

ESAAMLG ANNUAL REPORT

1 APRIL 2013 – 31 MARCH 2014

(incorporating 27th Task Force meeting in April 2014)



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ESAAMLG MISSION, VISION AND GOALS

Vision	<i>A strong and dynamic FATF Style Regional Body committed to eradicate money laundering and terrorist financing in the Eastern and Southern Africa region.</i>
Mission	<i>To consolidate and sustain the combined efforts to combat money laundering and terrorist financing in the Eastern and Southern Africa region through effective implementation of AML/CFT standards in all ESAAMLG member countries.</i>
Strategic Objectives	<ol style="list-style-type: none"><i>1. Effective Post Evaluation Implementation of AML/CFT measures in member countries;</i><i>2. Sustaining the evaluation and monitoring of ESAAMLG members' compliance with the international standards against money laundering and terrorist financing under a second round of mutual evaluations;</i><i>3. Increasing and sustaining the knowledge of money laundering and terrorist financing trends and techniques in the region in order to effectively contribute to regional and international AML/CFT policy formulation;</i><i>4. Expansion of ESAAMLG membership;</i><i>5. Strengthening regional and international cooperation among member countries;</i><i>6. Enhancing ESAAMLG's cooperation and participation in AML/CFT regional and international initiatives;</i><i>7. Prioritizing and consolidating regional AML/CFT capacity building, training and awareness raising programmes;</i><i>8. Promoting the Implementation of AML/CFT measures and financial inclusion;</i><i>9. Consolidating the sustainability and efficiency of the Secretariat.</i>

ACRONYMS AND ABRIEVIATIONS

AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CDD	Customer Due Diligence
COSUNs	Cooperating Organisations and Supporting Nations
EAC	East African Community
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSRB	FATF Styled Regional Body
FT	Financing of Terrorism
ICRG	International Cooperation Review Group
IMF	International Monetary Fund
ME	Mutual Evaluation
MER	Mutual Evaluation Report
ML	Money Laundering
MOU	Memorandum of Understanding
NRA	National Risk Assessment
RBA	Risk Based Approach
SADC	Southern African Development Community
TA&T	Technical Assistance and Training
UNCTED	United Nations Counter-Terrorism Executive Directorate
UNODC	United Nations Office on Drugs and Crime
WB	World Bank

FOREWORD BY THE PRESIDENT

This report highlights the major achievements of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) during the period 2013/2014. It is pleasing to note that the organization has achieved a lot as measured against our Strategic Plan and Work Program. These achievements have consolidated our position as an effective partner of the global network against money laundering and terrorist financing.



ESAAMLG continued to extend its frontiers in the region. During the year, the organisation admitted Ethiopia as a full member, bringing the number of member countries to 17. This represents an important milestone as the expansion of the regional AML/CFT network will be for the mutual benefit of the region and the country. For this purpose, join me in congratulating Ethiopia.

Another achievement made during the year is the adoption of Procedures for the Second Round of Evaluations and a Schedule of Mutual Evaluations which will cover the period 2015-2019. The Procedures were developed in order to align them with the revised FATF Standards (2012), the Assessment Methodology (2013) and the FATF Mutual Evaluation Procedures which have brought new dimensions: mechanisms for assessing technical compliance and assessing effectiveness of the laws and systems. Further to this, ESAAMLG completed a typologies study on *"Money Laundering through the Money or Value and Currency Exchange Service Providers"*.

Preliminary work has also been carried out with respect to a typologies project on *“Money Laundering through Securities Industry in the ESAAMLG Region”* and a *“Special Typologies Project on Poaching and Illicit Trade in Wildlife Products”*. It is anticipated that member countries will benefit a lot from the findings of these studies.

Finally, I want to express my sincere gratitude to the Council of Ministers, Task Force of Senior Officials and the Secretariat for supporting me during the last 12 months. I look forward to another successful year ahead under the Presidency of Angola.

Hon. Saara Kuugongelwa-Amadhila,

President of ESAAMLG Council of Ministers and Minister of Finance, Namibia

FOREWORD BY THE EXECUTIVE SECRETARY

With pleasure, I once again present the Annual Report for the period 1st April 2013 to 31st March 2014. The Report contains major activities carried out and achievements made by the ESAAMLG during this period. It also outlines what the organization intends to do in the coming year.



In line with our Strategic Objectives and Work Program, ESAAMLG has registered the following major outcomes:

Mutual Evaluation Program

In preparation for the assessment of member countries, we have finalised the *Procedures for the ESAAMLG 2nd Round of AML/CFT Mutual Evaluations and Follow-up Process* which have also been endorsed by the FATF, drawn up a Schedule for mutual evaluations and trained Assessors based on the revised FATF Standards, Assessment Methodology and the Mutual Evaluation Procedures. With this toolkit, ESAAMLG is geared to assess its member countries. The outcome of these assessments will demonstrate what countries have achieved as measured against the international standards on money laundering and terrorist financing.

Typologies

As part of our continuous efforts to develop capacity for carrying out typology studies, the Secretariat and some officials from member countries attended the FATF/ MENAFATF Joint Experts Meeting on Money Laundering and Terrorist Financing Typologies in December 2013.

With the increased knowledge and expertise drawn from this meeting, we completed a typologies study on “*Money Laundering through the Money or Value and Currency Exchange Service Providers*” during the year.

Inaugural G8 and Sub-Sahara Africa Public Private Sector Dialogue

ESAAMLG, in collaboration with the US and UK governments, launched a Sub-Saharan Africa Public-Private Sector Dialogue (PPSD) in September 2013. The PPCD offered a unique opportunity to engage with key policy officials and business stakeholders in emerging African markets. The Dialogue raised awareness about, and importance of, robust AML/CFT regimes as a necessary foundation for sustainable economic growth in Africa, and provided an opportunity for experts to exchange technical knowledge and assistance on implementation of effective AML/CFT regimes. In view of the positive feedback from participants, we plan to hold a second Dialogue in September 2014.

Once again, I would like to express my gratitude to the President of the Council of Ministers, Hon. Saara Kuugongelwa-Amadhila, Minister of Finance of the Republic of Namibia, all Council Members, the Chairperson of the Task Force of Senior Officials and all Task Force of Senior Officials, observers, supporting nations and organisations for their contribution at various levels which has helped the organization to register remarkable achievements over the past year. The Secretariat looks forward to another fulfilling year in 2014-2015.

Dr Eliawony J Kisanga

EXECUTIVE SECRETARY

OVERVIEW OF THE ESAAMLG

1.1 Background

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was officially established in 1999 in Arusha, Tanzania through a Memorandum of Understanding (MOU) which was initially signed by nine founding members: Botswana, Kenya, Mauritius, Mozambique, South Africa, Tanzania, Uganda, Zambia and Zimbabwe. As at the date of this Report, ESAAMLG consists of 17 member countries and has a number of regional and international observers such as AUSTRAC, Commonwealth Secretariat, East African Community, FATF, IMF, SADC, United Kingdom, United States of America, UNODC and World Bank. United Kingdom and United States of America have been cooperating and supporting nations of the organization since it was established in 1999.



Some of the Cooperating and Supporting Nations

The main objectives of ESAAMLG are to: (a) adopt and implement the 40 Recommendations of the FATF; (b) apply anti-money laundering measures to all serious crime; (c) implement measures to combat the financing of terrorism and (d) implement any other measures contained in the multilateral agreements and initiatives relevant to prevention and control of laundering of proceeds of all serious crimes and the financing of terrorism.

The Council of Ministers is the key decision-making body of the ESAAMLG and consists of at least one ministerial representative from each member country. The Council is ultimately responsible for setting the strategic direction of the Group, including approving work programmes. It is headed by a President who holds office for a period of one year. The Presidency of the Council rotates among the member countries, currently on the basis of alphabetical order.

The Task Force consists of senior government officials from legal, financial and law enforcement agencies in the ESAAMLG region responsible for AML/CFT matters. It is headed by a Chairman, who comes from the country holding the presidency. The Task Force of Senior Officials meets twice a year (March/April and August/September). The meetings provide an opportunity for delegates to discuss a number of issues relevant to the FATF Standards, mutual evaluation reports, typology studies' reports, technical assistance and training, progress reports as well as attending special technical workshops/seminars on emerging money laundering and terrorist financing trends. During the year under review, the Chairperson was Ms Leonie Dunn, Director of the FIC-Namibia.



Ms Leonie Dunn, Chairperson of Task Force (2013/2014)

The Task Force is responsible for all technical matters and makes recommendations to the Council for approval. Currently, the Task Force has established the Working Group on Mutual

Evaluations, Working Group on Typologies, Ad-Hoc Working Group on Financial Inclusion, Technical Assistance Coordination Forum, the FIU Forum and the Finance and Audit Committee which handle various assignments on behalf of the Task Force.



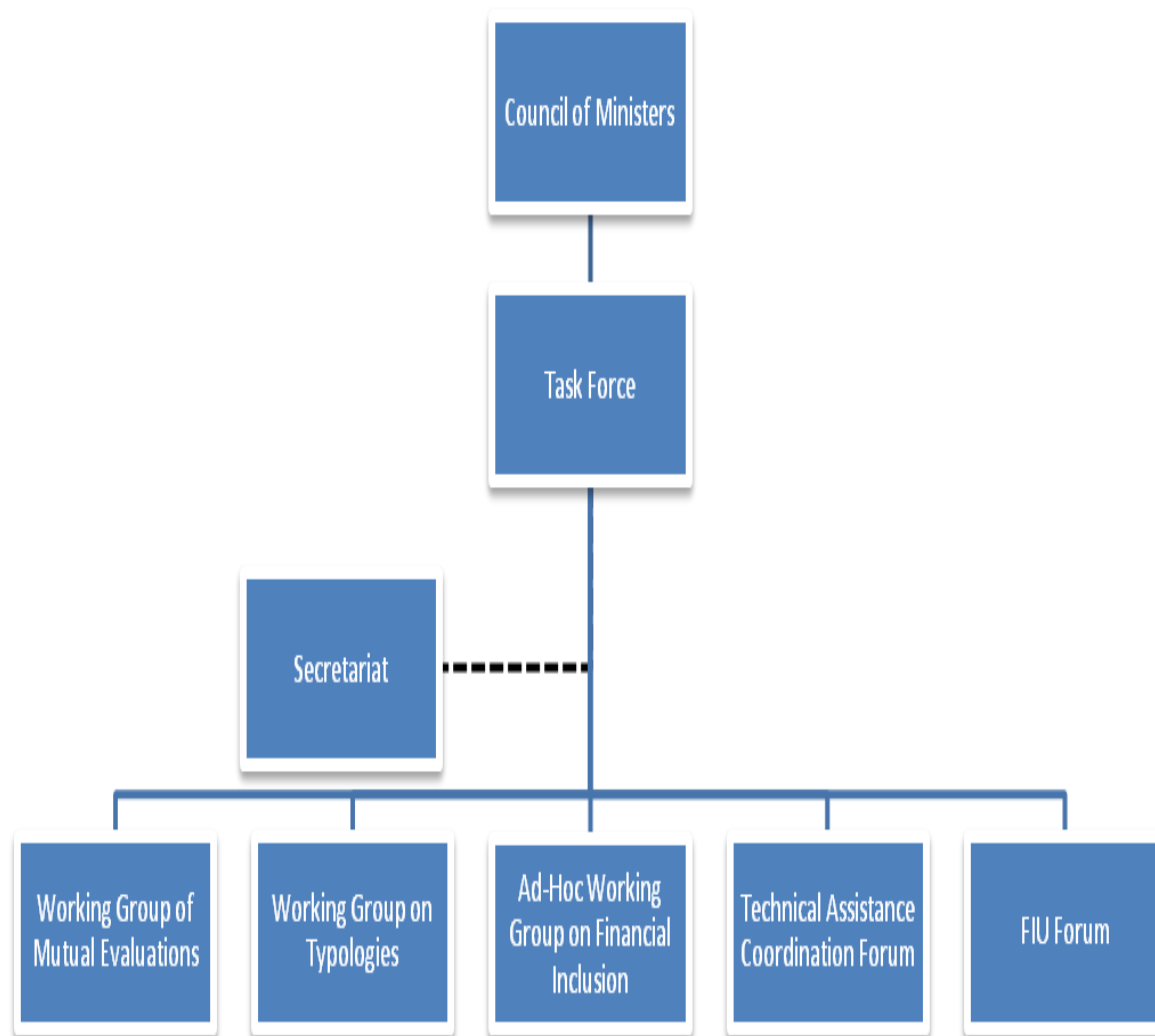
Some of the Task Force of Senior Officials

The Secretariat is the hub of ESAAMLG and provides support to the Council and the Task Force of Senior Officials. Among other things, it prepares policy and technical papers, organises Task Force and Council meetings, mutual evaluations, coordinates technical assistance and training, prepares annual budgets, annual work plans, financial statements and reports on all activities.

1.2 Structure of the ESAAMLG

The following diagram provides the basic governance structure of the ESAAMLG which has been put in place to ensure smooth operations:

Figure 1 ESAAMLG STRUCTURE & CURRENT WORKING GROUPS



1.3 ESAAMLG Relationship with Regional and International Organizations

ESAAMLG was admitted as an associate member of the FATF in 2011. Since only one ESAAMLG member country (South Africa) is an FATF member, this status allows non-FATF ESAAMLG member countries to attend FATF meetings, follow proceedings and take an active interest in the process of AML/CFT global policy making.

ESAAMLG recognizes that money laundering and terrorist financing crimes are both national and transnational problems and therefore international collaboration and cooperation of member countries and agencies is of critical importance. It is for this purpose that from its inception, ESAAMLG has been working very closely with the FATF and other FATF-Styled Regional Bodies (FSRBs) in various areas such as development of the FATF Standards and coordination of training workshops, typology studies etc. In addition to this, ESAAMLG and FATF are involved in the joint evaluations of their common members.

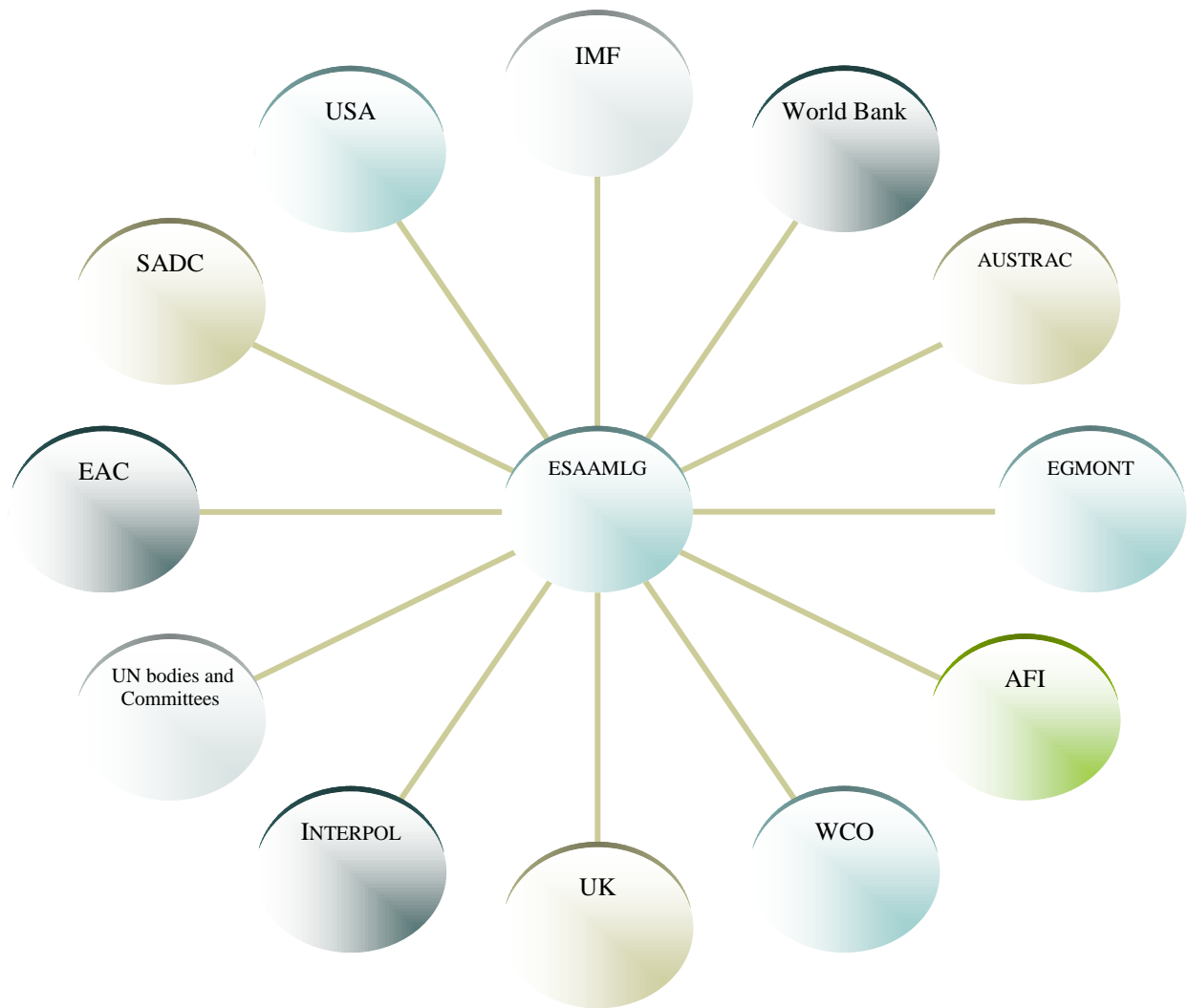
The FATF and all FSRBs are observers in the ESAAMLG. The rest of the FSRBs are as follows:

- APG Asian and Pacific Group on Money Laundering
- CFATF Caribbean Financial Action Task Force, based in Trinidad and Tobago;
- EAG Eurasian Group, based in Moscow, Russian Federation;
- GAFISUD South America Anti-Money Laundering Group, based in Buenos Aires, Argentina;
- GIABA West Africa Anti- Money Laundering Group, based in Dakar, Senegal;
- MENAFATF Middle East and North Africa Financial Action Task Force, based in Manama, Bahrain;
- MONEYVAL Council of Europe Anti-Money Laundering Group, based in Strasbourg, France

Apart from the FSRBs, ESAAMLG also works closely with other jurisdictions and organisations which have keen interest in money laundering and terrorist financing matters. These are allowed to attend ESAAMLG meetings.



Figure 2: SOME COOPERATING ORGANISATIONS AND SUPPORTING NATIONS



1.4. Members and Observer Observer Members

Membership of ESAAMLG is based on Article II of the Memorandum of Understanding (MOU) which stipulates that members are:

- a) Countries which subscribed to the MOU by signing it on 27 August 1999 or within six months thereafter, or
- b) Any country within the region whose application for membership has been approved by the Council.

Among other things, countries seeking membership must recognize the need to take action to combat money laundering and terrorist financing; commit themselves to establish and implement AML/CFT legislation, financial intelligence units, national AML/CFT Committee; acknowledge the need to cooperate with other states in this area. As at 31 March 2014, ESAAMLG had 17 members, the latest country to be admitted as a member being Ethiopia. In addition, ESAAMLG has 2 observer nations which have expressed interest to join.



Part of the Ethiopian delegation

Members

- | | |
|---------------|------------------|
| 1. Angola | 10. Namibia |
| 2. Botswana | 11. Seychelles |
| 3. Comoros | 12. South Africa |
| 4. Ethiopia | 13. Swaziland |
| 5. Kenya | 14. Tanzania |
| 6. Lesotho | 15. Uganda |
| 7. Malawi | 16. Zambia |
| 8. Mauritius | 17. Zimbabwe |
| 9. Mozambique | |

Observer Members

1. Burundi
2. Rwanda

The above is the current list of members.

COUNCIL OF MINISTERS AND TASK FORCE MEETINGS

In terms of the ESAAMLG Memorandum of Understanding the Council of Ministers Meeting shall be held at least once every year while the Task Force of Senior Officials shall meet at least twice a year. The main purpose of the Council meeting is to discuss the strategic direction of the Group and its work programme.



2.1 Key Outcomes of the 13th Council of Ministers' meeting

The Council of Ministers' meeting was preceded by the 26th Task Force of Senior Officials meetings held from 2-5 September 2013. The senior officials deliberated on a number of issues and made recommendations to the Council of Ministers for approval/ adoption.

Some of the key outcomes of the Council meeting were as follows:

- Approval of the Post Evaluation Implementation Plan of Angola;
- Admission of Ethiopia as a full member of ESAAMLG;
- Approval of the Schedule for the 2nd Round of ESAAMLG Mutual Evaluations;
- Adoption of a typologies report on *'Money Laundering through the Real Estate Sector'*;

- Approval of a typologies study on ‘*Money Laundering Vulnerabilities through the Money Remittance and Currency Exchange Sectors*’;
- Adoption of the report on Public & Private Sector Surveys on Financial Integrity and Financial Inclusion Frameworks and Compliance Practices;
- Approval of Work Program for the financial year 2014/2015;
- Approval of audited financial statements for 2012/2013 and budget for 2013/2014 financial years.

2.2 27th Task Force of Senior Officials Meeting, Arusha, Tanzania

The 27th ESAAMLG Task Force of Senior Officials Meeting was held at the Arusha International Conference Centre, Arusha, Tanzania from 31st March to 4th April, 2014. The Task Force meeting was chaired by Ms. Leonie Dunn, the Director of FIU, Namibia. It was opened by Mr. John Mongela, District Commissioner of Arusha on behalf of the Deputy Minister for Finance of the United Republic of Tanzania.



The District Commissioner noted that ESAAMLG was in its 15th year of existence as an FATF Style Regional Body (FSRB). During the 15 years of ESAAMLG's existence, the region had made good progress in implementing Anti - Money Laundering/Combating Financing of Terrorism (AML/CFT) systems and that its members were increasingly complying with the international standards developed by the Financial Action Task Force (FATF). He expressed confidence that, given the dedication and commitment to fight crime in the region, the forthcoming assessments would demonstrate better progress compared to the last round of evaluations.

Commenting on the planned Workshop on the Implementation of the United Nations Security Council Counter Terrorism Resolutions, he welcomed the initiative as a very timely one. He indicated that the implementation of the United Nations Security Council Resolutions in accordance with the standards set by the FATF had been a major challenge for a number of countries in the region. The inclusion of requirements for countries to implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and financing had added more challenges to countries in the region. He therefore expressed optimism that the workshop would go a long way in building the capacity which would enable countries in the region to fully meet their obligations of implementing the resolutions as required.

The District Commissioner observed that the region remained very vulnerable to crime and the associated laundering of proceeds from criminal activities. He also noted in recent years, the threat of terrorism had increased in the region and the incidence of terrorism and its organization had become more complex. The financing of these activities was equally complex. This had made it necessary for governments in member countries of ESAAMLG to constantly remain vigilant in the fight against money laundering and financing of terrorism. He hoped that, as the region moves forward, countries would constantly assess the systems they had put in place to ensure that they adequately address the level of risk which each member country faces.

The District Commissioner further noted countries in the region have not been deterred from exploring opportunities to promote financial inclusion so that the widest sections of populations across the membership have access to financial services. He therefore welcomed the work ESAAMLG was undertaking in promoting financial inclusion. He observed that there were huge economic benefits that member countries would gain through successful integration of the population in the financial services offered.

He concluded by reiterating the need to sustain the political commitment of all countries. He was pleased to note that all member countries were committed to hold each other to account in the implementation of the FATF Standards in accordance with the objectives of the ESAAMLG Memorandum of Understanding. This had contributed to all countries making progress in addressing the deficiencies existing in their regimes. He hoped that this spirit would continue as the organization embarked on its second round of assessments.

PERFORMANCE HIGHLIGHTS OF THE YEAR

Strategic Objective No. 1

Effective Post Evaluation Implementation of AML/CFT measures in member countries

Post Evaluation Monitoring Process

During the period under review, the Task Force (through the Working Group on Mutual Evaluations) reviewed progress reports of all countries under the monitoring process. Depending on the degree of deficiencies, some of the countries submitted bi-annual progress reports while others were required to submit progress reports annually.

In view of Botswana's slow pace in implementing measures to deal with deficiencies outlined in its Mutual Evaluation Report, ESAAMLG organised a High Level Mission to the country in August 2013. The objective of the Mission was to express concerns of ESAAMLG on the lack of progress and urge the authorities to expedite the post evaluation implementation of the international standards to combat money laundering and terrorist financing.

The High Level Mission met all the key stakeholders. During the meetings, the Mission explained to the authorities the purpose of the visit, the need for the country to address the deficiencies and the implications of not addressing the deficiencies. This assisted the stakeholders to have a clear picture of their obligations. The Mission concluded that all stakeholders with whom it met recognised the importance of their respective roles and responsibilities within the AML/CFT reform process. In the end, the country re-affirmed its commitment to expedite reforms and legislative process to address the shortcomings by July 2014.

The ESAAMLG had also been concerned with the significant weaknesses identified in the anti-money laundering/combating the financing of terrorism (AML/CFT) regime of the Republic of Uganda. The jurisdiction had not made any progress in implementing the recommendations in its mutual evaluation report. As a consequence, ESAAMLG decided to put Uganda on a public statement in September 2013. ESAAMLG therefore called upon Uganda to expeditiously and comprehensively address these deficiencies and, in particular, to enact its AML law, amend the Penal Code, and amend the Anti-Terrorism Law to criminalize terrorist financing in line with AML/CFT international standards.



Part of Ugandan delegation explaining a point to Reviewers during discussion of Uganda's Progress Report

Strategic Objective No. 3

Increasing and sustaining the knowledge of money laundering and terrorist financing trends and techniques in the region in order to effectively contribute to regional and international AML/CFT policy formulation

Since its inception, ESAAMLG has been carrying out a number of Typology studies which allow for the sharing of information collated by various bodies involved in the fight against money laundering, with the aim of increasing awareness of the attendant risks to the region. It is believed that through a better understanding of the money laundering and terrorist financing risks, countries will be able to adopt and implement appropriate measures against money laundering and terrorist financing.

A Typologies Study on Money Laundering through the Real Estate

In 2013, ESAAMLG embarked on a typologies project-*Money Laundering through the Real Estate Sector*. An increase in demand for immovable property, such as residential properties and commercial properties, had been observed among member countries. Given that the exponential growth of this sector could be spurred by illicit finance arising from a number of criminal activities which include fraud, forgery, tax evasion, embezzlement and violations of specific statutes related to the Real Estate Sector most of which are predicate offences to Money Laundering (ML), the ESAAMLG decided to carry out a typologies study in this Sector.

The study looked at vulnerabilities, methods and/or channels used by criminals in the Real Estate Sector with the intention to assist member countries to put in place measures that could mitigate the ML/FT risks in the sector. Some of the key findings of the study were as follows:

- Most real estate purchase/sale transactions are cash based;
- Most countries in the region do not have designated agencies or units for investigating ML/FT within the Real Estate Sector but such cases are investigated by the Police as part of their normal course of duties;

- Most law enforcement agencies in the ESAAMLG Region do not go beyond investigating the predicate offence thereby limiting cases where the money laundering aspect of the offence would have been pursued;
- The study also revealed that lack of sufficient regulatory bodies and legal frameworks covering the Real Estate Sector pose a threat to the efficient policing of the Sector;
- Most registry/deeds departments use manual methods for record keeping and compilation affecting efficient, reliable and accurate maintenance of updated information;
- The study also noted that some Designated Non-Financial Businesses and Professional (DNFBPs) aid money launderers in concealing illicit gains by holding the funds in their trust accounts and later facilitate payment of such funds for real estate on behalf of the money launderers (their clients).

The report provides useful information and vivid case studies intended to help postulate the existing criminal activities in the Real Estate Sector. It is hoped that the findings will equip policy makers, regulators/supervisors, Real Estate professionals and Law Enforcement Agencies with requisite knowledge, trends and vulnerabilities in the Real Estate Sector. The report further encourages aggressive campaigns to bring awareness to law enforcement agencies on issues related to money laundering in the Real Estate Sector.

For the coming year (2014/15), ESAAMLG expects to complete a typologies study on “Money Laundering Vulnerabilities through the Money Remitters and Currency Exchange Sectors” and start another one: “Money Laundering Vulnerabilities through the Securities Industry”.

Special Typologies Project on Poaching and Illicit Trade in Wildlife Products

Towards the end of the period under review, ESAAMLG also considered a proposal made by Namibia and the ESAAMLG Secretariat to undertake a Special Typologies project on Poaching and Illicit Trade in Wildlife Products. Preliminary work, in particular conceptualization of the project, has been undertaken by a Project Team.

It was noted that the majority of ESAAMLG member countries have vast resources in wildlife which, during the last few years, have seen unprecedented targeting by both individuals and syndicates involved in poaching and other illegal wildlife activities. This typology project will therefore focus on poaching and illegal trade in wildlife and wildlife products and associated money laundering in the ESAAMLG Region.



Ivory tusks displayed in Hong Kong which originated from an ESAAMLG member country

The main objectives of this project (which might be developed further) are as follows:

- To determine the magnitude of poaching of wildlife, its illegal trade and other related wildlife crimes in the ESAAMLG Region.
- To determine the major underlying reasons for poaching of wildlife, its illegal trade and other related wildlife crimes.
- To determine how poaching and related wildlife crimes are organised in the ESAAMLG Region, establish who is involved, where the crimes are most concentrated and possible reasons.
- To establish the trends in payment methods, ways of tracing the proceeds and how they are eventually laundered and whether there has been an effective confiscation/forfeiture regime for these crimes in the ESAAMLG member countries.

- To establish the extent of the prejudice (both in monetary and wildlife resource value) to governments in the ESAAMLG Region.
- To determine the adequacy of control measures (legal and institutional frameworks) and implementation in preventing poaching and related wildlife crimes.
- To come up with recommendations to mitigate the gaps identified and augment the regulatory, supervisory and enforcement framework already existing in ESAAMLG member countries.

The proposal is expected to be presented to the Council of Ministers for approval at its meeting in September, 2014.

Strategic Objective No. 4

Expansion of ESAAMLG membership

In line with the Council of Ministers' decision in 2007, ESAAMLG developed an Outreach Program for countries in the region to join the ESAAMLG. This organization recognizes that money laundering and terrorist financing crimes are transnational problems which require unified and concerted efforts by all countries in the region to deal with. It therefore embarked on an outreach program with Burundi, Democratic Republic of Congo, Ethiopia and Rwanda.

Ethiopia

Recognising the need to join the regional network against money laundering and terrorist financing, Ethiopia applied for ESAAMLG membership. Following a preliminary assessment of the application, ESAAMLG undertook a Mission to Ethiopia in May 2013 to assess the country's commitment to the objectives of the ESAAMLG MOU. On the basis of the Mission's report, the Council of Ministers admitted Ethiopia as a full member of ESAAMLG in September 2013.

Rwanda



Rwanda became an observer member of ESAAMLG in 2012. During the period under review, the country submitted an application for full membership. ESAAMLG noted Rwanda's commitment to the objectives of the ESAAMLG MOU through, among other things, its willingness to undergo an AML/CFT assessment by the International Monetary Fund (IMF). However, the application had been submitted out of the time prescribed in the ESAAMLG MOU. As a result, ESAAMLG deferred discussion of the application to the next Council Meeting in September 2014.

Burundi and Democratic Republic of Congo

ESAAMLG will continue engaging Burundi and DRC and provide any assistance that these countries require in order to become members.

Strategic Objective No. 5

Strengthening regional and international cooperation among member countries

ESAAMLG Secretariat and some member countries participated in the following meetings:

- Regular FATF plenary meetings (June 2013, October 2013 and February 2014).
- Joint FATF/MENAFATF Typologies Experts Meeting held in Qatar in December 2013.
- FATF Regional Review Group Meetings.

Apart from its involvement in FATF activities, ESAAMLG also continuously follows up on developments in the area of combating money laundering and terrorism financing by attending meetings, conferences, seminars and workshops. During the period under review, ESAAMLG participated in the meetings/ workshops conducted by EGMONT Group of FIUs in July 2013 and the United Nations Counter-Terrorism Executive Directorate (UNCTED) in April 2014.

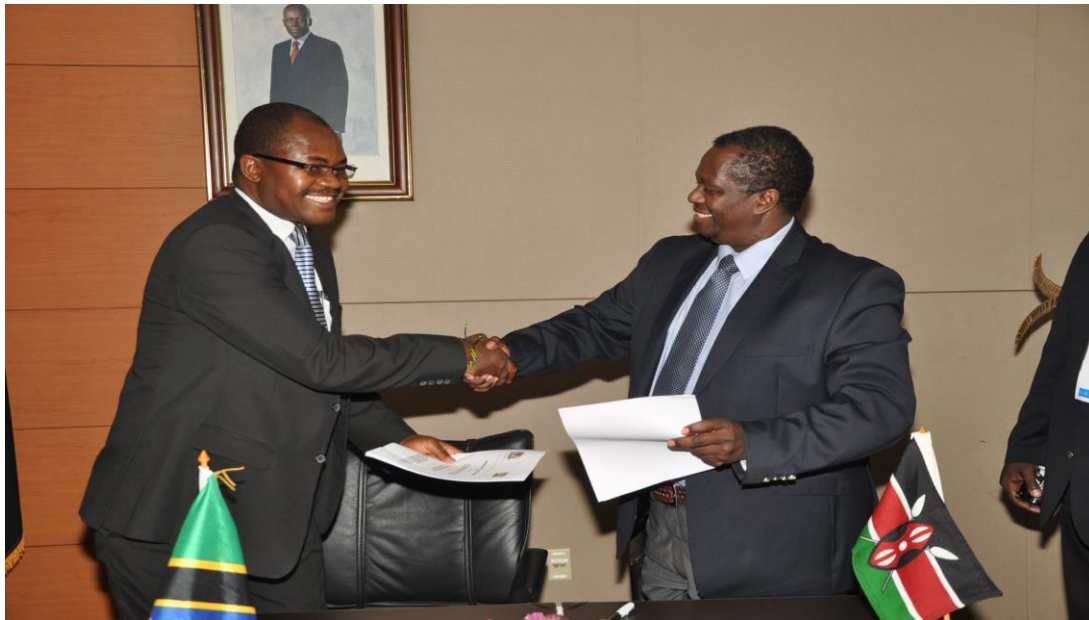
ESAAMLG, as a specialized organisation in AML/CFT matters, is also keen to cooperate with regional bodies which have an interest in AML/CFT matters. In this regard, ESAAMLG has signed a Memorandum of Understanding (MOU) with the Southern African Development Community (SADC) in August 2013. The MOU will provide an excellent opportunity to promote ESAAMLG's work and also form a platform for collaboration, cooperation, exchange of information and technical assistance. The ultimate outcome of this working relationship will be an improved implementation of international standards on anti-money laundering and combating terrorist financing by member countries.

In a bid to enhance cooperation amongst Financial Intelligence Units (FIUs) within ESAAMLG, members agreed to form an FIU Forum during the Task Force of Senior Officials meeting held in Zanzibar in April 2011. The primary aim of the Forum is to promote cooperation and provide a platform for information exchange amongst FIUs of member countries.



Director of Malawi FIU (left) and Director of FIC, Zambia (right) sign an MOU

During the year under review, the Forum carried out a study on the protection of information by FIUs. According to experiences observed over the years, information derived from a Financial Intelligence Unit (FIU) in one jurisdiction to further develop a criminal investigation by law enforcement agencies and eventual prosecution by prosecutorial authorities in another jurisdiction, has been disclosed to unauthorized third parties. Leaks of FIU information may have a devastating effect on the reputation of those whose personal information has been divulged inappropriately, especially if they are not charged with a crime or if they are not found guilty after prosecution. Leaks can also compromise law enforcement investigations, alert targets of an inquiry and erode the trust of reporting entities in the AML/CFT regime.



Heads of Tanzania FIU and Kenyan FIU exchange an MOU

In view of the foregoing, ESAAMLG found it necessary to carry out a study on FIU controls designed to enhance the protection and safeguarding of FIU information. The main objective of this study was to identify relevant controls implemented by ESAAMLG member countries and compare the same to international best practices and principles that are geared towards enhancing the safeguarding and protection of FIU information.

Admission of Seychelles FIU as Egmont Group member

ESAAMLG was pleased to learn that Seychelles FIU was admitted as an Egmont Group member in July 2013 alongside FIUs from Algeria, Burkina Faso and Togo during the Egmont Plenary in South Africa. The admission of Seychelles brought the number of FIUs in ESAAMLG which are members of the Egmont Group to four- after Malawi, Mauritius and South Africa. This development has given encouragement to the remaining FIUs in the region to work towards meeting the Egmont membership requirements.

Strategic Objective No. 7

Prioritizing and consolidating regional AML/CFT capacity building, training and awareness raising programmes

Assessors Training for 2nd Round of Mutual Evaluations

The continuous delivery of Technical Assistance and Training Programmes are of critical importance to the strengthening of the national and regional capacity to address deficiencies in the AML/CFT regimes as identified in the Mutual Evaluation and Follow-Up Reports or to comply with new international AML/CFT Standards and UN Conventions or UN Special Council Resolutions. In order to facilitate this, ESAAMLG established a Technical Assistance and Training Coordination Forum, which among other things, brings together member countries that need technical assistance, and cooperating and supporting nations and organisations that provide technical assistance. This Forum provides a useful gateway for the two sides to engage each other with respect to the delivery of appropriate technical assistance and training- both country specific and regional training programs.

Following the recommendations of this Forum, ESAAMLG conducted Assessors Training Workshop during the period under review. The Financial Action Task Force (FATF), based on lessons learnt from AML/CFT mutual evaluations conducted by itself, the FATF Styled Regional Bodies (FSRBs) which includes ESAAMLG and International Financial Institutions (IFIs), decided to revise and improve the old standards. The FATF came up with a revised set of standards which combined the 40 Recommendations and 9 Special Recommendations into 40 Recommendations which were issued in February 2012. The changes to the Recommendations also necessitated revision of the 2004 FATF Methodology. So, in February 2013 the FATF issued the new Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems. Furthermore, following the revision of the Standards and the Methodology, the FATF came up with revised mutual evaluation procedures.

The adoption of the revised FATF Standards, the new Methodology and revised mutual evaluation procedures have necessitated training of assessors and countries to take into account the new requirements. It is for this purpose that ESAAMLG conducted the Assessors Training in January 2014. This training drew over 60 participants from member countries.

ESAAMLG Workshop on the Implementation of United Nations Security Council Resolutions

According to mutual evaluation reports for the ESAAMLG first round of mutual evaluations, most member countries registered low levels of compliance with FATF Recommendations related to the UNSCRs 1267 and 1373. Drawing on this information in the Mutual Evaluation and Follow-Up Reports regarding ongoing strategic AML/CFT deficiencies, ESAAMLG organised a regional workshop on the Implementation of United Nations Security Council Resolutions in the margins of the 27th Task Force of Senior Officials meeting in April 2014. The Workshop was facilitated by experts from the United Nations Counter-Terrorism Executive Directorate, the UN Analytical Support and Sanctions Monitoring Team, the Panel established pursuant to UNSCR 1874 (DPRK) and the Panel of Experts established pursuant to UNSCR 1929 (Iran).

The presentations covered the following topics:

- Implementation of Targeted Financial Sanctions under UNSCR 1373 in relation to FATF Recommendation 6;
- Implementation of Target Financial Sanctions under the UN Al-Qaida and 1988 Sanctions Regimes in relation to FATF Recommendation 6;
- Implementation of UNSCR 1718- Restrictive Measures in relation to the Democratic People's Republic of Korea (DPRK)- in relation to FATF Recommendation 7;
- Implementation of UNSCR 1737- Restrictive Measures relating to the Islamic Republic of Iran- FATF Recommendation 7.

Regional Workshops

AUSTRAC and UNCTED conducted Africa Regional Workshops which were held on 27-30th May 2013 in Pretoria, South Africa. Workshop 1 was titled “Controlling Cross-Border Movement of Cash and Bearer Negotiable Instruments while Workshop 2 was titled ‘Demystifying the Risk-Based Approach’. Over 60 participants which were drawn from all member countries and Rwanda (Observer Member) attended the workshops.

Other Workshops

1. FATF Assessors Training Workshop which was held in Washington, USA from 23-27 September 2013;
2. FATF Assessors Training Workshop which was held in Rome, Italy from 18-22 November 2013.



Part of delegates listening to a presentation

Strategic Objective No. 8

Promoting the Implementation of AML/CFT measures and financial inclusion

ESAAMLG strongly believes that implementation of AML/CFT measures and promotion of financial inclusion is complementary. For this purpose, ESAAMLG resolved to play a pivotal role in assisting member countries on how best to implement AML/CFT measures without undermining policies on promotion of financial inclusion. In 2012, ESAAMLG in conjunction with Alliance for Financial Inclusion conducted public and private sector surveys to gauge the level of current policies, laws and practices relating to implementation of AML/CFT Standards and financial inclusion policies in the member countries. The report was presented and adopted by the Council of Ministers in September 2013 at its meeting in Swakopmund, Namibia.

The report sets out the key findings from the surveys and recommendations on how to address some of the challenges raised by the respondents. Some of the key findings are as follows:

- Countries reported that both financial inclusion and financial integrity were important policy objectives.
- Most countries surveyed had adopted AML/CFT laws and were developing policy and regulatory frameworks regarding financial inclusion. However, none¹ of them had adopted risk-based AML/CFT legal frameworks thereby not taking advantage of the flexibility permitted in the FATF Standards.
- It was further noted that all participating countries had financial inclusion initiatives and most countries had some policy elements in place but few countries had formal and comprehensive policy frameworks on financial inclusion. In addition, it was observed that countries were at different stages of developing their policies.

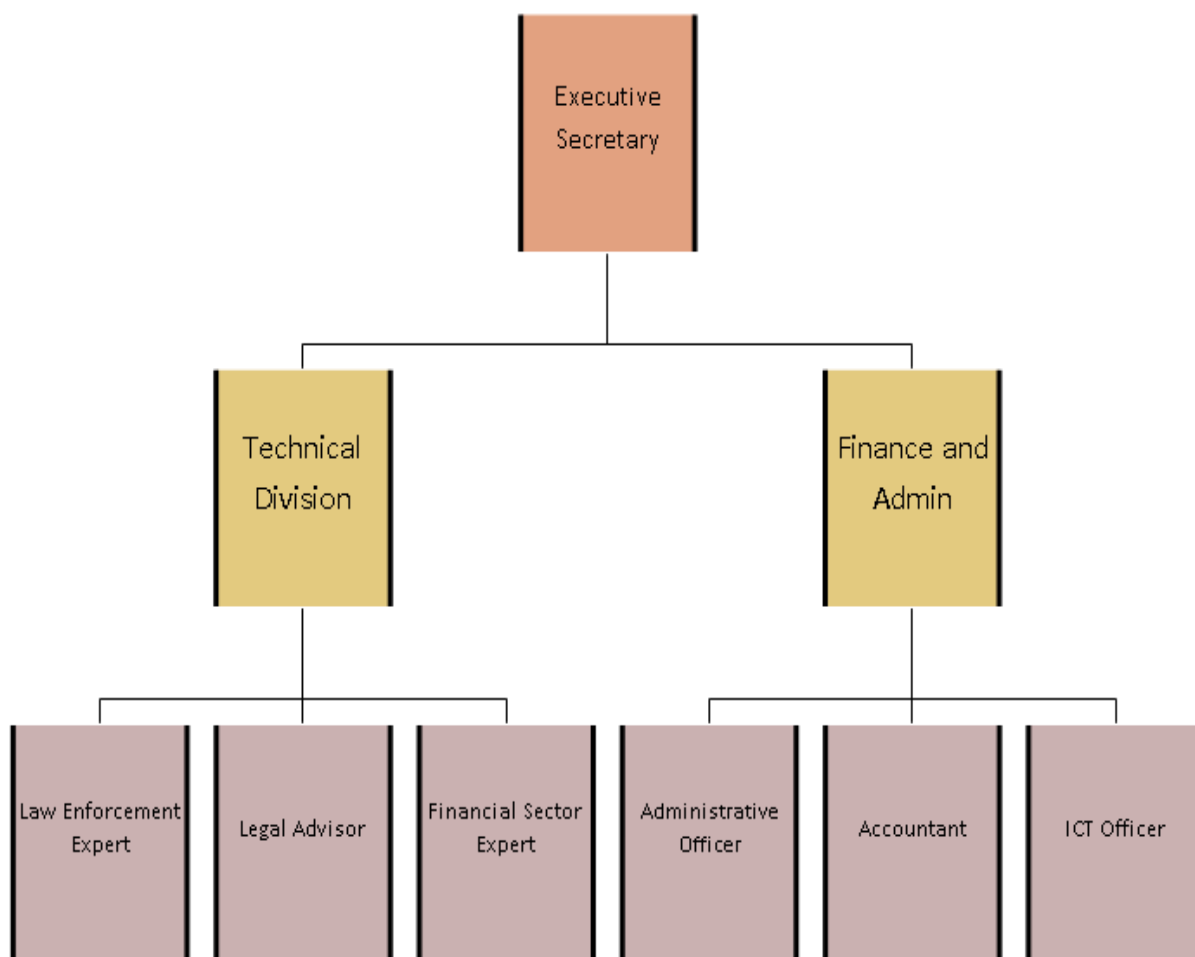
¹ It must be mentioned that the situation has since changed. Some countries have developed and are implementing risk-based AML/CFT policies and regulations.

Subsequent to the adoption of the report, members reviewed the recommendations contained in the report and agreed on their implementation in a phased manner. On the basis of the discussion, a program of work to implement the recommendations was drawn. One of the first recommendations to be implemented related to the proposal to hold a Peer Learning Workshop to support the drafting of a comprehensive national policy and risk-based legal frameworks. It was observed that a Peer Learning Workshop would be important as it could facilitate equal understanding of issues as member countries progress in the implementation of FATF Standards. It was therefore agreed that the workshop should be organised before September 2014.

Strategic Objective No. 9

Consolidating the Sustainability and Efficiency of the Secretariat

The ESAAMLG Secretariat is based in Dar es Salaam, United Republic of Tanzania and is hosted by the Tanzanian Government through the Ministry of Finance. During the year, the Secretariat recruited an additional Financial Sector Expert. As at 31st March 2014, the staffing of the Secretariat was as follows:



Secretariat Responsibilities

The main responsibilities of the Secretariat are as follows:

- Organise and conduct the Task Force of Senior Officials and Council of Ministers' meetings;
- Provide technical and administrative support to the Council of Ministers, Task Force of Senior Officials and Working Groups;
- Prepare and implement annual budgets, strategic plan and work programs;
- Coordinate and participate in mutual evaluations;
- Identify training and technical assistance needs of member countries, and facilitate provision thereof;
- Establish and maintain working relationships with relevant regional and international organisations;



Some of the Secretariat staff

- Act as a liaison between ESAAMLG and third party countries and organisations involved in countering money laundering and terrorist financing;
- Provide expertise to member countries concerning combating money laundering and terrorist financing;
- Arrange and conduct outreach missions to potential members.



Part of the Secretariat team providing support to delegates in Arusha (2014)

The U.S. Department of the Treasury, Her Majesty's Treasury (HMT) and ESAAMLG launched a Sub-Saharan Africa Public-Private Sector Dialogue (PPSD) aimed at facilitating the development and implementation of effective anti-money laundering and combating the financing of terrorism (AML/CFT) controls, based on the revised international standards promulgated by the Financial Action Task Force (FATF). The inaugural PPSD on Anti-Money Laundering/Combating the Financing of Terrorism was held in Swakopmund, Namibia, September 6-8, 2013. It was hosted by the Bank of Namibia and had over 200 public and private sector participants, including a dozen Ministers from the Treasury and Justice Ministries in the region.

Public sector participation included representatives from all members of ESAAMLG, as well as four G8 members (UK, United States, Canada and Russia). Private sector participants and panelists included officials from Standard Bank of South Africa, Investec, Nedbank, HSBC, Standard Chartered, Commercial Bank of Kenya, Barclays, Citigroup, Western Union, SafariCom, FinmarkTrust, and KPMG.

The primary objectives of the PPSD were to: (i) raise the political profile and importance of robust AML/CFT regimes in the region; (ii) discuss such effective regimes as a vital foundation to sustainable economic growth; and (iii) to facilitate the exchange of technical knowledge between public and private sectors on practical issues related to effective implementation of AML/CFT measures. Six panel sessions provided the platform for discussion around these objectives: (1) Investing in Africa; (2) Financial Inclusion; (3) Non-Traditional Financial Sector; (4) National Risk Assessments; and (5) Customer Due Diligence/Know Your Customer/Correspondent Banking. A number of key themes emerged from these sessions as highlighted below:

IMPORTANT THEMES

Investing in Africa

- International financial institutions expect to see Sub-Saharan African countries applying effective international standards on AML/CFT.

Financial Inclusion

- FATF Recommendations do not prescribe how a customer's identification should be verified, relying instead on effective implementation of the risk-based approach. There is an opportunity for African policymakers to discuss how identification should be verified within each jurisdiction's local context and how such verification measures could be accepted into an international bank's CDD/KYC procedures.
- Given the infrastructural challenges throughout the continent, it is physically difficult to access bank branches. Mobile banking products could continue to bridge the divide with Small and Medium Enterprises and other high-growth models.

Non-Traditional Financial Sector

- The public sector officials highlighted gaps in AML/CFT legislative and regulatory regimes on national payments methods in Africa, which are mainly focused on the commercial banking sector. Specific examples include the Sub-Sahara Africa's lack of: e-finance legislation; mandatory SIM card registration; and robust cybercrime legislation. Legal and regulatory tools in these areas would assist law enforcement and financial intelligence units in Africa and beyond to combat National Payments Methods-related illicit financial threats.

National Risk Assessments

- A national risk assessment is an on-going, interactive process, not a one-time task. Private sector participation and contribution is essential in developing the national risk assessment.

- Private sector officials stressed the importance of sharing, either through private consultations or making the NRA publicly available, sufficient details of the final assessment with financial institutions, as they represent the first line of entry to jurisdiction's financial system. Financial institutions need this information to detect and combat ML/TF and to work with government officials to develop typologies.

Customer Due Diligence/Know Your Customer and Correspondent Banking

- Application of effective CDD/KYC measures is the foundation for combating all forms of financial crimes.
- Many international financial institutions' CDD/KYC models are constantly evolving to keep up with changing financial crime trends, and increasing regulatory requirements and expectations.
- Correspondent banking relationships are vital for access to international financial markets, but weak AML/CFT controls, specifically CDD/KYC, in partner jurisdictions will prevent international banks from establishing these relationships.
- AML/CFT compliance monitoring and supervision is costly, so global financial institutions do business in jurisdictions that value accountability and transparency, a prerequisite for sustained revenue generation.
- International banks have great difficulty in SSA with the following: acquiring reliable information about customer identification; lack of electronic identification systems; lack of databases and/or up-to-date national registries; and effective AML/CFT implementation that is applied in line with FATF standards and takes into consideration jurisdictional and local customs across African.

PRIORITIES FOR THE YEAR AHEAD

The future activities will be guided by the ESAAMLG Strategic Plan: 2012-2015. The approved Work Program will form the operating framework for next year which will include the following key tasks:

Governance/ Meetings

- The 14th Council of Ministers and 28th Task Force of Senior Officials meetings are expected to be held in September 2014, in Luanda, Angola.

Outreach Missions

- It is anticipated that ESAAMLG will finalise a review of Rwanda's application for full membership and admit the country at its meeting in September 2014. The Group will also continue engaging other countries on the list of its outreach program.

Technical Assistance and Training

- Training for Assessors based on the Revised FATF Standards- in preparation for its second round of MEs from 28 April- 2 May 2014 in Victoria Falls, Zimbabwe Training;
- The Commonwealth Secretariat, in collaboration with ESAAMLG, will hold a training workshop for Directors of Public Prosecutions and Heads of Prosecutions of Anti-Corruption and Anti-Money Laundering Agencies on "Corruption and Economic Crimes: Recovery and Repatriation of its Proceeds" from 29 April – 2 May 2014 in Gaborone, Botswana.
- ESAAMLG plans to hold a Regional Training for ESAAMLG members on National Risk Assessment from 30 June – 4 July 2014.
- The ESAAMLG, in collaboration with the World Bank, expects to hold a Peer Learning Workshop on Financial Inclusion from 28-30 July 2014.

Mutual Evaluation

In preparation for the start of the second round of evaluations, ESAAMLG will conduct Pre-Evaluation Workshops for the first two countries on the Schedule of mutual evaluations in December 2014 and conduct onsite visits early 2015.

Post Evaluation Monitoring of Compliance with FATF Standards

- ESAAMLG will continue implementing the post evaluation monitoring of its members, including analysis of progress, in accordance with the Mutual Evaluation Procedures.

Typologies Research

- Completion of a typologies project on *“Money Laundering through the Money Value and Currency Exchange Service Providers”*;
- Beginning of two new projects: *“Money Laundering and Terrorist Financing through the Securities Industry”* and *“Special Typologies Project on Poaching and Illicit Trade in Wildlife Products”*.

The FATF ICRG Process

- Providing assistance to all members who are currently undergoing FATF ICRG review. For this reason, ESAAMLG would like to undertake a number of TA&T initiatives to ensure that concerned member countries receive guidance on the ICRG process, developing their action plans, responding to the ICRG requirements, and accessing assistance and training.



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

AUGUST 2014

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**INNOVEX Auditors**

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Ada Estate (Near the French Embassy)
P.O. Box 75297
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Mobile: +255 715 540 949
Landline: +255 22 2664099
Fax: +255 22 2664098
Email: admin@innovexdc.com
Website: www.innovexdc.com

The President
Council of Ministers
Eastern and Southern Africa Anti-Money Laundering Group
P.O Box 9923
Dar es Salaam
Tanzania

INDEPENDENT AUDITORS REPORT TO MEMBERS OF THE EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP

Hon Minister, we have audited the accompanying financial statements of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) set out on pages 9 to 34 which comprise the statement of financial position as at 31 March 2014, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council of Minister's Responsibility for the Financial Statements

The Council of Minister's is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent 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 depended on auditor's 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 the internal controls 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 company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

**EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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 give a true and fair view of the state of financial position of the Eastern and Southern Africa Anti-Money Laundering Group as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other regulatory requirements

In our opinion, proper accounting records have been kept by the Eastern and Southern Africa Anti-Money Laundering Group and the financial statements referred to in the preceding paragraph are in agreement with the accounting records and have generally complied with the requirements of Memorandum of Understanding.

INNOVEX Auditors

Certified Public Accountants
Dar es Salaam
Per Christopher Mageka, CPA -PP

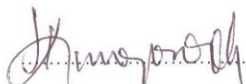
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EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

		2014 USD	2013 USD
ASSETS	Notes		
Non - current assets			
Property and equipment	4	94,032	63,907
Intangible assets	5	273	523
		<u>94,305</u>	<u>64,430</u>
Current assets			
Subscriptions receivable	6	221,534	188,120
Other receivables	7	34,853	32,716
VAT receivable	8	104,776	76,684
Fixed deposit	9	250,000	200,196
Cash and cash equivalents	10	961,732	721,290
		<u>1,572,895</u>	<u>1,219,006</u>
TOTAL ASSETS		<u>1,667,200</u>	<u>1,283,436</u>
RESERVES AND LIABILITIES			
Reserves			
Special reserve		456,626	202,783
General reserve		204,258	699,358
Revaluation reserve		63,178	-
		<u>724,062</u>	<u>902,141</u>
Long term liabilities			
Deferred capital grant	11	4,638	8,613
Staff gratuity	14	59,527	38,588
		<u>64,165</u>	<u>47,201</u>
Current Liabilities			
Deferred capital grants	11	3,975	3,975
Deferred income	13	290,806	-
Staff gratuity	14	59,447	34,256
Subscriptions received in advance	15	385,718	195,785
Accrued charges	16	139,027	100,078
		<u>878,973</u>	<u>334,094</u>
TOTAL RESERVES AND LIABILITIES		<u>1,667,200</u>	<u>1,283,436</u>

The notes on pages 13 to 34 form an integral part of these financial statements. The financial statements on pages 9 to 12 were approved by the Council of Ministers on 2014 and were signed on its behalf by:

 Date.....
President of the ESAAMLG

 Date..... 5/7/2014
Executive Secretary

The independent auditors' report is on pages 7 and 8

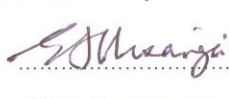
**EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 31 MARCH 2014**

	Notes	2014 USD	2013 USD
INCOME			
Subscriptions	17	954,125	894,500
Grants	18	55,782	142,127
Other income	19	3,975	4,197
		<u>1,013,882</u>	<u>1,040,824</u>
EXPENDITURE			
Employee benefits expense	20	558,831	494,421
Administrative expenses	21	122,434	73,631
Meeting expenses	22	204,751	181,405
Special project expenses	23	309,511	219,072
Depreciation charges	4	18,235	23,492
Amortization charges	5	250	227
Impairment loss on property and equipment	12	21,932	-
Audit fees		12,024	11,724
		<u>1,247,968</u>	<u>1,003,972</u>
Surplus		<u>(234,086)</u>	<u>36,852</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(234,086)</u>	<u>36,852</u>

The notes on pages 13 to 34 form an integral part of these financial statements. The financial statements on pages 9 to 12 were approved by the Council of Ministers on..... 2014 and were signed on its behalf by:

 Date.....
President of the ESAAMLG

 Date 5/9/2014
Executive Secretary

The independent auditors' report is on pages 7 and 8

**EASTERN AND SOUTHERN AFRICA ANTI-MONEY LAUNDERING GROUP (ESAAMLG)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

STATEMENT OF CHANGES IN GRANTS AND RESERVES FOR THE YEAR ENDED 31 MARCH 2014

	Special reserve USD	General reserve USD	Asset revaluation reserve USD	Total equity USD
Opening balance as at April 2012	199,915	662,506	-	862,421
Interest from special reserve	2,868	-	-	2,868
Surplus for the year	-	36,852	-	36,852
Closing balance as at 31 March 2013	202,783	699,358	-	902,141
Opening balance as at 1 April 2013	202,783	699,358	-	902,141
Prior year adjustments	-	(11,014)	-	(11,014)
Adjusted opening balance	202,783	688,344	-	891,127
Interest from special reserve	3,843	-	-	3,843
Transfer to special reserve	-	(250,000)	-	(250,000)
Transfer from general reserve	250,000	-	-	250,000
Surplus for the year	-	(234,086)	-	(234,086)
Surplus from assets revaluation	-	-	63,178	63,178
Closing balance as at 31 March 2014	456,626	204,258	63,178	724,062

The notes on pages 13 to 34 form an integral part of these financial statements. The financial statements on pages 9 to 12 were approved by the Council of Ministers on..... 2014 and were signed on its behalf by:

 Date.....
President of the ESAAMLG

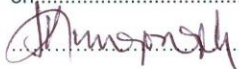
 Date 5/9/2014
Executive Secretary

The independent auditors' report is on pages 7 and 8

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 USD	2013 USD
CASH FLOW FROM OPERATING ACTIVITIES			
(Deficit)/surplus for the year		(234,086)	36,852
Non cash adjustments to reconcile surplus:			
Depreciation of property and equipment	4	18,235	23,492
Impairment on property and equipment		21,932	-
Prior year adjustments		(11,014)	-
Amortization of intangible assets	5	250	227
Amortization of government grants	11	(3,975)	(3,975)
Working capital adjustments			
Increase in subscription receivable		(33,414)	(106,365)
(Increase)/decrease in other receivables		(2,138)	13,306
Increase in VAT receivable		(28,092)	(17,600)
Increase in subscription received in advance		189,933	43,845
Increase in deferred income		290,806	-
Increase/(decrease) in staff gratuity		46,130	(21,702)
Increase/(decrease) in accrued charges		38,949	(28,736)
Net cash flow from/(used in) operating activities		293,516	(60,656)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4	(7,113)	(8,115)
Purchase of intangible assets		-	(750)
Increase in fixed deposit		(49,804)	(200,196)
Net cash used in investing activities		(56,917)	(209,061)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in special reserves		3,843	2,868
		3,843	2,868
Net increase / (decrease) in cash and cash equivalents		240,442	(266,849)
Cash and cash equivalents at 1 April		721,290	988,139
Cash and cash equivalents at 31 March	10	961,732	721,290

The notes on pages 13 to 34 form an integral part of these financial statements. The financial statements on pages 9 to 12 were approved by the Council of Ministers on 2014 and were signed on its behalf by:

 Date.....

President of the ESAAMLG

 Date 5/9/2014

Executive Secretary

The independent auditors' report is on pages 7 and 8