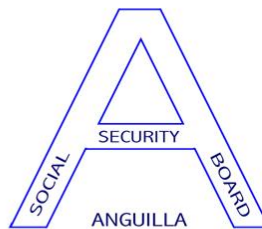
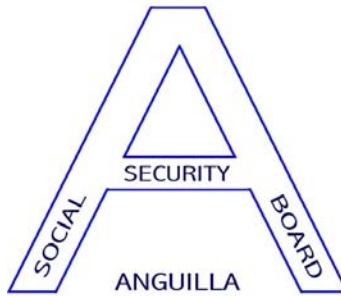




“Social Security: A Symbol of Strength and Endurance”



2005 Annual Report



OUR VISION

To be the leading financial services institution, providing quality social and economic benefits and other financial services through a professional knowledgeable staff for the well-being of all stakeholders.

OUR MISSION

To be a customer-driven, future-focused, knowledge-based, financial services organization, providing protection of Anguilla's workers and their families by delivering timely social security benefits and other financial services, through a competent, knowledgeable staff and prudent financial management.

Cover Photo:

**“The Mahogany Tree” Courtesy of Heritage Collection Museum,
Photo by Anthony Green**

“Social Security: A Symbol of Strength and Endurance”

The majestic Mahogany Tree is recognized as one of the most hardy and beautiful to be found in Anguilla and throughout the Caribbean. One such tree, located at the island's main crossroads in The Quarter and simply known as "The Mahogany Tree", was celebrated as the island's oldest living tree, perhaps over three hundred years old. The famous landmark served as a meeting place and was known and revered by all Anguillians. The island's Coat of Arms (below) after the historic 1967 Revolution, which led to the separation of Anguilla from the proposed Associated State of St. Kitts-Nevis-Anguilla, contains an image of that tree together with the motto "Strength and Endurance". The road where it stood is still known as "Mahogany Tree Road" even though the great tree fell in November 1971.

Like the Mahogany Tree, the Social Security System is a Symbol of Strength and Endurance. It withstood its torrid baptism of fire in the early 1980's, and has steadily gained acceptance as a reliable provider of meaningful social security benefits and guardian of national savings. Today, as it approaches its 25th anniversary of service to the people of Anguilla, it is financially strong and sustainable, as evidenced by successive actuarial studies.

The sculpture below was carved by Mr. Courtney Devonish from wood from "The Mahogany Tree" and titled "A Nation Strong" as a tribute to the island of Anguilla and its people. It is displayed at the Social Security Office lobby.



“Social Security: A Symbol of Strength and Endurance”

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PREFACE

The year 2005 was the twenty-fourth year of operation of the Anguilla Social Security System and could be termed as another successful one. This report provides a review of the operations of the Board for the financial year under review. It includes the audited Financial Statements, statistical analyses and tables with details on the overall performance of the Social Security System.

2005 PERFORMANCE HIGHLIGHTS

- Reserves of the Fund reached \$140.5M, an increase of \$15.6M (12.5%) over 2004.
- 877 new employed persons, 132 new employers and 113 new self-employed persons were registered.
- Benefit expenditure totaled \$5.0M compared to \$4.5M in 2004.
- 2,950 benefit claims were received; 2,310 were paid; 400 were denied and 240 were pending.
- Investment Income totaled \$7.8M.
- Contribution Income increased by 19.1% from \$14.1M in 2004 to \$16.8M.
- Total Income increased by 14.4% from \$21.6M in 2004 to \$24.7M.

2004 AT A GLANCE

- Contribution Income totaled \$14.1M, an increase of \$1.5M (11.8%).
- Investment Income increased by \$1.3M (21.8%). The overall yield on the Fund was 6.7%.
- Total Income increased from \$18.8M in 2003 to \$21.6M in 2004, an increase of \$2.8M (13.0%).
- Reserves increased by 12.4% from \$111.1M to \$124.8M.
- New Annual Employee Registrations increased by 34.8% from 443 to 597.
- Claims received during the year totaled 2,453, a decrease of 4.3% from 2,564 in 2003.

CHAIRMAN'S STATEMENT



The financial performance of the Anguilla Social Security Board (SSB) improved in 2005, arising from double-digit economic growth in 2004 and 2005. This followed several years of sluggish and erratic economic performance. The improvement is evidenced mainly in the growth of Contribution Income reflecting a significant increase in employment and wage and salary increases.

Contribution Income in 2005 grew by 19.4%, exceeding the 10.9% GDP growth. Investment income grew modestly by 6.2%. Combined growth was 14.81% also exceeding 2005 GDP growth. It is expected that high growth is to be maintained in the immediate future. This augurs well for the long-term growth and sustainability of the Social Security Fund.

The 11.3% growth in Benefit Expenditure in 2005 was lower than the growth rate of Contribution Income. This should not be unexpected, because the Social Security System in its 24th year of operations is still relatively young and is just beginning to mature.

The financial efficiency of the administration of the Social Security System can be gauged by the ratio of administrative costs to total income. After several years in which the ratio moved upwards or fell insignificantly, 2005 saw a significant reversal of the trend. Administrative expenditure as a ratio of total income fell by 13.2% in 2005. It stood at 16.7% in 2004 and fell to 14.5% in 2005.

The changes in the financial and growth ratios of the Social Security Fund were not all positive. The performance of overseas investments declined in 2005 compared to 2004. This fuelled an 11.94% decline in the nominal rate of return of the Fund from 6.7% in 2004 to 5.9% in 2005. The Investment Committee and the Board have begun to focus greater attention on a more activist approach to managing the Fund's investments for growth, safety and stability. It will be necessary to sustain this approach, as the Fund is projected to grow rapidly for a number of years to come.

“Social Security: A Symbol of Strength and Endurance”

The Social Security System continued to effectively discharge its mandate during the year and to maintain high standards. As a result, the public's confidence in the organization remained strong and its image was further strengthened. The interventions by the Social Security Development Fund in the social sector contributed greatly to the SSB maintaining a strongly positive image.

The main area in which the SSB's performance was disappointing, during the year, was in the extension of coverage to the self-employed. The self-employed constitute a significant segment of the labour force. In the second year of coverage under the Social Security System, less than \$100,000 was collected in contributions in 2005 from this group. The Board will have to seriously consider invoking the compulsory clauses of the enabling legislation and other strategies to pressure the self-employed to "get on board" and begin contributing to the Fund. Failure to achieve high participation by the self-employed will negatively impact the Non-contributory Age Pension programme in the long run, because self-employed outside of the Social Security System could end up requiring financial support in their old age.

2005 continued and built on the success achieved in 2004. In the immediate future, the SSB will need to develop a new strategic plan. It should address unemployment benefits, employment injury and compliance by the self-employed among other issues. It should also address the institutional requirements for a fast developing institution in an environment of rapid growth and change and thereby ensure that the Social Security System remains **A Symbol of Strength and Endurance**.

Fabian Marcel Fahie

2005 IN REVIEW – By the DIRECTOR OF SOCIAL SECURITY



2005 was, in financial terms, a very good year for the System. In fact, it was described as “the very best year yet” in the Actuarial Report on the operations of the Social Security System as at December 31, 2005. The economy has continued to grow rapidly, so much so that the Government has declared a moratorium on the approval of major projects for the next 24 months. Since the performance of the Social Security System is directly dependent on the performance of the economy, its financial performance was also very good. Contribution Income surpassed that for 2004 by \$2.7M, or 19.1%. Investment Income amounted to \$7.8M, and Other Income \$0.14M. Total Income was \$24.7M, or \$3.1M more than that for 2004. Benefit Expenditure was just over \$5M. Administrative Expenditure was constant (at \$3.7M) when compared with 2004, representing greater efficiencies of operations. Total Expenditure was \$9.0M, producing a net surplus of \$15.7M to reserves. Reserves at the end of 2005 totaled \$140.5M.

The Social Security Fund continued to recover from, and indeed to reverse the effects of, the shocks experienced in 2001 and 2002 when the Fund Ratio (Reserve-Expenditure Ratio or number of years of annual expenditure in the Fund) declined suddenly. 2005 was the third consecutive year in which this ratio has increased, providing further evidence of the System’s sustainability. These performance indicators all prove that the Social Security System is indeed **A Symbol of Strength and Endurance**.

In non-financial terms, 2005 was also an eventful year for the System. Although the list below is not exhaustive, it provides an indication of the level of activity during 2005:

- The Social Security Board (SSB) brought in Occupational Health and Safety Expert, Mr. Horace Brennan, and hosted, with the Labour Office and the Ministry of Health, a Workshop on Occupational Health and Safety. Recommendations were drawn up for implementation at the various worksites, and by Government’s Labour Office. Safe workplaces mean safe work, and healthy workers not only work more productively and longer thus paying more in contributions, they also claim less benefits for sickness and disability.

“Social Security: A Symbol of Strength and Endurance”

- The SSB led in the area of Corporate Governance, organizing the first national workshop on Corporate Governance to consider Draft Corporate Governance Guidelines for the Caribbean. A Public Relations Committee was established.
- The Director presented a paper on HIV/AIDS at the ISSA/CARICOM Meeting of Heads of Social Security in the BVI. The recommendations were subsequently adopted as SSB policy on the issue, with the SSB committing to being pro-active in tackling the various faces of the pandemic.
- Also at that meeting, the Director presented a paper “Building Philanthropic Bridges” which showed how the SSB was building such bridges through its Social Security Development Fund and through its relationship with the Anguilla Community Foundation. The meeting agreed that regional social security systems should try to follow Anguilla’s example.
- The SSB has been a critical player in deliberations on the introduction of a National Health Fund in Anguilla, with the Chairman and Director being members of the Project Team and SSB’s Actuary provided actuarial input and advice. The Director and PS Health visited Belize, Aruba and Curacao to examine the systems there. It is expected that when the National Health Fund is introduced, the SSB will play a significant role.
- Several members of staff completed or are completing SSB-sponsored higher education. The Performance Development and Review System was implemented and should help to provide individual and sectional improvements. A Salaries Review exercise has been completed and is being implemented.
- The SSB was one of the corporate sponsors of the 3rd Tranquility Jazz Festival, the Anguilla Tennis Academy and the 2nd National Development Conference, and additionally provided support for a number of entities and events.
- The SSB sought and received proposals to assist in the implementation of the Balanced Scorecard, a performance management system, in 2006.
- The SSB invited firms to bid for the contract to provide external audit services, and engaged KPMG as its new external auditors.
- The SSB ordered a stand-by generator to provide back-up electricity for its office complex.
- The Director was appointed to head a Committee on Social Security Research which has been working with the ECCB to establish and pursue a research agenda. The Research and Development Officer, with her regional colleagues, was charged with gathering information on the following: Public and Private Pension Arrangements in the OECS; Monetary Policy and Market Development; and Administration of Social Security Systems with a view to advancing collaboration and harmonizing efforts.

“Social Security: A Symbol of Strength and Endurance”

- The annual SSB-sponsored Anguilla Day Walter G. Hodge Memorial Lecture was delivered in June by Dr. Oluwakemi Linda Banks.
- The SSB celebrated the 25th Anniversary of the Passage of the Social Security Act 1980 with a ceremony at the House of Assembly during Social Security Week in November, during which those persons who were Members of the House of Assembly at that time were honoured. The annual Social Security Lecture was also delivered that evening by Dr. Vanus James.
- Computerized Contribution Statements, previously distributed on request, were widely issued to contributors for the first time.

The year's performance on a whole was very pleasing and I must express my appreciation to those who have contributed in some way. The employers and employed persons, and more recently self-employed persons, must be commended for their support. The Government of Anguilla continues to be committed to ensuring that the Social Security System is indeed **a Symbol of Strength and Endurance**. The Minister, Honourable Victor F. Banks, must be commended for his abiding interest, involvement and support. The Chairman and Members of the Board and of its various Committees have shown dedication to the advancement and proper functioning of the Social Security System. Management and Staff have shown dedication, commitment, and high levels of performance, and further have shown a preparedness to move the institution to higher levels of service excellence and corporate governance in the immediate future. To all these stakeholders, I say thanks, and ask for your continued support in the years ahead as we pledge to continue building a Strong, Enduring Social Security System for Anguilla and its people.

May God bless us all!

Timothy A. Hodge

BOARD MEMBERSHIP

During 2005, the membership of the Board consisted of:

- | | |
|------------------------|---|
| Mr. Fabian M. Fahie | - Government Representative, Chairman |
| Mr. Jeffrey Carty | - Employers' Representative, Deputy Chairman |
| Mr. Stanley E. Reid | - Government's Representative |
| Mrs. Patricia Adams | - Employees' Representative (served up to August) |
| Ms. Connie Brooks | - Employers' Representative |
| Mrs. Ernie Hodge-Carty | - Employees' Representative (served up to August) |
| Mr. Timothy A. Hodge | - Director of Social Security |
| | |
| Mrs. Brenda Richardson | - Employees' Representative (from August) |
| Mr. Lynrod Brooks | - Government's Representative (from August) |

Mrs. Maglan Richardson, Assistant Director Human Resources and Corporate Services served as Board Secretary.

INVESTMENT COMMITTEE MEMBERSHIP

The Social Security Fund Investment Committee members during 2005 were:

- Mr. Willis Hodge, Independent Member, Chairman
- Mr. Sheldon Rogers, Independent Member
- Mr. Fabian M. Fahie, Chairman Social Security Board, Member
- Mr. Carl Harrigan, Director of Finance, Member
- Mr. Timothy Hodge, Director of Social Security, Member

Mrs. Dorice Fleming, Manager Finance, served as Secretary to the Investment Committee.

ECONOMIC ENVIRONMENT

The Social Security System's performance is closely linked to the overall economic performance of the island. Accordingly, an overview of the economic environment in which the System operated during 2005 is presented below. The information was extracted from the country report for Anguilla in the Eastern Caribbean Central Bank's Annual Economic and Financial Review for the Financial Year ended 31st March 2006. Anguilla is a member territory of the Eastern Caribbean Central Bank.

The economy of Anguilla experienced another year of double-digit growth, 10.9% in 2005 following growth of 16.4% in 2004. This compares with consecutive years of double-digit growth averaging 13.0% in 1985 to 1988. The performance in 2005 stemmed from robust activity in both construction and tourism. The consumer price index rose by 3.2% on an end-of-period basis. A larger overall deficit was recorded in the fiscal operations of the central government, reflecting an

“Social Security: A Symbol of Strength and Endurance”

increase in capital expenditure. In the banking system monetary liabilities, domestic credit and net foreign assets increased, liquidity remained at a high level and interest rates were stable. Preliminary estimates indicate an overall balance of payments surplus on external accounts, mainly influenced by higher inflows on the capital and financial account.

The economic expansion is expected to continue in 2006, primarily driven by robust construction in both the private and public sectors and an increase in tourism activity. The overall fiscal balance is projected to shift to a surplus, on account of an increase in grant receipts. Labour shortages, high oil prices and strong demand for scarce primary resources are the main risks to the positive outlook for the real sector.

HUMAN RESOURCES

The Anguilla Social Security Board is committed to the development of a knowledgeable and highly skilled workforce. In making human resource development a priority, the Board continues to facilitate the training of staff at every level in a number of areas. During the period under review, members of staff participated in and attended university education, local, regional and international meetings, seminars, workshops and conferences, as well as other short-term development courses.

The staff complement in 2005 consisted of 22 permanent and 3 temporary employees.

Members of Staff attended and participated in the following during 2005:

Meetings/Seminars/Conferences/Workshops

- 2nd Caribbean Corporate Governance Forum, St. Kitts, 8 – 9 March.
- ECCB/Social Security Systems Meeting, St. Kitts, 10 – 11 March.
- CARICOM Pension Education Forum, Bermuda, 6 – 8 April.
- Balanced Scorecard Seminar, Washington DC, 10 – 13 April.
- 11th CAOSA Technical Meeting, St. Kitts, 19 – 21 April.
- Investment Seminar, Barbados, 7 – 11 June.
- ISSA & CARICOM Heads of Social Security Meeting, BVI, 4 – 8 July.
- The XVIIth World Congress on Safety & Health at Work, Orlando, 18 – 22 September.
- Pension Funds and Financial Markets Course, Mexico City, 26 – 30 September.
- ISSA Workshop on Investments, Mexico, 26 – 30 September.
- ECCB/Social Security Directors and Research Officers Meeting, St. Kitts, 9 – 12 October.
- CISS General Assembly, Argentina, 7 – 10 November.

Training Programmes

Training Programmes Completed

- Four members of staff (Yolanda Gumbs, Assistant Director Policy & Compliance, Liston Adams and Elkin Richardson, Inspectors, and Rosanna Browne, Research & Development Officer) graduated after studies in the Executive Diploma in Management – Social Security, with the Centre for Management Development, University of the West Indies, Barbados.
- Dorice Fleming, Manager Accounts and Finance, completed her Masters in Accounts & Financial Management by distance education with the Keller Graduate School of Management of DeVry University.
- Pauleta Gumbs, Operations Officer, completed a Bachelor of Arts Degree in Communications Studies by distance education with the University of Maryland.
- Jacqueline Reid, Operations Officer, completed a Bachelor of Arts Degree in Liberal Studies by distance education with the Thomas Edison State College, New Jersey.

Board-approved Long-term Training (On-going)

- Maglan Richardson, Assistant Director Human Resources & Corporate Communications, is pursuing certification with the Association of Chartered Certified Accountants (ACCA).
- Bertha Gumbs, Systems Administrator, is pursuing a Bachelors Degree in Management Information Systems by distance education with the American College of Computer & Information Systems.
- Brenda Hughes, Compliance Officer, is pursuing a BSBA in Organizational Management by distance education with Thomas Edison State College, New Jersey.
- Denise Buchanan, Operations Officer, is pursuing a Bachelors Degree in Human Resource Management by distance education with Penn State University.
- Kimberly Reid, Accounts Clerk is pursuing a Bachelors Degree in Management Studies by distance education with the University of the West Indies.

Local Short-Term Courses Attended

- 4-week modular course in Computer Applications for Business.
- One Operations Officer and three Operations Clerks attended a 6-week modular course in Conversational Spanish.
- Productivity, Performance & Pay Workshop.
- Time Management Workshop.
- Projecting a High Self-esteem and a Powerful Self-Image Workshop.
- Computer Audit Workshop.

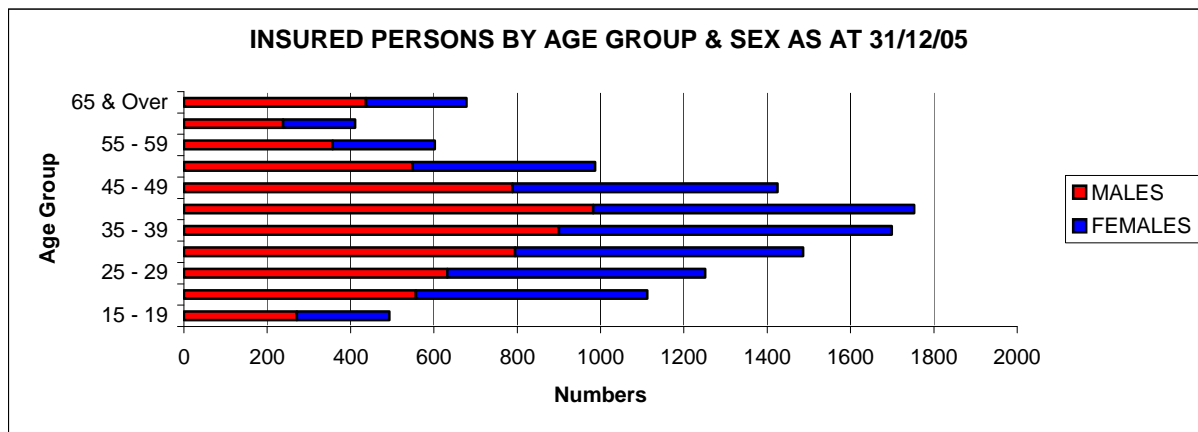
STATISTICAL REVIEW

REGISTRATIONS

Employees

In 2005, the total number of persons registered for Social Security was 877, an increase of 46.9% when compared to 597 in 2004. Registrations for 2005 were the highest in any year since the period when mass registrations were made at the social security system's inception (1981-82). This brought the total insured persons on register to 11,897 (which include active, inactive, residents, non-residents and deceased persons), an increase of 7.9% from 11,026 the previous year. Males continue to dominate, with 60.8% of new registrations, while females accounted for 39.2%. Of the cumulative total at year-end 2005, males accounted for 54.7% and females 45.3%. Of the total insured population, 6,144 persons were active at year-end.

Chart 1



Employers

New employer registrations for 2005 totaled 132, reflecting an increase of 24.5% over last year's 106. This brought the cumulative total on register to 2,116. Of this amount, 747 (33.5%) employers were active during the period under review. Consistent with the trend over the years, the Personal & Household Services industry continues to dominate employer registrations, accounting for 38 (28.8%), followed by the Construction industry with 24 (18.2%), Restaurants & Bars with 14 (10.6%) and Retail Trade and Hotels & Guesthouses both with 13 (9.9%).

The Self-Employed

Although coverage of the self-employed remains quite a challenge for the Social Security Board two years after coverage was extended to this category of workers, there continues to be a growing increase in registrations annually. New self-employed registrations totaled 113 during the period under review, 39 or 52.7% more than the 74 registrations in 2004. This brought the overall total of the self-employed on register at year-end 2005 to 241 persons.

BENEFITS

The Fund continues to provide benefits to the insured workers of Anguilla and their families. The benefits offered provide partial compensation at those times when workers are unable to work due to sickness, maternity, invalidity or old age, and survivor's benefit and funeral grant to their families in the case of the death of the insured person.

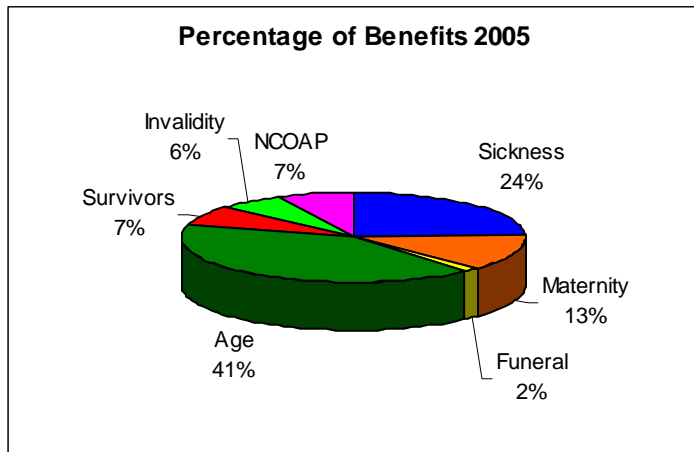
Social Security benefits are grouped into two branches called Short-term and Long-term Benefits. Short-term benefits include Sickness, Maternity (allowance & grant) and Funeral. Long-term benefits include Age, Survivors, Invalidity (pension & grant) and Non-Contributory Old Age Pension.

In 2005 a total of \$5.03M was paid out in benefits, compared to \$4.52M the previous year. This reflects an increase in benefit payments of 11.1%. Short-term Branch expenditure increased by 14.0% to \$1.96M, while Long-term Branch expenditure increased by 9.6% to \$3.07M.

PENSIONS IN PAYMENT

As at 31st December 2005, there were 466 pensioners on record. 226 persons were in receipt of Age Pension, 34 persons in receipt of Invalidity Benefit, 128 persons in receipt of Non-Contributory Old Age Pension and 78 persons in receipt of Survivor's Pension (5 widowers, 38 widows and 35 dependent children). All long-term benefits are payable for the remainder of the lives of the beneficiaries, with the exception of dependent children, which is payable until age 15 or 18 if the child is still a student.

Chart 2



FINANCIAL OPERATIONS

CONTRIBUTION INCOME

In 2005, contribution income totaled \$16.8M reflecting a \$2.7M (19.4%) increase compared to \$14.1M in 2004. Contribution income accounted for 68.1% of total income for the period under review. Self-employed contributions increased by \$26,078 (36.8%) to \$96,944 from \$70,866 in 2004, and accounted for 0.6% of total contribution income. There were no voluntary contributions made during 2005.

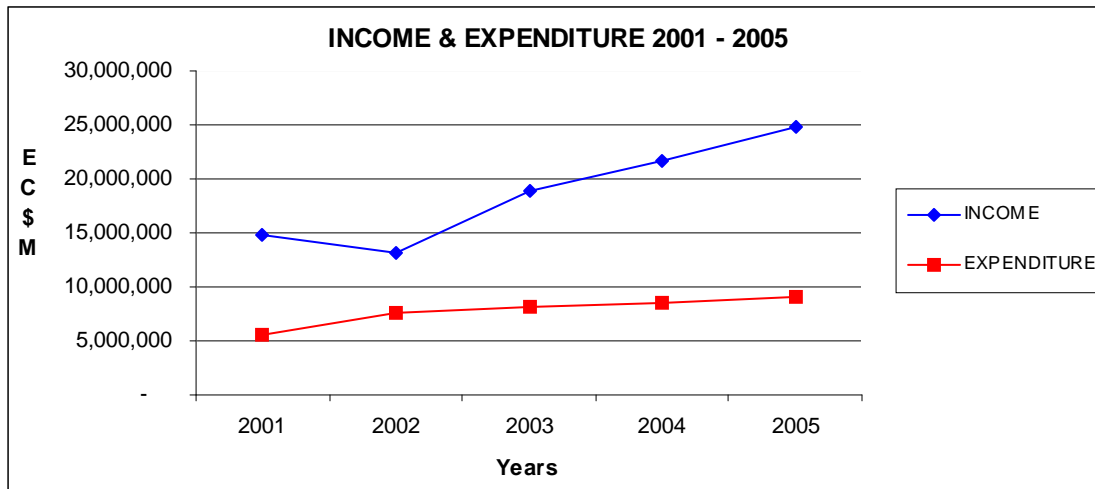
INVESTMENT INCOME

The growth of the Fund is dependent on the Board’s ability to collect contributions, the effective management of its operations, and its prudent investment decisions. The Board’s ability to diversify its investment portfolio and to grow existing reserves is critical to the sustainability of the Fund.

Investment income totaled \$7.8M in 2005 compared to \$7.3M in 2004, an increase of 6.8%. Net rental income from commercial units was \$121,486, a slight increase of 2.4% compared to \$118,495 in 2004. A net gain of \$1.3M on overseas investments (US & International) was realized, a 19% decrease from \$1.6M in 2004.

The overall nominal rate of return of the Fund in 2005 decreased to 5.9% from 6.7% in 2004.

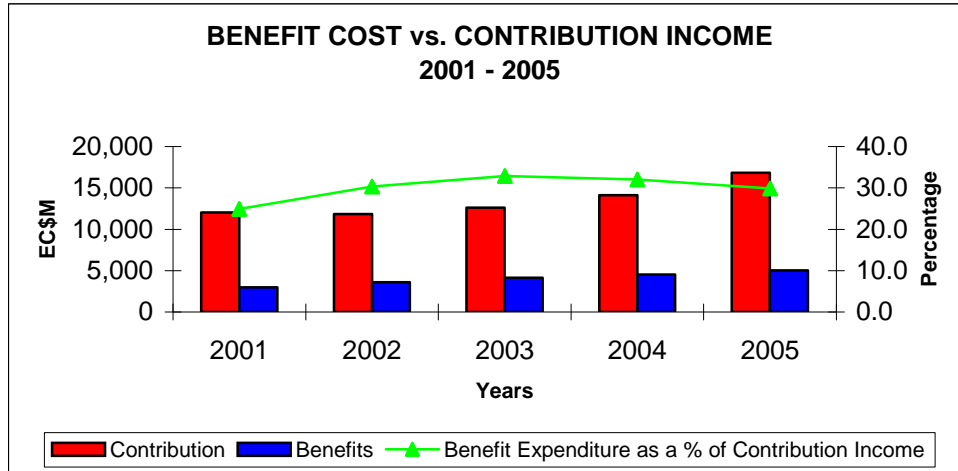
Chart 3



BENEFIT EXPENDITURE

Total Benefit Expenditure for 2005 increased by 11.3% to \$5.0M, compared to \$4.5M in 2004. Of the total benefits paid, expenditure of the Short-term Branch increased by 14.0% to \$2.0M compared to \$1.7M in 2004. Expenditure in the Long-term Branch totaled \$3.1M, an increase of 9.6% from \$2.8M the previous year. A review of the past five years showed a steady upward trend in total benefit expenditure.

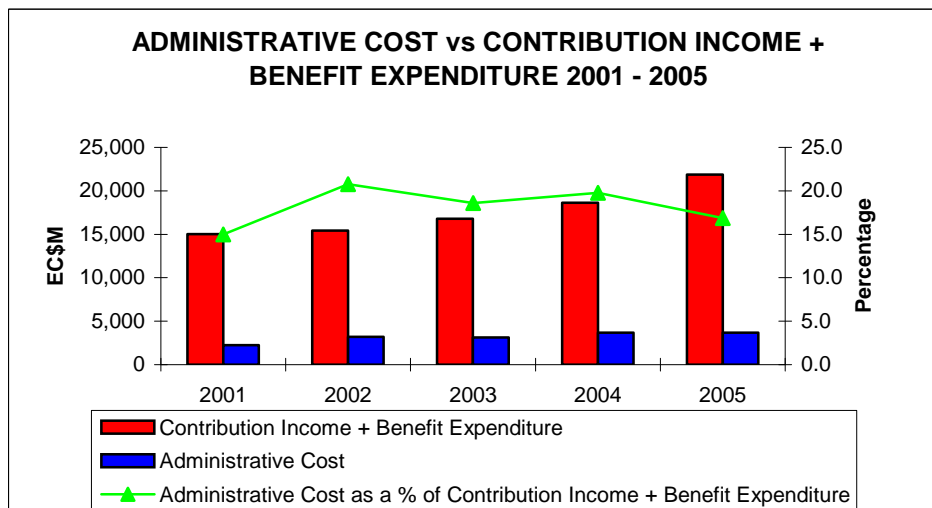
Chart 4



ADMINISTRATIVE EXPENDITURE

In 2005, administrative expenditure decreased marginally to \$3.59M from \$3.60M in 2004, and was equivalent to 14.5% of total income as compared with 16.67% in 2004. As a percentage of contribution income plus benefit expenditure, administrative expenditure was equivalent to 16.4%, down from 19.2% in 2004.

Chart 5



“Social Security: A Symbol of Strength and Endurance”

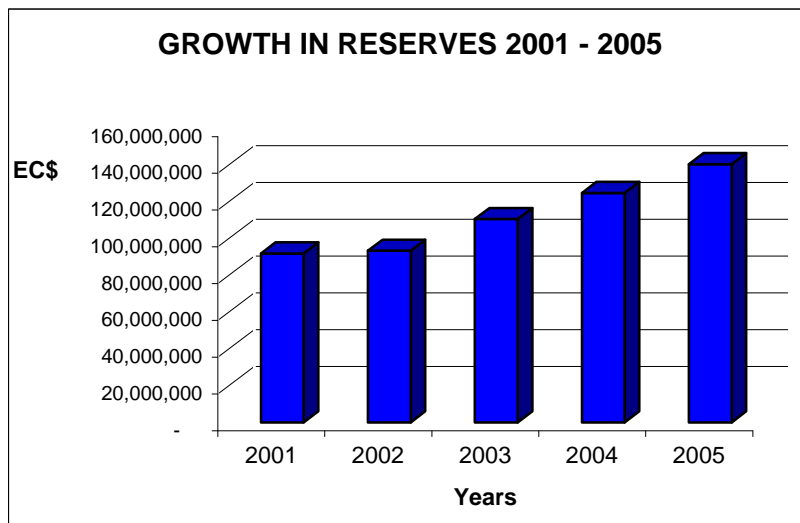
GROWTH IN RESERVES

The Social Security Fund's growth is critical to ensuring its sustainability. The Board has a fiduciary responsibility to manage the Fund in a prudent and effective manner to enable the institution to meet its mandate of paying long-term benefits well into the future. In 2005, the Fund continued to show significant growth and stood at \$140.5M at year-end, reflecting an increase of 12.5% (\$15.6M) when compared to \$124.8M in 2004. This could be attributed to the strength of the economy resulting in continued increase in contributions, and returns on invested capital.

During the period under review, total income grew by \$3.1M (14.4%) to \$24.7M from \$21.6M in 2004. Total expenditure for the same period grew by \$0.4M (4.7%) to \$9.0M from \$8.6M the previous year. In 2005, net income totaled \$15.7M reflecting growth of \$2.7M (20.8%) when compared to \$13.0M in 2004.

Reserves of the Short-term Benefits Branch declined marginally by \$8,589 (0.33%) from \$2.59M in 2004 to \$2.58M in 2005, the fourth successive year of such decline. On the other hand, reserves of the Long-term Benefits Branch continued steady growth, increasing to \$135.6M, an increase of \$15.5M (12.9%) when compared to \$120.0M in 2004. The Contingencies Reserve remained stable at \$1.3M during the period under review. The Social Security Development Fund increased to \$1.0M, including the Permanent Endowment Reserve which was increased to \$0.5M in 2005.

Chart 6



SOCIAL SECURITY DEVELOPMENT FUND (SSDF)

The Anguilla Social Security Board is a financial institution with a social responsibility, and recognizes that it has an important role to play in the social and economic development of the island. To this end, the Board has been the sponsor of many social development projects over the years, through its contributions to and active association with programmes and organizations geared towards achieving improved standards in health, education, sports, industry, youth and community development.

The Social Security Development Fund (SSDF) was established in 1986 for the purpose of funding such social projects as the Board may select, subject to the prior approval of the Minister responsible for Social Security. It is funded by 3.75% of contribution income and a percentage of investment income based on the balance in the Development Fund at the end of the preceding year. In 2005 a total of \$315,566 was spent on projects. The Board, through the Social Security Development Fund, participated in the Caribbean Conference on Philanthropy, Jamaica, 23 – 26 February, and the Annual Community Foundations Meeting, St. Croix, 1 – 4 June.

Table 1
Social Security Development Fund (SSDF) Projects 2005

PROJECT NAME	EXPENDITURE EC\$
Camp Be Aware (Environmental Camp)	8,065
Anguilla Tennis Academy	67,205
Sports Project	9,203
Anguilla Race Against AIDS	2,688
Tranquility Jazz Festival	134,410
Nursing Education Scholarship	3,995
HIV/AIDS	50,000
Anguilla National Creative Arts Association	40,000
TOTAL	315,566

STATISTICAL DIGEST

Table 2
Annual Registration of Employees by Sex - 2005

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	142	16.2	104	11.9	246	28.1
20 - 24	68	7.8	51	5.8	119	13.6
25 - 29	73	8.3	50	5.7	123	14.0
30 - 34	62	7.1	37	4.2	99	11.3
35 - 39	58	6.6	34	3.9	92	10.5
40 - 44	52	5.9	29	3.3	81	9.2
45 - 49	29	3.3	20	2.3	49	5.6
50 - 54	27	3.1	9	1.0	36	4.1
55 - 59	11	1.3	8	0.9	19	2.2
60 - 64	11	1.3	2	0.2	13	1.5
TOTALS	533	60.8	344	39.2	877	100.0

Table 3
Tabulation of All Insured Persons by Sex as at 31st December 2005

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	271	2.3	222	1.9	493	4.1
20 - 24	557	4.7	555	4.7	1112	9.3
25 - 29	632	5.3	619	5.2	1251	10.5
30 - 34	795	6.7	691	5.8	1486	12.5
35 - 39	900	7.6	799	6.7	1699	14.3
40 - 44	982	8.3	771	6.5	1753	14.7
45 - 49	789	6.6	636	5.3	1425	12.0
50 - 54	549	4.6	438	3.7	987	8.3
55 - 59	357	3.0	245	2.1	602	5.1
60 - 64	238	2.0	173	1.5	411	3.5
65 & Over	437	3.7	241	2.0	678	5.7
TOTALS	6,507	54.7	5,390	45.3	11,897	100.0

Table 4
Registration of Employees by Gender 2001 - 2005

YEAR	MALE	%	FEMALE	%	TOTAL AT YEAR-END	TOTAL ON REGISTER*	TOTAL ** ACTIVE
2001	229	47.7	251	52.3	480	9,714	5,186
2002	128	46.7	146	53.3	274	9,988	4,982
2003	236	53.3	207	46.7	443	10,430	5,099
2004	317	53.2	279	46.8	597	11,026	5,554
2005	533	60.8	344	39.0	877	11,897	6,144

*Include all persons who have ever registered with the System – active, inactive, deceased, pensioners, resident and overseas

**2001 – 2003 figures revised

Table 5
New Registration of Employers by Industry - 2005

ILO CODE	INDUSTRY	NO.	%
13	Fishing	2	1.5
31	Manufacturing of Food, Beverage & Tobacco	1	0.8
32	Textile, Wearing apparel and Leather Industries	3	2.3
33	Mfg of Wood & Wood Products incl. Furniture	1	0.8
38	Mfg of Fabricated Metal Products, Machinery & Equip.	1	0.8
39	Other Manufacturing Industries	1	0.8
41	Electricity, Gas & Steam	3	2.3
42	Water Works & Supply	1	0.8
50	Construction	24	18.2
62	Retail Trade	13	9.8
63	Hotels & Guest Houses	13	9.8
64	Restaurant & Bars	14	10.6
65	Night Clubs	1	0.8
71	Transport & Storage	3	2.3
72	Communication	2	1.5
81	Financial Institutions	4	3.0
83	Real Estate & Business Services	3	2.3
93	Social & Related Community Services	3	2.3
94	Recreational & Cultural Services	1	0.8
95	Personal & Household Services	38	28.8
TOTAL		132	100.0

Please note that Employer Registrations include Self-Employed Registrations

Table 6
Registration of the Self-Employed by Industry as at 31st December 2005

ILO CODE	INDUSTRY	NO.	%
13	Fishing	1	0.9
32	Textile, Wearing Apparel and Leather Industries	1	0.9
33	Manufacture of wood and Wood Products Including Furniture	2	1.8
39	Other Manufacturing Industries	2	1.8
41	Electricity, Gas, Steam	1	0.9
50	Construction	20	17.7
62	Retail Trade	11	9.7
63	Hotel & Guest Houses	2	1.8
64	Restaurant & Bars	9	8.0
71	Transport & Storage	12	10.6
81	Financial Institutions	1	0.9
83	Real Estate & Business Services	9	8.0
93	Social & Related Community Services	7	6.2
94	Recreational & Cultural Services	1	0.9
95	Personal & Household Services	34	30.1
TOTAL		113	100.0

Table 7
Registration of Employers 2001 - 2005

YEAR	NEWLY REGISTERED EMPLOYERS	EMPLOYERS REGISTERED AT YEAR-END	ACTIVE EMPLOYERS AT YEAR-END
2001	98	1,695	566
2002	86	1,790	591
2003	79	1,865	614
2004	106	1,980	667
2005	132	2,116	747

Table 8
Claims Received - 2005

TYPE	# RECEIVED	# PAID	# DENIED	# PENDING AT 31/12/05
SICKNESS BENEFIT	2573	1986	397	190
MATERNITY BENEFIT	129	117	1	11
MATERNITY GRANT	149	135	0	14
FUNERAL	27	27	0	0
AGE PENSION	29	23	0	6
AGE GRANT	3	3	0	0
SURVIVORS PENSION	20	11	0	9
SURVIVORS GRANT	2	1	0	1
INVALIDITY PENSION	5	4	0	1
INVALIDITY GRANT	1	1	0	0
NON-CONTRIBUTORY OLD AGE PENSION	12	2	2	8
TOTALS	2,950	2,310	400	240

Table 9
Claims Brought Forward from Years Prior to 2005

TYPE	CLAIMS B/F	ALLOWED OR PAID	DISALLOWED	PENDING AT 31/12/05
SICKNESS	131	78	30	23
MATERNITY	10	10		
MATERNITY GRANT	17	16		1
FUNERAL	2	2		
AGE PENSION	7	7		
AGE GRANT	3	2		1
INVALIDITY PENSION	1	1		
NON-CONTRIBUTORY OLD AGE PENSION	9	1	2	6
TOTALS	180	117	32	31

Table 10
Benefit Claims Paid by Type 2001 – 2005 (includes claims from previous years)

BENEFIT TYPE	2001	2002	2003	2004	2005
SICKNESS	1,293	1,758	1,966	1,759	2,064
MATERNITY BENEFIT	147	134	106	132	127
MATERNITY GRANTS	144	175	129	144	151
FUNERAL	19	24	25	26	29
TOTAL SHORT-TERM	1,603	2,091	2,226	2,061	2,371
AGE PENSION	25	27	22	29	30
AGE GRANT	5	9	9	7	5
SURVIVORS PENSION	17	6	13	11	11
SURVIVORS GRANT	3		2		1
INVALIDITY PENSION	14	11	9	6	5
INVALIDITY GRANT			1		1
NCOAP*		123	37	17	3
TOTAL LONG-TERM	64	176	93	70	56
TOTAL CLAIMS PAID	1,667	2,267	2,319	2,131	2,427
% CHANGE	-7.2	36.0	2.3	-8.1	13.9

* Non-Contributory Old Age Pension – introduced in 2002

Table 11
Benefit Expenditure by Type 2001 – 2005

BENEFIT TYPE	2001	2002	2003	2004	2005
SICKNESS	809,741	984,446	1,025,785	1,048,620	1,219,242
MATERNITY	566,309	514,670	492,925	592,970	654,846
FUNERAL	54,000	72,000	71,700	78,000	87,000
TOTAL SHORT-TERM	1,430,050	1,571,116	1,590,410	1,719,590	1,961,088
AGE	1,130,226	1,248,786	1,569,121	1,740,991	2,041,537
SURVIVORS	215,402	264,185	296,570	367,277	350,869
INVALIDITY	218,615	223,841	345,831	329,130	310,693
NCOAP*	-	283,557	355,125	364,206	368,399
TOTAL LONG-TERM	1,564,243	2,020,369	2,566,647	2,801,604	3,071,498
TOTAL BENEFIT EXPENSE	2,994,293	3,591,485	4,157,057	4,521,194	5,032,586
% CHANGE	10.3	19.9	15.7	8.8	11.3

* Non-Contributory Old Age Pension, introduced in 2002

Table 12
Consolidated Income & Expenditure Account
Five-Year Comparative Analysis 2001 – 2005

INCOME	2001	2002	2003	**2004	2005
CONTRIBUTION	12,018,078	11,846,152	12,628,125	14,114,120	16,845,392
INVESTMENT	2,597,565	1,175,003	6,100,793	7,310,359	7,762,156
OTHER (FINES & MISC.)	76,514	107,309	84,971	169,136	140,346
OTHER (NET RENT)	93,337	95,322	112,387	118,495	121,486
TOTAL	14,785,494	13,223,786	18,926,276	21,712,110	24,869,380
EXPENSES					
ADMINISTRATIVE	2,251,489	3,202,960	3,119,162	3,598,768	3,585,093
BENEFITS	2,994,293	3,591,484	4,157,058	4,521,194	5,032,585
SSDF*	281,803	750,899	771,218	401,408	315,566
OTHER	62,104	76,110	89,083	88,318	108,094
TOTAL	5,589,689	7,621,453	8,136,521	8,609,688	9,041,338
NET YEARLY INCOME	9,195,805	5,602,333	10,789,755	13,102,422	15,828,042
% CHANGE	-2.7	-39.1	92.6	21.4	20.8
RESERVES	91,883,276	97,390,287	110,606,016	124,832,507	140,465,774
FUND RATIO	16.4	12.8	13.6	14.5	15.5

* Social Security Development Fund

** 2004 Figures Restated

Table 13
Wages by Economic Categories 2005

CATEGORIES	TOTAL WAGES	AVERAGE WAGES	CONTRIBUTION DOLLARS
Agriculture	1,007,019	17,982	91,108
Banking & Finance	11,881,774	43,364	955,716
Central & Local Government	33,100,408	28,783	3,111,779
Construction	24,924,755	21,768	2,232,947
Hotel & Restaurants	50,423,629	19,454	4,510,998
Manufacturing	2,314,726	18,371	219,495
Real Estate & Housing & Professional Services	3,646,805	30,390	282,490
Recreational & Community Services	2,057,534	23,650	181,632
Social & Community Services	14,874,085	28,278	1,313,846
Trade & Commerce	8,046,247	15,355	791,382
Transport & Communications	10,065,844	30,595	850,010
Utilities	4,982,682	35,591	434,292
Other	4,348,180	10,503	453,099
TOTAL	171,673,688		15,428,794

“Social Security: A Symbol of Strength and Endurance”

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>
<u>ASSETS</u>			
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>
<u>LIABILITIES, RESERVES and DEVELOPMENT FUND</u>			
<u>Liabilities</u>			
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>
<u>Reserves and Development Fund</u>			
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>
Income			
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>
Expenses			
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>
Operating Income		15,706,556	12,983,927
Other Income			
Rent - net	19	<u>121,486</u>	<u>118,495</u>
NET INCOME FOR THE YEAR		<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</u> <u>2004</u>
Income			
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>
Expenses			
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>
Operating Loss		(12,320)	(133,111)
Other Income			
Rent - net	19	<u>2,551</u>	<u>3,105</u>
NET LOSS FOR THE YEAR		<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>
Income			
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>
Expenses			
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>
Operating Income		15,362,377	12,959,193
Other Income			
Rent - net	19	<u>118,303</u>	<u>114,905</u>
NET INCOME FOR THE YEAR		<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>
Income			
Contributions	14	631,702	529,280
Investment Income	15	<u>40,363</u>	<u>29,973</u>
		672,065	559,253
Expenses: Social Projects funded	17	<u>315,566</u>	<u>401,408</u>
Operating Income		356,499	157,845
Other Income: Rent - net	19	<u>632</u>	<u>485</u>
NET INCOME FOR THE YEAR		<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>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
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>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
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>
Net Increase / (Decrease) in Cash Resources	1,518,786	(378,354)
Cash on Hand and in Bank at beginning of year	<u>1,067,017</u>	<u>1,445,371</u>
Cash on Hand and in Bank at end of year	<u>2,585,803</u>	<u>1,067,017</u>

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>
Cost:				
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>
Accumulated Depreciation:				
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>
Net Book Value:				
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>
Cost:		
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>
Accumulated Amortization:		
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>
Net Book Value	<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>

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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>

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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.

CORPORATE INFORMATION

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