



ANGUILLA SOCIAL SECURITY BOARD

Consolidated Financial Statements

December 31, 2016

(Expressed in Eastern Caribbean Dollars)

CONTENTS

Page 1	Agency Information
Pages 2 - 5	Independent Auditors' Report
Page 6	Consolidated Statement of Financial Position
Pages 7 - 8	Consolidated Statement of Income and Comprehensive Income
Page 9	Consolidated Statement of Loss and Changes in Reserve - Short Term Benefits Branch
Page 10	Consolidated Statement of Income and Changes in Reserve - Long Term Benefits Branch
Page 11	Consolidated Statement of Income and Changes in Reserve - Social Security Development Fund and Development Fund Reserve
Pages 12	Consolidated Statement of Cash Flows
Pages 13 - 66	Notes to the Consolidated Financial Statements

AGENCY INFORMATION

1

PHYSICAL ADDRESS

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

BOARD OF DIRECTORS

Sean Richards, Chairman - Present
Russel Reid, Chairman - Retired
Selwyn Horsford, Deputy Chairman
Sheila Richardson-Hodge, Member
Lucien Mac Donna, Member
Kiel Connor, Member
Romez Webster, Member
Marva Smith, Alternate
Anthea Ipinson, Alternate
Lanston Connor, Alternate

DIRECTOR

Timothy Hodge

SECRETARY

Dorice Fleming

BANKERS

National Commercial Bank of Anguilla Limited
P.O. Box 23
The Valley
Anguilla, B.W.I.

Scotiabank Anguilla Limited
Fairplay Commercial Complex
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
Fairplay Complex
Cosley Drive
The Valley
Anguilla, B.W.I.



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P.O. Box 136
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the 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, 2016;
- the consolidated statements of income and other comprehensive income, consolidated statement of changes in reserves, and consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As stated in Note 17, the latest valuation on the Group's property under finance lease was not recorded and reported in the Group's financial statements as at and for the year ended December 31, 2016. The valuation amount reported was conducted more than 3 years ago. Considering the volatility of Anguilla's property value, we believe that a new valuation amount should be properly reported on these financial statements. The non-reporting and updating of the Group's property value constitute a departure from IFRS since we cannot obtain reasonable assurance on the accuracy and valuation of the Group's property and accordingly the valuation of the finance lease receivables.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Anguilla, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements (continued)**Emphasis of Matters**

We draw attention to the following notes to the consolidated financial statements:

- Note 9 of the consolidated financial statements shows that on the 30th day of March 2016, The Anguilla House of Assembly passed the Bank Resolution Obligations Act (the "Act"), 2016. This Act was assented by the Governor on the 18th day of April 2016. This Act was passed to allow provisions for 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.

As a result of passing of the Act, the outstanding term deposits from the National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited amounting to two hundred fourteen million Eastern Caribbean Dollars (EC\$214 million) were transferred to the Government of Anguilla through the issuance of the promissory note and commitment letter.

Thus, as stated in Notes 9 and 22, the Group total loans and other receivables to the Government of Anguilla as at December 31, 2016 amounted to EC\$273,331,017 which represents seventy-three percent (73%) of the total gross financial assets. In view of this, the Group is exposed to significant related party concentration and might face significant uncertainty in the collection of these financial assets based on the Government of Anguilla and the country's current and future economic viability and financial condition. This could also materially impact the Group's liquidity, financial position and performance should Anguilla encounter financial difficulties.

- Note 1 which shows that Anguilla Social Security Investment and Development Corporation (ASSIDCO), the subsidiary in the Group, incurred a net loss of \$87,619 for the year ended December 31, 2016 (2015: \$110,078) and as of that date, the ASSIDCO's accumulated deficit amounted to \$16,163,266 (2015: \$16,075,647). The Board's total investment in ASSIDCO as at December 31, 2016 is \$26,645,091, of which \$87,619 was provided for with provision for credit losses in the current year and \$16,075,647 was provided for in the previous year's accumulating to a total of \$16,163,266, due to continued deficits incurred by ASSIDCO. Claims against the Government of Anguilla for lease rentals since the inception until November 30, 2017 amounting to EC\$28,500,000 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. 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 23 which shows that as at December 31, 2016, the gross total financial instruments of the Group amounting to \$373,991,014 (2015: \$365,377,091) represent ninety-seven percent (97%) (2015: 97%) of its total gross assets. Eighty-three percent (83%) (2015: 83%) 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 encounter financial difficulties.

INDEPENDENT AUDITOR'S REPORT

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

Emphasis of Matters *(continued)*

Also, we draw attention to the following notes to the consolidated financial statements: *(continued)*

- Note 28, Subsequent Events, the Group is currently assessing and monitoring the ongoing effect of the COVID-19 pandemic to the country and specifically to the Group's loan portfolio, investments, cash in banks and financial statements as at and for the year ended December 31, 2019 and December 31, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



INDEPENDENT AUDITOR'S REPORT

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

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

Chartered Accountants
The Valley, Anguilla
29th of April 2020

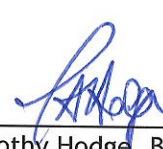
ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Financial Position
As at December 31, 2016

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

	<i>Notes</i>	2016	2015
Assets			
Cash and cash equivalents	7	12,798,117	11,326,143
Investment securities - net	8	58,103,927	258,693,602
Contributions, loans and other receivables - net	9	252,133,004	44,518,077
Property and equipment - net	10	8,875,066	9,015,532
Intangible assets - net	11	208,385	227,835
Other assets	12	5,121,456	3,684,552
Total Assets		337,239,955	327,465,741
Liabilities, Reserves and Development Fund			
Liabilities			
Accounts payable and accrued expenses		915,084	977,516
Pension fund obligation	13	8,043,176	7,828,930
Total Liabilities		8,958,260	8,806,446
Reserves and Development Fund			
Short-term benefits branch reserve		2,968,496	3,662,357
Long-term benefits branch reserve		313,800,156	305,444,893
Social Security Development Fund		461,009	230,653
Social Security Development Fund Reserve	14	3,000,000	3,000,000
Unrealized gain on available-for-sale investment securities	8.2	4,302,924	2,512,448
Premises revaluation surplus		3,749,110	3,808,944
Total Reserves and Development Fund		328,281,695	318,659,295
Total Liabilities, Reserves and Development Fund		337,239,955	327,465,741

These consolidated financial statements from pages 6 to 66 were approved and authorized for issue by the Board of Directors of the Group on 29th April 2020 and were signed on their behalf by:


 Sean Richards
 Chairman


 Timothy Hodge, BA, MBA
 Director

The notes on pages 13 to 66 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income
For the Year Ended December 31, 2016

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

	<i>Notes</i>	2016	2015
Income			
Contributions	15	29,606,480	29,654,111
Investment income	16	10,475,820	13,337,598
Lease income - net	17	872,708	1,045,254
Fines and miscellaneous	18	247,656	220,554
		41,202,664	44,257,515
Expenses			
Benefits			
Short-term	19	3,903,273	3,777,214
Long-term	19	12,638,004	11,171,382
		16,541,277	14,948,596
Administrative and other expenses	21	7,625,469	6,759,061
Impairment loss - net of recovery	8	8,520,816	4,429,559
Social Security Development Fund	20	913,080	1,499,753
		33,600,642	27,636,969
Net income		7,602,022	16,620,548

The notes on pages 13 to 66 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2016

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

	<i>Notes</i>	2016	2015
Net income		7,602,022	16,620,548
Other comprehensive (loss)/income			
Re-measurement of net defined benefit liability	13	229,902	(869,563)
Revaluation reserve adjustment			-
Net change in fair value of available-for-sale investment securities	8	1,790,476	(27,991)
		2,020,378	(897,554)
Total comprehensive income		9,622,400	15,722,994
Attributable to the owner of the Group		9,622,400	15,722,994

The notes on pages 13 to 66 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, 2016

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

	<i>Notes</i>	2016	2015
Income			
Contributions	15	4,440,973	4,448,118
Investment income	16	129,060	208,564
Lease income - net	17	10,751	16,342
Fines and miscellaneous	18	123,828	110,277
		4,704,612	4,783,301
Expenses			
Benefits	19	3,903,273	3,777,214
Administrative and other expenses	21	1,450,902	1,329,434
Impairment loss - net of recovery	8	95,868	328,903
		5,450,043	5,435,551
Net loss		(745,431)	(652,250)

Short-term benefits branch reserve

	<i>Note</i>	2016	2015
Balance at beginning of the year		3,662,357	4,469,774
Re-measurement of net defined benefit liability	13	42,595	(164,459)
Net loss for the year		(745,431)	(652,250)
Depreciation transfer from premises revaluation surplus	10	8,975	9,292
Balance at end of the year		2,968,496	3,662,357

The notes on pages 13 to 66 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, 2016

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

	<i>Notes</i>	2016	2015
Income			
Contributions	15	24,055,264	24,093,965
Investment income	16	10,238,755	12,971,541
Lease income - net	17	852,959	1,016,434
Fines and miscellaneous	18	123,828	110,277
		35,270,806	38,192,217
Expenses			
Benefits	19	12,638,004	11,171,382
Administrative and other expenses	21	6,174,567	5,429,627
Impairment loss - net of recovery	8	8,338,894	3,998,385
		27,151,465	20,599,394
Net income		8,119,341	17,592,823

Long-term benefits branch reserve

	<i>Note</i>	2016	2015
Balance at beginning of the year		305,444,893	288,506,844
Re-measurement of net defined benefit liability	13	187,307	(705,104)
Net income for the year		8,119,341	17,592,823
Depreciation transfer from premises revaluation surplus	10	48,615	50,330
Balance at end of the year		313,800,156	305,444,893

The notes on pages 13 to 66 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, 2016

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

	<i>Notes</i>	2016	2015
Income			
Contributions	15	1,110,243	1,112,028
Investment income	16	108,005	157,493
Lease income - net	17	8,998	12,478
		1,227,246	1,281,999
Expenses			
Social Security Development Fund	20	913,080	1,499,753
Impairment loss - net of recovery	8	86,054	102,271
		999,134	1,602,024
Net (loss)/income		228,112	(320,025)

Social Security Development Fund

	<i>Notes</i>	2016	2015
Balance at beginning of the year		230,653	798,355
Net (loss)/income for the year		228,112	(320,025)
Depreciation transfer from premises revaluation surplus	10	2,244	2,323
Transfer to Development Fund Reserve	14	-	(250,000)
Balance at end of the year		461,009	230,653

Social Security Development Fund Reserve

	<i>Note</i>	2016	2015
Balance at beginning of the year		3,000,000	2,750,000
Transfer from Development Fund Reserve	14	-	250,000
Balance at end of the year		3,000,000	3,000,000

The notes on pages 13 to 66 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016

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

	<i>Notes</i>	2016	2015
Cash flows from operating activities			
Net income		7,602,022	16,620,548
Adjustments for:			
Interest income	16	(10,474,072)	(12,943,840)
Impairment loss - net of recovery	8	8,520,816	4,429,559
Finance lease earned income	17	(687,210)	(856,427)
Depreciation and amortization	10, 11	349,911	414,600
Re-measurement of net defined benefit liability	13	229,902	(869,563)
Dividend income	16	(164,621)	(146,270)
Net realized gain from available-for-sale investment securities	8, 16	162,873	(247,488)
Loss on disposal of equipment	8	8,844	-
Operating income before working capital changes		5,548,465	6,401,119
Increase in:			
Contributions and other receivables	9	(1,489,624)	(1,702,213)
Other assets	12	2,463,096	(408,425)
Increase in:			
Accounts payable and accrued expenses		(62,432)	300,421
Pension fund obligation	13	214,246	1,260,510
Net cash provided by operating activities		6,673,751	5,851,412
Cash flows from investing activities			
Interest received		10,776,300	11,461,890
Acquisition of available-for-sale investment securities		(1,612,920)	(8,065,143)
Disposal/(acquisition) of held-to-maturity investment securities	8.1	204,359,866	(14,770,738)
Acquisition of property and equipment	10, 11	(198,839)	(260,941)
Dividends received	16	146,808	146,270
Loan (releases)/collection	9	(208,322,611)	5,735,556
Net cash provided by/(used in) investing activities		5,148,604	(5,753,106)
Net increase in cash and cash equivalents		11,822,355	98,306
Cash and cash equivalents at beginning of year		11,326,143	11,227,837
Cash and cash equivalents at end of year	7	23,148,498	11,326,143

The notes on pages 13 to 66 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements
December 31, 2016

[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, 2016, the outstanding lease income receivables from the Government of Anguilla amounting to EC\$25,200,000 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 as payments were not honoured.

The doubtful recoverability of the Company's receivables from the Government of Anguilla resulted in significant credit losses to the profit or loss resulting in a net loss of \$87,619 (2015: \$110,078) and a net cash flow from operations of \$102,308 (2015: (\$114,111)) for the year ended December 31, 2016. As of that date, the Company's accumulated deficit amounted to \$16,163,266 (2015: \$16,075,647).

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, 2016

[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 various options either a joint venture arrangement with the aim of developing the Cinnamon Reef Property into a high-end hotel or sale of the property. 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.

[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 4% (2010: 6%) nominal return or a 2.77% (2010: 3%) real return net of inflation. A summary of key parameters and the present value of pensions are disclosed in note 13.

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

a) New standards, interpretations and amendments effective from 1 January 2016

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new and amended IFRSs and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of January 1, 2016:

- *Annual Improvements to IFRSs (2010 - 2012) Cycle:*
 - *IFRS 2 Share - based payments*
 - *IFRS 3 Business Combinations,*
 - *IFRS 8 Operating Segments,*
 - *IFRS 13 Fair Value Measurement,*
 - *IAS 16 Property Plant and Equipment,*
 - *IAS 38 Intangible Assets,*
 - *IAS 24 Related Party Disclosures*
- *Annual Improvements to IFRSs (2011 - 2013 Cycle):*
 - *IFRS 1 First-time Adoption of International Financial Reporting Standards,*
 - *IFRS 3 Business Combinations,*
 - *IFRS 13 Fair Value Measurement,*
 - *IAS 40 Investment Property*
- *IFRS 14 Regulatory Deferral Accounts*

None of the new and amendments to Standards that are effective during the year had a significant effect on the Group's consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements *(continued)*
December 31, 2016

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

2. Basis of preparation *(continued)*

(f) Change in accounting policies and disclosures

- b) New standards, amendments to standards and interpretations not yet effective and not yet adopted:

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective as at December 31, 2016 or relevant to the Group's operations. These are as follows:

- *IFRS 9 Financial Instruments, 1 January 2018*
- *IFRS 15 Revenue from Contracts with Customers, 1 January 2018*
- *IFRS 16 Leases, 1 January 2019*
- *Improvements to IFRS Standards 2014-2016 Cycle*
 - *IFRS 12 Disclosure of Interests in Other Entities, 1 January 2017*
 - *IAS 28 Investments in Associates and Joint Ventures, 1 January 2018*
 - *Amendment to IAS 40 Investment Property, 1 January 2018*

The effects of IFRS 15 Revenues from Contracts with Customers, IFRS 9 Financial Instruments and IFRS 16 Leases are still being assessed, as these new standards have an effect on the Group's future financial statements.

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.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements *(continued)*
December 31, 2016

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

3. Significant accounting policies *(continued)*

(b) Foreign currency transactions *(continued)*

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. The Board approach is to record contribution income based on actual collections during the year and accrue collections made in the subsequent year for contributions pertaining to the previous year. The Board also accrues contribution income due from delinquent members and recognized 100% allowance for impairment on these accruals.

(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.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

3. Significant accounting policies (continued)

(e) Lease (continued)

(ii) Finance lease (continued)

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.

(iii) 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.

(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).

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
December 31, 2016

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

3. Significant accounting policies (*continued*)

(g) Distribution of income (*continued*)

The allocations are as follows:

	2016	2015
Short-term benefits branch	1.23%	1.56%
Long-term benefits branch	97.74%	97.25%
Social Security Development Fund	1.03%	1.19%

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 2016 and 2015, the allocations are as follows:

	2016	2015
Short-term benefits branch	19.03%	19.67%
Long-term benefits branch	80.97%	80.33%

Impairment losses are distributed based on the percentage of income it pertains to. All other expenditure which is not attributable to any specific branch shall be distributed among the two benefit branches in equal proportion.

(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.

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

3. Significant accounting policies (*continued*)

(i) Financial assets (*continued*)

(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:

- a. Quoted prices 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.

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

3. Significant accounting policies (*continued*)

(i) Financial assets (*continued*)

(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.

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.

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

3. Significant accounting policies (*continued*)

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

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.

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.

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.

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

3. Significant accounting policies (continued)

(k) 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.

(l) 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.

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. Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives for the current and comparative years are as follows:

Building	40 to 50 years
Long-term improvements	20 years
Short-term improvements	5 years
Furniture, fittings and equipment	5 to 10 years
Computer equipment	5 to 8 years
Vehicles	5 years
Generator	5 years

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

3. Significant accounting policies (*continued*)

(l) Property and equipment (*continued*)

(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.

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) 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.

(p) Employee benefits

(i) 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.

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.

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

3. Significant accounting policies (*continued*)

(p) Employee benefits (*continued*)

(i) Defined benefit plan (*continued*)

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.

(q) 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.

(r) 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.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements *(continued)*
December 31, 2016

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

3. Significant accounting policies *(continued)*

(r) Related party transactions *(continued)*

Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

(s) 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.

(t) Comparatives

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

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.

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

4. Determination of fair values (*continued*)

(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.

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.

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

5. Financial risk management (*continued*)

(a) Introduction and overview (*continued*)

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.

(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.

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

5. Financial risk management (*continued*)

(c) Market risk (*continued*)

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 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.

(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.

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

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.

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 13. 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 23.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

7. Cash and cash equivalents

		2016	2015
Cash on hand		1,952,993	938,635
Cash in bank			
Savings and demand deposits		21,195,505	6,568,815
Short-term fixed deposits		-	3,818,693
		23,148,498	11,326,143
Less: Restricted cash	12	(6,450,381)	-
Contingency reserve	12	(3,900,000)	-
		12,798,117	11,326,143

The cash in bank represents deposits with the indigenous banks in Anguilla which earned interest at the rate of 0% - 1.0% per annum (2015: 1.0% per annum) for savings and 3.125% - 4.75% per annum for short-term fixed deposits (2015: 3.125% - 4.75% per annum). The fixed deposits mature in 1-3 months.

8. Investment securities - net

	Notes	2016	2015
Held-to-maturity investments	8.1	22,002,149	224,776,297
Available-for-sale investments	8.2	36,101,778	33,917,305
		58,103,927	258,693,602

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:

	Due within one year	Due over one year	2016	2015
Fixed deposits				
British American Insurance Company	11,481,859	-	11,481,859	10,635,462
Scotiabank (Anguilla) Limited	7,921,611	-	7,921,611	7,765,869
National Commercial Bank of Anguilla Ltd.	-	2,180,490	2,180,490	-
National Bank of Anguilla Limited	-	-	-	137,754,918
Caribbean Commercial Bank Limited	-	-	-	67,956,027
	19,403,470	2,180,490	21,583,960	224,112,276
Investments in bonds				
Government of St. Lucia	2,000,000	6,016,155	8,016,155	7,818,515
Government of St. Kitts and Nevis	152,247	1,074,790	1,227,037	1,335,259
Government of St. Vincent and Grenadines	60,484	300,000	360,484	281,454
Eastern Caribbean Home Mortgage Bank (ECHMB)	-	-	-	2,000,000
	2,212,731	7,390,945	9,603,676	11,435,228
Total held-to-maturity investments	21,616,201	9,571,435	31,187,636	235,547,504
Less allowance for impairment	(9,185,487)	-	(9,185,487)	(10,771,207)
	12,430,714	9,571,435	22,002,149	224,776,297

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

8. Investment securities - net (continued)

8.1 Held-to-maturity investment securities (continued)

The fixed deposits carry interest rates ranging from .10% to 2.25% (2015: 2% to 5.50%) per annum while investments in bonds carry interest rates ranging from 3.00% to 7.50% (2015: 3.75% to 7.50% per annum).

8.2 Available-for-sale investment securities

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

	Note	2016	2015
Equity securities - International			
UBS Financial Services		14,003,159	13,308,146
Smith Barney		16,308,813	13,765,673
Merrill Lynch		16,881	14,509
Anguilla European Masters Fund (AEMF)		262,838	262,838
		30,591,691	27,351,166
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		40,135,841	36,895,316
Less allowance for impairment losses	8.3	(4,034,063)	(2,978,011)
		36,101,778	33,917,305

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

	Note	2016	2015
Beginning balance		36,895,316	28,610,676
Net realized gain	16.1	1,612,920	8,065,143
Net addition		(162,873)	247,488
Should be fair value balance		38,345,363	36,923,307
Ending balance		40,135,839	36,895,316
Net change in fair value during the year		1,790,476	(27,991)

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

8. Investment securities - net (continued)

8.2 Available-for-sale investment securities (continued)

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:

	2016	2015
Unrealized gain beginning of year	2,512,448	2,540,439
Net change in fair value during the year	1,790,476	(27,991)
Unrealized gain end of year	4,302,924	2,512,448

8.3 Allowance for impairment losses

	Notes	2016	2015
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	2,978,011	2,362,982
Contributions, loans and other receivables	9	34,528,686	30,714,156
		48,277,904	43,848,345
Impairment loss during the year			
Available-for-sale investment securities		1,584,000	650,779
Contributions, loans and other receivables		3,577,524	3,882,134
Held-to-maturity investments securities		-	
Other assets		6,450,381	-
		11,611,905	4,532,913
Recovery during the year			
Available-for-sale investment securities		(527,948)	(35,750)
Contributions, loans and other receivables		(977,421)	(67,604)
Held-to-maturity investments securities		(1,585,720)	-
		(3,091,089)	(103,354)
Written off during the year			
Contributions, loans and other receivables	9	(7,783,759)	-
Balance at end of year			
Held-to-maturity investment securities	8.1	9,185,487	10,771,207
Available-for-sale investment securities	8.2	4,034,063	2,978,011
Contributions, loans and other receivables	9	29,345,030	34,528,686
Other assets	12	6,450,381	-
		49,014,961	48,277,904

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

8. Investment securities - net (continued)

8.3 Allowance for impairment losses (continued)

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

2016	Principal	Interest	Total
Government of Anguilla	16,791,447	9,765,956	26,557,403
British American Insurance Company	9,185,487	239,101	9,424,588
National Bank of Anguilla	7,950,381	-	7,950,381
Eastern Caribbean Financial Holding Company	1,764,000	-	1,764,000
UBS Financial Services	227,578	-	227,578
Smith Barney	228,516	-	228,516
Anguilla European Masters Fund	262,838	-	262,838
Eastern Caribbean Securities Exchange	49,375	-	49,375
Merrill Lynch	1,756	-	1,756
Total	36,461,378	10,005,057	46,466,435
Contributions and other receivables	-	2,548,526	2,548,526
	36,461,378	12,553,583	49,014,961

2015	Principal	Interest	Total
Government of Anguilla	16,791,447	7,216,950	24,008,397
British American Insurance Company	10,635,462	7,900,514	18,535,976
Eastern Caribbean Financial Holding Company	1,680,000	-	1,680,000
UBS Financial Services	609,262	-	609,262
Smith Barney	374,779	-	374,779
Anguilla European Masters Fund	262,838	-	262,838
Caribbean Commercial Bank	135,745	5,108	140,853
Eastern Caribbean Securities Exchange	49,375	-	49,375
Merrill Lynch	1,756	-	1,756
Total	30,540,664	15,122,572	45,663,236
Contributions and other receivables	-	2,614,668	2,614,668
	30,540,664	17,737,240	48,277,904

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

	2016	2015
Short-term benefits branch	114,081	328,903
Long-term benefits branch	8,317,084	3,998,385
Social Security Development Fund	89,651	102,271
	8,520,816	4,429,559

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

8. Investment securities - net (continued)

8.3 Allowance for impairment losses (continued)

Distribution of impairment loss (net of the recovery) on investments and interest receivables follows:

	2016		2015	
	%	Amount	%	Amount
Short-term benefits branch	1.44%	124,002	1.56%	39,044
Long-term benefits branch	97.48%	8,370,824	97.24%	2,428,313
Social Security Development Fund	1.07%	92,131	1.19%	29,806
	100.00%	8,586,957	100.00%	2,497,163

Distribution of impairment loss (net of the recovery) on contribution receivables follows:

	2016		2015	
	%	Amount	%	Amount
Short-term benefits branch	15.00%	(9,921)	15.00%	289,859
Long-term benefits branch	81.25%	(53,740)	81.25%	1,570,072
Social Security Development Fund	3.75%	(2,480)	3.75%	72,465
	100.00%	(66,141)	100.00%	1,932,396

9. Contributions, loans and other receivables - net

	Notes	2016	2015
Contributions receivable		7,215,135	5,772,265
Loans receivable			
Government of Anguilla		236,222,222	27,777,777
Anguilla Development Board (ADB)		180,000	360,000
Staff		66,225	8,059
		236,468,447	28,145,836
Finance lease receivable	17	35,061,305	34,374,095
Other receivables			
Interest on fixed deposits		1,685	2,262,405
Interest on loans receivable		187,498	235,726
Other GOA receivable		1,861,797	-
Interest on investments in bonds		484,173	8,105,154
Tenants receivable		59,532	62,058
Other		138,462	89,224
		2,733,147	10,754,567
Total contributions, loans and other receivables		281,478,034	79,046,763
Less allowance for impairment losses	8.3	(29,345,030)	(34,528,686)
		252,133,004	44,518,077

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

[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:

	2016	2015
Current	180,000	180,000
Non-current	-	180,000
	180,000	360,000

Details of the Government loan follows:

	2016	2015
Loan I	22,222,222	27,777,777
Loan II	214,000,000	-
	236,222,222	27,777,777

- a. Government of Anguilla loan I represents borrowed funds amounting to fifty million Eastern Caribbean Dollars (\$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 said loan as follows:

Disbursement Date	Loan Agreement Date	Security	Interest	Amount
November 19, 2010	December 30, 2010	Unsecured	5.00%	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 also be prepaid by the borrower without penalty.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

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

a. Government of Anguilla Loan I (continued)

The current and non-current portion of this loan follows:

	2016	2015
Current	5,555,555	5,555,555
Non-current	16,666,667	22,222,222
	22,222,222	27,777,777

b. Government of Anguilla Loan II

On the 30th day of March 2016, The Anguilla House of Assembly passed the Bank Resolution Obligations Act (the "Act"), 2016. This Act was assented by the Governor on the 18th day of April 2016. This Act was passed to allow provisions for 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.

As a result of passing of the Act, the outstanding term deposits from the National Bank of Anguilla Limited and Caribbean Commercial Bank (Anguilla) Limited amounting to two hundred fourteen million Eastern Caribbean Dollars (EC\$214 million) were transferred to the Government of Anguilla through the issuance of the promissory note and commitment letter. The promissory note and commitment letter to support the Bank Resolution Obligation Act were signed by the Government of Anguilla on June 29, 2016 and June 30, 2016, respectively. The Group accepted and signed the promissory note on August 17, 2016.

Details of the promissory note follows:

- The Government of Anguilla shall pay the Social Security Board the principal sum of EC\$214 million.
- The Government of Anguilla shall pay interest on the reducing balance of the principal at the rate of 3% annually.
- The payment term is 25 years from 30th June 2016.
- Payments shall be made in quarterly installments.
- 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.
- The first payment in respect of the interest shall be made on 30th June 2016.

Also, term deposits and interest receivable amounting to EC\$1,861,797 were not properly accounted during the passing of the Act and subsequently in the promissory note. As at today, this amount is being negotiated by the Group and yet to be accounted by the Government of Anguilla. Due to the current uncertainty, a 100% allowance for impairment was provided in the consolidated financial statements.

Total interest income recorded and collected as at December 31, 2016 amounted to EC\$4,458,333.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

10. 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, 2014	2,649,277	6,198,989	860,059	557,452	102,966	211,267	10,580,010
Additions	-	81,770	77,049	57,781	-	-	216,600
Disposal	-	-	(46,808)	-	-	-	(46,808)
December 31, 2015	2,649,277	6,280,759	890,300	615,233	102,966	211,267	10,749,802
Additions	-	23,260	61,720	57,906	-	-	142,886
Disposals	-	-	-	(12,578)	-	-	(12,578)
December 31, 2016	2,649,277	6,304,019	952,020	660,561	102,966	211,267	10,880,110
Accumulated depreciation							
December 31, 2014	-	-	743,129	422,294	102,966	211,267	1,479,656
Depreciation for the year	-	197,546	50,770	53,106	-	-	301,422
Disposal	-	-	(46,808)	-	-	-	(46,808)
December 31, 2015	-	197,546	747,091	475,400	102,966	211,267	1,734,270
Depreciation for the year	-	155,072	59,279	60,157	-	-	274,508
Disposal	-	-	-	(3,734)	-	-	(3,734)
December 31, 2016	-	352,618	806,370	531,823	102,966	211,267	2,005,044
Carrying amount							
December 31, 2015	2,649,277	6,083,213	143,209	139,833	-	-	9,015,532
December 31, 2016	2,649,277	5,951,401	145,650	128,738	-	-	8,875,066

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
At cost							
December 31, 2014	745,533	6,507,988	860,059	557,452	102,966	211,267	8,985,265
Additions	-	81,770	77,049	57,781	-	-	216,600
Disposal	-	-	(46,808)	-	-	-	(46,808)
December 31, 2015	745,533	6,589,758	890,300	615,233	102,966	211,267	9,155,057
Additions	-	23,260	61,720	47,942	-	-	132,922
Disposals	-	-	-	(12,578)	-	-	(12,578)
December 31, 2016	745,533	6,613,018	952,020	650,597	102,966	211,267	9,275,401
Accumulated depreciation							
December 31, 2014	-	2,276,144	743,129	422,294	102,966	211,267	3,755,800
Depreciation for the year	-	135,601	50,770	53,106	-	-	239,477
Disposal	-	-	(46,808)	-	-	-	(46,808)
December 31, 2015	-	2,411,745	747,091	475,400	102,966	211,267	3,948,469
Depreciation for the year	-	95,238	59,279	58,164	-	-	212,681
Disposal	-	-	-	(3,734)	-	-	(3,734)
December 31, 2016	-	2,506,983	806,370	529,830	102,966	211,267	4,157,416
Carrying amount							
December 31, 2015	745,533	4,178,013	143,209	139,833	-	-	5,206,588
December 31, 2016	745,533	4,106,035	145,650	120,767	-	-	5,117,985

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

10. Property and equipment - net (continued)

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 revalued carrying amount of the assets and depreciation based on the assets' original cost. Every year, depreciation of \$59,834 (2015: \$61,945) from Premises Revaluation Surplus account is transferred to branch reserves (allocated to Short-term Benefits Branch Reserve: \$8,975 (2015: \$9,292); Long-term Benefits Branch Reserve: \$48,615 (2015: \$50,330) and Social Security Development fund: \$2,244 (2015: \$2,323).

Movements in the Premises Revaluation Surplus account are as follows:

	2016	2015
Revaluation surplus, beginning of year	3,808,944	3,870,889
Depreciation for the year	(59,834)	(61,945)
Revaluation reserve adjustment	-	-
Revaluation surplus, end of year	3,749,110	3,808,944

11. Intangible asset - net

Movements in this account follow:

	2016	2015
Cost		
Beginning balance	1,530,816	1,486,475
Acquisition during the year	55,953	44,341
Ending balance	1,586,769	1,530,816
Accumulated amortization		
Beginning balance	1,302,981	1,189,803
Amortization for the year	75,403	113,178
Ending balance	1,378,384	1,302,981
Carrying amount	208,385	227,835

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
December 31, 2016

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

12. Other assets

	<i>Note</i>	2016	2015
Restricted - Cash in bank	7	6,450,381	-
Contingency reserve	7	3,900,000	3,500,000
Advances		1,018,568	-
Prepayments		155,235	133,095
Stationery and computer supplies		47,653	51,457
		11,571,837	3,684,552
Less allowance for impairment		(6,450,381)	-
		5,121,456	3,684,552

The 'Contingency reserve' account was established to meet any unforeseen or abnormal expenditure which the current income of the Board 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 Board for the provision of benefits and administration for two (2) months. The contingency reserve as at December 31, 2016 is maintained in a savings deposit at the National Commercial Bank of Anguilla which bears interest at a rate of 1.00% per annum. In 2015, this reserve was maintained in the form of restricted fixed deposits which bears interest at a rate of 4.75% per annum.

The 'Restricted cash in bank' account pertains to the Board savings deposits with account numbers 2045326 and 1026780 maintained with the National Bank of Anguilla (NBA) that were transferred to the Receiver as a result of the passing of the Bank Resolution Obligation Act. Access to these funds will be subject to the priority in payment of claims rules outlined in the Banking Act of 2015 and these balances can only be made when the receivership is in a position to repay all depositors. As of now, the Board is still trying to resolve the matter and recover the funds that are currently with the receiver. However, there are no assurance on how much will be recovered by the Board, thus, a 100% allowance for impairment was provided.

13. Pension fund obligation

On September 18, 2015, 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)	421,653,841	358,218,989

Forward

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

13. Pension fund obligation (continued)

Balance forwarded

	2013	2010
Total Accumulated Benefit Obligations (ABO)	421,653,841	358,218,989
Net assets available for benefits (ASS)	(272,761,518)	(237,105,461)
Net Accumulated Obligations (ABO-ASS)	148,892,323	121,113,528
Funded Status (ASS/ABO)%	64.69%	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%
	0.07 to .03	.07 to .03
Termination assumption (basically foreign workers)	(20/59 years)	(20/50 years)
Loading factor for complementary benefits:	5%	5%

As detailed above, there is a difference of \$148,892,323 (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.

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:

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

13. Pension fund obligation (continued)

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, 2016 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:

	2016	2015
Present value of obligations	11,308,833	10,828,598
Fair value of plan assets	(3,265,657)	(2,999,668)
Pension fund obligation	8,043,176	7,828,930

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

	<i>Notes</i>	2016	2015
Service cost			
Current service cost		289,680	240,013
Net interest cost		382,818	323,680
Component of pension expense recorded in statement of income	21.1	672,498	563,693
Re-measurement of the pension fund obligation			
Return on plan assets (excluding interest)		(13,355)	(19,618)
Actuarial gains and losses arising from the defined benefit obligation		(216,547)	889,181
Component of pension expense recorded in other comprehensive income		(229,902)	869,563
Total pension expense		442,596	1,433,256

Distribution of pension (income) expense recognized in other comprehensive income follows:

	2016		2015	
	%	Amount	%	Amount
Short-term benefits branch	18.53%	(42,595)	18.91	164,459
Long-term benefits branch	81.47%	(187,307)	81.09	705,104
	100.00	(229,902)	100.00	869,563

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

13. Pension fund obligation (continued)

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

	2016	2015
Beginning of year	10,828,598	9,308,628
Current service cost	289,680	240,013
Interest cost	535,305	465,431
Contribution by plan participants	116,795	129,663
Benefits and expenses paid	(244,998)	(204,318)
Actuarial (gain)/loss	(216,547)	889,181
End of year	11,308,833	10,828,598

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

	2016	2015
Beginning of year	2,999,668	2,740,208
Expected return on assets	152,487	141,751
Employer contributions	228,350	172,746
Contribution by plan participants	116,795	129,663
Benefits and expenses paid	(244,998)	(204,318)
Actuarial gains	13,355	19,618
End of year	3,265,657	2,999,668

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

	2016	2015
Cash in bank, net of accounts receivable, payable and accrued expenses	190,705	6,364
Loans to members net of impairment	1,336,225	1,507,888
Unrated debt instruments (fixed deposits) and accrued interest receivable	1,416,331	1,485,416
Money market funds	322,396	-
	3,265,657	2,999,668
Actual return on plan assets	165,842	161,369

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

13. Pension fund obligation (continued)

Loans to members are owed by the following:

	2016	2015
Key management personnel of the Group	553,987	451,369
Other employees and pensioners	823,564	1,056,519
	1,377,551	1,507,888

Unrated debt instruments follows:

	2016	2015
National Commercial Bank of Anguilla	1,416,331	-
National Bank of Anguilla Limited (NBA)	-	904,248
Caribbean Commercial Bank Anguilla Limited (CCB)	-	581,168
	1,416,331	1,485,416

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

	2016	2015
Discount rate	5%	5%
Expected rate of salary increase	2%	2%
Mortality table	GAM - 83	GAM - 83

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		9,308,628	9,308,628
(Decrease)/Increase in the defined benefit obligation		(995,148)	1,169,489

14. 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. In 2016, no funds were transferred to the Social Security Development Fund Reserve account due to insufficient funds available on the Social Security Development Fund account to meet current SSDF expenditure commitments.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

15. Contribution income

		2016	2015
Contribution - employers		14,734,947	14,809,102
Contribution - employees		14,734,947	14,809,102
		29,469,894	29,618,204
Less refunds		(195,756)	(286,577)
		29,274,138	29,331,627
Contributions - self employed		332,342	322,484
		29,606,480	29,654,111
	%	2016	2015
Short-term benefits branch	15.00	4,440,973	4,448,118
Long-term benefits branch	81.25	24,055,264	24,093,965
Social Security Development Fund	3.75	1,110,243	1,112,028
	100.00	29,606,480	29,654,111

16. Investment income

	Note	2016	2015
Interest income			
Loan - Government of Anguilla		5,697,513	1,516,077
Fixed deposits (Local banks)		3,005,273	9,508,560
Fixed deposits (British American)		1,028,517	1,025,708
Bonds - Government of St. Lucia		530,339	568,690
Bonds - ECHMB		59,616	117,387
Bonds - Government of St. Kitts and Nevis		76,299	84,304
Savings and demand deposits		44,937	71,746
Loan - ADB		14,905	26,534
Bonds - Government of St. Vincent and Grenadines		16,673	24,834
		10,474,072	12,943,840
Dividend income			
ANGLEC shares		146,808	128,457
ECHMB shares		17,813	17,813
		164,621	146,270
Total investment income		10,638,693	13,090,110
Realized (loss)/gain from available-for-sale investment securities			
Smith Barney		307,835	226,829
UBS Financial Services		(471,549)	20,659
Merrill Lynch		841	-
Total realized gain	16.1	(162,873)	247,488
Total investment income		10,475,820	13,337,598

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

16. Investment income (continued)

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).

16.1 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	2016	2015
Dividend and interest income	191,925	280,342	841	473,108	295,199
(Losses)/gains on disposals	(461,016)	209,954	-	(251,062)	229,028
Management fee and others	(202,458)	(182,461)	-	(384,919)	(276,739)
	(471,549)	307,835	841	(162,873)	247,488

Distribution of investment income is as follows:

	2016		2015	
	%	Amount	%	Amount
Short-term benefits branch	1.23%	129,060	1.56	208,564
Long-term benefits branch	97.74%	10,238,755	97.25	12,971,541
Social Security Development Fund	1.03%	108,005	1.19	157,493
	100.00	10,475,820	100.00	13,337,598

17. 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:

	2016	2015
Rental income	281,856	287,255
Less maintenance expenses	(96,358)	(98,429)
	185,498	188,826

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
December 31, 2016

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

17. Leases (*continued*)

b) Finance lease

	2016	2015
Finance lease receivable	27,157,146	27,157,146
Finance lease earned income receivable	7,904,159	7,216,949
	35,061,305	34,374,095
Allowance for impairment losses	(24,695,606)	(24,008,396)
	10,365,699	10,365,699

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.

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.

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.
- 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\$7,216,949 as at December 31, 2015 and additional finance lease earned income in 2016 amounting to EC\$687,210.

Impairment of lease

As at December 31, 2013, 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 on the appraisal dated April 1, 2014 ranges from EC\$9,704,402 - EC\$11,026,996.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

17. Leases (continued)

b) Finance lease (continued)

Impairment of lease (continued)

The Group property was revalued again by an independent and qualified appraiser, Can Engineering Ltd., who used the comparative sales method of valuation (market approach). The revalued amount on the latest appraisal dated December 7, 2017 however was not recorded and reported by the Group in the financial statements as at and for the year ended December 31, 2016.

As at December 31, 2016, 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\$25,200,000. 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\$14,811,305 (2015: EC\$14,124,095) and the total amount of decline in the value of the leased property amounting to EC\$9,884,301 (2015: EC\$9,884,301).

The future minimum finance lease receivables are as follows:

	2016		
	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	25,200,000	-	25,200,000
Less than one year	3,600,000	507,554	3,092,446
Between one and five years	7,200,000	431,141	6,768,859
	36,000,000	938,695	35,061,305

	2015		
	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	21,600,000	-	21,600,000
Less than one year	3,600,000	687,210	2,912,790
Between one and five years	10,800,000	938,695	9,861,305
	36,000,000	1,625,905	34,374,095

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:

	2016		2015	
	%	Amount	%	Amount
Short-term benefits branch	1.23	10,751	1.56	16,342
Long-term benefits branch	97.74	852,959	97.24	1,016,434
Social Security Development Fund	1.03	8,998	1.20	12,478
	100.00	872,708	100.00	1,045,254

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

18. Fines and miscellaneous income

	2016	2015
Surcharges and additional surcharges	237,919	217,035
Other	9,737	3,519
	247,656	220,554

Distribution of fines and miscellaneous income follows:

	%	2016	2015
Short-term benefits branch	50.00	123,828	110,277
Long-term benefits branch	50.00	123,828	110,277
	100.00	247,656	220,554

19. Benefit expenses

	2016	2015
Short-term benefits		
Sickness	2,723,709	2,536,395
Maternity	878,564	1,013,819
Funeral	301,000	227,000
	3,903,273	3,777,214
Long-term benefits		
Age	9,155,328	8,075,241
Invalidity	1,513,190	1,232,467
Survivors	1,312,623	1,212,954
Non-contributory old age pension	656,863	650,720
	12,638,004	11,171,382
	16,541,277	14,948,596

20. 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.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

20. Social Security Development Fund (continued)

The following shows the projects funded by Social Security Development Fund in 2016 and 2015.

	2016	2015
Education	312,901	250,674
Health Services	122,409	824,547
Sports Development	156,116	200,244
James Ronald Webster related expenses	104,288	-
Economic Development	68,755	22,129
Arts and culture	58,915	-
Community Revitalization	45,314	44,356
Environmental Protection	33,629	95,807
Special Assistance Program	-	42,867
Others	10,753	19,128
	913,080	1,499,752

21. Administrative and other expenses

	Notes	2016	2015
Salaries, benefits and allowances to staff	21.1	5,225,512	4,525,144
Administration expenses	21.2	1,901,630	1,793,129
Allowances and expenses of the Board and Investment Committee		377,247	276,402
		7,504,389	6,594,675
Other expenses	10	121,080	164,386
		7,625,469	6,759,061

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

Distribution of administrative expenses follows:

	2016		2015	
	%	Amount	%	Amount
Short-term benefits branch	18.53	1,390,362	19.67	1,247,241
Long-term benefits branch	81.47	6,114,027	80.33	5,347,434
	100.00	7,504,389	100.00	6,594,675

Distribution of other expenses follows:

	2016		2015	
	%	Amount	%	Amount
Short-term benefits branch	50.00	60,540	50.00	82,193
Long-term benefits branch	50.00	60,540	50.00	82,193
	100.00	121,080	100.00	164,386

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

21. Administrative and other expenses (continued)

Distribution of administrative and other expenses follows:

	2016	2015
Short-term benefits branch	1,450,902	1,329,434
Long-term benefits branch	6,174,567	5,429,627
	7,625,469	6,759,061

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

	Note	2016	2015
Salaries and wages		4,049,107	3,527,052
Pension expense	14	672,498	563,693
Employee insurance		158,217	113,046
Social security contribution		129,776	126,586
Employee uniform allowance		74,730	73,388
Staff pension		64,883	64,506
Employee travel allowance		39,595	37,200
Staff allowance		36,706	19,673
		5,225,512	4,525,144

The breakdown of personnel as at December 31, 2016 and 2015 follows:

	2016	2015
Management	11	9
Non-management	24	25
Temporary	2	3
	37	37

21.2 Details of administration expenses follow:

	Notes	2016	2015
Professional fees		427,889	490,028
Depreciation and amortization	10, 11	233,607	250,214
Utilities		196,137	199,904
Repairs and maintenance		154,055	153,578
Social Security Board special events		211,274	149,960
Overseas travel and lodging		190,751	39,933
Insurance		9,879	15,214
Human resource development expense		37,672	3,399
Other expenses		440,366	490,899
		1,901,630	1,793,129

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
December 31, 2016

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

22. 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, 2016 and 2015.

- (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, 2016 and 2015 are as follows:

	<i>Notes</i>	2016	2015
Savings and demand deposits	7	-	2,529,633
Fixed deposits	7, 8	-	71,774,720
Funds held at end of year		-	74,304,353
Funds held at beginning of year		(74,304,353)	(72,867,314)
Increase/(decrease)in funds held		(74,304,353)	1,437,039

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

	2016	2015
Interest income	984,163	3,158,784
Accrued interest receivable	-	708,797

The total interest income amount includes the accrued interest receivable outstanding as at year end.

- (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, 2016 and 2015:

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

22. Related party transactions (continued)

b. Related party transactions and balances (continued)

ii. National Bank of Anguilla

	Notes	2016	2015
Savings and demand deposits	7	-	322,562
Fixed deposits	7, 8	-	137,754,917
Contingency reserve investment	13	-	3,500,000
Investment	8	1,500,000	1,500,000
Restricted savings deposit		6,450,381	-
Funds held end of year		7,950,381	143,077,479
Funds held beginning of year		(143,077,479)	(127,462,618)
Increase in funds held		(135,127,098)	15,614,861

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

	2016	2015
Interest income	1,894,442	6,214,749
Accrued interest receivable	-	1,522,970

The total interest income amount includes the accrued interest receivable outstanding as at year end.

- (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, 2016 and 2015:

	Notes	2016	2015
Savings and demand deposits	7	10,845,505	3,716,413
Fixed deposits	8	7,921,612	7,765,869
Funds held end of year		18,767,117	11,482,282
Funds held beginning of year		(11,482,282)	(11,372,437)
Increase/(decrease) in funds held		7,284,835	109,845

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

	2016	2015
Interest income	126,668	171,320
Accrued interest receivable	1,563	30,638

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

22. Related party transactions (continued)

b. Related party transactions and balances (continued)

- (iv) The Group's savings and demand deposits accounts and fixed deposits were also held at National Commercial Bank of Anguilla (NCBA), a registered employer, since inception and wholly-owned by the Government of Anguilla. The following funds are held at NCBA as of December 31, 2016 and 2015:

	Notes	2016	2015
Savings and demand deposits	7	3,900,000	-
Fixed deposits	8	2,180,491	-
Funds held end of year		6,080,491	-
Funds held beginning of year		-	-
Increase in funds held		6,080,491	-

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

	2016	2015
Interest income	123	171,320
Accrued interest receivable	123	30,638

The total interest income amount includes the accrued interest receivable outstanding as at year end.

- (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, 2016 and 2015:

	Notes	2016	2015
Loans receivable	9	236,222,222	27,777,777
Finance lease receivable	17	35,061,305	34,374,095
Accrued interest receivable		185,693	232,116
Other receivable		1,861,797	-
Receivables held end of year		273,331,017	62,383,988
Receivables held beginning of year		(62,383,988)	(67,129,540)
Decrease in receivables held		210,947,029	(4,745,552)

Interest income received as at December 31, 2016 amounted to \$5,697,513 (2015: \$1,516,077).

- (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\$172,746 (2015: \$158,633).

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

22. Related party transactions (continued)

c. Related party transactions and balances (continued)

(vi) Remuneration to directors and management staff during 2016 and 2015 are as follows:

	2016	2015
Board and investment committee allowance	312,015	276,402
Management staff salaries and allowances	2,400,705	1,546,052
	2,712,720	1,822,454

23. Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Group. The gross maximum exposure to credit risk as at December 31, 2016 and 2015 were as follows:

	Notes	2016	2015
Cash and cash equivalents	7	10,845,124	10,387,508
Held-to-maturity investment securities	8.1	31,187,636	235,547,504
Available-for-sale investment securities	8.2	40,135,839	36,895,316
Contributions, loans and other receivables	9	281,478,034	79,046,763
Contingency reserve investment	12	3,900,000	3,500,000
Restricted cash in bank	12	6,450,381	-
		373,997,014	365,377,091

As at 31 December 2016, the total gross financial assets of the Group amounting to \$373,997,014 represent ninety-seven percent (97%) of its total gross assets. Eighty-three percent (83%) 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.

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

	Percentage	2016	2015
Anguilla	83%	310,595,457	304,393,680
Caribbean region	09%	32,809,868	33,632,244
United States of America	08%	30,591,689	27,351,167
	100%	373,997,014	365,377,091

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

23. 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	2016	2015
Related parties	82%	306,130,311	293,510,714
Other	18%	67,866,703	71,866,377
	100%	373,997,014	365,377,091

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

	% to total assets	2016	2015
NBA			
Savings and demand deposits		-	322,562
Restricted savings deposit		6,450,381	-
Fixed deposits		-	137,754,917
Equity securities		1,500,000	1,500,000
Contingencies reserve		-	3,500,000
Accrued interest receivable		-	1,522,970
	2%	7,950,381	144,600,449
CCB			
Savings and demand deposits		-	2,529,840
Fixed deposits		-	71,774,720
Accrued interest receivable		-	708,797
	0%	-	75,013,357
Scotiabank			
Savings and demand deposits		10,845,505	3,716,413
Fixed deposits		7,921,612	7,765,869
Accrued interest receivable		1,563	30,638
	6%	18,768,680	11,512,920
National Commercial Bank of Anguilla Ltd			
Savings and demand deposits		3,900,000	-
Fixed deposits		2,180,491	-
Accrued interest receivable		123	-
	2%	5,909,604	-
Government of Anguilla			
Loans		236,222,222	27,777,777
Finance lease receivable		35,061,305	34,374,095
Accrued interest receivable		185,693	232,116
Other receivable		1,861,797	-
	81%	273,331,017	62,383,988
	91%	305,959,682	293,510,714

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

23. Financial instruments (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

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

The impairment loss in respect of the Group's financial instruments 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 financial instruments 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.

(b) Liquidity risk

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

As mentioned in Note 13, the Group may be exposed to liquidity risk as a result of the difference of \$148,892,323 (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 Board to its employees amounted to \$8,043,176 (2015: \$7,828,930).

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 2016				
Accounts payable and accrued expenses	915,084	915,084	915,084	-
Accrued interest payable	-	-	-	-
	915,084	915,084	915,084	-

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (*continued*)
December 31, 2016

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

23. Financial instruments (*continued*)

(b) Liquidity risk (*continued*)

	Carrying amount	Contractual cash flows	6 months or less	more than 6 months
31 December 2015				
Accounts payable and accrued expenses	977,516	977,516	977,516	-
Accrued interest payable	-	-	-	-
	977,516	977,516	977,516	

(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 \$266,743,461 (2015: \$271,003,975).

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, 2016 would have increased equity by \$1,629,469 (2015: \$1,420,010). 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, 2016 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.

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, 2016 amounted to \$33,328,851 (2015: \$30,088,328).

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 \$3,332,885 (2015: \$3,008,833). This analysis assumes that all other variables remain constant.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

23. 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, 2016 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, 2016 and 2015, the fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	12,798,117	12,798,117	11,326,143	11,326,143
Held-to-maturity investment	22,002,149	20,081,177	224,776,297	222,687,501
Available-for-sale investments	36,101,778	36,101,778	33,917,305	33,917,305
Contributions, loans and other receivables	252,133,004	208,854,616	44,518,077	38,182,067
Contingency reserve investment	3,900,000	3,900,000	3,500,000	3,500,000
Accounts payable and accrued expenses	(915,084)	(915,084)	(977,516)	(977,516)
	326,019,964	280,820,604	317,060,306	308,635,500

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	
	2016	2015	2016	2015	2016	2015
Quoted equity	33,328,851	30,088,328	-	-	-	-
Unquoted equity	-	-	-	-	6,806,988	6,806,988
	33,328,851	30,088,328	-	-	6,806,988	6,806,988

There were no movements in the fair value of unquoted available-for-sale investment securities under level 3 as at December 31, 2016 and 2015.

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

23. 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.

24. Commitments and guarantees

The Group does not have any other outstanding commitments and guarantees as at December 31, 2016 and 2015.

25. Income taxes

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

26. Other matters

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\$)]

26. Other matters (*continued*)

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 provisions for 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:

1. **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

- i. The Government of Anguilla shall pay the Social Security Board the principal sum of EC\$214 million.
- ii. The Government of Anguilla shall pay interest on the reducing balance of the principal at the rate of 3% annually.
- iii. The payment term is 25 years from 30th June 2016.
- iv. Payments shall be made in quarterly installments.
- v. 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.
- vi. 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.

2. Section 3 Corresponding Claim

- i. 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.

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

26. Other Matters *(continued)*

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)*

2. Section 3 Corresponding Claims *(continued)*

- ii. 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, 2016.

3. Section 4 Charge on Consolidated Fund - the payments specified in Section 2 shall be a charge on the Consolidated Fund.

4. Section 5 Making of Payments -

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

5. Section 6 Review of Schedule -

- i. 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.
- ii. For the purposes of the review and recommendation under subsection (1) of the Minister of Finance shall -
 - (1) assess the stability of public finances to ensure that the Government of Anguilla is acting in accordance with its obligations under the Fiscal Framework;
 - (2) ensure that the Government of Anguilla is acting in accordance with its obligations under the Fiscal Framework;
 - (3) monitor the ability of the Social Security and Depositor Protection Trust to satisfy their obligations; and
 - (4) review comparative regional investments returns.

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

26. Other Matters (continued)

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

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.

IV. Effect of the Bank Resolution Obligations Act 2016

The passing of the Bank Resolution Obligations Act 2016 resulted in the transfer of the Group financial assets to the Government of Anguilla and to the bridge bank, the newly established National Commercial Bank of Anguilla (“NCBA”) Ltd. Please see note 8 and 9 for the details of the financial assets affected by the Act.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

27. Subsequent events

Lease

Claims against the Government of Anguilla for lease rentals since the inception until January 31, 2020 amounting to EC\$36,300,000 remains unpaid.

Lease Property

Currently, the Group is planning to sell the property to an interest developer. A proposal is being reviewed by both parties as at the reporting date. The asking price for the property as approved by the Board of Directors amounted to EC\$26,882,000.

Land purchases

In 2018 and 2019, the Group purchased the following properties:

Description		Amount*
West Central 28409 B54 .21 Acreage	Land and building	1,043,272
West Central 28409 B59 .21 Acreage	Land and building	1,286,950
Road 08412 B276 2.42 Acreage	Land	1,550,217
Road 08412 B172 .80 Acreage	Land	1,719,143
		5,599,582

**including taxes and other fees*

The primary purposes of the purchased are as follows:

- To assist with the redevelopment of the ports.
- To exchange those lands purchased at the port areas with the Crown land that or more suitable for ASSIDCO as follows:
 - a. North Central Block 48814 B, P 272 partial, identified for ASSB new administration building;
 - b. Redevelopment of the strip area for commercial and recreation purposes; and
 - c. South Central 38611 B, P 305 for commercial purposes.

The Board of Directors of ASSIDCO on the 30th of January 2020 ratified the resolution that was approved by round robin on the 14th of January 2020 and agree to back date the resolution on the 27th of December 2019 the following:

To transfer the above purchase properties to the Government of Anguilla through the Crown in exchange for the following transfers and payments to ASSIDCO by the crown:

- a. Part of North Central 48814 B272 designated lots 1 and 2 and admeasuring 6.4 acres amounting to EC\$8,897,942;
- b. South Central 38611 B 305 and admeasuring 1.5 acres amounting to EC\$779,758;
- c. Given the valuations as assessed by the investment committee to ASSIDCO and upon their recommendation, a further payment of EC\$3,298,360 and EC\$779,578 shall be made to the Government of Anguilla to compensate for the shortfall in the value of exchange.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Consolidated Financial Statements (continued)
December 31, 2016

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

27. Subsequent events (continued)

As such as at December 31, 2019, the following properties will be reflected in the Group's financial statements:

Description	Amount*
North Central 48814 B272 6.4 Acreage Land	8,897,942
South Central 38611 B305 1.5 Acreage Land	779,758
	9,677,520

COVID-19

As at report date, the coronavirus (COVID-19) outbreak which became an official pandemic on March 11, 2020 has prompted global health and economic concerns. Coronavirus affected entities in nearly every sector, due to the following impacts:

- Reduced consumer demand for goods and services due to lost income and/or restrictions on consumers' ability to move freely;
- Lack of investment in capital improvements and construction reducing demand for many goods and services;
- Reduction in market prices for commodities and financial assets, including equity and debt instruments; and
- Disruption of global supplies chains due to restrictions placed on the movement of people and goods.

The above resulted to various closures of businesses, travel ban and border closures in different countries which includes Anguilla. Hospitality industry in Anguilla which is the largest contributors to Anguilla Social Security Board was significantly affected due to closures of various hotels as a result of the travel ban. As this is the largest employment sector on the island, many persons have been made unemployed indefinitely. The Group is currently assessing, monitoring and remains cognizant on the ongoing effect of the COVID-19 pandemic to the country and specifically to the Group's loan portfolio, investments, cash in banks and financial statements as at and for the year ended December 31, 2019 and December 31, 2020.