

ANNUAL REPORT

2014



VISION STATEMENT

Anguilla Social Security Board has improved the quality of life for all Anguillians by providing universal social security coverage. It is a sustainable social, economic and financial services organization with excellent service delivery by a customer-focused, knowledge-based and motivated staff; forging strategic alliances and engaging a well-informed public.

MISSION STATEMENT

Anguilla Social Security Board exists to improve the quality of life in Anguilla by providing meaningful social security to workers and beneficiaries, financial services to stakeholder institutions and socio-economic development for our community.

We will achieve this by being customer-oriented, strategy-focused and technology-driven; with competent and committed staff, high standards of corporate governance, and prudent financial management.

CORE VALUES

Accountability

Customer-focus

Teamwork

Integrity

Visionary-leadership

Excellence

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PREFACE

This report provides a review of the operations of the Board for the financial year 2014. It includes the audited consolidated Financial Statements, statistical analyses and tables with details on the overall performance of the Social Security System.

2014 PERFORMANCE HIGHLIGHTS

- Employee Registrations totaled 493 compared to 398 in 2013.
- Contribution Income increased from \$26.57M the previous year to \$26.96M .
- SSDF Reserves totaled \$2.75 M compared to \$2.50M in 2013.
- Reserves grew to \$302.94M from \$285.31M in the previous year.
- Employer & Self-Employed Registrations totaled 113 and 42 respectively, increasing significantly compared to 82 and 24 respectively in 2013.
- Administrative Cost was equivalent to 23.89% of Contributions, 26.01% of Total Expenditure.
- Total expenditure increased moderately by 9.31% to \$24.76M compared to \$22.65M.

2013 RECAP AT A GLANCE

- Reserves stood at \$285.31M, an increase of 7.53% over that of the previous year.
- Total Income increased by 5.41% amounting to \$41.27M.
- Contribution income increased by 9.72% totaling \$26.57M.
- Benefit Expenditure totaled \$11.93%, an increase of 11.83% compared to \$10.67 in 2012.
- Investment Income increased slightly by 1.31% totaling \$13.16M.
- Total Liabilities, Reserves and Development Fund stood at \$303.31M, an increase of 6.27 compared to \$285.41M in 2012.
- Net Income increased by 34.6% totaling EC\$18.62M.

BOARD MEMBERSHIP

Members of the Board of Directors were:

Mr. Alkin Rogers	- Employees' Representative/Chairman
Pastor Victor Hugo Brooks	- Employees' Representative/Deputy Chairman
Mrs. Jacqueline Bryan-Niles	- Government Representative
Ms. Lena Sasso	- Government Representative
Mr. Roosevelt Harris	- Employers' Representative
Mr. Evans Lake	- Employers' Representative
Mr. Timothy Hodge	- Director of Social Security

Mrs. Maglan Richardson, Deputy Director, served as Board Secretary.

INVESTMENT COMMITTEE MEMBERSHIP

Membership of the Social Security Fund Investment Committee were:

Mrs. Gele Bryan, Independent Member/Chairman
Mr. Patrick Hanley, Independent Member
Dr. Aidan Harrigan, Director of Finance/Member
Mr. Timothy Hodge, Director of Social Security/Member
Mr. Alkins Rogers, Chairman of Social Security Board/Member

Mrs. Maglan Richardson, Deputy Director, served as Secretary to the Investment Committee.

ECONOMIC ENVIRONMENT

The Social Security System's performance is closely linked to the overall economic performance of the island. Accordingly, an overview of the economic environment in which the System operated during 2014 is presented below. The information was extracted from the country report for Anguilla in the Eastern Caribbean Central Bank's Annual Economic and Financial Review for the Financial Year ended 31st March 2015. Anguilla is a member territory of the Eastern Caribbean Central Bank.

Economic activity in Anguilla is estimated to have increased in 2014 at an accelerated rate when compared with the previous year. Preliminary estimates indicate that real GDP grew by 1.9 per cent compared with 0.4 per cent in 2013. This expansion was attributed to developments in construction; hotels and restaurants; transport storage and communication; and real estate, renting and business activities sectors. Consumer prices decreased by 1.0 per cent during 2014, on an end of period basis. The central government recorded a larger overall surplus on its fiscal operations, when compared with 2013, reflecting an increase in revenue collections coupled with lower capital expenditure. The total outstanding public sector debt decreased during the period under review. Developments in the

Social Security: Improving the Quality of Life for All

banking system included an expansion in monetary liabilities and net foreign assets, in contrast to a contraction in domestic credit. Commercial bank liquidity improved during the review period and the weighted average interest rate spread between loans and deposits widened. The balance of payments recorded a larger overall surplus attributable to an increase in the surplus on the capital and financial account.

Economic activity is expected to increase in 2015 buoyed by improved performance of the tourism industry due to higher stay-over visitor arrivals, and an uptick in construction activity. In addition, the positive developments in those two key sectors are expected to positively impact the transport, storage and communications, and wholesale and retail trade sectors. The improvement in real sector activity could be moderated by possible downside risks in terms of the costs associated with the resolution of the banking sector vulnerabilities, an uneven global economic recovery due to continued fragility in the labour and housing markets in the USA and geo-political tensions in some oil exporting regions. The threat of weather related damage to the infrastructure presents another major downside risk to the forecast.

HUMAN RESOURCES

At year-end 2014, the Social Security Board had a staff complement of 33 persons, comprising 8 Management and 25 Non-Management persons.

Overseas Travel to Meetings/Seminars/Conferences/Workshops

- Two Board Members and the Director attended the Seminar on Social Security Universal Health Coverage in Dominica, 30th March – 3rd April.
- Chairman of the Board, Director and Investment Manager made a Due Diligence Visit to UBS offices in San Francisco, 12th – 16th April.
- One Board member and member of staff attended the Caribbean Association of Audit Committee Members 8th Conference in Trinidad, 9th – 12th July.
- One member of staff attended the Atlantic Connection Conference in Miami, 8th – 12th July.
- Chairman of the Board and another member attended the Caricom Reciprocal Agreement Workshop in St. Vincent, 21st – 22nd July.
- The Director and the Chairman of the Board attended the Caricom Heads of Social Security Meeting and Seafarers Convention Meeting in St. Vincent, 23rd – 25th July.
- ICT Manager visited Belize to observe systems to assist with setting up the National Health Insurance Project in Anguilla, 16th – 24th August.
- Deputy Director attend one meeting and workshop organized by CISS in Baltimore, USA, 10th -14th September.
- ICT Manager visited Canada to view a presentation on the ARIEL IT System proposal, 9th – 13th September.

STATISTICAL REVIEW

REGISTRATIONS

Employees

New employee registrations in 2014 increased significantly by 23.9% totaling 493, compared to 398 in 2013. This brought the accumulated total (this include active, inactive, residents, non-residents and deceased persons) of all insured persons on register to 18,685 up from 18,193 in 2013. Male registrants continue to dominate for the third consecutive year, accounting for 56.8% (280) of the new registrants in 2014, while females accounted for 43.2% (213). As is customary, the highest number of new registrants continued to be among the age group 15 – 19 years.

Chart 1

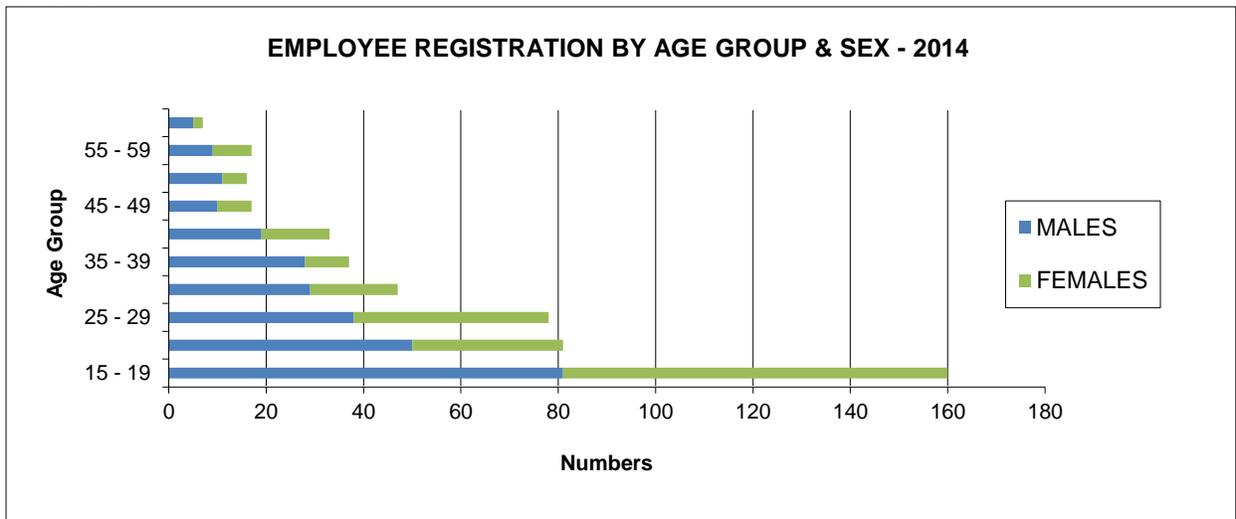
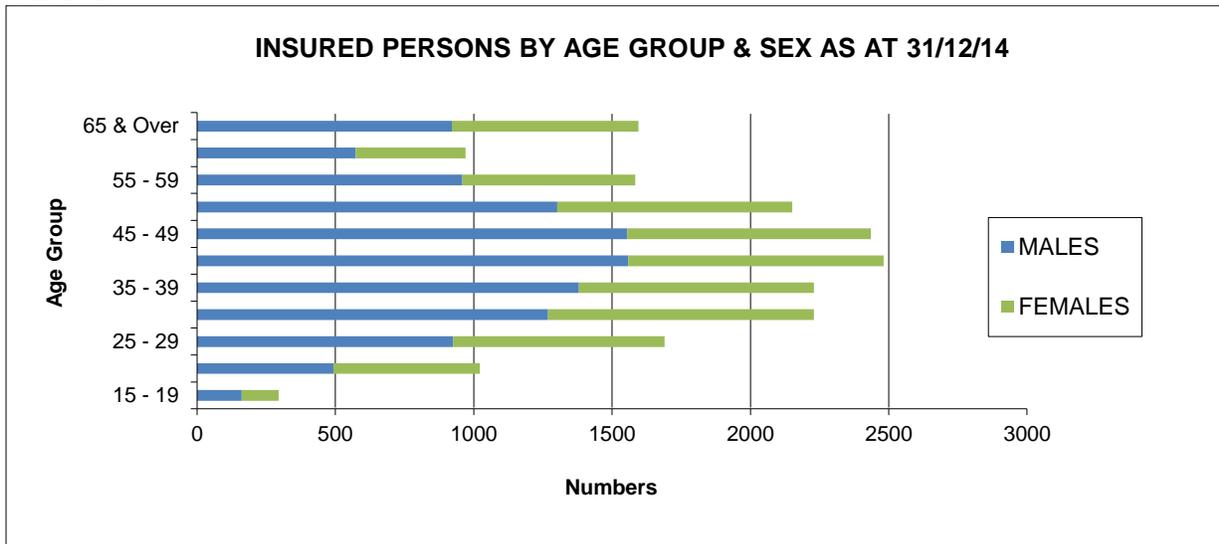


Chart 2



Employers & The Self-Employed

In 2014 employer and self-employed registrations were on the increase. New employer registrations totaled 113, and increased significantly by 37.8% compared to a total of 82 in 2013. Likewise, new self-employed registrations totaled 42 and also increased significantly by 75%, compared to 24 in 2013. Active employers increased moderately by 8.3% to 923 from 852 in 2013. The combined and accumulated total of employers on register increased moderately by 5.0% to 3582 from 3412 in 2013.

BENEFIT CLAIMS

The two benefit branches of Social Security are the Long-Term Benefits Branch and the Short-Term Benefits Branch. The Long-Term Benefits Branch comprises: Age, Disability and Survivors Pensions and Grants and the Non-Contributory Old Age Pension (NCOAP). The Short-Term Benefits Branch comprises Sickness Benefit, Maternity Benefit and Funeral Grant.

Benefit claims received were 3,668, an increase of 10.1% compared to 3,332 the previous year. Of the total claims received at year-end 2014, 2,736 were paid, 412 were rejected and 86 were pending. Short-term benefit claims which accounted for 96.6% of total claims were 3,542, an increase of 9.9% compared to 3,223 in 2013. Long-term benefit claims which accounted for 3.4% of total claims were 126, an increase of 15.6%, compared to 109 in 2013.

Full statistical data on benefit claims can be found in Tables 7, 8, and 9 of the Statistical Digest, herein.

Chart 3

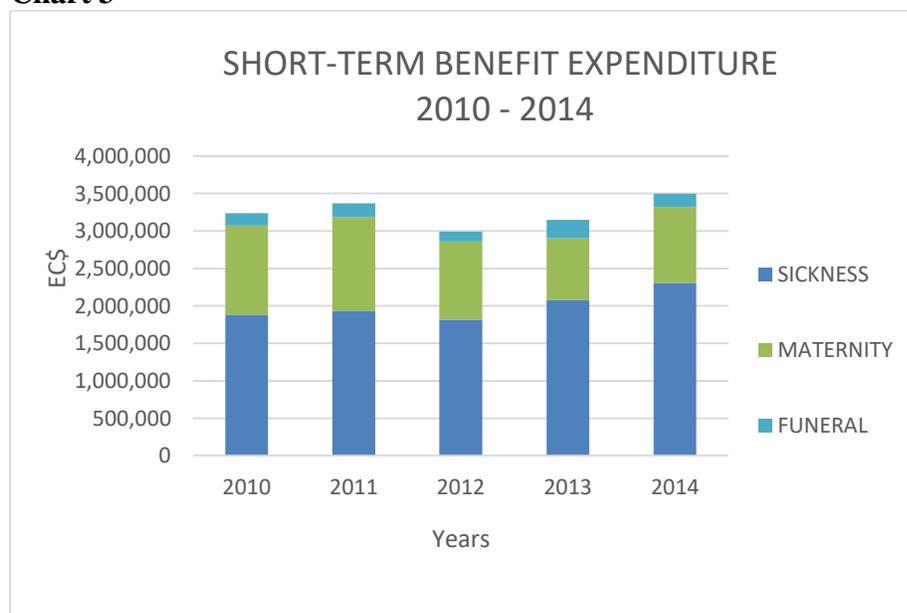
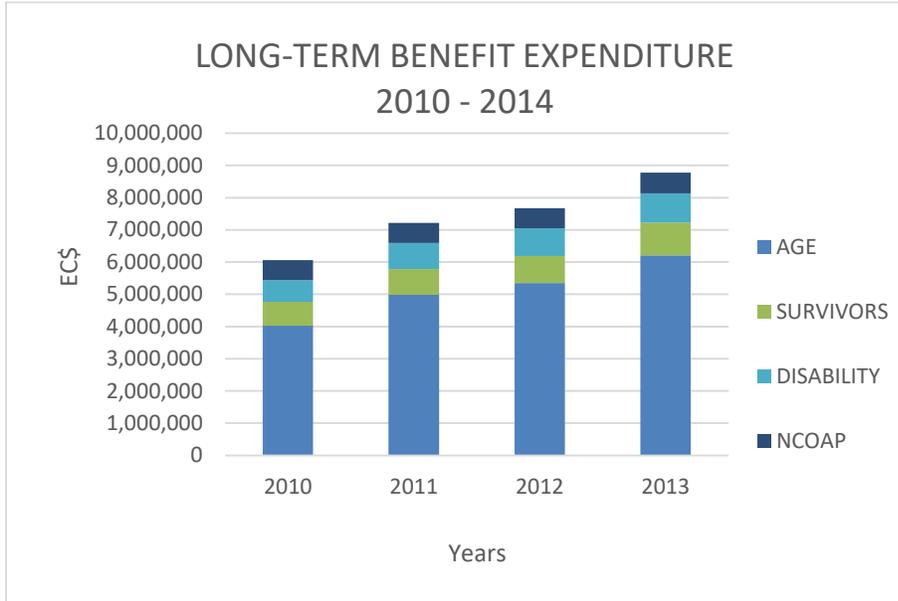


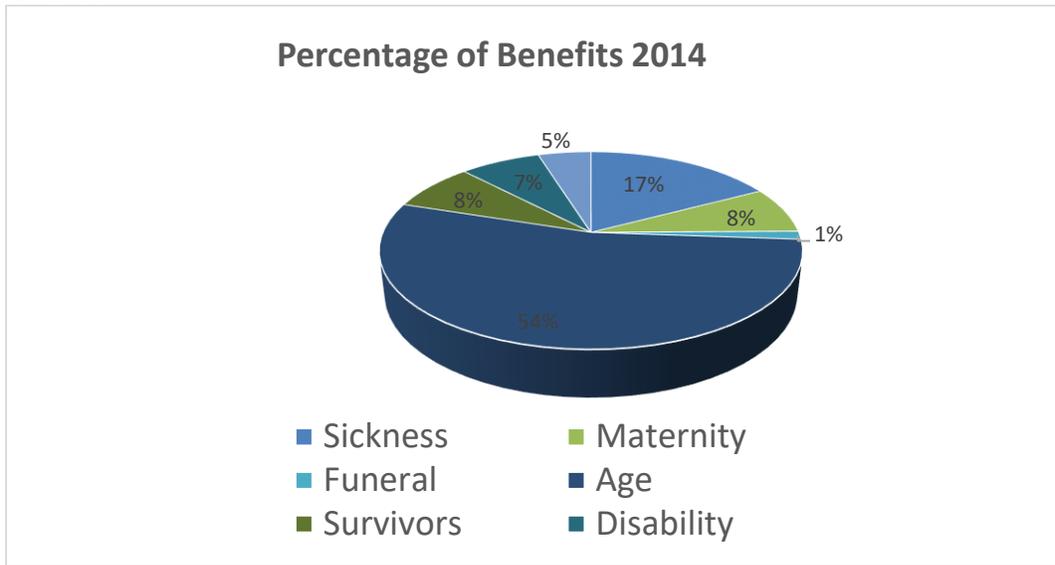
Chart 4



PENSIONS IN PAYMENT

At the end of 2014, 931 persons were in receipt of monthly pension payments; a moderate increase of 7.63%, compared to 865 in 2013. Total pensions consisted of 531 Age Pensions, 99 Disability Pensions, 138 Non-Contributory Old Age Pensions and 163 Survivor's Pensions. All long-term benefits are payable for the remainder of the lives of the beneficiaries, with the exception of payments to dependent children, which are payable until age 15 or 18 if still in school, and up to age 21 if enrolled in tertiary education.

Chart 5



FINANCIAL OPERATIONS

CONTRIBUTION INCOME

Despite the weak economic environment, Contribution Income grew slightly by 1.46% in 2014 totaling \$26.97M, compared to \$24.57M in 2013. However, Self-Employed contributions continue to decline by 0.12%, totaling \$227,967 in 2014, compared to \$228,235 in 2013. There were no voluntary contributions received during the period under review.

INVESTMENT INCOME

Investment Income earned on reserves is an important element of the Fund's finances. Although this source of income is high risk, it consistently exceeds administrative expenses. As a result, total income continues to exceed total expenditure and thus reserves continue to increase.

Investment Income for 2014 was \$12.95M, a slight decrease of 1.56% compared to \$13.16M in 2013. Impairment Loss (net of recovery) increased significantly by 30.71%, from \$2.91M in the past year to \$3.81M in 2014. No investment losses were registered in the Expense Statement.

At the end of 2014, Net Rental Income from commercial units totaled \$477,461, increasing significantly by 143.65%, compared to \$195,959 in 2013.

TOTAL INCOME AND NET INCOME

Total Income during the period under review increased by a mere 1.19%, totaling \$41.76M compared to \$41.27M in 2013. Total Expenditure increase marginally by 4.83% totaling \$24.76M

compared to \$22.65M in 2013. Net Income totaled \$17.00M in 2014 and declined by 8.68%, compared to \$18.62 in 2013.

Chart 6

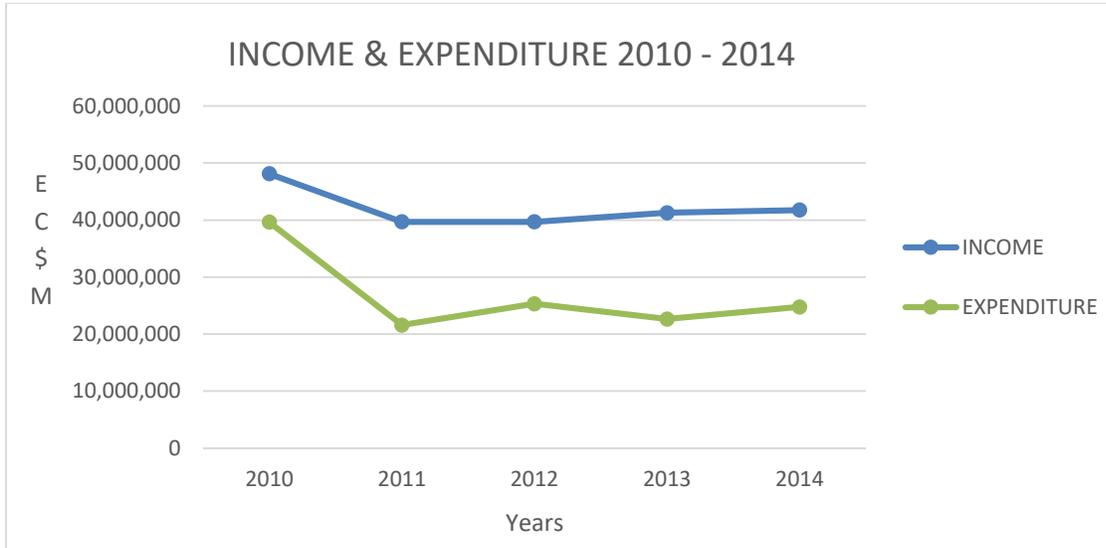
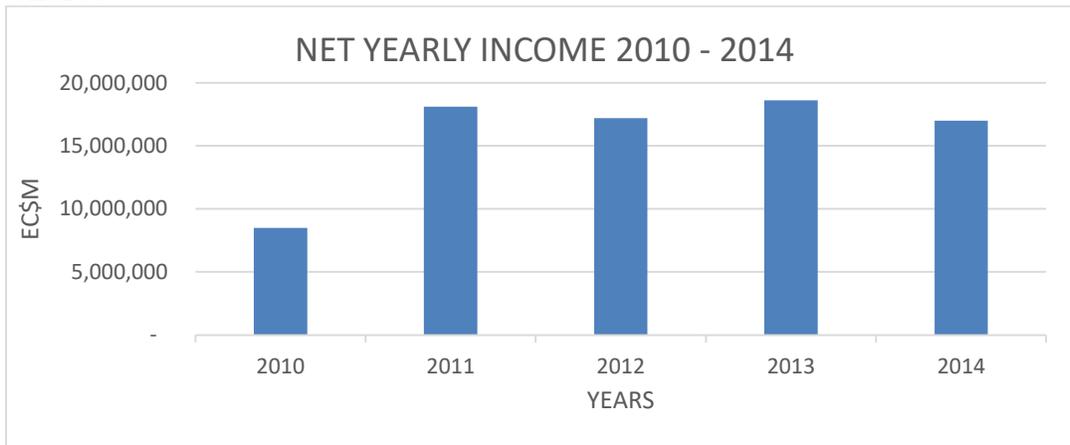


Chart 7



BENEFIT EXPENDITURE

Benefit Expenditure comprises both long-term and short-term benefits payments, with the long-term benefits accounting for the majority of the benefit expenditure. Contribution Income is distributed among the branches according to agreed percentages established by the Actuary. These allocations are 81.25% to the Long-Term Branch, 15.00% to the Short-Term Branch and 3.75% to the Social Security Development Fund.

Benefit Expenditure continues to grow across the benefit branches. Benefit payments for the year under review totaled \$13.28M compared to \$11.93M in 2013, a moderate increase of 11.31%. Long-term benefits grew to \$9.89M, as pensions in payment continue to increase each year, accounting

for 74.45% of total benefit expenditure, an increase of 12.61%, compared to \$8.78M in 2013. Short-term benefits totaled \$3.39M, accounting for 25.55% of total benefit expenditure, an increase of 7.68%, compared to \$3.15M in 2013.

In 2014, benefit expenditure accounted for 49.26% of contribution income and 53.63% of total expenditure; this compares with 44.90% and 52.66% respectively in 2013.

Chart 8

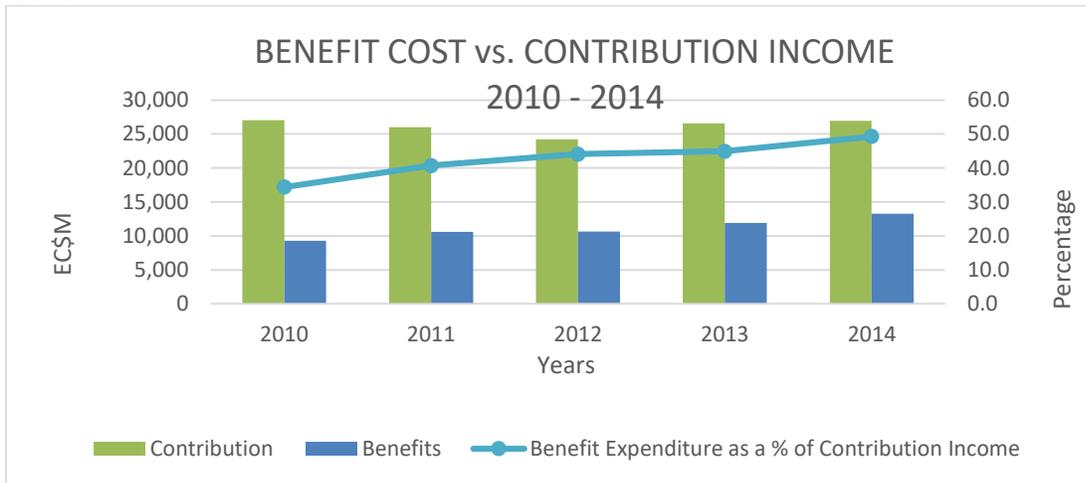
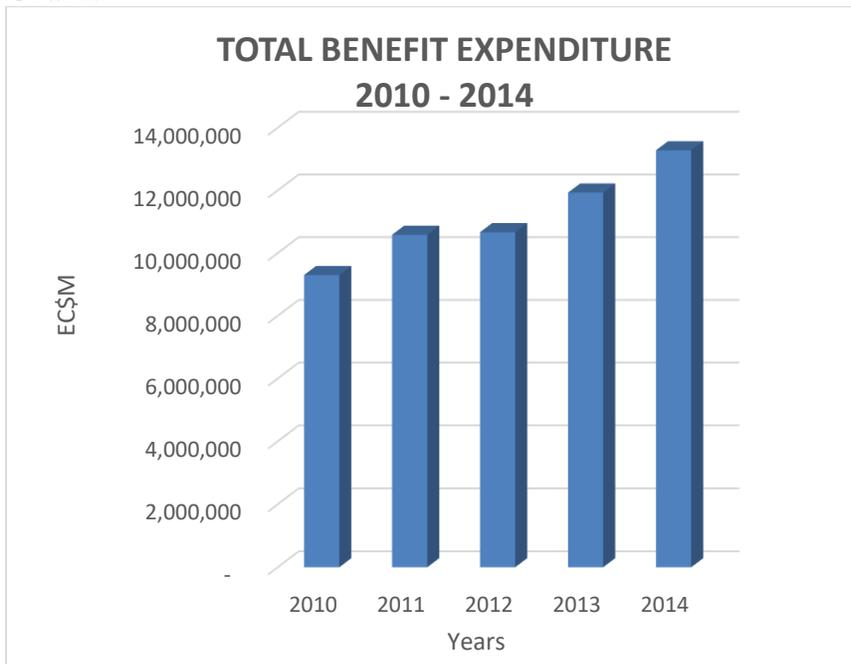


Chart 9



ADMINISTRATIVE EXPENDITURE

Administrative Expenditure for 2014 was \$6.45M, up 5.95% compared to \$6.08M in 2013. Administrative Cost was equivalent to 23.89% of Contributions, 26.01% of Total Expenditure and 16% of Contributions plus Benefit Expenditure in 2014; this compares to 22.88%, 26.83% and 15.79% respectively in 2013.

Chart 10

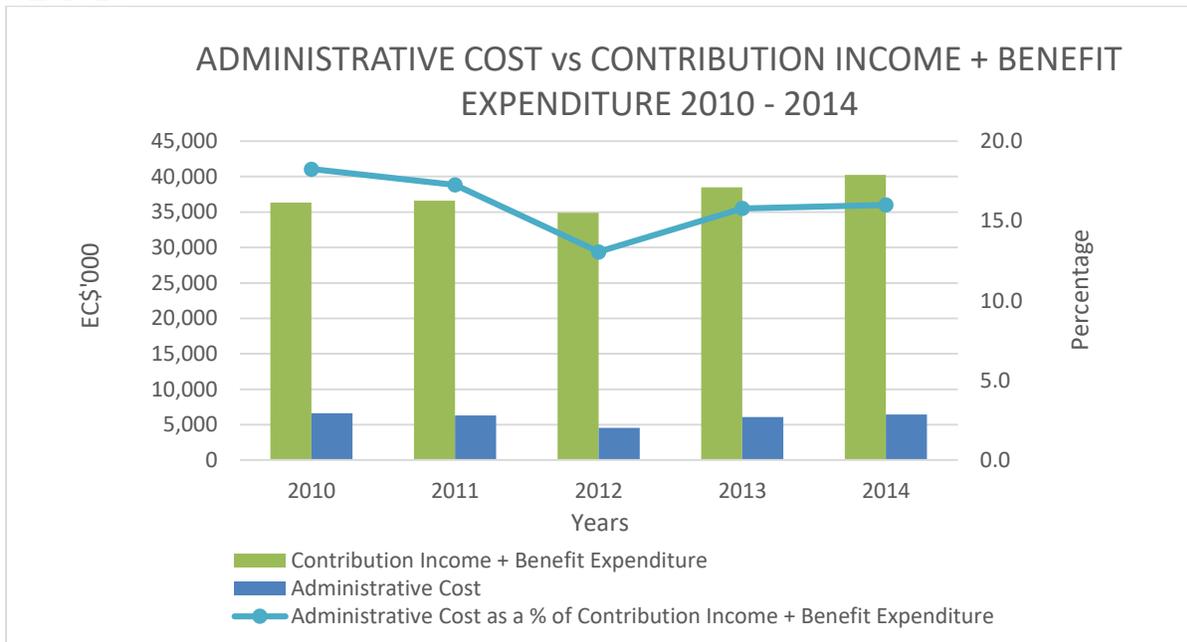
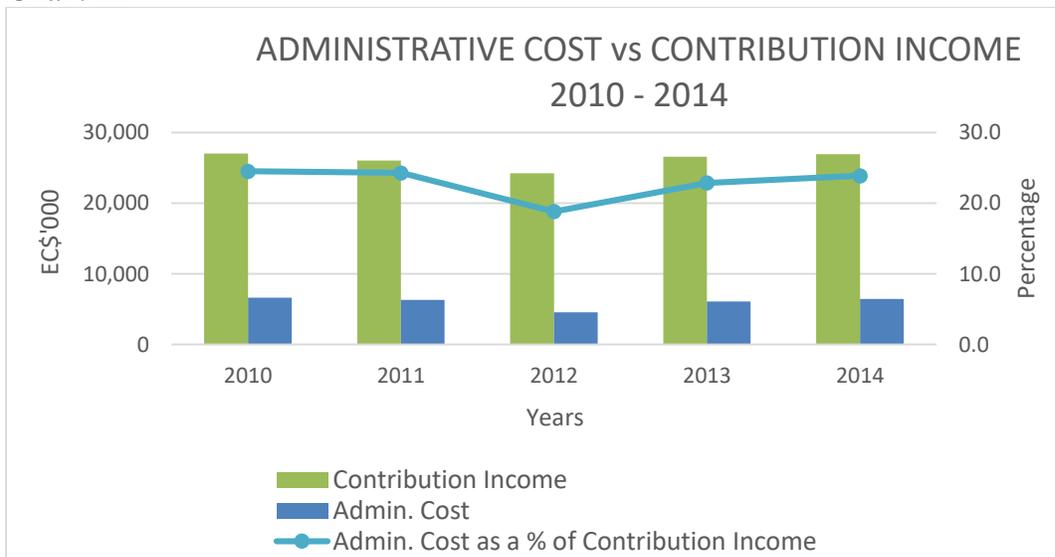


Chart 11



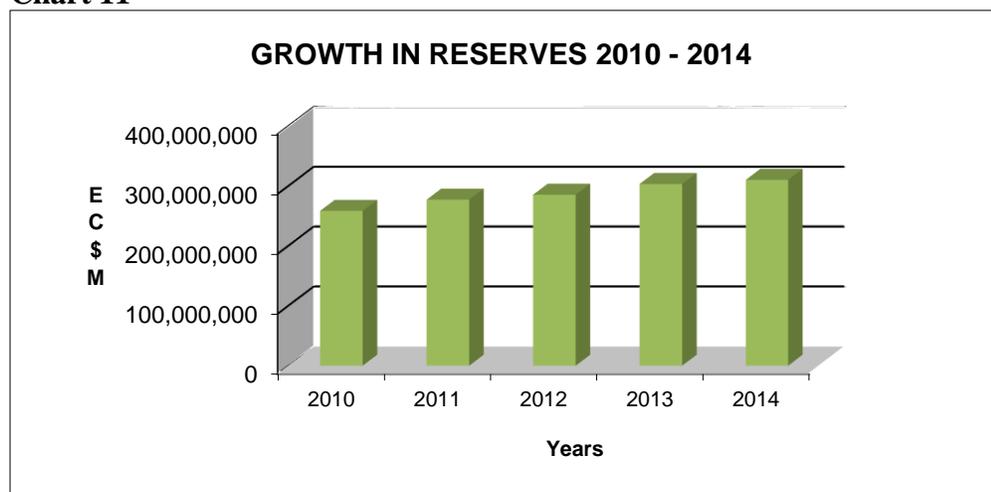
GROWTH IN RESERVES

The Social Security Fund's growth is critical to ensuring its sustainability. The Board has a fiduciary responsibility to manage the Fund in a prudent and effective manner to enable the institution to meet its mandate of paying long-term benefits well into the future.

Total Reserves grew to \$302.94M in 2014, up from \$285.31M the previous year, an increase of 6.18%. While Total Liabilities, Reserves and Development Fund grew to \$310.18M, a slight increase of 2.16% compared to \$303.63M in 2013.

The Short-Term Benefits Branch Reserves stood at \$4.47M in 2014, a continued decline of 6.66% compared to \$4.79M in 2013. The Long-Term Benefits Branch Reserves stood at \$288.51M in 2014, a continued growth of 6.21% compared to \$271.63M in 2013. Reserves of the Social Security Development Fund increased by 10% to \$2.75M in 2014 from \$2.50M in 2013.

Chart 11



SOCIAL SECURITY DEVELOPMENT FUND (SSDF)

In keeping with its motto "Improving the Quality of Life for All", the Anguilla Social Security Board continues to fulfill its social responsibility by providing funding for community developmental programmes, activities and initiatives in the fields of education, health, sports and culture through the Social Security Development Fund (SSDF). The SSDF was established in 1986 for the purpose of funding such social projects as the Board may select, subject to the prior approval of the Minister responsible for Social Security. It is funded by 3.75% of contribution income and a percentage of investment income based on the balance in the Development Fund at the end of the preceding year.

In 2014, the total of \$973,068 was spent on projects, a slight increase of 2.86%, when compared to \$945,969 in 2013. An itemized listing of expenditure can be found at Notes #22 of the Financial Statement.

STATISTICAL DIGEST

Table 1
Annual Registration of Employees by Sex – 2014

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	81	16.4	79	16.0	160	32.5
20 - 24	50	10.1	31	6.3	81	16.4
25 - 29	38	7.7	40	8.1	78	15.8
30 - 34	29	5.9	18	3.7	47	9.5
35 - 39	28	5.7	9	1.8	37	7.5
40 - 44	19	3.9	14	2.8	33	6.7
45 - 49	10	2.0	7	1.4	17	3.4
50 - 54	11	2.2	5	1.0	16	3.2
55 - 59	9	1.8	8	1.6	17	3.4
60 - 64	5	1.0	2	0.4	7	1.4
TOTALS	280	56.8	213	43.2	493	100.0

Table 2
Tabulation of All Insured Persons by Sex as at 31st December 2014

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	161	0.9	134	0.7	295	1.6
20 - 24	493	2.6	529	2.8	1022	5.5
25 - 29	925	5.0	765	4.1	1690	9.0
30 - 34	1268	6.8	962	5.1	2230	11.9
35 - 39	1380	7.4	850	4.5	2230	11.9
40 - 44	1559	8.3	923	4.9	2482	13.3
45 - 49	1555	8.3	881	4.7	2436	13.0
50 - 54	1302	7.0	849	4.5	2151	11.5
55 - 59	959	5.1	625	3.3	1584	8.5
60 - 64	573	3.1	397	2.1	970	5.2
65 & Over	921	4.9	674	3.6	1595	8.5
TOTALS	11096	59.4	7589	40.6	18685	100.0

Table 3
Registration of Employees by Gender 2010 – 2014

YEAR	MALE	%	FEMALE	%	TOTAL AT YEAR-END	TOTAL ON REGISTER*	TOTAL **
2012	210	46.2	245	53.8	455	17,408	6,939
2011	217	49.8	219	50.2	436	17,863	6,947
2012	193	50.4	190	49.6	383	18,038	6,684
2013	234	58.8	164	41.2	398	18,193	6,624
2014	280	56.8	213	43.2	493	18,685	7,010

**Includes all persons who have ever registered with the System – active, inactive, deceased, pensioners, resident and overseas

Table 4
New Registration of Employers by Industry – 2014

ILO CODE	INDUSTRY	No.	%
11	Agriculture	1	0.9
13	Fishing	2	1.8
41	Electricity, Gas & Steam	4	3.5
50	Construction	3	2.7
62	Retail Trade	8	7.1
63	Hotels & Guest Houses	7	6.2
64	Restaurant & Bars	14	12.4
65	Night Clubs	1	0.9
71	Transport & Storage	5	4.4
72	Communication	2	1.8
81	Financial Institutions	2	1.8
83	Real Estate & Business Services	3	2.7
92	Sanitary and Similar Services	1	0.9
93	Social & Related Community Services	5	4.4
94	Recreational & Cultural Services	3	2.7
95	Personal & Household Services	52	46.0
TOTAL		113	100.0

Table 5
Registration of Employers 2010 – 2014

YEAR	NEWLY REGISTERED EMPLOYERS	EMPLOYERS REGISTERED AT YEAR-END	ACTIVE EMPLOYERS AT YEAR-END
2010	109	2,983	839
2011	104	3,319	752
2012	97	3,287	896
2013	82	3,412	852
2014	113	3,582	923

Table 6
New Self-Employed Registrations by Industry – 2014

ILO CODE	INDUSTRY	No.	%
11	Agriculture	1	2.4
13	Fisheries	3	7.1
50	Construction	7	16.7
62	Retail Trade	9	21.4
64	Restaurant & Bars	6	14.3
71	Transport & Storage	1	2.4
83	Real Estate & Business Services	1	2.4
41	Electricity, Gas & Steam	1	2.4
91	Public Administration & Defense	1	2.4
93	Social & Related Community Services	4	9.5
95	Personal & Household Services	8	19.0
TOTAL		42	90.5

Table 7
Benefit Claims Received, Rejected, Pending, Paid – 2014

BENEFIT TYPE	RECEIVED	REJECTED	PENDING	PAID
Sickness	3199	393	70	2736
Maternity Grant	165	4	2	158
Maternity Benefit	137	1	1	134
Funeral	41	2		39
Total Short-Term	3542	400	73	3067
Age Pension	54	1	4	49
Age Grant	22	2	3	17
Survivors Pension	12		1	11
Survivors Grant	3		1	2
Disability Pension	16	1	1	15
Disability Grant				
NCOAP	19	8	3	8
Total Long-Term	126	12	13	102
TOTAL CLAIMS	3668	412	86	3169

*Non-Contributory Old Age Pension

Table 8

Social Security: Improving the Quality of Life for All

Number of Benefit Claims Received by Type 2010 – 2014

BENEFIT TYPE	2010	2011	2012	2013	2014
SICKNESS	2,863	2986	2911	2911	3199
MATERNITY BENEFIT	160	175	187	141	165
MATERNITY GRANTS	186	206	154	118	137
FUNERAL	38	40	28	53	41
TOTAL SHORT-TERM	3,247	3,407	3280	3223	3542
AGE PENSION	46	38	57	36	54
AGE GRANT	12	25	8		22
SURVIVORS PENSION	9	11	8	22	12
SURVIVORS GRANT	1	5	2	1	3
DISABILITY PENSION	13	10	10	21	16
DISABILITY GRANT	2	2	1	1	
NCOAP*	9	15	14	28	19
TOTAL LONG-TERM	92	106	100	109	126
TOTAL CLAIMS RECEIVED	3,339	3,513	3380	3332	3668
% CHANGE	-5.2	5.0	-3.9	-1.4	10.1

*Non-Contributory Old Age Pension

Table 9
Benefit Expenditure (EC\$) by Type 2010 – 2014

BENEFIT TYPE	2010	2011	2012	2013	2014
SICKNESS	1,883,772	1,930,578	1,815,320	2,079,176	2,307,293
MATERNITY	1,187,123	1,251,377	1,045,223	825,205	1,012,174
FUNERAL	165,000	189,000	133,000	246,000	177,000
TOTAL SHORT-TERM	3,235,895	3,370,955	2,993,543	3,150,381	3,496,467
AGE	4,028,168	4,979,849	5,351,909	6,207,459	7,205,325
SURVIVORS	737,479	802,688	840,346	1,014,503	1,053,796
DISABILITY	627,330	814,474	851,960	913,799	980,723
NCOAP*	669,845	616,314	628,631	642,320	645,452
TOTAL LONG-TERM	6,062,822	7,213,325	7,672,846	8,778,081	9,885,296
TOTAL BENEFIT EXPENSE	9,298,717	10,584,280	10,666,389	11,928,462	13,381,763
% CHANGE	18.7	13.8	0.8	11.8	11.8

*Non-Contributory Old Age Pension

Table 10
Consolidated Income & Expenditure Account, 5-Year Comparative Analysis 2010 – 2014

INCOME	2010	2011	2012	2013	2014
CONTRIBUTION	27,038,338	26,018,719	24,214,272	26,567,516	26,956,490
INVESTMENT	12,223,661	11,443,500	12,988,096	13,158,033	12,950,694
OTHER (FINES & MISC.)	312,408	586,731	457,088	183,523	362,864
LEASE INCOME (NET)	854,726	1,642,012	1,492,870	1,361,900	1,493,276
TOTAL	48,121,673	39,690,962	39,152,326	41,270,972	41,763,324
EXPENSES					
ADMINISTRATIVE	6,629,674	6,317,800	4,556,378	6,077,414	6,438,962
BENEFITS	9,298,717	10,584,280	10,666,389	11,928,462	13,277,590
BORROWING COST	1,139,338	1,031,635	911,508	700,723	142,500
INVESTMENT LOSSES	35,025				
IMPAIRMENT LOSS - NET	21,762,244	2,761,866	7,608,535	2,911,035	3,805,073
SSDF*	614,860	738,256	1,423,626	945,969	973,068
OTHER	161,747	161,598	146,618	86,502	122,319
TOTAL	39,641,605	21,595,435	25,313,054	22,650,105	24,759,512
NET YEARLY INCOME	8,480,068	18,095,527	13,839,272	18,620,867	17,003,812
% CHANGE	-64.4	114.4	-23.5	34.6	-8.7
RESERVES & LIABILITIES	258,334,264	277,071,072	285,405,287	303,310,753	310,181,816
FUND RATIO	12.0	12.6	12.6	12.3	11.2



ANGUILLA SOCIAL SECURITY BOARD

Consolidated Financial Statements

December 31, 2014

(Expressed in Eastern Caribbean Dollars)

Anguilla Social Security Board and Anguilla Social Security Investment and Development Corporation

Financial Statements for the period ended 31 December 2014

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, revised as at 15 December 2010) (the Act) permits me, as Chief Auditor, to accept the audit of the accounts and financial statements of a government agency by an independent auditor of the government agency if the appointment of the auditor has been approved by me, and the audit of the government agency has been performed in accordance with my directions.

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

The appointment of BDO LLC as the independent auditor of the Anguilla Social Security Board and Anguilla Social Security Investment and Development Corporation (the Group) was approved by me. BDO were directed to undertake these audits in accordance with appropriate auditing standards. I accept their audit of the financial statements of the Group for the period ended 31 December 2014.

The Group is required to submit an annual report, including my certificate and report, to the Minister responsible for the Fund, the Permanent Secretary and the Minister of Finance. The Minister responsible for the Fund is required to lay the annual report before the House of Assembly.

As recorded in their Auditors' Report, BDO have audited the statement of financial position of the Group as at 31 December 2014, and the related separate statements of income, comprehensive income, (loss)/income and changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements are the responsibility of the Group's management. BDO's responsibility is to express an opinion on the financial statements based on their audit.

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

In BDO's opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying their opinion, BDO draw attention to the following notes to the consolidated financial statements:

Note 25 of the consolidated financial statements shows that as at 31 December 2014, the Group had \$128,357,400, and \$73,573,872 worth of financial assets with National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited, respectively, in the form of savings, demand and fixed deposits, equity investment and other receivables.

- On 12 August 2013, the National Bank Anguilla of Limited (NBA) and Caribbean Commercial Bank (Anguilla) Limited (CCB) were placed in Conservatorship and as mentioned in Note 28, the Conservatorship ended on 22 April 2016. The conclusion of the Conservatorship is a consequential effect of the passing of the Bank Resolution Obligations Act 2016 (the Act) by the Government of Anguilla on 30 March 2016.
- As stated in Note 28, the passing of the Act resulted in the transfer of the Group's financial assets to the Government of Anguilla and to the newly established bridge bank: The National Commercial Bank of Anguilla Ltd (NCBA). The passing of the Act will also result in an impairment loss estimated at \$35,547,224 on the Group's financial asset as at and for the year ended 31 December 2016.
- The estimated impairment loss as indicated above will have a significant impact on the Group's Net Accumulated Obligation to its members as disclosed in Note 14 to the consolidated financial statements. This might also have a significant impact on the financial condition of the Fund, the adequacy of the contributions to support benefits and the fund period of equilibrium.
- Aside from the estimated impairment loss as indicated above, the Group might face significant uncertainty in the collection of the financial assets assumed by the Government of Anguilla as a result of the country's current and future economic and financial condition.

Note 1 which shows that the Anguilla Social Security Investment and Development Corporation (ASSIDCO), the subsidiary of the Group, incurred a net loss of \$207,644 for the year ended 31 December 2014 (2013: \$809,224) and as of that date, the ASSIDCO's accumulated deficit amounted to \$15,965,569 (2013: \$15,757,925). During the year, the Anguilla Social Security Board (the Board) made an additional capital infusion of \$12,045,460 (2013 \$2,000,000) in order to provide ASSIDCO with enough funds to pay off ASSIDCO's debt obligations and operating expenses. The Board's total investment in ASSIDCO as at 31 December 2014 is \$26,485,091, of which \$1,525,938 was provided for with provision for credit losses in the current year and \$14,439,631 was provided for in the previous years, accumulating to a total of \$15,965,569, due to continued deficits incurred by ASSIDCO. Claims against the Government of Anguilla for lease rentals since the inception until 30 September 2016 amounting to EC\$24,300,000 remains unpaid.

- In April 2014, the Board, by way of additional capital contribution to ASSIDCO, paid off the latter's borrowings with Scotiabank Anguilla Limited. This remediated ASSIDCO's accumulated deficit as at that date. Despite this, ASSIDCO continues to explore ways to bring the Cinnamon Reef property into a profitable venture either by sale or development. As a definite course of action is yet to be determined, they are of the opinion that this matter remains a significant uncertainty which has direct impact on the current financial position of ASSIDCO and of the Group.

Note 25 which shows that as at 31 December 2014 the total financial instruments of the Group amounting to \$344,166,680 (2013 \$333,337,474) represented 97% (2013 97%) of its total gross assets; 89% (2013 90%) of these financial instruments were invested in Anguilla. In view of this, the Group is exposed to significant geographical credit concentration which could materially impact the Group's liquidity, financial position and performance should Anguilla continue to encounter financial difficulties.

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



John Herniman
Chief Auditor
27 February 2017

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AGENCY INFORMATION

1

PHYSICAL ADDRESS

James Ronald Webster Building
The Valley
Anguilla, B.W.I.

BOARD OF DIRECTORS

Russel Reid, Chairman
Selwyn Horsford, Deputy Chairman
Lanston Connor, Member
Sheila Richardson-Hodge, Member
Sean Richards, Member
Lena Sasso, Member
Mesha Webster-Irish, Alternate
Marva Smith, Alternate
Anthea Ipinson, Alternate

DIRECTOR

Timothy Hodge

SECRETARY

Dorice Fleming

BANKERS

National Bank of Anguilla Limited
P.O. Box 44
The Valley
Anguilla, B.W.I.

Caribbean Commercial Bank (Anguilla) Limited
P.O. Box 23
The Valley
Anguilla, B.W.I.

SOLICITOR

Alex Richardson and Associates
P.O Box 371
Babrow Building
The Valley
Anguilla, B.W.I.

AUDITOR

BDO LLC
Chartered Accountants
First Floor MAICO Headquarter
Cosley Drive
The Valley
Anguilla, B.W.I.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Anguilla Social Security Board and Anguilla Social Security Investment & Development Corporation

We have audited the accompanying consolidated financial statements of Anguilla Social Security Board and its subsidiary, (collectively called the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statements of income/(loss) and changes in reserves and the consolidated 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 consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



INDEPENDENT AUDITORS' REPORT *(continued)*

To the Board of Directors of Anguilla Social Security Board and Anguilla Social Security Investment & Development Corporation *(continued)*

Emphasis of Matters

Without qualifying our opinion, we draw attention to the following notes to the consolidated financial statements:

- Note 25 of the consolidated financial statements shows that as at December 31, 2014, the Group had \$128,357,400 and \$73,573,872 worth of financial assets with National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited, respectively, in the form of savings, demand and fixed deposits, equity investment and other receivables.

On August 12, 2013, the National Bank Anguilla of Limited (NBA) and Caribbean Commercial Bank (Anguilla) Limited (CCB) were placed in Conservatorship and as mentioned in Note 28, the Conservatorship ended on April 22, 2016. The conclusion of the Conservatorship is a consequential effect of the passing of the Bank Resolution Obligations Act, 2016 (the "Act") by the Government of Anguilla on March 30, 2016.

As stated in Note 28, the passing of the Act resulted in the transfer of the Group's financial assets to the Government of Anguilla and to the newly established bridge bank: The National Commercial Bank of Anguilla Ltd ("NCBA"). The passing of the Act will also result in an impairment loss estimated at \$35,547,224 on the Group's financial asset as at and for the year ended December 31, 2016.

The estimated impairment loss as indicated above will have a significant impact on the Group's Net Accumulated Obligation to its members as disclosed in Note 14 to the consolidated financial statements. This might also have a significant impact on the financial condition of the fund, the adequacy of the contributions to support benefits and the fund period of equilibrium.

Aside from the estimated impairment loss as indicated above, the Group might face significant uncertainty in the collection of the financial assets assumed by the Government of Anguilla as a result of the country's current and future economic and financial condition.



INDEPENDENT AUDITORS' REPORT *(continued)*

To the Board of Directors of Anguilla Social Security Board and Anguilla Social Security Investment & Development Corporation *(continued)*

Emphasis of Matters (continued)

Without qualifying our opinion, we draw attention to the following notes to the consolidated financial statements: *(continued)*

- Note 1 which shows that Anguilla Social Security Investment & Development Corporation (ASSIDCO), the subsidiary of the Group, incurred a net loss of \$207,644 for the year ended December 31, 2014 (2013: \$809,224) and as of that date, the ASSIDCO's accumulated deficit amounted to \$15,965,569 (2013: \$15,757,925). During the year, the Board made an additional capital infusion of \$12,045,460 (2013: \$2,000,000) in order to provide ASSIDCO with enough funds to pay off ASSIDCO's debt obligations and operating expenses. The Board's total investment in ASSIDCO as at December 31, 2014 is \$26,485,091, of which \$1,525,938 was provided for with provision for credit losses in the current year and \$14,439,631 was provided for in the previous year's accumulating to a total of \$15,965,569, due to continued deficits incurred by ASSIDCO. Claims against the Government of Anguilla for lease rentals since the inception until September 30, 2016 amounting to EC\$24,300,000 remain unpaid.
- In April 2014, the Board, by way of additional capital contribution to ASSIDCO, paid off the latter's borrowings with Scotiabank Anguilla Limited. This remediated ASSIDCO's accumulated deficit as at that date. Despite this, ASSIDCO continues to explore ways to bring the Cinnamon Reef property into a profitable venture either by sale or development. As a definite course of action is yet to be determined, we are of the opinion that this matter remains a significant uncertainty which has direct impact on the current financial position of ASSIDCO and of the Group.
- Note 25 which shows that as at December 31, 2014, the total financial instruments of the Group amounting to \$344,166,680 (2013: \$333,337,474) represent ninety-seven percent (97%) (2013: 97%) of its total gross assets. Eighty-nine percent (89%) (2013: 90%) of these financial instruments were invested in Anguilla. In view of this, the Group is exposed to significant geographical credit concentration which could materially impact the Group's liquidity, financial position and performance should Anguilla continues to encounter financial difficulties.

BDO LLC

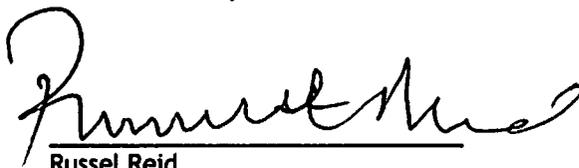
Chartered Accountants
18th of October 2016
The Valley, Anguilla

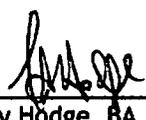
ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Financial Position
As at December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2014	2013
Assets			
Cash and cash equivalents	7	11,227,837	24,807,476
Investment securities - net	8	236,253,253	210,763,385
Contributions, loans and other receivables - net	9	50,027,573	55,400,473
Property and equipment - net	11	9,100,354	9,574,913
Intangible assets - net	12	296,672	195,302
Other assets	13	3,276,127	2,890,563
Total Assets		310,181,816	303,632,112
Liabilities, Reserves and Development Fund			
Liabilities			
Accounts payable and accrued expenses		677,095	351,934
Pension fund obligation	14	6,568,420	5,715,159
Borrowings	15	-	12,073,322
Total Liabilities		7,245,515	18,321,359
Reserves and Development Fund			
Short-term benefits branch reserve		4,469,774	4,788,568
Long-term benefits branch reserve		288,506,844	271,629,451
Social Security Development Fund		798,355	883,819
Social Security Development Fund Reserve	16	2,750,000	2,500,000
Unrealized gain on available-for-sale investment securities	8.2	2,540,439	1,294,975
Premises revaluation surplus		3,870,889	4,213,940
Total Reserves and Development Fund		302,936,301	285,310,753
Total Liabilities, Reserves and Development Fund		310,181,816	303,632,112

These consolidated financial statements from pages 5 to 68 were approved and authorized for issue by the Board of Directors of the Group on 18th of October 2016 and were signed on their behalf by:


 Russel Reid
 Chairman


 Timothy Hodge, BA, MBA
 Director

The notes on pages 13 to 68 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income
For the Year Ended December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2014	2013
Income			
Contributions	17	26,956,490	26,567,516
Investment income	18	12,950,694	13,158,033
Lease income - net	19	1,493,276	1,361,900
Fines and miscellaneous	20	362,864	183,523
		41,763,324	41,270,972
Expenses			
Benefits			
Short-term	21	3,392,294	3,150,381
Long-term	21	9,885,296	8,778,081
		13,277,590	11,928,462
Administrative and other expenses	23	6,561,281	6,163,916
Impairment loss - net of recovery	8	3,805,073	2,911,035
Social Security Development Fund	22	973,068	945,969
Borrowing costs	15	142,500	700,723
		24,759,512	22,650,105
Net income		17,003,812	18,620,867

The notes on pages 13 to 68 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2014	2013
Net income		17,003,812	18,620,867
Other comprehensive income/(loss)			
Re-measurement of net defined benefit liability	14	(327,596)	(84,311)
Revaluation reserve adjustment		(296,132)	-
Net change in fair value of available-for-sale investment securities	8	1,245,464	1,025,144
		621,736	940,833
Total comprehensive income		17,625,548	19,561,700
Attributable to the owner of the Group		17,625,548	19,561,700

The notes on pages 13 to 68 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Loss and Changes in Reserve
Short-term Benefits Branch
For the Year Ended December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2014	2013
Income			
Contributions	17	4,043,474	3,985,127
Investment income	18	228,857	270,139
Lease income - net	19	26,385	27,960
Fines and miscellaneous	20	181,432	91,761
		4,480,148	4,374,987
Expenses			
Benefits	21	3,392,294	3,150,381
Administrative and other expenses	23	1,281,831	1,199,673
Impairment loss - net of recovery	8	67,234	59,764
Borrowing costs	15	2,518	14,386
		4,743,876	4,424,202
Net loss		(263,728)	(49,215)

Short-term benefits branch reserve

	<i>Note</i>	2014	2013
Balance at beginning of the year		4,788,568	4,846,787
Re-measurement of net defined benefit liability	14	(62,104)	(16,042)
Net loss for the year		(263,728)	(49,215)
Depreciation transfer from premises revaluation surplus	11	7,038	7,038
Balance at end of the year		4,469,774	4,788,568

The notes on pages 13 to 68 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income and Changes in Reserve
Long-term Benefits Branch
For the Year Ended December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2014	2013
Income			
Contributions	17	21,902,148	21,586,107
Investment income	18	12,567,251	12,728,329
Lease income - net	19	1,448,876	1,317,425
Fines and miscellaneous	20	181,432	91,762
		36,099,707	35,723,623
Expenses			
Benefits	21	9,885,296	8,778,081
Administrative and other expenses	23	5,279,451	4,964,243
Impairment loss - net of recovery	8	3,691,934	2,815,969
Borrowing costs	15	138,263	677,839
		18,994,944	17,236,132
Net income		17,104,763	18,487,491

Long-term benefits branch reserve

	<i>Note</i>	2014	2013
Balance at beginning of the year		271,629,451	253,172,107
Re-measurement of net defined benefit liability	14	(265,492)	(68,269)
Net income for the year		17,104,763	18,487,491
Depreciation transfer from premises revaluation surplus	11	38,122	38,122
Balance at end of the year		288,506,844	271,629,451

The notes on pages 13 to 68 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income and Changes in Reserve
Social Security Development Fund and Development Fund Reserve
For the Year Ended December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2014	2013
Income			
Contributions	17	1,010,868	996,282
Investment income	18	154,586	159,565
Lease income - net	19	18,015	16,515
		1,183,469	1,172,362
Expenses			
Social Security Development Fund	22	973,068	945,969
Impairment loss - net of recovery	8	45,905	35,302
Borrowing costs	15	1,719	8,498
		1,020,692	989,769
Net income		162,777	182,593

Social Security Development Fund

	<i>Notes</i>	2014	2013
Balance at beginning of the year		883,819	949,467
Net income for the year		162,777	182,593
Depreciation transfer from premises revaluation surplus	11	1,759	1,759
Transfer to Development Fund Reserve	16	(250,000)	(250,000)
Balance at end of the year		798,355	883,819

Social Security Development Fund Reserve

	<i>Note</i>	2014	2013
Balance at beginning of the year		2,500,000	2,250,000
Transfer from Development Fund Reserve	16	250,000	250,000
Balance at end of the year		2,750,000	2,500,000

The notes on pages 13 to 68 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2014	2013
Cash flows from operating activities			
Net income		17,003,812	18,620,867
Adjustments for:			
Interest income	18	(12,584,437)	(13,021,579)
Impairment loss - net of recovery	8	3,805,073	2,911,035
Finance lease earned income	19	(1,015,814)	(1,165,941)
Interest expense	15	142,500	700,723
Depreciation and amortization	11, 12	475,385	278,575
Re-measurement of net defined benefit liability	14	(327,596)	(84,311)
Dividend income	18	(152,188)	(23,750)
Net realized gain from available-for-sale investment securities	8, 18	(230,720)	(112,704)
Accounts written off	8	(321,098)	-
Operating income before working capital changes		6,794,917	8,102,916
Decrease (increase) in:			
Contributions and other receivables	9	(1,354,348)	(297,934)
Other assets	13	(385,564)	35,493
Increase/(decrease) in:			
Accounts payable and accrued expenses		159,217	136,542
Pension fund obligation	14	853,261	555,114
Net cash provided by operating activities		6,067,483	8,532,131
Cash flows from investing activities			
Interest received		11,868,150	11,502,921
Acquisition of available-for-sale investment securities		(806,460)	(13,164,922)
Acquisition of held-to-maturity investment securities	8.1	(23,996,816)	(24,581,302)
Acquisition of property and equipment	11, 12	(368,918)	(566,371)
Dividends received	18	152,188	23,750
Loan collection	9	5,735,556	5,737,694
Net cash used in investing activities		(7,416,300)	(21,048,230)

Forward

The notes on pages 13 to 68 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Cash Flows (continued)
For the Year Ended December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

	<i>Notes</i>	2014	2013
Cash flows from financing activities			
Payment of borrowings	15	(12,073,322)	(2,025,000)
Interest paid		(157,500)	(702,255)
Net cash used in financing activities		(12,230,822)	(2,727,255)
Net increase in cash and cash equivalents		(13,579,639)	(15,243,354)
Cash and cash equivalents at beginning of year		24,807,476	40,050,830
Cash and cash equivalents at end of year	7	11,227,837	24,807,476

The notes on pages 13 to 68 are integral part of these consolidated financial statements

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

1. Reporting entity

The parent company

The Anguilla Social Security Board (the "Board") is a statutory body established by the Social Security Act (the "Act"), Revised Statutes of Anguilla Chapter S45 (R.S.A.c.S45) to administer the Social Security Fund (the "Fund") with the objectives of providing various insurance and retirement benefits to persons insured as described in the Act. The Board's registered office and principal place of business address is at the James Ronald Webster Building, The Valley, Anguilla, British West Indies.

The subsidiary company

On March 24, 2009, the Board established the Anguilla Social Security Investment & Development Corporation (the "Company" or "ASSIDCO") as its wholly-owned subsidiary, for the purpose of investment and development, in accordance with Section 13A of the Social Security Act, R.S.A.c.S45, as amended by the Social Security (Amendment) Act (No. 4) 2009 which became effective on March 9, 2009. The Company's registered office and principal place of business is at the James Ronald Webster Building, The Valley, Anguilla, B.W.I.

The Board and the Company are collectively called the "Group" in these consolidated financial statements.

Status of operations of the subsidiary company

On January 19, 2010, ASSIDCO and the Government of Anguilla entered into a lease and purchase agreement relating to the Cinnamon Reef Property which was purchased by ASSIDCO in 2009 through a loan from a local bank. This loan was guaranteed by the Board. The lease and purchase agreement provides that the Government of Anguilla leases the property from ASSIDCO for a period of 10 years for a monthly rent of EC\$300,000. Within the said period, the latter committed to purchase the said property at an agreed price of EC\$20,250,000.

As at December 31, 2014, the outstanding lease income receivables from the Government of Anguilla amounting to EC\$18,000,000 since the inception of the lease remains unpaid. Further, the Government of Anguilla advised ASSIDCO on May 20, 2011 that the former is no longer interested in the acquisition of the Cinnamon Reef and desirous of bringing closure to the lease and purchase agreement. This issue had put a strain in ASSIDCO's cash flows and financial performance.

The doubtful recoverability of the ASSIDCO's receivables from the Government of Anguilla resulted in significant credit losses to ASSIDCO's profit or loss resulting in a net loss of EC\$207,644 for the year ended December 31, 2014 (2013: \$809,224). As of that date, the Company's accumulated deficit amounted to \$15,965,569 (2013: \$15,757,925).

In April 2014, the Board, by way of additional capital contribution to ASSIDCO, paid off the latter's borrowings with Scotiabank Anguilla Limited. This remediated ASSIDCO's shareholder's deficit as at that date.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements *(continued)*
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

1. Reporting entity *(continued)*

The subsidiary company *(continued)*

Status of operations of the subsidiary company (continued)

As at report date, the Company is currently considering a proposal for a joint venture arrangement with a property developer with the aim of developing the Cinnamon Reef Property into a high-end hotel. The Company believes that the favourable outcome of this will alter its current financial position and will in turn result in favourable result to the Company's financial position and results.

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of Social Security (Financial and Accounting) Regulations R.R.A.S45-4.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for sale investment securities and land and building which are measured at their fair market values.

c. Functional and presentation currency

These consolidated financial statements have been prepared in Eastern Caribbean Dollars (EC Dollars), which is the Group's functional and presentation currency. Except as otherwise indicated, financial information presented in EC Dollars has been rounded to the nearest dollar.

d. Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

2. Basis of preparation (*continued*)

d. Use of estimates and judgments (*continued*)

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 6.

e. Actuarial review of pension liabilities to members

An actuarial review was conducted as at December 31, 2013 by an independent actuary, Mr. Hernando Perez Montas. The actuarial report is being updated every three years. The actuarial projections provide a quantification of the emerging level of reserves of the long-term branch and from an actuarial standpoint; the investment return assumes an average 6% nominal return or a 3% real return net of inflation, an assumption that lies within accepted benchmarks of national pension systems. A summary of key parameters and the present value of pensions are disclosed in Note 14.

The Group applies IAS 26 which requires the actuarial present value of promised retirement benefits to be recognized on the statement of financial position, in the notes to the financial statements or in an accompanying actuarial report. The Group has chosen to disclose the actuarial present value of promised retirement benefits in the notes to these financial statements.

f. Change in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of January 1, 2014:

- IAS 36 - Recoverable Amount Disclosures - Amendments to IAS 36
- IAS 32 - Offsetting Financial Assets and Liabilities - Amendments to IAS 32
- IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39
- IFRS 10, IFRS 12, IAS 27 - Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27
- IFRIC 21 - Levies

Adoption of these standards and interpretations did not have any effect on the financial performance of the Board

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Board. Control exists when the Board has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) *Transactions eliminated on consolidation*

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the Group's functional currency at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the Group's functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the Group's functional currency at the exchange rate at the date the fair value was determined.

Foreign currency differences arising from retranslation are recognized in the consolidated statement of income except for differences arising on retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Contribution income

Contribution income is recognized in the consolidated statement of income on the date that the employers' and employees' obligations to contribute become due and the Group's right to receive payment is established.

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(d) Investment income

Investment income comprises interest income on available-for-sale and held-to-maturity investment securities, loans and receivables and cash in bank, dividend income and gain on disposal of available-for-sale investment securities. Interest income is recognized as it accrues in the consolidated statement of income using the effective interest rate method. Dividend income is recognized in the consolidated statement of income on the date that the Group's right to receive payment is established.

(e) Lease

(i) Finance lease

Leases in terms of which the Group transfers substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the Group recognizes assets under a finance lease in the consolidated statement of financial position as a receivable at an amount equal to the net investment in the lease. Net investment is comprised of the present value of the minimum lease payments and any unguaranteed residual value accruing to the Group. The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the calculation of the finance lease receivable, because the interest rate implicit in the lease, used for discounting the minimum lease payments, takes initial direct costs incurred into consideration.

The Group derecognises the leased asset and recognises the difference between the carrying amount of the leased asset and the finance lease receivable in the consolidated statement of income when recording the finance lease receivable. This gain or loss is presented in the consolidated statement of income in the same line item in which the lessor presents gains or losses from sales of similar assets.

Over the lease term the Group accrues interest income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognising finance income, so as to produce a constant rate of return on the net investment.

(ii) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease income from leased property accounted for as operating lease is recognized in the consolidated statement of income on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

(f) Fines and miscellaneous income

Fines and miscellaneous income are recognized in the consolidated statement of income on the date cash is received.

ANGUILLA SOCIAL SECURITY BOARD
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December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(g) Distribution of income

Based on Section 18(1a) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45), the income from employer and employee contributions is ascribed to the various branches in the following proportions:

Short-term benefits branch	15.00%
Long-term benefits branch	81.25%
Social Security Development Fund	3.75%

On the other hand, investment income and rent income are distributed to each branch in proportion to the amount of reserves in each branch at the end of the preceding year, based on Section 18(1b) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45). The allocations are as follows:

	2014	2013
Short-term benefits branch	1.77%	2.05%
Long-term benefits branch	97.02%	96.74%
Social Security Development Fund	1.21%	1.21%

Other income is distributed equally between the two benefit branches.

(h) Distribution of expenditure

Benefit expenditures grouped under a specific branch are ascribed to that branch based on Section 2(b) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45).

The benefits are grouped as follows:

Short-term benefits branch	- sickness benefit, maternity benefit, funeral grant
Long-term benefits branch	- age benefit, invalidity benefit, survivor's benefit, non-contributory old age pension

Administrative expenses are distributed among the benefit branches in proportion of the sum of contribution income and benefit expenditure of each branch to the total sum of contribution income and benefit expenditure of the two benefit branches, based on Section 19(2) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45). In 2012 and 2011, the allocations are as follows:

	2014	2013
Short-term benefits branch	18.96%	19.03%
Long-term benefits branch	81.04%	80.97%

All other expenditure which is not attributable to any specific branch shall be distributed among the two benefit branches in equal proportion.

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(i) Financial assets

(i) Recognition

The Group initially recognizes financial assets on the date that they are originated.

(ii) Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(i) Financial assets (*continued*)

(vi) Fair value measurement (*continued*)

*IFRS 7 fair value measurement hierarchy (*continued*)*

- a. Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- b. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- c. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

(vii) Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (continued)

(i) Financial assets (continued)

(vii) Identification and measurement of impairment (continued)

Impairment loss on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in the consolidated statement of income and reflected in an allowance account against loans and receivable.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income.

(j) Non-derivative financial instruments

Non-derivative financial instruments comprise of cash and cash equivalents, investments in debt and equity securities, contributions, loans and other receivable, finance lease receivables, accounts payable and accrued expenses and borrowings. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, balances with local banking institutions and highly liquid financial assets with maturities of less than three months, which are subject to insignificant risk of changes in their fair value.

Bank overdraft

Bank overdraft is measured at amortized cost using the effective interest method.

Held-to-maturity investment securities

Held-to-maturity investment securities are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investment securities are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale investment securities

The Group's investments in equity securities and certain debt securities are classified as available-for-sale investment securities. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in the consolidated statement of comprehensive income. When an investment is derecognised, the cumulative gain or loss in the consolidated statement of comprehensive income is transferred to the consolidated statement of comprehensive income and presented within equity in the fair value reserve.

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(j) Non-derivative financial instruments (*continued*)

Loans, contributions and other receivables

Loans, contributions and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans, contributions and other receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method except when the Group chooses to carry the loans, contributions and other receivables at fair value through profit or loss.

Finance lease receivables

Finance lease receivables are measured at the present value of the minimum lease payments and any unguaranteed residual value accruing to the Group less any impairment losses. The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease.

Accounts payable

Accounts payable are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Subsequent to initial recognition, accounts payable are measured at amortized cost using the effective interest method.

Borrowings

Borrowings are measured at amortized cost using the effective interest method.

(j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. It is derecognized when it has either been disposed of or are permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses from derecognition of investment property is recognized in the consolidated statement of comprehensive income in the year of derecognition.

The Group's investment property is comprised of land that is held for capital appreciation and for rental. It is carried at its original purchase cost which comprises its purchase price and any directly attributable expenditure.

(k) Property and equipment

(i) ***Recognition and measurement***

Except for land and building which are measured at fair market value, all other items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(l) Property and equipment (*continued*)

(i) **Recognition and measurement** (*continued*)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(ii) **Subsequent costs**

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognized in the consolidated statement of income as incurred.

(iii) **Depreciation**

Depreciation is charged to the consolidated statement of income on the straight line basis over the estimated useful lives of each part of an item of property and equipment. Leasehold improvements are amortized over the shorter of the lease term and their estimated useful lives. The estimated useful lives for the current and comparative years are as follows:

Building	40 years
Long-term improvements	17 years
Short-term improvements	2 years
Furniture, fittings and equipment	5 to 10 years
Computer equipment	5 to 8 years
Vehicles	5 years
Generator	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) **Revaluation of land and building**

Following initial recognition at cost, land and building are carried at the revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on building and subsequent accumulated impairment losses, if any. Valuations are performed every three years by an independent and qualified property valuation expert to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(l) Property and equipment (*continued*)

(iv) *Revaluation of land and building (continued)*

Any revaluation surplus is credited to the premises revaluation reserve included in the reserves section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of income, in which case the increase is recognised in the consolidated statement of income.

An annual transfer from the asset revaluation reserve to branch reserves and development fund reserve is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to branch reserves and development fund reserve.

(m) Intangible asset

Intangibles acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognised in the consolidated statement of income on a straight-line basis over the estimated useful life of the intangibles, from the date that it is available for use. The estimated useful life of intangible asset is eight years.

(n) Non-current assets held-for-sale

Non-current assets are held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(n) Non-current assets held-for-sale (*continued*)

Non-current assets held-for-sale is measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Company's accounting policy; and
- fair value less costs to sell.

Following their classification as held-for-sale, non-current assets are not depreciated.

(o) Borrowing costs

Borrowing costs are recognized as expenses as incurred.

(p) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the consolidated statement of income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(q) Employee benefits

1. Defined benefit plan

The Group sponsors a defined benefit pension plan for its employees. Operations commenced on January 1, 2001, under the temporary supervision of the Board, until a Trust Deed was formally sanctioned on March 4, 2005. The Anguilla Social Security Staff Pension Fund (the Staff Pension Fund) is contributory (funded on a bipartite basis by the Group and the present employees and those employees entering the service of the Group after commencement of said scheme and hold confirmed positions in the Group's employment). The plan assets are managed by the Staff Pension Fund.

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (continued)

(q) Employee benefits (continued)

(i) Defined benefit plan (continued)

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Re-measurement comprising of actuarial gains and losses, the effect of asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Re-measurement recorded in other comprehensive income is not recycled. However, the entity may transfer those amounts recognized in other comprehensive income within equity. Past service cost is recognized in profit or loss in the period of plan amendment. 'Net interest expense or income' is calculated by applying the discount rate at the beginning of the year to the pension fund obligation or asset (net defined benefit liability or asset) as at the beginning of the year. Pension expense (defined benefit cost) is split into three categories:

- service cost, past service cost, gains and losses on curtailments and settlements;
- net interest expense or income; and
- re-measurement.

The Group presents the first two components of the pension expense (defined benefit cost) in the account 'Pension Expense' included in the 'Salaries, benefits and allowances to staff' reported under the line item 'Administrative and other expenses' in the statement of income. Curtailment gains and losses are accounted for as past service cost.

Re-measurements of the net defined obligation are recognized directly within other comprehensive income. The re-measurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)
- Any asset ceiling effects (interest exclusive).

The pension fund obligation or asset (net defined benefit liability or asset) recognized in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

[Expressed in Eastern Caribbean Dollars (EC\$)]

3. Significant accounting policies (*continued*)

(r) Provision

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(s) Related party transactions

Parties are considered 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 individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

(t) Subsequent events

Post year-end events that provide additional information about the Group's consolidated financial position as at reporting date (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

(u) New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that have been issued but are not yet effective as at December 31, 2012 or not relevant to the Group's operations. These are as follows:

- *IFRS 9, Financial Instruments;*
- *IFRS 14, Regulatory deferral accounts;*
- *IFRS 15, Revenue from contract with owners;*
- *Amendments to IFRS 11, Accounting for acquisitions of interests in joint operations;*
- *Amendments to IAS 16 and IAS 38, Clarification of acceptable methods of depreciation and amortization;*
- *Amendments to IAS 16 and IAS 41, Agriculture: Bearer Plants;*
- *Amendments to IAS 19, Defined benefit plans, employee contributions;*
- *Annual improvements to IFRSs 2012-2012 cycle; and*
- *Annual improvements to IFRSs 2011-2013 cycle.*

(v) Comparatives

When necessary, comparative figures have been adjusted to conform to changes in the presentation in the current year.

[Expressed in Eastern Caribbean Dollars (EC\$)]

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Cash and cash equivalents

The carrying values of these financial assets approximate their fair values due to the short-term nature of these placements as at year-end.

(b) Held-to-maturity and available-for-sale investment securities

The fair values of listed available-for-sale investment securities are determined by reference to their quoted market prices at the reporting date. The fair values of held-to-maturity and unlisted available-for-sale investment securities are equivalent to the present value of the estimated future cash flows, discounted at the market of interest as at the reporting date. The market interest rates used were extrapolated from available market interest rates of instruments issued in the region with similar terms. In the absence of market interest rate for a particular instrument, the carrying amount of such instrument is the assumed its fair value.

(c) Loans, contributions and other receivables

The fair value of loans, contributions and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(d) Other non-derivative financial assets

The carrying values of other non-derivative financial assets approximate their fair values due to the short-term nature of the related transactions.

(e) Property and equipment

The fair values of land and building are recognized based on market values. The market value of the property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(f) Investment property

The fair value of investment property is recognized based on market values. The market value of the property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(g) Borrowings

The carrying value of borrowings is equivalent or approximate their fair value due to the nature of the borrowings which is payable at a fixed date and have rates that reflect market conditions.

[Expressed in Eastern Caribbean Dollars (EC\$)]

5. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Investment Committee, which is responsible for developing and monitoring the Group's risk management policies in their specified areas. The committee has both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and receivables and investment securities.

The risk that counterparties to the Group's financial assets might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to available-for-sale investment securities with a positive fair value and to the volatility of the fair value instruments. To manage the level of credit risk, the Group deals with counterparties of good credit standing.

It is the Group's policy to limit its credit risk by restricting the amount of assets placed with any one investee or related group of investees.

[Expressed in Eastern Caribbean Dollars (EC\$)]

5. Financial risk management (*continued*)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

Overall authority for management of market risk is vested in the Board of Directors, which is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation. The Group exposure to market risk arises from its borrowings, held-to-maturity investment securities and available-for-sale investment securities.

Foreign exchange risk

Substantially all the Group's transactions and assets and liabilities are denominated in Eastern Caribbean dollars or United States dollars. The exchange rate of the Eastern Caribbean dollar to the United States dollar has been formally pegged at EC\$2.70 to US\$1.00 since 19 July 1976. Therefore, the Group's exposure to foreign exchange risk is not considered significant.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

The Group's interest rate risk arises from its long term borrowings and held-to-maturity investment securities. Borrowings and held-to-maturity investment securities issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and held-to-maturity investment securities issued at fixed rates expose the Group to fair value interest rate risk. The Group is exposed to cash flow and fair value interest rate risk as a result of its bank loan (see note 11) and various held-to-maturity investment securities (see note 8).

(d) Liquidity risk

Liquidity risk is the risk arising from the potential inability to meet all payment obligations when they become due. The Board of Directors and key officers safeguard the ability of the Group to meet all payment obligations when they become due. To limit this risk, management arranges for diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The Board of Directors is responsible for the management of liquidity risk. The Group's liquidity risk management framework is designed to identify measure and manage the liquidity risk position. The underlying policies are reviewed on a regular basis by the key officers of the Group and finally approved by the members of the Board of Directors.

[Expressed in Eastern Caribbean Dollars (EC\$)]

5. Financial risk management (*continued*)

(e) Capital management

Regulatory reserves

The Financial and Accounting Regulations of the Social Security Act sets the capital requirements of the Group as a whole.

In implementing current capital requirements, the regulation requires that the Group transfer the excess of income over expenditure for each branch to a separate reserve at the end of the year.

The Group's regulatory reserves are analysed into three categories:

- Short-term Benefit Reserve;
- Long-term Benefit Reserve; and
- Social Security Development Fund Reserve.

The Group's policy is to maintain a strong capital base so as to sustain future development of the Group and finance approved benefits. The Group recognizes the need to maintain a balance between the higher benefit payments that might be possible and the advantages and security afforded by a sound capital decision.

The Group has complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Group's management of capital during the year.

6. Critical accounting estimates and judgments

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experiences and other facts, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Allowance for impairment losses

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy note 3 (i) (vii).

The specific counterparty component of the total allowance for impairment applies to receivables evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about counterparty's financial situation. Each impaired asset is assessed on its merit, and the workout strategy and estimate of cash flows considered recoverable.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

6. Critical accounting estimates and judgments

(a) Allowance for impairment losses (continued)

The carrying value of investment securities and contributions, loans and other receivables are disclosed in notes 8 and 9, respectively.

(b) Pension benefits assumptions

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in note 14. The Group takes advice from an independent actuary relating to the appropriateness of the assumptions. Changes in the assumptions may have a significant effect on the consolidated statement of comprehensive income and the consolidated statement of financial position.

(c) Determination of fair values

The Group determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

The methods and assumptions applied, and the valuation techniques used, as disclosed in notes 4 and 25.

7. Cash and cash equivalents

	2014	2013
Cash on hand	190,327	668,818
Cash in bank		
Savings and demand deposits	7,381,773	7,721,815
Short-term fixed deposits	3,655,737	16,416,843
	11,227,837	24,807,476

The cash in bank represents deposits with the indigenous banks in Anguilla which earned interest at the rate of 1.0% per annum (2013: 1.0% per annum) for savings and 3.125% - 4.75% per annum for short-term fixed deposits (2013: 3% per annum). The fixed deposits mature in 1-3 months.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
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[Expressed in Eastern Caribbean Dollars (EC\$)]

8. Investment securities - net

	Notes	2014	2013
Held-to-maturity investments	8.1	210,005,559	185,992,547
Available-for-sale investments	8.2	26,247,694	24,770,838
		236,253,253	210,763,385

The assets included in each of the categories above are detailed below:

8.1 Held-to-maturity investment securities

The following shows the breakdown of held-to-maturity investments consisting of fixed deposits and investment in bonds by contractual maturity dates:

Note	Due within one year	Due over one year	2014	2013
Fixed deposits				
National Bank of Anguilla Limited	49,232,887	72,024,774	121,257,661	97,451,572
Caribbean Commercial Bank Limited	48,318,244	19,079,056	67,397,300	66,864,473
British American Insurance Company	10,635,462	-	10,635,462	10,635,462
Scotiabank (Anguilla) Limited	7,509,898	-	7,509,898	7,290,000
	115,696,491	91,103,830	206,800,321	182,241,507
Investments in bonds				
Eastern Caribbean Home Mortgage Bank (ECHMB)	-	4,000,000	4,000,000	4,000,000
Government of St. Kitts and Nevis	156,834	1,330,673	1,487,507	1,644,340
Government of St. Lucia	2,146,515	5,840,000	7,986,515	8,154,515
Government of St. Vincent and Grenadines	220,969	281,454	502,423	723,392
	2,524,318	11,452,127	13,976,445	14,522,247
Total held-to-maturity investments	118,220,809	102,555,957	220,776,766	196,763,754
Less allowance for impairment	8.3 (10,771,207)	-	(10,771,207)	(10,771,207)
	107,449,602	102,555,957	210,005,559	185,992,547

The fixed deposits carry interest rates ranging from 2.00% to 5.50% (2013: 3.00% to 6.25% per annum) while investments in bonds carry interest rates ranging from 3.75% to 7.50% (2013: 4% to 7.50% per annum).

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

8. Investment securities - net (continued)

8.2 Available-for-sale investment securities

The Group's available-for-sale investment securities comprise of:

	<i>Note</i>	2014	2013
Equity securities - International			
UBS Financial Services		10,217,663	8,669,950
Smith Barney		8,549,046	7,812,832
Merrill Lynch		36,979	54,458
Anguilla European Masters Fund (AEMF)		262,838	262,838
		19,066,526	16,800,078
Equity securities - Local and regional			
National Bank of Anguilla		1,500,000	1,500,000
Anguilla Electric Company Limited (ANGLEC)		4,587,750	4,587,750
Eastern Caribbean Financial Holding Company (ECFHC)		3,000,000	3,000,000
Eastern Caribbean Home Mortgage Bank (ECHMB)		331,400	331,400
Eastern Caribbean Securities Exchange Limited		125,000	125,000
		9,544,150	9,544,150
Total available-for-sale investment securities		28,610,676	26,344,228
Less allowance for impairment losses	8.3	(2,362,982)	(1,573,390)
		26,247,694	24,770,838

The movements in the fair value of available-for-sale investment securities follow:

	<i>Note</i>	2014	2013
Beginning balance		26,344,228	12,028,021
Net realized gain	17.1	790,264	13,178,359
Net addition		230,720	112,704
Should be fair value balance		27,365,212	25,319,084
Ending balance		28,610,676	26,344,228
Net change in fair value during the year		1,245,464	1,025,144

The movements of the "Unrealized gain on available-for-sale investment securities" account as a result of changes in the fair values of available-for-sale investment securities are as follows:

	2014	2013
Unrealized gain beginning of year	1,294,975	269,831
Net change in fair value during the year	1,245,464	1,025,144
Unrealized gain end of year	2,540,439	1,294,975

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
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[Expressed in Eastern Caribbean Dollars (EC\$)]

8. Investment securities - net (continued)

8.3 Allowance for impairment losses

	Notes	2014	2013
Balance at beginning of year			
Held-to-maturity investment securities	8.1	10,771,207	10,771,207
Available-for-sale investment securities	8.2	1,573,390	854,004
Contributions, loans and other receivables	9	27,990,363	25,798,714
Property and equipment	11	29,410	29,410
		40,364,370	37,453,335
Impairment loss during the year			
Available-for-sale investment securities		789,592	719,386
Contributions, loans and other receivables		3,044,891	2,191,649
		3,834,483	2,911,035
Recovery during the year			
Property and equipment		(29,410)	-
Written off during the year			
Contributions, loans and other receivables		(321,098)	-
Balance at end of year			
Held-to-maturity investment securities	8.1	10,771,207	10,771,207
Available-for-sale investment securities	8.2	2,362,982	1,573,390
Contributions, loans and other receivables	9	30,714,156	27,990,363
Property and equipment	11	-	29,410
		43,848,345	40,364,370

The impairment loss relates to the Group's investments, accrued interest receivable, finance lease receivables and property and equipment with the following companies:

2014	Principal	Interest	Total
Government of Anguilla	16,791,447	6,360,523	23,151,970
British American Insurance Company	10,635,462	6,874,807	17,510,269
Eastern Caribbean Financial Holding Co.	1,584,000	-	1,584,000
UBS Financial Services	335,579	-	335,579
Anguilla European Masters Fund	262,838	-	262,838
Caribbean Commercial Bank	135,745	5,108	140,853
Smith Barney	95,440	-	95,440
Eastern Caribbean Securities Exchange	85,125	-	85,125
Total	29,925,636	13,240,438	43,166,074
Contributions and other receivables	-	682,271	682,271
	29,925,636	13,922,709	43,848,345

ANGUILLA SOCIAL SECURITY BOARD
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December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

8. Investment securities - net (continued)

8.3 Allowance for impairment losses (continued)

2013	Notes	Principal	Interest	Total
Government of Anguilla		16,791,447	5,344,708	22,136,155
British American Insurance Company		10,635,462	5,849,100	16,484,562
Eastern Caribbean Financial Holding Co.		1,233,600	-	1,233,600
Anguilla European Masters Fund		262,838	-	262,838
Caribbean Commercial Bank		135,745	5,108	140,853
Merrill Lynch		38,381	-	38,381
UBS Financial Services		20,208	-	20,208
Smith Barney		18,363	-	18,363
Total		29,136,044	11,198,916	40,334,960
Property and equipment	11	29,410	-	29,410
		29,165,454	11,198,916	40,364,370

Distribution of impairment loss (net of the recovery) follows:

	2014		2013	
	%	Amount	%	Amount
Short-term benefits branch	1.77%	67,234	2.05%	59,764
Long-term benefits branch	97.02%	3,691,934	96.74%	2,815,969
Social Security Development Fund	1.21%	45,905	1.21%	35,302
	100.00%	3,805,073	100.00	2,911,035

9. Contributions, loans and other receivables - net

	Notes	2014	2013
Contributions receivable		4,063,471	2,691,909
Loans receivable			
Government of Anguilla		33,333,333	38,888,888
Anguilla Development Board (ADB)		540,000	720,000
Staff		8,059	8,059
		33,881,392	39,616,947
Finance lease receivable	19	33,517,668	32,501,854
Other receivables			
Interest on fixed deposits		1,735,076	1,994,377
Interest on loans receivable		283,954	332,182
Interest on investments in bonds		7,120,161	6,096,344
Rent receivable		56,317	92,553
Other		83,690	64,669
		9,279,198	8,580,126
Total contributions, loans and other receivables		80,741,729	83,390,836
Less allowance for impairment losses	8.3	(30,714,156)	(27,990,363)
		50,027,573	55,400,473

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

9. Contributions, loans and other receivables - net (continued)

Contributions receivable include earned contributions as of year-end that is due from Social Security Board members and were collected subsequently. This amount is estimated by the Group based on actual collections subsequent to year end. This also includes known significant receivables from delinquent employers.

The gross contribution receivable does not include receivables from other delinquent members' that were not collected subsequently due to unavailability of reliable information. The Group believes that these receivables if recognized will be provided with corresponding allowance for impairment as a result of collections being doubtful, thus, resulting to a nil effect in the combined consolidated statement of comprehensive income.

Loans receivable from ADB represents total draw-down EC\$2,700,000 which were granted on December 29, 1997. The loan is payable in quarterly instalments after five years from the date of drawdown and carry a six percent (6%) interest per annum. The loan will mature on 31 January 2018.

The current and non-current portion of the loans receivable from ADB follows:

	2014	2013
Current	180,000	180,000
Non-current	360,000	540,000
	540,000	720,000

Government of Anguilla loan represents borrowed funds amounting to fifty million Eastern Caribbean Dollars (EC\$50 million). This borrowing was approved by the House of Assembly after presentation by the Honourable Minister of Finance on June 28, 2010 pursuant to Section 40 of the Financial Administration and Audit Act, R.S.A.c F27.

On July 29, 2010 and November 11, 2010, the Executive Council of Anguilla approved and authorized the Minister of Finance to sign the related agreements pertaining to the loans as follows:

Disbursement Date	Loan Agreement Date	Security	Interest	Amount
November 19, 2010	December 30, 2010	Unsecured	4.50%	50,000,000

The loan is for a period of ten (10) years which commenced on November 19, 2010 and ending November 19, 2020. The loan is to be repaid in thirty-six (36) equal or approximately equal and consecutive quarterly instalments payable on each payment date commencing after the expiry of one (1) year following the initial drawdown date. The loan can be also prepaid by the borrower without penalty.

Details of finance lease receivable are disclosed in note 19 to the consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

9. Contributions, loans and other receivables - net (continued)

The current and non-current portion of the loans receivable from Government of Anguilla follows:

	2014	2013
Current	5,555,555	5,555,555
Non-current	27,777,778	33,333,333
	33,333,333	38,888,888

10. Lease property

The lease property pertains to the acquired Cinnamon Reef property comprising of 10.07 acres of land, with constructed building and improvements located in Little Harbour, Anguilla from NBA Assets Limited, a subsidiary of National Bank of Anguilla Limited, for US\$7,500,000 (EC\$20,250,000) on March 30, 2009. The purchase price was based on the appraisal conducted by Can Engineering Ltd on July 25, 2006 and such price was agreed by both parties. Fees pertaining to the acquisition of the property through bank borrowings were waived.

In a meeting of the Executive Council of the Government of Anguilla held on March 20, 2009, the Executive Council agreed that the Ministry of Social Development should indicate to the Company its willingness to engage in a lease and purchase agreement with respect to the Cinnamon Reef property. The lease and purchase agreement was signed on January 19, 2010 (see note 19).

As at December 31, 2014, the Group's investment property was revalued by an independent and qualified appraiser, Can Engineering Ltd., who used the comparative sales method of valuation (market approach). The revalued amount as at December 31, 2014 ranged from EC\$9,704,402 - EC\$11,026,996.

11. Property and equipment - net

Movements in this account are as follows:

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
At revalued amount							
December 31, 2012	3,415,414	5,875,994	822,376	446,383	102,966	211,267	10,874,400
Additions	-	427,906	32,387	86,909	-	-	547,202
Disposal	-	-	(12,485)	(73,457)	-	-	(85,942)
December 31, 2013	3,415,414	6,303,900	842,278	459,835	102,966	211,267	11,335,660
Additions	-	10,349	49,982	97,617	-	-	157,948
Disposals	-	-	(32,201)	-	-	-	(32,201)
Appraisal adjustment	(766,137)	(115,260)	-	-	-	-	(881,397)
December 31, 2014	2,649,277	6,198,989	860,059	557,452	102,966	211,267	10,580,010
Accumulated depreciation							
December 31, 2012	-	195,491	683,980	425,267	102,966	211,267	1,618,971
Depreciation for the year	-	115,336	54,198	28,773	-	-	198,307
Disposal	-	-	(12,485)	(73,457)	-	-	(85,942)
December 31, 2013	-	310,827	725,693	380,583	102,966	211,267	1,731,336
Depreciation for the year	-	274,438	49,637	41,711	-	-	365,786
Disposal	-	-	(32,201)	-	-	-	(32,201)
Appraisal adjustment	-	(585,265)	-	-	-	-	(585,265)
December 31, 2014	-	-	743,129	422,294	102,966	211,267	1,479,656

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

11. Property and equipment - net (*continued*)

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
Allowance for impairment losses							
December 31, 2012	-	29,410	-	-	-	-	29,410
Impairment loss for the year	-	-	-	-	-	-	-
December 31, 2013	-	29,410	-	-	-	-	29,410
Reversal of impairment loss	-	(29,410)	-	-	-	-	(29,410)
December 31, 2014	-	-	-	-	-	-	-
Carrying amount							
December 31, 2013	3,415,414	5,963,663	116,585	79,252	-	-	9,574,914
December 31, 2014	2,649,277	6,198,989	116,930	135,158	-	-	9,100,354

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
At cost							
December 31, 2012	745,533	6,069,733	822,376	446,383	102,966	211,267	8,398,258
Additions	-	427,906	32,387	86,909	-	-	547,202
Disposal	-	-	(12,485)	(73,457)	-	-	(85,942)
December 31, 2013	745,533	6,497,639	842,278	459,835	102,966	211,267	8,859,518
Additions	-	10,349	49,982	97,617	-	-	157,948
Disposals	-	-	(32,201)	-	-	-	(32,201)
December 31, 2014	745,533	6,507,988	860,059	557,452	102,966	211,267	8,985,265
Accumulated depreciation							
December 31, 2012	-	2,091,554	683,980	425,267	102,966	211,267	3,515,034
Depreciation for the year	-	68,417	54,198	28,773	-	-	151,388
Disposal	-	-	(12,485)	(73,457)	-	-	(85,942)
December 31, 2013	-	2,159,971	725,693	380,583	102,966	211,267	3,580,480
Depreciation for the year	-	116,173	49,637	41,711	-	-	207,521
Disposal	-	-	(32,201)	-	-	-	(32,201)
December 31, 2014	-	2,276,144	743,129	422,294	102,966	211,267	3,755,800
Carrying amount							
December 31, 2013	745,533	4,337,668	116,585	79,252	-	-	5,279,038
December 31, 2014	745,533	4,231,844	116,930	135,158	-	-	5,229,465

The Group's land and building were revalued on December 31, 2014 by an independent and qualified valuator, the Land Development Survey Services of Anguilla. The value was estimated using the income approach method of valuation.

Annual transfers from the premises revaluation reserve to branch reserves (i.e. Short-term Benefits Branch Reserve and Long-term Benefits Branch Reserve) and Social Security Development Fund accounts are made for the difference between depreciation based on the re-valued carrying amount of the assets and depreciation based on the assets' original cost. Every year, depreciation of \$46,919 (2013: \$46,919) from Premises Revaluation Surplus account is transferred to branch reserves (allocated to Short-term Benefits Branch Reserve: \$7,038 (2013: \$7,038); Long-term Benefits Branch Reserve: \$38,122 (2013: \$38,122) and Social Security Development fund: \$1,759 (2013: \$1,759).

ANGUILLA SOCIAL SECURITY BOARD
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December 31, 2014

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11. Property and equipment - net (continued)

Movements in the Premises Revaluation Surplus account are as follows:

	2014	2013
Revaluation surplus, beginning of year	4,213,940	4,260,859
Depreciation for the year	(46,919)	(46,919)
Revaluation reserve adjustment	(296,132)	-
Revaluation surplus, end of year	3,870,889	4,213,940

12. Intangible asset - net

Movements in this account follow:

	2014	2013
Cost		
Beginning balance	1,275,505	1,256,336
Acquisition during the year	210,970	19,169
Ending balance	1,486,475	1,275,505
Accumulated amortization		
Beginning balance	1,080,203	999,935
Amortization for the year	109,600	80,268
Ending balance	1,189,803	1,080,203
Carrying amount	296,672	195,302

13. Other assets

	2014	2013
Contingency reserve investment	3,000,000	2,700,000
Prepayments	177,786	116,660
Stationery and computer supplies	98,341	73,903
	3,276,127	2,890,563

The 'Contingency reserve investment' account is a restricted fixed deposit and was established to meet any unforeseen or abnormal expenditure which the current income of the Group may not be sufficient to cover, or to make good any unforeseen or abnormal reduction of income. This contingency reserve is increased to an amount equivalent to the average expenditure of the Group for the provision of benefits and administration for two (2) months. This contingency reserve as at December 31, 2014 and 2013 had been invested at the National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited in the form of fixed deposit which bear interest at a rate of 4.75% per annum. Accrued interest receivable for this fixed deposit amounted to \$39,822 (2012: \$27,055).

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14. Pension fund obligation

On September 18, 2014, pursuant to the provisions of Section 16(1) of the Social Security Act (Chapter 45), an actuarial review of the operations of the Group, the financial condition of the fund and the adequacy of the contributions to support benefits was carried out as at 31 December 2013 by an independent actuary, Mr. Hernando Perez Montas. This actuarial review which is updated every three (3) years is necessary in assessing the experience of the preceding three years and future cost trends. The present value of the Group's pension fund benefit obligation to its members as at December 31, 2013 and December 31, 2010 follows:

	2013	2010
Retirement pensions	62,994,540	43,679,326
Disablement pensions	12,546,061	9,129,299
Survivor's pensions	13,822,200	9,961,182
Non-contributory pensions	4,547,010	4,085,853
Sub-total (pensions in payment)	93,909,811	66,855,660
Active insured persons	327,744,030	291,363,329
Total Accumulated Benefit Obligations (ABO)	421,053,841	358,218,989
Net assets available for benefits (ASS)	272,761,518	(237,105,461)
Net Accumulated Obligations (ABO-ASS)	148,880,323	121,113,528
Funded Status (ASS/ABO)%	54%	66.19%
Projected Benefit Obligations (PBO)	630,502,208	613,847,205
- Vested	529,909,210	348,835,692
- Non-vested	100,593,998	265,011,513
Unfunded Projected Obligation (PBO-ASS)	357,740,690	376,741,744

The key assumptions and methods used in this calculation were as follows

	2013	2010
Mortality table	GAM-83 (USA)	GAM-83 (USA)
Discount	4% (2% real)	4% (2% real)
Salary scale	2%	2%
Termination assumption (basically foreign workers)	0.07 to .03 (20/59 years)	.07 to .03 (20/50 years)
Loading factor for complementary benefits:	5%	5%

As detailed above, there is a difference of \$148,880,323 (2010: \$121,113,528) between the reserves of the Fund and the actuarial present value of actual benefit obligations and a difference of \$357,740,690 (2010: \$376,741,744) between the reserves of the Fund and the actuarial present value of projected benefit obligations. These differences will be compensated by future adjustments to the contribution rates by employers and employees, under the scaled-premium system of finance of the long-term branch, pursuant to Section 18(2) of the Social Security Act.

ANGUILLA SOCIAL SECURITY BOARD
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December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

14. Pension fund obligation (continued)

Aside from the Group's pension scheme to its members, the Group also sponsors funded defined benefit plan for qualifying existing and former employees. The defined benefit plan is administered by a separate Fund, the Anguilla Social Security Staff Pension Fund (Staff Pension Fund) that is legally separated from the Group. The board of the Staff Pension Fund is composed of an equal number of representatives from both employer and employees. The board of the Staff Pension Fund is required by law or by the Trust Deed to act in the interest of the fund and of all relevant stakeholders in the scheme i.e. active employees, retirees, and employer. The board of the Staff Pension Fund is responsible for setting the investment, contribution and other policies relating to the fund.

The pension plan is exposed to a number of risks, including:

- a. Investment risk: movement of discount rate used (high quality corporate bond or regional investments) against the return from plan assets.
- b. Interest rate risk: decreases/increases in the discount rate used (high quality corporate bond or regional investments) will increase/decrease the defined benefit obligation.
- c. Longevity risk: changes in the estimation of mortality rates of current and former employees.
- d. Salary risk: increases in future salaries increase the gross defined benefit obligation.

No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at December 31, 2014 by Hernando Perez Montas, Fellow of the International Actuarial Association. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The amounts recognized in the consolidated statement of financial position are as follows:

	2014	2013
Present value of obligations	9,308,628	8,215,195
Fair value of plan assets	2,740,208	2,500,036
Pension fund obligation	6,568,420	5,715,159

Pension expense recognized in the consolidated statement of income is shown below:

	<i>Notes</i>	2014	2013
Service cost			
Current service cost		284,237	268,098
Net interest cost		400,061	361,203
Component of pension expense recorded in statement of income	22.1	684,298	629,301

Forward

ANGUILLA SOCIAL SECURITY BOARD
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14. Pension fund obligation (continued)

Pension expense recognized in the consolidated statement of income is shown below: (continued)

	2014	2013
Re-measurement of the pension fund obligation		
Return on plan assets (excluding interest)	29,776	19,967
Actuarial gains and losses arising from the defined benefit obligation	297,820	64,344
Component of pension expense recorded in other comprehensive income	327,596	84,311
Total pension expense	1,011,894	713,612

Distribution of pension expense recognized in other comprehensive income follows:

	2014		2013	
	%	Amount	%	Amount
Short-term benefits branch	18.96	62,104	19.03	16,042
Long-term benefits branch	81.04	265,492	80.97	68,269
	100.00	327,596	100.00	84,311

The movements in the present value of obligations are as follows:

	2014	2013
Beginning of year	8,215,195	7,436,069
Current service cost	284,237	268,098
Interest cost	575,064	520,525
Contribution by plan participants	126,906	120,822
Benefits and expenses paid	(190,594)	(194,663)
Actuarial loss	297,820	64,344
End of year	9,308,628	8,215,195

The movements in the fair value of plan assets are as follows:

	2014	2013
Beginning of year	2,500,036	2,276,024
Expected return on assets	175,003	159,322
Employer contributions	158,633	158,498
Contribution by plan participants	126,906	120,822
Benefits and expenses paid	(190,594)	(194,663)
Actuarial loss	(29,776)	(19,967)
End of year	2,740,208	2,500,036

ANGUILLA SOCIAL SECURITY BOARD
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December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

14. Pension fund obligation (continued)

The major categories of plan assets at the end of each reporting year for each category are as follows:

	2014	2013
Cash in bank, net of accounts payable and accrued expenses	138,117	(17,151)
Loans to members	1,275,874	1,085,739
Unrated debt instruments (fixed deposits) and accrued interest receivable	1,326,217	1,431,448
	2,740,208	2,500,036

	2014	2013
Actual return on plan assets	145,227	139,355

Loans to members are owed by the following:

	2014	2013
Key management personnel of the Group	368,930	231,303
Other employees	906,944	854,436
	1,275,874	1,085,739

Unrated debt instruments follows:

	2014	2013
National Bank of Anguilla Limited (NBA)	895,049	944,974
Caribbean Commercial Bank Anguilla Limited (CCB)	431,168	413,212
Scotiabank Anguilla Limited	-	73,262
	1,326,217	1,431,448

NBA and CCB were put under Conservatorship on August 12, 2013. The resolution of this conservatorship is detailed in Note 28.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2014	2013
Discount rate	7%	7%
Expected rate of salary increase	2%	4%
Mortality table	GAM - 83	GAM - 83

ANGUILLA SOCIAL SECURITY BOARD
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14. Pension fund obligation (continued)

Defined benefit obligation - sensitivity analysis

The impact of the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumption constant, is presented in the table below:

Actuarial assumption	Reasonably Possible Change	Variation if discount rate decrease by 1%	Variation if discount rate increase by 1%
Variation in DBO with a 1% increase/(decrease) in discount rate	(+/- 1.00%)	(9.19%)	10.80%
Present value of defined benefit obligation		8,215,195	8,215,195
(Decrease)/increase in the defined benefit obligation		(754,976)	887,241

15. Borrowing

This account pertains to the Group's non-revolving term credit facility with Scotiabank (Anguilla) Limited amounting to EC\$20,250,000 obtained on October 20, 2009. Significant provisions of the credit facility are as follows:

- a. The borrower may utilize the facility by way of a direct advance(s) evidenced by promissory notes.
- b. Interest on the facility shall accrue at a rate per annum during each interest period equal to the sum of cost of funds then applicable to such interest period plus 3%. Present effective interest rate is 6% per annum.
- c. The borrower shall repay the facility by 23 equal monthly principal payments of EC\$168,750 each for 23 months, commencing one month from the date of the initial advance under the facility and the balance of the loan together with accrued interest and all other amounts outstanding under the facility shall be due and payable in full on or before the 24th month from the date of the initial advance under the facility. The term of the facility is two (2) years amortized over ten (10) years.

The loan facility with Scotiabank (Anguilla) Limited was paid off in April 2014 by the Group. The loan and the related interest amounting to \$12,073,322 and \$157,500 respectively were repaid in full during the year through capital injection received from the parent company.

Movement in this account follows:

	2014	2013
Beginning balance	12,073,322	14,098,322
Payment during the year	(12,073,322)	(2,025,000)
Ending balance	-	12,073,322

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Notes to the Consolidated Financial Statements (continued)
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[Expressed in Eastern Caribbean Dollars (EC\$)]

15. Borrowing (continued)

The current and non-current portions of the borrowings are as follows:

	2014	2013
Current	-	2,025,000
Non-current	-	10,048,322
	-	12,073,322

Total interest expense as at December 31, 2014 amounted EC\$142,500 (2013: EC\$700,723).

Distribution of borrowing costs follows:

	2014		2013	
	%	Amount	%	Amount
Short-term benefits branch	1.77%	2,518	2.05%	14,386
Long-term benefits branch	97.02%	138,263	96.74%	677,839
Social Security Development Fund	1.21%	1,719	1.21%	8,498
	100.00	142,500	100.00	700,723

16. Social Security Development Fund Reserve

The Social Security Development Fund Reserve was created in 2004. Since its creation, the Group had transferred EC\$250,000 each year from the Social Security Development Fund to create a Social Security Development Fund Reserve for future projects should the statutory funding for the Development Fund be eliminated.

17. Contribution income

	2014	2013
Contribution - employers	13,455,165	13,204,960
Contribution - employees	13,455,165	13,204,960
	26,910,330	26,409,920
Less refunds	(181,807)	(70,639)
	26,728,523	26,339,281
Contributions - self employed	227,967	228,235
	26,956,490	26,567,516

Distribution of contribution income follows:

	%	2014		2013	
		Amount	Amount	Amount	Amount
Short-term benefits branch	15.00	4,043,474	3,985,127		
Long-term benefits branch	81.25	21,902,148	21,586,107		
Social Security Development Fund	3.75	1,010,868	996,282		
	100.00	26,956,490	26,567,516		

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

18. Investment income

	Note	2014	2012
Interest income			
Fixed deposits (Local banks)		8,776,324	8,615,176
Loan - Government of Anguilla		1,793,854	1,999,395
Fixed deposits (British American)		1,025,708	1,025,708
Bonds - Government of St. Lucia		562,120	588,408
Savings and demand deposits		81,850	431,982
Bonds - ECHMB		154,980	147,511
Bonds - Government of St. Kitts and Nevis		94,059	103,190
Bonds - Government of St. Vincent and Grenadines		41,557	57,642
Loan - ADB		37,334	48,134
Bonds - Government of Antigua		-	4,422
Loans - Staff		-	11
		12,567,786	13,021,579
Dividend income			
ANGLEC shares		128,457	-
ECHMB shares		23,731	23,750
		152,188	23,750
Total investment income		12,719,974	13,045,329
Realized gain from available-for-sale investment securities			
Smith Barney		156,347	59,792
UBS Financial Services		98,480	45,296
Merrill Lynch		(24,107)	7,616
Total realized gain	18.1	230,720	112,704
Total investment income		12,950,694	13,158,033

Related interest and dividend receivables are included in the contributions, loans and other receivables account in the consolidated statement of financial position (see note 9).

18.1 Realized (loss)/gain from available-for-sale investment securities

The following table shows the gains and losses from available-for-sale investment securities which were recognized in the consolidated statement of income:

	UBS Financial Services	Smith Barney	Merrill Lynch	2014	2013
Dividend and interest income	122,274	132,066	3	254,343	69,666
Gains on disposals	341,313	175,911	-	517,224	160,631
Losses on disposals	(182,815)	(59,742)	(23,371)	(265,928)	(42,426)
Management fee and others	(182,292)	(91,888)	(739)	(274,919)	(75,167)
	98,480	156,347	(24,107)	230,720	112,704

ANGUILLA SOCIAL SECURITY BOARD
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December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

18. Investment income (*continued*)

Distribution of investment income is as follows:

	2014		2013	
	%	Amount	%	Amount
Short-term benefits branch	1.77	228,857	2.05	270,139
Long-term benefits branch	97.02	12,567,251	96.74	12,728,329
Social Security Development Fund	1.21	154,586	1.21	159,565
	100.00	12,950,694	100.00	13,158,033

19. Leases

a) Operating lease

The Group leases a portion of its building to various tenants. The lease income, net of expenses incurred for the upkeep and maintenance of the building, is as follows:

	2014	2013
Rental income	569,450	295,056
Less maintenance expenses	(91,989)	(99,097)
	477,461	195,959

Related receivables are included in the Contributions, loans and other receivables account in the consolidated statement of financial position (see note 9).

b) Finance lease

	2014	2013
Finance lease receivable	27,157,146	27,157,146
Finance lease earned income receivable	6,360,522	5,344,708
	33,517,668	32,501,854
Allowance for impairment losses	(23,151,969)	(22,136,155)
	10,365,699	10,365,699

Lease agreement

On January 19, 2010, the lease and purchase agreement was signed by the Government of Anguilla (lessee) and the Group (lessor). Significant provisions of the agreement are as follows:

- i. The lessor leases the property to the lessee for a 10 year term, and the lessee hereby agrees to purchase the property at any time during the term of the lease, both in consideration of the lease payments and upon the terms and conditions of the agreement.

[Expressed in Eastern Caribbean Dollars (EC\$)]

19. Leases (*continued*)

b) Finance lease (continued)

Lease agreement

ii. The lessee agrees to pay the lessor monthly lease payments of \$300,000 commencing on February 1, 2010.

iii. The purchase price of the property amounted EC\$20,250,000, less the total sum of any loan payments made by the lessor pursuant to the loan facility.

Considering the above provisions, the Group recognized the lease as a finance lease, recognizing a profit at the inception amounting to EC\$6,907,146 and finance lease earned income amounting to EC\$5,344,708 as at December 31, 2013 and additional finance lease earned income in 2014 amounting to EC\$1,015,814.

Status of the lease

In a letter from the Government of Anguilla, dated 20 May 2011 addressed to Mr. Carlyle Franklin, Corporate Secretary of ASSIDCO, the Government advised that they are no longer interested in the acquisition of the Cinnamon Reef and desirous of bringing closure to the lease and purchase agreement.

In a letter of response by the Group, they specifically stated that they reject any attempt by the Government to unilaterally and arbitrarily terminate the lease and purchase agreement. The Group emphasizes that the lease and purchase agreement is validly subsisting and remains in full force and effect. Any termination must be in accordance with the procedures laid down in the agreement regarding default by the lessee which states as follow:

“ If the Lessee defaults hereunder, the lessor shall have such remedies as the lessor shall be entitled to at law or in equity, including but not limited to, specific performance to enforce the Lessee’s obligation hereunder.”

Further on 11 October 2012, after consultation with legal counsel, the Group sent a letter to the Government of Anguilla as follows:

- The Group reject any attempt by Government to unilaterally and arbitrarily terminate the lease and purchase agreement.
- Remind Government of Anguilla that as the present date the said Agreement is validly subsisting and remains in full force and effect.
- Any termination must be in accordance with the procedures laid down in the Agreement regarding default by the lessee.

Lease property for sale

On the 10th of May 2013, the Group and a property agent enter into a non-exclusive arrangement for the listing of Cinnamon Reef Property for a proposed sale of the Property by the property agent on behalf of the Group.

[Expressed in Eastern Caribbean Dollars (EC\$)]

19. Leases (*continued*)

b) *Finance lease (continued)*

Lease property for joint venture

In 2014, Anguilla Social Security Board and the Group proposed to enter into an agreement for a joint venture with an interested party to develop the lease property. A letter of intent is being reviewed by both parties as at the reporting date. The asking price based on the letter of intent for the property amounted to \$32,258,400.

Lease property classification as non-current assets held-for-sale

Based on IFRS 5, non-current assets held-for-sale, the Group met the requirement of IFRS 5 on the intention and commitment of the management which was evidenced by entering into a non-exclusive arrangement for a proposed sale of the property as well as the letter of intent for the joint venture agreement that the Group is currently negotiating.

However, the condition did not meet the requirement of IFRS 5, on the expectation of recognition as a completed sale within one year from the date of classification as until today the letter of intent is not approved by both parties. Additionally, the price being asked for the property is significantly above the current appraisal value and is not reasonable compared to the asking price.

Lease property as finance lease receivables

IAS 17 Leases par 13, states that changes in estimates (for example, changes in estimates of the economic life or of the residual value of the lease property), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes. The Group will continue to classify and present the lease property as finance lease receivable until the property is sold or the final agreement on joint venture is approved.

Impairment of lease

As at December 31, 2014, the Group's lease property was revalued by an independent and qualified appraiser, Can Engineering Ltd., who used the comparative sales method of valuation (market approach). The revalued amount as at December 31, 2014 ranged from EC\$9,704,402 - EC\$11,026,996.

As at December 31, 2014, the Government was not able to fulfil its obligation to the Group for the rental of the property since the inception of the lease. The total outstanding obligation amounted to EC\$18,000,000. Considering the default of the Government, the Group provided allowance for impairment for the whole amount of income related to the lease amounting to EC\$13,267,668 and the total amount of decline in the value of the leased property amounting to EC\$9,884,301.

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19. Leases (continued)

b) Finance lease (continued)

The future minimum finance lease receivables are as follows:

2014			
	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	18,000,000	-	18,000,000
Less than one year	3,600,000	920,298	2,679,702
Between one and five years	14,400,000	1,562,034	12,837,966
More than five years	-	-	-
	36,000,000	2,482,332	33,517,668
2013			
	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	14,400,000	-	14,400,000
Less than one year	3,600,000	1,015,814	2,584,186
Between one and five years	18,000,000	2,482,332	15,517,668
More than five years	-	-	-
	36,000,000	3,498,146	32,501,854

There are no unguaranteed residual values accruing to the benefit of the lessor and contingent rents recognized as income during the lease period.

Distribution of lease income net of maintenance expenses follows:

	2014		2013	
	%	Amount	%	Amount
Short-term benefits branch	1.77	26,385	2.05	27,960
Long-term benefits branch	97.02	1,448,876	96.74	1,317,425
Social Security Development Fund	1.21	18,015	1.21	16,515
	100.00	1,493,276	100.00	1,361,900

20. Fines and miscellaneous income

	2014	2013
Surcharges and additional surcharges	361,451	182,942
Other	1,413	581
	362,864	183,523

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Notes to the Consolidated Financial Statements (continued)
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20. Fines and miscellaneous income (continued)

Distribution of fines and miscellaneous income follows:

	%	2014	2013
Short-term benefits branch	50.00	181,432	91,761
Long-term benefits branch	50.00	181,432	91,762
		362,864	183,523

21. Benefit expenses

	2014	2013
Short-term benefits		
Sickness	2,307,293	2,079,176
Maternity	1,012,174	825,205
Funeral	177,000	246,000
	3,496,467	3,150,381
Long-term benefits		
Age	7,205,325	6,207,459
Invalidity	980,723	913,799
Survivors	1,053,796	1,014,503
Non-contributory old age pension	645,452	642,320
	9,885,296	8,778,081
	13,381,763	11,928,462

22. Social Security Development Fund

The Group's Social Security Development Fund was established in 1986 as a vehicle to fund socially desirable projects that would benefit the citizens of Anguilla. The Social Security Development Fund contributes to human well-being and the progress of society through sports development, education, health services, environmental protection, economic development and community revitalization.

The following shows the projects funded by Social Security Development Fund in 2014 and 2013.

	2014	2013
Special Assistance Program	383,592	437,103
Health Services	153,649	99,711
Sports Development	104,238	79,599
Education	103,603	36,090
Economic Development	102,291	48,895
Community Revitalization	81,966	134,744
Environmental Protection	20,699	108,327
Others	23,030	1,500
	973,068	945,969

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
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[Expressed in Eastern Caribbean Dollars (EC\$)]

23. Administrative and other expenses

	<i>Notes</i>	2014	2013
Salaries, benefits and allowances to staff	23.1	4,459,177	4,233,052
Administration expenses	23.2	1,751,324	1,600,071
Allowances and expenses of the Board and Investment Committee		228,461	244,291
		6,438,962	6,077,414
Other expenses		122,319	86,502
		6,561,281	6,163,916

Other expense pertains to depreciation of the Group's premises that are being leased out.

Distribution of administrative expenses follows:

	2014		2013	
	%	Amount	%	Amount
Short-term benefits branch	18.96	1,220,672	19.03	1,156,422
Long-term benefits branch	81.04	5,218,290	80.97	4,920,992
	100.00	6,438,962	100.00	6,077,414

Distribution of other expenses follows:

	2014		2013	
	%	Amount	%	Amount
Short-term benefits branch	50.00	61,159	50.00	43,251
Long-term benefits branch	50.00	61,160	50.00	43,251
	100.00	122,319	100.00	86,502

Distribution of administrative and other expenses follows:

	2014	2013
Short-term benefits branch	1,281,831	1,199,673
Long-term benefits branch	5,279,450	4,964,243
	6,561,281	6,163,916

ANGUILLA SOCIAL SECURITY BOARD
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[Expressed in Eastern Caribbean Dollars (EC\$)]

23. Administrative and other expenses (*continued*)

23.1 Details of salaries, benefits and allowances to staff follow:

	<i>Note</i>	2014	2013
Salaries and wages		3,272,091	3,200,401
Pension expense	14	684,298	629,302
Staff pension		206,344	24,379
Social security contribution		121,371	117,114
Employee insurance		111,092	129,845
Employee travel allowance		41,050	46,050
Staff allowance		20,320	22,468
Employee uniform allowance		2,611	63,493
		4,459,177	4,233,052

The breakdown of personnel as at December 31, 2014 and 2013 follows:

	2014	2013
Management	8	8
Non-management	25	26
	33	34

23.2 Details of administration expenses follow:

	<i>Notes</i>	2014	2013
Professional fees		427,750	424,766
Depreciation and amortization	11, 12	353,067	192,073
Utilities		213,586	253,855
Repairs and maintenance		201,223	187,703
Social Security Board special events		96,956	65,807
Overseas travel and lodging		78,827	122,288
Insurance		17,154	21,075
Human resource development expense		9,283	53,832
Bank charge		-	34,984
Other expenses		353,478	243,688
		1,751,324	1,600,071

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
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[Expressed in Eastern Caribbean Dollars (EC\$)]

24. Related party transactions

a. Identification of related party

A party is related to the Group if:

- (i) Directly or indirectly the party:
 - Controls, is controlled by, or is under common control with the Group
 - Has an interest in the Group that gives it significant influence over the Group or
 - Has joint control over the Group;
- (ii) The party is a member of the key management personnel of the Group;
- (iii) The party is a close member of the family of any individual referred to in (i) or (ii); and
- (iv) The party is a post-employment benefit plan for the benefit of employees of the Group or any company that is a related party of the Group.

b. Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business as at December 31, 2014 and 2013.

- (i) The Group's savings and demand deposits account and fixed deposits were held at Caribbean Commercial Bank (Anguilla) Limited (CCB), a registered employer, since inception. Funds held at CCB as of December 31, 2014 and 2013 are as follows:

	<i>Notes</i>	2014	2013
Savings and demand deposits	7	1,814,277	741,152
Fixed deposits	7, 8	71,053,037	67,664,545
Contingency reserve investment	13	-	2,700,000
Funds held at end of year		72,867,314	71,105,697
Funds held at beginning of year		(71,105,697)	(66,177,288)
Increase/(decrease)in funds held		1,761,617	4,928,409

Details of interest income and accrued interest receivable for the above assets follow:

	2014	2013
Interest income	3,152,383	2,128,936
Accrued interest receivable	706,558	682,559

- (ii) The Group's savings and demand deposits accounts, fixed deposits, investment in shares and an overdraft were also held at National Bank of Anguilla Limited (NBA), a registered employer, since inception. The following funds are held at NBA as of December 31, 2014 and 2013:

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[Expressed in Eastern Caribbean Dollars (EC\$)]

24. Related party transactions (continued)

b. Related party transactions and balances (continued)

	Notes	2014	2013
Savings and demand deposits	7	1,704,957	6,488,302
Fixed deposits	7, 8	121,257,661	97,451,572
Contingency reserve investment	13	3,000,000	-
Investment	8	1,500,000	1,500,000
Funds held end of year		127,462,618	105,439,874
Funds held beginning of year		(105,439,874)	(86,341,527)
Increase in funds held		22,022,744	19,098,347

Details of interest income, bank charges and accrued interest receivable for the above assets follow:

	2014	2013
Interest income	5,400,933	4,626,133
Accrued interest receivable	894,782	1,076,516

- (iii) The Group savings and demand deposits and fixed deposits account were also held at Scotiabank (Anguilla) Limited, a registered employer, since inception. The following funds are held at Scotiabank as of December 31, 2014 and 2013:

	Notes	2014	2013
Savings and demand deposits	7	3,862,539	492,361
Fixed deposits	7	7,509,898	22,906,771
Funds held end of year		11,372,437	23,399,132
Funds held beginning of year		(23,399,132)	(33,982,388)
Decrease in funds held		12,026,695	10,583,256

Details of interest income and accrued interest receivable for the above assets follow:

	2014	2013
Interest income	223,008	354,156
Accrued interest receivable	133,738	210,656

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[Expressed in Eastern Caribbean Dollars (EC\$)]

24. Related party transactions (*continued*)

b. Related party transactions and balances (*continued*)

- (iv) The Group also have outstanding receivables from the Government of Anguilla, a registered employer, since inception. The following funds are receivable from the Government as of December 31, 2014 and 2013:

	<i>Notes</i>	2014	2013
Loans receivable	9	33,333,333	38,888,888
Finance lease receivable	19	33,517,668	32,501,854
Accrued interest receivable		278,539	324,962
Receivables held end of year		67,129,540	71,715,704
Receivables held beginning of year		(71,715,704)	(76,114,604)
Decrease in receivables held		(4,586,164)	(4,398,900)

Interest income received as at December 31, 2014 amounted to \$1,793,854 (2013: \$1,999,395).

- (v) Pension Fund

The Group does not charge the Pension Fund for the use of its facilities. There is no defined policy for the terms of payment of the Pension Fund liabilities to the Group.

Total contribution by the Group to the Pension Fund for the year amounted to EC\$158,633 (2013: \$158,498).

- (vi) Remuneration to directors and executive staff during 2014 and 2013 are as follows:

	2014	2013
Board and investment committee allowance	228,461	244,291
Executive staff salaries and allowances	1,320,918	1,195,530
	1,549,379	1,439,821

25. Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

25. Financial instruments (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

The gross maximum exposure to credit risk as at December 31, 2014 and 2013 were as follows:

	Notes	2014	2013
Cash and cash equivalents	7	11,037,510	24,138,658
Held-to-maturity investment securities	8.1	220,776,766	196,763,753
Available-for-sale investment securities	8.2	28,610,676	26,344,229
Contributions, loans and other receivables	9	80,741,728	83,390,834
Contingency reserve investment	13	3,000,000	2,700,000
		344,166,680	333,337,474

As at 31 December 2014, the total gross financial assets of the Group amounting to \$344,166,680 represent ninety-seven percent (97%) of its total gross assets. Eighty-nine percent (89%) of these financial instruments are invested in Anguilla. In view of this, the Group is exposed to significant geographical credit concentration risk which could materially impact the Group's liquidity, financial position and performance should Anguilla encounter financial difficulties.

The movement in the allowance for impairment losses in respect of the Group's investment securities is presented in note 8.3 of the consolidated financial statements.

The impairment loss in respect of the Group's investment securities recognized during the year was due to the market decline in the value of the investment securities held by the Group in the international market and due to the liquidity concerns in the region and locally which affected the recoverability of these investments.

The allowance account in respect of these investment securities are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrevocable and realized by the Group upon withdrawal for available-for-sale investment securities or writing it off against the asset amount for held-to-maturity investment securities.

Details of the maximum exposure to credit risk for gross financial assets by geographical region follows:

	Percentage	2014	2013
Anguilla	89%	307,684,837	298,567,196
Caribbean region	05%	17,678,155	18,233,037
United States of America	06%	18,803,688	16,537,241
	100%	344,166,680	333,337,474

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

25. Financial instruments (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

The maximum exposure to credit risk on gross financial assets by type of counterparty follows:

	Percentage	2014	2013
Related parties	82%	280,566,987	273,630,138
Other	18%	63,599,693	59,707,336
	100%	344,166,680	333,337,474

The details of the maximum gross exposure to credit risk from related parties are as follows:

	% to total financial assets	2014	2013
NBA			
Savings and demand deposits		1,704,957	6,488,302
Fixed deposits		121,257,661	97,451,572
Equity securities		1,500,000	1,500,000
Contingencies reserve		3,000,000	-
Accrued interest receivable		894,782	1,076,516
	37%	128,357,400	106,516,390
CCB			
Savings and demand deposits		1,814,277	741,152
Fixed deposits		71,053,037	67,664,545
Contingencies reserve		-	2,700,000
Accrued interest receivable		706,558	682,559
	21%	73,573,872	71,788,256
Scotiabank			
Savings and demand deposits		3,862,539	492,361
Fixed deposits		7,509,898	22,906,771
Accrued interest receivable		133,738	210,656
	4%	11,506,175	23,609,788
Government of Anguilla			
Loans		33,333,333	38,888,888
Finance lease receivable		33,517,668	32,501,854
Accrued interest receivable		278,539	324,962
	20%	67,129,540	71,715,704
	82%	280,566,987	273,630,138

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

25. Financial instruments (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

As at December 31, 2014, the Group has \$128,357,400 and \$73,573,872 worth of financial assets with National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited respectively, in the form of savings, demand and fixed deposits, equity investment and other receivables. These financial assets represent 58% of the total gross assets of the Group.

In August 12, 2013, the National Bank Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited were placed in Conservatorship. The resolution of this conservatorship is detailed in Note 28.

(b) Liquidity risk

The Groups significant contractual financial liabilities pertain to the Group benefit obligations to its members and employees.

As mentioned in Note 14, the Board may be exposed to liquidity risk as a result of the difference of \$148,880,323 (2010: \$121,113,528) between the reserves of the Fund and the actuarial present value of actual benefit obligations and a difference of \$357,740,690 (2010: \$376,741,744) between the reserves of the Fund and the actuarial present value of projected benefit obligations.

The exposure may be compensated by future adjustments to the contribution rates by employers and employees, under the scaled-premium system of finance of the long-term branch, pursuant to Section 18(2) of the Social Security Act.

The outstanding pension fund obligation of the Group to its employee amounted to \$6,568,420 (2013: \$5,715,159)

Also, the following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 months or less	more than 6 months
31 December 2014				
Accounts payable and accrued expenses	677,095	677,095	677,095	-
Accrued interest payable	-	-	-	-
	677,095	677,095	677,095	

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

25. Financial instruments (*continued*)

(b) Liquidity risk (*continued*)

	Carrying amount	Contractual cash flows	6 months or less	more than 6 months
31 December 2013				
Borrowing	12,073,322	12,073,322	1,012,500	11,060,822
Accounts payable and accrued expenses	517,877	517,877	517,877	-
Accrued interest payable	15,000	663,187	346,781	316,406
	12,606,199	13,254,386	1,877,158	11,377,228

(c) Market risk

Market risk consists of interest, price and foreign exchange risks.

Interest risk

Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period. The Group's financial assets exposed to interest rate risk include fixed deposits and loans receivable. Total financial assets and liabilities that are exposed to interest rate risk amounted to \$261,305,836 (2013: \$255,640,672).

Sensitivity analysis

A ten percent (10%) strengthening of the interest rate on the Group's financial assets subject to interest rate risk as at December 31, 2014 would have increased equity by \$1,376,051 (2013: \$1,278,203). This analysis assumes that all other variables remain constant.

A ten percent (10%) weakening of the interest rate on the Group's financial assets and liabilities subject to interest rate risk as at December 31, 2014 would have had the equal but opposite effect on the above financial assets to the amounts shown above, on the basis that all other variables remain constant.

The Group's is not exposed to interest rate risk as a result of the full payment of borrowings with Scotiabank (Anguilla) Limited during the year.

Price risk

The Group's financial assets are not exposed to price risk because prices are at pre-agreed rates except for available-for-sale investment securities held with trading companies. Total available-for-sale investment securities that are exposed to price risk as at December 31, 2014 amounted to \$21,803,688 (2013: \$18,226,688).

Sensitivity analysis

A ten percent (10%) strengthening of the market price on the Group's available-for-sale investment securities at December 31 would have increased equity by \$2,180,369 (2013: \$1,822,669). This analysis assumes that all other variables remain constant.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2014

[Expressed in Eastern Caribbean Dollars (EC\$)]

25. Financial instruments (continued)

(c) Market risk

Price risk (continued)

A ten percent (10%) weakening of the market price on the Group's available-for-sale investment securities at December 31, 2014 would have had the equal but opposite effect on the above investment securities to the amounts shown above, on the basis that all other variables remain constant.

Foreign exchange risk

The Group is not exposed to any significant foreign exchange risk since most of the Group's transactions are in EC Dollars and United States Dollars (US Dollars). EC Dollar is fixed to US Dollar at the rate of EC\$2.6882.

(d) Fair values

As at December 31, 2014 and 2013, the fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	11,227,837	11,227,837	24,807,476	24,807,476
Held-to-maturity investment	210,005,559	212,606,565	185,992,547	185,118,475
Available-for-sale investments	26,247,694	26,247,694	24,770,838	24,770,838
Contributions, loans and other receivables	50,027,573	41,924,434	55,400,473	52,839,308
Borrowings	-	-	(12,073,322)	(11,210,921)
Accounts payable and accrued expenses	(677,095)	(677,095)	(532,877)	(532,877)
	296,831,568	291,329,435	278,365,135	275,792,300

Fair value measurement of available-for-sale investment securities

Details of available-for-sale investment securities measured at fair value are as follows:

	Level 1		Level 2		Level 3	
	2014	2013	2014	2013	2014	2013
Quoted equity	19,703,544	18,226,688	-	-	-	-
Unquoted equity	-	-	-	-	6,544,150	6,544,150
	19,703,544	18,226,688	-	-	6,544,150	6,544,150

There were no movements in the fair value of unquoted available-for-sale investment securities under level 3 as at December 31, 2014 and 2013.

[Expressed in Eastern Caribbean Dollars (EC\$)]

25. Financial instruments (*continued*)

(d) Fair values (*continued*)

Fair value measurement of available-for-sale investment securities (continued)

Due to the lack of consistent and reliable sources of market interest rates and risk premiums specific to the unlisted available-for-sale investment securities as at year-end, the Group used the carrying values as the assumed market prices.

26. Commitments and guarantees

The Group does not have any other outstanding commitments and guarantees as at December 31, 2014 and 2013.

27. Income taxes

No provision for income tax is made, since Anguilla does not have any form of income tax.

28. Subsequent events

(a) *Amendments to the Pension Plan*

The Group at its meeting held on August 18th 2015 agreed to make the following amendments to the Social Security Staff Pension Fund's Trust Deed:

- a. Reference sections 13 (a) of Trust Deed dated 2005 and 14 (C) of amended trust deed dated July 2008
 - Extend the period of eligibility from 3 to 8 years, to account for the increase in the normal retirement age.
 - Add a provision stating: "Provided that if an employee dies in service with more than 10 years as a member of the Fund, then, instead of the benefit stated above, the eligible beneficiaries might opt for the payment of the accrual pension amount for the maximum period of five (5) years set forth in Section 13 (a), subject to a minimum benefit of 30% of the pensionable salary". The same provision shall be applicable to an ex-employee who has opted for a deferred pension and dies before the commencement date of the pension, with a benefit equal to the amount of the deferred pension.
- b. Early retirement due to illness (Rule 9 (a); (Rule 14.3) - the penalty to be waived, in cases of total and permanent disability,

[Expressed in Eastern Caribbean Dollars (EC\$)]

28. Subsequent events *(continued)*

(a) Amendments to the Pension Plan (continued)

- c. Pension offset (rule 19) - pension offset to be phased out.
- d. Early retirement (gratuity and reduced pension) - item 1 of amendment dated December 31, 2012.

A provision to be amended, to state that the Social Security Board would undertake the payment of the gratuity and / or the transitional payment of the full or reduced pension, as the case may be, where the Group allows members to retire before the attainment of the normal retirement age. Upon the attainment of the normal retirement age, the payment of the pension is to revert to the staff pension plan.

The above amendments are currently being reviewed and finalized by the Group legal counsel.

(b) Lease property

On November 25, 2015, the Group approved the resolution for the submission of the final letter of intent on a proposed joint venture with an interested party. The letter of intent is with the interested party for review and approval. This however is being updated for every new proposal.

(c) Resolution of the National Bank of Anguilla Limited (NBA) and the Caribbean Commercial Bank (Anguilla) Limited Conservatorship (CCB)

I. Commitment Letter and Promissory Note

The Director in the March 23, 2016 Board of Directors meeting stated that the Board had met with the Ministry of Finance. At the meeting, the Government of Anguilla had informed the Board that it would be taking the Board's deposits out of CCB and NBA and putting them in an instrument which would be paid down to the Board over 25 years at 3% per annum payable on a quarterly basis. The payment has a grace period of 5 years on the principal and the first interest payment will be on June 30, 2016.

During this meeting, the Group was also informed that the Permanent Secretary of Finance asked that the Board prepare a Promissory note for the Government of Anguilla to sign and commit the Government in repaying the funds of the Group.

In its March 23, 2016 Board of Directors meeting, the Board approved the draft commitment letter and promissory note to be submitted to the Government of Anguilla for review and approval.

The final promissory note and commitment letter were signed by the Government of Anguilla on June 29, 2016 and June 30, 2016, respectively. The Group accepted and signed the promissory on August 17, 2016.

[Expressed in Eastern Caribbean Dollars (EC\$)]

28. Subsequent events (*continued*)

(c) Resolution of the National Bank of Anguilla Limited (NBA) and the Caribbean Commercial Bank (Anguilla) Limited Conservatorship (CCB) (*continued*)

II. Bank Resolution Obligations Act, 2016

On the 30th day of March 2016, The Anguilla House of Assembly passed the Bank Resolution Obligations Act, 2016. This Act was assented by the Governor on the 18th day of April 2016. This Act was passed to allow the Government of Anguilla to make payments to the Social Security Board and Depositor Protection Trusts in support of the resolution of the National Bank of Anguilla Limited and the Caribbean Commercial Bank (Anguilla) Limited conservatorship

Some of the significant provisions of the Act are as follows:

(i) Section 2 Financial Obligation - the Government of Anguilla shall pay to the Social Security Board and the Depositor Protection Trusts the sums in schedules 1 and 2 on the terms set out therein in support of the resolution of NBA and CCB. Details of schedule 1 and 2 are as follows:

(1) Payment terms for Social Security Board

- a) The Government of Anguilla shall pay the Social Security Board the principal sum of EC\$214 million.
- b) The Government of Anguilla shall pay interest on the reducing balance of the principal at the rate of 3% annually.
- c) The payment term is 25 years from 30th June 2016.
- d) Payments shall be made in quarterly installments.
- e) There is a five year grace period on payments in respect of the principal sum with the first payment in respect of the principal sum to be made on 30th June 2021.
- f) The first payment in respect of the interest shall be made on 30th June 2016

(2) Payment terms for Depositor Protection Trusts

- a) The Government of Anguilla shall pay the Depositor Protection Trusts the aggregate principal sum of EC\$52 million.
- b) Out of the aggregate principal sum each Depositor Protection Trust is to be paid the proportionate amount to its obligation to the large depositors of NBA and CCB as beneficiaries.
- c) The Government of Anguilla shall pay interest on the reducing balance of the principal at the rate of 2% annually.
- d) The payment term is 10 years from 30th June 2016.
- e) Payments shall be made in quarterly installments.
- f) The first payment is to be made on 30th of June 2016.

[Expressed in Eastern Caribbean Dollars (EC\$)]

28. Subsequent events *(continued)*

(c) Resolution of the National Bank of Anguilla Limited (NBA) and the Caribbean Commercial Bank (Anguilla) Limited Conservatorship (CCB) (continued)

II. Bank Resolution Obligations Act, 2016 *(continued)*

(ii) Section 3 Corresponding Claim

- 1) In consideration for the payments referred to in section 2 above, the Government of Anguilla shall have corresponding claims to the same value as the payments in the receivership of NBA and CCB.
- 2) The claims referred to in subsection (1) shall be deemed to be and treated as net amounts due to the Government of Anguilla as depositors in NBA and CCB in accordance with section 152(2) and (6) of the Banking Act, 2015.

(iii) Section 4 Charge on Consolidation Fund - the payments specified in Section 2 shall be a charge on the Consolidated Fund.

(iv) Section 5 Making of Payments -

- 1) The Minister of Finance shall -
 - (a) appropriate out of the Consolidated Fund the sums necessary to make the payments in accordance with section 2; and
 - (b) ensure that the Accountant General makes the necessary payments on the specified due dates
- 2) Notwithstanding subsection (1) a payment shall not be deemed to be outstanding because the -
 - (a) payment has not been made because the instruction to pay was not given; or
 - (b) requisite instruction for payment has not been given.

(v) Section 6 Review of Schedule -

- 1) The Minister of Finance shall review the terms of Schedules 1 and 2 whenever deemed necessary but at least every three years and shall lay a report of his findings and make recommendations to the House of Assembly
- 2) For the purposes of the review and recommendation under subsection (1) of the Minister of Finance shall -
 - (a) assess the stability of public finances to ensure that the Government of Anguilla is acting in accordance with its obligations under the Fiscal Framework;
 - (b) ensure that the Government of Anguilla is acting in accordance with its obligations under the Fiscal Framework;

[Expressed in Eastern Caribbean Dollars (EC\$)]

28. Subsequent events *(continued)*

(c) Resolution of the National Bank of Anguilla Limited (NBA) and the Caribbean Commercial Bank (Anguilla) Limited Conservatorship (CCB) *(continued)*

II. Bank Resolution Obligations Act, 2016 *(continued)*

(v) Section 6 Review of Schedule - *(continued)*

2) For the purposes *(continued)*

(c) monitor the ability of the Social Security and Depositor Protection Trust to satisfy their obligations; and

(d) review comparative regional investments returns.

III. NBA and CCB Receivership

On the 22nd of April 2016, the Chief Minister of Anguilla issued the statement on the resolution of the National Bank of Anguilla Limited and the Caribbean Commercial Bank (Anguilla) Limited conservatorship. Extract of the Chief Minister statement follows:

“After careful and comprehensive analyses of the challenges that were affecting the operations of the CCB and the NBA, the Monetary Council and the Government of Anguilla agreed that discontinuing the operations of the banks was the best option for safeguarding the deposits which were held at the banks. The Government of Anguilla and the ECCB supported by the IMF, The World Bank and CDB devised a plan so that domestic deposits will be protected following the resolution. The plan involved:

(1) Good assets and matching deposit liabilities up to a threshold of approximately EC\$2.8m from both CCB and NBA to be transferred to a bridge bank, the newly established National Commercial Bank of Anguilla (NCBA);

(2) Deposit liabilities over the EC\$2.8m threshold from both banks to be transferred to a Deposit Protection Trust (DPT).

The Government of Anguilla is of the view that the Deposit Protection Trust is the best alternative method because it fully protects customer deposits. This fits with our principle objective. The alternative to being placed in the DPT is to be placed in the receivership. In the receivership, claim holders are only entitled to proceeds from the liquidation of non-performing loans based on their position in the hierarchy of claims as established by the Banking Act.”

As part of the resolution process, the ECCB has appointed Mr. Gary Moving as Receiver for both CCB and NBA. Mr. Moving served in the capacity of consultant to the ECCB during his stint of work at NBA and CCB before his appointment as a Receiver for both institutions.

[Expressed in Eastern Caribbean Dollars (EC\$)]

28. Subsequent events *(continued)*

(d) Resolution of the National Bank of Anguilla Limited (NBA) and the Caribbean Commercial Bank (Anguilla) Limited Conservatorship (CCB) (continued)

III. Effect of the Bank Resolution Obligations Act 2016

The passing of the Bank Resolution Obligations Act 2016 resulted in the transfer of the Board financial assets to the Government of Anguilla and to the bridge bank, the newly established National Commercial Bank of Anguilla (“NCBA”) Ltd. The passing of the Act may also result in an estimated impairment loss amounting to \$35,547,224 on the Board’s financial asset as at and for the year ended December 31, 2016.

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