

Anguilla Social Security Board  
Financial Statements  
December 31, 2005



# **ANGUILLA SOCIAL SECURITY BOARD**

## **Balance Sheet December 31, 2005**

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

	<u>Notes</u>	<u>2005</u>	<u>Restated 2004</u>
<b><u>ASSETS</u></b>			
Cash on Hand and in Bank	4	2,585,803	1,067,017
Financial Assets	5	130,362,497	116,288,813
Contingencies Reserve	6	1,350,000	1,350,000
Other Receivables	7	30,139	25,508
Prepayments	8	51,173	46,143
Stationery and Computer Supplies		23,548	15,030
Property, Plant, and Equipment	9	5,741,849	5,774,351
Software Costs	10	<u>320,765</u>	<u>265,645</u>
		<u>140,465,774</u>	<u>124,832,507</u>
<b><u>LIABILITIES, RESERVES and DEVELOPMENT FUND</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable and Accruals	11	87,834	34,000
Pension Fund Obligation	12	<u>1,230,288</u>	<u>1,193,607</u>
		<u>1,318,122</u>	<u>1,227,607</u>
<b><u>Reserves and Development Fund</u></b>			
Short-term Benefits Branch Reserve		2,581,767	2,590,356
Long-term Benefits Branch Reserve		135,568,802	120,081,730
Social Security Development Fund		493,809	386,383
Social Security Development Fund Reserve	13	500,000	250,000
Premises Revaluation Surplus	9	1,541,073	1,548,940
Unrealized Losses on Available-for-Sale Financial Assets	5	<u>(1,537,799)</u>	<u>(1,252,509)</u>
		<u>139,147,652</u>	<u>123,604,900</u>
		<u>140,465,774</u>	<u>124,832,507</u>

On behalf of the Board

\_\_\_\_\_  
*Chairman*  
*Dr. Aidan Harrigan*

\_\_\_\_\_  
*Director*  
*Timothy A. Hodge*

*The accompanying notes form an integral part of the financial statements.*

# **ANGUILLA SOCIAL SECURITY BOARD**

## **Combined Statement of Income** **For the year ended December 31, 2005**

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

	<u>Notes</u>	<u>2005</u>	<u>Restated</u> <u>2004</u>
<b>Income</b>			
Contributions	14	16,845,392	14,114,120
Investments	15	7,762,156	7,310,359
Other income - Fines and miscellaneous		<u>140,346</u>	<u>169,136</u>
		<u>24,747,894</u>	<u>21,593,615</u>
<b>Expenses</b>			
Benefits Expenditures:	16		
Short-term		1,961,088	1,719,590
Long-term		<u>3,071,497</u>	<u>2,801,604</u>
		5,032,585	4,521,194
Social Security Development Fund Expenditures	17	315,566	401,408
Administrative and Other Expenses	18	<u>3,693,187</u>	<u>3,687,086</u>
		<u>9,041,338</u>	<u>8,609,688</u>
<b>Operating Income</b>		15,706,556	12,983,927
<b>Other Income</b>			
Rent - net	19	<u>121,486</u>	<u>118,495</u>
<b>NET INCOME FOR THE YEAR</b>		<u>15,828,042</u>	<u>13,102,422</u>

*The accompanying notes form an integral part of the financial statements.*

**ANGUILLA SOCIAL SECURITY BOARD**  
**Short-term Benefits Branch**  
**Statement of Income and Reserve**  
**For the year ended December 31, 2005**

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

	<u>Notes</u>	<u>2005</u>	<u>Restated 2004</u>
<b>Income</b>			
Contributions	14	2,526,809	2,117,118
Investment Income	15	163,005	191,531
Other Income - Fines and miscellaneous		<u>70,173</u>	<u>84,568</u>
		<u>2,759,987</u>	<u>2,393,217</u>
<b>Expenses</b>			
Benefits	16	1,961,088	1,719,590
Administrative and Other Expenses	18	<u>811,219</u>	<u>806,738</u>
		<u>2,772,307</u>	<u>2,526,328</u>
<b>Operating Loss</b>		(12,320)	(133,111)
<b>Other Income</b>			
Rent - net	19	<u>2,551</u>	<u>3,105</u>
<b>NET LOSS FOR THE YEAR</b>		<u>(9,769)</u>	<u>(130,006)</u>

**SHORT-TERM BENEFITS BRANCH RESERVE**

Balances at the beginning of the year, as previously reported		2,708,031	2,832,347
Transitional effect of adopting IAS 19	3	(252,925)	(247,235)
Effect of change in accounting policy for Available for Sale Financial Assets	3	<u>135,250</u>	<u>135,250</u>
Balances at the beginning of the year, as restated		<u>2,590,356</u>	<u>2,720,362</u>
Depreciation transfer from Premises Revaluation Surplus	9	<u>1,180</u>	<u>-</u>
Net loss for the year, as previously reported		(9,769)	(124,316)
Transitional effect of adopting IAS 19	3	<u>-</u>	<u>(5,690)</u>
Net loss for the year, as restated		<u>(9,769)</u>	<u>(130,006)</u>
Balances at the end of the year, as restated		<u>2,581,767</u>	<u>2,590,356</u>

*The accompanying notes form an integral part of the financial statements.*

**ANGUILLA SOCIAL SECURITY BOARD**  
**Long-Term Benefits Branch**  
**Statement of Income and Reserve**  
**For the year ended December 31, 2005**

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

	<u>Notes</u>	<u>2005</u>	<u>Restated 2004</u>
<b>Income</b>			
Contributions	14	13,686,881	11,467,722
Investment Income	15	7,558,788	7,088,855
Other Income - Fines and miscellaneous		<u>70,173</u>	<u>84,568</u>
		<u>21,315,842</u>	<u>18,641,145</u>
<b>Expenses</b>			
Benefits	16	3,071,497	2,801,604
Administrative and Other Expenses	18	<u>2,881,968</u>	<u>2,880,348</u>
		<u>5,953,465</u>	<u>5,681,952</u>
<b>Operating Income</b>		15,362,377	12,959,193
<b>Other Income</b>			
Rent - net	19	<u>118,303</u>	<u>114,905</u>
<b>NET INCOME FOR THE YEAR</b>		<u>15,480,680</u>	<u>13,074,098</u>

**LONG-TERM BENEFITS BRANCH RESERVE**

Balances at the beginning of the year, as previously reported		117,885,423	104,790,162
Transitional effect of adopting IAS 19	3	(940,682)	(919,519)
Effect of change in accounting policy for Available for Sale Financial Assets	3	<u>3,136,989</u>	<u>3,136,989</u>
Balances at the beginning of the year, as restated		<u>120,081,730</u>	<u>107,007,632</u>
Depreciation transfer from Premises Revaluation Surplus	9	<u>6,392</u>	<u>-</u>
Net income for the year, as previously reported		15,480,680	13,095,261
Transitional effect of adopting IAS 19	3	<u>-</u>	<u>(21,163)</u>
Net income for the year, as restated		<u>15,480,680</u>	<u>13,074,098</u>
Balances at the end of the year, as restated		<u>135,568,802</u>	<u>120,081,730</u>

*The accompanying notes form an integral part of the financial statements.*

**ANGUILLA SOCIAL SECURITY BOARD**  
**Social Security Development Fund**  
**Statement of Income and Development Fund Reserve**  
**For the year ended December 31, 2005**

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

	<u>Notes</u>	<u>2005</u>	<u>Restated</u> <u>2004</u>
<b>Income</b>			
Contributions	14	631,702	529,280
Investment Income	15	<u>40,363</u>	<u>29,973</u>
		672,065	559,253
<b>Expenses: Social Projects funded</b>	17	<u>315,566</u>	<u>401,408</u>
<b>Operating Income</b>		356,499	157,845
<b>Other Income: Rent - net</b>	19	<u>632</u>	<u>485</u>
<b>NET INCOME FOR THE YEAR</b>		<u>357,131</u>	<u>158,330</u>

**SOCIAL SECURITY DEVELOPMENT FUND  
RESERVE**

			<u>Restated</u>
Balances at the beginning of the year, as previously reported		353,476	445,146
Effect of change in accounting policy for Available for Sale Financial Assets	3	<u>32,907</u>	<u>32,907</u>
Balances at the beginning of the year, as restated		<u>386,383</u>	<u>478,053</u>
Depreciation transfer from Premises Revaluation Surplus	9	<u>295</u>	<u>-</u>
Net income for the year		357,131	158,330
Transfer to Development Fund Reserve	13	<u>(250,000)</u>	<u>(250,000)</u>
Balances at the end of the year, as restated		<u>493,809</u>	<u>386,383</u>

*The accompanying notes form an integral part of the financial statements.*

# **ANGUILLA SOCIAL SECURITY BOARD**

## **Statement of Cash Flows For the year ended December 31, 2005**

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

	<u>2005</u>	<u>Restated 2004</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net income for the year	15,828,042	13,102,422
Adjustments for:		
Depreciation and Amortization	380,308	331,534
Interest Income	(6,114,349)	(5,391,906)
Dividend Income	(392,115)	(281,610)
Net Realized Gains from Available-for-Sale Financial Assets	<u>(1,255,692)</u>	<u>(1,636,843)</u>
Operating income before working capital changes	8,446,194	6,123,597
Changes in operating assets and liabilities:		
Other Receivables	(4,631)	11,274
Prepayments	(5,030)	24,544
Stationery and Computer Supplies	(8,518)	12,938
Accounts Payable and Accruals	53,834	(51,910)
Pension Fund Obligation	<u>36,681</u>	<u>26,853</u>
Net cash provided by operating activities	<u>8,518,530</u>	<u>6,147,296</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest Received	5,801,066	5,146,645
Dividends Received	429,615	281,610
Proceeds / (Acquisitions) of Investments in:		
Held-to-maturity financial assets:		
Fixed Deposits - NBA	(5,310,250)	(4,318,846)
Fixed Deposits - CCB	(6,979,605)	(3,210,223)
Fixed Deposits - British American	-	(3,759,062)
Fixed Deposits - First Caribbean International Bank	-	924,676
Available-for-sale financial assets:		
Summit Brokerage Services, Inc.	(806,460)	-
Merrill Lynch	-	(1,612,920)
Decrease in value of Available-for-Sale Financial Assets	285,290	485,724
Decrease / (Increase) in Loans and Receivables:		
Loans - ADB	288,000	288,000
Loans - Staff	(19,184)	10,239
Social Security Development Fund Loans	-	16,102
Increase in Contingencies Reserve	-	(150,000)
Acquisitions of:		
Property, Plant and Equipment	(277,685)	(77,524)
Software Costs	(125,241)	(64,347)
Increase in Unrealized Losses on Available-for-Sale Financial Assets	<u>(285,290)</u>	<u>(485,724)</u>
Net cash used in investing activities	<u>(6,999,744)</u>	<u>(6,525,650)</u>
<b>Net Increase / (Decrease) in Cash Resources</b>	<b>1,518,786</b>	<b>(378,354)</b>
<b>Cash on Hand and in Bank at beginning of year</b>	<b><u>1,067,017</u></b>	<b><u>1,445,371</u></b>
<b>Cash on Hand and in Bank at end of year</b>	<b><u>2,585,803</u></b>	<b><u>1,067,017</u></b>

*The accompanying notes form an integral part of the financial statements.*

# **ANGUILLA SOCIAL SECURITY BOARD**

## **Notes to the Financial Statements December 31, 2005**

---

### **1. General Information**

The Anguilla Social Security Board (the Board) is a corporate body established by the Social Security Act, Revised Statutes of Anguilla Chapter S45 (R.S.A.c.S45) to administer the Social Security Fund (the Fund) with the objectives of providing various insurance and retirement benefits to persons insured as described in the Act.

The financial statements were authorised for issue by the Board of Directors on January 26, 2007.

### **2. Significant Accounting Policies**

#### **(a) *Statement of Compliance:***

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

#### **(b) *Basis of Preparation:***

The financial statements are presented in Eastern Caribbean Dollars (EC\$), the Board's functional currency, rounded to the nearest dollar. They are prepared on the historical cost basis (except for land and buildings and available-for-sale financial assets, which are stated at their fair values) and the Social Security (Financial and Accounting) Regulations R.R.A.S45-4 in force.

These financial statements have been prepared on a modified basis of cash receipts and disbursements. Consequently, certain revenue and the related assets are recognized when received rather than when earned.

#### **(c) *Use of Estimates:***

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and the accompanying notes. These estimates are based on relevant information available at the balance sheet date and, as such, results could differ from those estimates.

#### **(d) *Actuarial Review:***

The Seventh Actuarial Review of the Social Security Fund was conducted in 2005 by Mr. Hernando Perez Montas. This covers the three year period January 1, 2002 to December 31, 2004. The report assessed the Fund as being actuarially sound.

## **ANGUILLA SOCIAL SECURITY BOARD**

### **Notes to the Financial Statements December 31, 2005**

#### **2. Significant Accounting Policies (continued)**

##### **(e) *Property, Plant and Equipment:***

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The initial cost of property, plant and equipment comprises its purchase price, including any directly attributable costs of bringing the assets to their working condition and location for their intended use. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Board and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is charged to the statement of income on the straight line basis over the estimated useful lives of items of property, plant and equipment. Land is carried at cost, less any impairment in value.

The estimated useful lives are as follows:

Building	40 years
- Long-term improvements	17 years
- Short-term improvements	2 years
Furnitures, fittings and equipment	5-10 years
Computer Equipment	5-8 years
Vehicle	5 years
Generator	5 years

The assets' useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognised.

#### **Revaluation of land and building**

Following initial recognition at cost, land and building are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and subsequent accumulated impairment losses, if any. The Board's land and building were revalued in 2004 by an independent valuer, the Land Development Survey Services of Anguilla. The value was estimated using the Investment Approach method of valuation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

## **ANGUILLA SOCIAL SECURITY BOARD**

### **Notes to the Financial Statements December 31, 2005**

---

#### **2. Significant Accounting Policies (continued)**

Any revaluation surplus is credited to the asset revaluation reserve included in the reserves section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of income, in which case the increase is recognised in the statement of income.

An annual transfer from the asset revaluation reserve to branch reserves and development fund accounts is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to branch reserves and development fund accounts.

#### **(f) *Software Costs:***

Software costs are carried at cost less accumulated amortization and any impairment in value. Costs incurred to acquire or develop computer software and significant enhancements to existing software features are capitalized after technological feasibility is established. Software costs are amortized on a straight-line basis over the estimated useful life of eight (8) years. Amortization commences when the asset is available for use.

#### **(g) *Impairment Losses:***

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the statement of income.

#### **(h) *Foreign Currencies:***

Transactions in foreign currencies are converted to EC dollars at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to EC dollars at the foreign exchange rates ruling at that date. Foreign exchange differences arising from fluctuations in rates are recognised in the statement of income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted to EC dollars at the foreign exchange rates ruling at the dates of the transactions.

# **ANGUILLA SOCIAL SECURITY BOARD**

## **Notes to the Financial Statements December 31, 2005**

### **2. Significant Accounting Policies (continued)**

#### **(i) Employee Benefits:**

The Board sponsors a defined benefit pension scheme for its employees. Operations commenced on January 1, 2001, under the temporary supervision of the Board, until a Trust Deed formally sanctioned on March 4, 2005. The Anguilla Social Security Staff Pension Fund (the Staff Pension Fund) is contributory (funded on a bipartite basis by the Board and the present employees and those employees entering the service of the Board after commencement of said scheme and hold confirmed positions in the Board's employ). The plan assets are managed by the Staff Pension Fund.

#### **(j) Distribution of Income:**

The income from Employer and Employee contributions is ascribed to the various branches in the following proportions, as per Section 18(1a) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45):

(i) Short-term Benefits Branch	15.00%
(ii) Long-term Benefits Branch	81.25%
(iii) Social Security Development Fund	3.75%

The investment income, including rent income is distributed to each branch in proportion to the amount of reserves in each branch at the end of the preceding year, as per Section 18(1b) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45).

The 2005 and 2004 allocations are as follows:

(i) Short-term Benefits Branch	2.10% (2004: 2.62%)
(ii) Long-term Benefits Branch	97.38% (2004: 96.97%)
(iii) Social Security Development Fund	0.52% (2004: 0.41%)

Other income is distributed equally between the two benefit branches.

#### **(k) Distribution of Expenditure:**

The expenditure on the benefits grouped under a specific branch is ascribed to that branch as per Section 2(b) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c S45).

## **ANGUILLA SOCIAL SECURITY BOARD**

### **Notes to the Financial Statements December 31, 2005**

#### **2. Significant Accounting Policies (continued)**

The benefits are grouped as follows:

- (i) Short-term Benefits Branch - sickness benefit, maternity benefit, funeral grant.
- (ii) Long-term Benefits Branch - age benefit, invalidity benefit, survivor's benefit, non-contributory old age pension.

Administrative expenses are distributed among the benefit branches in proportion to the sum of the contribution income and benefit expenditure of each branch as compared to these amounts for the Fund as a whole, as per Section 19(2) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45). In 2005 and 2004, the allocations are as follows:

Short-term Benefits Branch	21.12% (2004: 21.19%)
Long-term Benefits Branch	78.88% (2004: 78.81%)

All other expenditure which is not attributable to any specific branch shall be distributed among the two benefit branches in equal proportion.

**(l) Rental Income:**

Rental income is recognised in the statement of income on a straight-line basis over the lease term.

**(m) Interest Income:**

Interest income is recognised in the statement of income as it accrues, and takes into account the effective yield on the assets.

**(n) Dividend Income:**

Dividend income is recognised in the statement of income when the Board's right to receive payment is established.

**(o) Taxation:**

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

**(p) Subsequent Events:**

Post year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes when material.

# **ANGUILLA SOCIAL SECURITY BOARD**

## **Notes to the Financial Statements December 31, 2005**

---

### **3. Changes in Accounting Policies:**

The accounting policies are consistent with those of the previous financial year except that the Board has adopted the following new/revised standards mandatory for financial year beginning on or after January 1, 2005:

*i. International Accounting Standard (IAS) 19, Employee Benefits*, which requires the use of the projected unit credit method in measuring retirement benefit expense and a change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. It requires an entity to determine the present value of defined benefit obligations and the fair value of any plan asset with sufficient regularity to ensure that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The adoption of this standard resulted to restatement of prior year accounts, where a transition liability of EC\$1,166,754 and a corresponding decrease of combined net income by EC\$26,853 for the year ended December 31, 2004 had been reflected.

*ii. IAS 32, Financial instruments: Disclosure and Presentation*, which covers the disclosure and presentation of all financial instruments. The standard requires more comprehensive disclosures about a company's financial instruments whether recognised or unrecognised in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the company, types of risks associated with both recognised and unrecognised financial instruments (e.g. market risk, currency risk, interest rate risk), and fair value information of both recognised and unrecognised financial assets. The standard also requires financial instruments to be classified as liabilities or equity in accordance with its substance and not its legal form.

*iii. IAS 39, Financial Instruments: Recognition and Measurement*, which establishes the accounting and reporting standards for recognizing and measuring a company's financial assets and financial liabilities.

#### **Classification**

The Board classifies its financial assets in the following categories: financial assets and at fair value through profit and loss, loans and receivables, held-to-maturity investments and available for sale financial assets.

Financial instruments at fair value through profit and loss comprises financial instruments held for trading and financial instruments designated as fair value through profit and loss upon initial recognition. A financial instrument is classified in this category if acquired principally for the purpose of settling in the short term or if so designated by management.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

# **ANGUILLA SOCIAL SECURITY BOARD**

## **Notes to the Financial Statements December 31, 2005**

### **3. Changes in Accounting Policies (continued):**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board's management has the positive intention and ability to hold to maturity. Were the Board to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available for sale.

Available-for-sale investments are financial assets intended to be held for an indefinite period of time, which may be sold in responses to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Board's financial assets are loans and receivables, held-to-maturity investments, and available-for-sale investments.

#### **Recognition**

The Board recognises financial assets on the date it becomes party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets are recorded.

#### **Measurement**

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of income and all instruments classified as available for sale are measured at fair value with changes in fair value recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of income.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method with impairment losses, if any, recognised in the statement of income.

#### **Fair value measurement principle**

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 3. Changes in Accounting Policies (continued):

If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

When discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is the market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

#### **Gains and losses on subsequent measurement**

Gains and losses arising from a change in fair value of available for sale assets are recognised directly in equity. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the statement of income.

#### **Derecognition**

The Board derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

The Board uses the weighted average method to determine realised gains and losses on derecognition.

The adoption of this standard resulted in restatement of prior year accounts, where an Unrealized Losses on Available-for-sale financial assets of EC\$1,252,509 was reflected as of December 31, 2004 and a corresponding increase of Short-term Benefits Branch Reserve by EC\$135,250, Long-term Benefits Branch Reserve by EC\$3,136,989, and Social Security Development Fund by EC\$32,907.

#### Reconciliation of Reserves and Net income

	<u>Short-Term Benefits Branch Reserve</u>		Net Loss for
	January 1, 2004	December 31, 2004	2004
As previously reported	2,832,347	2,708,031	(124,316)
Transitional effect of adopting IAS 19	(247,235)	(252,925)	(5,690)
Effect of change in accounting policy for Available for Sale Financial Assets	<u>135,250</u>	<u>135,250</u>	<u>-</u>
As restated	<u>2,720,362</u>	<u>2,590,356</u>	<u>(130,006)</u>

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 3. Changes in Accounting Policies (continued):

	<u>Long-Term Benefits Branch Reserve</u>		Net Income for 2004
	January 1, 2004	December 31, 2004	
As previously reported	104,790,162	117,885,423	13,095,261
Transitional effect of adopting IAS 19	(919,519)	(940,682)	(21,163)
Effect of change in accounting policy for Available for Sale Financial Assets	<u>3,136,989</u>	<u>3,136,989</u>	<u>-</u>
As restated	<u>107,007,632</u>	<u>120,081,730</u>	<u>13,074,098</u>

	<u>Social Security Development Fund Reserve</u>		Net Income for 2004
	January 1, 2004	December 31, 2004	
As previously reported	445,146	353,476	158,330
Transitional effect of adopting IAS 19	-	-	-
Effect of change in accounting policy for Available for Sale Financial Assets	<u>32,907</u>	<u>32,907</u>	<u>-</u>
As restated	<u>478,053</u>	<u>386,383</u>	<u>158,330</u>

### 4. Cash on Hand and in Bank

	<u>2005</u>	<u>2004</u>
Cash on Hand	663,079	270,445
Cash in Bank	<u>1,922,724</u>	<u>796,572</u>
	<u>2,585,803</u>	<u>1,067,017</u>

### 5. Financial Assets

The Board's financial assets are summarized by measurement categories as follows:

	<u>2005</u>	<u>2004</u>
Held-to-maturity financial assets	99,175,898	86,886,043
Available-for-sale financial assets	25,358,849	23,581,987
Loans and receivables	<u>5,827,750</u>	<u>5,820,783</u>
	<u>130,362,497</u>	<u>116,288,813</u>

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 5. Financial Assets (continued)

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

#### *i. Held-to-maturity financial assets*

The following shows the breakdown of held-to-maturity financial assets as of December 31, 2005 and 2004, consisting of fixed deposits with banks, investment in bonds, government and other securities by contractual maturity dates:

	<u>Due within</u> <u>one year</u>	<u>Due over</u> <u>one year</u>	<u>Total</u> <u>2005</u>	<u>Total</u> <u>2004</u>
<u>Fixed Deposits</u>				
National Bank of Anguilla Ltd. (NBA)	25,764,604	16,967,734	42,732,338	37,422,088
Caribbean Commercial Bank (Anguilla.) Ltd. (CCB)	20,018,102	24,284,996	44,303,098	37,323,493
British American Insurance Company Ltd. (British American)	-	9,135,462	9,135,462	9,135,462
	<u>45,782,706</u>	<u>50,388,192</u>	<u>96,170,898</u>	<u>83,881,043</u>
<u>Investments in Bonds</u>				
Eastern Caribbean Home Mortgage Bank (ECHMB)	-	2,000,000	2,000,000	2,000,000
Government of St. Kitts / Nevis	-	1,005,000	1,005,000	1,005,000
	<u>-</u>	<u>3,005,000</u>	<u>3,005,000</u>	<u>3,005,000</u>
	<u>45,782,706</u>	<u>53,393,192</u>	<u>99,175,898</u>	<u>86,886,043</u>

The fixed deposits carry interest rates between 5% to 9.75% while investments in bonds carry interest rates between 5.5% to 7.5%.

#### *ii. Available-for-sale financial assets*

The Board's available-for-sale financial assets are as follows:

	<u>2005</u>	<u>2004</u>
<u>Equity securities - International</u>		
Smith Barney	16,309,320	15,347,316
Merrill Lynch	1,615,128	1,672,063
Summit Brokerage Services, Inc. (Summit)	847,851	-
Anguilla European Masters Fund (AEMF)	<u>292,800</u>	<u>268,858</u>
	<u>19,065,099</u>	<u>17,288,237</u>

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 5. Financial Assets (continued)

	<u>2005</u>	<u>2004</u>
<u>Equity Securities - Local and Regional</u>		
NBA	1,500,000	1,500,000
Anguilla Electric Company Limited (ANGLEC)	4,587,750	4,587,750
ECHMB	81,000	81,000
Eastern Caribbean Securities Exchange Ltd.	<u>125,000</u>	<u>125,000</u>
	<u>6,293,750</u>	<u>6,293,750</u>
Total Available-for-Sale Financial Assets	<u>25,358,849</u>	<u>23,581,987</u>

The movements of the "Unrealized Loss on Available-for-Sale Financial Assets" as a result of changes in their fair values, are as follows:

		<u>Balance</u>
2005 Fair values of Available-for-Sale Financial Assets		25,358,849
2004 Fair values of Available-for-Sale Financial Assets	23,581,987	
Add: Net realized gains in 2005 (see Note 14.1)	1,255,692	
2005 Investment in Summit	<u>806,460</u>	<u>25,644,139</u>
Unrealized Loss for the year		<u>285,290</u>
Unrealized Loss on Available-for-Sale Financial Assets, beginning of year (as restated)		1,252,509
Add: Unrealized Loss for the year		<u>285,290</u>
Unrealized Losses on Available-for-Sale Financial Assets, end of year		<u>1,537,799</u>

#### *iii. Loans and receivables*

The Board's originated loans and receivables are as follows:

	<u>2005</u>	<u>2004</u>
<u>Loans</u>		
Anguilla Development Board (ADB)*	2,565,000	2,853,000
Staff	<u>80,167</u>	<u>60,983</u>
	<u>2,645,167</u>	<u>2,913,983</u>
<u>Receivables</u>		
Interest on Fixed Deposits	3,107,840	2,791,669
Interest on Loans	25,720	28,608
Interest on Bonds	49,023	49,023
Dividends on NBA shares	<u>-</u>	<u>37,500</u>
	<u>3,182,583</u>	<u>2,906,800</u>
	<u>5,827,750</u>	<u>5,820,783</u>

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 5. Financial Assets (continued)

\* This represents loans of EC\$1,620,000 and EC\$ 2,700,000 which were drawn on September 1, 1989 and December 29, 1997, respectively. Both loans are payable in quarterly installments after five years from the date of drawdown and carry a six percent (6%) interest per annum. The loans will mature on October 31, 2009 and January 31, 2018, respectively.

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

	<u>2005</u>	<u>2004</u>
Current portion	288,000	288,000
Noncurrent portion	<u>2,357,167</u>	<u>2,625,983</u>
	<u>2,645,167</u>	<u>2,913,983</u>

There are no material unrecognized financial assets as of December 31, 2005.

### 6. Contingencies Reserve

A contingency reserve shall be established to be available to meet any unforeseen or abnormal expenditure which the current income of the Board may not be sufficient to cover, or to make good any unforeseen or abnormal reduction of income. The contingencies reserve shall be increased to an amount equivalent to the average expenditure of the Board for the provision of benefits and administration for two (2) months. The Contingencies Reserve of EC\$1,350,000 as of December 31, 2005 and 2004, have been invested at NBA and CCB, under fixed deposits and bear an interest of 6% and 6.5% per annum, respectively. The fixed deposits will mature on January 4, 2007 and July 11, 2007, respectively.

### 7. Other Receivables

	<u>2005</u>	<u>2004</u>
Rent	24,178	20,290
Interest on chequing accounts	4,370	1,620
Handling charge IBM	54	54
Others	<u>1,537</u>	<u>3,544</u>
	<u>30,139</u>	<u>25,508</u>

### 8. Prepayments

	<u>2005</u>	<u>2004</u>
Insurance	40,825	23,618
Sponsorship - National Sports Awards Ceremony 2006	5,376	-
Membership fees	2,507	-
Uninterruptable Power Supply (UPS)	-	21,865
Sponsorship - Kiddies Jamboree 2006	537	-
Others	<u>1,928</u>	<u>660</u>
	<u>51,173</u>	<u>46,143</u>

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 9. Property, Plant and Equipment

	<u>2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>2005</u>
<b>Cost:</b>				
Land	1,139,797	-	-	1,139,797
Building	4,212,409	12,637	-	4,225,046
Furnitures, Fittings and Equipment	531,960	12,578	-	544,538
Computer Equipment	291,686	68,122	-	359,808
Vehicle	-	84,686	-	84,686
Generator	-	99,662	-	99,662
	<u>6,175,852</u>	<u>277,685</u>	<u>-</u>	<u>6,453,537</u>
		<u>Depreciation</u>		
	<u>2004</u>	<u>for the year</u>	<u>Disposals</u>	<u>2005</u>
<b>Accumulated Depreciation:</b>				
Land	-	-	-	-
Building	-	144,125	-	144,125
Furnitures, Fittings and Equipment	239,869	87,982	-	327,851
Computer Equipment	161,632	61,143	-	222,775
Vehicle	-	16,937	-	16,937
Generator	-	-	-	-
	<u>401,501</u>	<u>310,187</u>	<u>-</u>	<u>711,688</u>
			<u>2005</u>	<u>2004</u>
<b>Net Book Value:</b>				
Land			1,139,797	1,139,797
Building			4,080,921	4,212,409
Furniture, Fittings and Equipment			216,687	292,091
Computer Equipment			137,033	130,054
Vehicle			67,749	-
Generator			99,662	-
			<u>5,741,849</u>	<u>5,774,351</u>

Annual transfers from the asset revaluation reserve to branch reserves (i.e. Short-term Benefits Branch Reserve and Long-term Benefits Branch Reserve) and Social Security Development Fund accounts is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. In 2005, depreciation of EC\$7,867 from Premises Revaluation Surplus was transferred to branch reserves (allocated to Short-term Benefits Branch Reserve: EC\$1,180 ; Long-term Benefits Branch Reserve: EC\$6,392 and Social Security Development Fund: EC\$295).

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 9. Property, Plant and Equipment (continued)

As of December 31, 2005, the Generator has not yet been installed, hence, no depreciation has been charged.

### 10. Software Costs

	<u>2005</u>	<u>2004</u>
<b>Cost:</b>		
Beginning balance	435,726	371,379
Purchase during the year	<u>125,241</u>	<u>64,347</u>
Ending Balance	<u>560,967</u>	<u>435,726</u>
<b>Accumulated Amortization:</b>		
Beginning balance	170,081	162,038
Charges for the year	<u>70,121</u>	<u>8,043</u>
Ending Balance	<u>240,202</u>	<u>170,081</u>
<b>Net Book Value</b>	<u>320,765</u>	<u>265,645</u>

### 11. Accounts Payable and Accruals

	<u>2005</u>	<u>2004</u>
Accounts Payable	81,212	34,000
Accruals	<u>6,622</u>	<u>-</u>
	<u>87,834</u>	<u>34,000</u>

### 12. Pension Fund Obligation

The Board has a defined benefit pension scheme for its regular employees, which requires contribution on a bipartite basis by the Board and its employees to be made to administered funds. The plan is administered by the Staff Pension Fund. The benefits are based on the employees' average compensation in the last three years of service prior to retirement.

The following table summarizes the components of net benefit expense recognized in the statement of income and set forth the plan's benefit obligations, fair value of plan assets, and fund status:

## ANGUILLA SOCIAL SECURITY BOARD

### Notes to the Financial Statements December 31, 2005

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

#### **12. Pension Fund Obligation (continued)**

<i>Net Benefit Expense</i>	<u>2005</u>	<u>2004</u>
Current service cost	91,674	91,674
Interest cost on benefit obligation	115,854	115,854
Expected return on plan assets	<u>(40,186)</u>	<u>(40,186)</u>
Net benefit expense	<u>167,342</u>	<u>167,342</u>

  

<i>Benefit Liability</i>	<u>2005</u>	<u>2004</u>
Benefit obligation	2,071,617	1,864,089
Fair value of plan assets	<u>(841,329)</u>	<u>(670,482)</u>
Pension Fund Obligation	<u>1,230,288</u>	<u>1,193,607</u>

The movements in the Pension Fund Obligations are as follows:

	<u>2005</u>	<u>2004</u>
Opening balance	1,193,607	1,166,754
Net benefit expense recognised in the statement of income	167,342	167,342
Contributions made	<u>(130,661)</u>	<u>(140,489)</u>
Closing balance	<u>1,230,288</u>	<u>1,193,607</u>

The principal assumptions used in determining pensions for the Board's plan are shown below:

	<u>2005</u>	<u>2004</u>
Discount rate	7%	7%
Expected rate of return on plan assets	7%	7%
Rate of salary increases	4%	4%

#### **13. Social Security Development Fund Reserve**

The Social Security Development Fund Reserve was created in 2004. This fund will go towards the focus areas such as - HIV/AIDS education, youth and adolescents at risk, and health

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 13. Social Security Development Fund Reserve (continued)

services. Reserves should stand at not less than EC\$250,000 to be reviewed by the Board at the end of the year.

### 14. Contribution Income

	<u>2005</u>	<u>2004</u>
Contribution - Employers	8,377,507	7,025,400
Contribution - Employees	<u>8,377,507</u>	<u>7,025,400</u>
	16,755,014	14,050,800
Less: Refunds	<u>(6,566)</u>	<u>(7,546)</u>
	16,748,448	14,043,254
Contributions - Self-employed	<u>96,944</u>	<u>70,866</u>
	<u>16,845,392</u>	<u>14,114,120</u>

### 15. Investment Income

	<u>2005</u>	<u>2004</u>
Interest income		
Fixed Deposits (NBA and CCB)	4,858,121	4,252,931
Fixed Deposits (British American)	889,455	738,003
Loans - ADB	161,716	179,166
Bonds - ECHMB	110,000	133,164
Bonds - Government of St. Kitts / Nevis	75,375	75,169
Chequing Accounts	17,943	12,053
Loans - Staff	<u>1,739</u>	<u>1,420</u>
	<u>6,114,349</u>	<u>5,391,906</u>
Dividend income		
ANGLEC shares	275,265	183,510
NBA shares	108,750	90,000
ECHMB shares	<u>8,100</u>	<u>8,100</u>
	<u>392,115</u>	<u>281,610</u>
Realized gains/(losses) from Available for Sale Financial Assets (see Note 15.1)		
Smith Barney Investments	1,275,392	1,636,847
Summit Brokerage Services, Inc.	5,045	-
Merrill Lynch Investments	<u>(24,745)</u>	<u>(4)</u>
	<u>1,255,692</u>	<u>1,636,843</u>
	<u>7,762,156</u>	<u>7,310,359</u>

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 15. Investment Income (continued)

Related receivables on interest and dividend are included in the "Financial Assets - Loans and receivables" account in the balance sheet.

#### 15.1 Realized Gains / (Losses) from Available for Sale Financial Assets

The following table shows the gains and losses from available-for-sale equity securities which were recognized in the statement of income:

	<u>Smith</u> <u>Barney</u>	<u>Merrill</u> <u>Lynch</u>	<u>Summit</u> <u>Brokerage</u>	<u>Total</u> <u>2005</u>	<u>Total</u> <u>2004</u>
Dividend and Interest income	232,576	3,834	2,949	239,359	214,776
Gains on disposals	1,498,535	5,099	3,166	1,506,800	1,905,877
Losses on disposals	(239,881)	(33,626)	(560)	(274,067)	(201,534)
Management fee	<u>(215,839)</u>	<u>(51)</u>	<u>(510)</u>	<u>(216,400)</u>	<u>(282,276)</u>
	<u>1,275,391</u>	<u>(24,744)</u>	<u>5,045</u>	<u>1,255,692</u>	<u>1,636,843</u>

### 16. Benefits expenses

The following table presents the benefits paid by the Board as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Short-term Benefits		
Sickness	1,219,242	1,048,620
Maternity	654,846	592,970
Funeral	<u>87,000</u>	<u>78,000</u>
	<u>1,961,088</u>	<u>1,719,590</u>
Long-term Benefits		
Age	2,041,537	1,740,991
Non-contributory old age pension	368,399	364,206
Survivors	350,869	329,130
Invalidity	<u>310,692</u>	<u>367,277</u>
	<u>3,071,497</u>	<u>2,801,604</u>
	<u>5,032,585</u>	<u>4,521,194</u>

### 17. Social Security Development Fund

The Board's Social Security Development Fund was established in 1986 as a vehicle to fund socially desirable projects that would benefit the citizens of Anguilla. The Social Security

# **ANGUILLA SOCIAL SECURITY BOARD**

## **Notes to the Financial Statements December 31, 2005**

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

### **17. Social Security Development Fund (continued)**

Development Fund contributes to human well-being and the progress of society through sports development, education, health services, environmental protection, economic development and community revitalization.

The following table shows the projects funded by Social Security Development Fund as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Tranquility Jazz Festival	134,410	134,410
Anguilla Tennis Academy	67,205	134,410
HIV AIDS	50,000	-
Anguilla National Creative Arts	40,000	-
Sports Project	9,203	5,780
Camp-Be-Aware	8,065	8,065
Nursing Education	3,995	13,441
Anguilla Race Against AIDS	2,688	2,688
Island Harbour Toilet Facilities	-	40,526
The Anguilla Community Foundation	-	38,979
Coronation Avenue Project	-	7,815
National Sports Awards	-	5,376
West End Alwyn Allison Primary School	-	5,376
Books - ALHCS Special Needs Department	-	4,542
	<u>315,566</u>	<u>401,408</u>

### **18. Administrative and Other Expenses**

	<u>2005</u>	<u>2004</u>
Salaries and allowances of staff	1,770,886	1,644,338
Administration expenses	1,672,965	1,822,301
Allowances and expenses of the Board of Directors	141,242	132,129
Other expenses	<u>108,094</u>	<u>88,318</u>
	<u>3,693,187</u>	<u>3,687,086</u>

# ANGUILLA SOCIAL SECURITY BOARD

## Notes to the Financial Statements December 31, 2005

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

### 19. Rent Income

The Board leases a portion of its building to various tenants. The rent income, net of expenses incurred for the upkeep and maintenance of the building, are as follows:

	<u>2005</u>	<u>2004</u>
Rent income	180,384	178,078
Less: Maintenance expenses	<u>(58,898)</u>	<u>(59,583)</u>
	<u>121,486</u>	<u>118,495</u>

Related receivables are included in the "Other Receivables" account in the balance sheet.

### 20. Related Party Transactions

*i.* The Board's cash in bank account and fixed deposits were held at CCB, a registered employer, since inception. Funds held at CCB as of December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Cash in bank	1,922,725	796,572
Fixed deposits	44,303,098	37,323,494
Contingencies reserve	<u>650,000</u>	<u>650,000</u>
Funds held at CCB, end of year	46,875,823	38,770,066
Funds held at CCB, beginning of year	<u>38,770,066</u>	<u>36,208,641</u>
Increase in funds held at CCB	<u>8,105,757</u>	<u>2,561,425</u>

*ii.* Mr. Fabian Fahie, previous Chairman of the Board, Mr. Stanley Reid, Member of the Board, and Mr. Timothy Hodge, Director of the Board, are also Directors of NBA. The following funds are held at NBA as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Fixed deposits	42,732,338	37,422,088
Contingencies reserve	<u>700,000</u>	<u>700,000</u>
Funds held at NBA, end of year	43,432,338	38,122,088
Funds held at NBA, beginning of year	<u>38,122,088</u>	<u>35,153,242</u>
Increase in funds held at NBA	<u>5,310,250</u>	<u>2,968,846</u>

# **ANGUILLA SOCIAL SECURITY BOARD**

## **Notes to the Financial Statements December 31, 2005**

### **21. Financial Instruments**

#### (a) Currency Risk

Almost all transactions are made in East Caribbean Dollars (EC\$) and United States Dollars (US\$). EC\$ is fixed to the US\$ at the rate of 2.6882. The Board is not exposed to any significant currency risk.

#### (b) Interest Rate Risk

The Board does not have any borrowings. Time deposits and loans are at pre-agreed fixed rates. The Board is not exposed to any significant interest rate risk.

#### (c) Credit Risk

At the balance sheet date there was no significant concentration of credit risk. The maximum exposure to the credit risk is represented by the carrying value of each financial asset in the balance sheet.

#### (d) Fair values

The fair values of all financial instruments approximate the carrying values reflected in the balance sheet.

The Board does not believe that its operations are subject to any significant concentration of price, credit, liquidity or cash flow risks. As a result, it has not entered into any contractual arrangement with the view to hedging any risk exposure. The Board, however, will continuously monitor its operating environment and assess its exposure to various risks with the view to mitigating any potential loss.

### **22. Comparative Information**

Certain comparative information has been re-classified to conform to current year presentation, where necessary. In 2004, the staff pension fund has been transferred out of the Board's accounts and managed by the Board of Trustees established by a Trust Deed ratified by the Board. The plan assets are managed by the Staff Pension Fund.