# ANGUILLA FINANCIAL SERVICES COMMISSION

ANNUAL REPORT

2018

# FINANCIAL REPORT

# Anguilla Financial Services Commission

## Financial Statements for the period ended 31 December 2018

## 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 2018.

As recorded in their Auditors' Report, GT have audited the statement of financial position of the Financial Services Commission as of 31 December 2018, 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 2018 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.

Anthony Barrett
Chief Auditor
23 December 2019

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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, 2018, 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, 2018, 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 Walwyn - Managing Partner
Robert Wilkinson
Kathy David

**St. Kitts**
Jefferson Hunte

**Audit | Tax | Advisory**
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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 30, 2019**
**Basseterre, St. Kitts**

# Anguilla Financial Services Commission
## Statement of Financial Position
### As at December 31, 2018

(expressed in United States dollars)

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash (note 6) | **5,401,902** | 5,055,043 |
| Accounts receivable (note 7) | **25,800** | 76,478 |
| Other assets (note 8) | **39,350** | 20,430 |
| **Total current assets** | **5,467,052** | 5,151,951 |
| **Non-current assets** | | |
| Property and equipment (note 9) | **32,566** | 41,209 |
| **Total assets** | **5,499,618** | 5,193,160 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued expenses (note 10) | **112,194** | 137,731 |
| Statutory deposits (note 11) | **2,366,423** | 2,229,585 |
| Deferred revenue (note 12) | **74,900** | 36,400 |
| **Total liabilities** | **2,553,517** | 2,403,716 |
| **Reserves** | | |
| Accumulated reserves | **2,946,101** | 2,789,444 |
| **Total liabilities and reserves** | **5,499,618** | 5,193,160 |

The notes on pages 30 to 53 are an integral part of these financial statements.

Approved for issue by the Board of Members on August 14, 2019.

Member

Member

# Anguilla Financial Services Commission

## Statement of Comprehensive Income

**For the year ended December 31, 2018**

(expressed in United States dollars)

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Income** | | |
| Licence fees | **1,026,200** | 1,110,025 |
| Administrative fees and penalties | **167,479** | 297,945 |
| Other income | **2,247** | 1,400 |
| **Total income** | **1,195,926** | 1,409,370 |
| **Operating expenses** | | |
| Payroll and related costs (note 14) | **(750,402)** | (768,633) |
| Office rent | **(57,424)** | (47,745) |
| Travel and subsistence (note 15) | **(47,544)** | (26,877) |
| Insurance | **(38,260)** | (31,185) |
| Board members' allowance | **(30,000)** | (43,595) |
| Professional service fees | **(25,419)** | (8,850) |
| Others | **(24,867)** | (19,757) |
| Subscriptions | **(18,497)** | (20,655) |
| Utilities | **(17,729)** | (13,294) |
| Office supplies | **(11,898)** | (8,826) |
| Depreciation (note 9) | **(10,495)** | (11,369) |
| Impairment loss on accounts receivable | **(9,997)** | (1,600) |
| Audit fees | **(8,000)** | (8,000) |
| Communications | **(7,915)** | (5,447) |
| Cleaning | **(5,035)** | (5,645) |
| Entertainment | **(2,037)** | (2,207) |
| Bank charges | **(1,283)** | (1,155) |
| **Total operating expenses** | **(1,066,802)** | (1,024,840) |
| **Operating profit** | **129,124** | 384,530 |
| **Finance income** | | |
| Interest income | **27,533** | 23,553 |
| **Profit and total comprehensive income for the year** | **156,657** | 408,083 |

The notes on pages 30 to 53 are an integral part of these financial statements.

# Anguilla Financial Services Commission
## Statement of Changes in Accumulated Reserves
**For the year ended December 31, 2018**

(expressed in United States dollars)

| | $ |
|---|---|
| **Balance at December 31, 2016** | **2,381,361** |
| Total comprehensive income for the year | 408,083 |
| **Balance at December 31, 2017** | **2,789,444** |
| Total comprehensive income for the year | 156,657 |
| **Balance at December 31, 2018** | **2,946,101** |

The notes on pages 30 to 53 are an integral part of these financial statements.

# Anguilla Financial Services Commission

## Statement of Cash Flows

**For the year ended December 31, 2018**

(expressed in United States dollars)

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit for the year | **156,657** | 408,083 |
| Items not involving the movement of cash: | | |
| Depreciation (note 9) | **10,495** | 11,369 |
| Impairment loss on accounts receivable | **9,997** | 1,600 |
| Interest income | **(27,533)** | (23,553) |
| **Cash flows from operations before changes in operating assets and liabilities** | **149,616** | 397,499 |
| **Changes in operating assets and liabilities:** | | |
| Decrease/(increase) in accounts receivable | **40,681** | (62,524) |
| (Increase)/decrease in other assets | **(18,920)** | 4,675 |
| (Decrease)/increase in accounts payable and accrued expenses | **(25,537)** | 8,094 |
| Increase/(decrease) in deferred revenue | **38,500** | (46,200) |
| Increase in statutory deposits | **136,838** | 185,325 |
| **Cash generated from operations** | **321,178** | 486,869 |
| Interest received | **27,533** | 23,553 |
| **Net cash from operating activities** | **348,711** | 510,422 |
| **Cash flows from investing activity** | | |
| Purchase of property and equipment | **(1,852)** | (3,317) |
| **Net increase in cash** | **346,859** | 507,105 |
| **Cash at beginning of the year** | **5,055,043** | 4,547,938 |
| **Cash at end of the year** (note 6) | **5,401,902** | 5,055,043 |

The notes on pages 30 to 53 are an integral part of these financial statements.

(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.

In 2018 the Commission has adopted new guidance for the recognition of revenue from contracts with customers. This guidance was applied using a modified retrospective ("cumulative catch-up") approach under which changes having a material effect on the statement of financial position as at 1 January 2018 are presented together as a single adjustment to the opening balance of retained earnings. There were no material effects noted as a result of application. Accordingly, the Commission is not required to present a third statement of financial position as at that date.

Further, the Commission has adopted new guidance for accounting for financial instruments (see note 3). This guidance was applied using the transitional relief allowing the Commission not to restate prior periods. There were no differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment that impacted the retained earnings.

(expressed in United States dollars)

## 3 Changes in accounting policies

***New standards and amendments to standards effective for the financial year beginning January 1, 2018***

The Commission has applied the following new standards and amendments to existing standards that have been published and became effective during the current financial year.

*IFRS 15, Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers and the related Clarifications to IFRS 15 Revenue from Contracts with Customers (hereinafter referred to as 'IFRS 15') replaced International Accounting Standard (IAS) 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations. The Commission's adoption of IFRS 15 has resulted in changes in its accounting policies (see note 4(h)), however there were no adjustments to the amounts recognised in the Commission's financial statements. The new standard has been applied retrospectively without restatement, and there were no adjustments to the opening balance of retained earnings at January 1, 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at January 1, 2018.

This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in the said framework is for the Commission to recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Commission expects to be entitled in exchange for those goods or services.

*IFRS 9, Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Commission has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings, however there were none based on the financial instruments held by the commission.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Commission has no hedge instruments, therefore hedge accounting is not applicable for the Commission.

(expressed in United States dollars)

## 3 Changes in accounting policies *...continued*

***New standards and amendments to standards effective for the financial year beginning January 1, 2018***

*IFRS 9, Financial Instruments ...continued*

The adoption of IFRS 9 has impacted the following areas:

- Credit losses on accounts receivables at amortised cost

The impairment of financial assets applying the expected credit loss model. This affects the Commission's accounts receivables shown under financial assets at amortised cost, measured at amortised cost. For accounts receivables at amortised cost, the Commission applies the 12-month expected credit loss model of recognising lifetime expected credit losses as these items do not have a significant financing component.

The application of the expected credit loss methodology based on the stages of impairment assessment for accounts receivables at amortised cost did not result in the recognition of additional allowance for credit losses for accounts receivables as at January 1, 2018.

On the date of initial application, January 1, 2018 the financial instruments of the Group were reclassified as follows:

| | Measurement category | | Carrying amount | | |
|---|---|---|---|---|---|
| | **Original IAS 39 Category** | **New IFRS 9 Category** | **Balance at December 31, 2017 $** | **Adoption of IFRS 9 $** | **Opening balance at January 1,2018 $** |
| **Current assets** | | | | | |
| Cash | Loans and receivables | Amortised cost | 5,055,043 | – | 5,055,043 |
| Accounts receivable | Loans and receivables | Amortised cost | 76,478 | – | 76,478 |
| **Total current financial assets** | | | **5,131,521** | **–** | **5,131,521** |
| Other assets | Amortised cost | Amortised cost | 6,100 | – | 6,100 |
| **Total current assets** | | | **5,137,621** | **–** | **5,137,621** |

The Commission does not have any non-current financial assets. There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

There were no adjustments affected due to reclassification or remeasurement due to the adoption of IFRS 9.

(expressed in United States dollars)

## 3 Changes in accounting policies *...continued*

***New standards and amendments to standards effective for the financial year beginning January 1, 2018***

*Other amendments to standards*

Other standards and amendments that are effective for the first time in 2019 are as follows:

- Annual Improvements 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28);
- Applying IFRS 9, *Financial Instruments*, with IFRS 4, *Insurance Contracts*, (Amendments to IFRS 4);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*; and
- Transfer to Investment Property (Amendments to IAS 40).

These amendments do not have significant impact on these separate financial statements and therefore the disclosures have not been made.

***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, several new, but not yet effective standards, amendments to existing standards, and interpretations have been published by the IASB. None of these standards, amendments or interpretations have been adopted early by the Commission.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. Of the new standards, amendments and interpretations effective subsequent to the financial year of the Commission, IFRS 16, *Leases*, is expected to have a material impact on the Commission's financial statements.

IFRS 16 will replace IAS 17, *Leases*, and three related interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after January 1, 2019. Early adoption is permitted; however, the Commission have decided not to early adopt.

The Commission is planning to adopt IFRS 16 on January 1, 2019 using the standard's modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions that the Commission need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Commission are currently assessing the impact of applying these other transitional reliefs.

(expressed in United States dollars)

## 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 and derecognition*

Financial assets and financial liabilities are recognised when the Commission becomes a party to the contractual provisions of the financial instrument.

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 expires.

#### *(ii) Classification and initial measurement of financial assets*

Except for accounts receivables under financial assets at amortised cost that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction cost, when applicable.

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Commission does not have any financial assets categorised as FVTPL or FVOCI.

All of the financial assets of the Commission are measured at amortised cost. This is determined if financial assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3 b) iv). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The business model reflects how the Commission manages the assets in order to generate cash flows. That is, whether the Commission's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Commission in determining the business model for a group of assets include past

(expressed in United States dollars)

## 4 Summary of accounting policies *...continued*

### b) Financial instruments *...continued*

#### *(ii) Classification and initial measurement of financial assets* *...continued*

experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Commission assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The classification is determined by both the Commission's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

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 loss allowance of trade receivable which is presented within administrative and general expenses.

#### *(iii) Subsequent measurement of financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Commission's cash, accounts receivables and housing deposits as included in other assets are classified at amortised cost into this category of financial instruments.

(expressed in United States dollars)

## 4 Summary of accounting policies *...continued*

### b) Financial instruments *...continued*

#### *(iv) Impairment of financial assets*

From January 1, 2018, the Commission uses the IFRS 9's impairment requirement which is to use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model' on its financial assets carried at amortised cost. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. With respect to the Commission, this is applicable to its accounts receivable balance.

Recognition of credit losses is no longer dependent on the Commission first identifying a credit loss event. Instead, the Commission considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Commission makes use of a simplified approach in accounting for accounts receivable and other financial assets at amortised cost and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Commission uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Commission assesses loss allowance of accounts receivable and other financial assets at amortised cost on collective basis as they possess shared credit risk characteristics based on the days past due. For the Commission, the loss allowance as a result of the application of IFRS 9 is not material and therefore no disclosures have been made.

(expressed in United States dollars)

## 4 Summary of accounting policies *...continued*

### b) Financial instruments *...continued*

#### *(v) Accounting policies applied until December 31, 2017*

The Commission has applied IFRS 9, retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Commission's previous accounting policies.

*Classification*

Until December 31, 2017, the Commission classified its financial assets as loans and receivables.

*Subsequent measurement*

The measurement at initial recognition did not change on adoption of IFRS 9, see note 4 b) iv).

Subsequent to the initial recognition, loans and receivables are carried at amortised cost using the effective interest method.

*Impairment*

The Commission assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the statement of comprehensive income.

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

(expressed in United States dollars)

## 4 Summary of accounting policies *...continued*

### b) Financial instruments *...continued*

#### *(vi) Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Commission's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Commission's financial liabilities include accounts payable and accrued expenses and deferred revenue.

Financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs or finance income.

### 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.

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 |

(expressed in United States dollars)

## 4 Summary of accounting policies *...continued*

### 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

Revenue arises mainly from the collection of licence fees from regulated entities as well as administrative fees and penalties. To determine whether to recognise revenue, the Commission follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Commission derives revenue from rendering of services is either at point in time or over time, when (or as) the Commission satisfies performance obligations by rendering the promised services to its customers.

The Commission recognises contract liabilities, if any, for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Commission satisfies a performance obligation before it receives the consideration, the Commission recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

(expressed in United States dollars)

## 4 Summary of accounting policies *...continued*

### h) Revenue recognition *...continued*

*(i) Licence fees*
Licence fees comprise amounts collected from companies licensed by the Commission. Revenue is recognised when the services are transferred over time. 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.

*(ii) Administrative fees and penalties*
Administrative fees and penalties comprise amounts collected from companies for licence applications, applications for audit extensions/waivers, regulatory fees and late penalties. Revenue is recognised when the services are transferred at a point in time.

*(iii) 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.

*(iv) Other income*
Other income is recognised on the accrual basis.

All of the Commission's revenues are generated in Anguilla.

### 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.

(expressed in United States dollars)

## 4 Summary of accounting policies *...continued*

### 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.

### 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.

(expressed in United States dollars)

## 4 Summary of accounting policies *...continued*

### n) Significant management judgment in applying accounting policies and estimation uncertainty *...continued*

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.

## 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

(expressed in United States dollars)

## 5 Financial risk management *...continued*

### a) Financial risk factors *...continued*

#### i) Market risk *...continued*

*Interest rate risk* ...continued

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.

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.

| | **2018**<br>**$** | **2017**<br>**$** |
|---|---|---|
| Cash at banks | **5,401,656** | 5,054,938 |
| Accounts receivable | **25,800** | 76,478 |
| Other assets | **6,100** | 6,100 |
| | **5,433,556** | 5,137,576 |

All financial assets such as cash and accounts receivable are categorized as performing (2018: neither past due nor impaired).

(expressed in United States dollars)

## 5 Financial risk management *...continued*

### a) Financial risk factors *...continued*

#### ii) Credit risk *...continued*

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, 2018:

| | High Grade $ | Standard Grade $ | Total $ |
|---|---|---|---|
| **December 31, 2018** | | | |
| Cash at banks | 5,401,656 | – | 5,401,656 |
| Accounts receivable | – | 25,800 | 25,800 |
| Other assets | – | 6,100 | 6,100 |
| | **5,401,656** | **31,900** | **5,433,556** |
| **December 31, 2017** | | | |
| Cash at banks | 5,054,938 | – | 5,054,938 |
| Accounts receivable | – | 76,478 | 76,478 |
| Other assets | – | 6,100 | 6,100 |
| | **5,054,938** | **82,578** | **5,137,516** |

#### 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. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

- 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. The Commission applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Commission continuously monitors the credit quality of its counterparties based on a credit rating scorecard. The Commission's policy is to deal only with creditworthy counterparties. The ongoing credit risk of these counterparties is managed through regular review of the aging analysis.

Counterparties settle license fees upfront thus mitigating the credit risk exposure. License fees represents the most significant source of operating income for the Commission; in 2018 this accounted for 85.8% of operating income (2017: 78.8%).

(expressed in United States dollars)

## 5 Financial risk management *...continued*

### a) Financial risk factors *...continued*

### ii) Credit risk *...continued*

Accounts receivable consist of solely customer customers in Anguilla. The Commission does not hold any security on these balances.

In measuring the expected credit losses, the accounts receivable have been assessed on a collective basis as they possess shared credit characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the historical collection and default rates over the past seven (7) years. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the counterparty's ability to settle the amount outstanding. While Gross Domestic Product and growth in the financial services sector are most relevant, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the financial year.

The expected credit losses for the year ended December 31, 2018 are immaterial and therefore no additional disclosures have been made.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery, include, amongst others, the failure of a customer to engage in a repayment plan with the Commission, and a failure to make contractual payments for a period of greater than 360 days past due or discontinuation of the business of the counterparties.

*Previous accounting policy for impairment of trade receivables*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual trade receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The Commission considered that there was evidence of impairment, if any, of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the customer will enter bankruptcy or financial reorganization; and
- Default or late payments (more than 360 days overdue).

### 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.

(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, 2018** | |
| Accounts payable and accrued expenses | **112,194** |
| **Statutory deposits** | **2,366,423** |
| | **2,478,617** |
| Cash | **5,401,902** |
| Accounts receivable | **25,800** |
| Other assets | **6,100** |
| Total assets held for liquidity purposes | **5,433,802** |
| **Net liquidity gap** | **2,955,185** |

| | **Within 1 Year $** |
|---|---|
| **At December 31, 2017** | |
| Accounts payable and accrued expenses | 137,731 |
| Statutory deposits | 2,229,585 |
| | 2,367,316 |
| Cash | 5,055,043 |
| Accounts receivable | 76,478 |
| Other assets | 6,100 |
| Total assets held for liquidity purposes | 5,137,621 |
| **Net liquidity gap** | 2,770,305 |

(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 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| **Financial assets** | | | | |
| Cash | **5,401,902** | 5,055,043 | **5,401,902** | 5,055,043 |
| Accounts receivable | **25,800** | 76,478 | **25,800** | 76,478 |
| Other assets | **6,100** | 6,100 | **6,100** | 6,100 |
| | **5,433,802** | 5,137,621 | **5,433,802** | 5,137,621 |
| **Financial liabilities** | | | | |
| Accounts payable and accrued expenses | **112,194** | 137,731 | **112,194** | 137,731 |
| Statutory deposits | **2,366,423** | 2,229,585 | **2,366,423** | 2,229,585 |
| | **2,478,617** | 2,367,316 | **2,478,617** | 2,367,316 |

### 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, 2018, the Commission's accumulated reserves amounted to $2,946,101 (2017: $2,789,444).

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.

(expressed in United States dollars)

## 6 Cash

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Cash at banks other than statutory deposits | **3,035,233** | 2,825,353 |
| Cash on hand | **246** | 105 |
| | **3,035,479** | 2,825,458 |
| Statutory deposits | **2,366,423** | 2,229,585 |
| Total cash | **5,401,902** | 5,055,043 |

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 (2017: nil to 0.50%).

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 (2017: 0.05%).

## 7 Accounts receivable

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Accounts receivable from: | | |
| Mutual fund managers/administration | **20,666** | 40,106 |
| Commission managers | **4,164** | 23,369 |
| Others | **920** | 7,653 |
| Insurance managers | **50** | 200 |
| Captives | – | 5,150 |
| | **25,800** | 76,478 |

The Commission's accounts receivables are amounts due from regulated entities for services rendered in the ordinary course of business. They are generally due for settlement upon initiation or renewal of the service and therefore are all classified as current. Accounts receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Commission holds the accounts receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Commission's impairment policies are disclosed in Note 4. In 2018, certain accounts receivable previously not provided with loss allowance totaling $9,997 (2017: $1,600) were written off.

Due to the short-term nature of the Commission's accounts receivable, their carrying amount is considered to be the same as their fair value.

The Commission does not have any other financial assets.

(expressed in United States dollars)

## 8 Other assets

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Prepayments | **33,250** | 14,330 |
| Housing deposits | **6,100** | 6,100 |
| | **39,350** | 20,430 |

(expressed in United States dollars)

## 9 Property and equipment

| | Computers and equipment $ | Furniture and fittings $ | Leasehold equipment $ | Motor vehicle $ | Total $ |
|---|---|---|---|---|---|
| **At December 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** |
| **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** |
| **Year ended December 31, 2018** | | | | | |
| Opening net book amount | 6,611 | 25,963 | 3,175 | 5,460 | 41,209 |
| Additions | 844 | 1,008 | – | – | 1,852 |
| Depreciation charge | (2,933) | (5,698) | (954) | (910) | (10,495) |
| **Closing book amount** | **4,522** | **21,273** | **2,221** | **4,550** | **32,566** |
| **As at December 31, 2018** | | | | | |
| Cost | 40,893 | 71,455 | 38,802 | 9,100 | 160,250 |
| Accumulated depreciation | (36,371) | (50,182) | (36,581) | (4,550) | (127,684) |
| **Closing net book amount** | **4,522** | **21,273** | **2,221** | **4,550** | **32,566** |

(expressed in United States dollars)

## 10 Accounts payable and accrued expenses

| | 2018 $ | 2017 $ |
|---|---|---|
| Accrued expenses | **67,349** | 93,142 |
| Accounts payables | **29,241** | 28,985 |
| Accrued gratuities | **15,604** | 15,604 |
| | **112,194** | 137,731 |

## 11 Statutory deposits

Section 8(1) of the Insurance Act, R.S.A. c. I16 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, 2018 statutory deposits in the amount of $2,366,423 (2017: $2,229,585) 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.

(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:

| | 2018 $ | 2017 $ |
|---|---|---|
| Salaries | **179,522** | 179,522 |
| Gratuities | **40,250** | 31,386 |
| Board members' allowances | **30,000** | 43,595 |
| Housing allowances | **30,000** | 30,000 |
| Chairman's travel and subsistence | – | 5,163 |
| | **279,772** | 289,666 |

## 14 Payroll and related costs

| | 2018 $ | 2017 $ |
|---|---|---|
| Salaries | **560,069** | 583,715 |
| Vacation | **60,134** | 51,571 |
| Gratuities | **40,250** | 30,402 |
| Housing allowances | **30,000** | 30,000 |
| Health insurance | **26,860** | 28,696 |
| Social security costs | **19,639** | 19,359 |
| Pension costs | **13,450** | 14,018 |
| Staff bonus | – | 10,872 |
| | **750,402** | 768,633 |

## 15 Travel and subsistence

| | 2018 $ | 2017 $ |
|---|---|---|
| Regulatory | **22,575** | 16,260 |
| Training | **15,092** | 4,784 |
| Travel | **8,956** | 670 |
| Staff recruitment | **921** | – |
| Chairman's travel and subsistence | – | 5,163 |
| | **47,544** | 26,877 |

(expressed in United States dollars)

## 16 Contingencies

The Commission has a pending legal claim no. AXAHCV 2017/0056 filed by Stafford Corporate Services Ltd in relation to penalties levied by the Commission to the claimant. If the Commission is unsuccessful in the matter, costs and/or damages may be awarded against the Commission. Management is not able to estimate the costs in this matter. The Commission however does not believe that such litigation will have a material effect on its financial statements.