ANGUILLA FINANCIAL SERVICES COMMISSION

ANNUAL REPORT 2013

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Grant Thornton

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Independent Auditors' Report

To the Chief Auditor of Anguilla
Anguilla Financial Services Commission

We have audited the accompanying financial statements of the Anguilla Financial Services Commission, which comprise the statement of financial position as at December 31, 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Anguilla Financial Services Commission** as at December 31,2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton
Chartered Accountants
October 1, 2014
Basseterre, St. Kitts

Anguilla Financial Services Commission

Statement of Financial Position

As at December 31, 2013

(expressed in United States dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash (note 5)	**1,723,294**	1,260,138
Accounts receivable (note 6)	17,652	14,028
Investments (note 7)	1,506,644	1,667,364
Other assets (note 8)	16,898	27,387
Total current assets	**3,264,488**	2,968,917
Non-current assets		
Property and equipment (note 10)	70,919	80,736
Intangible assets (note 9)	45,000	60,000
Total non-current assets	115,919	140,736
Total assets	**3,380,407**	3,109,653
Liabilities		
Current liabilities		
Accounts payable and accrued expenses (note 11)	100,568	96,138
Statutory deposits (note 12)	1,235,172	774,211
Deferred revenue (note 13)	91,750	178,767
Total liabilities	**1,427,490**	1,049,116
Equity		
Accumulated reserves	**1,952,917**	2,060,537
Total liabilities and equity	**3,380,407**	3,109,653

The notes on pages 23 to 38 are an integral part of these financial statements.

Approved by Members of the Board on October 1, 2014

Member

Member

Anguilla Financial Services Commission

Statement of Comprehensive Income

For the year ended December 31, 2013

(expressed in United States dollars)

	2013 $	2012 $
Income		
Licence fees	**932,810**	953,259
Interest income	**50,865**	73,550
Other income	**9,552**	10,569
	993,227	1,037,378
Operating expenses		
Payroll and related costs (note 14)	**766,516**	663,270
Travel and subsistence (note 15)	**64,494**	25,718
Professional service fees	**58,775**	162,874
Board members allowance	**47,371**	53,040
Office rent	**43,068**	35,934
Subscriptions	**22,113**	36,688
Utilities	**19,839**	17,610
Depreciation (note 10)	**16,301**	20,455
Amortisation (note 9)	**15,000**	15,000
Cleaning	**12,000**	11,000
Office supplies	**10,049**	7,076
Audit fees	**9,000**	9,000
Other expenses	**8,736**	19,310
Communications	**4,687**	4,760
Entertainment	**2,166**	5,353
Bad debts written off	**–**	37,189
Annual meeting	**–**	1,220
Total expenses	**1,100,115**	1,125,497
Operating loss before financial cost	**(106,888)**	**(88,119)**
Finance cost	**(732)**	(461)
Loss for the year	**(107,620)**	(88,580)
Other comprehensive income for the year	**–**	–
Total comprehensive loss for the year	**(107,620)**	(88,580)

The notes on pages 23 to 38 are an integral part of these financial statements.

Anguilla Financial Services Commission

Statement of Changes in Equity

For the year ended December 31, 2013

(expressed in United States dollars)

	Accumulated Reserves $
Balance as of December 31, 2011	2,149,117
Income for the year	(88,580)
Balance as of December 31, 2012	2,060,537
Loss for the year	(107,620)
Balance as of December 31, 2013	1,952,917

The notes on pages 23 to 38 are an integral part of these financial statements.

Anguilla Financial Services Commission

Statement of Cash Flows

For the year ended December 31, 2013

(expressed in United States dollars)

	2013 $	2012 $
Cash flows from operating activities		
Loss for the year	**(107,620)**	(88,580)
Item not affecting cash:		
Interest income	**(50,865)**	(73,550)
Bad debts written off	**-**	37,189
Depreciation (note 10)	**16,301**	20,455
Amortisation (note 9)	**15,000**	15,000
	(127,184)	(89,486)
Changes in operating assets and liabilities:		
Increase in accounts receivable	**(3,624)**	(46,683)
Decrease in other assets	**10,489**	38,443
Increase in accounts payable and accrued expenses	**4,430**	14,769
(Increase)/decrease in statutory deposits	**460,961**	332,888
Decrease/(increase) in deferred revenue	**(87,017)**	(40,900)
Cash generated from operations	**258,055**	209,031
Interest received	**50,865**	73,278
Net cash provided by operating activities	**308,920**	282,309
Cash flows from investing activities		
Decrease in investments	**160,720**	111,233
Purchase of property and equipment (note 10)	**(6,484)**	(63,620)
Net cash from investing activities	**154,236**	47,613
Net increase in cash and cash equivalents	**463,156**	329,922
Cash and cash equivalents at beginning of the year	**1,260,138**	930,216
Cash and cash equivalents at end of the year (note 5)	**1,723,294**	1,260,138

The notes on pages 23 to 38 are an integral part of these financial statements.

1 General information

Incorporation and principal activity

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

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

2 Significant accounting policies

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.

a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Commission's accounting policies. As at December 31, 2013, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

New and amended standards adopted by the Commission

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2013 that are expected to have a material impact on the Commission.

(expressed in United States dollars)

2 Significant accounting policies... continued

a) Basis of preparation ... continued

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January I, 2014, and have not been early adopted in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Commission, except the following set out below:

- Amendments to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Commission is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Commission will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

b) Property and Equipment

Property and equipment are stated at historical cost, less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably.

(expressed in United States dollars)

2 Significant accounting policies… continued

b) Property and equipment…continued

All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

The asset's residual value and useful life are reviewed and adjusted if appropriate at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses arising on disposal of property and equipment are determined as difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

c) Intangible assets

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

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

Intangible assets which are not completed are classified as work-in-progress. Work-in-progress is not depreciated. On completion of the database, the relevant amounts would be transferred to intangible assets.

d) Accounts receivable

Accounts receivable are carried at original invoice amount less provision made for impairment. A provision for impairment is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that an account receivable is impaired.

(expressed in United States dollars)

2 Significant accounting policies... continued

d) Accounts receivable...continued

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the market rate of interest for similar obligors. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents comprise cash in bank, on hand and short-term investments.

f) Foreign currency transactions

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

Transaction and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency are reported at the exchange rates prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the statement of changes in accumulated reserves.

g) Revenue recognition

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

Interest income
Interest income is recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest method based on actual purchase price. Interest income includes income earned on cash and cash equivalents and term deposits.

(expressed in United States dollars)

2 Significant accounting policies... continued

h) Financial assets

(i) Classification
The Commission classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

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

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

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

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

(expressed in United States dollars)

2 Significant accounting policies... continued

h) Financial assets...continued

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

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- adverse changes in the payment status of borrowers in the portfolio; and
- national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Commission first assesses whether objective evidence of impairment exists.

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

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

i) Impairment of non-financial assets

Assets that have an indefinite useful life- for example, goodwill or intangible assets not ready to use- are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

j) Provisions

Provisions are 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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

(expressed in United States dollars)

2 Significant accounting policies... continued

k) Employee benefits

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

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

3 Financial risk management

3.1 Financial risk factors

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

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

a) Market risk

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

i) Currency risk

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

The Commission's exposure to currency risk is limited as its transactions are mainly denominated in United States or Eastern Caribbean dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976. Management does not believe significant foreign exchange risk exists as of December 31, 2013.

(expressed in United States dollars)

3 Financial risk management...continued

3.1 Financial risk factors...continued

a) Market risk...continued

ii) Interest rate risk

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

iii) Price risk

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

b) Credit risk

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

All financial assets such as cash and cash equivalents, investments and accounts receivables are categorized as neither past due nor impaired in 2013 and 2012.

(expressed in United States dollars)

3 Financial risk management...continued

b) Credit risk...continued

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

	High Grade	Standard Grade	Total
	$		$
December 31, 2013			
Cash	1,723,294		1,723,294
Investments	1,506,644		1,506,644
Accounts receivable		17,652	17,652
	3,229,938	17,652	3,247,590
December 31, 2012			
Cash	1,260,138		1,260,138
Investments	1,667,364		1,667,364
Accounts receivable		14,028	14,028
	2,927,502	**14,028**	**2,941,530**

The credit quality of financial assets was determined as follows:

- Cash and cash equivalents and investments are only placed with well-known banks and financial institutions. The credit quality of these financial assets is considered to be of high grade.

- Accounts receivable are standard grade financial instruments with satisfactory financial capability and credit standing but with some elements of risks where a certain measure of control is necessary in order to mitigate risk of default.

c) Liquidity risk

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

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2013

(expressed in United States dollars)

3 Financial risk management...continued

3.1 Financial risk factors...continued

c) Liquidity risk... continued

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

	Less than 1 Year $
At December 31,2013	
Accounts payable and accrued expenses	100,568
Total liabilities	100,568
Total assets held for liquidity purposes	1,740,946
Net liquidity gap	(1,640,378)
At December 31, 2012	
Accounts payable and accrued expenses	96,138
Total liabilities	96,138
Total assets held for liquidity purposes	1,274,166
Net liquidity gap	(1,178,028)

3.2 Fair value estimation of financial assets and liabilities

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

3.3 Capital risk management

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

(expressed in United States dollars)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management does not consider that there are estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Cash

	2013 $	2012 $
Cash in bank and on hand	1,723,294	1 ,260,138

Cash in bank and on hand as at December 31, 2013 and 2012 amounted to $1,723,294 and $1,260,138, respectively. The operating bank accounts held with National Bank of Anguilla Limited bears interest at a rate of 1% per annum (2012: 1%), Bank of Nova Scotia at an interest rate of 3% per annum (2012: 3%) and with FirstCaribbean International Bank at an interest rate of 1% per annum.

6 Accounts receivable

Accounts receivable consists of amounts outstanding for licence fees as at December 31, 2013 and 2012.

Anguilla Financial Services Commission
Notes to Financial Statements
December 31, 2013

(expressed in United States dollars)

7 Investments

	2013 $	2012 $
Loans and receivables		
One (1) year term deposit held at National Bank of Anguilla Limited, maturing on March 24, 2014 (2012: March 22, 2013) bearing interest at a rate of 3.5% per annum (2012: 3.5%)	479,303	946,187
One (1) year term deposit held with CIBC FirstCaribbean International Bank, maturing on April 8, 2014 (2012: April 8, 2013) bearing interest at a rate of 1% per annum (2012: 3%)	343,852	334,185
One (I) year term deposit held at National Bank of Anguilla Limited, maturing November 19, 2013 and bearing interest at a rate of 3.5% per annum		192,815
One (1) year term deposit held with CIBC FirstCaribbean International Bank, maturing on October 14, 2014 (2012: October 14, 2013) bearing interest at a rate of 1% per annum (2012: 3%)	163,936	159,172
One (1) year term deposit held at Scotia Bank Anguilla Limited, maturing on April 17, 2014 bearing interest at the rate of 1% per annum	500,000	
	1,487,091	1,632,359
Interest receivable	19,553	35,005
Total investments	1,506,644	1,667,364

8 Other assets

	2013 $	2012 $
Prepayments	10,300	21,087
Housing deposits	6,598	6,300
Total other assets	16,898	27,387

(expressed in United States dollars)

9 Intangible assets

	$
Year ended December 31, 2012	
Opening book value	75,000
Addition	(15,000)
Closing net book value	**60,000**
As at December 31, 2012	
Cost	75,000
Accumulated amortization	(15,000)
Net book value	**60,000**
Year ended December 31, 2013	
Opening book value	60,000
Amortization charge	(15,000)
	45,000
As at December 31, 2013	
Cost	75,000
Accumulated amortization	(30,000)
	45,000

Anguilla Financial Services Commission

Notes to Financial Statements

December 31, 2013

(expressed in United States dollars)

10 Property and equipment

	Computers and equipment	Furniture and fittings	Leasehold equipment	Total
	$	$	$	$
Year ended December				**31,2012**
Opening net book value	14,557	23,014		37,571
Additions	7,124	22,464	34,032	63,620
Depreciation charge	(8,396)	(5,212)	(6,847)	(20,455)
Closing net book amount	**13,285**	**40,266**	**27,185**	**80,736**
As at December 31, 2012				
Cost	38,217	57,353	34,032	129,602
Accumulated depreciation	(24,932)	(17,087)	(6,847)	(48,866)
Net book amount	**13,285**	**40,266**	**27,185**	**80,736**
Year ended December 31,2013				
Opening net book value	13,285	40,266	27,185	80,736
Additions	1,980	4,504		6,484
Depreciation charge	(4,255)	(5,249)	(6,797)	(16,301)
Closing net book amount	11,010	39,521	20,388	70,919
As at December 31, 2013				
Cost	40,197	61,857	34,032	136,086
Accumulated depreciation	(29,187)	(22,336)	(13,644)	(65,167)
Net book amount	11,010	39,521	20,388	70,919

11 Accounts payable and accrued expenses

	2013 $	2012 $
Accrued expenses	43,317	53,595
Accrued gratuities	44,289	34,917
Trade payables	12,962	7,626
Total accounts payable and accrued expenses	100,568	96,138

(expressed in United States dollars)

12 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 forty percent of its annual premium income net of re-insurance premiums with respect to each class of insurance undertaken."

At December 31, 2013 statutory deposits in the amount of $1,235,172 (2012: $774,211) were held by the Commission in connection with approved external insurers.

13 Deferred revenue

Deferred revenue consists of licence fees for the financial year ended December 31, 2014 paid during the current year.

14 Payroll and related costs

	2013 $	2012 $
Salaries	**633,971**	544,955
Staff gratuities	**42,944**	28,650
Housing allowances	**34,200**	22,650
Health insurance	**22,382**	18,708
Social security costs	**19,123**	16,715
Pension costs	**13,896**	12,271
Staff recruitment	–	19,321
	766,516	663,270

Anguilla Financial Services Commission
Notes to Financial Statements
December 31, 2013

(expressed in United States dollars)

14 Payroll and related costs...continued

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

	2013 $	2012 $
Salaries	**171,236**	279,241
Board members' allowances	**47,300**	53,040
Gratuities	**42,944**	28,650
Housing allowances	**34,200**	22,650
Total key management compensation	**295,680**	383,581

15 Travel and subsistence

	2013 $	2012 $
Regulatory	**31,118**	10,422
Chairman's travel and subsistence	**27,206**	13,828
Training	**6,170**	1,468
Total travel and subsistence	**64,494**	25,718

16 Contribution to the Government of Anguilla

In accordance with Section 19 of the Financial Services Commission Act, the Commission may make payment from its surplus to the Government of Anguilla after all its reserves have been adequately funded. During the year ended December 31, 2013, there were no contributions paid to the Government of Anguilla.

CHIEF AUDITOR'S REPORT

Anguilla Financial Services Commission
Financial Statements for the period ended 31 December 2013
Certificate of Audit and Report of the Chief Auditor

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

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

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

The appointment of Grant Thornton (GT) as the independent auditor of the Financial Services Commission was accepted by me. GT were directed to undertake their audit in accordance with appropriate auditing standards, and I accept their audit of the Commission's financial statements for the year ended 31 December 2013.

As recorded in their Auditors' Report, GT have audited the statement of financial position of the Financial Services Commission as of 31 December 2013 the statements of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Financial Services Commission Act. GT's responsibility is to express an opinion on the financial statements based on their audit.

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

CHIEF AUDITOR'S REPORT continued...

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 2013 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.

Chief Auditor's report to the House of Assembly

In August 2013 the National Bank of Anguilla was placed in conservatorship. Note 3.1 (b) to the accounts states that this gave rise to increased credit risk.

Note 5 to the accounts shows that at 31 December 2013 the Anguilla Financial Services Commission held US$1,723,294 of cash; US$91 ,959 of this total was held at the National Bank of Anguilla.

Note 7 to the accounts shows that at 31 December 2013 the Anguilla Financial Services Commission held a term deposit of US$479,303 with the National Bank of Anguilla. This was repaid on March 24,2014.

As at 10 February 2015, the Anguilla Financial Services Commission held US$137,857 of cash in current accounts at the Bank; there were no term deposits held at the Bank.

If the Bank is unable to repay the cash holding, it could impact on the Anguilla Financial Services Commission's liquidity, financial position and performance.

I have no further observations to make on these financial statements.

John Herniman
Chief Auditor
I8 February 2015