ANGUILLA SOCIAL SECURITY BOARD

Consolidated Financial Statements

December 31, 2017

(Expressed in Eastern Caribbean Dollars)

CONTENTS

AGENCY INFORMATION

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.

BDO LLC
P.O. Box 136
Fairplay Complex
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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, 2017;
- 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, 2017, 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 18, the latest valuation on the Group's land property under finance lease was not recorded and reported in the Group's financial statements as at and for the year ended December 31, 2017. 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 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.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 28, Subsequent Events, with regards to the Board's current assessment and monitoring on the ongoing effect of the COVID-19 pandemic to the country and specifically to the Board's loan portfolio, investments, cash in banks and financial statements as at and for the year ended December 31, 2019 and December 31, 2020.

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 *(continued)*

Also, 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 23, the Group total loans and other receivables to the Government of Anguilla as at December 31, 2017 amounted to EC$269,841,592 which represents sixty-nine percent (69%) 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 $66,488 for the year ended December 31, 2017 (2016: $87,619) and as of that date, the ASSIDCO's accumulated deficit amounted to $16,229,754 (2016: $16,163,266). The Board's total investment in ASSIDCO as at December 31, 2017 is $26,645,091, of which $16,163,266 was provided with allowance for impairment losses due to continued deficits incurred by ASSIDCO. Claims against the Government of Anguilla for lease rentals since the inception until December 31, 2019 amounting to EC$36,000,000 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 24 which shows that as at December 31, 2017, the gross total financial instruments of the Group amounting to $392,328,199 (2016: $373,991,014) represent ninety-seven percent (97%) (2016: 97%) of its total gross assets. Eighty-four percent (84%) (2016: 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

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.

- 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.

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)*

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

- 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.

BDO LLC

Chartered Accountants
The Valley, Anguilla
29th of April 2020

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Financial Position
As at December 31, 2017

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2017	2016
Assets			
Cash and cash equivalents	7	**24,851,126**	12,798,117
Investment securities - net	8	**61,855,837**	58,103,927
Contributions, loans and other receivables - net	9	**251,980,387**	252,133,004
Investment property	12	**1,388,976**	-
Property and equipment - net	10	**9,682,060**	8,875,066
Intangible assets - net	11	**444,284**	208,385
Other assets	13	**4,121,541**	5,121,456
Total Assets		**354,324,211**	337,239,955
Liabilities, Reserves and Development Fund			
Liabilities			
Accounts payable and accrued expenses		**956,314**	915,084
Pension fund obligation	14	**8,146,283**	8,043,176
Total Liabilities		**9,102,597**	8,958,260
Reserves and Development Fund			
Short-term benefits branch reserve		**2,692,034**	2,968,496
Long-term benefits branch reserve		**326,313,731**	313,800,156
Social Security Development Fund		**710,802**	461,009
Social Security Development Fund Reserve	15	**2,550,000**	3,000,000
Unrealized gain on available-for-sale investment securities	8.2	**8,248,246**	4,302,924
Premises revaluation surplus		**4,706,801**	3,749,110
Total Reserves and Development Fund		**345,221,614**	328,281,695
Total Liabilities, Reserves and Development Fund		**354,324,211**	337,239,955

These consolidated financial statements from pages 6 to 70 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 70 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income
For the Year Ended December 31, 2017

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2017	2016
Income			
Contributions	*16*	**28,526,139**	29,606,480
Investment income	*17*	**9,447,852**	10,475,820
Lease income – net	*18*	**692,008**	872,708
Fines and miscellaneous	*19*	**864,358**	247,656
		39,530,357	41,202,664
Expenses			
Benefits			
Short-term	*20*	**3,667,383**	3,903,273
Long-term	*20*	**14,295,222**	12,638,004
		17,962,605	16,541,277
Administrative and other expenses	*22*	**7,500,245**	7,625,429
Impairment loss - net of recovery	*8*	**1,070,176**	8,520,816
Social Security Development Fund	*21*	**1,355,391**	913,080
		27,888,417	33,600,642
Net income		**11,641,940**	7,602,022

The notes on pages 13 to 70 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Comprehensive Income
For the Year Ended December 31, 2017

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2017**	2016
Net income		**11,641,940**	7,602,022
Other comprehensive (loss)/income			
Re-measurement of net defined benefit liability	*14*	**335,132**	229,902
Revaluation reserve adjustment		**1,017,525**	-
Net change in fair value of available-for-sale investment securities	*8*	**3,945,322**	1,790,476
		5,297,979	2,020,378
Total comprehensive income		**16,939,919**	9,622,400
Attributable to the owner of the Group		**16,939,919**	9,622,400

The notes on pages 13 to 70 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, 2017

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2017	2016
Income			
Contributions	*16*	**4,278,921**	4,440,973
Investment income	*17*	**93,503**	129,060
Lease income – net	*18*	**6,848**	10,751
Fines and miscellaneous	*19*	**432,179**	123,828
		4,811,451	4,704,612
Expenses			
Benefits	*20*	**3,667,383**	3,903,273
Administrative and other expenses	*22*	**1,401,564**	1,450,902
Impairment loss - net of recovery	*8*	**86,574**	95,868
		5,155,521	5,450,043
Net loss		**(344,070)**	(745,431)

Short-term benefits branch reserve

	Note	2017	2016
Balance at beginning of the year		**2,968,496**	3,662,357
Re-measurement of net defined benefit liability	*14*	**58,633**	42,595
Net loss for the year		**(344,070)**	(745,431)
Depreciation transfer from premises revaluation surplus	*10*	**8,975**	8,975
Balance at end of the year		**2,692,034**	2,968,496

The notes on pages 13 to 70 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, 2017

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2017	2016
Income			
Contributions	*16*	**23,177,488**	24,055,264
Investment income	*17*	**9,252,570**	10,238,755
Lease income – net	*18*	**677,705**	852,959
Fines and miscellaneous	*19*	**432,179**	123,828
		33,539,942	35,270,806
Expenses			
Benefits	*20*	**14,295,222**	12,638,004
Administrative and other expenses	*22*	**6,098,681**	6,174,567
Impairment loss - net of recovery	*8*	**957,578**	8,338,894
		21,351,481	27,151,465
Net income		**12,188,461**	8,119,341

Long-term benefits branch reserve

	Note	2017	2016
Balance at beginning of the year		**313,800,156**	305,444,893
Re-measurement of net defined benefit liability	*14*	**276,499**	187,307
Net income for the year		**12,188,461**	8,119,341
Depreciation transfer from premises revaluation surplus	*10*	**48,615**	48,615
Balance at end of the year		**326,313,731**	313,800,156

The notes on pages 13 to 70 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, 2017

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2017	2016
Income			
Contributions	*16*	**1,069,730**	1,110,243
Investment income	*17*	**101,779**	108,005
Lease income – net	*18*	**7,445**	8,998
		1,178,964	1,227,246
Expenses			
Social Security Development Fund	*21*	**1,355,391**	913,080
Impairment loss – net of recovery	*8*	**26,024**	86,054
		1,381,415	999,134
Net (loss)/income		**(202,451)**	228,112

Social Security Development Fund

	Notes	2017	2016
Balance at beginning of the year		**461,009**	230,653
Net (loss)/income for the year		**(202,451)**	228,112
Depreciation transfer from premises revaluation surplus	*10*	**2,244**	2,244
Transfer from Development Fund Reserve	*15*	**450,000**	-
Balance at end of the year		**710,802**	461,009

Social Security Development Fund Reserve

	Note	2017	2016
Balance at beginning of the year		**3,000,000**	3,000,000
Transfer to Development Fund Reserve	*15*	**(450,000)**	-
Balance at end of the year		**2,550,000**	3,000,000

The notes on pages 13 to 70 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2017**	2016
Cash flows from operating activities			
Net income		**11,641,940**	7,602,022
Adjustments for:			
Interest income	*17*	**(8,098,185)**	(10,474,072)
Impairment loss - net of recovery	*8*	**1,070,176**	8,520,816
Finance lease earned income	*18*	**(507,555)**	(687,210)
Depreciation and amortization	*10, 11*	**571,381**	349,911
Re-measurement of net defined benefit liability	*14*	**335,132**	229,902
Dividend income	*17*	**(17,813)**	(164,621)
Net realized gain from available-for-sale investment securities	*8, 17*	**(1,331,854)**	162,873
Loss on disposal of equipment	*8*	**-**	8,844
Operating income before working capital changes		**3,663,222**	5,548,465
Increase in:			
Contributions and other receivables	*9*	**(4,172,936)**	(1,489,624)
Other assets	*13*	**1,099,915**	2,463,096
Increase in:			
Accounts payable and accrued expenses		**41,230**	(62,432)
Pension fund obligation	*14*	**103,107**	214,246
Net cash provided by operating activities		**734,538**	6,673,751
Cash flows from investing activities			
Interest received		**6,467,538**	10,776,300
Acquisition of available-for-sale investment securities	*8.2*	**-**	(1,612,920)
Disposal of held-to-maturity investment securities	*8.1*	**1,504,980**	204,359,866
Acquisition of investment properties	*12*	**(1,388,976)**	-
Acquisition of property and equipment	*10*	**(253,664)**	(142,886)
Acquisition of intangible asset	*11*	**(343,085)**	(55,953)
Dividends received	*17*	**35,626**	146,808
Loan collection/(releases)	*9*	**5,396,052**	(208,322,611)
Net cash provided by investing activities		**11,418,471**	5,148,604
Net increase in cash and cash equivalents		**12,153,009**	11,822,355
Cash and cash equivalents at beginning of year		**23,148,498**	11,326,143
Cash and cash equivalents at end of year	*7*	**35,301,507**	23,148,498

The notes on pages 13 to 70 are integral part of these consolidated financial statements.

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, the Company and the Government of Anguilla entered into a lease and purchase agreement relating to the Cinnamon Reef Property owned by the Company, whereby the Government leases the property from the Company for a period of 10 years for a monthly rent of $300,000. Within the said period, the latter committed to purchase the said property at an agreed price of $20,250,000.

As at December 31, 2019, the outstanding lease income receivables from the Government of Anguilla amounting to EC$36,000,000 since the inception of the lease remained unpaid. Further, the Government of Anguilla informed the Company on May 20, 2011 that the former is no longer interested in the acquisition of the Cinnamon Reef and was desirous of bringing closure to the lease and purchase agreement. This issue had put a strain on the Company'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 $66,488 (2016: $87,619) and a net cash outflow from operations of $91,201 (2016: $47,628) for the year ended December 31, 2017. As of that date, the Company's accumulated deficit amounted to $16,229,754 (2016: $16,163,266).

The aforementioned issues continue to affect the Company's solvency and liquidity position. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and may result in an unfavorable impact on the Anguilla Social Security Board's financial position.

1. Reporting entity *(continued)*

The subsidiary company *(continued)*

Status of operations of the subsidiary company (continued)

Management plans
The Company's ability to continue as a going concern depends on it being able to generate operating profit and the timely payment of various obligations. The Company is seeking to address these matters through the following:

a. Sale of cinnamon reef property to third parties pursuant to a Board decision on April 11, 2012. As at report date, the Company is seeking to negotiate with interested parties on possible projects

b. Seek legal recourse for the recovery of unpaid rental payments from the Government of Anguilla pursuant to the lease and purchase agreement;

c. On January 25, 2013, April 4, 2014 and October 18, 2016, the Anguilla Social Security Board approved resolutions to provide financial support to the Company sufficient to satisfy its obligation as they become due and will satisfy on a timely basis all liabilities and obligations that the Company is unable to satisfy when due so that the Company may continue as a going concern; and

d. Continued efforts to reduce discretionary expenses.

Management is, therefore, of the opinion that adequate arrangements are in place to allow the Company to continue to operate as a going concern.

If the Company is unable to continue its operational existence in the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are presently recorded in the separate statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities and as current assets and liabilities, respectively.

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.

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 Notes 6 and 7.

2. Basis of preparation *(continued)*

d. Actuarial review of pension liabilities to members

An actuarial review was conducted as at December 31, 2016 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% nominal return or a 2.77% real return net of inflation. A summary of key parameters and the present value of pensions are disclosed in note 14.

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

e. Change in accounting policies and disclosures

a) New standards, interpretations and amendments effective from 1 January 2017

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, 2017:

- *Amendments to IFRS 7 Statement of Cash Flows: Disclosure initiative*
- *Amendments to IFRS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
- *Amendments to IFRS 2 Disclosures of Interests in Other Entities: Improvements to IFRSs (December 2016)*

None of the amendments to Standards and interpretations that are effective from that date had a significant effect on the Board's financial statements.

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 that have been issued but are not yet effective as at December 31, 2017 or not relevant to the Group's operations. These are as follows:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers (with clarifications issued)
- IFRS 16 Leases

2. Basis of preparation *(continued)*

f. Change in accounting policies and disclosures

c) New standards, amendments to standards and interpretations not yet effective and not yet adopted: *(continued)*

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 2 Share-based Payment: Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Improvements to IFRSs (December 2016)

The adoption of these amendments to standards and interpretations will not have any significant impact on the Group's financial statements except for IFRS 9 and IFRS 15, which management believes will impact the Board's financial statements as at and for the year ending December 31, 2018.

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 Group. Control exists when the Group 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.

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.

3. Significant accounting policies *(continued)*

(e) Lease *(continued)*

(i) 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.

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

(f) Fines and miscellaneous income

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

(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).

3. Significant accounting policies *(continued)*

(g) Distribution of income *(continued)*

The allocations are as follows:

	2017	2016
Short-term benefits branch	**0.99%**	**1.23%**
Long-term benefits branch	**97.93%**	**97.74%**
Social Security Development Fund	**1.08%**	**1.03%**

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 2013, the allocations are as follows:

	2017	2016
Short-term benefits branch	**17.50%**	18.53%
Long-term benefits branch	**82.50%**	81.47%

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.

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 entirely into only one of the three levels.

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.

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.

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

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

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.

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.

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.

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.

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.

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 to sustain future development of the Group and finance approved benefits. The Group recognizes the need to maintain a balance between the higher benefit payments that might be possible, and the advantages and security afforded by a sound capital decision.

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

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

6. Critical accounting estimates and judgments

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

(a) Allowance for impairment losses

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

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

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

(b) Pension benefits assumptions

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

(c) Determination of fair values

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

The methods and assumptions applied, and the valuation techniques used, as disclosed in notes 4 and 24.

7. Cash and cash equivalents

		2017	2016
Cash on hand		**444,288**	1,952,993
Cash in bank			
Savings and demand deposits		**34,857,219**	21,195,505
Short-term fixed deposits		**-**	-
		35,301,507	23,148,498
Less: Restricted cash	*13*	**(6,450,381)**	(6,450,381)
Contingency reserve	*13*	**(4,000,000)**	(3,900,000)
		24,851,126	12,798,117

The cash in bank represents deposits with local banks in Anguilla which earned interest at the rate of 0% - 1.0% per annum (2016: 1.0% per annum) for savings and 3.125% - 4.75% per annum for short-term fixed deposits (2016: 3.125% - 4.75% per annum). The fixed deposits mature in 1-3 months.

8. Investment securities - net

	Notes	2017	2016
Held-to-maturity investments	*8.1*	**20,497,170**	22,002,149
Available-for-sale investments	*8.2*	**41,358,667**	36,101,778
		61,855,837	58,103,927

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

8.1 Held-to-maturity investment securities

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

	Note	Due within one year	Due over one year	2017	2016
Fixed deposits					
British American Insurance Company		11,481,859	-	**11,481,859**	11,481,859
Scotiabank (Anguilla) Limited		6,617,734	-	**6,617,734**	7,921,611
National Commercial Bank of Anguilla Ltd.		2,180,490	-	**2,180,490**	2,180,490
		20,280,083	-	**20,280,083**	21,583,960
Investments in bonds					
Government of St. Lucia		2,037,640	5,923,053	**7,960,693**	8,016,155
Government of St. Kitts and Nevis		65,665	1,097,804	**1,163,469**	1,227,037
Government of St. Vincent and Grenadines		23,126	255,286	**278,412**	360,484
		2,126,431	7,276,143	**9,402,574**	9,603,676
Total held-to-maturity investments		22,406,514	7,276,143	**29,682,657**	31,187,636
Less allowance for impairment	8.3	(9,185,487)	-	**(9,185,487)**	(9,185,487)
		13,221,027	7,276,143	**20,497,170**	22,002,149

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% (2016: .10% to 2.25%) per annum while investments in bonds carry interest rates ranging from 3.00% to 7.50% (2016: 3.00% to 7.50% per annum).

8.2 Available-for-sale investment securities

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

	Note	2017	2016
Equity securities – International			
UBS Financial Services		**16,571,867**	14,003,159
Smith Barney		**19,033,565**	16,308,813
Merrill Lynch		**595**	16,881
Anguilla European Masters Fund (AEMF)		**262,838**	262,838
		35,868,865	30,591,691
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		**45,413,015**	40,135,841
Less allowance for impairment losses	*8.3*	**(4,054,348)**	(4,034,063)
		41,358,667	36,101,778

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

	Note	2017	2016
Beginning balance		**40,135,839**	36,895,316
Net realized gain	*17.1*	**-**	1,612,920
Net addition		**1,331,854**	(162,873)
Should be fair value balance		**41,467,693**	38,345,363
Ending balance		**45,413,015**	40,135,839
Net change in fair value during the year		**3,945,322**	1,790,476

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:

	2017	2016
Unrealized gain beginning of year	**4,302,924**	2,512,448
Net change in fair value during the year	**3,945,322**	1,790,476
Unrealized gain end of year	**8,248,246**	4,302,924

8.3 Allowance for impairment losses

	Notes	2017	2016
Balance at beginning 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	*13*	**6,450,381**	-
		49,014,961	48,277,904
Impairment loss during the year			
Available-for-sale investment securities		**129,600**	1,584,000
Contributions, loans and other receivables		**1,049,891**	3,577,524
Held-to-maturity investment securities		**-**	-
Other assets		**-**	6,450,381
		1,179,491	11,611,905
Recovery during the year			
Available-for-sale investment securities		**(109,315)**	(527,948)
Contributions, loans and other receivables		**-**	(977,421)
Held-to-maturity investments securities		**-**	(1,585,720)
		(109,315)	(3,091,089)
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**	9,185,487
Available-for-sale investment securities	*8.2*	**4,054,348**	4,034,063
Contributions, loans and other receivables	*9*	**30,394,921**	29,345,030
Other assets	*13*	**6,450,381**	6,450,381
		50,085,137	49,014,961

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:

2017	**Principal**	**Interest**	**Total**
Government of Anguilla	16,791,447	10,273,511	**27,064,958**
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	1,893,600	-	**1,893,600**
UBS Financial Services	109,014	-	**109,014**
Smith Barney and Merrill Lynch	239,521	-	**239,521**
Anguilla European Masters Fund	262,838	-	**262,838**
Eastern Caribbean Securities Exchange	49,375	-	**49,375**
Total	36,481,663	10,512,612	**46,994,275**
Contributions and other receivables	-	3,090,862	**3,090,862**
	36,481,663	13,603,474	**50,085,137**

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
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
National Bank of Anguilla	7,950,381		7,950,381
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

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

	2017	2016
Short-term benefits branch	**86,574**	95,868
Long-term benefits branch	**957,578**	8,338,894
Social Security Development Fund	**26,024**	86,054
	1,070,176	8,520,816

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:

	2017		2016	
	%	**Amount**	%	Amount
Short-term benefits branch	**0.99%**	**5,224**	1.23%	105,789
Long-term benefits branch	**97.93%**	**516,931**	97.74%	8,392,634
Social Security Development Fund	**1.08%**	**5,686**	1.03%	88,534
	100.00%	**527,841**	100.00%	8,586,957

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

	2017		2016	
	%	**Amount**	%	Amount
Short-term benefits branch	**15.00%**	**81,350**	15.00%	(9,921)
Long-term benefits branch	**81.25%**	**440,647**	81.25%	(53,740)
Social Security Development Fund	**3.75%**	**20,338**	3.75%	(2,480)
	100.00%	**542,335**	100.00%	(66,141)

9. Contributions, loans and other receivables – net

	Notes	**2017**	2016
Contributions receivable		**10,231,478**	7,215,135
Loans receivable			
Government of Anguilla		**230,666,667**	236,222,222
Anguilla Development Board (ADB)		**-**	180,000
Staff		**405,728**	66,225
		231,072,395	236,468,447
Finance lease receivable	*18*	**36,615,659**	35,061,305
Other receivables			
Interest on fixed deposits		**78,457**	1,685
Interest on loans receivable		**1,744,269**	187,498
Other GOA receivable		**1,861,797**	1,861,797
Interest on investments in bonds		**481,277**	484,173
Interest-Other		**-**	17,812
Rent receivable		**154,355**	78,781
Other		**135,621**	101,401
		4,455,776	2,733,147
Total contributions, loans and other receivables		**282,375,308**	281,478,034
Less allowance for impairment losses	*8.3*	**(30,394,921)**	(29,345,030)
		251,980,387	252,133,004

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:

	2017	2016
Current	-	**180,000**
Non-current	-	-
	-	**180,000**

Details of the Government loan follows:

	2017	2016
Loan I	**16,666,667**	22,222,222
Loan II	**214,000,000**	214,000,000
	230,666,667	236,222,222

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.

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:

	2017	2016
Current	**5,555,555**	5,555,555
Non-current	**11,111,112**	16,666,667
	16,666,667	22,222,222

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, 2017 amounted to EC$7,380,521 (2016: EC$4,458,333).

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, 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
Disposal	-	-	-	(12,578)	-	-	(12,578)
December 31, 2016	2,649,277	6,304,019	952,020	660,561	102,966	211,267	10,880,110
Additions	-	152,761	42,501	51,601	-	6,801	253,664
Appraisal adjustment	(32,259)	355,388	-		-	-	323,129
December 31, 2017	**2,617,018**	**6,812,168**	**994,521**	**712,162**	**102,966**	**218,068**	**11,456,903**
Accumulated depreciation							
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
Depreciation for the year	-	341,778	56,865	64,985	-	567	464,195
Appraisal adjustment	-	(694,396)	-	-	-	-	(694,396)
December 31, 2017	**-**	**-**	**863,235**	**596,808**	**102,966**	**211,834**	**1,774,843**
Carrying amount							
December 31, 2016	2,649,277	5,951,401	145,650	128,738	-	-	8,875,066
December 31, 2017	**2,617,018**	**6,812,168**	**131,286**	**115,354**	**-**	**6,234**	**9,682,060**

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
At cost							
December 31, 2015	745,533	6,589,758	890,300	615,233	102,966	211,267	9,155,057
Additions	-	23,260	61,720	57,906	-	-	142,886
Disposal	-	-		(12,578)	-	-	(12,578)
December 31, 2016	745,533	6,613,018	952,020	660,561	102,966	211,267	9,285,365
Additions	-	152,761	42,501	51,601	-	6,801	253,664
Disposals	-	-	-		-	-	
December 31, 2017	**745,533**	**6,765,779**	**994,521**	**712,162**	**102,966**	**218,068**	**9,539,029**
Accumulated depreciation							
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	60,157	-	-	214,674
Disposal	-	-		(3,734)	-	-	(3,734)
December 31, 2016	-	2,506,983	806,370	531,823	102,966	211,267	4,159,409
Depreciation for the year	-	281,944	56,865	64,985	-	567	404,361
Disposal	-	-	-		-	-	
December 31, 2017	**-**	**2,788,927**	**863,235**	**596,808**	**102,966**	**211,834**	**4,563,770**
Carrying amount							
December 31, 2016	745,533	4,106,035	145,650	128,738	-	-	5,117,985
December 31, 2017	**745,533**	**3,976,852**	**131,286**	**115,354**	**-**	**6,234**	**4,975,259**

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

The Group's land and building were revalued on December 31, 2017 by an independent and qualified valuator, Can Engineering Limited. The value was estimated using the income approach method of valuation.

Annual transfers from the premises revaluation reserve to branch reserves (i.e. Short-term Benefits Branch Reserve and Long-term Benefits Branch Reserve) and Social Security Development Fund accounts are made for the difference between depreciation based on the re-valued carrying amount of the assets and depreciation based on the assets' original cost. Every year, depreciation of $59,834 (2016: $59,834) from Premises Revaluation Surplus account is transferred to branch reserves (allocated to Short-term Benefits Branch Reserve: $8,975 (2016: $8,975); Long-term Benefits Branch Reserve: $48,615 (2016: $48,615) and Social Security Development fund: $2,244 (2016: $2,244).

Movements in the Premises Revaluation Surplus account are as follows:

	2017	2016
Revaluation surplus, beginning of year	**3,749,110**	3,808,944
Depreciation for the year	**(59,834)**	(59,834)
Revaluation reserve adjustment	**1,017,525**	-
Revaluation surplus, end of year	**4,706,801**	3,749,110

11. Intangible asset - net

Movements in this account follow:

	2017	2016
Cost		
Beginning balance	**1,586,769**	1,530,816
Acquisition during the year	**343,085**	55,953
Ending balance	**1,929,854**	1,586,769
Accumulated amortization		
Beginning balance	**1,378,384**	1,302,981
Amortization for the year	**107,186**	75,403
Ending balance	**1,458,570**	1,378,384
Carrying amount	**444,284**	208,385

12. Investment property

Investment property pertains to the acquired property comprising of approximately 2.42 acres of land located in Sandy Ground, Anguilla. The land was purchased by the Board on behalf of the Anguilla Air and Seaports Authority (AASPA) for the Road Bay Development Project. This land will either be rented to AASPA or will be transferred to AASPA through land swap. Details of this accounts are as follows:

	Amount
Purchased price	1,344,181
Legal fee	11,042
Stamp duty and other	33,753
Total	**1,388,976**

The fair value of the property approximates the original purchase cost considering that the purchased was made within the year.

13. Other assets

	Note	**2017**	2016
Restricted – Cash in bank	7	**6,450,381**	6,450,381
Contingency reserve	7	**4,000,000**	3,900,000
Advances		**-**	1,018,568
Prepayments		**72,176**	155,235
Stationery and computer supplies		**49,365**	47,653
		10,571,922	11,571,837
Less allowance for impairment		**(6,450,381)**	(6,450,381)
		4,121,541	5,121,456

The ‘Contingency reserve’ account was established to meet any unforeseen or abnormal expenditure which the current income of the Group may not be sufficient to cover, or to make good any unforeseen or abnormal reduction of income. This contingency reserve is increased to an amount equivalent to the average expenditure of the Group for the provision of benefits and administration for two (2) months. The contingency reserve as at December 31, 2017 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 2017 and 2016, 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 Group 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 Group 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.

14. Pension fund obligation

Pursuant to the provisions of Section 16(1) of the Social Security Act (Chapter 45), an actuarial review of the operations of the Board, the financial condition of the fund and the adequacy of the contributions to support benefits was carried out as at 31 December 2016 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. Details of the actuarial review are as follows:

	2016	2013
Retired persons	**147,456,824**	93,909,811
Active participants	**705,639,898**	536,592,397
Total Accumulated Benefit Obligations (ABO)	**853,096,722**	630,502,208
Less net assets available for benefits (ASS)	**323,610,000**	272,761,518
Unrecognized Projected Obligation (PBO-ASS)	**529,486,722**	357,740,690

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

	2016	2013
Mortality table	**GAM-83 (USA)**	GAM-83 (USA)
Discount	**3% (2% real)**	4% (2% real)
Salary scale	**2%**	2%
	0.07 to .03	.07 to .03
Termination assumption (basically foreign workers)	**(20/59 years)**	(20/59 years)
Loading factor for complementary benefits:	**5%**	5%

As detailed above, there is a difference of $529,486,722 (2013: $$357,740,690) between the reserves of the Fund and the actuarial present value of projected benefit obligations. The unfunded or unrecognized actuarial obligation is not strictly an obligation of the Government but also of stakeholders. Section 16 and 18 of the Act states that the rates of contributions payable by employees and employers shall be prescribed in accordance with the actuarial recommendations, which shows that future generations of stakeholders shall be responsible for the actuarial sustainability of the scheme.

Aside from the Group's pension scheme to its contributors, the Group also sponsors funded defined benefit plan for qualifying existing and former employees. The defined benefit plan is administered by a separate Fund, the Anguilla Social Security Staff Pension Fund (Staff Pension Fund) that is legally separated from the Group.

The board of the Staff Pension Fund is composed of an equal number of representatives from both employer and employees. The board of the Staff Pension Fund is required by law or by the Trust Deed to act in the interest of the fund and of all relevant stakeholders in the scheme i.e. active employees, retirees, and employer. The board of the Staff Pension Fund is responsible for setting the investment, contribution and other policies relating to the fund.

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

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

14. 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, 2017 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:

	2017	2016
Present value of obligations	**11,723,268**	11,308,833
Fair value of plan assets	**(3,576,985)**	(3,265,657)
Pension fund obligation	**8,146,283**	8,043,176

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

	Notes	**2017**	2016
Service cost			
Current service cost		**270,120**	289,680
Net interest cost		**393,391**	382,818
Component of pension expense recorded in statement of income	*22.1*	**663,511**	672,498
Re-measurement of the pension fund obligation			
Return on plan assets (excluding interest)		**(32,417)**	(13,355)
Actuarial gains and losses arising from the defined benefit obligation		**(302,715)**	(216,547)
Component of pension expense recorded in other comprehensive income		**(335,132)**	(229,902)
Total pension expense		**328,379**	442,596

Distribution of pension expense recognized in other comprehensive income follows:

	2017		2016	
	%	**Amount**	%	Amount
Short-term benefits branch	**17.50%**	**58,633**	18.53	42,595
Long-term benefits branch	**82.50%**	**276,499**	81.47	187,307
	100.00	**335,132**	100.00	229,902

14. Pension fund obligation *(continued)*

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

	2017	2016
Beginning of year	**11,308,833**	10,828,598
Current service cost	**270,120**	289,680
Interest cost	**559,196**	535,305
Contribution by plan participants	**112,487**	116,795
Benefits and expenses paid	**(224,653)**	(244,998)
Actuarial gain	**(302,715)**	(216,547)
End of year	**11,723,268**	11,308,833

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

	2017	2016
Beginning of year	**3,265,657**	2,999,668
Expected return on assets	**166,103**	152,487
Employer contributions	**224,974**	228,350
Contribution by plan participants	**112,487**	116,795
Benefits and expenses paid	**(224,653)**	(244,998)
Actuarial gains	**32,417**	13,355
End of year	**3,576,985**	3,265,657

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

	2017	2016
Cash in bank, net of accounts receivable, payable and accrued expenses	**57,225**	190,705
Loans to members net of impairment	**1,391,134**	1,336,225
Fixed deposits	**1,775,343**	1,416,331
Money market funds	**353,283**	322,396
	3,576,985	3,265,657
Actual return on plan assets	**177,548**	165,842

14. Pension fund obligation *(continued)*

Loans to members are owed by the following:

	2017	2016
Key management personnel of the Group	**516,704**	693,254
Other employees and pensioners	**917,455**	684,297
	1,434,159	1,377,551

Fixed deposits follows:

	2017	2016
National Commercial Bank of Anguilla	**1,775,343**	1,416,331
	1,775,343	1,416,331

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

	2017	2016
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		11,723,268	11,723,268
(Decrease)/Increase in the defined benefit obligation		(1,077,368)	1,266,113

15. 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. During the year, EC$450,000 was transferred to the Social Security Development Fund to fund existing projects.

16. Contribution income

	2017	2016
Contribution – employers	**14,160,839**	14,734,947
Contribution – employees	**14,160,839**	14,734,947
	28,321,678	29,469,894
Less refunds	**(133,338)**	(195,756)
	28,188,340	29,274,138
Contributions - self employed	**337,800**	332,342
	28,526,139	29,606,480

	%	2017	2016
Short-term benefits branch	*15.00*	**4,278,921**	4,440,973
Long-term benefits branch	*81.25*	**23,177,488**	24,055,264
Social Security Development Fund	*3.75*	**1,069,730**	1,110,243
	100.00	**28,526,139**	29,606,480

17. Investment income

	Note	2017	2016
Interest income			
Loan – Government of Anguilla		**7,380,521**	5,696,632
Bonds		**613,765**	681,281
Fixed deposits (local bank)		**84,693**	3,005,273
Savings and demand deposits		**12,076**	44,937
Loan – ADB		**4,934**	15,786
Fixed deposits (British American)		**-**	1,028,517
Other		**2,196**	1,646
		8,098,185	10,474,072
Dividend income			
ANGLEC shares		**-**	146,808
ECHMB shares		**17,813**	17,813
		17,813	164,621
Total investment income		**8,115,998**	10,638,693
Realized (loss)/gain from available-for-sale investment securities			
Smith Barney		**620,603**	314,903
UBS Financial Services		**717,509**	(481,905)
Merrill Lynch		**(6,258)**	4,129
Total realized gain	*17.1*	**1,331,854)**	(162,873)
Total investment income		**9,447,852**	10,475,820

17. 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).

17.1 Realized gain/(loss) 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	**2017**	2016
Dividend and interest income	257,030	324,766	-	**581,796**	473,108
(Losses)/gains on disposals	674,060	517,283	(6,258)	**1,185,085**	(251,062)
Management fee and others	(213,581)	(221,446)	-	**(435,027)**	(384,919)
	717,509	620,603	(6,258)	**1,331,854**	(162,873)

Distribution of investment income is as follows:

	2017		2016	
	%	**Amount**	%	Amount
Short-term benefits branch	0.99%	**93,503**	1.23	129,060
Long-term benefits branch	97.93%	**9,252,570**	97.74	10,238,755
Social Security Development Fund	1.08%	**101,779**	1.03	108,005
	100.00	**9,447,852**	100.00	10,475,820

18. Leases

Details of lease income per type of lease follow:

	2017	2016
Finance lease – land	**507,555**	687,210
Finance lease – fire truck	**72,325**	-
Operating lease	**112,128**	185,498
	692,008	872,708

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:

	2017	2016
Rental income	**268,069**	281,856
Less maintenance expenses	**(155,941)**	(96,358)
	112,128	185,498

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

18. Leases *(continued)*

b) *Finance lease*

Details of gross finance lease receivable per type follow:

	2017	2016
Finance lease – land	**35,568,860**	35,061,305
Finance lease – fire truck	**1,046,799**	-
	36,615,659	35,061,305

Land

	2017	2016
Finance lease receivable	**27,157,146**	27,157,146
Finance lease earned income receivable	**8,411,714**	7,904,159
	35,568,860	35,061,305
Allowance for impairment losses	**(25,203,161)**	(24,695,606)
	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.

18. Leases *(continued)*

b) Finance lease (continued)

Land *(continued)*
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$7,904,159 as at December 31, 2016 and additional finance lease earned income in 2017 amounting to EC$507,555 (2016: EC$687,210)

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

In a letter response by the Group, they specifically stated that they reject any attempt by the Government to unilaterally and arbitrarily terminate the lease and purchase agreement. The Group emphasizes that the lease and purchase agreement is validly subsisting and remains in full force and effect.

Any termination must be in accordance with the procedures laid down in the agreement regarding default by the lessee which states as follow:

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

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

a. The Group reject any attempt by Government to unilaterally and arbitrarily terminate the lease and purchase agreement.

b. Remind Government of Anguilla that as the present date the said Agreement is validly subsisting and remains in full force and effect.

c. Any termination must be in accordance with the procedures laid down in the Agreement regarding default by the lessee.

Lease property for sale
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.

18. Leases *(continued)*

b) Finance lease (continued)

Land *(continued)*

Lease property classification as non-current assets held-for-sale
Based on IFRS 5, non-current assets held-for-sale, the Group met the requirement of IFRS 5 on the intention and commitment of the management which was evidenced by entering into a proposed sale of the property.

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

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

Impairment of lease
As at December 31, 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.

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, 2017, 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$28,800,000. 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$15,318,860 (2015: EC$14,811,305) and the total amount of decline in the value of the leased property amounting to EC$9,884,301 (2016: EC$9,884,301). Total allowance for impairment to date amounted to EC$25,203,161 (2016: EC$24,695,606).

18. Leases *(continued)*

b) Finance lease (continued)

Land *(continued)*

The future minimum finance lease receivables are as follows:

2017	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	28,800,000	-	**28,800,000**
Less than one year	3,600,000	316,820	**3,283,180**
Between one and five years	3,600,000	114,320	**3,485,680**
	36,000,000	431,140	**35,568,860**

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**

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

Fire Truck
On 21st of April 2017, the Group (lessor) signed an eight-year firetruck lease agreement with the Anguilla Air and Seaports Authority and the Government of Anguilla (lessees) commencing on the on the date of the lease agreement. The lessees shall have the option to purchase the equipment from the lessor upon the expiration of the lease term.

The lessees will jointly pay to the lessor the monthly rental payment amounting to EC$14,700 during the lease term. The rental payments is based on the following assumptions:

i. the monthly average of the rate of return on the investment of up to 7% per annum;
ii. the average monthly depreciation of the Equipment over the Lease; and
iii. the operating costs paid to third parties and met directly by the lessor and recovered in the Rental Payments.

18. Leases *(continued)*

b) Finance lease (continued)

Fire Truck *(continued)*
Details of the recognized finance lease receivables based on the present value of the minimum lease payment using the interest rate implicit in the lease follow:

	2017	2016
Total fire truck value	**1,077,374**	-
Paid to date	**(102,900)**	-
Finance lease charge to date	**72,325**	-
Finance lease receivables	**1,046,799**	-

Distribution of lease income net of maintenance expenses follows:

	2017		2016	
	%	Amount	%	Amount
Short-term benefits branch	**0.99**	**6,848**	1.23	10,751
Long-term benefits branch	**97.93**	**677,705**	97.74	852,959
Social Security Development Fund	**1.08**	**7,455**	1.03	8,998
	100.00	**692,008**	100.00	872,708

19. Fines and miscellaneous income

	2017	2016
Surcharges and additional surcharges	**791,099**	237,919
Other	**73,270**	9,737
	864,358	247,656

Distribution of fines and miscellaneous income follows:

	%	2017	2016
Short-term benefits branch	50.00	**432,179**	123,828
Long-term benefits branch	50.00	**432,179**	123,828
	100.00	**864,358**	247,656

20. Benefit expenses

	2017	2016
Short-term benefits		
Sickness	**2,443,723**	2,723,709
Maternity	**893,660**	878,564
Funeral	**330,000**	301,000
	3,667,383	3,903,273
Long-term benefits		
Age	**10,166,826**	9,155,328
Invalidity	**1,701,058**	1,513,190
Survivors	**1,526,359**	1,312,623
Non-contributory old age pension	**612,903**	656,683
Unemployment benefit	**288,076**	-
	14,295,222	12,638,004
	17,962,605	16,541,277

21. Social Security Development Fund

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

The following shows the projects funded by Social Security Development Fund in 2017 and 2016.

	2017	2016
National Heritage Site	**629,420**	10,753
Sports Development	**181,530**	156,116
Economic Development	**156,158**	68,755
Education	**133,824**	312,901
Arts and Culture	**109,044**	58,915
Health Services	**25,983**	122,409
James Ronald Webster expenses	**21,710**	104,288
Community Revitalization	**16,938**	45,314
Public Safety and others	**80,784**	33,629
	1,355,391	913,080

22. Administrative and other expenses

	Notes	2017	2016
Salaries, benefits and allowances to staff	*22.1*	**4,971,041**	5,225,512
Administration expenses	*22.2*	**1,901,294**	1,901,630
Allowances and expenses of the Board and Investment Committee		**353,008**	377,247
		7,225,343	7,504,389
Other expenses	*11*	**274,902**	121,080
		7,500,245	7,625,469

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

Distribution of administrative expenses follows:

	2017		2016	
	%	**Amount**	%	Amount
Short-term benefits branch	**17.50**	**1,264,435**	18.53	1,390,362
Long-term benefits branch	**82.50**	**5,960,908**	81.47	6,114,027
	100.00	**7,225,343**	100.00	7,504,389

Distribution of other expenses follows:

	2017		2016	
	%	**Amount**	%	Amount
Short-term benefits branch	**50.00**	**137,451**	50.00	60,540
Long-term benefits branch	**50.00**	**137,451**	50.00	60,540
	100.00	**274,902**	100.00	121,080

Distribution of administrative and other expenses follows:

	2017	2016
Short-term benefits branch	**1,401,564**	1,450,902
Long-term benefits branch	**6,098,681**	6,174,567
	7,500,245	7,625,469

22. Administrative and other expenses *(continued)*

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

	Note	**2017**	2016
Salaries and wages		**3,841,252**	4,049,107
Pension expense	*14*	**663,511**	672,498
Employee insurance		**181,050**	158,217
Social security contribution		**134,740**	129,776
Staff pension		**50,172**	64,883
Employee travel allowance		**47,400**	39,595
Staff allowance		**44,921**	36,706
Employee uniform allowance		**7,995**	74,730
		4,971,041	5,225,512

The breakdown of personnel as at December 31, 2017 and 2016 follows:

	2017	2016
Management	**11**	11
Non-management	**25**	24
Temporary	**1**	2
	37	37

22.2 Details of administration expenses follow:

	Notes	**2017**	2016
Professional fees		**380,723**	427,889
Depreciation and amortization	*11, 12*	**315,047**	233,607
Repairs and maintenance		**175,088**	154,055
Utilities		**180,567**	196,137
Human resource development expense		**159,391**	37,672
Overseas travel and lodging		**159,256**	190,751
Social Security Board special events		**90,079**	211,274
Insurance		**6,073**	9,879
Other expenses		**435,070**	440,366
		1,901,294	1,901,630

23. 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, 2017 and 2016.

(i) The Group's savings and demand deposits account and fixed deposits were held at Caribbean Commercial Bank (Anguilla) Limited (CCB) in Liquidation, a registered employer, since inception. Funds held at CCB as of December 31, 2016 are as follows:

	Notes	**2017**	2016
Savings and demand deposits	*7*	**-**	-
Fixed deposits	*7, 8*	**-**	-
Funds held at end of year		**-**	-
Funds held at beginning of year		**-**	(74,304,353)
Increase/(decrease)in funds held		**-**	(74,304,353)

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

	2017	2016
Interest income	**-**	984,163
Accrued interest receivable	**-**	-

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) in Liquidation, a registered employer, since inception. The following funds are held at NBA as of December 31, 2016:

23. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

ii. National Bank of Anguilla in Liquidation

	Notes	2017	2016
Investment	*8*	**1,500,000**	1,500,000
Restricted savings deposit		**6,450,381**	6,450,381
Funds held end of year		**7,950,381**	7,950,381
Funds held beginning of year		**(7,950,381)**	(143,077,479)
Decrease in funds held		**-**	(135,127,098)

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

	2017	2016
Interest income	**-**	1,894,442
Accrued interest receivable	**-**	-

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, 2017 and 2016:

	Notes	2017	2016
Savings and demand deposits	*7*	**18,170,621**	11,168,939
Fixed deposits	*7*	**10,617,733**	7,921,612
Funds held end of year		**28,788,354**	19,090,551
Funds held beginning of year		**(19,090,551)**	(11,482,282)
Increase/(decrease) in funds held		**9,697,803**	7,608,269

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

	2017	2016
Interest income	**39,916**	126,668
Accrued interest receivable	**33,557**	1,563

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

23. 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, 2017 and 2016:

	Notes	2017	2016
Savings and demand deposits	*7*	**6,236,217**	3,576,185
Fixed deposits	*8*	**2,180,491**	2,180,491
Funds held end of year		**8,416,708**	5,756,676
Funds held beginning of year		**5,756,676**	-
Increase in funds held		**2,660,032**	5,756,676

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

	2016	2015
Interest income	**56,853**	123
Accrued interest receivable	**44,899**	123

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, 2017 and 2016:

	Notes	2017	2016
Loans receivable	*9*	**230,666,666**	236,222,222
Finance lease receivable	*18*	**35,568,860**	35,061,305
Accrued interest receivable		**1,744,269**	185,693
Other receivable		**1,861,797**	1,861,797
Receivables held end of year		**269,841,592**	273,331,017
Receivables held beginning of year		**(273,331,017)**	(62,383,988)
(Decrease)/increase in receivables held		**(3,489,425)**	219,947,029

Interest income received as at December 31, 2017 amounted to $7,380,521 (2016: $5,697,513).

(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$225,272 (2016: $227,972).

23. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

(vi) Remuneration to directors and executive and management staff during 2017 and 2016 are as follows:

	2017	2016
Board and committee allowance	**324,837**	312,015
Executive and management staff salaries and allowances	**1,808,907**	2,088,690
	2,133,744	2,400,705

24. 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, 2017 and 2016 were as follows:

	Notes	2017	2016
Cash in bank	*7*	**24,406,838**	10,845,124
Held-to-maturity investment securities	*8.1*	**29,682,657**	31,187,636
Available-for-sale investment securities	*8.2*	**45,413,015**	40,135,839
Contributions, loans and other receivables	*9*	**282,375,308**	281,478,034
Contingency reserve investment	*13*	**4,000,000**	3,900,000
Restricted cash in bank	*13*	**6,450,381**	6,450,381
		392,328,199	373,997,014

As at 31 December 2017, the total gross financial assets of the Group amounting to $392,328,199 represent ninety-seven percent (97%) (2016: 97%) of its total gross assets. Eighty-four percent (84%) (2016: 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	2017	2016
Anguilla	*84%*	**331,637,223**	**316,760,235**
Caribbean region	*07%*	**24,822,110**	**26,645,090**
United States of America	*09%*	**35,868,866**	**30,591,689**
	100%	**392,328,199**	**373,997,014**

24. 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	2017	2016
Related parties	*80%*	**315,075,491**	306,130,311
Other	*20%*	**77,252,708**	67,866,703
	100%	**392,328,199**	373,997,014

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

	% to total assets	2017	2016
NBA in liquidation			
Restricted savings deposit		**6,450,381**	6,450,381
Equity securities		**1,500,000**	1,500,000
	2%	**7,950,381**	7,950,381
Scotiabank			
Savings and demand deposits		**18,170,621**	11,168,939
Fixed deposits		**10,617,733**	7,921,612
Accrued interest receivable		**33,557**	1,563
	8%	**28,821,911**	19,092,114
National Commercial Bank of Anguilla Ltd			
Savings and demand deposits		**6,236,217**	3,576,185
Fixed deposits		**2,180,491**	2,180,491
Accrued interest receivable		**44,899**	123
	2%	**8,461,607**	5,756,799
Government of Anguilla			
Loans		**230,666,666**	236,222,222
Finance lease receivable		**35,568,860**	35,061,305
Accrued interest receivable		**1,744,269**	185,693
Other receivable		**1,861,797**	1,861,797
	7%	**269,841,592**	273,331,017
	80%	**315,075,491**	306,130,311

24. 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 14, the Group may be exposed to liquidity risk as a result of the a difference of $529,486,722 (2013: $357,740,690) between the reserves of the Fund and the actuarial present value of projected benefit obligations.

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

The outstanding pension fund obligation of the Group to its employees amounted to $8,146,283 (2016: $8,043,176).

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 2017				
Accounts payable and accrued expenses	956,314	956,314	956,314	-
Accrued interest payable	-	-	-	-
	956,314	**956,314**	**956,314**	-

24. Financial instruments *(continued)*

(b) Liquidity risk *(continued)*

	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	

(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 $264,354,694 (2016: $266,743,463).

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, 2017 would have increased equity by $1,614,507 (2016: $1,629,469). 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, 2017 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, 2017 amounted to $38,257,493 (2016: $33,328,851).

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 $3,825,749 (2016: $3,332,885). This analysis assumes that all other variables remain constant.

24. 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, 2017 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, 2017 and 2016, the fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2017		2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**24,851,126**	**24,851,126**	12,798,117	12,798,117
Held-to-maturity investment	**20,497,170**	**18,331,155**	22,002,149	20,081,177
Available-for-sale investments	**41,358,667**	**41,358,667**	36,101,778	36,101,778
Contributions, loans and other receivables	**251,980,387**	**211,798,304**	252,133,004	208,854,616
Contingency reserve investment	**4,000,000**	**4,000,000**	3,900,000	3,900,000
Accounts payable and accrued expenses	**(956,314)**	**(956,314)**	(915,084)	(915,084)
	341,731,036	**299,382,938**	326,019,964	280,820,604

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**	
	2017	2016	**2017**	2016	**2017**	2016
Quoted equity	**36,363,892**	31,107,003	**-**	-	-	-
Unquoted equity	**-**	-	**-**	-	**4,994,775**	4,994,775
	36,363,892	31,107,003	**-**	-	**4,994,775**	4,994,775

There were no movements in the fair value of unquoted available-for-sale investment securities under level 3 as at December 31, 2017 and 2016.

24. 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.

25. Commitments and guarantees

The Group does not have any other outstanding commitments and guarantees as at December 31, 2017 and 2016.

26. Income taxes

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

27. 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.

27. 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.

27. 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.

27. 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.

28. 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	Purchase	**1,043,272**
West Central 28409 B59 .21 Acreage	Land and building	Purchase	**1,286,950**
Road 08412 B276 2.42 Acreage	Land	Purchase	**1,550,217**
Road 08412 B172 .80 Acreage	Land	Purchase	**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.

28. 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 corona virus (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.