	1,026,807
			2,264,651	2,264,651

(Expressed in United States Dollars)

2 Significant Accounting Policies (Continued)

(b) IFRS compliance and adoption (Continued)

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

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 $	New carrying amount under IFRS 9 $
Accounts payables and accruals	Other financial liabilities	Other financial liabilities	938,189	938,189
Retirement benefit obligations	Other financial liabilities	Other financial liabilities	30,471	30,471
			968,660	968,660

There was no material impact on adoption from the application of the new impairment model. IFRS 9 requires the Agency to record ECLs on all of its receivables, either on a 12-month or lifetime basis. This amendment has not had a material impact on the Agency's financial statements. The Agency only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has adopted an approach similar to the simplified approach to ECLs.

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

A number of new standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted, however, the Agency has not early adopted the new or amended standards in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Agency's financial statements in the period of initial application.

- **IFRS 16 Leases.** IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. 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 an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

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

  Furthermore, extensive disclosures are required by IFRS 16.

(Expressed in United States Dollars)

2 Significant Accounting Policies (Continued)

(b) IFRS compliance and adoption (Continued)

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or modified retrospective approach. The standard's transition provisions permit certain reliefs.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Agency's financial statements. The following table presents the impact of IFRS 16 adoption on the statement of financial position as at January 1, 2019:

	January 1, 2019 $
Asset	
Right-of-use asset	2,010,252
Liability	
Lease liability	(2,010,252)

(c) Property and equipment

All property and equipment held for use in the production or supply of goods or services, or for administrative purposes.

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

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

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

Leasehold improvements are amortised over the term of the lease.

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 non-financial asset).

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognised

(d) Cash and cash equivalents

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

2 Significant Accounting Policies (Continued)

(e) Financial instruments

A financial instrument that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Agency's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Agency has applied the practical expedient, the Agency initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Receivables that do not contain a significant financing component or for which the Agency has applied the practical expedient are measured at the transaction prices determined under IFRS 15. Refer to the accounting policies section 2.l (*Revenue* recognition).

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest" ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Agency's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost;
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL.

Financial assets at amortised cost

This category is the most relevant to the Agency. The Agency measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Agency's financial assets at amortised cost includes assets and deposits, time deposits, and cash and cash equivalents.

(ii) Derecognition of financial assets

Financial assets are derecognised and removed from the statement of financial position when the rights to cash flows from financial assets expire, or the financial assets have been transferred and the Agency has transferred substantially all the risks and rewards of ownership of the financial assets. Any interests created or retained on the transferred financial assets are recognised separately as assets or liabilities.

2 Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

(ii) Derecognition of financial assets (Continued)

On derecognition of financial assets, the difference between carrying amounts and the total of considerations received and cumulative gains or losses that had been recognised in other comprehensive income are recognised in profit or loss.

When the Agency retains substantially all of the risks and rewards of ownership for transferred financial assets, the financial assets continue to be recognised and the consideration received is recognised as a financial liability.

When financial assets are transferred and the Agency neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, nor transferred control of the assets, the financial assets continue to be recognised to the extent of the continuing involvement in the financial assets.

When continuing involvement takes the form of guaranteeing the transferred assets, the continued involvement is measured at the lower of the carrying amount of the financial assets and the maximum amount of consideration received that the Agency could be required to repay.

(iii) Impairment of financial assets

For receivables, the Agency applies a simplified approach in calculating ECLs. Therefore, the Agency does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date, where necessary. The Agency has established a provision matrix that is based on its historical credit loss experience.

(iv) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Agency's financial liabilities include accounts payables and accruals, and retirement benefit liabilities.

Subsequent measurement

All account payables and accruals, and retirement benefit liabilities are measure at amortised cost using the EIR method.

(v) Derecognition of financial liabilities

Financial liabilities are derecognised and removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid, is recognised in profit or loss.

Where financial liabilities are replaced with the same lender or the terms are substantially modified, the original financial liabilities are derecognised and new financial liabilities have been recorded.

(vi) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, The Agency has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 Significant Accounting Policies (Continued)

(f) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Agency after deducting all of its liabilities. Equity instruments issued by Agency are recognised at the proceeds received, net of direct issue costs.

(i) General reserves

General reserves represent accumulated surplus of the Agency, after deducting associated costs. General reserves may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

(g) Provisions

Provisions are recognised when the Agency has a present obligation (legal or constructive) as a result of a past event, and it is possible that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Agency expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provision is discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(h) Operating leases

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

(i) Retirement benefits

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

(j) Government grants

Government grants includes contributions received from the BVI Government as well as additional voluntary funding from the British Virgin Islands Financial Services Commission ("BVIFSC"). There are no conditions nor contingencies attached to these grants.

(k) Foreign currency

Transactions in foreign currency are initially translated into the functional currency at the exchange rates prevailing at the transaction date. At the statement of financial position date, financial assets and monetary liabilities expressed in foreign currencies are translated at the closing foreign currency rate. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation of year-end exchange rates of financial assets and monetary liabilities expressed in foreign currencies are recognised in the statement of comprehensive income in the period in which they arise.

(l) Revenue recognition

The effect of initially applying IFRS 15 on the Agency's revenue from contracts with customers is described in Note 2.b.i.

Revenue Streams, Performance Obligations and Revenue Recognition Policies

The Agency derives revenue from contributions by the BVI Government and the BVIFSC based on the contributions designated per Section 12 of the Act. Revenue from contributions are recognised on an accrual basis.

2 Significant Accounting Policies (Continued)

(l) Revenue recognition (Continued)

Revenue from rental income is recognised in the accounting period in which the services are rendered. Revenue is recognised over time as the services are provided. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the time.

The Agency also generates revenue through interest income from its investments and deposits with banks. Interest income is recognised as interest accrued on a time basis by reference to the principal outstanding and to the effective interest rate applicable.

(m) Taxation

In accordance with Section 16 of the Act, the Agency is exempted from the payment of taxes on its income and operations and from payment of taxes, duties and rates on its property and documents.

Under the Virgin Islands Payroll Taxes Act, 2004 the Agency is liable to income taxes at 0% on its net operating income effective from January 1, 2005. Payroll tax is payable by the employer at the rate of 14% (8% being recoverable from the employees). The first US$ 10,000 of each employee's remuneration is tax exempt.

(n) Expense recognition

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

3 Critical accounting estimates and judgements

In the application of the Agency's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the management has made in the process of applying the Agency's accounting policies and that have the most significant effect on the amounts recognised in the statement of financial position.

(i) Going concern

A key assumption in the preparation of financial statements is that the entity will continue as a going concern. The going concern assumption assumes that the Agency will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations. A significant amount of judgement has been required is assessing whether the entity is a going concern as described in Note 2.a.iii.

(ii) Leases

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

The Agency has entered into various lease arrangements. Critical judgement was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgement will result in either overstatement or understatement of assets and liabilities.

3 Critical accounting estimates and judgements (Continued)

(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.

(i) Useful life of property and equipment

The Agency estimates the useful life of property and equipment based on the period over which the assets are expected to be available for use. The estimated 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 and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2018, there is no change in estimated useful life 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

The breakdown of the Agency's property and equipment as of December 31, 2018 and 2017 is presented below:

December 31, 2018	Furniture and equipment $	Computer and software $	Leasehold improvements $	Motor vehicles $	Total $
Cost					
December 31, 2017	442,737	263,021	1,434,868	24,000	2,164,626
Additions	7,476	2,799	2,025	38,000	50,300
Impairment	-	-	(42,893)	-	(42,893)
December 31, 2018	450,213	265,820	1,394,000	62,000	2,172,033
Accumulated depreciation					
December 31, 2017	107,313	218,895	169,144	-	495,352
Depreciation	65,051	26,424	143,581	11,767	246,823
December 31, 2018	172,364	245,319	312,725	11,767	742,175
Carrying amount					
December 31, 2018	277,849	20,501	1,081,275	50,233	1,429,858

December 31, 2017	Furniture and equipment $	Computer and software $	Leasehold improvements $	Motor vehicles $	Total $
Cost					
December 31, 2016	442,852	262,263	1,434,390	88,478	2,227,983
Additions	884	2,150	478	24,000	27,512
Disposals	(999)	(1,392)	-	(88,478)	(90,869)
December 31, 2017	442,737	263,021	1,434,868	24,000	2,164,626
Accumulated depreciation					
December 31, 2016	43,714	177,577	25,613	63,893	310,797
Depreciation	64,597	42,709	143,531	6,465	257,302
Disposals	(998)	(1,391)	-	(70,358)	(72,747)
December 31, 2017	107,313	218,895	169,144	-	495,352
Carrying amount					
December 31, 2017	335,424	44,126	1,265,724	24,000	1,669,274

Compensation for impairment

Compensation from third-party for portion of leasehold improvements that were given up was set-off against retention payable included in accounts payables and accruals in the statement of financial position. The amount of compensation impairment as at December 31, 2018 was $ 42,893 (2017: $ NIL).

(Expressed in United States Dollars)

5 Other assets

The following tables details the other assets as at December 31, 2018 and 2017.

	2018 $	2017 $
Recoverable expenses	2,876	100,988
Due from officer	10,000	-
Receivable from insurers (refer to Note 11)	-	45,984
Due from government	-	11,484
Due from sub-tenant	-	8,896
Total current other assets	12,876	167,352
Non-current other assets (refer to note 15)	117,123	117,123
	129,999	284,475

The Agency wrote off receivables due from government and a former employee amounting to $Nil (2017: $23,887). These amounts are presented as "Bad debts" in the statement of comprehensive income.

6 Time deposits

As at December 31, 2018, the Agency holds investments in the form of certificates of deposit placed in local banks with a total principal and interest amount of $1,029,481 (2017: $1,026,807). All deposits have original deposit terms of at least one year and mature in May and November 2019. For the year ended December 31, 2018, time deposits earned total interest of $4,549 (2017: $4,194).

Asset Fund

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

Included in FVTPL investments is a time deposit account with proceeds received from the BVI Government for the conviction and settlement of the IPOC case (see Note 8).

An amount of $822,218 (2017: $822,218) remains payable to the Financial Investigation Unit of the Bermuda Police Service ("BPSFIU") relating to the IPOC court order.

7 General reserves

The Agency was established as a statutory corporation and no share capital was assigned to it. The Agency is funded mainly by grants from the BVI Government and the BVIFSC.

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

8 Accounts payable and accruals

The following tables details the accounts payable and accruals as at December 31, 2018 and 2017.

	2018 $	2017 $
IPOC investigation costs	822,218	822,218
Other accrued expenses	89,165	115,971
	911,383	938,189

8 Accounts payable and accruals (Continued)

IPOC investigation costs

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

In accordance with the MOU, it was agreed that BPSFIU and the Agency would share equally all proceeds received from (and by extension, all expenses incurred in) the investigation. Investigations of the IPOC case incurred costs of $2,542,268 of which BPSFIU paid $992,809. Proceeds of $2,200,000 was received by the Agency, on behalf of both parties. A refund of $822,218 is due to 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 offences under the Criminal Conduct Act, including interest, was $45,455,431. A cost order of $2,200,000 was issued by the High Court whereby the Agency and BPSFIU recovered a significant portion of their expenses relating to their investigations. This was received by the Agency in 2009. As at December 31, 2018, a total of $822,218 (2017: $822,218) remained outstanding and payable to BPSFIU related to this court order. The above outstanding amount is presented as part of accounts payable and accruals in the statement of financial position.

9 Retirement benefit obligations

In accordance with the BVI Labour Code, 2010, the Agency as an employer is required to make provisions for retirement benefits to be paid to permanent employees. To comply with this requirement, the Agency provides retirement benefits as follows:

Employees of the Agency

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

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

For the year ended December 31, 2018, the Agency incurred pension expense of $119,584 (2017: $66,150) for employees participating in the Plan, of which $13,162 (2017: $2,895) is payable.

Employees Seconded from Central Government

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

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

(Expressed in United States Dollars)

9 Retirement benefit obligations (Continued)

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

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

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

For the year ended December 31, 2018, the Agency incurred pension expense of $21,068 (2017: $41,051) for the seconded employees, of which $49,348 (2017: $27,576) is payable.

The pension obligation can be broken down as follows:

	2018 $	2017 $
BVI Government	49,348	27,576
BVIFSC	13,162	2,895
	62,510	30,471

10 Contributions from the BVI Government and the BVIFSC

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

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

During the year ended December 31, 2018, the Agency received contributions from the BVI Government and the BVIFSC amounting to $1,672,500 (2017: $1,472,500) and $750,000 (2017: $500,000), respectively. During the year, there was no funding provided from any asset sharing agreement.

11 Insurance settlement

During the year ended December 31, 2017, the Agency and the insurance provider reached a settlement agreement for damages sustained as a result of Hurricane Irma. The settlement amount of $45,984 outstanding as at December 31, 2017 and was included in "Other assets" on the statement of financial position. This amount was settled during the year ended December 31, 2018.

12 Employee costs

The following table details the employee costs as at December 31, 2018 and 2017.

	2018 $	2017 $
Salaries	1,029,640	1,105,483
Pension expense (Note 9)	140,652	107,201
Allowances and other benefits	111,493	77,104
National health insurance	71,630	79,078
Payroll tax	50,848	55,062
Social security	30,153	32,492
	1,434,416	1,456,420

The Agency had an average number of full-time employees during the year of 22 (2017: 22).

(Expressed in United States Dollars)

13 Operational risk management

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.

14 Financial risk management

The Agency is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk, other price risk)

The Board of Directors has 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 Board of Directors receive regular reports from management through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Agency's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Agency is exposed and seeks to minimise potential adverse effects on the Agency's financial performance. The Agency uses different methods to measure and manage the various types of risk to which it is exposed.

(a) Credit risk

Credit risk is the risk of financial loss to Agency if the counterparty to a financial instrument fails to meet its contractual obligation. The Agency is mainly exposed to credit risk from cash and cash equivalents and time deposits.

The maximum exposure to credit risk, before any credit enhancement at December 31, 2018 and December 31, 2017 is the carrying amount of the financial assets as set out in the statement of financial position as follows:

	2018 $	2017 $
Cash and cash equivalents	1,416,615	1,070,492
Time deposits	1,029,481	1,026,807
Other assets	12,876	167,352
	2,458,972	2,264,651

(Expressed in United States Dollars)

14 Financial risk management (Continued)

(a) Credit risk (Continued)

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 and fair value through profit and loss investments with several financial institutions whose parent companies have credit ratings as rated by Moody's Investors Services and Standard and Poor's Financial Services LLC as follows:

	2018 $	2017 $
A1	-	779,346
A-3	376,577	-
Ba1	1,040,038	-
Ba2	626,150	693,366
B1	-	624,587
BBB-	403,331	-
Total rated	2,446,096	2,097,299
Unrated	12,876	167,352
	2,458,972	2,264,651

The table below summarises the aging of the Agency's financial assets:

December 31, 2018	Current $	31-60 days $	Above 60 days $	Total $
Cash and cash equivalents	1,416,615	-	-	1,416,615
Time deposits	-	-	1,029,481	1,029,481
Other assets	625	3,501	8,750	12,876
	1,417,240	3,501	1,038,231	2,458,972

December 31, 2017	Current $	31-60 days $	Above 60 days $	Total $
Cash and cash equivalents	1,070,492	-	-	1,070,492
Time deposits	-	-	1,026,807	1,026,807
Other assets	8,896	45,984	112,472	167,352
	1,079,388	45,984	1,139,279	2,264,651

(b) Liquidity risk

Liquidity risk is the risk that the Agency will encounter difficulty in meeting its short-term obligations associated with financial liabilities. The Agency is exposed to liquidity risk from its financial liabilities.

Liquidity needs are monitored by the Agency to ensure it has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses or breaches in borrowing limits or covenants. Liquidity is managed by monitoring forecasted and actual cash flows, maintaining sufficient funds to meet expected operational expenses and matching maturity profiles of financial assets and liabilities.

(Expressed in United States Dollars)

14 Financial risk management (Continued)

(b) Liquidity risk (Continued)

The table below shows the liquidity profile of the financial liabilities based on their undiscounted cash flows and their earliest maturity:

December 31, 2018	On demand $	1 to 3 months $	Total $
Accounts payable and accruals	822,218	89,165	911,383
Retirement benefit obligations	49,348	13,162	62,510
	871,566	102,327	973,893

December 31, 2017	On demand $	1 to 3 months $	Total $
Accounts payable and accruals	822,218	115,971	938,189
Retirement benefit obligation	27,576	2,895	30,471
	849,794	118,866	968,660

(c) Market risk

Market risk is the risk that changes in market prices, through foreign exchanges rates, interest rates, and equity prices, will cause fluctuations to the fair values and cash flows of financial instrument holdings.

(i) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Agency's financial instrument holdings. Floating rate instruments expose the Agency to cash flow interest rate risk whereas fixed rate instruments expose the Agency to fair value interest rate risk.

Interest rate sensitivity

At December 31, 2018 and 2017, the Agency has minimal interest bearing financial instruments. As a result, the Agency is not exposed to significant interest rate risk.

(ii) Currency risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Agency's financial instrument holdings.

Foreign currency sensitivity

At December 31, 2018 and 2017, the Agency has no financial instruments denominated in currencies other than United States Dollars. As a result, the Agency is not exposed to significant foreign currency risk.

(iii) Equity price risk

Equity price risk is the risk that changes in market prices of equity securities will cause fluctuations to the fair values and cash flows of Agency's financial instrument holdings.

Equity price risk sensitivity

At December 31, 2018 and 2017, the Agency did not hold any investments and thus is not exposed to equity price risk.

(Expressed in United States Dollars)

15 Operating lease commitments

There are no future contractual obligations with regards to this payment of leasing property.

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

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

	2018 $	2017 $
Within one year	357,284	357,284
Between one and five years	476,379	833,663
	833,663	1,190,947

For the year ended December 31, 2018, the Agency recognised rent expense amounting to $379,724 (2017: $369,104).

Upon the signing of the lease agreement the Agency paid a security deposit of $117,123. As at December 31, 2018 and 2017 the amount is showing as "Other assets" in the statement of financial position.

16 Subsequent events

Management evaluated all activity of the Agency from January 1, 2019 through the issuance date of the financial statements and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements except for the transactions discussed below.

(I) COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the Agency’s operations have not been significantly impacted, however, the Agency continues to monitor the situation. No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred as of yearend; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Agency’s results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.