



# **ANGUILLA SOCIAL SECURITY BOARD**

Consolidated Financial Statements

December 31, 2019

(Expressed in Eastern Caribbean Dollars)



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# AGENCY INFORMATION

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## **PHYSICAL ADDRESS**

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

## **BOARD OF DIRECTORS**

Jacqueline Bryan-Niles - Chairman  
Kimberly Fleming - Deputy Chairman  
Kerith Kentish - Member  
Kiel Connor - Member  
Semone Harrigan - Member  
Lesroy Lake - Member

## **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  
Cosley Drive  
The Valley, AI-2640  
Anguilla, BWI

Tel: 264-497-5500  
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e-Mail: [claudel.romney@bdoecc.com](mailto:claudel.romney@bdoecc.com)  
Website: [www.bdocaribbean.com](http://www.bdocaribbean.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Anguilla Social Security Board and Its Subsidiary

### Report on the Audit of the Consolidated 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, 2019;
- 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, 2019, 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 16, 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, 2019. 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 as such 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (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

We draw attention to Note 27, Subsequent Events, with regards to the Group's assessment and monitoring on the effects 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.



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Anguilla Social Security Board and Its Subsidiary

Report on the Audit of the Consolidated 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 30<sup>th</sup> 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 (\$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, 2019 amounted to \$258,535,572 (2018: \$263,541,764) which represents sixty-four percent (64%) (2018: 67%) 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 \$70,593 for the year ended December 31, 2019 (2018: \$95,656) and as of that date, the ASSIDCO's accumulated deficit amounted to \$16,396,003 (2018: \$16,325,410). The Group's total investment in ASSIDCO as at December 31, 2019 is \$26,865,091, of which \$16,396,003 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 \$36,000,000 remains unpaid.

In April 2014, the Group, 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.



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Anguilla Social Security Board and Its Subsidiary

Report on the Audit of the Consolidated Financial Statements *(continued)*

### Emphasis of Matter *(continued)*

Note 24 which shows that as at December 31, 2018, the gross total financial instruments of the Group amounting to \$394,132,936 (2017: \$392,328,199) represent eighty-one percent (81%) (2017: 97%) of its total gross assets. Eighty-five percent (85%) (2017: 84%) 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.

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

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

In preparing the consolidated 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 Consolidated Financial Statements

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



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Anguilla Social Security Board and Its Subsidiary

Report on the Audit of the Consolidated Financial Statements (*continued*)

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

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

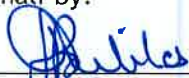
Chartered Accountants  
The Valley, Anguilla  
14<sup>th</sup> of November, 2024


**ANGUILLA SOCIAL SECURITY BOARD**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2019**

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

|   | <i>Notes</i> | 2019               | 2018               |
|---|--------------|--------------------|--------------------|
| <b>Assets</b>   |              |                    |                    |
| Cash and cash equivalents                               | 7            | 17,428,668         | 39,684,951         |
| Investment securities - net                             | 8            | 90,118,931         | 59,558,820         |
| Contributions, loans and other receivables - net        | 9            | 235,222,121        | 238,628,202        |
| Investment property                                     | 12           | 9,568,004          | 1,388,976          |
| Property and equipment - net                            | 10           | 10,230,883         | 9,581,785          |
| Intangible assets - net                                 | 11           | 275,040            | 385,467            |
| Other assets  | 13           | 7,902,489          | 5,094,737          |
| <b>Total Assets</b>                                     |              | <b>370,746,136</b> | <b>354,322,938</b> |
| <b>Liabilities, Reserves and Development Fund</b>       |              |                    |                    |
| <b>Liabilities</b>                                      |              |                    |                    |
| Accounts payable and accrued expenses                   |              | 1,947,691          | 1,169,318          |
| Pension fund obligation                                 | 14           | 9,612,818          | 9,006,184          |
| <b>Total Liabilities</b>                                |              | <b>11,560,509</b>  | <b>10,175,502</b>  |
| <b>Reserves and Development Fund</b>                    |              |                    |                    |
| Short-term benefits branch reserve                      |              | 881,437            | 1,881,718          |
| Long-term benefits branch reserve                       |              | 352,343,635        | 336,536,909        |
| Social Security Development Fund                        |              | 375,832            | 199,647            |
| Social Security Development Fund Reserve                | 15           | 3,050,000          | 2,800,000          |
| Equity investment reserve                               | 8.3          | (1,980,000)        | (1,881,600)        |
| Premises revaluation surplus                            | 10           | 4,514,723          | 4,610,762          |
| <b>Total Reserves and Development Fund</b>              |              | <b>359,185,627</b> | <b>344,147,436</b> |
| <b>Total Liabilities, Reserves and Development Fund</b> |              | <b>370,746,136</b> | <b>354,322,938</b> |

These consolidated financial statements from pages 1-75 were approved and authorized for issue by the Board of Directors of the Group on 14<sup>th</sup> November, 2024 and were signed on their behalf by:

  
 \_\_\_\_\_  
 Jacqueline Byran Niles  
 Chairman

  
 \_\_\_\_\_  
 Maglan Lewis Webster  
 Director (Ag)

*The notes on pages 13 to 75 are integral part of these consolidated financial statements.*

**ANGUILLA SOCIAL SECURITY BOARD**  
**Consolidated Statement of Income**  
**For the Year Ended December 31, 2019**

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

|                                   | <i>Notes</i> | 2019              | 2018              |
|-----------------------------------|--------------|-------------------|-------------------|
| <b>Income</b>                     |              |                   |                   |
| Contributions                     | 16           | 32,948,487        | 31,707,232        |
| Investment income                 | 17           | 16,881,919        | 5,297,833         |
| Lease income - net                | 18           | 266,161           | 551,993           |
| Fines and miscellaneous           | 19           | 459,920           | 249,794           |
|                                   |              | <b>50,556,487</b> | <b>37,806,852</b> |
| <b>Expenses</b>                   |              |                   |                   |
| Benefits                          |              |                   |                   |
| Short-term                        | 20           | 4,462,970         | 4,048,491         |
| Long-term                         | 20           | 19,478,960        | 17,915,118        |
|                                   |              | <b>23,941,930</b> | <b>21,963,609</b> |
| Administrative and other expenses | 22           | 8,982,114         | 7,991,644         |
| Impairment loss - net of recovery | 8            | 789,295           | 2,186,193         |
| Social Security Development Fund  | 21           | 951,254           | 1,494,555         |
|                                   |              | <b>34,664,593</b> | <b>33,636,001</b> |
| <b>Net income</b>                 |              | <b>15,891,894</b> | <b>4,170,851</b>  |

*The notes on pages 13 to 75 are integral part of these consolidated financial statements.*

**ANGUILLA SOCIAL SECURITY BOARD**  
**Consolidated Statement of Comprehensive Income**  
**For the Year Ended December 31, 2019**

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

|   | <i>Notes</i> | 2019              | 2018      |
|---|--------------|-------------------|-----------|
| <b>Net income</b>                               |              | <b>15,891,894</b> | 4,170,851 |
| <b>Other comprehensive (loss)/income</b>        |              |                   |           |
| Re-measurement of net defined benefit liability | 14           | <b>(804,678)</b>  | (499,566) |
| Revaluation reserve adjustment                  |              | <b>96,039</b>     | -         |
| Net change in fair value through OCI            | 8            | <b>49,375</b>     | 12,000    |
|   |              | <b>(659,264)</b>  | (487,566) |
| <b>Total comprehensive income</b>               |              | <b>15,232,630</b> | 3,683,285 |
| <b>Attributable to the owner of the Group</b>   |              | <b>15,232,630</b> | 3,683,285 |

*The notes on pages 13 to 75 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, 2019**

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

|                                   | <i>Notes</i> | 2019             | 2018             |
|-----------------------------------|--------------|------------------|------------------|
| <b>Income</b>                     |              |                  |                  |
| Contributions                     | 16           | 4,942,273        | 4,756,085        |
| Investment income                 | 17           | 93,045           | 46,161           |
| Lease income - net                | 18           | 1,468            | 4,809            |
| Fines and miscellaneous           | 19           | 229,960          | 124,897          |
|                                   |              | <b>5,266,746</b> | <b>4,931,952</b> |
| <b>Expenses</b>                   |              |                  |                  |
| Benefits                          | 20           | 4,462,970        | 4,048,491        |
| Administrative and other expenses | 22           | 1,585,009        | 1,409,171        |
| Impairment loss - net of recovery | 8            | 97,774           | 262,116          |
|                                   |              | <b>6,145,753</b> | <b>5,719,778</b> |
| <b>Net loss</b>                   |              | <b>(879,007)</b> | <b>(787,826)</b> |

**Short-term benefits branch reserve**

|   | <i>Note</i> | 2019           | 2018             |
|---|-------------|----------------|------------------|
| Balance at beginning of the year                        |             | 1,881,718      | 2,692,034        |
| Restatement of beginning balance due to IFRS 9          |             | 304            | 46,914           |
| Balance as restated                                     |             | 1,882,022      | 2,738,948        |
| Re-measurement of net defined benefit liability         | 14          | (135,984)      | (83,810)         |
| Net loss for the year                                   |             | (879,007)      | (787,826)        |
| Depreciation transfer from premises revaluation surplus | 10          | 14,406         | 14,406           |
| Balance at end of the year                              |             | <b>881,437</b> | <b>1,881,718</b> |

*The notes on pages 13 to 75 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, 2019**

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

|                                   | <i>Notes</i> | <b>2019</b>       | <b>2018</b> |
|-----------------------------------|--------------|-------------------|-------------|
| <b>Income</b>                     |              |                   |             |
| Contributions                     | 16           | <b>26,770,646</b> | 25,762,126  |
| Investment income                 | 17           | <b>16,640,552</b> | 5,199,870   |
| Lease income - net                | 18           | <b>262,355</b>    | 541,786     |
| Fines and miscellaneous           | 19           | <b>229,960</b>    | 124,897     |
|                                   |              | <b>43,903,513</b> | 31,628,679  |
| <b>Expenses</b>                   |              |                   |             |
| Benefits                          | 20           | <b>19,478,960</b> | 17,915,118  |
| Administrative and other expenses | 22           | <b>7,397,105</b>  | 6,582,473   |
| Impairment loss - net of recovery | 8            | <b>678,699</b>    | 1,855,007   |
|                                   |              | <b>27,554,764</b> | 26,352,598  |
| <b>Net income</b>                 |              | <b>16,348,749</b> | 5,276,081   |

**Long-term benefits branch reserve**

|   | <i>Note</i> | <b>2019</b>        | <b>2018</b> |
|---|-------------|--------------------|-------------|
| Balance at beginning of the year                        |             | <b>336,536,909</b> | 326,313,731 |
| Restatement of beginning balance due to IFRS 9          |             | <b>48,639</b>      | 5,284,821   |
| Balance as restated                                     |             | <b>336,585,548</b> | 331,598,552 |
| Re-measurement of net defined benefit liability         | 14          | <b>(668,694)</b>   | (415,756)   |
| Net income for the year                                 |             | <b>16,348,749</b>  | 5,276,081   |
| Depreciation transfer from premises revaluation surplus | 10          | <b>78,032</b>      | 78,032      |
| Balance at end of the year                              |             | <b>352,343,635</b> | 336,536,909 |

*The notes on pages 13 to 75 are integral part of these consolidated financial statements.*

**ANGUILLA SOCIAL SECURITY BOARD**  
**Consolidated Statement of Income/(Loss) and Changes in Reserve**  
**Social Security Development Fund and Development Fund Reserve**  
**For the Year Ended December 31, 2019**

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

|                                   | <i>Notes</i> | 2019             | 2018             |
|-----------------------------------|--------------|------------------|------------------|
| <b>Income</b>                     |              |                  |                  |
| Contributions                     | 16           | 1,235,568        | 1,189,021        |
| Investment income                 | 17           | 148,322          | 51,802           |
| Lease income - net                | 18           | 2,338            | 5,398            |
|                                   |              | <b>1,386,228</b> | <b>1,246,221</b> |
| <b>Expenses</b>                   |              |                  |                  |
| Social Security Development Fund  | 21           | 951,254          | 1,494,555        |
| Impairment loss - net of recovery | 8            | 12,822           | 69,070           |
|                                   |              | <b>964,076</b>   | <b>1,563,625</b> |
| <b>Net income/(loss)</b>          |              | <b>422,152</b>   | <b>(317,404)</b> |

**Social Security Development Fund**

|   | <i>Notes</i> | 2019           | 2018      |
|---|--------------|----------------|-----------|
| Balance at beginning of the year                        |              | 199,647        | 710,802   |
| Restatement of beginning balance due to IFRS 9          |              | 432            | 52,648    |
| Balance as restated                                     |              | <b>200,079</b> | 763,450   |
| Net income/(loss) for the year                          |              | 422,152        | (317,404) |
| Depreciation transfer from premises revaluation surplus | 10           | 3,601          | 3,601     |
| Transfer from Development Fund Reserve                  | 15           | (250,000)      | (250,000) |
| Balance at end of the year                              |              | <b>375,832</b> | 199,647   |

**Social Security Development Fund Reserve**

|                                      | <i>Note</i> | 2019             | 2018      |
|--------------------------------------|-------------|------------------|-----------|
| Balance at beginning of the year     |             | 2,800,000        | 2,550,000 |
| Transfer to Development Fund Reserve | 15          | 250,000          | 250,000   |
| Balance at end of the year           |             | <b>3,050,000</b> | 2,800,000 |

*The notes on pages 13 to 75 are integral part of these consolidated financial statements.*

**ANGUILLA SOCIAL SECURITY BOARD**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

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

|   | <i>Notes</i> | 2019                | 2018              |
|---|--------------|---------------------|-------------------|
| <b>Cash flows from operating activities</b>           |              |                     |                   |
| Net income  |              | 15,891,894          | 4,170,851         |
| Adjustments for:                                      |              |                     |                   |
| Interest income                                       | 17           | (8,075,807)         | (7,962,669)       |
| Impairment loss - net of recovery                     | 8            | 789,295             | 2,186,193         |
| Depreciation and amortization                         | 10, 11       | 530,010             | 486,135           |
| Finance lease earned income                           | 18           | (114,320)           | (316,820)         |
| Net change in fair value of equity securities         | 8, 17        | (8,575,863)         | 5,140,568         |
| Re-measurement of net defined benefit liability       | 14           | (804,678)           | (499,566)         |
| Dividend income                                       | 17           | (96,238)            | (109,568)         |
| Net realized gain from investment securities          | 8, 17        | (134,011)           | (2,366,164)       |
| Gain on disposal of asset                             |              | (6,581)             | (2,150)           |
| Adjustment of software                                | 11           | 16,315              | -                 |
| Operating income before working capital changes       |              | (579,984)           | 726,810           |
| Decrease/(increase) in:                               |              |                     |                   |
| Contributions and other receivables                   |              | (1,538,560)         | 144,897           |
| Other assets  |              | (2,213,516)         | (124,061)         |
| Increase in:  |              |                     |                   |
| Accounts payable and accrued expenses                 |              | 778,378             | 213,003           |
| Pension fund obligation                               |              | 606,630             | 859,901           |
| <b>Net cash provided by operating activities</b>      |              | <b>(2,947,052)</b>  | <b>1,820,550</b>  |
| <b>Cash flows from investing activities</b>           |              |                     |                   |
| Interest received                                     |              | 7,829,836           | 9,469,994         |
| Acquisition/disposal of investment securities         |              | (22,320,020)        | (1,146,010)       |
| Acquisition of property and equipment                 | 10           | (1,084,995)         | (288,899)         |
| Acquisition of investment property                    |              | (8,179,030)         | -                 |
| Proceeds from disposal of asset                       |              | 6,581               | 2,150             |
| Acquisition of software                               | 11           | -                   | (38,144)          |
| Dividends received                                    | 17           | 96,238              | 145,194           |
| Net loan collection/(releases)                        | 9            | 4,942,159           | 5,718,989         |
| <b>Net cash provided by investing activities</b>      |              | <b>(18,709,231)</b> | <b>13,863,274</b> |
| <b>Net increase in cash and cash equivalents</b>      |              | <b>(21,656,283)</b> | <b>15,683,824</b> |
| <b>Cash and cash equivalents at beginning of year</b> |              | <b>50,985,332</b>   | <b>35,301,507</b> |
| <b>Cash and cash equivalents at end of year</b>       | <b>7</b>     | <b>29,329,049</b>   | <b>50,985,331</b> |

*The notes on pages 13 to 75 are integral part of these consolidated financial statements.*

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements**  
**As at and for the year ended December 31, 2019**

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

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**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 Group'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 \$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 \$70,594 (2018: \$95,656) and a net cash outflow from operations of \$70,440 (2018: \$92,645) for the year ended December 31, 2018. As of that date, the Company's accumulated deficit amounted to \$16,396,003 (2018: \$16,325,410).

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.

ANGUILLA SOCIAL SECURITY BOARD  
Notes to the Consolidated Financial Statements *(continued)*  
As at and for the year ended December 31, 2019

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

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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.

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

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**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.545-4.

**b. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following items (refer to individual accounting policies for details):

- (i) Equity instruments at fair value through profit or loss
- (ii) Equity instruments at fair value through other comprehensive income
- (iii) Land and building
- (iv) Net defined benefit liability

**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 4 and 6.

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

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**2. Basis of preparation (continued)**

**e. Actuarial review of pension liabilities to members**

An actuarial review was conducted as at December 31, 2019 by an independent actuary, Mr. Hernando Perez Montas. A full actuarial review is conducted every three years, however in 2021 the Group contracted another actuarial review by Morneau Shepell/Lifeworks out of Canada. The 2019 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 2.42% nominal return or a 1.91% real return net of inflation. A summary of key parameters and the present value of pensions are disclosed in note 14.

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

**f. Change in accounting policies and disclosures**

*(i) New standards, interpretations and amendments effective from 1 January 2019*

New standards impacting the Group that will be adopted in the annual consolidated financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 *Leases* (IFRS 16); and
- IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23)

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual consolidated financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

*(ii) New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment - Definition of Material)
- IFRS 3 *Business Combinations* (Amendment - Definition of Business)
- Revised Conceptual Framework for Financial Reporting

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

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**2. Basis of preparation *(continued)***

**f. Change in accounting policies and disclosures *(continued)***

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

**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.

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

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**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 Group 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 Group 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 financial assets carried at amortised cost, interest income on loans and receivables, and cash in bank, dividend income on financial assets carried at FVOCI, realized gain on financial assets carried at FVPL and any changes on the fair value of financial assets carried at FVPL. 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. Income from FVPL is recognized based on Note 3(i).

**(e) Lease**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. The new accounting standards has no impact to the Board and/or the company since there are no lease contract where the Group is the leasee.

**3. Significant accounting policies (continued)**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

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**(e) Lease (continued)**

The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

**3. Significant accounting policies (continued)**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

**(f) Fines and miscellaneous income**

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

**(e) Distribution of income**

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

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

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

The allocations are as follows:

|                                  | 2019   | 2018   |
|----------------------------------|--------|--------|
| Short-term benefits branch       | 0.55%  | 0.87%  |
| Long-term benefits branch        | 98.57% | 98.15% |
| Social Security Development Fund | 0.88%  | 0.98%  |

Other income is distributed equally between the two benefit branches.

**(f) 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 2019 and 2018, the allocations are as follows:

|                            | 2019   | 2018   |
|----------------------------|--------|--------|
| Short-term benefits branch | 16.90% | 16.78% |
| Long-term benefits branch  | 83.10% | 83.22% |

**3. Significant accounting policies (continued)**

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

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**(h) Distribution of expenditure *(continued)***

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 and financial liabilities**

**Initial Measurement of financial assets and liabilities**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**Measurement categories of financial assets and liabilities**

The Group classifies its financial assets based on the Group's business model for managing the assets and the assets' contractual cash flow characteristics. The three classifications and measurement categories under IFRS 9 are as follows:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**3. Significant accounting policies *(continued)***

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

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(i) **Financial assets and financial liabilities** (*continued*)

***Business model assessment***

Business model assessment entails a determination of the way financial assets are managed in order to generate cash flows. There are three business models available under IFRS 9:

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity elects to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgement based on facts and circumstances at the date of initial application. The business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors.

The Group determines its business model at the portfolio level (foreign reserves and domestic assets portfolios) as this best reflects the way the Group manages its financial assets to achieve its business objective. The Group's business model assessment considers the following qualitative and observable factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolios are evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how asset managers of the business are compensated (e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

**3. Significant accounting policies** (*continued*)

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

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(i) **Financial assets and financial liabilities** *(continued)*

***Assessment of whether contractual cash flows are solely payments of principal and interest***

The second criteria in the classification process is the Group's assessment of the contractual terms of financial assets to determine whether they meet the solely payments of principal and interest (SPPI) test. Contractual cash flows that represent solely payments of principal and interest on the principal amount outstanding are consistent with basic lending arrangements.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

If a financial asset is held in either a 'Hold to Collect' or a 'Hold to Collect and Sell' business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on an individual instrument basis.

In assessing whether the contractual cash flows are SPPI, the Group considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument which could affect whether the instrument is considered to meet the SPPI test. If the SPPI test is failed, such financial assets are measured at FVTPL with interest earned recognised in other interest income.

***Debt instruments measured at amortized cost***

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of the allowance for credit losses (ACL) in the consolidated statement of income.

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

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3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

***Debt instruments measured at FVOCI***

Effective 1 January 2018, the Group measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

During the year and the previous year the Group does not have a financial assets classified and measured on this categories.

In any case, FVOCI debt investment securities will be subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the statement of separate statement of comprehensive income. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

***Equity instruments***

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Designated at fair value through other comprehensive income (FVOCI).

***Equity instruments measured at Fair value through profit or loss (FVTPL)***

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognised in the statement of profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

***Equity instruments measured at FVOCI (designated)***

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments held for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available for equity instruments that are held for trading purposes. Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the statement of profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

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

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3. Significant accounting policies (continued)

(i) Financial assets and financial liabilities (continued)

**Equity instruments (continued)**

**Equity instruments measured at FVOCI (designated) (continued)**

At the date of initial application of IFRS 9, the Group made an irrevocable election to classify its equity instruments at FVOCI when they are not held for trading as these investments are expected to be held for the long-term and for strategic purposes. Such classification is determined on an instrument by instrument basis. Gains and losses on these equity instruments are never recycled to the Statement of profit or loss. Dividends are recognised in profit or loss. Equity instruments at FVOCI are not subject to impairment assessment.

**Financial assets at FVTPL**

Groups of financial assets for which the business model is other than held to collect and held to collect and sell are measured at FVTPL from the date of initial application of IFRS 9.

**Impairment of Financial Assets at Amortized Cost and FVOCI**

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses on financial assets by replacing IAS 39's incurred loss approach with the forward-looking three-stage expected credit loss (ECL) approach. IFRS 9 requires the Group to record ECLs on all financial assets measured at amortised cost or FVOCI.

The Group conducted ECL assessment for the following categories of financial assets:

- Financial assets measured at amortised cost; and
- Financial assets measured at FVOCI.

Equity investment securities are not subject to impairment testing under IFRS 9. The Group does not have debt investment securities does were not subjected to impairment testing under IFRS 9.

The Group measures loss allowances at an amount equal to 12-month ECL only on loans receivables at the reporting date and other financial instruments on which credit risk has not increased significantly since their initial recognition.

**Expected credit loss impairment model**

IFRS 9 introduces a three-stage approach to impairment of financial assets. The ECL allowance is based on credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

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

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**3. Significant accounting policies *(continued)***

**(i) Financial assets and financial liabilities *(continued)***

**Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)***

**Expected credit loss impairment model *(continued)***

The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 5. The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime and 12-month expected credit losses are calculated on either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, at the end of each reporting period. This is undertaken by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

**Stage 1: 12 months ECL**

The Group assesses ECLs on financial assets where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions at initial recognition, the Group recognises a loss allowance based on 12 months ECLs. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date.

**Stage 2: Lifetime ECL - not credit impaired**

The Group collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but is not credit impaired. For these exposures, the Group recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

**Stage 3: Lifetime ECL - credit impaired**

The Group identifies both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of the interest income reverts to the gross basis.

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

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3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

**Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)***

**Expected credit loss impairment model *(continued)***

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

**Measurement of expected credit losses (ECL)**

The Group derives ECL's from probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

PD - the Probability of Default (PD) is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PD's is further explained in Note 5.

EAD - the Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD - The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

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3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

Policy applicable from 1 January 2018 *(continued)*

**Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)***

**Measurement of expected credit losses (ECL) *(continued)***

When estimating the ECLs, the Group considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs.

The mechanics of the ECL method are summarised below:

Stage 1

The 12 months ECL is calculated as the portion of the lifetime expected credit losses that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

Stage 2

When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime expected credit losses. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The LGDs are derived as explained under Stage 3 for loans.

Stage 3

For financial assets considered credit-impaired, the Group recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%. In most instances, LGDs are determined on an individual loan/advance or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Group, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied. Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

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

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3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

**Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)***

**Measurement of expected credit losses (ECL) *(continued)***

Purchased or originated credit-impaired (POCI) assets are Financial Instruments that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted effective interest rate. Expected credit losses are recognised to the extent that there is a subsequent change where ECLs are calculated based on lifetime expected credit loss. Once the Financial Asset is recognised as POCI, it retains this status until derecognised.

**Macroeconomic factors**

The Standard also requires incorporation of macroeconomic factors in models for ECLs. In its models, the Group utilizes an automated solution which incorporates an assessment of a broad range of forward-looking economic information as possible inputs, such as: GDP growth, unemployment rates and interest rates.

The Standard recognises that the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

**Incorporation of forward-looking information**

IFRS 9 requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

**Definition of default**

The Group considers a financial asset to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower or issuer;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.

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

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3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

**Impairment of Financial Assets at Amortized Cost and FVOCI *(continued)***

**Definition of default *(continued)***

A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings or enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met. The determination of whether a financial asset is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees. A financial asset is classified as credit-impaired if the counterparty has defaulted and/or the instrument is purchased or originated credit-impaired. The Group considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due.

**Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**Significant increase in credit risk**

A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on historical experience and credit risk assessment. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is already past due.

IFRS 9 also requires that (other than for purchased or originated credit impaired financial instruments) if a significant increase in credit risk that had taken place since initial recognition, has reversed by a subsequent reporting period then the loss allowance reverts from lifetime ECL to 12- month.

**Write-offs**

The write-off of a financial asset is a derecognition event. Loans and the related impairment losses are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

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

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3. Significant accounting policies *(continued)*

(i) Financial assets and financial liabilities *(continued)*

**Contributions and other receivables**

IFRS 9 requires that receivables and contract assets that DO NOT contain significant financing component under IFRS 15 should use the simplified approach, where that the asset's loss allowance should be recognized as lifetime. Simplified approach is used for contributions, lease and other receivables.

**Derecognition of Financial Assets and Liabilities**

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

**Financial Liabilities**

Financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

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

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**3. Significant accounting policies (continued)**

**(i) Financial assets and financial liabilities (continued)**

**Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

**(j) Investment property**

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

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

**(k) Property and equipment**

**(i) Recognition and measurement**

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

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.

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.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment.

ANGUILLA SOCIAL SECURITY BOARD  
Notes to the Consolidated Financial Statements *(continued)*  
As at and for the year ended December 31, 2019

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

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3. Significant accounting policies *(continued)*

(k) Property and equipment *(continued)*

(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        |

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

(iv) *Revaluation of land and building*

Following initial recognition at cost, land and building are carried at the re-valued 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. The net carrying amount of the asset is adjusted to the revalued amount by eliminating the accumulated depreciation against the gross carrying amount. Valuations are performed periodically by an independent and qualified property valuation expert to ensure that the fair value of a re-valued 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.

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

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**3. Significant accounting policies (continued)**

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

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.

**(l) Intangible asset**

Intangible asset pertains to the software acquired by the Group which is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software 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.

**(m) 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.

The recoverable amount of an asset 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.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit or loss.

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.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

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(n) 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.

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.

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**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant accounting policies (continued)**

**(n) Employee benefits (continued)**

**(ii) Short-term benefits**

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

**(o) Reserves and development fund**

Reserves and development fund represents the net accumulated earnings/losses from short-term benefit branch, long-term benefit branch and social security development fund. The details of the income and expense distribution for this three branches are disclosed in notes 3(f,g,h) while the reserves allocation policy is based on the Social Security Act as disclosed in note 5(e).

**(p) 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.

**(q) Related party transactions**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

**(r) 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.

**(s) Comparatives**

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

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

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#### 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) Loans, contributions and other receivables**

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

**(c) 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.

**(d) 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.

**(e) 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.

#### 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.

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
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**5. Financial risk management (continued)**

**(a) Introduction and overview (continued)**

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

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

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

**(b) Credit risk**

At the reporting date, the Group's credit exposure from financial instruments held is represented by the fair value of instruments with a positive fair value at that date, as recorded on the separate statement of income.

The risk that counterparties to equity and debt instruments carried at FVTPL and FVOCI and loans receivable might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to equity and debt instruments carried at FVTPL and FVOCI and loans receivable 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. In addition, the Group requires collateral in respect of loans granted to members. Partially unsecured borrowings are made against the member's personal contributions to the Group. Management has credit policy in place and credit evaluations are performed on all borrowers.

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.

The Group's has three types of financial assets that are subject to the expected credit loss model:

- Financial assets at FVTPL and FVOCI (*see note 3(i)*)
- Debt investments at amortized costs - long-term fixed deposits and loan receivables
- Cash in banks - savings account

**ANGUILLA SOCIAL SECURITY BOARD**  
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**5. Financial risk management (continued)**

**(b) Credit risk (continued)**

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on proxy ratings where they existed. Management applied judgemental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

**Debt investments at amortized costs - long-term fixed deposits**

**Significant increase in credit risk**

The Group continuously monitors foreign and domestic financial assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group applies credit rating scale to determine whether there has been a significant increase in credit risk. Credit risk is deemed to have increased significantly if the credit rating on foreign investment securities moved from investment grade to standard grade as set out below:

**Credit quality of financial assets**

The credit quality of financial assets is managed by the Group through external credit ratings used in ECL calculations. The table below shows internal and external grades used in ECL calculating.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

| <b>Description of grade</b> | <b>Rating levels</b> | <b>Moody's Rating</b>                          |
|-----------------------------|----------------------|--|
| Investment grade            | 01 - 07              | Aaa, Aa1, Aa2, Aa3, A1, A2, A3                 |
| Standard grade              | 08 - 17              | Baa1, Baa2, Baa3, Ba1, Ba2, Ba3, B1, B2, B3, B |
| Low grade                   | 18 - 21              | Caa1, Caa2, Caa3, Ca                           |
| Default                     | 22                   | C  |

The Group long-term fixed deposits amounting to \$1,558,799 is rated B1-B3 equivalent on Moody's rating. However, based on history the Pension long-term fixed deposits maintained in a domestic bank, has no history of default, thus, no ECL is required as at December 31, 2018.

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**5. Financial risk management (continued)**

**(c) Market risk**

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

*Management of market risk*

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

*Foreign exchange risk*

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

*Cash flow and fair value interest rate risk*

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

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

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

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
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**5. Financial risk management (continued)**

**(d) Liquidity risk (continued)**

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.

**(e) Capital management**

***Regulatory reserves***

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**

Financial assets accounted are evaluated for impairment on the basis described in accounting policy Note 3(i), Impairment of Financial Assets and Note 5(b).

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

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

**6. Critical accounting estimates and judgments (continued)**

**(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**

|                             | <i>Notes</i> | <b>2019</b>        | <b>2018</b> |
|-----------------------------|--------------|--------------------|-------------|
| Cash on hand                |              | <b>268,470</b>     | 1,561,318   |
| Cash in bank                |              |                    |             |
| Savings and demand deposits |              | <b>29,060,579</b>  | 49,424,014  |
|                             |              | <b>29,329,049</b>  | 50,985,332  |
| Less: Restricted cash       | 13           | <b>(6,450,381)</b> | (6,450,381) |
| Contingency reserve         | 13           | <b>(5,450,000)</b> | (4,850,000) |
|                             |              | <b>17,428,668</b>  | 39,684,951  |

The cash in bank represents deposits with local banks in Anguilla which earned interest at the rate of 0.0001% - 0.0425% per annum (2018: 0.02% - 0.04% per annum) for savings and demand deposits.

**8. Investment securities - net**

|  | <i>Notes</i> | <b>2019</b>       | <b>2018</b> |
|--|--------------|-------------------|-------------|
| Investments securities at amortised cost | 8.1          | <b>39,636,059</b> | 17,736,717  |
| Investments at FVTPL                     | 8.2          | <b>44,418,722</b> | 35,708,928  |
| Investments at FVOCI                     | 8.3          | <b>6,064,150</b>  | 6,113,175   |
|  |              | <b>90,118,931</b> | 59,558,820  |

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**8. Investment securities - net (continued)**

**8.1 Investments at amortised cost**

The following shows the breakdown of investments at amortised cost consisting of fixed deposits and investment in bonds by contractual maturity dates:

|  | <i>Note</i> | Due within<br>one year | Due over<br>one year | 2019              | 2018              |
|--|-------------|------------------------|----------------------|-------------------|-------------------|
| Fixed deposits                               |             |                        |                      |                   |                   |
| British American Insurance Company           |             | 9,797,946              | -                    | 9,797,946         | 10,279,064        |
| Scotiabank (Anguilla) Limited                |             | 20,841,660             | -                    | 20,841,660        | 7,120,212         |
| National Commercial Bank of<br>Anguilla Ltd. |             | 902,525                | -                    | 902,525           | 913,836           |
| <b>Total fixed deposits</b>                  |             | <b>31,542,131</b>      | <b>-</b>             | <b>31,542,131</b> | <b>18,313,112</b> |
| Investments in bonds                         |             |                        |                      |                   |                   |
| Government of St. Lucia                      |             | 4,558,885              | 7,256,291            | 11,815,176        | 7,905,043         |
| Government of St. Kitts and Nevis            |             | 75,422                 | 960,795              | 1,036,217         | 1,092,460         |
| Government of St. Vincent and<br>Grenadines  |             | 26,537                 | 203,977              | 230,514           | 255,286           |
| Eastern Caribbean Home Mortgage Bank         |             | 5,000,000              | -                    | 5,000,000         | -                 |
| <b>Total investments in bonds</b>            |             | <b>9,660,844</b>       | <b>8,421,063</b>     | <b>18,081,907</b> | <b>9,252,789</b>  |
| <b>Total investments at amortised cost</b>   |             | <b>41,202,975</b>      | <b>8,421,063</b>     | <b>49,624,038</b> | <b>27,565,901</b> |
| Less allowance for impairment                | <i>8.4</i>  | (9,802,166)            | (185,513)            | (9,987,979)       | (9,829,184)       |
|  |             | <b>31,400,809</b>      | <b>8,235,250</b>     | <b>39,636,059</b> | <b>17,736,717</b> |

The fixed deposits carry interest rates ranging from .10% to 2.25% (2018: 0.10% to 2.25%) per annum while investments in bonds carry interest rates ranging from 3.00% to 7.50% (2018: 3.00% to 7.50% per annum).

**8.2 Investments at fair value through profit or loss (FVTPL)**

The Group's investments at fair value through profit or loss comprise of:

|                                   | 2019              | 2018              |
|-----------------------------------|-------------------|-------------------|
| Equity securities - International |                   |                   |
| Smith Barney                      | 23,919,826        | 18,857,176        |
| UBS Financial Services            | 20,498,896        | 16,851,672        |
| Merrill Lynch                     | -                 | 80                |
|                                   | <b>44,418,722</b> | <b>35,708,928</b> |

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
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**8. Investment securities - net (continued)**

*8.2 Investments at fair value through profit or loss (continued)*

The movements in the fair value of investments at fair value through profit or loss follow:

|                                       | <i>Notes</i> | <b>2019</b>       | <b>2018</b> |
|---------------------------------------|--------------|-------------------|-------------|
| Beginning balance                     |              | <b>35,708,928</b> | 35,257,493  |
| Net addition                          |              |                   | 3,225,839   |
| Transfers during the year             |              | <b>(80)</b>       | -           |
| Net realized gain                     | <i>17.1</i>  | <b>134,011</b>    | 2,366,164   |
| Should be fair value balance          |              | <b>35,842,859</b> | 40,849,496  |
| Ending balance                        |              | <b>44,418,722</b> | 35,708,928  |
| Net fair value change during the year | <i>17</i>    | <b>8,575,863</b>  | (5,140,568) |

*8.3 Investments at fair value through other comprehensive income (FVOCI)*

|   | <i>Note</i> | <b>2019</b>      | <b>2018</b> |
|---|-------------|------------------|-------------|
| Equity securities - Local and regional              |             |                  |             |
| National Bank of Anguilla                           |             |                  | -           |
| Anguilla Electric Company Limited (ANGLEC)          |             | <b>4,587,750</b> | 4,587,750   |
| Eastern Caribbean Financial Holding Company (ECFHC) |             | <b>1,020,000</b> | 1,118,400   |
| Eastern Caribbean Home Mortgage Bank (ECHMB)        |             | <b>331,400</b>   | 331,400     |
| Eastern Caribbean Securities Exchange Limited       |             | <b>125,000</b>   | 75,625      |
| Total investments at FVOCI                          |             | <b>6,064,150</b> | 6,113,175   |
| Less allowance for impairment losses                | <i>8.4</i>  | -                | -           |
|   |             | <b>6,064,150</b> | 6,113,175   |

The changes in the fair values are as follows:

|  | <b>2019</b>        | <b>2018</b> |
|--|--------------------|-------------|
| Unrealized loss/(gain) beginning of year | <b>(1,881,600)</b> | (1,893,600) |
| Unrealized gain adjustment               | <b>(49,375)</b>    |             |
| Net fair value change during the year    | <b>(49,025)</b>    | 12,000      |
| Unrealized loss/(gain) end of year       | <b>(1,980,000)</b> | (1,881,600) |

**8. Investment securities - net (continued)**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

*8.4 Allowance for impairment losses*

|  | <i>Notes</i> | <b>2019</b>       | <b>2018</b> |
|--|--------------|-------------------|-------------|
| <b>Balance at beginning of year</b>        |              |                   |             |
| Investments at amortised cost              | 8.1          | <b>9,829,184</b>  | 9,830,293   |
| Investments at FVOCI                       | 8.3          | -                 | -           |
| Contributions, loans and other receivables | 9            | <b>36,692,716</b> | 34,506,713  |
| Other assets                               | 13           | <b>6,451,246</b>  | 6,451,246   |
|  |              | <b>52,973,146</b> | 50,788,252  |
| <b>Impairment loss during the year</b>     |              |                   |             |
| Investments at amortised cost              |              | <b>158,795</b>    | -           |
| Contributions, loans and other receivables |              | <b>740,771</b>    | 2,285,614   |
| Other assets                               |              | <b>5,765</b>      | -           |
|  |              | <b>905,331</b>    | 2,285,614   |
| <b>Recovery during the year</b>            |              |                   |             |
| Investments at amortised cost              |              |                   | (1,109)     |
| Contributions, loans and other receivables |              |                   | (98,312)    |
| Fire truck lease                           |              | <b>(23,438)</b>   | -           |
| Interest income Road Bay port development  |              | <b>(92,598)</b>   | -           |
| Other assets                               |              | -                 | -           |
|  |              | <b>(116,036)</b>  | (99,421)    |
| <b>Written off during the year</b>         |              |                   |             |
| Contributions, loans and other receivables |              | <b>(261,965)</b>  | (1,300)     |
| <b>Balance at end of year</b>              |              |                   |             |
| Investments at amortised cost              | 8.1          | <b>9,987,979</b>  | 9,829,184   |
| Contributions, loans and other receivables | 9            | <b>37,055,486</b> | 36,692,716  |
| Other assets                               | 13           | <b>6,457,011</b>  | 6,451,246   |
|  |              | <b>53,500,476</b> | 52,973,146  |

**8. Investment securities - net (continued)**

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

**8.4 Allowance for impairment losses (continued)**

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

| <b>2019</b>  | <b>Principal</b>  | <b>Interest</b>   | <b>Total</b>      |
|--|-------------------|-------------------|-------------------|
| <b>Investments at amortised cost</b>                   |                   |                   |                   |
| British American Insurance Company                     | 9,797,946         | 298,876           | <b>10,096,822</b> |
| Bonds of the Gov't of St. Lucia                        | 169,338           | 3,560             | <b>172,898</b>    |
| Bonds of the Gov't of St. Kitts and Nevis              | 13,677            | 83                | <b>13,760</b>     |
| Fixed deposits with NCBA                               | 4,220             | 178               | <b>4,398</b>      |
| Bonds of the Gov't of St. Vincent & Grenadines         | 2,798             | 68                | <b>2,866</b>      |
|  | <b>9,987,979</b>  | <b>302,765</b>    | <b>10,290,744</b> |
| <b>Loans and other receivables</b>                     |                   |                   |                   |
| Government of Anguilla loans receivable                | 4,213,235         | 3,013             | <b>4,216,248</b>  |
| Other receivables (GOA)                                | 16,791,447        | 10,704,651        | <b>27,496,098</b> |
|  | <b>21,004,682</b> | <b>10,707,664</b> | <b>31,712,346</b> |
| <b>Other assets</b>                                    |                   |                   |                   |
| Restricted cash in bank                                | 6,450,381         | -                 | <b>6,450,381</b>  |
| Contingency reserve                                    | 6,629             | 280               | <b>6,909</b>      |
|  | <b>6,457,010</b>  | <b>280</b>        | <b>6,457,290</b>  |
| <b>Total before contributions and other receivable</b> |                   |                   |                   |
|  | <b>37,449,672</b> | <b>11,010,709</b> | <b>48,460,381</b> |
| Contributions allowance                                | -                 | 4,285,728         | <b>4,285,728</b>  |
| Rent & electricity                                     | -                 | 70,753            | <b>70,753</b>     |
| Contribution, rent & electricity surcharges            | -                 | 588,371           | <b>588,371</b>    |
| Miscellaneous  | -                 | 95,243            | <b>95,243</b>     |
| <b>Total allowance for impairment losses</b>           | <b>37,449,672</b> | <b>16,050,804</b> | <b>53,500,476</b> |

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

*8.4 Allowance for impairment losses (continued)*

| <b>2018</b>                                     | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|---|-------------------|------------------|-------------------|
| Investments at amortised cost                   |                   |                  |                   |
| British American Insurance Company              | 9,797,946         | 298,876          | 10,096,822        |
| Bonds of the Gov't of St. Kitts and Nevis       | 13,859            | 15               | 13,874            |
| Bonds of the Gov't of St. Vincent & Grenadines  | 1,678             | 41               | 1,719             |
| Bonds of the Gov't of St. Lucia                 | 15,099            | 309              | 15,408            |
| Fixed deposits with NCBA                        | 602               | 62               | 664               |
| Fixed deposits with Scotia Bank (Anguilla) Ltd. | -                 | -                | -                 |
|   | <b>9,829,184</b>  | <b>299,303</b>   | <b>10,128,487</b> |
| Loans and other receivables                     |                   |                  |                   |
| Government of Anguilla loans receivable         | 3,951,648         | 1,630            | 3,953,278         |
| Other receivables (GOA)                         | 25,519,981        | 1,861,797        | 27,381,778        |
|   | <b>29,471,629</b> | <b>1,863,427</b> | <b>31,335,056</b> |
| Other assets                                    |                   |                  |                   |
| Contingency reserve                             | 865               | -                | 865               |
| Restricted cash in bank                         | 6,450,381         | -                | 6,450,381         |
|   | <b>6,451,246</b>  | <b>-</b>         | <b>6,451,246</b>  |
| Total before contributions and other receivable | 45,752,059        | 2,162,730        | 47,914,789        |
| Contributions allowance                         | -                 | 4,285,727        | 4,285,727         |
| Surcharges                                      | -                 | 525,523          | 525,523           |
| Other receivable                                | -                 | 247,106          | 247,106           |
| Total allowance for impairment losses           | <b>45,752,059</b> | <b>7,221,086</b> | <b>52,973,145</b> |

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

|                                  | <b>2019</b>    | <b>2018</b>      |
|----------------------------------|----------------|------------------|
| Short-term benefits branch       | <b>97,774</b>  | 262,116          |
| Long-term benefits branch        | <b>678,699</b> | 1,855,007        |
| Social Security Development Fund | <b>12,822</b>  | 69,070           |
|                                  | <b>789,295</b> | <b>2,186,193</b> |

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

|                                  | <b>2019</b>    |                | <b>2018</b> |         |
|----------------------------------|----------------|----------------|-------------|---------|
|                                  | %              | Amount         | %           | Amount  |
| Short-term benefits branch       | <b>0.55%</b>   | <b>2,367</b>   | 0.87%       | 1,894   |
| Long-term benefits branch        | <b>98.57%</b>  | <b>423,416</b> | 98.15%      | 213,379 |
| Social Security Development Fund | <b>0.88%</b>   | <b>3,775</b>   | 0.98%       | 2,126   |
|                                  | <b>100.00%</b> | <b>429,558</b> | 100.00%     | 217,399 |

**8. Investment securities - net (continued)**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

*8.4 Allowance for impairment losses (continued)*

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

|                                  | 2019    |         | 2018    |           |
|----------------------------------|---------|---------|---------|-----------|
|                                  | %       | Amount  | %       | Amount    |
| Short-term benefits branch       | 15%     | 36,198  | 15%     | 258,058   |
| Long-term benefits branch        | 81.25%  | 196,075 | 81.25%  | 1,397,816 |
| Social Security Development Fund | 3.75%   | 9,050   | 3.75%   | 64,515    |
|                                  | 100.00% | 241,323 | 100.00% | 1,720,389 |

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

|                                  | 2019    |        | 2018    |         |
|----------------------------------|---------|--------|---------|---------|
|                                  | %       | Amount | %       | Amount  |
| Short-term benefits branch       | 0.62%   | -      | 0.87%   | 2,164   |
| Long-term benefits branch        | 98.51%  | -      | 98.15%  | 243,812 |
| Social Security Development Fund | 0.87%   | -      | 0.98%   | 2,429   |
|                                  | 100.00% | -      | 100.00% | 248,405 |

Distribution of impairment loss (net of the recovery) on surcharges and miscellaneous income:

|                            | 2019    |         | 2018    |        |
|----------------------------|---------|---------|---------|--------|
|                            | %       | Amount  | %       | Amount |
| Short-term benefits branch | 50.00%  | 59,207  | 50.00%  | -      |
| Long-term benefits branch  | 50.00%  | 59,207  | 50.00%  | -      |
|                            | 100.00% | 118,414 | 100.00% | -      |

**9. Contributions, loans and other receivables - net**

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

|  | <i>Notes</i> | <b>2019</b>         | <b>2018</b>  |
|--|--------------|---------------------|--------------|
| Contributions receivable                         |              | <b>11,767,265</b>   | 10,134,796   |
| Loans receivable                                 |              |                     |              |
| Government of Anguilla                           |              | <b>219,555,556</b>  | 225,111,111  |
| WCA  |              | <b>730,265</b>      | -            |
| Staff  |              | <b>98,120</b>       | 211,414      |
| Other  |              | <b>27,304</b>       | 30,881       |
|  |              | <b>220,411,245</b>  | 225,353,406  |
| Finance lease receivable                         | 18           | <b>36,826,354</b>   | 36,867,324   |
| Other receivables                                |              |                     |              |
| Interest on fixed deposits                       |              | <b>404,457</b>      | 142,665      |
| Interest on loans receivable                     |              | <b>46,423</b>       | 92,846       |
| Other GOA receivable                             |              | <b>1,861,797</b>    | 1,861,797    |
| Interest on investments in bonds                 |              | <b>292,892</b>      | 468,364      |
| Interest-other                                   |              | <b>298,876</b>      | 116,242      |
| Rent receivable                                  |              | <b>226,336</b>      | 157,122      |
| Other  |              | <b>141,962</b>      | 126,356      |
|  |              | <b>3,272,743</b>    | 2,965,392    |
| Total contributions, loans and other receivables |              | <b>272,277,607</b>  | 275,320,918  |
| Less allowance for impairment losses             | 8.3          | <b>(37,055,486)</b> | (36,692,716) |
|  |              | <b>235,222,121</b>  | 238,628,202  |

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.

Details of the Government loan follows:

|                                 | <i>Notes</i> | <b>2019</b>        | <b>2018</b> |
|---------------------------------|--------------|--------------------|-------------|
| Loan I                          | <i>a</i>     | <b>5,555,556</b>   | 11,111,111  |
| Loan II                         | <i>b</i>     | <b>214,000,000</b> | 214,000,000 |
| Total                           |              | <b>219,555,556</b> | 225,111,111 |
| Allowance for impairment losses | 8.4          | <b>(4,213,235)</b> | (3,951,648) |
|                                 |              | <b>215,342,321</b> | 221,159,463 |

- 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.

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

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
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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%    | <b>50,000,000</b> |

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.

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

|             | 2019             | 2018       |
|-------------|------------------|------------|
| Current     | <b>5,555,556</b> | 5,555,555  |
| Non-current | -                | 5,555,555  |
|             | <b>5,555,556</b> | 11,111,111 |

b. Government of Anguilla Loan II

On the 30<sup>th</sup> 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 18<sup>th</sup> 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 (\$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 \$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.

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

**ANGUILLA SOCIAL SECURITY BOARD**  
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Also, term deposits and interest receivable amounting to \$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.

|             | 2019               | 2018               |
|-------------|--------------------|--------------------|
| Current     | -                  | 6,420,000          |
| Non-current | 214,000,000        | 207,580,000        |
|             | <b>214,000,000</b> | <b>214,000,000</b> |

Total interest income recorded and collected as at December 31, 2019 amounted to \$6,824,966 (2018: \$7,102,744).

**10. Property and equipment - net**

Movements in this account are as follows:

|                                 | Land             | Building & improvements | Furniture, fittings and equipment | Computer equipment | Vehicles       | Generator      | Total             |
|---------------------------------|------------------|-------------------------|-----------------------------------|--------------------|----------------|----------------|-------------------|
| <b>At revalued amount</b>       |                  |                         |                                   |                    |                |                |                   |
| December 31, 2017               | 2,617,018        | 6,812,168               | 994,521                           | 712,162            | 102,966        | 218,068        | 11,456,903        |
| Additions                       | -                | 43,551                  | 47,130                            | 26,460             | 171,758        | -              | 288,899           |
| Disposal                        | -                | -                       | -                                 | -                  | (18,280)       | -              | (18,280)          |
| December 31, 2018               | 2,617,018        | 6,855,719               | 1,041,651                         | 738,622            | 256,444        | 218,068        | 11,727,522        |
| Additions                       | -                | 344,938                 | 692,179                           | 47,878             | -              | -              | 1,084,995         |
| Disposal                        | -                | -                       | (284,554)                         | -                  | (84,687)       | -              | (369,241)         |
| <b>December 31, 2019</b>        | <b>2,617,018</b> | <b>7,200,657</b>        | <b>1,449,276</b>                  | <b>786,500</b>     | <b>171,757</b> | <b>218,068</b> | <b>12,443,276</b> |
| <b>Accumulated depreciation</b> |                  |                         |                                   |                    |                |                |                   |
| December 31, 2017               | -                | -                       | 863,235                           | 596,808            | 102,966        | 211,834        | 1,774,843         |
| Depreciation for the year       | -                | 273,878                 | 51,265                            | 51,946             | 10,725         | 1,360          | 389,174           |
| Disposal                        | -                | -                       | -                                 | -                  | (18,280)       | -              | (18,280)          |
| December 31, 2018               | -                | 273,878                 | 914,500                           | 648,754            | 95,411         | 213,194        | 2,145,737         |
| Depreciation for the year       | -                | 274,533                 | 85,032                            | 40,620             | 34,352         | 1,360          | 435,897           |
| Disposal                        | -                | -                       | (284,554)                         | -                  | (84,687)       | -              | (369,241)         |
| <b>December 31, 2019</b>        | <b>-</b>         | <b>548,411</b>          | <b>714,978</b>                    | <b>689,374</b>     | <b>45,076</b>  | <b>214,554</b> | <b>2,212,393</b>  |
| <b>Carrying amount</b>          |                  |                         |                                   |                    |                |                |                   |
| December 31, 2018               | 2,617,018        | 6,581,841               | 127,151                           | 89,868             | 161,033        | 4,874          | 9,581,785         |
| <b>December 31, 2019</b>        | <b>2,617,018</b> | <b>6,652,246</b>        | <b>734,292</b>                    | <b>97,126</b>      | <b>126,681</b> | <b>3,514</b>   | <b>10,230,883</b> |

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

|                                 | Land           | Building & improvements | Furniture, fittings and equipment | Computer equipment | Vehicles       | Generator      | Total             |
|---------------------------------|----------------|-------------------------|-----------------------------------|--------------------|----------------|----------------|-------------------|
| <b>At cost values</b>           |                |                         |                                   |                    |                |                |                   |
| December 31, 2017               | 745,533        | 6,765,779               | 994,519                           | 712,163            | 102,966        | 218,068        | 9,539,028         |
| Additions                       | -              | 43,551                  | 47,130                            | 26,460             | 171,757        | -              | 288,898           |
| Adjustments/Disposal            | -              | -                       | -                                 | -                  | (18,279)       | -              | (18,279)          |
| December 31, 2018               | 745,533        | 6,809,330               | 1,041,649                         | 738,623            | 256,444        | 218,068        | 9,809,647         |
| Additions                       | -              | 344,939                 | 692,179                           | 47,878             | -              | -              | 1,084,996         |
| Disposal                        | -              | -                       | (284,554)                         | -                  | (84,687)       | -              | (369,241)         |
| <b>December 31, 2019</b>        | <b>745,533</b> | <b>7,154,269</b>        | <b>1,449,274</b>                  | <b>786,501</b>     | <b>171,757</b> | <b>218,068</b> | <b>10,525,402</b> |
| <b>Accumulated depreciation</b> |                |                         |                                   |                    |                |                |                   |
| December 31, 2017               | -              | 2,788,926               | 863,234                           | 596,808            | 102,966        | 211,834        | 4,563,768         |
| Depreciation for the year       | -              | 177,839                 | 51,265                            | 51,946             | 10,724         | 1,360          | 293,134           |
| Disposal                        | -              | -                       | -                                 | -                  | (18,279)       | -              | (18,279)          |
| December 31, 2018               | -              | 2,966,765               | 914,499                           | 648,754            | 95,411         | 213,194        | 4,838,623         |
| Depreciation for the year       | -              | 178,494                 | 85,032                            | 40,620             | 34,352         | 1,360          | 339,858           |
| Disposal                        | -              | -                       | (284,554)                         | -                  | (84,687)       | -              | (369,241)         |
| <b>December 31, 2019</b>        | <b>-</b>       | <b>3,145,259</b>        | <b>714,977</b>                    | <b>689,374</b>     | <b>45,076</b>  | <b>214,554</b> | <b>4,809,240</b>  |
| <b>Carrying amount</b>          |                |                         |                                   |                    |                |                |                   |
| December 31, 2018               | 745,533        | 3,842,565               | 127,150                           | 89,869             | 161,033        | 4,874          | 4,971,024         |
| <b>December 31, 2019</b>        | <b>745,533</b> | <b>4,009,010</b>        | <b>734,297</b>                    | <b>97,127</b>      | <b>126,681</b> | <b>3,514</b>   | <b>5,716,162</b>  |

The Group's land and building were revalued on December 31, 2017 by an independent and qualified valuator, FGS Consulting Ltd, an independent valuator. 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. At December 31, 2019, depreciation of \$96,039 (2018: \$96,039) from Premises Revaluation Surplus account is transferred to branch reserves (allocated to Short-term Benefits Branch Reserve: \$14,406 (2018: \$14,406); Long-term Benefits Branch Reserve: \$78,032 (2018: \$78,032) and Social Security Development fund: \$3,601 (2018: \$3,601)).

Movements in the Premises Revaluation Surplus account are as follows:

|   | 2019             | 2018             |
|---|------------------|------------------|
| Revaluation surplus, beginning of year  | 4,610,762        | 4,706,801        |
| Depreciation for the year               | (96,039)         | (96,039)         |
| Revaluation reserve adjustment          | -                | -                |
| <b>Revaluation surplus, end of year</b> | <b>4,514,723</b> | <b>4,610,762</b> |

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**11. Intangible asset - net**

Movements in this account follow:

|                                 | 2019             | 2018             |
|---------------------------------|------------------|------------------|
| <b>Cost</b>                     |                  |                  |
| Beginning balance               | 1,967,999        | 1,929,854        |
| Acquisition during the year     | -                | 38,144           |
| Adjustments                     | (16,315)         | -                |
| <b>Ending balance</b>           | <b>1,951,684</b> | <b>1,967,998</b> |
| <b>Accumulated amortization</b> |                  |                  |
| Beginning balance               | 1,582,531        | 1,485,570        |
| Amortization for the year       | 94,113           | 96,961           |
| <b>Ending balance</b>           | <b>1,676,644</b> | <b>1,582,531</b> |
| <b>Carrying amount</b>          | <b>275,040</b>   | <b>385,467</b>   |

**12. Investment property**

The Investment property for 2019 pertains to the properties at Cinnamon Reef and the STRIP acquired in the exchange of lands between ASSB/ASSIDCO and GOA/AASPA as follows:

- Part of North Central 48814 B272 designated lots 1 and 2 and measuring 6.4 acres amounting to \$8,897,942 (market value);
- South Central 38611 B 305 and admeasuring 1.5 acres amounting to \$779,758

The investment property comprises of the property purchased in 2017 is approximately 2.42 acres of land located in Sandy Ground, Anguilla. The property was purchased for the purpose of leasing to the Anguilla Air and Seaports Authority (AASPA), for its Road Bay development project. The property was used in 2019 as part of the land exchange project.

|  | 2019             | 2018             |
|--|------------------|------------------|
| Original Purchase price and other fees | 9,568,004        | 1,388,976        |
| <b>Total</b>                           | <b>9,568,004</b> | <b>1,388,976</b> |

The fair value of the property approximates the original purchase cost considering that the purchased was made only last year. There are no indicators that the values of comparative properties where the investment of the Group is located significantly increased during the year.

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**13. Other assets**

|                                  |     | 2019             | 2018             |
|----------------------------------|-----|------------------|------------------|
| Restricted - cash in bank        | 7   | 6,450,381        | 6,450,381        |
| Contingency reserve              | 7   | 5,450,000        | 4,850,000        |
| Prepayments                      |     | 171,071          | 163,017          |
| Stationery and computer supplies |     | 74,572           | 78,920           |
| Asset in transit                 |     | 2,213,476        | 3,665            |
| Total other assets               |     | 14,359,500       | 11,545,983       |
| Allowance for impairment losses  | 8.4 | (6,457,011)      | (6,451,246)      |
|                                  |     | <b>7,902,489</b> | <b>5,094,737</b> |

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, 2019 is maintained in a savings deposit at the National Commercial Bank of Anguilla. In 2019 and 2018, this reserve was maintained in the form of restricted fixed deposits which bears interest at a rate of 4.25% 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 Group, thus, a 100% allowance for impairment was provided.

The Asset in Transit represents prepayments on the Group's new software expected to come on stream in 2022.

**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 Group, the financial condition of the fund and the adequacy of the contributions to support benefits was carried out as at December 31, 2018 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:

|  | 2019          | 2016          |
|--|---------------|---------------|
| Retired persons                              | 245,850,478   | 147,456,824   |
| Active participants                          | 769,858,191   | 705,639,898   |
| Total Accumulated Benefit Obligations (ABO)  | 1,015,708,669 | 853,096,722   |
| Less net assets available for benefits (ASS) | (345,587,000) | (323,610,000) |
| Unrecognized Projected Obligation (PBO-ASS)  | 670,121,669   | 529,486,722   |

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**14. Pension fund obligation (continued)**

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

|  | 2019                         | 2016                         |
|--|------------------------------|------------------------------|
| Mortality table                                    | GAM-83 (USA)                 | GAM-83 (USA)                 |
| Discount   | 3% (2% real)                 | 3% (2% real)                 |
| Salary scale                                       | 1%                           | 2%                           |
| Termination assumption (basically foreign workers) | 0.07 to .03<br>(20/59 years) | 0.07 to .03<br>(20/59 years) |
| Loading factor for complementary benefits:         | 14.4%                        | 5%                           |

As detailed above, there is a difference of \$670,121,669 (2016: \$529,486,722) 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 members, the Group also sponsors funded defined benefit plan for qualifying existing and former employees. The defined benefit plan is administered by a separate Fund, the Anguilla Social Security Staff Pension Fund (Staff Pension Fund) that is legally separated from the Group.

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

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

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

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at December 31, 2019 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.

**14. Pension fund obligation (continued)**

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

|                              | 2019        | 2018        |
|------------------------------|-------------|-------------|
| Present value of obligations | 14,425,272  | 12,878,326  |
| Fair value of plan assets    | (4,812,458) | (3,872,142) |
| Pension fund obligation      | 9,612,814   | 9,006,184   |

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

|  | <i>Notes</i> | 2019             | 2018             |
|--|--------------|------------------|------------------|
| Service cost   |              |                  |                  |
| Current service cost   |              | 238,326          | 196,644          |
| Net interest cost  |              | 427,066          | 394,221          |
| <b>Component of pension expense recorded in statement of income</b>        | <b>22.1</b>  | <b>665,392</b>   | <b>590,865</b>   |
| Re-measurement of the pension fund obligation                              |              |                  |                  |
| Actuarial gains on plan assets (excluding interest)                        |              | 5,694            | (31,090)         |
| Actuarial (loss)/gains arising from the defined benefit obligation         |              | 798,984          | 530,656          |
| <b>Component of pension expense recorded in other comprehensive income</b> |              | <b>804,578</b>   | <b>499,566</b>   |
| <b>Total pension expense</b>   |              | <b>1,470,070</b> | <b>1,090,431</b> |

Distribution of pension expense recognized in other comprehensive income follows:

|                            | 2019           |                | 2018           |                  |
|----------------------------|----------------|----------------|----------------|------------------|
|                            | %              | Amount         | %              | Amount           |
| Short-term benefits branch | 16.90%         | 135,984        | 16.78%         | (83,810)         |
| Long-term benefits branch  | 83.10%         | 668,694        | 83.22%         | (415,756)        |
|                            | <b>100.00%</b> | <b>804,678</b> | <b>100.00%</b> | <b>(499,566)</b> |

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

|                                   | 2019       | 2018       |
|-----------------------------------|------------|------------|
| Beginning of year                 | 12,878,326 | 11,723,268 |
| Current service cost              | 238,326    | 196,644    |
| Interest cost                     | 620,673    | 581,283    |
| Contribution by plan participants | 131,720    | 115,202    |
| Benefits and expenses paid        | (242,757)  | (268,727)  |
| Actuarial (loss)/gain             | 798,984    | 530,656    |
| End of year                       | 14,425,272 | 12,878,326 |

**14. Pension fund obligation (continued)**

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

|                                   | 2019      | 2018      |
|-----------------------------------|-----------|-----------|
| Beginning of year                 | 3,872,142 | 3,576,985 |
| Expected return on assets         | 193,607   | 187,062   |
| Employer contributions            | 263,440   | 230,530   |
| Transfer                          | 600,000   | -         |
| Contribution by plan participants | 131,720   | 115,202   |
| Benefits and expenses paid        | (242,757) | (268,727) |
| Actuarial gains                   | (5,694)   | 31,090    |
| End of year                       | 4,812,458 | 3,872,142 |

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

|  | 2019      | 2018      |
|--|-----------|-----------|
| Cash in bank, net of accounts receivable, payable and accrued expenses | 17,249    | 288,214   |
| Loans to members net of impairment                                     | 1,663,648 | 1,596,024 |
| Fixed deposits   | 2,688,590 | 1,558,799 |
| Money market funds   | 432,461   | 344,458   |
|  | 4,801,948 | 3,787,495 |
| Actual return on plan assets   | 271,032   | 178,653   |

Loans to members are owed by the following:

|                                       | 2019      | 2018      |
|---------------------------------------|-----------|-----------|
| Key management personnel of the Group | 1,011,131 | 704,147   |
| Others                                | 703,970   | 941,238   |
|                                       | 1,715,101 | 1,645,385 |

Fixed deposits follow:

|                                      | 2019      | 2018      |
|--------------------------------------|-----------|-----------|
| National Commercial Bank of Anguilla | 2,688,590 | 1,558,799 |
|                                      | 2,688,590 | 1,558,799 |

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

|                                  | 2019   | 2018     |
|----------------------------------|--------|----------|
| Discount rate                    | 5%     | 5%       |
| Expected rate of salary increase | 2%     | 2%       |
| Mortality table                  | GAM-83 | GAM - 83 |

**14. Pension fund obligation (continued)**

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*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 decreased by 1% | Variation if discount rate increased by 1% |
|---|----------------------------|--|--|
| Variation in DBO with a 1% increase/(decrease) in discount rate | (+/- 1.00%)                | (6.82%)                                    | 8.04%                                      |
| Present value of defined benefit obligation                     |                            | 14,425,272                                 | 14,425,272                                 |
| (Decrease)/Increase in the defined benefit obligation           |                            | (983,804)                                  | 1,159,792                                  |

**15. Social Security Development Fund Reserve**

The Social Security Development Fund Reserve was created in 2004. Since its creation, the Group had transferred \$250,000 each year from the Social Security Development Fund to create a Social Security Development Fund Reserve for future projects should the statutory funding for the Development Fund be eliminated. In year 2017, \$450,000 was transferred back to the Social Security Development Fund to fund existing projects while during the year additional \$250,000 was transferred. As of December 31, 2019, the fund amounted to \$3,050,000 (2018: \$2,800,000).

**16. Contribution income**

|                               | 2019       | 2018       |
|-------------------------------|------------|------------|
| Contribution - employers      | 16,301,544 | 15,713,027 |
| Contribution - employees      | 16,301,544 | 15,713,027 |
|                               | 32,603,088 | 31,426,054 |
| Less refunds                  | (83,276)   | (63,508)   |
|                               | 32,519,812 | 31,362,546 |
| Contributions - self employed | 428,675    | 344,686    |
|                               | 32,948,487 | 31,707,232 |

|                                  | %       | 2019       | 2018       |
|----------------------------------|---------|------------|------------|
| Short-term benefits branch       | 15.00%  | 4,942,273  | 4,756,085  |
| Long-term benefits branch        | 81.25%  | 26,770,646 | 25,762,126 |
| Social Security Development Fund | 3.75%   | 1,235,568  | 1,189,021  |
|                                  | 100.00% | 32,948,487 | 31,707,232 |

**17. Investment income**

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|   | 2019           | 2018        |
|---|----------------|-------------|
| Interest income   |                |             |
| Loan - Government of Anguilla                           | 6,824,966      | 7,102,744   |
| Bonds   | 758,483        | 597,179     |
| Fixed deposits (Local banks)                            | 406,832        | 150,033     |
| Savings and demand deposits                             | 13,470         | 17,799      |
| Staff loans   | 1,505          | 1,858       |
| Others  | 70,551         | 93,056      |
| Total interest income                                   | 8,075,807      | 7,962,669   |
| Dividend income   |                |             |
| ECHMB   | 17,813         | 17,813      |
| ECFH  | 72,000         | -           |
| ECSE  | 6,425          | -           |
| ANGLEC  | -              | 91,755      |
| Total investment income                                 | 96,238         | 109,568     |
| Realized gains/(losses) from overseas equity securities |                |             |
| Smith Barney  | 164,617        | 1,268,142   |
| UBS Financial Services                                  | (30,606)       | 1,098,022   |
| Total realized income                                   | 17.1 134,011   | 2,366,164   |
| Net change in fair value of equity investments at FVPL  |                |             |
| Smith Barney  | 4,898,033      | (2,817,933) |
| UBS Financial Services                                  | 3,677,830      | (2,322,635) |
| Total fair value change during the year                 | 8,575,863      | (5,140,568) |
| Total investment income                                 | 8.2 16,881,919 | 5,297,833   |

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 from overseas equity 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                | Smith     | 2019      | 2018      |
|------------------------------|--------------------|-----------|-----------|-----------|
|                              | Financial Services | Barney    |           |           |
| Dividend and interest income | 280,273            | 431,690   | 711,963   | 732,522   |
| Gains on disposals           | (46,364)           | 8,612     | (37,752)  | 2,147,417 |
| Management fee and others    | (264,515)          | (275,685) | (540,200) | (513,775) |
|                              | (30,606)           | 164,617   | 134,011   | 2,366,164 |

**17. Investment income (continued)**

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

Distribution of investment income is as follows:

|                            | 2019    |            | 2018    |           |
|----------------------------|---------|------------|---------|-----------|
|                            | %       | Amount     | %       | Amount    |
| Short-term benefits branch | 0.55%   | 93,045     | 0.87%   | 46,161    |
| Long-term benefits branch  | 98.57%  | 16,640,552 | 98.15%  | 5,199,870 |
| Social Security Dev. Fund  | 0.88%   | 148,322    | 0.98%   | 51,802    |
|                            | 100.00% | 16,881,919 | 100.00% | 5,297,833 |

**18. Leases**

Details of lease income per type of lease follow:

|                            | Note | 2019    | 2018    |
|----------------------------|------|---------|---------|
| Finance lease - land       |      | 114,320 | 316,820 |
| Finance lease - fire truck |      | 59,248  | 67,145  |
| Operating lease            |      | 92,593  | 168,028 |
|                            | 9    | 266,161 | 551,993 |

*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:

|                            | 2019      | 2018     |
|----------------------------|-----------|----------|
| Rental income              | 200,352   | 263,451  |
| Less: maintenance expenses | (107,759) | (95,423) |
|                            | 92,593    | 168,028  |

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

*b) Finance lease*

Details of gross finance lease receivable per type follow:

|                            | 2019       | 2018       |
|----------------------------|------------|------------|
| Finance lease - land       | 36,000,000 | 35,885,680 |
| Finance lease - fire truck | 826,354    | 981,644    |
|                            | 36,826,354 | 36,867,324 |

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

*b) Finance lease (continued)*

| <b>Land</b>                            | <b>2019</b>         | <b>2018</b>         |
|--|---------------------|---------------------|
| Finance lease receivable               | 27,157,146          | 27,157,146          |
| Finance lease earned income receivable | 8,842,854           | 8,728,534           |
|  | <b>36,000,000</b>   | <b>35,885,680</b>   |
| Allowance for impairment losses        | <b>(25,634,301)</b> | <b>(25,519,981)</b> |
|  | <b>10,365,699</b>   | <b>10,365,699</b>   |

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 (\$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 \$20,250,000, less the total sum of any loan payments made by the lessor pursuant to the loan facility.

Considering the above provisions, the Group recognized the lease as a finance lease recognizing a profit at the inception amounting to \$6,907,146 and finance lease earned income amounting to \$8,728,534 as at December 31, 2018 and additional finance lease earned income in 2019 amounting to \$114,320 (2018: \$316,820).

*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.

**18. Leases (continued)**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
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*b) Finance lease (continued)*

**Land (continued)**

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 \$26,882,000.

***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.

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

**18. Leases (continued)**

*b) Finance lease (continued)*

**Land (continued)**

***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 \$9,704,402 - \$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, 2018 however was not recorded and reported by the Group in the financial statements as at and for the year ended December 31, 2018.

As at December 31, 2019, 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 \$36,800,000. Considering the default of the Government, the Group provided allowance for impairment for the whole amount of income related to the lease amounting to \$15,750,000 (2018: \$15,635,680) and the total amount of decline in the value of the leased property amounting to \$9,884,301 (2018: \$9,884,301). Total allowance for impairment to date amounted to \$25,634,301 (2018: \$25,519,981).

The future minimum finance lease receivables are as follows:

| <b>2019</b>                |                     |                    |  |
|----------------------------|---------------------|--------------------|--|
|                            | Gross<br>Investment | Unearned<br>Income | Minimum<br>Finance Lease<br>Receivable |
| Past due                   | 36,000,000          | -                  | <b>36,000,000</b>                      |
| Less than one year         | -                   | -                  | -                                      |
| Between one and five years | -                   | -                  | -                                      |
|                            | <b>36,000,000</b>   | <b>-</b>           | <b>36,000,000</b>                      |
| <b>2018</b>                |                     |                    |  |
|                            | Gross<br>Investment | Unearned<br>Income | Minimum<br>Finance Lease<br>Receivable |
| Past due                   | 32,400,000          | -                  | <b>32,400,000</b>                      |
| Less than one year         | 3,600,000           | 114,320            | <b>3,485,680</b>                       |
| Between one and five years | -                   | -                  | -                                      |
|                            | <b>36,000,000</b>   | <b>114,320</b>     | <b>35,885,680</b>                      |

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

**18. Leases (continued)**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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*b) Finance lease (continued)*

**Fire Truck**

On 21<sup>st</sup> 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 \$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.

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:

|                              | 2019      | 2018      |
|------------------------------|-----------|-----------|
| Total fire truck value       | 1,077,375 | 1,077,374 |
| Paid to date                 | (449,738) | (235,000) |
| Finance lease charge to date | 198,717   | 139,470   |
| Finance lease receivables    | 826,354   | 981,644   |

Distribution of lease income net of maintenance expenses follows:

|                                  | 2019    |         | 2018    |         |
|----------------------------------|---------|---------|---------|---------|
|                                  | %       | Amount  | %       | Amount  |
| Short-term benefits branch       | 0.55%   | 1,468   | 0.87%   | 4,809   |
| Long-term benefits branch        | 98.57%  | 262,355 | 98.15%  | 541,786 |
| Social Security Development Fund | 0.88%   | 2,338   | 0.98%   | 5,398   |
|                                  | 100.00% | 266,161 | 100.00% | 551,993 |

Details of future minimum lease payments follows:

|                            | 2019    | 2018      |
|----------------------------|---------|-----------|
| Past due                   | 44,100  | 82,237    |
| Less than one year         | 176,400 | 176,400   |
| Between one and five years | 762,941 | 882,000   |
| More than five years       | -       | 57,341    |
|                            | 983,441 | 1,197,978 |

**19. Fines and miscellaneous income**

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

|                                      | 2019           | 2018           |
|--------------------------------------|----------------|----------------|
| Surcharges and additional surcharges | 373,640        | 241,946        |
| Other                                | 86,280         | 7,848          |
|                                      | <b>459,920</b> | <b>249,794</b> |

Distribution of fines and miscellaneous income follows:

|                            | %              | 2019           | 2018           |
|----------------------------|----------------|----------------|----------------|
| Short-term benefits branch | 50.00%         | 229,960        | 124,897        |
| Long-term benefits branch  | 50.00%         | 229,960        | 124,897        |
|                            | <b>100.00%</b> | <b>459,920</b> | <b>249,794</b> |

**20. Benefits**

|                                  | 2019              | 2018              |
|----------------------------------|-------------------|-------------------|
| Short-term benefits              |                   |                   |
| Sickness                         | 3,155,765         | 2,875,143         |
| Maternity                        | 802,283           | 804,638           |
| Paternity                        | 44,922            | -                 |
| Funeral                          | 460,000           | 368,710           |
|                                  | <b>4,462,970</b>  | <b>4,048,491</b>  |
| Long-term benefits               |                   |                   |
| Age                              | 14,904,739        | 12,177,547        |
| Invalidity                       | 2,061,091         | 2,000,347         |
| Survivors                        | 1,933,040         | 1,644,590         |
| Non-contributory old age pension | 580,090           | 589,838           |
| Unemployment benefit             | -                 | 1,502,796         |
|                                  | <b>19,478,960</b> | <b>17,915,118</b> |
|                                  | <b>23,941,930</b> | <b>21,963,609</b> |

**21. Social Security Development Fund**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
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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 2019 and 2018.

|                          | 2019           | 2018             |
|--------------------------|----------------|------------------|
| Economic Development     | 314,952        | 419,462          |
| Sports Development       | 186,447        | 363,779          |
| Education                | 165,851        | 282,112          |
| Health Services          | 100,830        | 224,035          |
| Arts and Culture         | 135,174        | 152,958          |
| Community Revitalization | 48,000         | 42,531           |
| Public Safety and others | -              | 9,678            |
|                          | <b>951,254</b> | <b>1,494,555</b> |

**22. Administrative and other expenses**

|   | <i>Notes</i> | 2019             | 2018      |
|---|--------------|------------------|-----------|
| Salaries, benefits and allowances to staff                    | 22.1         | 5,769,621        | 5,055,945 |
| Administration expenses                                       | 22.2         | 2,645,701        | 2,301,920 |
| Allowances and expenses of the Board and Investment Committee |              | <b>364,078</b>   | 427,727   |
|   |              | <b>8,779,400</b> | 7,785,592 |
| Other expenses  | 10           | 202,714          | 206,052   |
|   |              | <b>8,982,114</b> | 7,991,644 |

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

Distribution of administrative expenses follows:

|                            | 2019           |                  | 2018           |                  |
|----------------------------|----------------|------------------|----------------|------------------|
|                            | %              | Amount           | %              | Amount           |
| Short-term benefits branch | 16.90%         | 1,483,651        | 16.78%         | 1,306,422        |
| Long-term benefits branch  | 83.10%         | 7,295,749        | 83.22%         | 6,479,170        |
|                            | <b>100.00%</b> | <b>8,779,400</b> | <b>100.00%</b> | <b>7,785,592</b> |

**22. Administrative and other expenses (continued)**

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

Distribution of other expenses follows:

|                            | 2019 |         | 2018 |         |
|----------------------------|------|---------|------|---------|
|                            | %    | Amount  | %    | Amount  |
| Short-term benefits branch | 50%  | 101,357 | 50%  | 103,026 |
| Long-term benefits branch  | 50%  | 101,357 | 50%  | 103,026 |
|                            |      | 202,714 | 100% | 206,052 |

Distribution of administrative and other expenses follows:

|                            | %       | 2019      | 2018      |
|----------------------------|---------|-----------|-----------|
| Short-term benefits branch | 16.90%  | 1,585,009 | 1,409,171 |
| Long-term benefits branch  | 83.10%  | 7,397,105 | 6,582,473 |
|                            | 100.00% | 8,982,114 | 7,991,644 |

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

|                              | Note | 2019      | 2018      |
|------------------------------|------|-----------|-----------|
| Salaries and wages           |      | 4,416,352 | 3,926,231 |
| Pension expense              | 14   | 665,392   | 590,865   |
| Employee insurance           |      | 237,670   | 192,563   |
| Social security contribution |      | 158,099   | 139,014   |
| Staff allowance              |      | 82,636    | 84,784    |
| Employee uniform allowance   |      | 75,561    | 2,325     |
| Employee travel allowance    |      | 73,600    | 56,830    |
| Acting allowance             |      | 60,311    | 56,768    |
| Staff pension                |      | -         | 6,565     |
|                              |      | 5,769,621 | 5,055,945 |

The breakdown of personnel as at December 31, 2019 and 2018 follows:

|                | 2019 | 2018 |
|----------------|------|------|
| Management     | 11   | 11   |
| Non-management | 27   | 27   |
| Temporary      | 2    | 2    |
|                | 40   | 40   |

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

*22.2 Details of administration expenses follow:*

|                                      |        | 2019             | 2018             |
|--------------------------------------|--------|------------------|------------------|
| Professional fees                    |        | 673,666          | 531,482          |
| Human resource development expense   |        | 353,030          | 326,340          |
| Depreciation and amortization        | 10, 11 | 327,296          | 280,083          |
| Utilities                            |        | 214,223          | 197,443          |
| Overseas travel and lodging          |        | 166,880          | 177,394          |
| Repairs and maintenance              |        | 141,855          | 170,901          |
| Social Security Board special events |        | 78,802           | 125,055          |
| Insurance                            |        | 24,408           | 20,811           |
| Other expenses                       |        | 665,541          | 472,411          |
|                                      |        | <b>2,645,701</b> | <b>2,301,920</b> |

**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*

- (i) 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, 2019 and 2018:

|   |    | 2019          | 2018          |
|---|----|---------------|---------------|
| Loans receivable                        | 9  | 219,555,556   | 225,111,111   |
| Finance lease receivable                | 18 | 36,000,000    | 35,885,680    |
| Contributions receivable                |    | 1,071,796     | 590,330       |
| Accrued interest receivable             |    | 46,423        | 92,846        |
| Other receivable                        |    | 1,861,797     | 1,861,797     |
| Receivables held end of year            |    | 258,535,572   | 263,541,764   |
| Receivables held beginning of year      |    | (263,541,764) | (276,386,592) |
| (Decrease)/increase in receivables held |    | (5,006,192)   | (12,844,828)  |

**23. Related party transactions (continued)**

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

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

Interest income received as at December 31, 2019 amounted to \$6,824,966 (2018: \$7,102,744).

(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 \$863,440 (2018: \$230,530).

(vi) Remuneration to directors and executive staff during 2019 and 2018 are as follows:

|  | 2019             | 2018             |
|--|------------------|------------------|
| Board and investment committee allowance | 326,500          | 356,017          |
| Executive staff salaries and allowances  | 1,875,688        | 1,816,007        |
|  | <b>2,202,188</b> | <b>2,172,024</b> |

**24. Financial instruments**

Below is the breakdown of the Group's net financial instruments by category.

|  | Amortised cost     |                    | Fair value through profit or loss |                   | Fair value through other comprehensive income |                  |
|--|--------------------|--------------------|-----------------------------------|-------------------|---|------------------|
|  | 2019               | 2018               | 2019                              | 2018              | 2019  | 2018             |
| <i>Financial assets</i>                  |                    |                    |                                   |                   |   |                  |
| Cash in bank                             | 17,160,198         | 38,123,633         |                                   | -                 |   | -                |
| Investment securities-net                | 39,636,059         | 17,736,717         | 44,418,722                        | 35,708,928        | 6,064,150                                     | 6,113,175        |
| Contributions, loans and receivables-net | 235,222,121        | 238,628,202        |                                   | -                 |   | -                |
| Contingency reserve                      | 5,450,000          | 4,850,000          |                                   | -                 |   | -                |
|  | <b>297,468,378</b> | <b>299,338,552</b> | <b>44,418,722</b>                 | <b>35,708,928</b> | <b>6,064,150</b>                              | <b>6,113,175</b> |
| <i>Financial liabilities</i>             |                    |                    |                                   |                   |   |                  |
| Accounts payable                         | 1,947,691          | 1,169,318          | -                                 | -                 | -   | -                |

**24. Financial instruments (continued)**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
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**(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, 2019 and 2018 were as follows:

|  |     | 2019               | 2018               |
|--|-----|--------------------|--------------------|
| Cash in bank                               | 7   | 17,160,198         | 38,123,633         |
| Investments at amortised cost              | 8.1 | 49,624,038         | 27,565,901         |
| Investments through FVOCI                  | 8.3 | 6,064,150          | 6,113,175          |
| Investments through FVPL                   | 8.2 | 44,418,722         | 35,708,928         |
| Contributions, loans and other receivables | 9   | 272,277,607        | 275,320,918        |
| Contingency reserve investment             | 13  | 5,450,000          | 4,850,000          |
| Restricted cash in bank                    | 13  | 6,450,381          | 6,450,381          |
|  |     | <b>401,445,096</b> | <b>394,132,936</b> |

As at 31 December 2019, the total gross financial assets of the Group amounting to \$401,445,096 represented ninety-five percent (95%) (2018: 97%) of its total gross assets. Eighty-one point five percent (81.5%) (2018: 85.5%) 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:

|                          | %              | 2019               | 2018               |
|--------------------------|----------------|--------------------|--------------------|
| Anguilla                 | 81.50%         | 327,078,352        | 336,898,365        |
| Caribbean region         | 7.50%          | 29,948,021         | 21,525,643         |
| United States of America | 11.00%         | 44,418,723         | 35,708,928         |
|                          | <b>100.00%</b> | <b>401,445,096</b> | <b>394,132,936</b> |

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

|                 | %              | 2019               | 2018               |
|-----------------|----------------|--------------------|--------------------|
| Related parties | 64.00%         | 258,535,571        | 320,552,161        |
| Other           | 36.00%         | 142,909,525        | 73,580,775         |
|                 | <b>100.00%</b> | <b>401,445,096</b> | <b>394,132,936</b> |

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

*Exposure to credit risk (continued)*

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

|                               | <i>% to Total<br/>Assets</i> | 2019               | 2018               |
|-------------------------------|------------------------------|--------------------|--------------------|
| <b>Government of Anguilla</b> |                              |                    |                    |
| Loans                         |                              | 219,555,556        | 225,111,111        |
| Finance lease receivable      |                              | 46,423             | 35,885,680         |
| Accrued interest receivable   |                              | 1,861,796          | 92,846             |
| Other receivable              |                              | 36,000,000         | 1,861,796          |
| Contributions receivable      |                              | 1,071,797          | 590,331            |
|                               | <b>64.00%</b>                | <b>258,535,572</b> | <b>263,541,764</b> |

The movement in the allowance for impairment losses in respect of the Group's financial instruments is presented in Note 8.4 of the consolidated financial statements.

The impairment loss in respect of the financial assets was made due to the expected credit loss requirements as required by IFRS 9.

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 difference of \$670,121,669 (2016: \$529,486,722) between the reserves of the Social Security Group 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 \$9,612,814 (2018: \$9,006,184).

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

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**As at and for the year ended December 31, 2019**

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

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**24. Financial instruments (continued)**

**(b) Liquidity risk (continued)**

The Group is also exposed to liquidity risk as a result of its accounts payable from operations. Accounts payable as at 31 December 2019 amounted to \$1,947,695 (2018: \$1,169,318).

**(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 \$275,387,162 (2018: \$257,527,012).

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, 2019 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 FVTPL investment securities that are exposed to price risk as at December 31, 2019 amounted to \$44,418,723 (2018: \$38,708,928).

A ten percent (10%) weakening of the market price on the Group's available-for-sale investment securities at December 31, 2019 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 \$2.6882.

**24. Financial instruments (continued)**

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**(d) Fair values**

As at December 31, 2019 and 2018, the fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

|  | 2019               |                    | 2018               |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | Carrying amount    | Fair value         | Carrying amount    | Fair value         |
| Cash in bank                               | 17,160,198         | 17,160,198         | 38,123,633         | 38,123,633         |
| Investments at amortised cost              | 39,636,059         | 39,636,059         | 17,736,717         | 14,866,110         |
| Investments through FVPL                   | 44,418,722         | 44,418,722         | 35,708,928         | 35,708,928         |
| Investments through FVOCI                  | 6,064,150          | 6,064,150          | 6,113,175          | 6,113,175          |
| Contributions, loans and other receivables | 235,222,121        | 235,222,121        | 238,628,202        | 199,188,050        |
| Contingency reserve investment             | 5,450,000          | 5,450,000          | 4,850,000          | 4,850,000          |
| Accounts payable and accrued expenses      | (1,947,691)        | (1,947,691)        | (1,169,318)        | (1,169,318)        |
|  | <b>346,003,559</b> | <b>346,003,559</b> | <b>339,991,337</b> | <b>297,680,578</b> |

*Fair value of equity investments as at December 31, 2019*

Details of equity investment securities measured at fair value are as follows:

|                 | Level 1           |                   | Level 2  |          | Level 3          |                  |
|-----------------|-------------------|-------------------|----------|----------|------------------|------------------|
|                 | 2019              | 2018              | 2019     | 2018     | 2019             | 2018             |
| Quoted equity   | 44,418,722        | 35,708,928        | -        | -        | -                | -                |
| Unquoted equity | -                 | -                 | -        | -        | 6,064,150        | 6,113,175        |
|                 | <b>44,418,722</b> | <b>35,708,928</b> | <b>-</b> | <b>-</b> | <b>6,064,150</b> | <b>6,113,175</b> |

The decline in the fair values of the unquoted equity investments was due to adoption of IFRS 9 where all quoted and non-quoted equity instruments are reported at fair values.

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, 2019 and 2018.

**26. Income taxes**

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

**27. Subsequent events during the year and subsequent to reporting period**

**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 \$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 Transfer              | 1,550,217        |
| Road 08412 B172 .80 Acreage        | Land Purchase              | 1,719,143        |
|                                    |                            | <b>5,599,582</b> |

\*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 30<sup>th</sup> of January 2020 ratified the resolution that was approved by round robin on the 14<sup>th</sup> of January 2020 and agree to back date the resolution on the 27<sup>th</sup> 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 \$8,897,942;
- b. South Central 38611 B 305 and admeasuring 1.5 acres amounting to \$779,758;
- c. Given the valuations as assessed by the investment committee to ASSIDCO and upon their recommendation, a further payment of \$3,298,360 and \$779,578 shall be made to the Government of Anguilla to compensate for the shortfall in the value of exchange.

**27. Subsequent events during the year and subsequent to reporting period (continued)**

**ANGUILLA SOCIAL SECURITY BOARD**  
**Notes to the Consolidated Financial Statements (continued)**  
**As at and for the year ended December 31, 2019**

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

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          |
|  | <b>9,677,520</b> |

**Equity investments**

As at December 31, 2019 the fair values of the Group's equity investments had increased in value by approximately 35.6% over the fair value at the end of the previous year. Fair value as at December 31, 2019 - \$36,432,933 (2018: \$26,865,090).

**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 in 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.