

Financial Services Commission

Financial Statements

Year ended 31 March 2016
(Expressed in Barbados Dollars)

FINANCIAL SERVICES COMMISSION

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Year ended 31 March 2016

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AUDITORS' REPORT

To the Board of the Financial Services Commission

We have audited the accompanying financial statements of the Financial Services Commission, which comprise the statement of financial position as of 31 March 2016 and the statement of comprehensive income, statement of changes in general fund and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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 for Small and Medium Sized Entities 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 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 auditor considers 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 Commission as of 31 March 2016 and its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium Sized Entities.


CHARTERED ACCOUNTANTS
Barbados
21 July 2016


FINANCIAL SERVICES COMMISSION

Statement of Financial Position
As at 31 March 2016

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash		5,980,570	4,687,868
Deposits with Central Bank	3	8,050,781	7,311,303
Accounts Receivable	4	157,430	156,965
Prepayments		35,256	32,438
Lease deposits		28,763	28,763
		<hr/>	<hr/>
		14,252,800	12,217,337
Property and equipment	5	587,368	761,673
		<hr/>	<hr/>
		14,840,168	12,979,010
Liabilities			
Current liabilities			
Accounts payable		764,124	703,511
Due to Related Parties	6	532,796	528,566
Deferred Income		4,199,024	3,734,745
Escrow Deposits		8,050,781	7,311,303
		<hr/>	<hr/>
		13,546,725	12,278,125
Represented by:			
Capital Contribution	7	699,198	699,198
Retained (deficit) Earnings		594,245	1,687
		<hr/>	<hr/>
		1,293,443	700,885
		<hr/>	<hr/>
Total Liabilities and General Fund		14,840,168	12,979,010

The accompanying notes form part of the financial statements.

Approved by the Commission on 21 July 2016 and signed on its behalf by:


..... Chairman


..... Deputy Chairman

FINANCIAL SERVICES COMMISSION

Statement of Comprehensive Income Year ended 31 March 2016

	Notes	2016 \$	2015 \$
Income			
Fees		5,812,394	5,980,164
Government grants	8	1,000,000	1,000,599
Interest income		43,494	18,628
Other income		20,942	897
Rental income		-	30,000
		<u>6,876,830</u>	<u>7,030,288</u>
Expenses			
Salaries and benefits		4,824,427	4,776,788
Lease	10	305,500	770,701
Utilities		253,443	301,157
Depreciation	5	216,433	204,867
Membership and registration fees		112,552	120,861
Conferences and meeting expenses		103,639	28,698
Commissioner fees and allowances		93,600	93,600
Professional fees		82,183	144,603
Uniforms		62,852	-
Maintenance		56,696	40,234
Corporate		39,976	40,433
Security		37,859	54,547
Stationery		35,308	41,772
Computer expenses		31,936	23,213
Vehicle expenses		28,463	24,789
Subscription		26,083	1,786
Tribunal expenses		17,624	34,479
Office supplies		16,012	20,891
Insurance		14,913	15,882
Advertising		9,431	8,626
Training		5,450	3,624
Refreshments		4,894	4,331
Bank charges		2,965	2,829
Miscellaneous		2,673	4,805
Travel expense		256	441
Relocation expenses		-	23,966
Loss on Disposal		-	438
Discount received		(914)	(720)
Bad debts		(99,982)	6,753
		<u>6,284,272</u>	<u>6,794,394</u>
Surplus for the year		592,558	235,894

FINANCIAL SERVICES COMMISSION

Statement of Changes in General Fund
Year ended 31 March 2016

	Capital Contribution	Retained Earnings	Total
	\$	\$	\$
Balance as at 1 April 2014 - Restated	699,198	(234,207)	464,991
Surplus for the year	-	235,894	235,894
Balance as at 31 March 2015	699,198	1,687	700,885
Surplus for the year	-	592,558	592,558
Balance as at 31 March 2016	699,198	594,245	1,293,443

The accompanying notes form part of the financial statements.

FINANCIAL SERVICES COMMISSION

Statement of Cash Flows
Year ended 31 March 2016

	2016	2015
	\$	\$
Cash flows from operating activities		
Surplus for the year	592,558	235,894
Adjustments for:		
Depreciation	216,433	204,867
Loss on disposal of property and equipment	-	438
	<hr/> 808,991	<hr/> 441,199
Operating surplus before working capital changes:		
Increase in deposits with Central Bank	(739,478)	(1,748,699)
Increase (decrease) in accounts receivable	(465)	105,428
Increase (decrease) in prepayments	(2,818)	58,233
Decrease in lease deposits	-	61,908
Increase in accounts payable	60,613	227,695
Increase in due to related parties	4,230	676
Increase in deferred income	464,279	(147,134)
Increase in escrow deposit	739,478	1,498,699
	<hr/> 1,334,830	<hr/> 498,005
Cash flows from investing activities		
Purchase of property and equipment	(48,128)	(723,239)
Disposal of property and equipment	-	3,765
	<hr/> (48,128)	<hr/> (719,474)
Increase / (decrease) in cash for the year	1,286,702	(221,469)
Cash – beginning of year	4,687,868	4,909,337
	<hr/> 5,980,570	<hr/> 4,687,868
Represented by:		
Cash at bank	5,980,170	4,687,468
Cash in hand	400	400
	<hr/> 5,980,570	<hr/> 4,687,868

The accompanying notes form part of the financial statements.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2016

1. Establishment, principal activity and registered office

The Financial Services Commission is a regulatory entity, established in Barbados on 1 April 2011 under the Financial Services Commission Act, 2010-21. The principal function of the Commission is to supervise and regulate the non-bank financial services sector in Barbados.

The Commission's principal place of business is situated at Suites 301 & 302, Building 4, Harbour Industrial Park, Bridgetown, Barbados.

2. Significant accounting policies

Basis of preparation

The financial statements are expressed in Barbados dollars on a historical cost basis and are in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities ("IFRS for SMEs") promulgated by the International Accounting Standards Board.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Commission's accounting policies, management is required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and liabilities are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Other than in the establishment of routine provisions against accounts receivables, there are no key estimates or judgements which are required in applying policies which may have a material impact on the Commission's reported assets, liabilities, revenues and expenses.

a) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

b) Cash

Cash comprises, cash at bank and on hand.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2016

2. Significant accounting policies (cont'd)

c) Property and equipment

Property and equipment are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the expenditure of the items. The charge for depreciation is computed on the straight line basis calculated to write off the cost of the property and equipment over their expected useful lives. The estimated useful lives of the assets are as follows:

Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Computer equipment	3 years
Library books	3 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

d) Revenue recognition

Fees and deferred income

Application fees are recognized as revenue upon receipt. Annual registration and license fees are due in January of each year and recognized in income on a calendar year basis. Deferred income represents fees which will be earned in the next financial year for the period April to December.

Rental income

Rental income is recognized in the statement of comprehensive income on a straight line basis over the term of the lease.

Government grants

Government grants represent funds received from the Ministry of Finance and Economic Affairs during the financial year in the form of cash and goods or services to assist with operating expenses.

Government grants are not recognized until there is reasonable assurance that the Commission will comply with the conditions attaching to them and that grants will be received. Government grants that are receivable as compensation for expenses already incurred or for the purpose of giving immediate financial support to the Commission with no future related costs are recognized in the statement of comprehensive income in the period in which they become receivable.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2016

2. Significant accounting policies (cont'd)

e) Accounts receivable

Accounts receivable are recognized initially at the fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of accounts receivable 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 and default and delinquency in payment are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income.

f) Foreign currency translation

i) Functional and presentation currency

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

ii) Transaction and balances

Foreign currency transactions are translated in to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchanges gains and losses resulting from the settlement of such transactions and the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

g) Leases

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2016

3. Deposit with Central Bank

The Commission has an escrow account in the amount of \$8,050,781 (2015 - \$7,311,303). The funds are deposited at the Central Bank of Barbados. The account represents:

- a) A statutory deposit of \$4,340,000 (2015 - \$3,940,000) (paid by insurance companies to satisfy their requirement under the Insurance Act CAP 310).
- b) Unclaimed moneys totaling \$3,502,042 (2015 - \$3,162,564) (unclaimed moneys paid to the Commission by insurance companies, in accordance with the Insurance Act CAP 310 Section 138. These amounts are held in escrow until such time as they are claimed).
- c) Residual funds from liquidated credit union totaling \$208,739 (2015 - \$208,739) (funds held with the Commission in accordance with the Co-operative Societies Act CAP378A Section 159(2)).

4. Accounts receivable

Accounts receivable consist of the following:

	2016	2015
	\$	\$
Trade receivable	77,430	87,817
Registration fees receivable	423,838	512,986
Other receivable	20,547	20,546
	<hr/>	<hr/>
	521,815	621,349
Less: Provision for doubtful debts	(364,385)	(464,385)
	<hr/>	<hr/>
	157,430	156,964
	<hr/> <hr/>	<hr/> <hr/>

No interest is charged on outstanding receivables. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2016

5. Property and equipment

	Leasehold \$	Office Equipment \$	Computer Equipment \$	Motor Vehicles \$	Furniture and fittings \$	Library books \$	Total \$
Cost							
Balance – beginning of year	308,389	52,329	511,398	106,037	415,926	24,532	1,418,611
Additions	6,790	-	3,845	-	31,493	-	42,128
Balance – end of year	<u>315,179</u>	<u>52,329</u>	<u>515,243</u>	<u>106,037</u>	<u>447,419</u>	<u>24,532</u>	<u>1,460,739</u>
Accumulated depreciation							
Balance – beginning of year	19,768	40,897	476,605	74,225	29,879	15,564	656,938
Depreciation	62,827	4,927	29,810	21,207	89,484	8,178	216,433
Balance – end of year	<u>82,595</u>	<u>45,824</u>	<u>506,415</u>	<u>95,432</u>	<u>119,363</u>	<u>23,742</u>	<u>873,371</u>
Net book value							
Beginning of year	288,621	11,432	34,793	31,812	386,047	8,968	761,673
End of year	232,584	6,505	8,828	10,605	328,056	790	587,368

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2016

6. Related party transactions

The amount due to related parties is \$532,796 (2015 - \$528,566). This represents \$440,000 collected from the exempt insurance companies for taxes due to the Barbados Revenue Authority in accordance with Section 29(2) of the Exempt Insurance Act Cap. 308A., and \$92,796 (2015 - \$88,566) due to the Government Printery for the printing of regulatory guidelines.

Key management compensation

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

	2016	2015
	\$	\$
Salaries and other short-term benefits	1,538,748	1,552,224

7. Capital contribution

In accordance with Section 56 of the Financial Services Commission Act, 2010-21

- a) All assets and liabilities of the Securities Commission are deemed to be transferred to the commission
- b) Any right, privilege, duty or obligation conferred on or imposed upon the Securities Commission and existing immediately before the date referred to, shall be deemed to be conferred on or imposed upon the Commission; and
- c) Any contract entered into by or on behalf of the Securities Commission before the date referred to have been entered into by or on behalf of the Commission.

In accordance with the above the following assets and liabilities were transferred to the Commission as of 1 April 2011:

	\$
Assets	
Current assets	
Cash	838,355
Lease deposits	20,547
Property and equipment	41,841
Total assets	<u>900,743</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2016

7. Capital contribution (cont'd)

	\$
Liabilities	
Current liabilities	
Accounts payable	24,090
Deferred income	388,684
	<hr/>
	412,774
	<hr/>
Capital contribution	<u>487,969</u>

A further amount of \$211,229 was contributed to the Commission in September 2011 which has been added to contributed capital.

8. Government grants

Government grants represent funds totaling \$1,000,000 (2015 - \$1,000,599) which were received from the Ministry of Finance and Economic affairs during the financial year in the form of cash and goods and services to assist with operating expenses.

9. Taxation

In accordance with Section 46 of the Financial Services Commission Act, 2010-21, the Commission is exempt from the payment of corporation tax, stamp duty and land tax.

10. Operating lease commitments

The future minimum lease payments under the operating lease are as follows:

	2016	2015
	\$	\$
Not later than 1 year	366,600	305,500
Later than 1 year and not longer than 5 years	1,466,400	1,283,100
	<hr/>	<hr/>
	1,833,000	1,588,600
	<hr/> <hr/>	<hr/> <hr/>

During the year, operating lease payments of \$305,500 (2015 - \$770,701) were recognized as an expense.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended 31 March 2016

11. Contingent liabilities

Through its activities as a regulatory body, the Commission is subject to various legal proceedings.

During the year ended 31 March 2016 the Commission, as successor to the Supervisor of Insurance, was named as defendant in the legal proceedings brought by the Barbados Investors and Policyholders Alliance Inc. with respect to the failure of CLICO and BAICO. It is impracticable to estimate the outcome of these proceedings and their financial effect as they do not include a quantified claim against the Commission.