





# ANGUILLA'S LICENSING AND REGULATORY BODY FOR THE FINANCIAL SERVICES INDUSTRY

## OUR MISSION

To enhance the safety, stability and integrity of Anguilla's financial system and contribute to Anguilla being a premier financial centre, through appropriate regulation and legislation, judicious licensing, comprehensive monitoring and good governance.



**ANGUILLA FINANCIAL  
SERVICES COMMISSION  
FINANCIAL REPORT**

DECEMBER 31, 2014

(EXPRESSED IN UNITED STATES DOLLARS)



## **Anguilla Financial Services Commission**

### **Financial Statements for the period ended 31 December 2014**

#### **Certificate of Audit and Report of the Chief Auditor**

Section 59(2) of the Financial Administration and Audit Act (Revised Statutes of Anguilla Chapter F27 as at 15 December 2010) (the Act) permits me, as Chief Auditor, to accept the audit of the accounts and financial statements of a government agency by an independent auditor of the government agency if the appointment of the auditor has been approved by me, and the audit of the government agency has been performed in accordance with my directions.

After I accept the audit of the accounts and financial statements of a government agency by an independent auditor, Sections 59(6) and (7) of the Act require me to issue a certification of audit and prepare a report that evidence the acceptance of the audit of the independent auditor, and to send the certificate of audit and report to the government agency, to the minister responsible for the government agency and to the Minister of Finance.

Section 16 of the Financial Services Commission Act (Revised Statutes of Anguilla Chapter F28 as at 15 December 2010) requires the Financial Services Commission to submit to the Governor a copy of its audited accounts, including the report of the auditor on the accounts, and a report on its operations and activities for the financial year (the annual report). The Governor is required, as soon as is reasonably practicable, to cause them to be tabled in the House of Assembly.

The appointment of Grant Thornton (GT) as the independent auditor of the Financial Services Commission was accepted by me. GT were directed to undertake their audit in accordance with appropriate auditing standards, and I accept their audit of the Commission's financial statements for the year ended 31 December 2014.

As recorded in their Auditors' Report, GT have audited the statement of financial position of the Financial Services Commission as of 31 December 2014, the statements of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and significant accounting policies and other explanatory notes. The Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Financial Services Commission Act. GT's responsibility is to express an opinion on the financial statements based on their audit.

GT conducted their audit in accordance with International Standards on Auditing. Those standards require that GT comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the

financial statements. GT believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their opinion.

In GT's opinion the financial statements present fairly, in all material respects, the financial position of the Anguilla Financial Services Commission as of 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Financial Services Commission Act.

I have no observations to make on these financial statements.

A handwritten signature in black ink, appearing to be 'John Herniman', with a long horizontal flourish extending to the right.

John Herniman  
Chief Auditor  
18 August 2016



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## Independent Auditors' Report

### To the Chief Auditor of Anguilla Anguilla Financial Services Commission

We have audited the accompanying financial statements of the **Anguilla Financial Services Commission**, which comprise the statement of financial position as at December 31, 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

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

*Grant Thornton*

Chartered Accountants  
 June 24, 2016  
 Basseterre, St. Kitts

Partners:  
**Antigua**  
 Charles Walwyn - Managing partner  
 Robert Wilkinson  
 Kathy David

**St. Kitts**  
 Jefferson Hunte

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# Anguilla Financial Services Commission

## Statement of Financial Position

As at December 31, 2014

(expressed in United States dollars)

|   | 2014<br>\$       | 2013<br>\$       |
|---|------------------|------------------|
| <b>Assets</b>                                   |                  |                  |
| <b>Current assets</b>                           |                  |                  |
| Cash (note 5)                                   | 3,218,414        | 1,723,294        |
| Accounts receivable (note 6)                    | 28,327           | 17,652           |
| Investments (note 7)                            | –                | 1,506,644        |
| Other assets (note 8)                           | 18,919           | 16,898           |
| <b>Total current assets</b>                     | <b>3,265,660</b> | <b>3,264,488</b> |
| <b>Non-current assets</b>                       |                  |                  |
| Property and equipment (note 10)                | 68,145           | 70,919           |
| Intangible asset (note 9)                       | 30,000           | 45,000           |
| <b>Total non-current assets</b>                 | <b>98,145</b>    | <b>115,919</b>   |
| <b>Total assets</b>                             | <b>3,363,805</b> | <b>3,380,407</b> |
| <b>Liabilities and equity</b>                   |                  |                  |
| <b>Current liabilities</b>                      |                  |                  |
| Accounts payable and accrued expenses (note 11) | 86,459           | 100,568          |
| Statutory deposits (note 12)                    | 1,429,806        | 1,235,172        |
| Deferred revenue (note 13)                      | 101,136          | 91,750           |
| <b>Total liabilities</b>                        | <b>1,617,401</b> | <b>1,427,490</b> |
| <b>Equity</b>                                   |                  |                  |
| Accumulated reserves                            | 1,746,404        | 1,952,917        |
| <b>Total liabilities and equity</b>             | <b>3,363,805</b> | <b>3,380,407</b> |

The notes on pages 29 to 45 are an integral part of these financial statements

Approved by Members of the Board on June 24, 2016.



Member



Member

# Anguilla Financial Services Commission

## Statement of Comprehensive Income For the year ended December 31, 2014

(expressed in United States dollars)

|  | 2014<br>\$       | 2013<br>\$       |
|--|------------------|------------------|
| <b>Income</b>                                |                  |                  |
| Licence fees                                 | 991,497          | 932,810          |
| Interest income                              | 20,239           | 50,865           |
| Other income                                 | 4,420            | 9,552            |
| <b>Total income</b>                          | <b>1,016,156</b> | <b>993,227</b>   |
| <b>Operating expenses</b>                    |                  |                  |
| Payroll and related costs (note 14)          | 766,522          | 766,516          |
| Travel and subsistence (note 15)             | 107,747          | 66,107           |
| Professional service fees                    | 100,939          | 34,342           |
| Office rent                                  | 48,947           | 43,068           |
| Board members allowance                      | 48,400           | 47,371           |
| Insurance                                    | 25,433           | 24,433           |
| Utilities                                    | 19,987           | 19,839           |
| Subscriptions                                | 18,951           | 22,113           |
| Other expenses                               | 17,494           | 7,123            |
| Depreciation (note 10)                       | 17,198           | 16,301           |
| Amortisation (note 9)                        | 15,000           | 15,000           |
| Cleaning                                     | 12,000           | 12,000           |
| Audit fees                                   | 9,000            | 9,000            |
| Office supplies                              | 5,904            | 10,049           |
| Communications                               | 5,161            | 4,687            |
| Entertainment                                | 2,282            | 2,166            |
| Bank charges                                 | 1,704            | 732              |
| <b>Total operating expenses</b>              | <b>1,222,669</b> | <b>1,100,847</b> |
| <b>Net loss for the year</b>                 | <b>(206,513)</b> | <b>(107,620)</b> |
| Other comprehensive income                   | -                | -                |
| <b>Total comprehensive loss for the year</b> | <b>(206,513)</b> | <b>(107,620)</b> |

The notes on pages 29 to 45 are an integral part of these financial statements

## Anguilla Financial Services Commission

### Statement of Changes in Equity

For the year ended December 31, 2014

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(expressed in United States dollars)

|                                 | Accumulated<br>Reserves<br>\$ |
|---------------------------------|-------------------------------|
| Balance as at December 31, 2012 | 2,060,537                     |
| Net loss for the year           | (107,620)                     |
| Balance as at December 31, 2013 | <u>1,952,917</u>              |
| Net loss for the year           | (206,513)                     |
| Balance as at December 31, 2014 | <u>1,746,404</u>              |

The notes on pages 29 to 45 are an integral part of these financial statements

# Anguilla Financial Services Commission

## Statement of Cash Flows For the year ended December 31, 2014

(expressed in United States dollars)

|  | <b>2014</b>      | <b>2013</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| <b>Cash flows from operating activities</b>                  |                  |                  |
| Net loss for the year  | (206,513)        | (107,620)        |
| Items not affecting cash:                                    |                  |                  |
| Interest income  | (20,239)         | (50,865)         |
| Depreciation (note 10)                                       | 17,198           | 16,301           |
| Amortisation (note 9)  | 15,000           | 15,000           |
|  | <b>(194,554)</b> | <b>(127,184)</b> |
| Changes in operating assets and liabilities:                 |                  |                  |
| Increase in accounts receivable                              | (10,675)         | (3,624)          |
| (Increase)/decrease in other assets                          | (2,021)          | 10,489           |
| (Decrease)/increase in accounts payable and accrued expenses | (14,109)         | 4,430            |
| Increase/(decrease) in deferred revenue                      | 9,386            | (87,017)         |
|  | <b>(211,973)</b> | <b>(202,906)</b> |
| Interest received  | 20,239           | 50,865           |
| <b>Net cash provided by operating activities</b>             | <b>(191,734)</b> | <b>(152,041)</b> |
| <b>Cash flows from investing activities</b>                  |                  |                  |
| Decrease in investments                                      | 1,506,644        | 160,720          |
| Purchase of property and equipment                           | (14,424)         | (6,484)          |
| Increase in statutory deposits                               | 194,634          | 460,961          |
| <b>Net cash from investing activities</b>                    | <b>1,686,854</b> | <b>615,197</b>   |
| <b>Net increase in cash during the year</b>                  | <b>1,495,120</b> | <b>463,156</b>   |
| <b>Cash at beginning of the year</b>                         | <b>1,723,294</b> | <b>1,260,138</b> |
| <b>Cash at end of the year</b> (note 5)                      | <b>3,218,414</b> | <b>1,723,294</b> |

The notes on pages 29 to 45 are an integral part of these financial statements

# Anguilla Financial Services Commission

## Notes to Financial Statements

### December 31, 2014

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(expressed in United States dollars)

#### 1 General information

##### Incorporation and principal activity

The Anguilla Financial Services Commission (the "Commission") was established under the Financial Services Commission Act, R.S.A.c. F28 on November 26, 2003 and it commenced operations on February 2, 2004 in The Valley, Anguilla, BWI.

The principal activity of the Commission is to regulate the financial services industry in Anguilla in accordance with the Financial Services Commission Act and the prescribed financial services enactments and to carry out such other functions as determined under section 3 of the Financial Services Commission Act.

#### 2 Significant accounting policies

##### a) Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates as discussed in note 4.

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Commission has assessed the relevance of all such new standards, interpretations and amendments and the related effect on the financial statements.

##### ***New standards and amendments issued but not effective for the financial year beginning January 1, 2014 and not early adopted***

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Commission.

# Anguilla Financial Services Commission

## Notes to Financial Statements

### December 31, 2014

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(expressed in United States dollars)

## 2 Significant accounting policies ...continued

### a) Basis of preparation ...continued

#### *New standards and amendments issued but not effective for the financial year beginning January 1, 2014 and not early adopted ...continued*

Information on those expected to be relevant to the Commission's financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in the Commission's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Commission's financial statements.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32, "Financial Instruments: Presentation"). The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:
  - the meaning of 'currently has a legally enforceable right of set-off'; and
  - that some gross settlement systems may be considered equivalent to net settlement.
- *IFRS 9, 'Financial Instruments'* - The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Commission's management has yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Commission's financial statements from these amendments.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Commission.

### b) Property and equipment

Property and equipment are stated at historical cost, less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

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(expressed in United States dollars)

### 2 Significant accounting policies ...continued

#### b) Property and equipment ...continued

The cost of repairs and replacements of a routine nature are charged to earnings whilst those expenditures which improve or extend the useful lives of the assets are capitalised.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating income.

Depreciation is computed using the straight-line method to allocate the cost of each asset to its residual values, over the estimated useful life as follows:

|                         |            |
|-------------------------|------------|
| Furniture and fittings  | 5-10 years |
| Computers and equipment | 5-10 years |
| Leasehold properties    | 5-10 years |

#### c) Intangible assets

##### *Computer software*

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

#### d) Accounts receivable

Accounts receivable are carried at original invoice amount less provision made for impairment. A provision for impairment is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that an account receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the market rate of interest for similar obligors. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for accounts receivables.

Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the statement of comprehensive income.

# Anguilla Financial Services Commission

## Notes to Financial Statements

### December 31, 2014

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(expressed in United States dollars)

## 2 Significant accounting policies ...continued

### e) Cash

Cash includes cash in hand and deposits held at call with banks. Other short-term highly liquid investments with original maturities of three months or less are classified as cash equivalents, if any.

### f) Foreign currency transactions

#### *Functional and presentation currency*

Items included in the financial statements of the Commission are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States dollars which is the Commission's functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

### g) Revenue recognition

#### *Licence fees*

Licence fees comprise of amounts collected from companies licensed by the Commission. Revenue is recognised when the licence fees are due. License fees for the year are receivables as at the beginning of each year. Fees for the year are classified as revenues; the remainder is considered deferred revenue.

#### *Interest income*

Interest income is recognised using the effective interest method for all interest bearing instruments on an accrual basis. Interest income includes income earned on cash and term deposits.

### h) Financial assets

#### *(i) Classification*

The Commission classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Commission does not have financial assets at fair value through profit or loss, available for sale financial assets or held to maturity financial assets.

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

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(expressed in United States dollars)

### 2 Significant accounting policies ...continued

#### h) Financial assets ...continued

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Commission's loans and receivables comprise cash, investments and accounts receivable.

##### (iii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Commission commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for loans and receivables. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

##### (iv) Off setting financial instruments

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

##### (v) Impairment of financial assets carried at amortised cost

The Commission assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Commission uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
  - a breach of contract, such as a default or delinquency in interest or principal payments;
  - the Commission, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
  - it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - the disappearance of an active market for that financial asset because of financial difficulties;
- or

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

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(expressed in United States dollars)

### 2 Significant accounting policies ...continued

#### h) Financial assets ...continued

##### *(v) Impairment of financial assets carried at amortised cost ...continued*

- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Commission first assesses whether objective evidence of impairment exists.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Commission may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

#### i) Provisions and contingencies

Provisions are recognised when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable 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. Provisions are not recognized for future operating losses.

When the Commission expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of comprehensive income, net of any

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

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(expressed in United States dollars)

### 2 Significant accounting policies ...continued

#### i) Provisions and contingencies ...continued

reimbursement. Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the statement of comprehensive income.

#### j) Employee benefits

##### *Pension costs*

The Commission's contribution to the Government's defined benefit pension plan is charged to the statement of comprehensive income in the period to which the contributions relate. The Commission does not have its own pension plan and its pension costs are limited to contributions made.

##### *Post-employment obligations*

The Commission recognises a liability and an expense for gratuities due to its employees based on the terms of the employment contracts.

#### k) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### l) Leases

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

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

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(expressed in United States dollars)

### 3 Financial risk management

#### 3.1 Financial risk factors

The Commission's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Commission's overall risk management programme seeks to minimise potential adverse effects on the Commission's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. The Board identifies and evaluates financial risks in close cooperation with the Commission's management.

##### a) Market risk

The Commission takes on exposure to market risks, which is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

##### i) Currency risk

Substantially all of the Commission's transactions and assets and liabilities are denominated in either Eastern Caribbean dollars or United States dollars. Currency risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Commission's exposure to currency risk is limited as its transactions are mainly denominated in United States or Eastern Caribbean dollars. The exchange rate of the Eastern Caribbean dollar (EC\$) to the United States dollar (US\$) has been formally pegged at EC\$2.70 = US\$1.00 since July 1976. Management does not believe significant foreign exchange risk exists as of December 31, 2014.

##### ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Commission takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event unexpected movements arise. The Commission's financial assets and liabilities are non-interest bearing with the exception of loans and receivables which earn interest based on market rates as disclosed in note 7.

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

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(expressed in United States dollars)

### 3 Financial risk management ...*continued*

#### 3.1 Financial risk factors ...*continued*

##### a) Market risk ...*continued*

##### iii) Price risk

The Commission has no investments held or classified as available-for-sale or at fair value through profit or loss, and thus is not exposed to cash flow equity securities price risk. The Commission is not exposed to commodity price risk.

##### b) Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Commission. The Commission's credit risk arises from cash at bank, accounts receivable and investments. The Commission uses internal ratings, assessment of credit quality of counterparty, taking into account its financial position, past experience and other factors, in assessing its exposure to credit risk. Any losses expected from non-performance from these counterparties are provided for through the use of an allowance for impairment account. Accordingly, the Commission's maximum exposure to credit risk is indicated by the carrying amount of its financial assets, however it is noted that the potential for that exposure to crystallise is slightly higher than normal given a small proportion of the Commission's cash assets are held in a bank currently in conservatorship under supervision of the Eastern Caribbean Central Bank. The Board monitors this position closely.

All financial assets such as cash and cash equivalents, investments and accounts receivables are categorized as neither past due nor impaired in 2014 and 2013.

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

(expressed in United States dollars)

### 3 Financial risk management ...continued

#### 3.1 Financial risk factors ...continued

##### b) Credit risk ...continued

###### Credit Quality

The tables below show the credit quality of the Commission's financial assets that are neither past due nor impaired:

|                          | High Grade<br>\$ | Standard Grade<br>\$ | Total<br>\$      |
|--------------------------|------------------|----------------------|------------------|
| <b>December 31, 2014</b> |                  |                      |                  |
| Cash at bank             | 3,218,291        | -                    | 3,218,291        |
| Investments              | -                | -                    | -                |
| Accounts receivable      | -                | 28,327               | 28,327           |
|                          | <b>3,218,291</b> | <b>28,327</b>        | <b>3,246,618</b> |
| <b>December 31, 2013</b> |                  |                      |                  |
| Cash at bank             | 1,723,294        | -                    | 1,723,294        |
| Investments              | 1,506,644        | -                    | 1,506,644        |
| Accounts receivable      | -                | 17,652               | 17,652           |
|                          | <b>3,229,938</b> | <b>17,652</b>        | <b>3,247,590</b> |

The credit quality of financial assets was determined as follows:

- Cash at bank and investments are only placed with well-known banks and financial institutions. The credit quality of these financial assets is considered to be of high grade.
- Accounts receivable are standard grade financial instruments with satisfactory financial capability and credit standing but with some elements of risks where a certain measure of control is necessary in order to mitigate risk of default.

##### c) Liquidity risk

Liquidity risk is the risk that the Commission is unable to meet its payment obligations associated with its financial liabilities when they fall due. In order to manage liquidity risks, management seeks to maintain sufficient levels of cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities, to meet its short-term obligations.

# Anguilla Financial Services Commission

## Notes to Financial Statements

### December 31, 2014

(expressed in United States dollars)

### 3 Financial risk management ...continued

#### 3.1 Financial risk factors ...continued

##### c) Liquidity risk ...continued

The following tables analyse the Commission's financial liabilities in relevant maturity grouping based on the remaining period at the statement of financial position date to the contractual maturity date.

|  | Within 1<br>Year<br>\$  |
|--|-------------------------|
| <b>At December 31, 2014</b>              |                         |
| Accounts payable and accrued expenses    | <u>86,459</u>           |
|  | Within 1<br>Year<br>\$  |
| Cash                                     | 3,218,414               |
| Accounts receivable                      | <u>28,327</u>           |
| Total assets held for liquidity purposes | <u>3,246,741</u>        |
| <b>Net liquidity gap</b>                 | <u><b>3,160,282</b></u> |
|  | Within 1<br>Year<br>\$  |
| <b>At December 31, 2013</b>              |                         |
| Accounts payable and accrued expenses    | <u>100,568</u>          |
|  | Within 1<br>Year<br>\$  |
| Cash                                     | 1,723,298               |
| Accounts receivable                      | <u>17,652</u>           |
| Total assets held for liquidity purposes | <u>1,740,950</u>        |
| <b>Net liquidity gap</b>                 | <u><b>1,640,382</b></u> |

# Anguilla Financial Services Commission

## Notes to Financial Statements

### December 31, 2014

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(expressed in United States dollars)

### 3 Financial risk management ...continued

#### 3.2 Fair value estimation of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. None of the Commission's financial assets and liabilities are traded in a formal market. Estimated fair values are assumed to approximate the carrying values of the Commission's financial assets and liabilities due to their short term nature.

#### 3.3 Capital risk management

The Commission's objective when managing capital is to safeguard the Commission's ability to continue as a going concern.

### 4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management does not consider that there are estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 5 Cash

|                   | 2014<br>\$       | 2013<br>\$       |
|-------------------|------------------|------------------|
| Cash at bank      | 3,218,291        | 1,723,294        |
| Cash on hand      | 123              | 4                |
| <b>Total cash</b> | <b>3,218,414</b> | <b>1,723,298</b> |

Cash at bank is held with National Bank of Anguilla Limited, CIBC First Caribbean International Bank and Scotia Bank Anguilla Limited and bears interest at rates ranging between 1% to 3% per annum (2013: 1% to 3% ).

### 6 Accounts receivable

Accounts receivable consists of amounts outstanding for licence fees as at end of financial year.

# Anguilla Financial Services Commission

## Notes to Financial Statements

### December 31, 2014

(expressed in United States dollars)

#### 7 Investments

|   | 2014<br>\$ | 2013<br>\$       |
|---|------------|------------------|
| <i>Loans and receivables</i>  |            |                  |
| One (1) year term deposit held at National Bank of Anguilla Limited, maturing on March 24, 2014 (2013: March 22, 2013) bearing interest at a rate of 3.5% per annum (2013: 3.5%)        | -          | 479,303          |
| One (1) year term deposit held with CIBC FirstCaribbean International Bank, maturing on April 8, 2014 (2013: April 8, 2013) bearing interest at a rate of 1% per annum (2013: 3%)       | -          | 343,852          |
| One (1) year term deposit held with CIBC FirstCaribbean International Bank, maturing on October 14, 2014 (2013: October 14, 2013) bearing interest at a rate of 1% per annum (2013: 3%) | -          | 163,936          |
| One (1) year term deposit held at Scotia Bank Anguilla Limited, maturing on April 17, 2014 bearing interest at the rate of 1% per annum   | -          | 500,000          |
|   |            | 1,487,091        |
| Interest receivable   | -          | 19,553           |
| <b>Total investments</b>  | <b>-</b>   | <b>1,506,644</b> |

#### 8 Other assets

|                  | 2014<br>\$    | 2013<br>\$    |
|------------------|---------------|---------------|
| Prepayments      | 10,356        | 10,298        |
| Housing deposits | 8,563         | 6,600         |
|                  | <b>18,919</b> | <b>16,898</b> |

# Anguilla Financial Services Commission

## Notes to Financial Statements

### December 31, 2014

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(expressed in United States dollars)

#### 9 Intangible asset

|                                     | \$            |
|-------------------------------------|---------------|
| <b>Year ended December 31, 2013</b> |               |
| Opening net book value              | 60,000        |
| Amortization charge                 | (15,000)      |
|                                     | <hr/>         |
| <b>Closing net book value</b>       | <b>45,000</b> |
|                                     | <hr/>         |
| <b>As at December 31, 2013</b>      |               |
| Cost                                | 75,000        |
| Accumulated amortization            | (30,000)      |
|                                     | <hr/>         |
| <b>Net book value</b>               | <b>45,000</b> |
|                                     | <hr/>         |
| <b>Year ended December 31, 2014</b> |               |
| Opening net book value              | 45,000        |
| Amortization charge                 | (15,000)      |
|                                     | <hr/>         |
| <b>Closing net book value</b>       | <b>30,000</b> |
|                                     | <hr/>         |
| <b>As at December 31, 2014</b>      |               |
| Cost                                | 75,000        |
| Accumulated amortization            | (45,000)      |
|                                     | <hr/>         |
| <b>Net book value</b>               | <b>30,000</b> |
|                                     | <hr/>         |

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

(expressed in United States dollars)

### 10 Property and equipment

|                                     | Computers<br>and<br>equipment<br>\$ | Furniture<br>and<br>fittings<br>\$ | Leasehold<br>equipment<br>\$ | Motor<br>vehicle<br>\$ | Total<br>\$   |
|-------------------------------------|-------------------------------------|------------------------------------|------------------------------|------------------------|---------------|
| <b>Year ended December 31, 2013</b> |                                     |                                    |                              |                        |               |
| Opening net book value              | 13,285                              | 40,266                             | 27,185                       | -                      | 80,736        |
| Additions                           | 1,980                               | 4,504                              | -                            | -                      | 6,484         |
| Depreciation charge                 | (4,255)                             | (5,249)                            | (6,797)                      | -                      | (16,301)      |
| <b>Closing net book amount</b>      | <b>11,010</b>                       | <b>39,521</b>                      | <b>20,388</b>                | <b>-</b>               | <b>70,919</b> |
| <b>As at December 31, 2013</b>      |                                     |                                    |                              |                        |               |
| Cost                                | 40,197                              | 61,857                             | 34,032                       | -                      | 136,086       |
| Accumulated depreciation            | (29,187)                            | (22,336)                           | (13,644)                     | -                      | (65,167)      |
| <b>Net book amount</b>              | <b>11,010</b>                       | <b>39,521</b>                      | <b>20,388</b>                | <b>-</b>               | <b>70,919</b> |
| <b>Year ended December 31, 2014</b> |                                     |                                    |                              |                        |               |
| Opening net book value              | 11,010                              | 39,521                             | 20,388                       | -                      | 70,919        |
| Additions                           | 5,324                               | -                                  | -                            | 9,100                  | 14,424        |
| Depreciation charge                 | (3,927)                             | (5,564)                            | (6,797)                      | (910)                  | (17,198)      |
| <b>Closing net book amount</b>      | <b>12,407</b>                       | <b>33,957</b>                      | <b>13,591</b>                | <b>8,190</b>           | <b>68,145</b> |
| <b>As at December 31, 2014</b>      |                                     |                                    |                              |                        |               |
| Cost                                | 45,521                              | 61,857                             | 34,032                       | 9,100                  | 150,510       |
| Accumulated depreciation            | (33,114)                            | (27,900)                           | (20,441)                     | (910)                  | (82,365)      |
| <b>Net book amount</b>              | <b>12,407</b>                       | <b>33,957</b>                      | <b>13,591</b>                | <b>8,190</b>           | <b>68,145</b> |

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

(expressed in United States dollars)

### 11 Accounts payable and accrued expenses

|                    | 2014<br>\$    | 2013<br>\$     |
|--------------------|---------------|----------------|
| Accrued expenses   | 68,697        | 43,317         |
| Accrued gratuities | 17,762        | 44,289         |
| Trade payables     | -             | 12,962         |
|                    | <b>86,459</b> | <b>100,568</b> |

### 12 Statutory deposits

Section 8 (1) of the Insurance Act, R.S.A.c. 116 requires that a licensee undertaking domestic insurance business shall maintain in a bank in Anguilla, funds in cash, short-term securities or other realisable investments approved by the Commission, the total value of which shall at least equal the total of its:

- i) Unearned premium reserve
- ii) Outstanding claims reserve
- iii) Reserve for the claims incurred but not reported; and
- iv) Unexpired risks reserve

Section 8 (2) of the Insurance Act states that: "The Commission may require an approved external insurer to place with the Commission an interest bearing deposit to meet existing and future liabilities for a period to be determined by the Commission. The amount of the deposit will not exceed 40% of its annual premium income net of re-insurance premiums with respect to each class of insurance undertaken."

At December 31, 2014 statutory deposits in the amount of \$1,429,806 (2013: \$1,235,172) were held by the Commission in connection with approved external insurers.

### 13 Deferred revenue

Deferred revenue consists of licence fees for the succeeding financial year ending December 31, 2015 received by the Commission in advance during the current financial year.

# Anguilla Financial Services Commission

## Notes to Financial Statements

December 31, 2014

(expressed in United States dollars)

### 14 Payroll and related costs

|                          | 2014<br>\$     | 2013<br>\$     |
|--------------------------|----------------|----------------|
| Salaries                 | 619,202        | 633,971        |
| Gratuities               | 42,633         | 42,944         |
| Housing allowances       | 30,750         | 34,200         |
| Health insurance         | 22,261         | 22,382         |
| Accrued vacation expense | 21,085         | -              |
| Social security costs    | 17,109         | 19,123         |
| Pension costs            | 13,482         | 13,896         |
|                          | <u>766,522</u> | <u>766,516</u> |

The remuneration of Board members and key management personnel during the year was as follows:

|                                   | 2014<br>\$     | 2013<br>\$     |
|-----------------------------------|----------------|----------------|
| Salaries                          | 170,272        | 171,236        |
| Board members' allowances         | 48,400         | 47,300         |
| Chairman's travel and subsistence | 33,991         | 27,206         |
| Housing allowances                | 30,750         | 34,200         |
| Gratuities                        | 42,633         | 42,944         |
|                                   | <u>326,046</u> | <u>322,886</u> |

### 15 Travel and subsistence

|                                   | 2014<br>\$     | 2013<br>\$    |
|-----------------------------------|----------------|---------------|
| Chairman's travel and subsistence | 33,991         | 27,206        |
| Training                          | 27,401         | 6,169         |
| Regulatory                        | 26,125         | 32,062        |
| Staff recruitment                 | 19,672         | -             |
| Travel expense                    | 558            | 670           |
|                                   | <u>107,747</u> | <u>66,107</u> |

### 16 Contribution to the Government of Anguilla

In accordance with Section 19 of the Financial Services Commission Act, the Commission may make payment from its surplus to the Government of Anguilla after all its reserves have been adequately funded. During the year ended December 31, 2014, there were no contributions paid to the Government of Anguilla.