



ANGUILLA TOURIST BOARD

Financial Statements

December 31, 2016

(Expressed in Eastern Caribbean Dollars)

The Anguilla Tourist 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 evidences 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 Tourist 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 Tourist Board was accepted by me. BDO was directed to undertake its audit in accordance with appropriate auditing standards, and I accept the results of its audit of the Board's financial statements for the year ended 31 December 2016.

As recorded in its Auditors' Report, BDO has audited the financial statements of the Anguilla Tourist 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 its audit.

BDO conducted its 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 considers that the audit evidence it has obtained is sufficient and appropriate to provide a basis for its opinion.

In BDO's opinion the financial statements present fairly, in all material respects, the financial position of the Anguilla Tourist 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

Section 52 of the Act states that the auditor in his or her examination of the financial statements shall make such checks as he or she considers necessary to enable him or her to form an opinion as to, but not limited to whether all money appropriated or otherwise disbursed is applied to the purpose for which the House of Assembly intended to provide, and that the expenditure conforms to the authority that governs it.

BDO observed that the following limitations impeded it from providing an audit opinion on regularity as required by S52 of the Act.

BDO was not provided with evidence of approval by the Board of Directors, appropriate minister, Minister of Finance as well as approval by the House of Assembly on the Board estimates of its recurrent revenue, expenditure and capital. The approved budget should have been used as a benchmark, in order for BDO to make appropriate checks as it considered necessary to enable it to form an opinion in accordance with Section 52 of the Act.

The Board does not have written procurement policies to be used as a benchmark in entering into contractual agreements and appointing agents to represent the Board. This policy is needed and should have been used as a benchmark in order for BDO to properly make checks as it considered necessary to enable it to form an opinion in accordance with S52 of the Act.

No reports or documentation exist on the various overseas marketing representatives' performance during the year before renewing their contract for BDO to review. There were no guidelines to determine whether these representatives were performing based on the Board's and Anguilla's expectations.

There was no reporting or review as stipulated in the contracts of each marketing representative for the following:

- status of marketing activities;
- benchmarking of monthly planned initiatives with the actual; and
- the monthly return on investment and key performance indicators and documentation of the effect of the marketing activities on the tourism of the island.

As a result, BDO could not corroborate the expenses recorded in general to the planned initiatives of each of the representatives.

The Board did not have written policies on international travel and subsistence. BDO did not receive approved budgets for each international travel to make sure expenses incurred were valid and within approved limits.

The Board did not have written policies on transport allowance, per diem, meal allowance accommodation etc, per type of individual visiting the island for its hosting expenses. BDO did not receive approved budgets for each hosting expense to make sure that were valid and were within approved limits.

The Board did not have written policies for capitalisation of purchase or supplies, furniture and equipment used in trade shows and exhibits. The Board immediately expensed such items and did not account or record properly for monitoring and future usage.

The Board did not have policies over sub-contracted services made by overseas representatives Per Section 24 of the Anguilla Tourist Board Act, the Board has the power to enter into contracts and appoint agents to represent the board outside Anguilla and to carry out such other functions as may be assigned to them by the Board in writing. In that case the overseas representatives are under the power of the board and thus all contracts and sub-contracts entered into by the representatives on behalf of the Board should be pre-approved and authorized by the Board before engaging the services. In 2016 PM Group in USA contracted Bloomberg, Live Communication, Cision and PR newswire while UK representatives contracted White Tiger and Christina Brook for its public relations activities without approved contractual arrangements. Due to the absence of contracts the Board does not have benchmarks or bases for the amounts paid to various sub-contracted companies other than to rely on the information submitted by the representatives.

The Portfolio Management Group was appointed during the year to be the Board's marketing representative for the USA and Canada with a total budget of EC\$2,016,150.

- Marketing initiatives were general in nature and there were no guidelines on how the budget would be spent. Also, there was no review made or any assessment of the key performance indicators, development of tourism in Anguilla and other monthly reporting review to ensure that PM Group was performing based on the Board's expectation.
- The comparison of budgeted expenses per initiative versus the actual could not be verified as most of the supporting evidence for expenses had no description of what initiative it related to. There were no descriptions of activities in the invoices, neither the name of the Anguilla Tourist Board to ensure that the activities or expenses paid were for the Board's purposes. Most evidence was photocopied and original invoices were not on file and there was no audit trail to show review and approval of each invoice.
- As stipulated in the PM Group contract, all administrative expenses of US\$1000 or more, with the exception of airline tickets, should be pre-approved by the Board. However, most were not.

These are serious regularity issues which, as a minimum, call into question the value for money provided by some aspects of the Anguilla Tourist Board activities. The Board and Government of Anguilla should put in place arrangements to ensure that the shortcomings mentioned above are mitigated in the future.

Furthermore, the Board was not in compliance with the regulatory reporting requirements of the Anguilla Tourist Board Act 2000 which requires the Board to submit audited financial statements to the Government of Anguilla within 12 months of the year-end.

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



Richard Harries
Chief Auditor
11 January 2021

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AGENCY INFORMATION

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OFFICE ADDRESS

Coronation Avenue
The Valley
Anguilla
British West Indies

CURRENT DIRECTORS

Donna Banks - Chairman of the Board from June 2015 to present
Myrna Sasso - from June 2015 to present
Chesney Hughes - from June 2015 to present
Lockhart Hughes - from July 2017 to present
Marisa Gumbs - from September 2016 to present
Kenroy Herbert - from July 2017 to July 2019
Warren Buddle - from July 2017 to July 2019

FORMER DIRECTORS

Oliver MacDonna - Chairman of the Board (Ag) - June 2013 until May 2014
Oliver MacDonna - Director until May 2015
Leslie Richardson - former Chairman and Director until April 2013
Alfred Thompson - from June 2015 until May 2017
Gilda Gumbs Samuel - from June 2015 until May 2017
Jackie Pascher - former Director until May 2013
Scott Hauser - former Director until May 2015
Karl Woodley - former Director until April 2014
Chrislyn Hughes - former Director until May 2015

RECORDING SECRETARY

Gina Brooks - current
Candice Niles - former

BANKERS

National Commercial Bank of Anguilla Limited
(formerly National Bank of Anguilla and Caribbean Commercial Bank)
1st Mary's Street
The Valley, A1-2640
Anguilla, B.W.I.

CURRENT SOLICITOR

SER Legal and Consultancy Services
Rock Farm, The Valley, Anguilla

FORMER SOLICITOR

Keesha Fleming Lake, Attorney and Counselor at Law - former solicitor until May 2015
Tara Carter and Associates - former solicitor until July 2016

AUDITORS

BDO LLC
Chartered Accountants
Fairplay Complex, Cosley Drive
The Valley, Anguilla



BDO LLC
P.O. Box 136
17 Fairplay Complex
Cosley Drive
The Valley, AI-2640
Anguilla, BWI

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INDEPENDENT AUDITOR'S REPORT

To the Chief Auditor of Anguilla Tourist Board

Report on the Audit of the Financial Statements

Opinion

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

- the statement of financial position as at December 31, 2016;
- the statement of comprehensive loss, changes in fund deficit and cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

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 Company 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 IFRS, 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 Chief Auditor of Anguilla Tourist Board *(continued)*

Report on the Audit of the Financial Statements *(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.

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.



INDEPENDENT AUDITOR'S REPORT ON REGULARITY

To the Chief Auditor of Anguilla Tourist Board

Report on Regularity Requirements

Bases for Disclaimer of Opinion on Regularity

Section 52 of the Financial Administration and Audit Act (the "Act") states that the auditor in his or her examination of the Company's financial statements shall make such checks as he or she considers necessary to enable him or her to form an opinion as to, but not limited to whether all money appropriated or otherwise disbursed is applied to the purpose for which the House of Assembly intended to provide, and that the expenditure conforms to the authority that governs it.

However, the following scope limitations impede us from providing an audit opinion on regularity as required by Section 52 of the Financial Administration and Audit Act:

- a) We were not provided with any evidence of approval by the Board of Directors, appropriate minister, Minister of Finance as well as approval by the House of Assembly on the Board estimates of its recurrent revenue, expenditure and capital. The approved budget should have been used as a benchmark in order for us to make appropriate checks as we consider necessary to enable us to form an opinion in accordance with Section 52 of the Financial Administration and Audit Act.
- b) The Board doesn't have written procurement policies to be used as a benchmark in entering into contractual agreements and appointing agents to represent the Board. This policy is needed and should have been used as a benchmark in order for us to properly make checks as we consider necessary to enable us to form an opinion in accordance with Section 52 of the Financial Administration and Audit Act.
- c) No reports or documentation exist on the various overseas marketing representatives' performance during the year before renewing their contract for the auditor to review. There were no set of guidelines to determine whether these representatives are performing based on the Board's and Anguilla's expectations.
- d) There were no reporting and review of the following as stipulated in the contracts of each marketing representatives:
 - status of marketing activities;
 - the benchmarking with the monthly planned initiatives versus the actual;
 - the monthly ROI and KPI's and documentation of the effect of the marketing activities to the tourism industry of the island

As a result, we cannot corroborate the expenses recorded in general to the planned initiatives of each of the representatives.

- e) The Board does not have written policies on international travel and subsistence. We have not received approved budgets for each international travel to make sure that expenses incurred are valid and within the approved limits.



INDEPENDENT AUDITOR'S REPORT ON REGULARITY *(continued)*

To the Chief Auditor of Anguilla Tourist Board *(continued)*

Report on Regularity Requirements *(continued)*

Bases for Disclaimer of Opinion on Regularity *(continued)*

However, the following scope limitations impede us from providing an audit opinion on regularity as required by Section 52 of the Financial Administration and Audit Act: *(continued)*

- f) The Board does not have written policies on transportation allowance, per diem, meal allowance, accommodation, etc. per type of individual visiting the Island for its hosting expenses. We have not received approved budgets for each hosting expense to make sure that expenses incurred are valid and within the approved limits.
- g) The Board does not have written policies over the capitalization of purchases on supplies, furniture and equipment used in trade shows and exhibits. The Board's policy is to immediately recognize these as expenses upon purchase and not accounted nor recorded properly for monitoring and future usage.
- h) The Board does not have policies over sub-contracted services made by overseas representatives. Per Anguilla Tourist Board Act, section 24, the Board has the power to enter into contracts and appoint agents to represent the Board outside Anguilla and to carry out such other functions as may be assigned to them by the Board in writing. In that case, the overseas representatives are under the power and supervision of the Board and thus, all contracts or sub-contracts entered into by the representatives on behalf of the Board should be pre-approved and authorized by the Board before engaging the services. For the year 2016 PM Group in USA contracted Bloomberg, Live Communication, Cision and PR Newswire while UK representative contracted White Tiger and Christina Brook for its public relations activities without approved contractual arrangements. Due to the absence of contract, the Board does not have benchmarks or bases of the amounts paid to various sub-contracted companies other than to rely on the information submitted by its representatives.
- i) The Portfolio Management Group is the Board marketing representative for the United States of America and Canada during the year with a total budget of EC\$2,016,150. The following are matters that hinder us from forming an opinion in accordance with Section 52 of the Financial Administration and Audit Act with regards to the PM Group:
 - The marketing initiatives were general in nature and no guidelines on how the budget will be spent. Also, no review made or any assessment of the key performance indicators, development of tourism in AXA and other monthly reporting review to ensure that PM Group is performing based on the Board's expectation.



INDEPENDENT AUDITOR'S REPORT ON REGULARITY *(continued)*

To the Chief Auditor of Anguilla Tourist Board *(continued)*

Report on Regularity Requirements *(continued)*

Bases for Disclaimer of Opinion on Regularity *(continued)*

However, the following scope limitations impede us from providing an audit opinion on regularity as required by Section 52 of the Financial Administration and Audit Act: *(continued)*

- i) The Portfolio Management Group *(continued)*
 - The comparison of expenses per initiatives versus the actual cannot be verified as most of the expense supports have no description of what initiatives it relates. Some were paid through credit cards and the only supports are credit card statements and do not specify what specific marketing plan it relates. There were no description of activities in the invoices/statements neither name of the Anguilla Tourist Board in the description portion of the invoices/statements to ensure that the activities or expenses paid are for the Board's purposes. Most of the supports are photocopied, original invoices are not on file and there are no audit trail on the review of and approval of each invoice.
 - As stipulated in the contract of the PM Group, all administrative expenses of any single item of US\$1,000 or more with the exception of airline tickets should be pre-approved by the Board; however, most of these expenses exceeding the aforementioned amount was not properly approved by the Board.

Disclaimer of Opinion on Regularity

Because of the significance of the matters described in the Bases for Disclaimer of Opinion on regularity paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on regularity as required by Section 52 of the Financial Administration and Audit Act. Accordingly, we do not express an opinion on regularity on these financial statements.

Other

The Board is not in compliance with the regulatory reporting requirements pursuant to the Anguilla Tourist Board Act of 2000, R.S.A. c. A80, wherein it requires the Board to submit audited financial statements to the Government of Anguilla within three months after the year end.

Chartered Accountants
22nd of February 2020
The Valley
Anguilla
British West Indies


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

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

| | <i>Notes</i> | 2016 | 2015 |
|---|--------------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment - net | 7 | 907,267 | 1,013,607 |
| Current assets | | | |
| Prepayments | 8 | 80,133 | 419,944 |
| Account receivable - net | 9 | 712,602 | 138,199 |
| Cash on hand and in bank | 11 | 68,728 | 135,849 |
| Total current assets | | 861,463 | 693,992 |
| Total Assets | | 1,768,730 | 1,707,599 |
| FUND DEFICIT AND LIABILITIES | | | |
| Fund deficit | | (1,099,235) | 403,509 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowing - net of current portion | 12 | 210,543 | 276,932 |
| Current liabilities | | | |
| Borrowing - current portion | 12 | 57,465 | 44,582 |
| Accounts payable and accrued expenses | 13 | 2,595,912 | 978,531 |
| Bank overdraft | 11 | 4,045 | 4,045 |
| Total current liabilities | | 2,657,422 | 1,027,158 |
| Total Fund Deficit and Liabilities | | 1,768,730 | 1,707,599 |

These financial statements on pages 7 to 30 were approved and authorized for issue by the Board of Directors on ~~Feb 22, 2017~~ and were signed on its behalf by:


 Donna A. Banks
 Chairman of the Board


 Marisa Gumbs, Director

The notes on pages 11 to 30 are integral part of these financial statements.

ANGUILLA TOURIST BOARD
Statement of Comprehensive Loss
For the Year Ended December 31, 2016

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

| | <i>Notes</i> | 2016 | 2015 |
|--|--------------|---------------------|---------------------|
| REVENUES | | | |
| Government subventions | 14 | 9,200,004 | 9,200,004 |
| Other revenues | 14 | 717,282 | 765,306 |
| | | 9,917,286 | 9,965,310 |
| DIRECT EXPENSES | | | |
| Marketing expenses | 15 | (8,955,809) | (7,672,529) |
| St. Maarten-Anguilla Ferry Terminal development expenses | 14 | (885,555) | (937,966) |
| | | (9,841,364) | (8,610,495) |
| ADMINISTRATIVE EXPENSES | | | |
| Salaries and wages | 16 | (740,708) | (717,804) |
| Impairment loss | 10 | (2,285) | (191,523) |
| Professional fees | | (157,260) | (124,282) |
| Legal claim settlement | 22 | (132,452) | - |
| Employee benefits | 17 | (118,787) | (122,227) |
| Depreciation and amortization | 7 | (114,841) | (113,494) |
| Utilities | | (78,875) | (88,289) |
| Board members' fees | 19 | (53,400) | (57,039) |
| Other | 18 | (140,078) | (170,921) |
| | | (1,538,686) | (1,585,579) |
| | | (11,380,050) | (10,196,074) |
| NET OPERATING LOSS | | (1,462,764) | (230,764) |
| OTHER INCOME (EXPENSES) | | | |
| Interest income | | 251 | 1,992 |
| Interest expense | 12 | (24,779) | (29,630) |
| Bank charges | | (15,452) | (12,780) |
| | | (39,980) | (40,418) |
| NET COMPREHENSIVE LOSS FOR THE YEAR | | (1,502,744) | (271,182) |

The notes on pages 11 to 30 are integral part of these financial statements.

ANGUILLA TOURIST BOARD
Statement of Changes in Fund Deficit
For the Year Ended December 31, 2016

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

| | <i>Notes</i> | 2016 | 2015 |
|-------------------------------------|--------------|--------------------|----------------|
| Fund Deficit | | | |
| Balance at beginning of year | | 403,509 | 674,691 |
| Net comprehensive loss for the year | | (1,502,744) | (271,182) |
| Balance at end of the year | | (1,099,235) | 403,509 |

The notes on pages 11 to 30 are integral part of these financial statements.

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

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

| | <i>Notes</i> | 2016 | 2015 |
|---|--------------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Net comprehensive loss for the year | | (1,502,744) | (271,182) |
| Adjustments for: | | | |
| Impairment loss | 10 | 2,285 | 191,523 |
| Depreciation and amortization | 7 | 114,841 | 113,494 |
| Interest expense | 12 | 24,779 | 29,630 |
| Interest income | | (251) | (1,992) |
| Net (loss)/income before working capital changes | | (1,361,090) | 61,473 |
| (Increase) decrease in: | | | |
| Other assets | | - | 71,904 |
| Prepayments | | 339,811 | (245,989) |
| Accounts and other receivable | | (576,688) | (265,542) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | | 1,617,381 | 413,605 |
| Cash provided by operations | | 19,414 | 35,451 |
| Interest received | | 251 | 1,992 |
| Net cash provided by operating activities | | 19,665 | 37,443 |
| Cash flow used in investing activity | | | |
| Acquisition of property and equipment | 7 | (8,501) | (1,802) |
| Cash flows from an investing activity | | | |
| Payment of borrowings | | (53,506) | (48,797) |
| Interest paid | 12 | (24,779) | (29,630) |
| Net cash used in financing activities | | (78,285) | (78,427) |
| Net decrease in cash on hand and in bank, net of bank overdraft | | (67,121) | (42,786) |
| Net cash on hand and in bank at beginning of year, net of bank overdraft | | 131,804 | 174,590 |
| Net cash on hand and in bank at end of year, net of bank overdraft | 11 | 64,683 | 131,804 |

The notes on pages 11 to 30 are integral part of the financial statements.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements
December 31, 2016

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

1. Reporting entity

The Anguilla Tourist Board (the "Board") was established in Anguilla by virtue of the Anguilla Tourist Board Act 1993. Its principal activities are to encourage, promote, and develop tourist travel to Anguilla as well as to provide adequate, efficient tourism services for the island.

The Board's registered address and principal place of business is at Coronation Avenue, The Valley, Anguilla.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 is described below:

Allowance for impairment loss

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

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
December 31, 2016

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

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Allowance for impairment loss (continued)

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

The carrying value of accounts receivable is disclosed in note 9 to the financial statements.

Determination of fair values

The fair values of financial assets and liabilities have been determined for measurement and/or disclosure purposes based on the methods described in note 21(d) to the financial statements.

It is possible based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset.

Estimating useful life of property and equipment

Property and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the profit or loss in specific periods. More details including carrying values are included in note 3(d).

3. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the Board's functional currency at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into United States Dollars at the foreign 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.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
December 31, 2016

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

3. Significant accounting policies (continued)

(a) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the Board'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 profit or loss.

(b) Change in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the 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*

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2016 that had a significant effect on the Board's financial statements.

IFRS 14 Regulatory Deferral Accounts is the only new Standard effective from 1 January 2016. None of the amendments to Standards that are effective from that date had a significant effect on the Board's financial statements.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

3. Significant accounting policies (continued)

(c) Non-derivative financial instruments

Non-derivative financial instruments comprise cash on hand and in bank, accounts receivable, borrowing and accounts payable and accrued expenses.

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.

Accounts receivable

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

Other

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

(d) Property and equipment

i. Recognition and measurement

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

Expenditure incurred to replace the component of an item of property and equipment that is accounted for separately, is capitalized with the carrying amount of the existing component being written off. Other subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the profit or loss 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 within the carrying amount of property and equipment and are recognized net in the 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 the profit or loss as incurred.

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

3. Significant accounting policies (continued)

(d) Property and equipment (continued)

iii. Depreciation and amortization

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. Depreciation commences once the asset is available for use in the operation.

The estimated useful lives for the current and comparative years are as follows:

| | |
|------------------------|---|
| Leasehold improvements | - 50 years or the lease term whichever is shorter |
| Computer and equipment | - 4 to 5 years |
| Furniture and fittings | - 5 to 10 years |
| Motor vehicles | - 5 years |

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

Fully depreciated assets are retained in the accounts unless derecognize and remove from the books if no future benefit that can be obtained upon ultimate disposal.

(e) Impairment

i. 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.

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. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

ii. Non-financial assets

The carrying amounts of the 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.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements *(continued)*
December 31, 2016

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

3. Significant accounting policies *(continued)*

(e) Impairment *(continued)*

ii. Non-financial assets (continued)

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.

(f) Revenues

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Board and revenue can be reliably measured.

Government grants

Government grants are income derived primarily from the Government of Anguilla in the form of fixed monthly subventions. These subventions are the sole source of the Board's operating income.

Government grants that compensate the Board for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized.

Other revenue

Other revenues originate from different projects undertaken by the Board and are recognized upon receipt.

(g) Interest income and expenses

Interest income and expenses pertain to cash in bank and borrowing, respectively. Interest income and expenses are recognized as it accrues in profit or loss using the effective interest rate method.

(h) Cost and expense recognition

Cost and expense are recognized in the profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Cost and expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

3. Significant accounting policies (continued)

(i) Employee benefits

i. Short-term benefit

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

ii. Retirement benefits

The 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 plan are recognized as pension expense in the profit or loss.

(j) Provisions

A provision is recognized if, as a result of a past event, the 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.

(k) 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 Board's benefits.

(l) Subsequent events

Post year-end events that provide additional information about the 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.

(m) 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, 2016 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*
- *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*

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

3. Significant accounting policies (continued)

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

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

(o) Comparatives

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

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 Board's financial assets and financial liabilities are recorded at amortized cost subsequent to their initial recognition.

5. Financial risk management

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

5. Financial risk management (continued)

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

Risk management framework

The Board does not have a formal risk management framework however the Board of Directors have overall responsibilities for the establishment and oversight of the Board's operation including the risk that the Board may face. The Board has assigned the Director and department heads to be responsible in the developing and monitoring Board's risk management in their specified areas. These officers report regularly to the Board of Directors on their activities.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Board's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. Impairment provisions are made for losses that have been incurred as at the reporting date, if any. The Board monitors this risk annually or more frequently as deemed necessary.

(b) Liquidity risk

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

Management of liquidity risk

The 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 Board's reputation.

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 Board.

(c) Market risk

Market risk includes interest rate risk and foreign currency risk.

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.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

5. Financial risk management (continued)

(c) Market risk (continued)

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.

6. Critical accounting estimates and judgments

The 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 receivable

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

b. Estimated useful lives of property and equipment

The 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 7.

c. Determination of fair values of financial instruments

The 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 21.

- The fair value of cash on hand and in bank, accounts and other receivables and accounts payable are assumed to approximate their carrying values due to their short-term nature.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

6. Critical accounting estimates and judgments (continued)

c. Determination of fair values of financial instruments (continued)

- 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. Property and equipment - net

| | Leasehold improvements | Computers & equipment | Furniture & fittings | Motor vehicles | Total |
|---------------------------------|---------------------------|--------------------------|-------------------------|-------------------|------------------|
| Cost | | | | | |
| December 31, 2014 | 1,397,937 | 175,219 | 90,509 | 76,388 | 1,740,053 |
| Additions | - | - | 1,802 | - | 1,802 |
| December 31, 2015 | 1,397,937 | 175,219 | 92,311 | 76,388 | 1,741,855 |
| Additions | - | 1,899 | 6,602 | - | 8,501 |
| December 31, 2016 | 1,397,937 | 177,118 | 98,913 | 76,388 | 1,750,356 |
| Accumulated depreciation | | | | | |
| December 31, 2014 | 342,530 | 158,179 | 78,896 | 35,149 | 614,754 |
| Depreciation | 94,672 | 6,558 | 1,506 | 10,758 | 113,494 |
| December 31, 2015 | 437,202 | 164,737 | 80,402 | 45,907 | 728,248 |
| Depreciation | 94,672 | 8,034 | 1,377 | 10,758 | 114,841 |
| December 31, 2016 | 531,874 | 172,771 | 81,779 | 56,665 | 843,089 |
| Net book values | | | | | |
| December 31, 2015 | 960,735 | 10,482 | 11,909 | 30,481 | 1,013,607 |
| December 31, 2016 | 866,063 | 4,347 | 17,134 | 19,723 | 907,267 |

8. Prepayments

| | 2016 | 2015 |
|-----------------------------|---------------|----------------|
| Security deposits - SXM | 39,651 | 43,991 |
| Prepayments | 37,928 | 345,941 |
| Deposit - CSB Communication | 2,554 | 2,554 |
| Advances | - | 27,458 |
| | 80,133 | 419,944 |

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

8. Prepayments (continued)

Security deposits of SXM represents the deposit made for the rented St. Maarten Ferry Terminal (SMAFT) with Brickworks N.V. This deposit is equivalent to the two (2) month rent of the facility which will serve as security for the proper fulfilment of all obligations of the Board and will be repaid to the Board after fully vacating the premises and after satisfactorily discharging all bills and obligations.

Prepayments consist of unexpired portion of insurance for the SMAFT, rental and management fee.

9. Accounts receivable - net

| | <i>Note</i> | 2016 | 2015 |
|-------------------------------|-------------|------------------|-------------|
| Government of Anguilla | | 966,900 | 401,849 |
| The Britto Agency | | 208,827 | 208,827 |
| Other accounts receivable | | 266,982 | 255,345 |
| Total gross receivables | | 1,442,709 | 866,021 |
| Allowance for impairment loss | <i>10</i> | (730,107) | (727,822) |
| | | 712,602 | 138,199 |

The receivable from the Government of Anguilla mainly pertains to remaining subvention allotted for the year ended December 31, 2016 which was not received by the Board. This consists also of the previous years' receivable which was not collected in 2016 amounting to EC\$401,849. This amount was fully provided with impairment loss (see Note 10).

The Britto Agency receivable pertains to double and excess payments made during the year 2015 with allowance for impairment as at December 31, 2016 (see Note 10).

Other accounts receivable represents amounts owed by hoteliers and other industry partners for their participation in trade shows and other promotional programs.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

10. Allowance for impairment loss

The movement of allowance for impairment loss follows:

| | <i>Note</i> | 2016 | 2015 |
|------------------------------|-------------|----------------|----------------|
| Balance at beginning of year | | | |
| Government of Anguilla | | 401,849 | 401,849 |
| The Britto Agency | | 208,827 | 53,200 |
| Others | | 117,146 | 81,250 |
| | | 727,822 | 536,299 |
| Impairment loss | | | |
| The Britto Agency | | - | 155,627 |
| Others | | 2,285 | 35,896 |
| | | 2,285 | 191,523 |
| Balance at end of year | | | |
| Government of Anguilla | | 401,849 | 401,849 |
| The Britto Agency | | 208,827 | 208,827 |
| Others | | 119,431 | 117,146 |
| | 9 | 730,107 | 727,822 |

11. Cash on hand and in bank

| | 2016 | 2015 |
|---|---------------|----------------|
| Cash on hand and in bank | 68,728 | 135,849 |
| Bank overdraft | (4,045) | (4,045) |
| Net cash in the statement of cash flows | 64,683 | 131,804 |

12. Borrowing

The components of bank borrowing are as follows:

| | 2016 | 2015 |
|---|----------------|----------------|
| Loan from Caribbean Commercial Bank | 268,008 | 321,514 |
| Less current portion as presented separately in the statement of financial position | (57,465) | (44,582) |
| Non-current portion as presented separately in the statement of financial position | 210,543 | 276,932 |

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

12. Borrowing (continued)

This loan was granted to finance the construction of the new office building of the Anguilla Tourist Board on September 3, 2002 in the amount of EC\$750,000. This loan is being repaid in two hundred and forty (240) equal monthly instalments of EC\$6,509 including interest. This unsecured loan carries an interest rate of 8.5% per annum. Total interest incurred for the year amounted to EC\$24,779 (2015: EC\$29,630).

There were no recorded defaults or loan restructuring occurred during the year 2016 and 2015.

13. Accounts payable and accrued expenses

| | <i>Note</i> | 2016 | 2015 |
|------------------------|-------------|------------------|----------------|
| Accounts payable | | 2,415,837 | 848,907 |
| Legal claim settlement | 22 | 132,452 | - |
| Accrued expenses | | 34,287 | 116,288 |
| Employee payable | | 13,336 | 13,336 |
| | | 2,595,912 | 978,531 |

Details of accounts payable per creditors follow:

| | 2016 | 2015 |
|--------------------------------|------------------|----------------|
| The Portfolio Management Group | 975,305 | 261,083 |
| Interamerican Travel Industry | 296,963 | 85,831 |
| Seaborne Airlines | 276,280 | - |
| Caribbean Tourism Organization | 137,925 | 67,135 |
| Paoli Associates | 57,715 | 85,667 |
| Others | 671,649 | 349,191 |
| | 2,415,837 | 848,907 |

14. Revenues

| | 2016 | 2015 |
|-------------------------------------|------------------|------------------|
| Government subventions | 9,200,004 | 9,200,004 |
| Other revenues | | |
| St. Maarten-Anguilla Ferry Terminal | 695,022 | 690,571 |
| Miscellaneous | 22,260 | 74,735 |
| | 717,282 | 765,306 |

The St. Maarten-Anguilla Ferry Terminal (SMAFT) income pertains to passengers' levy fee collected by Anguilla Air and Sea Ports Authority (AASPA) on behalf of the Board.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

14. Revenues (continued)

Details of the cost of operations of St. Maarten-Anguilla Ferry Terminal follow:

| | <i>Note</i> | 2016 | 2015 |
|--------------------------|-------------|----------------|-------------|
| Management fee | | 343,261 | 321,658 |
| Rent | 20 | 234,081 | 218,982 |
| Security services | | 144,710 | 161,865 |
| Repairs and maintenance | | 62,990 | 87,768 |
| AASPA administrative fee | | 33,360 | 34,348 |
| Utilities | | 21,003 | 26,628 |
| Licenses and insurance | | 11,904 | - |
| Communication | | 9,709 | 15,745 |
| Attendant | | - | 45,162 |
| Supplies | | - | 8,000 |
| Others | | 24,537 | 17,810 |
| | | 885,555 | 937,966 |

15. Marketing expenses

| | 2016 | 2015 |
|--|------------------|-------------|
| Local marketing | | |
| Access development | 890,340 | 559,546 |
| Hosting | 473,134 | 341,651 |
| Sponsorships and contributions | 309,439 | 363,059 |
| Local festival events sponsorships | 199,086 | 457,150 |
| Membership dues | 166,668 | 166,668 |
| Travel and subsistence | 158,364 | 211,256 |
| Advertising | 127,041 | 268,361 |
| Online promotions and website | 107,257 | 251,353 |
| Collateral and shipping | 98,100 | 108,403 |
| Product development and human resource | 85,600 | 125,357 |
| Others | - | 47,275 |
| | 2,615,029 | 2,900,079 |

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

15. Marketing expenses (continued)

| | 2016 | 2015 |
|--------------------------------------|------------------|------------------|
| Overseas marketing | | |
| Representative administrative fees | 2,792,794 | 2,165,025 |
| Advertisement and sales | 1,121,492 | 854,961 |
| Trade and consumer promotions | 1,037,353 | 756,663 |
| Familiarity visits and others | 513,560 | 443,008 |
| Fairs and exhibitions | 447,187 | 485,015 |
| Collateral | 428,394 | - |
| Public relations (The Britto Agency) | - | 67,778 |
| | 6,340,780 | 4,772,450 |
| | 8,955,809 | 7,672,529 |

15.1 Public relations (The Britto Agency)

Expenses incurred and paid by the Board on behalf of the Government of Anguilla in relation to The Britto Agency Contract covering the year 2015 consist of New Year's event worth EC\$67,778.

15.2 Representative administrative fees

Details of representative administrative fees follow:

| | 2016 | 2015 |
|--------------------------------|------------------|------------------|
| Retainer fees | | |
| North America (USA and Canada) | 1,612,920 | 975,817 |
| Puerto Rico and Latin America | 193,550 | 344,089 |
| United Kingdom | 182,115 | 204,424 |
| Italy | 125,324 | 125,324 |
| Germany | 118,550 | 118,550 |
| | 2,232,459 | 1,768,204 |
| Administrative expenses | | |
| North America (USA and Canada) | 240,531 | 257,718 |
| Puerto Rico and Latin America | 137,719 | 116,740 |
| United Kingdom | 153,807 | 10,417 |
| Italy | 16,330 | 8,234 |
| Germany | 11,948 | 6,593 |
| | 560,335 | 399,702 |
| | 2,792,794 | 2,167,906 |

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

16. Salaries and wages

| | 2016 | 2015 |
|----------------|---------|---------|
| Basic salaries | 740,708 | 717,804 |

Key management basic salaries included in this account amounted to EC\$397,390 for the year ended December 31, 2016.

17. Employee benefits

| | 2016 | 2015 |
|--|----------------|----------------|
| Health insurance | 37,506 | 39,780 |
| Contribution to the Government Pension Fund | 36,364 | 43,000 |
| Social security | 32,711 | 31,147 |
| Travel, entertainment and miscellaneous allowances | 12,206 | 8,300 |
| | 118,787 | 122,227 |

Total key management benefits included in this account amounted to EC\$44,693 for the year ended December 31, 2016.

18. Other administrative expenses

| | 2016 | 2015 |
|----------------------------|----------------|----------------|
| Repairs and maintenance | 56,553 | 64,590 |
| Office supplies | 28,827 | 18,041 |
| Foreign exchange losses | 25,413 | 32,718 |
| Insurance and license fees | 14,754 | 3,756 |
| Other | 14,531 | 51,816 |
| | 140,078 | 170,921 |

19. Related party transactions

Parties are considered to be 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.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

19. Related party transactions (continued)

In the ordinary course of business, the Board had significant transactions with related parties as follows:

| | <i>Note</i> | 2016 | 2015 |
|---|-------------|-----------|-----------|
| Board members' fees | | 53,400 | 57,039 |
| Key management personnel compensation | 16,17 | 442,083 | 390,717 |
| Transactions with Government of Anguilla for: | | | |
| Subventions and other contributions recorded as | | | |
| revenues | 14 | 9,200,004 | 9,200,004 |
| Receivable | 9 | 966,900 | 401,849 |
| Allowance for impairment | 9,10 | (401,849) | (401,849) |

All transactions involving related parties are non-interest bearing, unsecured and generally have no definite repayment schedule.

20. Leases

a. Lease of the office property

The Board leases a parcel of land from the Government of Anguilla where the building is located at a nominal fee of EC\$1.00 per annum. The lease period covers 99 years starting on 12 July 2001.

b. Lease of the St. Maarten-Anguilla Ferry Terminal

On March 1, 2015, the Board entered into an operating lease agreement with Brickworks N.V. for the St. Maarten-Anguilla Ferry Terminal. The lease is for the period commencing on March 1, 2015 until February 28, 2017 with an option to renew for a further one term. Rent is charged at US\$7,000 per month and escalates in an increment of US\$250 at the beginning of each year. During the year, total rent expense incurred amounted to EC\$234,081 (2015: EC\$218,982).

The Board paid security deposit of EC\$39,651 in year 2014 and was recorded as part of prepayment account during that year (see Note 8). In addition, the Board paid non-refundable landlord development fee of US\$30,000 upon the consummation of the contract.

Minimum lease rental payments follow:

| | 2016 | 2015 |
|---------------------------------------|----------------|----------------|
| 1 year | 241,938 | 233,873 |
| Over 1 year but not more than 3 years | 41,667 | 283,606 |
| | 283,605 | 517,479 |

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

21. Financial instruments

Financial assets of the Board include cash on hand and in bank and accounts receivable. Financial liabilities include borrowing, accounts payable and accrued expenses and bank overdraft.

(a) Credit risk

Credit risk on receivables is concentrated in the receivables from the Government of Anguilla, a related party.

(b) Liquidity risk

The Board's main source of funds is the Government of Anguilla by the way of an annual subvention and other contributions. During the year, the Board may be exposed to liquidity risk as a result of the difference of \$1,795,959 (2015: \$333,166) between the balance of current assets and current liabilities. The exposure may be reduced if the impaired receivables from the Government of Anguilla will be collected and an increase in subsequent subventions or reduced in subsequent year expenses.

Exposure to liquidity risk

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

| | Carrying amount | Gross nominal outflow | Less than 1 month | 1 - 2 months | 3 months | 1 - 5 years | More than 5 years |
|-------------------|-----------------|-----------------------|-------------------|--------------|----------|-------------|-------------------|
| December 31, 2016 | | | | | | | |
| Overdrafts | 4,045 | 4,045 | 4,045 | - | - | - | - |
| Accounts payable | 2,595,912 | 2,595,912 | 2,595,912 | - | - | - | - |
| Borrowings | 268,008 | 319,093 | 6,509 | 13,018 | 58,581 | 240,985 | - |
| | 2,867,965 | 2,919,050 | 2,606,466 | 13,018 | 58,581 | 240,985 | - |
| December 31, 2015 | | | | | | | |
| Overdrafts | 4,045 | 4,045 | 4,045 | - | - | - | - |
| Accounts payable | 978,531 | 978,531 | 978,531 | - | - | - | - |
| Borrowings | 321,514 | 546,756 | 6,509 | 13,018 | 58,581 | 312,432 | 156,216 |
| | 1,304,090 | 1,529,332 | 989,085 | 13,018 | 58,581 | 312,432 | 156,216 |

(c) Market risk

Interest rate risk

All of the Board's interest-bearing assets and liabilities carry fixed interest rates during the term of the financial instruments. Therefore, the Board believes that there is no significant exposure to interest rate risk.

ANGUILLA TOURIST BOARD
Notes to the Financial Statements (continued)
As at and for the Year Ended December 31, 2016

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

21. Financial instruments (continued)

(c) Market risk (continued)

Foreign currency risk

Substantially, all of the Board's transactions, assets and liabilities are denominated in Eastern Caribbean dollars and United States dollars. The United States dollars is pegged at EC\$2.70 per US\$1. Therefore, the Board believes that there is no significant exposure to currency risk.

(d) Fair value

The fair value of cash on hand and in bank, accounts receivable, borrowing and accounts payable and accrued expenses are not materially different from their carrying amounts because of the short time to maturity.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates.

22. Subsequent events

In 2019, the Board and the Government of Anguilla entered into an amicable settlement and mutually agreeable agreement with a former key management personnel of the Board. The agreement is for the Government of Anguilla to pay the settlement amount and legal fees while the Board shall pay the holiday amount. The total settlement was equally accrued as legal settlement claim for the years ended December 31, 2016, December 31, 2017 and December 31, 2018. The amount settled by the Government of Anguilla in 2019 will be reported as additional subvention on the Board's 2019 financial statements.