



**Anguilla Financial
Services Commission**

2017

Annual Report

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Financial Report

**Grant Thornton**

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of **Anguilla Financial Services Commission** (the "Commission") which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in accumulated reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

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

Partners:

Antigua

Charles Wahyn - Managing partner

Robert Wilkinson

Kathy David

St. Kitts

Jefferson Hunte

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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 Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grant Thornton

Chartered Accountants
September 25, 2018
Basseterre, St. Kitts

Anguilla Financial Services Commission

Financial Statements for the period ended 31 December 2017

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 certificate of audit and prepare a report that evidences 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 2017.

As recorded in their Auditors' Report, GT have audited the statement of financial position of the Financial Services Commission as of 31 December 2017, the statements of comprehensive income, the statement of changes in accumulated reserves and statement of cash flows for the year then ended, and notes to the financial statements and significant accounting policies. 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 2017 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 blue ink, appearing to read 'AJB' followed by a flourish and a small 'H'.

Anthony Barrett
Chief Auditor
11 December 2018

Anguilla Financial Services Commission

Statement of Financial Position

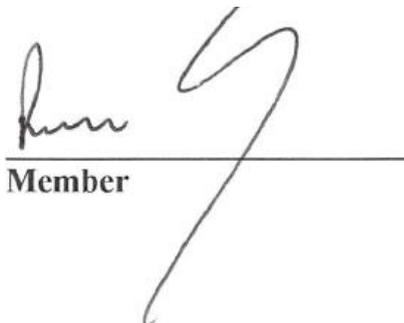
As at December 31, 2017

(expressed in United States dollars)

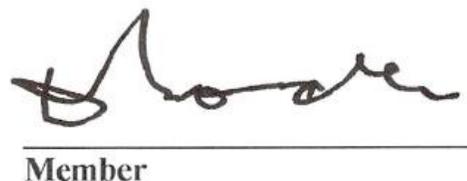
	2017 \$	2016 \$
Assets		
Current assets		
Cash (note 6)	5,055,043	4,547,938
Accounts receivable (note 7)	76,478	15,554
Other assets (note 8)	20,430	25,105
Total current assets	5,151,951	4,588,597
Non-current assets		
Property and equipment (note 9)	41,209	49,261
Total assets	5,193,160	4,637,858
Liabilities		
Current liabilities		
Accounts payable and accrued expenses (note 10)	137,731	129,637
Statutory deposits (note 11)	2,229,585	2,044,260
Deferred revenue (note 12)	36,400	82,600
Total liabilities	2,403,716	2,256,497
Reserves		
Accumulated reserves	2,789,444	2,381,361
Total liabilities and reserves	5,193,160	4,637,858

The notes on pages 29 to 46 are an integral part of these financial statements.

Approved for issue by the Board of Members on September 25, 2018.



Member



Member

Anguilla Financial Services Commission

Statement of Comprehensive Income

For the year ended December 31, 2017

(expressed in United States dollars)

	2017 \$	2016 \$
Income		
Licence fees	1,407,970	1,437,350
Interest income	23,553	21,482
Other income	1,400	3,610
Total income	1,432,923	1,462,442
Operating expenses		
Payroll and related costs (note 14)	(768,633)	(792,311)
Office rent	(47,745)	(50,632)
Board members allowance	(43,595)	(52,261)
Insurance	(31,185)	(22,841)
Travel and subsistence (note 15)	(26,877)	(92,421)
Subscriptions	(20,655)	(20,685)
Others	(19,757)	(36,960)
Utilities	(13,294)	(19,617)
Depreciation (note 9)	(11,369)	(17,162)
Professional service fees	(8,850)	(8,130)
Office supplies	(8,826)	(11,146)
Audit fees	(8,000)	(9,000)
Cleaning	(5,645)	(5,539)
Communications	(5,447)	(4,839)
Entertainment	(2,207)	(4,579)
Impairment loss on accounts receivable	(1,600)	(963)
Bank charges	(1,155)	(1,180)
Amortisation	-	(15,000)
Total operating expenses	(1,024,840)	(1,165,266)
Net profit for the year	408,083	297,176
Other comprehensive income	-	-
Total comprehensive profit for the year	408,083	297,176

The notes on pages 29 to 46 are an integral part of these financial statements.

Anguilla Financial Services Commission

Statement of Changes in Accumulated Reserves

For the year ended December 31, 2017

(expressed in United States dollars)

	\$
Balance at December 31, 2015	2,084,185
Net profit for the year	297,176
Balance at December 31, 2016	2,381,361
Net profit for the year	408,083
Balance at December 31, 2017	2,789,444

The notes on pages 29 to 46 are an integral part of these financial statements.

Anguilla Financial Services Commission

Statement of Cash Flows

For the year ended December 31, 2017

(expressed in United States dollars)

	2017 \$	2016 \$
Cash flows from operating activities		
Net profit for the year	408,083	297,176
Items not involving the movement of cash:		
Depreciation (note 9)	11,369	17,162
Amortisation	–	15,000
Impairment loss on accounts receivable	1,600	963
Interest income	(23,553)	(21,482)
Cash flows from operations before changes in operating assets and liabilities	397,499	308,819
Changes in operating assets and liabilities:		
Increase in accounts receivable	(62,524)	3,284)
Decrease/(increase) in other assets	4,675	(1,305)
Increase/(decrease) in accounts payable and accrued expenses	8,094	(17,203)
Decrease in deferred revenue	(46,200)	(5,597)
Increase in statutory deposits	185,325	224,024
Cash generated from operations	486,869	505,454
Interest received	23,553	21,482
Net cash from operating activities	510,422	526,936
Cash flows from investing activity		
Purchase of property and equipment	(3,317)	(6,915)
Net increase in cash	507,105	520,021
Cash at beginning of the year	4,547,938	4,027,917
Cash at end of the year (note 6)	5,055,043	4,547,938

The notes on pages 29 to 46 are an integral part of these financial statements.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

1 Nature of operations

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 General information and compliance with International Financial Reporting Standards (IFRS)

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

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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.

3 Changes in accounting policies

New standards and amendments to standards effective for the financial year beginning January 1, 2017

Certain new standards and amendments to existing standards have been published that became effective during the current financial year. Of the new and amendment to existing standards, Amendments to International Accounting Standard (IAS) 7, 'Statement of Cash flows' is relevant to the Commission. The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised exchange differences. There was no impact on implementation.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

3 Changes in accounting policies ...continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Commission

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. 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. New standards, interpretations and amendments either not adopted or listed below are not expected to have a material impact on the Commission's financial statements.

- IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after January 1, 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through Profit or Loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at FVPL. The standard is effective for accounting periods on or after January 1, 2018. The full impact of IFRS 9 is yet to be assessed.
- IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statement about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 15 is being assessed by the Commission.
- IFRS 16, 'Leases', eliminates the current dual accounting model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting.
- Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. For lessees, the lease becomes an on-statement of financial position liability that attracts interest, together with a right to use assets also being recognized on the statement of financial position. In other words, lessees will appear to become more asset-rich but also more heavily indebted. The impacts are not limited to the statement of financial position. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. The standard is effective for annual periods beginning on or after January 1, 2019. The impact of IFRS 16 is being assessed by the Commission.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

3 Changes in accounting policies ...continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Commission ...continued

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Commission.

4 Summary of accounting policies

The financial statements have been prepared using the significant accounting policies and measurement bases.

a) Cash

Cash comprises cash on hand and cash at banks, which are subject to an insignificant risk of changes in value.

b) Financial instruments

(i) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Commission becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

(ii) Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified as loans and receivables upon initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Commission's cash and accounts receivable fall into this category of financial instruments.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

4. Summary of accounting policies ...continued

b) Financial instruments ...continued

(ii) Classification and subsequent measurement of financial assets ...continued

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within finance costs, finance income or other financial items, except for impairment of accounts receivable which is presented within other expenses.

(iii) Classification and subsequent measurement of financial liabilities

The Commission's financial liabilities include accounts payable and accrued expenses and statutory deposits.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

c) Offsetting 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.

d) 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.

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.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

4. Summary of accounting policies ...continued

d) Property and equipment ...continued

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

Computers and equipment	5-10 years
Furniture and fittings	5-10 years
Leasehold equipment	5-10 years
Motor vehicle	5 years

e) Intangible asset

Computer software

Acquired computer software licence is capitalised on the basis of costs incurred to acquire and bring to use the specific software. This cost is amortised over its estimated useful life of five years.

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

f) Impairment of non-financial assets

Non-financial assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

g) Accumulated reserves

Accumulated reserves represent the current and prior year results of operations as reported in the statement of comprehensive income.

h) Revenue recognition

The Commission recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the Commission's activities as described below.

(i) Licence fees

Licence fees comprise of amounts collected from companies licensed by the Commission. Revenue is recognised when the licence fees are due. Annual 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.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

4. Summary of accounting policies ...continued

h) Revenue recognition ...continued

(ii) 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.

(iii) Other income

Other income is recognised on the accrual basis.

i) Operating expenses

Operating expenses are recognised in the statement of comprehensive income upon utilization of the services or as incurred.

j) Foreign currency transactions

(i) 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 Commission's functional currency is Eastern Caribbean dollars. The financial statements are presented in United States dollars, which is the Commission's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Commission, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign currency gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of comprehensive income.

k) Provisions

A provision is recognised when the Commission has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

4 Summary of accounting policies ...continued

l) Employee benefits

Pension cost

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 obligation

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

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount that the Commission expects to pay as a result of the unused entitlement.

m) Leases – Commission as a lessee

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.

n) Significant management judgment in applying accounting policies and estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions 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.

At year end, in the opinion of management, there were no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

5 Financial risk management

a) Financial risk factors

The Commission's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Commission has not entered into forward contracts to reduce risk exposures. The Commission's risk management focuses on actively seeking to minimise potential adverse effects on its financial performance. Risk management is carried out by management based on policies set by the Board of Members.

The most significant financial risks to which the Commission is exposed are described below:

i) Market risk

Foreign currency risk

The Commission conducts its operations primarily in Eastern Caribbean dollars; however, some transactions are executed in various other currencies, mainly United States Dollars. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. 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, hence management considers foreign currency risk not to be significant.

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 cash which earns interest based on market rates as disclosed in note 6.

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.

ii) 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 banks, as well as credit exposures to customers. Cash at banks are only held with well-known reputable banks and financial institutions. If no independent rating exists for customers, management assesses the credit quality of customers on an individual basis, taking into account their financial position, credit history and other factors. The utilization of credit limits is regularly monitored. Services rendered to customers are settled primarily in cash and cheques.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

5 Financial risk management ...continued

a) Financial risk factors ...continued

ii) Credit risk ...continued

The Commission has made adequate provision for any potential credit losses and the amount of the Commission's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

	2017 \$	2016 \$
Cash at banks	5,054,938	4,547,792
Accounts receivable	76,478	15,554
	5,131,416	4,563,346

All financial assets such as cash and accounts receivable are categorized as neither past due nor impaired in 2017 and 2016.

The following table provides the credit quality and age analysis of the Commission's financial assets according to the Commission's credit ratings of debtors as of December 31, 2017:

	High Grade \$	Standard Grade \$	Total \$
December 31, 2017			
Cash at banks	5,054,938	–	5,054,938
Accounts receivable	–	76,478	76,478
	5,054,938	76,478	5,131,416
December 31, 2016			
Cash at banks	4,547,792	–	4,547,792
Accounts receivable	–	15,554	15,554
	4,547,792	15,554	4,563,346

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

5 Financial risk management ...continued

a) Financial risk factors ...continued

ii) Credit risk

The credit quality of financial assets was determined as follows:

- Cash at banks 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.

iii) 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 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, 2017

(expressed in United States dollars)

5 Financial risk management ...continued

a) Financial risk factors ...continued

iii) 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 Year \$
At December 31, 2017	
Accounts payable and accrued expenses	137,731
Statutory deposits	2,229,585
	<u>2,367,316</u>
Cash	5,055,043
Accounts receivable	76,478
	<u>5,131,521</u>
Net liquidity gap	<u>2,764,205</u>
	Within 1 Year \$
At December 31, 2016	
Accounts payable and accrued expenses	129,637
Statutory deposits	2,044,260
	<u>2,173,897</u>
Cash	4,547,938
Accounts receivable	15,554
	<u>4,563,492</u>
Net liquidity gap	<u>2,389,595</u>

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

5 Financial risk management ...continued

b) Fair value of financial assets and liabilities

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of cash, accounts receivable, accounts payable and accrued expenses and statutory deposits are assumed to approximate the carrying value due to their short term nature.

The table below summarizes the carrying amounts and fair values of the Commission's financial assets and liabilities.

	Carrying value		Fair value	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial assets				
Cash	5,055,043	4,547,938	5,055,043	4,547,938
Accounts receivable	76,478	15,554	76,478	15,554
	5,131,521	4,563,492	5,131,521	4,563,492
Financial liabilities				
Accounts payable and accrued expenses	137,731	129,637	137,731	129,637
Statutory deposits	2,229,585	2,044,260	2,229,585	2,044,260
	2,367,316	2,173,897	2,367,316	2,173,897

c) Capital risk management

The Commission maintains a level of capital that is sufficient to meet several objectives, including its ability to continue as a going concern in order to maintain an acceptable total debt-to-capital ratio to provide access to adequate funding sources to support current operations and fulfilment of its strategic plan.

The Commission's capital is represented by its accumulated reserves. As at December 31, 2017, the Commission's accumulated reserves amounted to \$2,789,444 (2016: \$2,381,361).

The Commission manages its capital structure and makes adjustments in light of changes in activities, economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Commission may request contributions from and make distributions to the Government of Anguilla.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

6 Cash

	2017 \$	2016 \$
Cash at banks other than statutory deposits	2,825,353	2,503,532
Cash on hand	105	146
	2,825,458	2,503,678
Statutory deposits	2,229,585	2,044,260
Total cash	5,055,043	4,547,938

Cash at banks is held with National Commercial Bank of Anguilla Limited, CIBC First Caribbean International Bank Limited and Scotia Bank Anguilla Limited and bears interest at rates ranging between nil to 0.50% per annum (2016: nil to 2%).

The statutory deposits accounts are held with the CIBC First Caribbean International Bank Limited and earn interest at a rate of 0.05% per annum (2016: 0.05%).

7 Accounts receivables

	2017 \$	2016 \$
Accounts receivable from:		
Mutual fund managers/administration	40,106	-
Company managers	23,369	-
Others	7,653	15,554
Captives	5,150	-
Insurance managers	200	-
	76,478	15,554

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

7 Accounts receivables ...continued

Classification of receivables

Receivables are summarized as follows:

	2017 \$	2016 \$
Neither past due nor impaired	66,967	15,554
Past due but not impaired	9,511	-
	76,478	15,554

Receivables neither past due nor impaired

The credit quality of receivables neither past due nor impaired is assessed based on management's internal assessment of the counterparties or entities. These balances are performing satisfactorily and there are no accounts which require special monitoring.

	2017 \$	2016 \$
Current	66,967	15,554

Receivables past due but not impaired

Receivables may be more than three months past due but not considered impaired. Based on historical information and customer relationships some receivables which are greater than three months past due but not greater than twelve months are not considered impaired. As of December 31, 2017, receivables of \$9,511 (2016: nil) were past due but not impaired. The aging of these receivables is as follows:

Receivables past due but not impaired

	2017 \$	2016 \$
Past due up to 30 days	2,199	-
Past due 31 – 60 days	4,222	-
Past due over 90 days	3,090	-
	9,511	-
Total receivables	76,478	15,554

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

7 Accounts receivables ...continued

In 2017, amounts that were directly written off to bad debt expense amounted to \$1,600 (2016: \$963).

8 Other assets

	2017	2016
	\$	\$
Prepayments	14,330	19,030
Housing deposits	6,100	6,075
	<hr/> 20,430 <hr/>	<hr/> 25,105 <hr/>

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

9 Property and equipment

	Computers and equipment \$	Furniture and fittings \$	Leasehold equipment \$	Motor vehicle \$	Total \$
Year ended December 31, 2016					
Opening net book amount	9,925	35,509	6,794	7,280	59,508
Additions	2,038	107	4,770	–	6,915
Depreciation charge	(2,867)	(5,951)	(7,434)	(910)	(17,162)
Closing book amount	9,096	29,665	4,130	6,370	49,261
At December 31, 2016					
Cost	38,926	68,253	38,802	9,100	155,081
Accumulated depreciation	(29,830)	(38,588)	(34,672)	(2,730)	(105,820)
Closing net book amount	9,096	29,665	4,130	6,370	49,261
Year ended December 31, 2017					
Opening net book amount	9,096	29,665	4,130	6,370	49,261
Additions	1,123	2,194	–	–	3,317
Depreciation charge	(3,608)	(5,896)	(955)	(910)	(11,369)
Closing book amount	6,611	25,963	3,175	5,460	41,209
As at December 31, 2017					
Cost	40,049	70,447	38,802	9,100	158,398
Accumulated depreciation	(33,438)	(44,484)	(35,627)	(3,640)	(117,189)
Closing net book amount	6,611	25,963	3,175	5,460	41,209

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

10 Accounts payable and accrued expenses

	2017 \$	2016 \$
Accrued expenses	93,142	83,848
Accounts payables	28,985	26,637
Accrued gratuities	15,604	19,152
	137,731	129,637

11 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, 2017 statutory deposits in the amount of \$2,229,585 (2016: \$2,044,260) were held by the Commission in connection with approved external insurers.

12 Deferred revenue

Deferred revenue consists of licence fees for the succeeding financial year ending December 31, 2018 received by the Commission in advance during the current financial year.

13 Related party balances and transactions

A related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel and Board of Members.

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2017

(expressed in United States dollars)

13 Related party balances and transactions ...continued

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

	2017 \$	2016 \$
Salaries	179,522	170,470
Board members' allowances	43,595	59,761
Gratuities	31,386	24,250
Housing allowances	30,000	38,000
Chairman's travel and subsistence	5,163	13,213
	289,666	305,694

14 Payroll and related costs

	2017 \$	2016 \$
Salaries	583,715	605,071
Vacation	51,571	65,130
Gratuities	30,402	24,250
Housing allowances	30,000	38,000
Health insurance	28,696	24,502
Social security costs	19,359	20,139
Pension costs	14,018	15,219
Staff bonus	10,872	-
	768,633	792,311

15 Travel and subsistence

	2017 \$	2016 \$
Regulatory	16,260	56,985
Chairman's travel and subsistence	5,163	13,213
Training	4,784	14,988
Travel	670	670
Staff recruitment	-	6,565
	26,877	92,421