BRITISH VIRGIN ISLANDS
FINANCIAL SERVICES COMMISSION

Audited Consolidated Financial Statements

For the Year Ended December 31, 2020

BDO

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Audited Consolidated Financial Statements

For the Year Ended December 31, 2020

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

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BOARD OF COMMISSIONERS

Mr. Robin Gaul	Chairman
Mrs. Kharid Fraser	Deputy Chairman
Mr. William Gilmore	Commissioner
Mr. Melvin Stoutt	Commissioner
Ms. Johanna Boyd	Commissioner
Mr. Ramnarine Mungroo	Commissioner
Mr. Paul Carty	Commissioner
Mr. Kenneth Baker	CEO/Managing Director

REGISTERED OFFICE

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Road Town, Tortola
British Virgin Islands

SECRETARY TO THE BOARD

Ms. Annet Mactavious

INDEPENDENT AUDITORS

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British Virgin Islands

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, 2020, and the consolidated statements of comprehensive income, changes in contributed capital and 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, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

Independent Auditor's Report (Continued)

Report on the Audit of the Financial Statements (Continued)

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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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
October 8, 2021

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position
As at December 31, 2020
Expressed in United States Dollars

	Notes	2020 $	2019 $
ASSETS			
Non-current assets			
Property and equipment	4	6,044,486	6,456,068
Right-of-use assets, leasehold premises	5	6,489,689	7,523,674
Total non-current assets		12,534,175	13,979,742
Current assets			
Regulatory deposits	7	9,367,972	8,642,017
Cash	8	21,809,941	20,734,009
Time deposits	9	10,564,121	10,356,264
Other receivables and deposits	10	683,441	803,408
Total current assets		42,425,475	40,535,698
TOTAL ASSETS		**54,959,650**	**54,515,440**
CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES			
Contributed capital and capital reserves			
Contributed capital	11	3,993,900	3,993,900
Property and equipment reserve	11	6,044,486	6,456,068
Future capital expansion reserve	11	7,500,000	7,500,000
Total contributed capital and capital reserves		17,538,386	17,949,968
Surplus and revenue reserves			
Training reserve	11	400,000	400,000
Loan revolving reserve	11	165,000	165,000
Refunds and drawback reserve	11	50,000	50,000
Enforcement reserve	11	2,000,000	2,000,000
Contingency reserve	11	4,844,797	2,610,857
Administrative penalties fund reserve	11	2,812,644	2,720,985
Total surplus and revenue reserves		10,272,441	7,946,842
Total contributed capital and reserves		27,810,827	25,896,810
Non-current liabilities			
Lease liabilities	5	5,675,672	6,639,402
Total non-current liabilities		5,675,672	6,639,402
Current liabilities			
Lease liabilities	5	1,113,498	1,013,352
Trade and other payables	12	2,330,831	2,114,393
Deposits on account and other deposits	13	7,660,850	6,209,466
Distribution payable to Government	14	1,000,000	4,000,000
Regulatory deposits from licensed entities	7	9,367,972	8,642,017
Total current liabilities		21,473,151	21,979,228
Total liabilities		27,148,823	28,618,630
TOTAL CONTRIBUTED CAPITAL, RESERVES AND LIABILITIES		**54,959,650**	**54,515,440**

Signed on behalf of the Commission on September 28, 2021

Chairman

Managing Director / CEO

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, 2020
Expressed in United States Dollars

	Notes	2020 $	2019 $
INCOME			
Fees collected on behalf of the Government	15	216,946,278	234,230,674
Less: Fees due to the Government	15	(190,001,117)	(204,997,880)
Fees retained by the Commission	15	26,945,161	29,232,794
Other income	16	265,833	382,357
Gains on disposal of property and equipment		8,000	-
TOTAL INCOME		27,218,994	29,615,151
EXPENSES			
Staff costs	19	15,399,986	14,882,189
Professional services		1,477,119	1,355,707
International Arbitration Centre funding	22	1,223,345	1,940,938
Lease amortisation	5	1,190,272	1,164,965
Depreciation	4	1,080,172	1,088,397
Maintenance and hire		791,360	1,184,817
Financial Investigations Agency funding	22	750,000	750,000
Telephone and communications		521,264	541,502
Financial Services Institute funding	22	450,000	450,000
Office expenses		239,081	200,715
Licenses and fees		221,975	139,415
Utilities		218,551	247,186
Insurance		136,819	147,825
Literature and reference		129,833	111,301
Travel and subsistence		84,075	583,825
Miscellaneous		72,418	31,832
Memberships and subscriptions		68,481	81,808
Complaints Tribunal	22	97,245	98,274
Rent and lease		22,467	71,441
Public relations		18,552	96,106
Conferences and seminars		2,202	68,910
Impairment loss	4	-	57,500
BVI House Asia funding		-	7,463
TOTAL EXPENSES		24,195,217	25,302,116
FINANCE COST			
Interest expense related to lease liability	5	(398,189)	(408,130)
Interest income	17	197,369	257,173
NET FINANCE COST		(200,820)	(150,957)
SURPLUS BEFORE GOVERNMENT DISTRIBUTION AND ENFORCEMENT PROCEEDS		2,822,957	4,162,078
Government allocation	14	(1,000,000)	(4,000,000)
SURPLUS BEFORE ENFORCEMENT PROCEEDS		1,822,957	162,078
Enforcement proceeds	18	91,060	366,745
SURPLUS FOR THE YEAR		**1,914,017**	**528,823**

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

BRITISH VIRGIN ISLANDS FINANCIAL SERVICES COMMISSION

Consolidated Statement of Changes in Contributed Capital and Reserves
For the Year Ended December 31, 2020
Expressed in United States Dollars

	Opening balance $	Surplus for the year $	Transfers $	Utilisation of reserve $	Closing balance $
2020:					
Surplus	-	1,914,017	(1,914,017)	-	-
Contributed capital	3,993,900	-	-	-	3,993,900
Property and equipment reserve	6,456,068	-	(411,582)	-	6,044,486
Training reserve	400,000	-	-	-	400,000
Loan revolving reserve	165,000	-	-	-	165,000
Future capital expansion reserve	7,500,000	-	-	-	7,500,000
Refunds and drawbacks reserve	50,000	-	-	-	50,000
Enforcement reserve	2,000,000	-	-	-	2,000,000
Contingency reserve	2,610,857	-	2,254,871	-	4,865,728
Administrative penalties fund reserve	2,720,985	-	91,060	(20,332)	2,791,713
	25,896,810	**1,914,017**	**20,332**	**(20,332)**	**27,810,827**
2019:					
Surplus	-	528,823	(528,823)	-	-
Contributed capital	3,993,900	-	-	-	3,993,900
Property & equipment reserve	6,082,437	-	373,631	-	6,456,068
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	2,766,834	-	-	(155,977)	2,610,857
Administrative penalties fund reserve	2,409,816	-	366,745	(55,576)	2,720,985
	25,367,987	**528,823**	**211,553**	**(211,553)**	**25,896,810**

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, 2020
Expressed in United States Dollars

	2020 $	2019 $
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	1,914,017	528,823
Adjustment to reconcile net surplus to net cash from operating activities before working capital changes:		
Depreciation	1,080,172	1,088,397
Amortisation of right-of-use asset, leasehold premises	1,190,271	1,164,965
Gains on disposal of property and equipment	(8,000)	-
Impairment loss	-	57,500
Interest expense on leases	398,189	408,130
Interest income	(197,369)	(257,173)
Operating surplus before working capital changes	4,377,280	2,990,642
Increase in other receivables and deposits	128,150	22,350
Increase (decrease) in trade and other payables	216,441	(316,064)
Increase in deposits on account and other deposits	1,451,384	65,508
(Decrease) increase in distribution payable to Government	(3,000,000)	3,000,000
Net cash flows from operating activities	3,173,255	5,762,436
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in time deposits - net	(207,856)	(117,544)
Acquisition of property and equipment	(668,590)	(1,519,528)
Proceeds from sale of property and equipment	8,000	-
Interest received	189,183	153,783
Net cash used in investing activities	(679,263)	(1,483,289)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest payments on leases	(398,189)	(408,130)
Principal payments on leases	(1,019,871)	(1,035,885)
Net cash used in financing activities	(1,418,060)	(1,444,015)
NET INCREASE (DECREASE) IN CASH	**1,075,932**	**2,835,132**
CASH, At beginning of year	20,734,009	17,898,877
CASH, At end of year	**21,809,941**	**20,734,009**

Cash is comprised of:

	2020 $	2019 $
Restricted cash (see Note 9)	11,711,069	7,353,376
Unrestricted cash	10,098,872	13,380,633
Total	21,809,941	20,734,009

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 as a statutory corporation. 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 (“BVI”). 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 at Pasea Estate, Road Town, Tortola, BVI.

The Commission is governed by a Board of Commissioners which comprise of an independent Chairman, six independent commissioners and the Managing Director/CEO as an *ex officio* commissioner (“the Board”). The Government of the British Virgin Islands (the “Government”) is the sole interest holder in the Commission and appoints the Board.

2. BASIS OF PREPARATION

2.1 Presentation of financial statements

(i) International Financial Reporting Standards

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”). The policies have been consistently applied to all the years presented unless otherwise stated.

(ii) Accounting convention

The consolidated financial statements are prepared under the historical cost convention.

(iii) Presentation and functional currency

The consolidated financial statements are presented in United States Dollars (“$”), which is the Group's functional and presentation currency.

(iv) Significant accounting estimates and judgement

The preparation of the consolidated 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 the Group’s accounting policies. Significant judgements, estimates and assumptions made by management in the preparation of these consolidated financial statements are disclosed in Note 3.

(v) Going Concern

The Board has, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements

2.2 Adoption of New Standards, Amendments and Interpretations

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

The adoption of new standards or amendments effective January 1, 2020 by Group did not have a significant effect on the consolidated financial statements.

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

There are no standards, interpretation and amendment that are not yet effective that would be expected to have material impact on the Group’s consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 25, the Board 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 Group has 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.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of all office buildings. These renewal options range from 3 years to 10 years. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operations to relocate and the Group has incurred significant leasehold improvements on the premises.

(b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation 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 and equipment are analysed in Note 4. Based on management's assessment as at December 31, 2020, 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.

Borrowing rate used for leases

The Group estimates the incremental borrowing rate used in the calculation of its lease liabilities in relation to its adoption of the IFRS 16. IFRS 16 requires that lease payments shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate shall be used. The borrowing rate was determined to be 5.25% (2019:5.5%).

Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT

The movements of the carrying amounts of the Group's property and equipment are as follows:

	Freehold land $	Leasehold land $	Motor vehicles $	Furniture and equipment $	Computer and software $	Leasehold improvements $	Total $
Cost							
Balance at December 31, 2019	4,500,000	130,000	264,797	3,464,834	17,644,634	3,063,023	29,067,289
Additions	-	-	29,800	106,625	466,184	65,981	668,590
Disposal	-	-	(26,500)	-	-	-	(26,500)
Balance at December 31, 2020	4,500,000	130,000	268,097	3,571,460	18,110,818	3,129,004	29,709,379
Accumulated depreciation							
Balance at December 31, 2019	-	30,954	264,797	2,988,613	15,499,771	2,533,126	21,317,261
Depreciation	-	2,063	5,960	187,681	739,451	145,017	1,080,172
Disposal	-	-	(26,500)	-	-	-	(26,500)
Balance at December 31, 2020	-	33,017	244,257	3,176,294	16,239,222	2,678,143	22,370,933
Accumulated impairment							
Balance at December 31, 2019	-	-	-	-	1,293,960	-	1,293,960
Impairment	-	-	-	-	-	-	-
Balance at December 31, 2020	-	-	-	-	1,293,960	-	1,293,960
Carrying amount							
At December 31, 2020	4,500,000	96,983	23,840	395,166	577,636	450,861	6,044,486
Cost							
Balance at December 31, 2018	4,500,000	130,000	264,797	3,100,107	16,786,593	2,432,103	27,213,600
Additions	-	-	-	272,414	839,313	407,801	1,519,528
Transfer from project under development	-	-	-	92,313	18,728	223,120	334,161
Balance at December 31, 2019	4,500,000	130,000	264,797	3,464,834	17,644,634	3,063,023	29,067,289
Accumulated depreciation							
Balance at December 31, 2018	-	28,890	228,179	2,786,792	14,795,623	2,389,380	20,228,864
Depreciation	-	2,064	36,618	201,821	704,148	143,746	1,088,397
Balance at December 31, 2019	-	30,954	264,797	2,988,613	15,499,771	2,533,126	21,317,261
Accumulated impairment							
Balance at December 31, 2018	-	-	-	-	1,236,460	-	1,236,460
Impairment	-	-	-	-	57,500	-	57,500
Balance at December 31, 2019							
Carrying amount	4,500,000	99,046	-	476,221	850,903	529,897	6,456,068

Expressed in United States Dollars

4. PROPERTY AND EQUIPMENT (Continued)

(i) Micro Business Companies ("MBC")

In March 2017, the Group engaged a vendor to develop an application system to administer and manage Micro Business Companies. The MBC project was completed during 2018 and all development cost amounting to $1,236,460 were written-off. During the year ended December 31, 2019, additional costs of $57,500 were incurred and written off.

(ii) Resource Center ("RC")

During the year ended December 31, 2019, the Group completed its RC; a resource center facility to be utilised for staff trainings and meetings and costs amounting to $334,161 were transferred to Property and Equipment.

5. LEASES

The Group has lease contracts for its various office buildings both in the British Virgin Islands and in Hong Kong.

Impact of modification

During the year ended December 31, 2020, lease payments were increased on three of the Group's leases. This resulted in the remeasurement of lease liabilities. The effect of this has been recorded in the consolidated statement of financial position in Right-of-use assets and Lease liabilities within "Impact of modification".

(a) Right-of-use assets, leasehold premises

The following tables detail the Group's right-of-use assets, leasehold premises as at December 31:

	Building $
Cost	
Balance at December 31, 2019	8,688,639
Impact of modification	156,287
Balance at December 31, 2020	8,844,926
Accumulated amortisation	
Balance at December 31, 2019	1,164,965
Amortisation	1,190,272
Balance at December 31, 2020	2,355,237
Carrying amount	
Balance at December 31, 2020	6,489,689

	Building $
Cost	
Balance at January 1 and December 31, 2019	8,688,639
Accumulated amortization	
Balance at January 1, 2019	-
Amortisation	1,164,965
Balance at December 31, 2019	1,164,965
Carrying amount	
Balance at December 31,2019	7,523,674

Expressed in United States Dollars

5. LEASES (Continued)

(b) Lease liabilities

	2020 $	2019 $
Balance at January 1	7,652,754	8,688,639
Impact of modification	156,287	-
Lease payments for the year	(1,418,060)	(1,444,015)
Interest expense	398,189	408,130
Balance at December 31	6,789,170	7,652,754
Less: Current portion	(1,113,498)	(1,013,352)
Non-current portion	5,675,672	6,639,402

The undiscounted analysis of the lease liabilities is disclosed below:

	2020 $	2019 $
Up to 3 months	320,169	226,607
Between 3 and 12 months	960,507	786,745
Between 1 and 2 years	1,280,677	1,123,646
Between 2 and 5 years	3,842,029	3,266,976
Over 5 years	1,360,510	2,248,780
	7,763,892	7,652,754

The following are the amounts recognised in the consolidated statement of comprehensive income.

	2020 $
Amortisation of right-of-use asset	1,190,272
Interest expense	398,189
Expense relating to short term lease	67,669
Total	1,656,130

6. SUBSIDIARIES

Composition

The Parent has three wholly-owned subsidiaries as at December 31, 2020, two of which are domiciled in the BVI and one in Hong Kong. These subsidiaries provide disaster recovery and Hong Kong liaison services to the Parent.

Financial support

The Parent provides financial support to all three subsidiaries which primarily depend on the Parent for their operational financing.

Expressed in United States Dollars

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 Commission. The Group has undertaken to hold these amounts in the following designated interest-bearing instruments:

	2020 $	2019 $
Cash in bank	2,421,530	430,937
Time deposits	4,193,849	-
Treasury bills	2,752,593	8,211,080
	9,367,972	8,642,017

Interest earned on these instruments is distributed to the licensees on a semi-annual basis.

The investments in treasury bills have maturities within twelve months from the acquisition date.

The deposits are refundable upon surrender of the licence. For the year ended December 31, 2020, the deposits earned an average rate of interest of 1.11% (2019: 1.27%). Total interest income earned for these deposits amounted to $100,781 (2019: $107,334). These regulatory deposits are restricted and not available for general use.

8. CASH

	2020 $	2019 $
Cash held in Government Trust Account	12,747,044	8,981,018
Payable to Government	(5,097,819)	(5,713,403)
Net cash held in Government Trust Account	7,649,225	3,267,615
Cash in operating accounts	13,374,952	16,683,259
Cash in insolvency account	785,764	783,135
Total cash	21,809,941	20,734,009

Fees collected on behalf of the Government are paid into a trust account maintained jointly in the name of the Commission and the Government. This resulted in cash of $5,097,819 (2019: $5,713,403) being held on behalf of the Government as at December 31, 2020.

Restricted cash

The cash held in Government Trust Account above is restricted and not available for general use by the Group.

The cash disclosed above and in the consolidated statement of cash flows includes $2,812,644 (2019: $2,776,561) which is held in a separate bank account. This relates to funds received for administrative penalties and are not available for general use by the Group (see Note 12 for restrictions on the administrative penalties fund reserve).

In addition, the Group's cash balance includes restricted funds for deposits on account (held in Government Trust Account), insolvency surplus reserve and deferred revenue transactions totalling $7,660,850 (2019: $6,209,466), see note 13.

9. TIME DEPOSITS

Time deposits represent short term placements with local depository banks whose maturity dates are between 140 and 368 days from the reporting date (2019: between 92 and 353 days), and are more than three months from the placement date with an average interest rate of 0.93% (2019: 1.88%). As at December 31, 2020, the total time deposits amounted to $10,564,121 (2019: $10,356,264). For the year ended December 31, 2020, total interest earned from time deposits amounted to $111,925 (2019: $184,202).

Expressed in United States Dollars

10. OTHER RECEIVABLES AND DEPOSITS

	2020 $	2019 $
Prepaid expenses	350,331	351,464
Due from BVI House Asia	245,210	245,210
Travel advances	39,487	38,312
Loan to employees	25,165	50,602
Other receivables	15,062	14,429
Interest receivable	8,186	103,391
	683,441	803,408

BVI House Asia is a related party by virtue of common control by the BVI Government. This balance is unsecured and has no fixed re-payment terms.

11. CONTRIBUTED CAPITAL AND RESERVES

Contributed Capital

The Commission was established as a statutory corporation and no share capital was assigned to it. The Commission was funded by the Government through a contributed capital amount which at that time represented approximately 3 months of operating expenses.

Surplus and reserves

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

Capital reserves

(i) Property and equipment reserve reflects the investment into property & equipment to date, less amortisation.

(ii) Future capital expansion reserve to partly finance the acquisition of property, construction and equipment of the Group's own building in the BVI at a future date;

Revenue reserves

(i) Training reserve for long term training / study leave of staff;

(ii) Loan revolving reserve to facilitate staff loans (personal, medical, etc.);

(iii) Refunds and drawback reserve to provide cash for making refunds when necessary;

(iv) Enforcement reserve to establish a fund to address enforcement expenses as they arise; and

(v) Contingency reserve to establish a fund in the event of unforeseen circumstances.

(vi) Administrative penalties fund reserve is funded by administrative penalties' proceeds imposed and received by the Group and is restricted for administration of public awareness and education in salient areas identified by the Group.

12. TRADE AND OTHER PAYABLES

	2020 $	2019 $
Accounts payable and accrued expenses	1,085,261	997,471
Employee deductions and benefits payable	1,245,570	1,116,922
	2,330,831	2,114,393

Employee deductions and benefits payable

Employee deductions and benefits payable includes accrued unpaid vacation benefits totalling $1,245,570 (2019: $1,116,922) to the Group employees.

Expressed in United States Dollars

13. DEPOSITS ON ACCOUNT AND OTHER DEPOSITS

	2020 $	2019 $
Deposits on VIRRGIN accounts	6,351,650	4,900,266
Insolvency surplus deposit	760,698	760,698
Fees from Official Receiver	548,502	548,502
	7,660,850	6,209,466

Deposits on VIRRGIN accounts

In 2006, the Group implemented VIRRGIN that allows licensees to administer transactions online. As a result of this development, licensees are required to deposit funds with the Group in advance of effecting an online transaction.

The bank account associated with Deposits on VIRRGIN Accounts is a separate bank account which is not available for general use.

Insolvency surplus deposit

Pursuant to the Insolvency Rules, 2005, an Insolvency surplus reserve (the “Insolvency surplus deposit”) pertains to monies representing unclaimed assets received from liquidators or bankruptcy trustees after the completion of a liquidation or bankruptcy proceeding. The bank account associated with the insolvency surplus reserve is a separate bank account which is not available for general use.

Amounts are paid out of the reserve to any person that the Group is satisfied to make payment with respect to an insolvency proceeding for which the monies were paid into the deposit account.

Fees from Official Receiver

Under the Insolvency Act, the Commission can appoint an Official Receiver. Fees collected by the Official Receiver are held by the Group for safekeeping, pending agreement with the Government and the Group including which entity is entitled to the benefit of the fees collected.

14. ALLOCATION PAYABLE TO GOVERNMENT

The Board approved a total allocation to the Government of $4,000,000 for the year ended December 31, 2019.

The Board approved a total allocation to the Government of $1,000,000 for the year ended December 31, 2020.

15. FEES COLLECTED ON BEHALF OF GOVERNMENT

	2020 $	2019 $
Fees from the Registry of Corporate Affairs	209,717,173	227,097,079
Regulatory fees	7,229,105	7,133,595
	216,946,278	234,230,674

Prior to the commencement of the Group’s financial year, the Cabinet of Government (“Cabinet”) determines the percentage of fees collected on its behalf that is to be remitted to the Government, with the Group retaining the balance. For the year ended December 31, 2020, the Group retained 11.5% (2019: 11.5%) of revenue up to the projected revenue stream and thereafter, the Group retained 7.5% (2019: 7.5%) of any revenue in excess of the projected revenue stream.

Expressed in United States Dollars

16. OTHER INCOME

	2020 $	2019 $
Receipts of court ordered legal costs	134,700	121,000
Rental income	77,443	156,132
Receipts of miscellaneous income	53,690	105,225
	265,833	382,357

Rental income pertains to rent charges earned by the Group from BVI House Asia, which shares office space in Hong Kong.

17. INTEREST INCOME

	2020 $	2019 $
Interest income from time deposits	111,925	184,202
Interest income from cash	85,444	72,971
	197,369	257,173

18. ENFORCEMENT PROCEEDS

Enforcement proceeds relate to fees imposed and received for enforcement actions against licensees. These fees are classified as other comprehensive income and are not available for general use by the Group. Refer to Notes 8 and 11.

19. STAFF COSTS

	2020 $	2019 $
Wages and salaries	11,507,914	11,241,635
Allowances and benefits	2,457,614	2,198,612
Payroll taxes	564,112	575,945
National health insurance	339,766	333,640
Social Security benefits	271,072	269,517
Employment costs	259,508	262,840
	15,399,986	14,882,189

The average number of full-time employees in 2020 was 174 (2019: 181).

During the year ended December 31, 2020, the Group paid $1,454,398 (2019: $1,401,968) for current service costs toward a defined contribution plan (see Note 20), which has been included in allowances and benefits.

20. DEFINED CONTRIBUTION PENSION PLAN

The Group established a defined contribution plan (the "Plan") to provide retirement benefits for all established employees which is administered by trustees appointed by the Group. Under the Plan, the Group 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 Group's contributions commences to vest after 7 years employment and is fully vested after 10 years.

21. RELATED PARTY BALANCES

The Financial Secretary and Accountant General of the Government along with the Chairman of the Board and the Managing Director /CEO are signatories to a joint bank 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).

Key Management Personnel and Board of Commissioners Remuneration

During the year ended December 31, 2020, the salaries and allowances paid to the Group's key management personnel and board of commissioners amounted to $1,045,646 (2019: $891,397).

22. COMMITMENTS AND CONTINGENCIES

Commitments

The Group 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. In 2017, the Group's commitment with Equinix Hong Kong Limited expired and the contract is now on an automatic renewal term of two years that can be terminated by either party.

The Group is committed to provide funding to BVI House Asia, Financial Investigation Agency, Financial Services Institute, International Arbitration Centre and Complaints Tribunal as support for their operations. The Board of Commissioners and the Government determine necessary funding requirements of these entities on an annual basis as part of the Commission's budget discussion. The total funding recorded during the year amounted to $2,520,590 (2019: $3,246,675). All commitments were fully paid as at reporting date. These are recorded as part of the expenses in the consolidated statement of comprehensive income of the Group.

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.

23. 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. Management identifies, evaluates and hedges financial risks in close co-operation with the Board. The Board provides guidance for overall risk management 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, time deposits, regulatory deposits, other receivables and deposits. Financial liabilities include lease liabilities, trade and other payables, deposits on account and other deposits, distribution payable to Government, and regulatory deposits from licensed entities.

All of the Group's financial instruments are measured at amortised cost. This includes regulatory deposits, cash, time deposits, trade and other payables, lease liabilities, deposits on account and regulatory deposits from licensed entities.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

23.1 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).

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

23.1 Market risk (Continued)

(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.

As at December 31, 2020, the Group did not have any significant foreign currency denominated assets or liabilities.

(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 Group to fair value 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, 2020 approximately 68% (2019: 47%) of the Group's assets were held in bank accounts, with floating interest rates.

With all other variables held constant, given a 25 basis point increase in the market interest rate, the Group's surplus would increase by $92,905 (2019: $63,699). 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.

23.2 Credit risk

Credit risk arises from regulatory deposits, cash, time deposits, other receivables and deposits. Other receivables include travel expense advances and unsecured loans extended to various employees of the Group. The extent of the Group's exposure to credit risk in respect of these financial assets approximate the carrying values as recorded in the Group's consolidated statement of financial position.

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

The Group's cash (excluding petty cash), time deposits, other receivables and deposits (excluding prepayments) are held by financial institutions with the following rating per Moody's Investors Services.

Moody's	**2020** $	**2019** $
Aa2	1,031	2,782,726
A2	45,230	53,664
Ba1	21,017,237	17,293,535
Ba2	1,392,504	-
Ba3	-	3,140,106
Total rated	22,456,002	23,270,031
Non-rated	16,955,646	8,344,179
Total	39,411,648	31,614,210

23.3 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.

Expressed in United States Dollars

23. FINANCIAL RISK MANAGEMENT (Continued)

23.3 Liquidity risk (Continued)

The Group is exposed to liquidity risk from its financial liabilities which include lease liabilities, trade and other payables, licence fees and other deposits, distribution payable to Government and regulatory deposits from licensed entities. Prudent liquidity risk management implies maintaining sufficient cash 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 excluding lease 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, 2020:

	On demand $	Within one year $	Total $
Trade and other payables	2,330,831	-	2,330,831
Deposits on account and other deposits	7,660,850	-	7,660,850
Regulatory deposits from licensed entities	9,367,972	-	9,367,972
Distribution payable to Government	1,000,000	-	1,000,000
Total	20,359,653	-	20,359,653

The following table shows the Group's aging of its contractual repayment period to its creditors as of December 31, 2019:

	On demand $	Within one year $	Total $
Trade and other payables	2,114,392	-	2,114,392
Deposits on account and other deposits	6,209,466	-	6,209,466
Regulatory deposits from licensed entities	8,642,017	-	8,642,017
Distribution payable to Government	4,000,000	-	4,000,000
Total	20,965,875	-	20,965,875

24. UNCERTAINTY OF EVENTS

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 Group's operations have not been significantly impacted as the Commission continued the implementation of its business continuity protocols; However, the Group 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 year-end; however, due to significant uncertainty surrounding the situation, management's judgement regarding this could change in the future. In addition, while the Group'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.

25. SIGNIFICANT ACCOUNTING POLICIES

25.1 Basis of consolidation

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

- 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 Group 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent. 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.

25.2 Financial instruments

(i) Recognition and measurement

The Group initially recognises financial instruments on the trade date at which it becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. For financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liabilities are included in the initial fair value.

Financial assets are derecognised when the contractual rights to receive cash flows and benefits related from the financial asset expire, or the Group transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. Financial liabilities are derecognised when obligations under the contract expire, are discharged or cancelled. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends to either settle on a net basis or realise the asset and settle the liability simultaneously.

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.2 Financial instruments (Continued)

(ii) Financial assets

On initial recognition, all financial assets are classified to be subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The Group's financial assets comprised of regulatory deposits, cash and cash equivalents, time deposits and other receivable are classified at amortised cost. The Group has no significant assets measured at fair value.

The Group recognises loss allowances for expected credit losses ("ECLs") on accounts receivable. The change in ECLs is recognised in net earnings and reflected as an allowance against accounts receivable. The Group uses historical trends, timing of recoveries and management's judgement as to whether current economic and credit conditions are such that actual losses are likely to differ from historical trends. Certain receivables are also individually assessed for lifetime ECLs.

(iii) Financial liabilities

On initial recognition, financial liabilities are classified to be subsequently measured at amortised cost or fair value. The Group's financial liabilities comprised of trade and other payable distribution to government payable, regulatory deposits from licensed entities and lease liabilities. Interest expense is recorded using the effective interest rate ("EIR") method and included in the statements of comprehensive income as interest expense. The Group has no significant liabilities measured at fair value.

25.3 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 vehicles	5 years
Furniture and equipment	3 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 consolidated statement of comprehensive income.

25.4 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate.

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.4 Leases (Continued)

In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term as follows:

Leasehold premises	3-8 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 26.2.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

Nature of leasing activities (in the capacity as lessee)

The Group leases office spaces in the jurisdictions from which it operates. In the BVI, it is customary for the periodic rent to be fixed over the lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy,
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount,
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

25.5 Revenue recognition

Revenue Streams, Performance Obligations and Revenue Recognition Policies

The Group derives revenue from the collection of fees and charges payable under the Act and financial services legislation in the following area:

- Fees from the Registry of Corporate Affairs; and
- Regulatory fees:
  - Banking and Fiduciary Services;
  - Investment Business;
  - Insurance Business; and
  - Insolvency Services.

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.5 Revenue recognition (Continued)

Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised at the point in 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.

In addition, the Group collects revenue from the imposition of penalties and enforcement fees which are recognised on an accrual basis at the time the penalties and enforcement fees are imposed.

The Group 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.

25.6 Expense recognition

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

25.7 Taxation

In accordance with Section 28 of the Act, the Commission is exempt from the payment of all taxes, levies and license fees on its income and operations and from the payment of all taxes, duties and rates on its property and documents. Taxes payable by the Commission pertain to payroll taxes. Certain investment income may be subject to withholding taxes at its source from the country of origin.

25.8 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 recognised 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 recognised 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 recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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 recognised in the statement of comprehensive income.

25.9 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 recognises any related restructuring costs.

25. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25.9 Pension plan (Continued)

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.

26. SUBSEQUENT EVENTS

No events have occurred subsequent to December 31, 2020 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 and the below.