THE ANGUILLA DEVELOPMENT BOARD

Financial Statements

December 31, 2016

(Expressed in Eastern Caribbean Dollars)

The Anguilla Development Board

Financial Statements for the period ended 31 December 2016

Certificate of Audit and Report of the Chief Auditor

Section 59(2) of the Financial Administration and Audit Act (Revised Statutes of Anguilla Chapter F27 as at 15 December 2010) (the Act) permits me, as Chief Auditor, to accept the audit of the accounts and financial statements of a government agency by an independent auditor, if the appointment of the auditor has been approved by me, and the audit of the agency has been performed in accordance with my directions.

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

Section 65 of the Act requires the Anguilla Development Board, as a government agency to submit an annual report, including my certificate and report, to the minister responsible for the Board, the Permanent Secretary and the Minister of Finance. The minister responsible for the Board is required to lay the annual report before the House of Assembly.

The appointment of BDO as the independent auditor of the Anguilla Development Board was accepted by me. BDO were directed to undertake their audit in accordance with appropriate auditing standards, and I accept the results of their audit of the Board's financial statements for the year ended 31 December 2016.

As recorded in their Auditors' Report, BDO have audited the financial statements of the Anguilla Development Board, which comprise the statement of financial position as at 31 December 2016 and the related statements of comprehensive income, changes in capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Board's management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. BDO's responsibility is to express an opinion on the financial statements based on their audit.

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

In BDO's opinion the financial statements present fairly, in all material respects, the financial position of the Anguilla Development Board as of 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chief Auditor's report to the House of Assembly

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

AJ Barrett

Anthony Barrett
Chief Auditor
11 December 2018

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AGENCY INFORMATION

PHYSICAL ADDRESS
Airport Road
The Valley
Anguilla
British West Indies

DIRECTORS
Ann Gumbs, Chairperson
John Rogers, Deputy Chairman
Abner Brooks, Director
Fabian Proctor, Director
Shona Proctor, Director
Wycliffe Fahie, Director
Bernie Sasso-Hodge, Director

SECRETARY
Althea Hodge

BANKERS
National Commercial Bank of Anguilla Limited
Eastern Caribbean Central Bank

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Anguilla Development Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Anguilla Development Board (the "Board"), which comprise:

- the statement of financial position as at December 31, 2016;
- the statement of comprehensive income, statement of changes in capital, and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies and other explanatory information

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

Basis for Opinion

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 Board in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Anguilla, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT *(continued)*

To the Board of Directors of The Anguilla Development Board *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 Board'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 Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT *(continued)*

To the Board of Directors of The Anguilla Development Board

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

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
July 3 2018

THE ANGUILLA DEVELOPMENT BOARD
Statement of Financial Position
As at December 31, 2016

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2016	2015
Assets			
Cash and cash equivalents	*10*	2,400,192	2,047,062
Loans receivable - net	*11*	25,912,887	27,701,446
Accrued interest receivable - net	*12*	863,467	746,942
Property and equipment - net	*14*	561,976	556,209
Other assets	*15*	361,893	355,074
Total Assets		30,100,415	31,406,733
Liabilities and Capital			
Liabilities			
Accrued interest payable		75,669	107,507
Accounts payable		118,094	99,256
Borrowings	*16*	9,512,837	10,865,503
Other liabilities	*15*	296,237	299,654
Total liabilities		10,002,837	11,371,920
Capital			
Government capital contributions		7,555,698	7,555,698
Retained earnings		12,541,880	12,479,115
Total capital		20,097,578	20,034,813
Total Liabilities and Capital		30,100,415	31,406,733

The financial statements on pages 5 to 37 were approved and authorized for issue by the Board of Directors on 2018 and were signed on its behalf by:

Ann S. Gumbs
Chairperson

Althea H. Hodge
General Manager/Corporate Secretary

The accompanying notes on pages 9 to 37 are an integral part of these financial statements.

THE ANGUILLA DEVELOPMENT BOARD
Statement of Comprehensive Income
For the Year Ended December 31, 2016

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2016**	2015
Interest income			
Cash and cash equivalents		**10,487**	10,430
Loans receivable		**2,280,971**	2,428,910
		2,291,278	2,439,340
Interest expense		**(322,980)**	(446,576)
Net interest income		**1,968,298**	1,992,764
Other income	*8*	**82,334**	64,108
Operating income		**2,050,632**	2,056,872
Operating expenses	*9*	**(1,987,867)**	(1,957,753)
Net income		**62,765**	99,119
Other comprehensive income		**-**	-
Total comprehensive income attributable to the Government of Anguilla		**62,765**	99,119

The accompanying notes on pages 9 to 37 are an integral part of these financial statements.

THE ANGUILLA DEVELOPMENT BOARD
Statement of Changes in Capital
For the Year Ended December 31, 2016

[Expressed in Eastern Caribbean Dollars (EC$)]

	2016	2015
Government capital contributions	**7,555,698**	7,555,698
Retained earnings		
Balance at beginning of year	**12,479,115**	12,379,996
Net income	**62,765**	99,119
Other comprehensive income	**-**	-
Balance at end of year	**12,541,880**	12,479,115
Total Capital	**20,097,578**	20,034,813

The accompanying notes on pages 9 to 37 are an integral part of these financial statements.

THE ANGUILLA DEVELOPMENT BOARD
Statement of Cash Flows
For the Year Ended December 31, 2016

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2016**	2015
Cash flows from operating activities			
Net income		**62,765**	99,119
Adjustments for:			
Interest income		**(2,291,278)**	(2,439,340)
Impairment losses	*13*	**326,742**	320,449
Interest expense		**322,980**	446,576
Depreciation	*9,14*	**9,193**	7,715
		(1,569,598)	(1,565,481)
Decrease/(increase) in:			
Loans receivable	*11*	**1,592,499**	2,129,303
Other assets		**(6,819)**	(237,644)
Increase/(decrease) in:			
Accounts payable		**18,838**	(37,516)
Other liabilities		**(3,417)**	283,887
Cash provided by operations		**31,503**	572,549
Interest received		**2,044,071**	2,199,128
Net cash provided by operating activities		**2,075,574**	2,771,677
Cash flows from investing activities			
Acquisition of property and equipment	*14*	**(14,960)**	(15,635)
Net cash used in investing activities		**(14,960)**	(15,635)
Cash flows from financing activities			
Payment of borrowings	*16*	**(1,352,666)**	(1,514,926)
Interest paid		**(354,818)**	(461,227)
Net cash used in financing activities		**(1,707,484)**	(1,976,153)
Net increase in cash and cash equivalents		**353,130**	779,889
Cash and cash equivalents at beginning of year	*10*	**2,047,062**	1,267,173
Cash and cash equivalents at end of year	*10*	**2,400,192**	2,047,062

The accompanying notes on pages 9 to 37 are an integral part of these financial statements.

1. Reporting entity

The Anguilla Development Board (the "Development Board") is a corporate body established by the Government of Anguilla under the Development Board Act (R.S.A.c.D10).

The principal activity of the Development Board is to assist in the development of Anguilla by providing loans to Anguillian belongers from funds borrowed from the Caribbean Development Board (CDB), Anguilla Social Security Board (SSB) as well as internally generated funds. The Development Board does not accept deposits.

The registered office and principal place of business of the Development Board is located at Airport Road, The Valley, Anguilla, British West Indies.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements of the Development Board have been prepared on the historical cost basis.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting 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 recognised 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 financial statements are described in note 6.

2. Basis of preparation *(continued)*

(e) Change in accounting policies and disclosures

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

- *Annual Improvements to IFRSs (2010 – 2012) Cycle:*
  - *IFRS 2 Share – based payments*
  - *IFRS 3 Business Combinations,*
  - *IFRS 8 Operating Segments,*
  - *IFRS 13 Fair Value Measurement,*
  - *IAS 16 Property Plant and Equipment,*
  - *IAS 38 Intangible Assets,*
  - *IAS 24 Related Party Disclosures*

- *Annual Improvements to IFRSs (2011 – 2013 Cycle):*
  - *IFRS 1 First-time Adoption of International Financial Reporting Standards,*
  - *IFRS 3 Business Combinations,*
  - *IFRS 13 Fair Value Measurement,*
  - *IAS 40 Investment Property*

  - *IFRS 14 Regulatory Deferral Accounts*

Adoption of these standards and interpretations did not have material effect on the financial position and performance of the Development Board.

3. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the Development Board's functional currency at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the Development Board'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 re-translated to the Development Board's functional currency at the exchange rate at the date that the fair value was determined.

3. Significant accounting policies *(continued)*

(a) Foreign currency transactions *(continued)*

Foreign currency differences arising from retranslation are recognized in profit or loss 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 other 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.

(b) Interest income and expense

Interest income and expense are recognized in the profit or loss as they accrue, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently.

The calculation of the effective interest rate includes all fees, discounts or premiums and directly related transaction costs that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of a financial asset.

Interest income presented in the profit or loss includes interest on cash and cash equivalents and loans receivable valued at amortized cost on an effective interest rate basis.

Interest expense presented in the profit or loss pertains to borrowings.

(c) Other income

Other income includes income from collection of loans previously written off and from appraisal, application and late fees.

Other income that relates to the execution of a significant act is recognized when the significant act has been completed. Late fees are recognized when collected.

(d) Financial instruments

i. Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, loan receivables, accrued interest receivable, borrowings, accrued interest payable and accounts payable.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments that are not fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3. Significant accounting policies *(continued)*

(d) Financial instruments *(continued)*

ii. Non-derivative financial instruments *(continued)*

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

Loans receivables
Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Development Board does not intend to sell immediately or in the near term.

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

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

Borrowings
Borrowings are the Development Board's sources of debt funding. Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method, except, where the Development Board chooses to carry the liabilities at fair value through profit or loss.

Other
Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

(e) Property and equipment

i. Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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, and capitalized borrowing costs.

3. Significant accounting policies *(continued)*

(e) Property and equipment *(continued)*

i. Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. 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 within the carrying amount of property and equipment and are recognized net in profit or loss.

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 Board and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is recognized in profit or loss on the straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives for the current and comparative years are as follows:

Leasehold improvements	5 years
Furniture and equipment	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease unless otherwise a systematic basis is more representative of the time pattern of the Development Board's benefits.

(g) Impairment

i. Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

3. Significant accounting policies *(continued)*

(g) Impairment *(continued)*

i. Non-derivative financial assets (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

ii. Non-financial assets

The carrying amounts of the Development Board'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.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in the profit or loss.

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.

(h) Provisions

A provision is recognized if, as a result of a past event, the Development Board 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies *(continued)*

(i) Employee benefits

i. Retirement benefits

By virtue of the Development Board Act R.S.A.c.D10, the Development Board's retirement benefit is sponsored by the Government of Anguilla under its Pension Scheme for Public Officers. The scheme is a defined contributory state plan which operates under the simple pay-as-you-go basis. Obligations for contributions to the defined contribution state plan are recognized as a pension expense in profit or loss when they are due.

ii. Short-term benefits

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

(j) 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.

(k) Subsequent events

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

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

A number of new standards, amendments to standards and interpretations that have been issued but are not yet effective as at December 31, 2015 or not relevant to the Board's operations. These are as follows:

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

The Board is yet to assess the impact of these new upcoming standards. However, management believes that IFRS 9, Financial Instruments will impact the Board's financial statements as at and for the year ending December 31, 2018.

4. Determination of fair values

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

Level 1: Quoted market price (unadjusted) in an active market for an identical measurement.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

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

Financial instruments measured at fair value
All of the Development Board's financial assets and financial liabilities are recorded at amortized cost subsequent to their initial recognition.

5. Financial risk management

(a) Introduction and overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Development Board's exposure to each of the above risks, the Development Board's objectives, policies and processes for measuring and managing risk, and the Development Board's management of capital.

Risk management framework

The Board of Directors (the "Board") have overall responsibilities for the establishment and oversight of the Development Board's risk management framework. The Board has assigned the manager and department heads to be responsible in the developing and monitoring Development Board's risk management policies in their specified areas. These officers report regularly to the Board of Directors on their activities.

5. Financial risk management *(continued)*

(a) Introduction and overview *(continued)*

The Development Board's risk management policies are established to identify and analyze the risks faced by the Development Board, 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 Board, 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 Development Board's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Development Board.

(b) Credit risk

Credit risk is the risk of financial loss to the Development Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Development Board's loans receivable portfolio.

Management of credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers. The Board of Directors and the manager are responsible for oversight of the Development Board's credit risk, including:

- Formulating credit policies in consultation with management and staff, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to the manager and loan officer by the Board of Directors as appropriate.

- Reviewing and assessing credit risk. The manager and loan officer assess all credit exposures in excess of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans receivable) and by issuer, credit rating band and market liquidity.

- Developing and maintaining the Development Board's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of three grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grade lies with the manager and loan officer as appropriate. Risk grades are subject to regular reviews by the Board of Directors.

5. Financial risk management *(continued)*

(b) Credit risk *(continued)*

- Reviewing compliance with agreed exposure limits, including those for selected industries and product type. Regular reports are provided to the Board of Directors on the credit quality of local portfolios and appropriate corrective action is taken.

- Providing advice, guidance and specialist skills to promote best practice throughout the Board in the management of credit risk.

Management of credit risk *(continued)*

The manager is required to implement the Development Board's credit policies and procedures, with credit approval authorities delegated from the Board of Directors. The manager is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Exposure to credit risk

The table below summarizes the Development Board’s gross maximum exposure to credit risk without taking into account any collateral held or other credit enhancements attached.

	Notes	2016	2015
On-balance sheet assets			
Cash in bank	*10*	**2,399,742**	2,046,612
Loans receivable	*11*	**28,687,324**	30,279,823
Accrued interest receivable	*12*	**2,592,149**	2,344,942
Other asset	*15*	**315,835**	309,981
		33,995,050	34,981,358
Off-balance sheet items			
Loan commitments	*19*	**1,861,127**	1,847,502
Total		**35,856,177**	36,828,860

As shown above, 87% (2015: 89%) of the total maximum exposure is derived from loans receivable and related accrued interest receivable from customers.

5. Financial risk management *(continued)*

(b) Credit risk *(continued)*

Exposure to credit risk *(continued)*

The Development Board's credit exposure is categorized according to the creditworthiness of the customers. The table below shows the credit quality of the Development Board's loans receivable based on its internal credit rating system.

	Notes	2016	2015
Carrying amount	*11*	**25,912,887**	27,701,446
Individually impaired			
Current		**466,964**	261,753
01 – 60 days past due		**-**	-
61 – 90 days past due		**-**	-
Over 90 days past due		**7,204,303**	6,711,021
Gross amount		**7,671,267**	6,972,774
Less allowance for impairment	*13*	**(2,551,484)**	(2,361,117)
Carrying amount		**5,119,783**	4,611,657
Collectively impaired			
Current		**12,628,752**	14,307,431
01 – 60 days past due		**4,468,817**	4,849,451
61 – 90 days past due		**480,826**	276,014
Over 90 days past due		**3,437,662**	3,874,153
Gross amount		**21,016,057**	23,307,049
Less allowance for impairment	*13*	**(222,953)**	(217,260)
Carrying amount		**20,793,104**	23,089,789
Total carrying amount	*11*	**25,912,887**	27,701,446

Impaired loans
Impaired loans are loans for which the Development Board determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

5. Financial risk management *(continued)*

(b) Credit risk *(continued)*

Exposure to credit risk *(continued)*

Past due but not impaired loans
Past due but not impaired loans are loans where contractual interest or principal payments are past due but the Development Board believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Development Board.

Allowance for impairment losses
The Development Board establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance is the specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Development Board writes off a loan balance (and any related allowances for impairment losses) when the Board of Directors determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on product-specific past due status.

Collateral held as security
The Development Board requires collateral against credit facilities. Collateral is usually in the form of land and building, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated on a regular interval.

5. Financial risk management *(continued)*

(b) Credit risk *(continued)*

Exposure to credit risk *(continued)*

Concentration risk

The Development Board monitors concentrations of credit risk by sector and by geographical location. Economic sector risk concentrations within the customer loan portfolio were as follows:

		2016		2015
	Amount	**%**	Amount	%
Education	**12,137,053**	**42.31%**	12,040,497	39.76%
Personal – home construction and renovation	**10,809,873**	**37.69%**	11,712,103	38.69%
Tourism	**1,776,484**	**6.19%**	2,823,384	9.32%
Fisheries	**1,276,746**	**4.45%**	1,393,991	4.60%
Distributive trade	**732,194**	**2.55%**	644,093	2.13%
Personal – others	**717,818**	**2.50%**	399,069	1.32%
Transportation and storage	**572,490**	**2.00%**	557,942	1.84%
Professional and other services	**556,386**	**1.94%**	576,776	1.90%
Entertainment and catering	**55,560**	**0.19%**	75,150	0.25%
Agriculture	**52,720**	**0.18%**	56,818	0.19%
	28,687,324	**100.00**	30,279,823	100.00

Concentration by location for loans receivable is measured based on the location of the borrower. As at December 31, 2016 and 2015, all loans are primarily released to Anguillan customers.

(c) Liquidity risk

Liquidity risk is the risk that the Development Board will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Development Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Development Board's reputation.

5. Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Management of liquidity risk *(continued)*

The Board assesses information regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. It then maintains a portfolio of short-term liquid assets, largely made up of cash in bank to ensure that sufficient liquidity is maintained by the Development Board.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Board of Directors. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of Directors.

Exposure to liquidity risk

The Development Board's residual contractual maturities (representing undiscounted contractual cash flows) of financial liabilities as at December 31, 2016 and 2015 are as follows:

	Carrying amount	Gross nominal Outflow	Less than 1 month	1 - 3 months	3 months to 1 year	1- 5 years	More than 5 years
December 31, 2016							
Accrued interest payable	**75,669**	**75,669**	**75,669**	**-**	**-**	**-**	**-**
Accounts payable	**118,094**	**118,094**	**118,094**	**-**	**-**	**-**	**-**
Borrowings	**9,512,837**	**10,889,039**	**428,776**	**425,639**	**841,871**	**7,183,742**	**2,009,011**
	9,706,600	**11,082,802**	**622,539**	**425,639**	**841,871**	**7,183,742**	**2,009,011**
December 31, 2015							
Accrued interest payable	107,507	107,507	107,507	-	-	-	-
Accounts payable	99,256	99,256	99,256	-	-	-	-
Borrowings	10,865,503	12,770,530	491,749	436,383	863,359	7,527,429	3,451,610
	11,072,266	12,977,293	698,512	436,383	863,359	7,527,429	3,451,610

5. Financial risk management *(continued)*

(d) Market risk

Management of market risk

Overall authority for management of market risk is vested in the Board of Directors. The Board of Directors is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation. The Development Board's exposure to market risk arises from its non-trading portfolios.

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 Development Board minimizes interest rate risk through lending monies to customers carrying fixed rate interest financed by fixed rate long term borrowings, which are specifically earmarked to finance projects in different sectors. Further, the Development Board has the option to vary the stipulated rate of interest after having given the borrower at least three months' notice in writing.

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Development Board's interest rate gap position is as follows:

	31 December 2016				
	Effective Interest Rate	Total	12 months or less	1-5 years	More than 5 years
Cash in bank	1% - 1.25%	2,400,192	2,400,192	-	-
Loans receivable	6% - 11%	28,687,324	3,356,758	8,937,049	16,393,517
		31,087,516	5,756,950	8,937,049	16,393,517
Borrowings	2% - 6%	(9,512,837)	(1,417,060)	(6,232,535)	(1,863,242)
Total interest re-pricing gap		21,574,679	4,339,890	2,704,515	14,530,275

5. Financial risk management *(continued)*

(d) Market risk *(continued)*

Interest rate risk *(continued)*

December 31, 2015					
	Effective Interest Rate	Total	12 months or less	1-5 years	More than 5 years
Cash in bank	1% - 1.25%	2,046,612	2,046,612	-	-
Loans receivable	6% - 11%	30,279,823	2,933,199	8,273,359	19,073,265
		32,326,435	4,979,811	8,273,359	19,073,265
Borrowings	2% - 6%	(10,865,503)	(1,363,347)	(5,838,169)	(3,663,987)
Total interest re-pricing gap		21,460,932	3,616,464	2,435,190	15,409,278

At the reporting date, the Development Board does not have financial instruments that are subject to variable rates. The interest rate profile of the Development Board's fixed interest bearing financial instruments follows:

	Effective Interest Rate	**2016**	2015
Financial assets	1% - 11%	**31,087,516**	32,326,435
Financial liabilities	2% - 6%	**(9,512,837)**	(10,865,503)
		21,574,679	21,460,932

Fair value sensitivity analysis for fixed rate instruments

The Development Board neither have any fixed rate financial assets and liabilities at fair value through profit or loss, nor designated derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

5. Financial risk management *(continued)*

(d) Market risk *(continued)*

Foreign currency risk *(continued)*

The Development Board incurs foreign currency risk on transactions that are denominated in a currency other than the functional currency, the EC Dollars. There is no exposure to foreign currency risk in respect of the United States Dollars because the EC Dollars is pegged at EC$2.70 for US$1. As at December 31, 2016 and 2015, the Development Board does not have any financial asset or financial liabilities denominated in foreign currencies that could expose it to significant foreign currency risk.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Development Board's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Board's operations and are faced by all business entities.

The Development Board's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Board's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors. This responsibility is supported by the development of overall Board's standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective.

5. Financial risk management *(continued)*

(f) Capital management

The Development Board's objectives when managing capital, which is a broader concept that the "Government capital contributions" on the face of the statement of financial position, are:

- To safeguard the Development Board's ability to continue as a going concern so that it can continue to provide returns and benefits; and
- To maintain a strong capital base to support the development of its business.

The Board is not subject to externally imposed capital requirements.

6. Critical accounting estimates and judgments

The Development Board 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. Impairment losses on loans receivable

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

The rate of return used in computing for the forced sale value of the loan collateral is based on management's estimate of the actual cash to be received upon liquidation of the collateral. Any changes in this assumption will impact the allowance for impairment losses from the Board's loans receivable.

The carrying value of loans receivable as at December 31, 2016 and 2015 is presented in note 11.

b. Estimated useful lives of property and equipment

The Development Board estimates useful lives of property and equipment assets on the period over which the individual assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. As at December 31, 2016 and 2015, the carrying value of property and equipment is presented in note 14.

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

c. Determination of fair values of financial instruments

The Development Board 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 below and presented in note 7.

- The fair value of cash and cash equivalents, accrued interest receivable, accrued interest payable and accounts payable are assumed to approximate their carrying values due to their short-term nature.

- The estimated fair values of loans receivable are determined by discounting contractual future cash flows, over the remaining term to maturity, at the market effective interest rates.

- The estimated fair values of borrowings are determined by discounting contractual future cash flows, over the remaining term to maturity, at the market effective interest rates.

7. Accounting classification and fair values

The table below sets out the Development Board's classification of each class of financial assets and liabilities, and their fair values as at December 31, 2016 and 2015:

				December 31,2016				
	Notes	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	*10*	-	-	-	-	2,399,742	2,399,742	2,399,742
Loans receivable - net	*11*	-	-	25,912,887	-	-	25,912,887	26,831,895
Accrued interest receivable - net	*12*	-	-	863,467	-	-	863,467	863,467
		-	-	26,776,354		2,399,742	29,176,096	30,095,104
Accrued interest payable		-	-	-	-	75,669	75,669	75,669
Accounts payable		-	-	-	-	118,094	118,094	118,094
Borrowings	*15*	-	-	-	-	9,512,837	9,512,837	10,084,966
		-	-	-	-	9,706,600	9,706,600	10,278,729

7. Accounting classification and fair values *(continued)*

December 31, 2015								
	Notes	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	*10*	-	-	-	-	2,046,612	2,046,612	2,046,612
Loans receivable - net	*11*	-	-	27,701,446	-	-	27,701,446	23,205,113
Accrued interest receivable - net	*12*	-	-	746,942	-	-	746,942	746,942
		-	-	28,448,388	-	2,046,612	30,495,000	25,998,667
Accrued interest payable		-	-	-	-	107,507	107,507	107,507
Accounts payable		-	-	-	-	99,256	99,256	99,256
Borrowings	*15*	-	-	-	-	10,865,503	10,865,503	11,233,888
		-	-	-	-	11,072,266	11,072,266	11,440,651

(a) Cash and cash equivalents
Due to the short-term nature of the transactions, the fair value of cash and cash equivalents approximates the carrying value as at the reporting date.

(b) Loans receivable
The fair value of loans receivable is equivalent to the present value of the estimated future cash flows, discounted at the market rate of interest as at the reporting date.

(c) Accrued interest receivable
Due to the short-term nature of the transactions, the fair value of accrued interest receivables approximates the carrying value as at the reporting date.

(d) Borrowings
The fair value of borrowings is equivalent is equivalent to the present value of the estimated future cash flows, discounted at the market rate of interest as at the reporting date ranging from 6.70% per annum to 7.68% per annum. These rates represent interest rates of similar debts issued in the Caribbean with terms ranging from 2 years to a maximum of 16 years.

(e) Accrued interest payable
Due to the short-term nature of the transactions, the fair value of accrued interest payable approximates the carrying value as at the reporting date.

(f) Accounts payable
Due to the short-term nature of the transactions, the fair values of accounts payable approximate their carrying value as at the reporting date.

8. Other income

	2016	2015
Late fees	**35,791**	34,650
Recovery of accounts written off	**35,903**	19,628
Appraisal fees	**9,200**	8,550
Other	**1,440**	1,280
	82,334	64,108

9. Operating expenses

	Notes	**2016**	2015
Salaries and wages	*18*	**867,226**	870,161
Impairment losses	*13*	**326,743**	320,449
Repairs and maintenance		**231,438**	224,956
Director's allowances	*18*	**118,800**	118,800
Lease	*17*	**96,000**	96,000
Professional and corporate fees		**72,144**	89,430
Other employee benefits		**73,468**	84,996
Utilities		**47,375**	51,716
Office supplies		**33,728**	15,265
Pension expense		**26,412**	26,412
Training and seminar		**34,200**	18,744
Donation		**17,364**	10,017
Depreciation	*14*	**9,193**	7,715
Advertising		**6,871**	4,910
Other		**26,905**	18,182
		1,987,867	1,957,753

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

	2016	2015
Management	**3**	3
Non-management	**7**	7
	10	10

10. Cash and cash equivalents

	2016	2015
Cash on hand	**450**	450
Cash in bank	**2,399,742**	2,046,612
	2,400,192	2,047,062

11. Loans receivable - net

	Note	2016	2015
Funded by CDB borrowings		**10,916,774**	12,430,291
Funded by SSB borrowings		**846,997**	946,194
Funded by Board's fund		**16,923,553**	16,903,338
		28,687,324	30,279,823
Less allowance for impairment losses	*13*	**(2,774,437)**	(2,578,377)
		25,912,887	27,701,446

12. Accrued interest receivable - net

	Note	2016	2015
Performing			
Funded by CDB borrowings		**11,719**	21,585
Funded by SSB borrowings		**1,569**	1,183
Funded by Board's fund		**18,454**	40,655
		31,742	63,423
Non-performing			
Funded by CDB borrowings		**1,726,624**	1,541,110
Funded by SSB borrowings		**151,589**	158,299
Funded by Board's fund		**682,194**	582,110
		2,560,407	2,281,519
		2,592,149	2,344,942
Less allowance for impairment losses	*13*	**(1,728,682)**	(1,598,000)
		863,467	746,942

13. Allowance for impairment losses

	Notes	**2016**	2015
Balance at beginning of year			
Loans receivable		**2,578,377**	2,510,796
Accrued interest receivables		**1,598,000**	1,345,132
		4,176,377	3,855,928
Impairment loss			
Loans receivable		**196,060**	67,581
Accrued interest receivables		**130,682**	252,868
	9	**326,742**	320,449
Balance at end of year			
Loans receivable	*11*	**2,774,437**	2,578,377
Accrued interest receivables	*12*	**1,728,682**	1,598,000
		4,503,119	4,176,377

Allowance for impairment loss on loans receivable is categorized as follows:

	2016	2015
Individual	**2,551,484**	2,361,117
Collective	**222,953**	217,260
	2,774,437	2,578,377

14. Property and equipment - net

	Land	Leasehold improvements	Furniture and equipment	Total
Cost				
December 31, 2014	534,600	130,755	395,593	1,060,948
Acquisitions	-	-	15,635	15,635
December 31, 2015	534,600	130,755	411,228	1,076,583
Acquisitions	-	-	14,960	14,960
December 31, 2016	**534,600**	**130,755**	**426,188**	**1,091,543**
Accumulated depreciation				
December 31, 2014	-	130,755	381,904	512,659
Depreciation	-	-	7,715	7,715
December 31, 2015	-	130,755	389,619	520,374
Depreciation (*note 9*)	-	-	9,193	9,193
December 31, 2016	**-**	**130,755**	**398,812**	**529,567**
Carrying amount				
December 31, 2015	534,600	-	21,609	556,209
December 31, 2016	**534,600**	**-**	**27,376**	**561,976**

15. Other assets and liabilities

	Notes	**2016**	2015
Other assets			
Get Set Programme - Restricted fund		**190,583**	243,038
Get Set Programme – Loans and interest receivable		**93,258**	36,962
		283,841	280,000
Prepayments		**46,058**	45,093
Other receivables- net		**31,994**	29,981
		361,983	355,074
Other liabilities			
Get Set Programme advances		**283,841**	280,000
Other payables		**12,396**	19,654
		296,237	299,654

15. Other assets and liabilities *(continued)*

The Get Set Programme is an agreement between the Department of Youth and Culture and the Development Board to create a revolving loan facility for the purpose of assisting and empowering youth who aim to establish their own business and be entrepreneurs. A total of $280,000 restricted fund was disbursed to the Development Board during the year for the purpose of loaning out to qualified borrowers as defined in the signed memorandum of understanding between the Board and the Department of Youth and Culture, Ministry of Social Development, Government of Anguilla.

The Fund is not subject to interest and repayment terms but may be terminated by either party by giving the other party no less than three (3) months written notice. On termination, any loan amounts outstanding shall continue to be due and payable and the balance of the loan funds will be returned to the Government.

As at December 31, 2016, the Development Board release a total of $92,235 worth of loans and has interest receivable outstanding of $1,023. Total income earned amounted to $3,841 which reverts to the fund for future loan releases.

16. Borrowings

	Notes	**2016**	2015
Borrowings from CDB			
Third line of credit (Loan No. 2/SFR-OR-ANL)	*15.1*	**-**	51,713
Fourth line of credit (Loan No. 5/SFR-OR-ANL)	*15.2*	**958,773**	1,058,677
Fifth line of credit (Loan No. 7/SFR-OR-ANL)	*15.3*	**8,374,064**	9,395,113
		9,332,837	10,505,503
Borrowings from SSB	*15.4*	**180,000**	360,000
		9,512,837	10,865,503

All of the Board's borrowings are unsecured but guaranteed by the Government of Anguilla.

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

	2016	2015
Current	**1,539,007**	1,410,720
Non-current	**7,973,830**	9,454,783
	9,512,837	10,865,503

16. Borrowings *(continued)*

16.1 The third line of credit pertains to the loan drawn on March 31, 1996 in the original amount of EC$8,100,000 (US$3,000,000) coming from the SFR (EC$4,050,000) of CDB. This loan is payable in quarterly instalments, after five years from the date of drawdown. The SFR portion of this loan carries an interest rate of 4% per annum and matured on December 31, 2015.

The current and non-current portions of this loan are as follows:

	2016	2015
Current	**-**	51,713
Non-current	**-**	-
	-	51,713

16.2 The fourth line of credit pertains to loan which was obtained in the original amount of EC$7,659,900 (US$2,837,000) coming from the SFR (EC$2,124,900) and OCR (EC$5,535,000) of CDB. The SFR portion of this loan was drawn on January 1, 2001 and is repayable in quarterly instalments, after five years from the date of drawdown. This portion of the loan carries an interest rate of 4.00% per annum and will mature on September 30, 2025. The OCR portion of this loan was drawn on July 1, 2001 and is payable in quarterly instalments, after three years from the date of drawdown. This portion of the loan carries an interest rate of 4% per annum and matured on March 30, 2015.

	2016	2015
SFR portion	**958,773**	1,058,677
OCR portion	**-**	-
	958,773	1,058,677

The current and non-current portions of this loan are as follows:

	2016	2015
Current	**105,868**	105,868
Non-current	**852,905**	952,809
	958,773	1,058,677

15. Borrowings *(continued)*

16.3 The fifth line of credit consists of the following:

	2016	2015
SFR portion	**810,000**	810,000
OCR portion	**7,564,064**	8,585,113
	8,374,064	9,395,113

On May 30, 2006, the Development Board entered into a loan agreement (Fifth Consolidated Line of Credit) with CDB amounting to EC$13,500,000 (US$5,000,000) consisting of the SFR portion (US$300,000) and OCR portion (US$4,700,000). In 2015, an additional amount was drawn of EC$814, 720 payable in quarterly instalments after five years from the date of drawdown. The loan carries 3.95% - 4% and 4% - 6.3% per annum of interest for SFR and OCR, respectively. The loans will mature on April 2, 2023 and October 31, 2022, respectively.

The current and non-current portions of this loan are as follows:

	2016	2015
Current	**1,253,139**	1,073,139
Non-current	**7,120,925**	8,321,974
	8,374,064	9,395,113

16.4 This represents borrowing of EC$2,700,000 which was drawn on December 29, 1997 and will mature on October 31, 2017. This loan is payable in quarterly instalments, after five years from date of drawdown and carry 6% interest per annum.

The current and non-current portions of this loan are as follows:

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

17. Operating lease

The Development Board incurred rent expense of EC$96,000 during the year ended December 31, 2016 (2015: EC$96,000). The Development Board did not sign any contract of lease for the continued use of the office space but agreed through oral agreement to pay monthly rent of EC$8,000 for the succeeding year.

18. Related party transactions

The Development Board's significant related party transactions are summarized below:

Loans receivable to related parties

	Interest rates	2016	2015
Loans receivable from directors	**6% - 10%**	**360,730**	210,399
Loans receivable from employees	**6.5% - 10%**	**1,609,252**	1,737,100
		1,959,982	1,947,499

The loans receivable to directors and employees are secured by property mortgages.

Remuneration to directors and executive staff follows:

	2016	2015
Directors' allowances	**118,800**	118,800
Executive staff salaries and pension	**436,557**	429,296
	555,357	548,096

19. Commitments and contingencies

Commitments
Customer loans approved by the Development Board but not disbursed amounted to EC$1,861,127 as at December 31, 2016 (2015: $1,847,502).

Contingencies
By virtue of the Development Board Act R.S.A.c.D10, the Development Board's retirement benefit is sponsored by the Government of Anguilla under its Pension Scheme for Public Officers. The scheme is a defined contributory state plan which operates under the simple pay-as-you-go basis. Obligations for contributions to the defined contribution state plan are recognized as a pension expense in profit or loss when they are due.

19. Commitments and contingencies *(continued)*

Contingencies (continued)
In 2013, the Government of Anguilla is requesting refund for pensions amounting to $591,916 accruing from prior years to reporting date paid by the latter to two former employees of the Government of Anguilla who were seconded to the Development Board. The Development Board believes that such charges are not the responsibility of the Development Board and is contesting these charges as at report date. As at December 31, 2016, the total pension amounted to $807,331 (2015: $735,526). Both amounts were not recorded in the Development Board's financial statements as at December 31, 2016 and 2015.

20. Subsequent events

Anguilla suffered a devastating setback to the recovery of the economy as Hurricane Irma hit on September 6th, 2017. As such numerous homes, businesses and other properties were damaged. Hotels remained closed deferring their openings from the usual November 2017 to April 2018 and in some cases a later opening of November 2018. As this is the largest employment sector on the island, many persons have been made unemployed or remain unemployed further delaying the recovery of the economy. Based on the Board current assessment, the impact of the hurricane on the Company's active loans and paying customers are insignificant. However, the Board continues to monitor and remains cognizant on the ongoing effect of hurricane Irma to the country and specifically to the Board's loan portfolio and operation.