2009

ANNUAL REPORT

SOCIAL SECURITY BOARD

ANGUILLA

Social Security:

Improving the Quality of Life for All

VISION STATEMENT

Anguilla Social Security Board has improved the quality of life for all Anguillians by providing universal social security coverage. It is a sustainable social, economic and financial services organization with excellent service delivery by a customer-focused, knowledge-based and motivated staff; forging strategic alliances and engaging a well-informed public.

MISSION STATEMENT

Anguilla Social Security Board exists to improve the quality of life in Anguilla by providing meaningful social security to workers and beneficiaries, financial services to stakeholder institutions and socio-economic development for our community.

We will achieve this by being customer-oriented, strategy-focused and technology-driven; with competent and committed staff, high standards of corporate governance, and prudent financial management.

CORE VALUES

Accountability
Customer-focus
Teamwork
Integrity
Visionary-leadership
Excellence

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PREFACE

This report provides a review of the operations of the Board for the financial year 2009. It includes the audited Financial Statements, statistical analyses and tables with details on the overall performance of the Social Security System.

2009 PERFORMANCE HIGHLIGHTS

- Reserves stood at $229.45M, an increase of $24.49M when compared to $204.96M in 2008.
- Total Assets increased to $253.16M with the acquiring of investment property through its ASSIDCO subsidiary.
- Contribution Income declined by 20.9%, from $35.7M in 2008 to $28.2M in 2009.
- Investment Income totaled $12.0M, an increase of 21.2% when compared to $9.9M in 2008. However, whereas Investment Losses and Net Impairment Losses exceeded Investment Income in 2008, net investment performance in 2009 was positive with gains totaling $10.96M.
- Total Income decreased by 11.1% from $46.2M in 2008 to $41.0M in 2009.
- Total Expenditure declined significantly by 39.6%, from $28.5M in 2008 to $17.2M in 2009.
- Net Income stood at $23.8M, increasing significantly by 34.9% compared to $17.7M in 2008.

2008 RECAP AT A GLANCE

- Contribution Income increased by 31.4% to $35.7M, compared to $27.2M in 2007
- A total of 3,520 claims was received and 2,529 claims were paid.
- Benefits paid totaled $7.4M.
- Reserves and Liabilities grew to $207.1M, a 10.7% increase over $187.1M in 2007.
- Investment income totaled $9.9M, decreasing by 7.3% when compared to $10.8M in 2007.
- Annual registrations totaled 1,338, a 36.8% reduction compared to 2,117 in 2007.

CHAIRMAN'S MESSAGE

The global economic and financial crisis has hit Anguilla particularly hard, with GDP falling by 26.0% in 2009. This decline has been seen in all sectors of the economy, but has been particularly severe in those sectors which have traditionally employed large numbers of persons – the construction, hotel and restaurant sectors. Employment has accordingly fallen in all those sectors. This has had a knock-on effect on Government's fiscal position, and forced reductions in its wage bill as well. The Social Security System's contribution income has therefore fallen significantly, as it is directly related to levels of employment and wages in the island. Those individuals who have gone into unemployment, and their families, will face increasing hardships until the economic conditions improve.

The philosophical base of the Anguilla Social Security System is the society, as opposed to the individual, providing through a collective approach, protection against the economic risks that individuals in the society face. These include reductions or loss of income for them and their families through sickness, maternity, old age, disability or death. The Social Security System therefore manages the combined contributions of individuals in order to provide benefits when those individuals who are the wage-earners can no longer perform that role either for themselves or their families. It is especially in times of crisis, such as this current period, that the question "What more can the Social Security System do?" is asked with increasing frequency.

Sudden economic shocks caused either by hurricanes or by external economic forces have painfully brought home the need to consider strengthening the social protection sector by introducing an Unemployment Benefits Scheme within the Social Security System. In assessing the viability of such a scheme, special factors should be taken into consideration due to the highly seasonal pattern of employment in Anguilla in the tourist and related service sectors of the economy, and labour provisions regarding workmen's compensation on termination of employment.

Of course, the economic crisis affects everybody, including those still employed (with higher living costs and stagnant or reduced salaries) and pensioners. The System is called upon to respond to those groups as well. In this regard, the Actuary has recommended delaying any increase in the wage ceilings on which social security contributions are paid, and has recommended increases in minimum pensions and pensions on payment. These increases come into effect on 1st January 2010.

As Chairman of the Social Security Board, I am pleased that the System is weathering the economic storms and is able to take these measures at this time. While I am very much aware that the economic forecasts indicate that Anguilla will remain in a state of recession in 2010, I remain confident that the Social Security System will continue to be a meaningful provider of benefits to insured persons and their families, and a mobilizer of national savings for the overall strength and growth of the economy.

Dr. Aidan Harrigan
Chairman

2009 IN REVIEW – THE DIRECTOR OF SOCIAL SECURITY

The Anguilla Social Security Board's 2009 Business Plan was presented to the public on January 29th 2009 under the theme "**Being Proactive in Challenging Times**". And these truly are challenging times – with severe constrictions in the economy, closure of major employment sites, and investment losses and reduced investment avenues. Further, it is apparent that these challenging times are not just a passing phase but are going to be with us for an extended period. Because of the onset of the crisis in 2008, the Board recognized that there would not be the type of dynamism in Anguilla's economy as previously existed, and that large tourism construction developments would slow down or even come to a stop. 2009 contribution income was therefore budgeted based on 2007's performance as opposed to 2008's record performance.

A review of the System's performance shows that such pessimism was indeed justified. 2009 Contribution Income dropped precipitously by 20.9% from $35.7M in 2008 to $28.2M. The 2009 performance was in fact just $1.0M better than that of 2007. Investment performance, with net gains of $10.96M, showed significant improvement over 2008, when the System sustained net losses. Both Benefit and Administrative expenditure showed small increases. The net result of these, together with reduced contribution income and the increased investment income, was a $24.49M increase in Reserves.

The prognosis for 2010 calls for continued pessimism. I therefore wish to make the following observations as to how our Social Security System can be proactive in these challenging times.

1) Our System must be involved in proposing solutions, otherwise we might wake up and find that solutions involving us have been established. In this regard, for example, we should be the ones assessing the need for and potential cost implications of implementing unemployment benefits, not wait until they are thrust on us. Similarly, we should be involved in any discussions involving providing funds for say, a financial stimulus plan by Government, which is not just an investment opportunity but an opportunity to play a significant role in laying the foundation for future growth and development.

2) We should find ways to maximize the effect of investing in our economy. We ought not to be simply a passive investor, placing funds in financial institutions with no concern for how they are utilized or on-lent. The formation of an investment subsidiary company called Anguilla Social Security Investment and Development Corporation (ASSIDCO) is a major step in this direction.

3) Our Social Security System must take on board risk management systems. While we should be performance-focussed, we must realize that this is a lagging indicator. We must incorporate risk management into all facets of our organization, and most definitely within our investment function. This must include the management of the risk of over-exposure to our government (particularly in terms of new funding or financing requests).

4) We must actively pursue the collection of contributions from whom they are due. We must ensure the sustainability of our System by collecting contributions which are due without fear or favour.

5) We must strengthen our financial management, and our investment, functions. If we are to take on the task of investing hundreds of millions of dollars, we cannot operate as if we are just any other business which perhaps has no investment function and in any event is much smaller in size and scope.

6) Others will find opportunity in these challenging times. So should our Social Security System. We should approach these opportunities conscious of our obligations, and aware that the opposite side of opportunity is risk, but just as much, that the opposite side of risk is reward.

7) We should pursue the often-touted idea of some joint investing with other Regional social security systems. For example, an Infrastructure Fund to which each System contributes 10 – 15% and to which Governments would apply for financing would be a safer investment than loans made directly and not arms-length.

Finally, it is clear that our Social Security System faces unprecedented challenges from the global financial and economic crisis. The crisis may deplete reserves due to losses on investments. It may also lead to a reduction in revenues because of fewer persons contributing, which together with investment losses might undermine the viability of the System. There might also be increased numbers of beneficiaries, and therefore higher expenses. All of this, at a time when our government and citizens expect us to oversee a strong sustainable system, and when our government will expect us to play a role in revitalizing our economy. How we respond to these challenging times will prove our true worth to the citizens of our beloved country.

Timothy A. Hodge
Director of Social Security

BOARD MEMBERSHIP

During 2009, the membership of the Board consisted of:

Dr. Aidan Harrigan	- Government Representative, Chairman
Mr. Jeffrey Carty	- Employers' Representative, Deputy Chairman
Ms. Connie Brooks	- Employers' Representative
Mr. Lynrod Brooks	- Government's Representative
Mrs. Brenda Richardson	- Employees' Representative
Mr. Curtis Richardson	- Employees' Representative
Mr. Timothy A. Hodge	- Director of Social Security

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 2009 were:

Mr. Willis Hodge, Independent Member, Chairman
Mr. Sheldon Rogers, Independent Member
Dr. Aidan Harrigan, Chariman 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 2009 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 2010. Anguilla is a member territory of the Eastern Caribbean Central Bank.

The pace of economic activity in Anguilla contracted considerably in 2009 relative to 2008, in the wake of the global economic and financial crisis. Provisional estimates indicate that real GDP fell by 26.0% in contrast to growth of 4.5% in 2008. The decline in economic activity was reflected across all sectors of the economy but more so in the construction and hotels and restaurant sectors. Consumer prices decreased by 1.3% during 2009. The central government's fiscal position deteriorated due to a significant decline in revenue. The total outstanding public sector debt increased, in congruence with the deterioration in the fiscal position of the government. In the banking system, monetary liabilities contracted, influenced by decreases in deposits, while domestic credit expanded. Commercial bank liquidity eased and the weighted average interest rate spread between loans and deposits widened. In the external sector the overall deficit decreased due to a smaller current account deficit.

In spite of a projected improvement in the global economy, the Anguillian economy is not expected to exit the recession in 2010. Both tourism and construction activity are likely to remain depressed as unemployment, credit conditions and consumer spending remain weak in advanced economies. Without significant adjustment the fiscal position of the central government is likely to deteriorate in 2010 given the projections for revenue and expenditure.

HUMAN RESOURCES

The importance of human resource as a means of ensuring sustained growth for any organization cannot be over emphasized since it is the fundamental strength on which all strategies are based in the contemporary business world. Hence, effective employee management tops the priorities for any progressive institution which is looking forward to excel in its field, and the Social Security Board is no exception.

Attraction, retention, preservation, and growth of employees are the key tools of human resource planning which ensures that the best possible skill and talent is available to back all the plans for achieving organizational goals. The Anguilla Social Security Board considers itself a growth-oriented organization, and as such it is ever mindful that the need to retain competitive advantage in a constantly evolving scenario is what best justifies the importance of human resource planning.

Since the Board believes that human resource is the greatest asset that any organization possesses, it is committed to ensuring that this potential is harnessed to the maximum to contribute positively towards the growth of the organization.

In 2009 the organization continued to provide financial assistance to its employees in the pursuit of formal academic education and professional qualification in various disciplines. The Board remains committed to supporting the Executive Diploma in Social Security Management Course, provided by the Centre for Management Development of the University of the West Indies, by the enrolment of members of staff in this annual training programme.

The staff complement in 2009 was 28 permanent employees and 1 temporary employee.

Meetings/Seminars/Conferences/Workshops

Members of the Board and Staff attended and participated in the following during 2009:

- Anguilla Red Cross Basic First Aid Training Course in Anguilla, held February;
- DEAP Continuing Professional Development Seminar in St. Kitts, held 29th – 30th April;
- 2009 Annual Briefing for Administrative Professionals, held 9th April;
- ECCB Savings and Investment Course in Anguilla, held 24th March – 26th May;
- Investment Workshop sponsored by Caribbean Development Bank in Barbados, 7th – 13th June;
- IT and Project Management Workshop in St. Lucia, held 12th – 18th July;
- Investment Management Seminar in Dominica, held 22nd – 25th November.

STATISTICAL REVIEW

REGISTRATIONS

Employees

New registrations for 2009 totaled 589, significantly decreasing (55.0%) when compared to 1,309 in 2008. This brought the accumulated total of insured persons on register to 17,058 (which include active, inactive, residents, non-residents and deceased persons), a slight increase of 3.7% from 16,451 in 2008. As is customary, males dominated the registrations accounting for 62.1% of new registrations and 60.4% of the cumulative total. The highest number of male registrations was within age group 30 – 34 years; while the highest number of female registrations was within the age group 15 – 19 years. The top five countries with significant numbers of registrants by country of birth were: Anguilla accounting for 19.9% of new registrations, India 15.6%, USA 8.0%, Dominican Republic 7.1%, and Jamaica 6.8%.

Chart 1

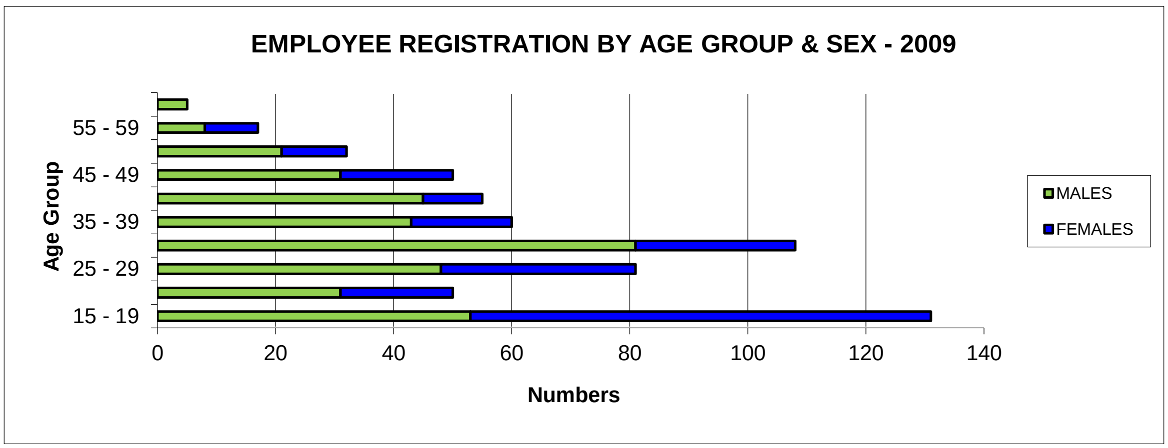
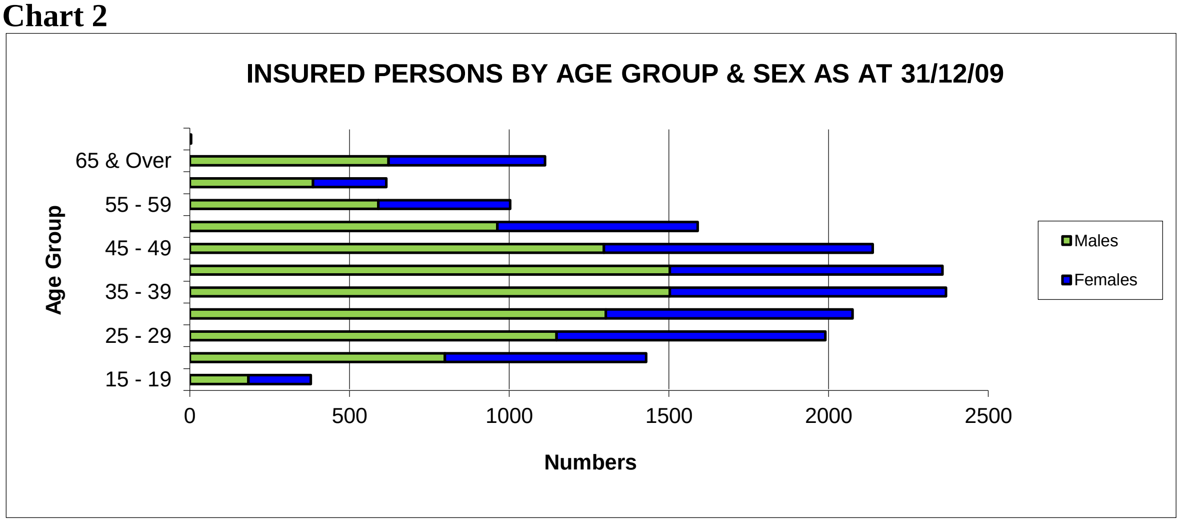


Chart 2



Employers

A total of 83 new employer registrations was recorded in 2009, a mere 2.5% increase over 81 in 2008. This brought the combined total of new employer and self-employed registrations to 111, representing a very slight decrease of 1.8% when compared to 113 in 2008. As a result, the cumulative total of employer registrations in 2009 increased by 4.7% to 2,874, compared to 2,746 in 2008. The top four industries dominating employer registrations in 2009 were Personal & Household Services 19 (22.9%), followed by Restaurants & Bars with 14 (16.9%), Construction 12 (14.5%) and Retail Trade 11 (13.3%).

The Self-Employed

New self-employed registrations totaled 25 in 2009, a 21.9% decrease when compared to 32 in 2008. The top three industries with the highest registrations were Personal & Household Services accounting for 32% of new registrations, Construction accounting for 15.6%, and Retail Trade accounting for 12%. Since the introduction of coverage for the self-employed, registration of persons within this sector continues to be a challenge for the Social Security Board. At year-end 2009, the cumulative number of self-employed on register totaled 249 persons.

BENEFITS

The two benefit branches of Social Security are the Long-Term Benefits Branch and the Short-Term Benefits Branch. The Long-Term Benefits Branch comprises: Age, Invalidity and Survivors Pensions and Grants and the Non-Contributory Old Age Pension (NCOAP). The Short-Term Benefits Branch comprises Sickness Benefit, Maternity Benefit and Grant and Funeral Grant.

In 2009, total benefit claims received declined slightly by 5.2%, totaling 3,336 compared to 3,520 received in 2008. A total of 2,718 claims were paid in 2009, representing a moderate increase of 7.5% when compared to 2,529 during the previous year.

During the period under review, short-term benefit claims received totaled 3,266, of which 2,705 were approved and 2,671 of those approved paid. Sickness benefit claims received declined by 7.0%, totaling 2,894 compared to 3,113 received in 2008. Maternity Allowances and Grants claims received in 2009 totaled 330, of which 282 were paid. Funeral Grant claims totaled 42 (of which 39 were paid), this was a significant increase of 61.5%, when compared to 26 claims received in 2008.

Long-term benefits claims received declined marginally in 2009, totaling 70 compared to 76 in 2008. A total of 35 Age Pension and Grant claims were received of which 21 were paid; 18 Survivors pension and grants claims were received of which 16 were paid; 11 invalidity pension claims were received of which 9 were paid; and 6 NCOAP claims were received of which 1 claim was paid.

Full statistical data on benefit claims can be found in Tables 8, 9, and 10 of the Statistical Digest, herein.

Chart 3

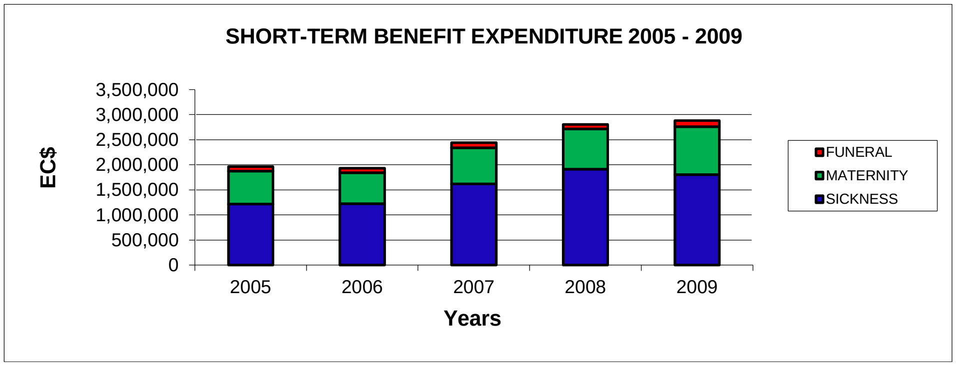
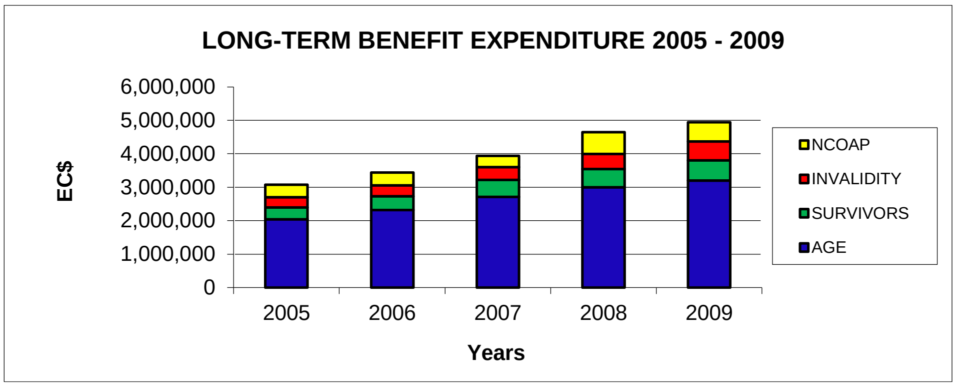


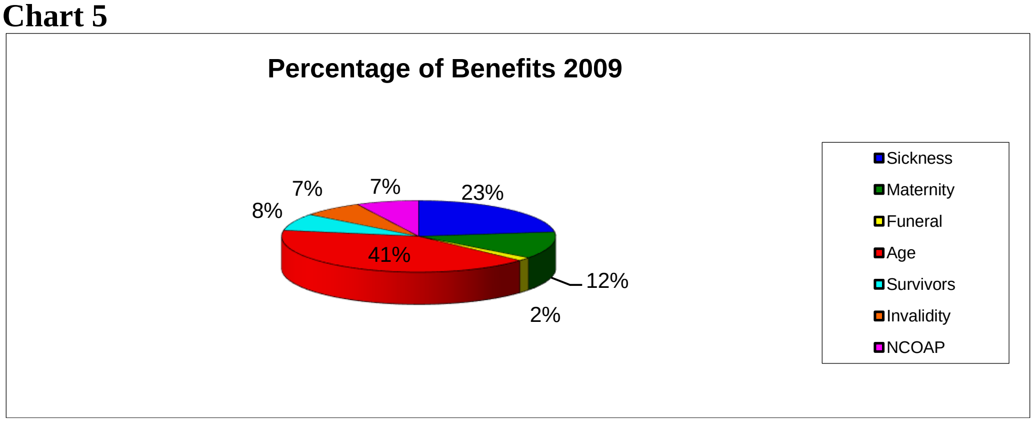
Chart 4



PENSIONS IN PAYMENT

There were 582 pensioners on record as at 31st December 2009, an increase of 7.6% when compared to 541 in 2008. Of the 582 pensioners, 307 represented Age Pension, 55 Invalidity Pension, 111 Non-Contributory Old Age Pension and 109 persons in receipt of Survivor's Pension. All long-term benefits are payable for the remainder of the lives of the beneficiaries, with the exception of payments to dependent children, which are payable until age 15 or 18 if the beneficiaries are still in school.

Chart 5



FINANCIAL OPERATIONS

CONTRIBUTION INCOME

In 2009, Contribution Income totaled $28.2M, decreasing significantly by 20.9% from $35.7M in 2008. Self-Employed contributions also declined and accounted for $194,343 (0.7%) of total contribution income, compared to $228,596 in 2008. There were no voluntary contributions received during the period under review. The decline of contribution income can be attributed to the continued contraction of the local economy due to the effects of the world-wide recession.

INVESTMENT INCOME

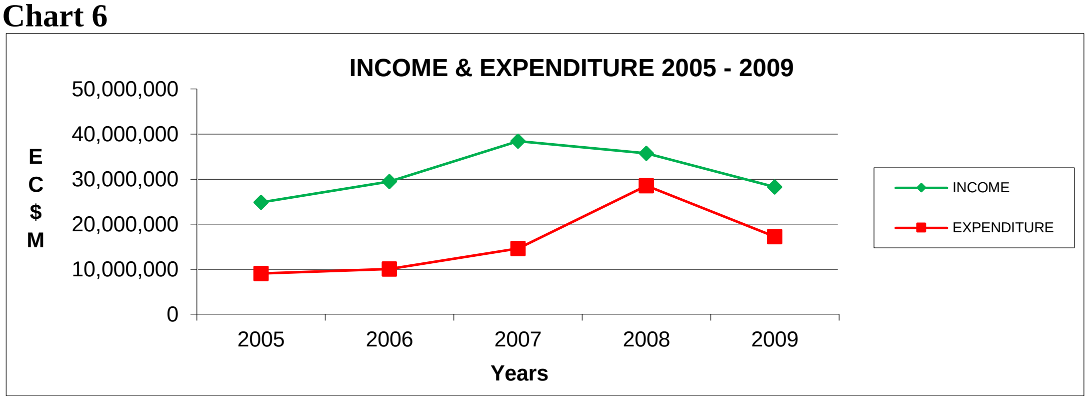
Despite the continued unfavourable financial climate due to the prolonged downturn in the US economy and the global economic crisis, the financial performance of overseas investments of the Fund was relatively satisfactory, yielding positive returns. In 2009 Investment income totaled $12.0M, rebounding from its decline in the previous year, and registering a significant increase of 21.6% when compared to $9.9M in 2008. In the Expense Statement, investment losses totaled $48,058 compared to $10.8M in 2008, and Impairment Loss (net of recovery) totaled $1.1M. Net Investment Income during the period under review totaled $10.96M.

Net Rental Income from commercial units increased significantly in 2009 by 34.7%, from $144,745 in 2008 to $194,936.

TOTAL INCOME AND NET INCOME

During the period under review, Total Income amounted to $41.0M, a decrease of $5.2M (11.1%) when compared to $46.2M in 2008. Total Expenditure amounted to $17.2M, decreasing significantly by 39.6% when compared to $28.5M in 2008 when significant investment and impairment losses were recorded. In 2009, Net Income increased significantly (34.9%), amounting to $23.8M (coincidentally the same amount realized in 2007) compared to $17.7M in 2008. This significant increase in Net Income can be attributed to the favourable performance of the investment portfolio for the period under review in spite of the reduction in Contribution Income.

Chart 6

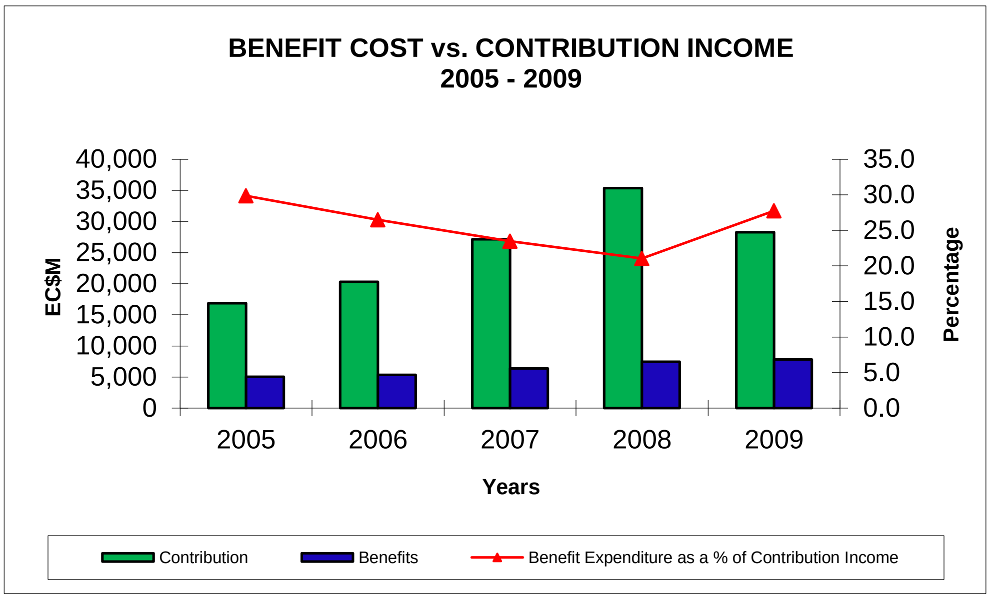


BENEFIT EXPENDITURE

Benefit Expenditure comprises both long-term and short-term benefits payments, with the long-term benefits accounting for the majority of the benefit expenditure.

During the period under review, Benefit Expenditure increased moderately by 5.26% from $7.4M in 2008 to $7.8M. Short-Term Branch Expenditure totaled $2.9M, a slight increase of 2.62% over $2.8M during the previous year. Long-Term Branch Expenditure registered a moderate increase of 6.9% totaling $4.96M, compared to $4.64M in 2008. Of the total short-term benefits expenditure in 2009, Sickness benefit accounted for $1.8M, Maternity benefit $966,102, and Funeral grants $119,937. Of the total long-term benefits expenditure in 2009, Age Pension accounted for $3.2M, Survivors benefits $609,689, Non-Contributory Old Age Pension $588,658, and Invalidity benefits $561,289.

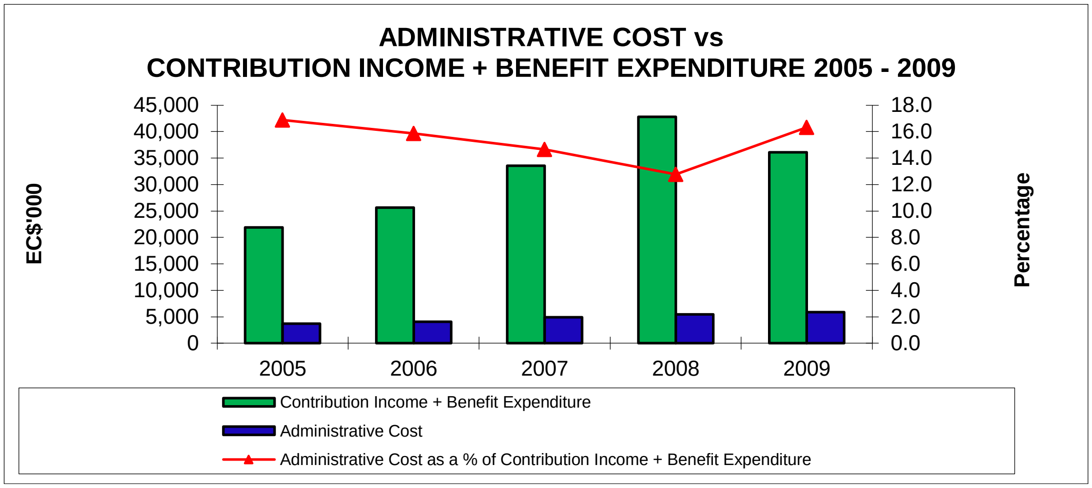
Chart 7



ADMINISTRATIVE EXPENDITURE

In 2009 Administrative Expenditure increased by 8.4%, totaling $6.0M compared to $5.6M in the previous year. This was equivalent to 14.7% of total income as compared with 12.0% in 2008. Administrative Expenditure as a percentage of Contribution Income plus Benefit Expenditure was equivalent to 16.3%, up from 12.8% in 2008; this increase followed four consecutive years when the ratio trended downwards.

Chart 8

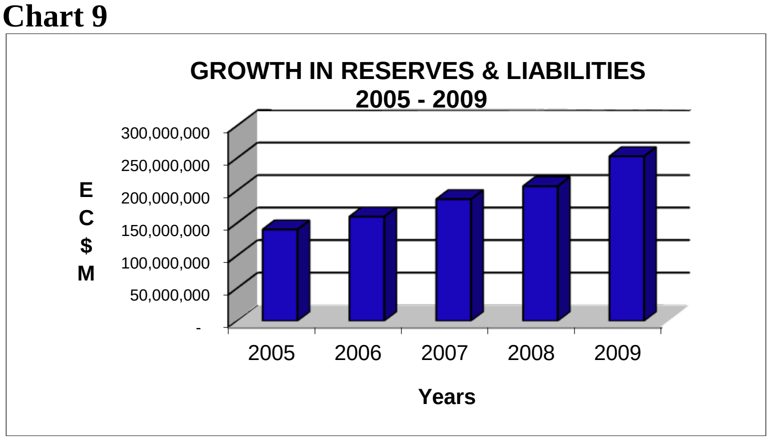


GROWTH IN RESERVES

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. During the period under review, Total Reserves grew significantly and stood at $229.4M; an increase of 23.1% ($20.0M) when compared to $205.0M in 2008; this was realized despite the poor economic climate and some unfavourable returns on invested capital. This increase does not show the effect of the additional $20.2M in assets through the ASSIDCO investment, which also entails an increase in liabilities of $20.1M. Total Liabilities, Reserves and Development Fund increased to $253.2M at year-end 2009.

Reserves of the Long-Term Benefits Branch continued its steady upward growth, totaling $214.7M in 2009, an increase of 12.0% ($22.9M) over $191.8M in 2008. Reserves of the Short-Term Benefits Branch registered growth for the fourth consecutive year, increasing by 11.7% to $6.3M during the period under review. Reserves of the Social Security Development Fund increased marginally to $1.38M from $1.37M, while the Social Security Development Fund Reserve increased to $1.5M from $1.3M at year-end 2008.

Chart 9



SOCIAL SECURITY DEVELOPMENT FUND (SSDF)

In keeping with its motto "Improving the Quality of Life for All", the Anguilla Social Security Board continues to fulfill its social responsibility by providing funding for community developmental programmes, activities and initiatives in the fields of education, health, sports and culture. Such projects are supported from the Social Security Development Fund (SSDF). The 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 2009 a total of $924,469 was spent on projects. Projects funded throughout the year are listed in Table 1 below. The significant increase over previous years' expenditure was due mainly to the purchase of the Modular Dialysis Unit.

Table 1
Social Security Development Fund (SSDF) Projects 2009

PROJECT NAME	EXPENDITURE EC$
Health Authority of Anguilla - Modular Dialysis Unit	376,348
Tranquility Jazz Festival	134,410
Heritage Collection Museum	4,839
Education Development Plan	18,868
Anguilla Boat Racing Committee	30,000
Anguilla Community Foundation	40,323
Camp Be Aware (Environmental Camp)	13,441
ALHCS Jump Rope Club - Anguilla Pepper Steppers	16,129
Youth Escape Summer Arts Programme	8,065
Anguilla Football Association	95,432
Anguilla Cricket Association	41,533
Anguilla Amateur Athletic Association	6,721
Statistics Department	12,534
Anguilla National Trust	82,897
Festival De Noel	3,000
Youth Crime Watch of Anguilla	39,929
TOTAL	**924,469**

STATISTICAL DIGEST

Table 2
Annual Registration of Employees by Sex - 2009

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	53	9.0	78	13.2	131	22.2
20 - 24	31	5.3	19	3.2	50	8.5
25 - 29	48	8.1	33	5.6	81	13.8
30 - 34	81	13.8	27	4.6	108	18.3
35 - 39	43	7.3	17	2.9	60	10.2
40 - 44	45	7.6	10	1.7	55	9.3
45 - 49	31	5.3	19	3.2	50	8.5
50 - 54	21	3.6	11	1.9	32	5.4
55 - 59	8	1.4	9	1.5	17	2.9
60 - 64	5	0.8	0	0.0	5	0.8
TOTALS	**366**	**62.1**	**223**	**37.9**	**589**	**100.0**

Table 3
Tabulation of All Insured Persons by Sex as at 31st December 2009

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	183	1.1	196	1.1	379	2.2
20 - 24	799	4.7	630	3.7	1429	8.4
25 - 29	1148	6.7	842	4.9	1990	11.7
30 - 34	1302	7.6	773	4.5	2075	12.2
35 - 39	1503	8.8	864	5.1	2367	13.9
40 - 44	1503	8.8	853	5.0	2356	13.8
45 - 49	1296	7.6	842	4.9	2138	12.5
50 - 54	963	5.6	627	3.7	1590	9.3
55 - 59	590	3.5	413	2.4	1003	5.9
60 - 64	386	2.3	229	1.3	615	3.6
65 & Over	626	3.6	490	2.9	1116	6.5
TOTALS	**10299**	**60.4**	**6759**	**39.6**	**17058**	**100.0**

Table 4
Registration of Employees by Gender 2005 – 2009

YEAR	MALE	%	FEMALE	%	TOTAL AT YEAR-END	TOTAL ON REGISTER**	TOTAL ACTIVE
2005*	513	60.8	331	39.2	844	11,566	6,144
2006*	991	69.8	429	30.2	1,420	13,006	7,526
2007*	1,687	80.3	415	19.7	2,102	15,113	9,030
2008	998	75.3	323	24.7	1,309	16,451	9,449
2009	366	62.1	223	37.9	589	17,058	8,259

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

Table 5
New Registration of Employers by Industry - 2009

ILO CODE	INDUSTRY	No.	%
34	Manufacturing of Paper Products, Print/Publication	1	1.2
37	Bsc Metal Industries	1	1.2
38	Manufacturing Fab. Mtl. Products, MH & EQ	1	1.2
41	Electricity, Gas & Steam	1	1.2
42	Water works & Supply	1	1.2
50	Construction	12	14.5
62	Retail Trade	11	13.3
63	Hotels & Guest Houses	6	7.2
64	Restaurant & Bars	14	16.9
71	Transport & Storage	5	6.0
72	Communication	1	1.2
81	Financial Institutions	1	1.2
82	Insurance	1	1.2
83	Real Estate & Business Services	2	2.4
93	Social & Related Community Services	6	7.2
95	Personal & Household Services	19	22.9
TOTAL		**83**	**100.0**

Table 6
Registration of Employers 2005 – 2009

YEAR	NEWLY REGISTERED EMPLOYERS	EMPLOYERS REGISTERED AT YEAR-END	ACTIVE EMPLOYERS AT YEAR-END
2005	132	2,229	747
2006	141	2,411	840
2007	213	2,609	1,016
2008	113	2,746	984
2009	111	2,874	916

Table 7
New Self-Employed Registrations by Industry - 2009

ILO CODE	INDUSTRY	No.	%
13	Fishing	2	8.0
37	Bsc Metal Industries	1	4.0
41	Electricity, Gas & Steam	1	4.0
50	Construction	5	20.0
62	Retail Trade	3	12.0
63	Hotel & Guest Houses	1	4.0
64	Restaurant & Bars	1	4.0
71	Transport & Storage	1	4.0
93	Social & Related Community Services	1	4.0
95	Personal & Household Services	9	36.0
TOTAL		**25**	**100.0**

Table 8
Benefit Claims Received, Approved, Rejected, Pending – 2009

TYPE	# RECEIVED	# APPROVED	# REJECTED	#PENDING
SICKNESS BENEFIT	2,894	2,383	444	67
MATERNITY BENEFIT	155	144	2	9
MATERNITY GRANT	175	139		36
FUNERAL	42	39	1	2
AGE PENSION	34	23		11
AGE GRANT	1	1		
SURVIVORS PENSION	15	15		
SURVIVORS GRANT	3	2		1
INVALIDITY PENSION	11	9	1	1
NCOAP*	6	1		5
TOTALS	**3,336**	**2,756**	**448**	132

*Non-Contributory Old Age Pension

Table 9
Number of Benefit Claims Received by Type 2005 – 2009

BENEFIT TYPE	2005	2006	2007	2008	2009
SICKNESS	2,573	2,498	2,684	3,113	2,894
MATERNITY BENEFIT	129	153	137	151	155
MATERNITY GRANTS	149	160	153	154	175
FUNERAL	27	30	36	26	42
TOTAL SHORT-TERM	**2,878**	**2,841**	**3,010**	**3,444**	**3,266**
AGE PENSION	29	30	23	34	34
AGE GRANT	3	7	9	7	1
SURVIVORS PENSION	20	9	21	8	15
SURVIVORS GRANT	2	11	1	0	3
INVALIDITY PENSION	5	7	9	15	11
INVALIDITY GRANT	1	0	0	12	0
NCOAP*	12	4	7		6
TOTAL LONG-TERM	**72**	**68**	**70**	**76**	**70**
TOTAL CLAIMS RECEIVED	**2,950**	**2,909**	**3,080**	**3,520**	**3,336**
% CHANGE	**21.5**	**-1.4**	**5.9**	**14.3**	**-5.2**

*Non-Contributory Old Age Pension

Table 10
Benefit Claims Paid by Type 2005 – 2009

BENEFIT TYPE	2005	2006	2007	2008	2009
SICKNESS	2,064	1,828	2,079	2,201	2,350
MATERNITY BENEFIT	127	132	137	128	143
MATERNITY GRANTS	151	134	147	125	139
FUNERAL	29	30	32	25	39
TOTAL SHORT-TERM	**2,371**	**2,124**	**2,395**	**2,479**	**2,671**
AGE PENSION	30	28	27	27	20
AGE GRANT	5	6	7	4	1
SURVIVORS PENSION	11	13	17	7	15
SURVIVORS GRANT	1	11	6	0	1
INVALIDITY PENSION	5	5	7	6	9
INVALIDITY GRANT	1	1	0	0	0
NCOAP*	3	7	5	6	1
TOTAL LONG-TERM	**56**	**71**	**69**	**50**	**47**
TOTAL CLAIMS PAID	**2,427**	**2,195**	**2,464**	**2,529**	**2,718**
% CHANGE	**13.9**	**-9.6**	**12.3**	**2.6**	**7.5**

Includes claims brought forward from the previous year
*Non-Contributory Old Age Pension

Table 11
Benefit Expenditure (EC$) by Type 2005 – 2009

BENEFIT TYPE	2005	2006	2007	2008	2009
SICKNESS	1,219,242	1,222,260	1,619,161	1,910,933	1,788,600
MATERNITY	654,846	620,148	719,797	803,384	966,102
FUNERAL	87,000	90,000	99,000	87,000	119,937
TOTAL SHORT-TERM	**1,961,088**	**1,932,408**	**2,437,958**	**2,801,317**	**2,874,639**
AGE	2,041,537	2,319,079	2,707,629	2,997,213	3,201,294
SURVIVORS	350,869	412,000	515,460	544,264	609,689
INVALIDITY	310,693	325,411	381,497	456,057	561,289
NCOAP*	368,399	379,923	336,592	644,811	588,658
TOTAL LONG-TERM	**3,071,498**	**3,436,413**	**3,941,178**	**4,642,345**	**4,960,930**
TOTAL BENEFIT EXPENSE	**5,032,586**	**5,368,821**	**6,379,136**	**7,443,662**	**7,835,569**
% CHANGE	**11.3**	**6.7**	**18.8**	**16.7**	**5.3**

*Non-Contributory Old Age Pension

Table 12
Consolidated Income & Expenditure Account, 5-Year Comparative Analysis 2005 – 2009

	2005	2006	2007	2008	2009
INCOME					
CONTRIBUTION	16,845,392	20,284,267	27,160,458	35,695,290	28,244,524
INVESTMENT	7,762,156	8,871,564	10,679,018	9,894,984	12,027,772
OTHER (FINES & MISC.)	140,346	184,458	461,834	438,842	560,956
OTHER (NET RENT)	121,486	109,076	154,002	144,745	194,936
TOTAL	**24,869,380**	**29,449,365**	**38,455,312**	**46,173,861**	**41,028,188**
EXPENSES					
ADMINISTRATIVE	3,585,093	4,066,255	4,914,322	5,467,143	5,885,334
BENEFITS	5,032,585	5,368,821	6,379,136	7,443,662	7,835,569
BORROWING COST					1,367,548
INVESTMENT LOSSES				10,810,248	48,058
IMPAIRMENT LOSS - NET			2,732,080	4,166,490	1,018,022
SSDF*	315,566	511,838	521,261	541,920	924,469
OTHER	108,094	110,121	81,755	90,582	139,173
TOTAL	**9,041,338**	**10,057,035**	**14,628,554**	**28,520,045**	**17,218,173**
NET INCOME	**15,828,042**	**19,392,330**	**23,826,758**	**17,653,816**	**23,810,015**
% CHANGE	**20.8**	**22.5**	**22.9**	**-25.9**	**34.9**
RESERVES & LIABILITIES**	**140,465,774**	**160,520,209**	**187,087,800**	**207,075,923**	**253,138,208**
FUND RATIO***	**14.0**	**11.0**	**6.6**	**12.0**	**6.4**

* Social Security Development Fund
** 2009 Figure includes increase in Assets through Subsidiary ASSIDCO.
*** Figures Revised

Table 13
Wages and Contributions by Economic Categories (EC$) - 2009

ECONOMIC CATEGORY	TOTAL WAGES	AVERAGE WAGES	CONTRIBUTION DOLLARS	INSURABLE EARNINGS
Agriculture	1,960,661	20,007	189,806	1,904,644
Banking & Finance	24,169,155	65,146	3,982,413	18,885,045
Central & Local Government	89,674,588	60,184	7,907,370	78,953,916
Construction	50,558,646	27,095	4,638,892	46,413,865
Hotel & Restaurants	68,476,422	23,395	6,089,236	60,847,935
Manufacturing	3,250,571	27,316	316,118	3,168,644
Mining & Quarrying	167,182	41,796	16,718	167,182
Personal & Household Services	11,071,821	17,800	1,075,689	10,844,880
Real Estate & Housing & Professional Services	7,078,178	48,151	605,020	6,025,353
Recreational & Community Services	1,061,538	19,658	102,805	1,029,783
Social & Community Services	27,260,802	53,140	2,289,972	22,931,134
Trade & Commerce	15,873,876	23,728	1,558,066	15,638,023
Transport & Communications	14,064,998	33,329	1,197,032	11,988,032
Utilities	10,850,233	48,223	955,474	9,549,584
Other	542,706	22,613	53,082	542,699
TOTAL	**326,061,377**	**-**	**30,977,693**	**288,890,719**

ANGUILLA SOCIAL SECURITY BOARD

Consolidated Financial Statements

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ANGUILLA SOCIAL SECURITY BOARD
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Anguilla Social Security Board

We have audited the accompanying consolidated financial statements of Anguilla Social Security Board and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the related consolidated statement of income, statement of comprehensive income, statements of income and changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and Social Security Act, Revised Statutes of Anguilla Chapter S45 (R.S.A.c.S45). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT *(continued)*

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and Social Security Act, Revised Statutes of Anguilla Chapter S45 (R.S.A.c.S45).

Emphasis of Matter

We draw attention to Note 25 to the consolidated financial statements which show that as at 31 December 2009, the total financial instruments of the Group amounting to $220,817,353 represent eighty-eight percent (88%) of its total assets. Seventy-one percent (71%) of these financial instruments were in the form of savings, demand and fixed deposits, equity securities and interest receivable on fixed deposits held with National Bank of Anguilla Limited (NBA) (37%) and savings, demand and fixed deposits and interest receivable on fixed deposits with Caribbean Commercial Bank (Anguilla) Limited (CCB) (34%) during the year. In view of this, the Group is exposed to significant credit concentration and counterparty risks which could materially impact the Group's consolidated liquidity, financial position and performance in the event that the said indigenous banks encounter financial difficulties.

We also draw attention to Note 1 to the consolidated financial statements which shows that ASSIDCO, the Board's subsidiary, incurred a net loss of EC$1,442,125 for the year ended 31 December 2009 and as of that date, ASSIDCO's liabilities exceeded its total assets by EC$1,342,125. In August 2010, the Board made additional capital infusion of $5,246,000 to provide ASSIDCO enough funds to operate based on its statutory functions.

However as at report date, ASSIDCO's rental receivables from the Government of Anguilla arising from the lease agreement between the latter and the former amounting to EC$4,200,000 remain unpaid. These receivables if not collected, will result in further losses to ASSIDCO which could unfavourably affect ASSIDCO's ability to continue as a going concern. As such, we draw attention to the Board to continually assess ASSIDCO's ability to continue as a going concern and that decisions involving ASSIDCO must be made for the benefit of its members and in line with the Board's statutory responsibility of safeguarding the contributions of its members.

Chartered Accountants
11 February 2011
The Valley, Anguilla, B.W.I

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Financial Position
As at 31 December 2009

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2009	2008
Assets			
Cash on hand and in bank	*7*	**2,205,910**	1,068,384
Investment securities – net	*8*	**203,472,877**	184,736,649
Contributions, loans and other receivables - net	*9*	**15,208,223**	9,324,467
Investment property	*10*	**20,250,000**	-
Property and equipment – net	*11*	**9,255,323**	9,272,682
Software – net	*12*	**387,550**	452,183
Other assets	*13*	**2,378,325**	2,221,558
Total Assets		**253,158,208**	207,075,923
Liabilities, Reserves and Development Fund			
Liabilities			
Accounts payable and accrued expenses		**282,663**	508,639
Bank overdraft	*7*	**1,480,972**	-
Pension fund obligation	*14*	**1,864,653**	1,607,502
Borrowings	*15*	**20,081,250**	-
Total Liabilities		**23,709,538**	2,116,141
Reserves and Development Fund			
Short-term benefits branch reserve		**6,298,624**	5,637,006
Long-term benefits branch reserve		**214,723,507**	191,787,113
Social Security Development Fund		**1,381,494**	1,366,764
Social Security Development Fund Reserve	*16*	**1,500,000**	1,250,000
Unrealized gain/(loss) on available-for-sale investment securities	*8*	**548,070**	(130,803)
Premises revaluation surplus	*11*	**4,996,975**	5,049,702
Total Reserves and Development Fund		**229,448,670**	204,959,782
Total Liabilities, Reserves and Development Fund		**253,158,208**	207,075,923

These consolidated financial statements were approved on behalf of the Board of Directors on 11 February 2011 by the following:

Thomas W. Astaphan, Chairman

Timothy Hodge, Director

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income
For the Year Ended 31 December 2009

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2009	2008
Income			
Contributions	*17*	**28,244,524**	35,695,290
Investment income	*18*	**12,027,772**	9,894,984
Rental income – net	*19*	**194,936**	144,745
Fines and miscellaneous	*20*	**560,956**	438,842
		41,028,188	46,173,861
Expenses			
Benefits			
Short-term	*21*	**2,874,639**	2,801,317
Long-term	*21*	**4,960,930**	4,642,345
		7,835,569	7,443,662
Administrative and other expenses	*23*	**6,024,507**	5,557,725
Borrowing cost	*15*	**1,367,548**	-
Investment losses	*18*	**48,058**	10,810,248
Impairment loss - net of recovery	*8*	**1,018,022**	4,166,490
Social Security Development Fund	*22*	**924,469**	541,920
		17,218,173	28,520,045
Net income		**23,810,015**	17,653,816

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2009

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2009	2008
Net income		**23,810,015**	17,653,816
Other comprehensive income			
Revaluation of investment properties	*11*	**-**	3,532,230
Net change in fair value of available-for-sale investment securities	*8*	**678,873**	(1,877,355)
		678,873	1,654,875
Total comprehensive income		**24,488,888**	19,308,691
Attributable to the owners of the Company		**24,488,888**	19,308,691

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income and Changes in Reserve
Short-term Benefits Branch
For the Year Ended 31 December 2009

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2009	2008
Income			
Contributions	*17*	**4,236,678**	5,354,294
Investment income	*18*	**338,934**	221,648
Rental income – net	*19*	**5,493**	3,242
Fines and miscellaneous	*20*	**280,478**	219,421
		4,861,583	5,798,605
Expenses			
Benefits	*21*	**2,874,639**	2,801,317
Administrative and other expenses	*23*	**1,264,657**	1,111,977
Borrowing cost	*15*	**38,537**	-
Investment loss	*18*	**1,354**	242,150
Impairment loss - net of recovery	*8*	**28,687**	93,329
		4,207,874	4,248,773
Net income		**653,709**	1,549,832

Short-term benefits branch reserve

Balance at beginning of the year		**5,637,006**	4,085,994
Net income		**653,709**	1,549,832
Depreciation transfer from premises revaluation surplus	*11*	**7,909**	1,180
Balance at end of the year		**6,298,624**	5,637,006

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income and Changes in Reserve
Long-term Benefits Branch
For the Year Ended 31 December 2009

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2009	2008
Income			
Contributions	*17*	**22,948,676**	29,002,423
Investment income	*18*	**11,531,501**	9,571,418
Rental income – net	*19*	**186,893**	140,012
Fines and miscellaneous	*20*	**280,478**	219,421
		34,947,548	38,933,274
Expenses			
Benefits	*21*	**4,960,930**	4,642,345
Administrative and other expenses	*23*	**4,759,850**	4,445,748
Borrowing cost	*15*	**1,311,122**	-
Investment loss	*18*	**46,075**	10,456,753
Impairment loss - net of recovery	*8*	**976,018**	4,030,246
		12,053,995	23,575,092
Net income		**22,893,553**	15,358,182

Long-term benefits branch reserve

Balance at beginning of the year		**191,787,113**	176,422,539
Net income		**22,893,553**	15,358,182
Depreciation transfer from premises revaluation surplus	*11*	**42,841**	6,392
Balance at end of the year		**214,723,507**	191,787,113

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income and Changes in Reserve
Social Security Development Fund and Development Fund Reserve
For the Year Ended 31 December 2009

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2009**	2008
Income			
Contributions	*17*	**1,059,170**	1,338,573
Investment income	*18*	**157,337**	101,918
Rental income – net	*19*	**2,550**	1,491
		1,219,057	1,441,982
Expenses			
Social projects funded	*22*	**924,469**	541,920
Borrowing cost	*15*	**17,889**	-
Investment loss	*18*	**629**	111,345
Impairment loss – net of recovery	*8*	**13,317**	42,915
		956,304	696,180
Net income		**262,753**	745,802

Social Security Development Fund

Balance at beginning of the year		**1,366,764**	870,667
Net income		**262,753**	745,802
Depreciation transfer from premises revaluation surplus	*11*	**1,977**	295
Transfer to Development Fund Reserve	*16*	**(250,000)**	(250,000)
Balance at end of the year		**1,381,494**	1,366,764

Social Security Development Fund Reserve

Balance at beginning of the year		**1,250,000**	1,000,000
Transfer from Development Fund Reserve	*16*	**250,000**	250,000
Balance at end of the year		**1,500,000**	1,250,000

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2009

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2009**	2008
Cash flows from operating activities			
Net income		**23,810,015**	17,653,816
Adjustments for:			
Net realized loss from available-for-sale investment securities	*18*	**48,058**	10,810,248
Interest income	*18*	**(11,639,917)**	(9,324,744)
Interest expense	*15*	**1,030,093**	-
Impairment loss - net of recovery	*8*	**1,018,022**	4,166,490
Dividend income	*18*	**(387,855)**	(570,240)
Depreciation and amortization	*11, 12*	**470,897**	408,961
Operating income before working capital changes		**14,349,313**	23,144,531
Decrease/(increase) in:			
Contributions, loans and other receivables	*9*	**(5,825,854)**	(2,827,393)
Other assets	*13*	**(156,767)**	(311,443)
Increase/(decrease) in:			
Accounts payable and accrued expenses		**(255,879)**	412,029
Pension fund obligation	*14*	**257,151**	267,403
Net cash provided by operating activities		**8,367,964**	20,685,127
Cash flows from investing activities			
Acquisition of held-to-maturity investment securities	*8*	**(19,160,699)**	(44,282,051)
Withdrawal of available-for-sale investment securities	*8.2*	**1,377,088**	13,219,809
Acquisition of investment property		**(20,250,000)**	-
Interest received		**10,242,191**	8,482,405
Dividends received		**387,855**	1,139,121
Acquisition of property and equipment	*11*	**(332,570)**	(624,410)
Acquisition of software	*12*	**(56,335)**	(85,392)
Net cash used in investing activities		**(27,792,470)**	(22,150,518)
Cash flows from financing activities			
Proceeds from borrowings	*15*	**20,250,000**	-
Payment of borrowings	*15*	**(168,750)**	-
Interest paid		**(1,000,190)**	-
Net cash provided by financing activities		**19,081,060**	-
Net decrease in cash on hand and in bank		**(343,446)**	(1,465,391)
Cash on hand and in bank at beginning of year		**1,068,384**	2,533,775
Cash on hand and in bank at end of year	*7*	**724,938**	1,068,384

1. Reporting entity

The parent company

The Anguilla Social Security Board (the "Board") is a corporate body established by the Social Security Act (the "Act"), Revised Statutes of Anguilla Chapter S45 (R.S.A.c.S45) to administer the Social Security Fund (the "Fund") with the objectives of providing various insurance and retirement benefits to persons insured as described in the Act. The Board's registered office address is James Ronald Webster Building, The Valley, Anguilla, B.W.I.

The subsidiary company

On 24 March 2009, the Board established the Anguilla Social Security Investment & Development Corporation (the “Company or “ASSIDCO”) as its wholly-owned subsidiary, for the purpose of investment and development, in accordance with Section 13A of the Social Security Act, R.S.A.c.S45, as amended by the Social Security (Amendment) Act (No. 4) 2009 which became effective on 9 March 2009. The Company registered office and principal place of business is at James Ronald Webster Building, The Valley, Anguilla, B.W.I.

Status of operations of the subsidiary company

The Company has incurred a net loss of EC$1,442,125 for the year ended 31 December 2009 and, as of that date the Company’s liabilities exceeded its total assets by EC$1,342,125. However, in August 2010, the Board made additional equity infusion of $5,246,000 to provide the Company funds to operate based on its statutory functions.

The Board and the Company are collectively called the “Group” in these consolidated financial statements.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of Social Security (Financial and Accounting) Regulations R.R.A.S45-4.

The Group's consolidated financial statements as at and for the year ended 31 December 2009 were approved and authorised for issue by the Board of Directors on 11 February 2011.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for sale investment securities and land and building which are measured at their fair market values.

2. Basis of preparation *(continued)*

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 6.

(e) Actuarial review of pension liabilities to members

An actuarial review was conducted as at 31 December 2007 by an independent actuary, Mr. Hernando Perez Montas. The actuarial report is being updated every three years. The actuarial projections provide a quantification of the emerging level of reserves of the long-term branch and from an actuarial standpoint, the investment return assumes as average 6% nominal return or a 3% real return net of inflation, an assumption that lies within accepted benchmarks of national pension systems. A summary of key parameters and the present value of pensions are disclosed in Note 14.

(f) Change in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new and amended IFRS and IFRIC (International Financial Reporting Interpretations Committee) interpretations as of 1 January 2009:

2. Basis of preparation *(continued)*

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

- IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations* effective 1 January 2009
- IFRS 7 *Financial Instruments: Disclosures* effective 1 January 2009
- IFRS 8 *Operating Segments* effective 1 January 2009
- IAS 1 *Presentation of Financial Statements* effective 1 January 2009
- IAS 23 *Borrowing Costs* (Revised) effective 1 January 2009
- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments: Presentation and Obligations Arising on Liquidation* effective 1 January 2009
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* effective1 October 2008
- Improvements to IFRSs (May 2008)

Adoption of these standards and interpretations did not have any effect on the consolidated financial performance or position of the Group. However, the following standards have impacted the presentation and disclosure in the consolidated financial statements and are described below:

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IAS 1: Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the consolidated statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement or in two linked statements. The Group has elected to present two statements.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on the Group's consolidated financial position and performance.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Board. Control exists when the Board has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the Group's functional currency at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the Group's functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the Group's functional currency at the exchange rate at the date the fair value was determined.

Foreign currency differences arising from retranslation are recognized in the consolidated statement of income except for differences arising on retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. Significant accounting policies *(continued)*

(c) Contribution income

Contribution income is recognized in the consolidated statement of income on the date that the employers and employees obligation to contribute becomes due and the Group's right to receive payment is established.

(d) Investment income

Investment income comprises interest income on available-for-sale and held-to-maturity investment securities, loans and receivables and cash in banks, dividend income and gain on disposal of available-for-sale investment securities. Interest income is recognized as it accrues in the consolidated statement of income using the effective interest rate method. Dividend income is recognized in the consolidated statement of income on the date that the Group's right to receive payment is established.

(e) Rent income

Rent income from leased property accounted for as operating lease is recognized in the consolidated statement of income on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

(f) Fines and miscellaneous income

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

(g) Distribution of income

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

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

3. Significant accounting policies *(continued)*

(g) Distribution of income

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

	2009	2008
Short-term benefits branch	**2.82%**	2.24%
Long-term benefits branch	**95.87%**	96.73%
Social Security Development Fund	**1.31%**	1.03%

Other income is distributed equally between the two benefit branches.

(h) Distribution of expenditure

Benefit expenditures grouped under a specific branch are ascribed to that branch based on Section 2(b) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c S45).

The benefits are grouped as follows:

Short-term benefits branch	- sickness benefit, maternity benefit, funeral grant
Long-term benefits branch	- age benefit, invalidity benefit, survivor's benefit, non-contributory old age pension

Administrative expenses are distributed among the benefit branches in proportion of the sum of contribution income and benefit expenditure of each branch to the total sum of contribution income and benefit expenditure of the two benefit branches, based on Section 19(2) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45). In 2009 and 2008, the allocations are as follows:

	2009	2008
Short-term benefits branch	**20.31%**	19.51%
Long-term benefits branch	**79.69%**	80.49%

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

3. Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

(i) *Recognition*

The Group initially recognizes financial assets on the date that they are originated.

(ii) Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity investment securities, loans and receivables and available-for-sale investment securities.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3. Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method and comparison to similar instruments for which market observable prices exist.

(vii) Identification and measurement of impairment

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by the historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

3. Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

(vii) Identification and measurement of impairment

Impairment loss on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in the consolidated statement of income and reflected in an allowance account against loans and other receivable.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income.

(j) Non-derivative financial instruments

Non-derivative financial instruments comprise of cash on hand and in bank, investments in debt and equity securities, contributions, loans and other receivable, accounts payable and accrued expenses and borrowings. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash on hand and in bank
Cash on hand and in bank is comprised of cash on hand and cash deposits with reputable local banks and are subject to a significant risk of change in value.

Bank overdraft
Bank overdraft is measured at amortized cost using the effective interest method.

Held-to-maturity investment securities
Held-to-maturity investment securities are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investment securities are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale investment securities
The Group's investments in equity securities and certain debt securities are classified as available-for-sale investment securities. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in the consolidated statement of comprehensive income. When an investment is derecognised, the cumulative gain or loss in the statement of comprehensive income is transferred to the consolidated statement of comprehensive income and presented within equity in the fair value reserve.

3. Significant accounting policies *(continued)*

(j) Non-derivative financial instruments *(continued)*

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

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

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

Borrowings
Borrowings are measured at amortized cost using the effective interest method.

(k) Investment property

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

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

(l) Property and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. Significant accounting policies *(continued)*

(l) Property and equipment *(continued)*

ii. ***Subsequent costs***
The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognized in the consolidated statement of income as incurred.

iii. ***Depreciation***
Depreciation is charged to the consolidated statement of income on the straight line basis over the estimated useful lives of each part of an item of property and equipment. Leasehold improvements are amortized over the shorter of the lease term and their estimated useful lives. The estimated useful lives for the current and comparative years are as follows:

Building	40 years
Long-term improvements	17 years
Short-term improvements	2 years
Furniture, fittings and equipment	5 to 10 years
Computer equipment	5 to 8 years
Vehicles	5 years
Generator	5 years

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

iv. ***Revaluation of land and building***
Following initial recognition at cost, land and building are carried at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on building and subsequent accumulated impairment losses, if any. Valuations are performed periodically by an independent and qualified property valuation expert to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

3. Significant accounting policies *(continued)*

(l) Property and equipment *(continued)*

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

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

(m) Software

Software acquired by the Group is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognised in the consolidated statement of income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is eight years.

(n) Borrowing costs

Borrowing costs are recognized as expenses as incurred.

(o) Impairment of non-financial assets

The carrying amounts of the Group 's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the consolidated statement of income. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant accounting policies *(continued)*

(p) Employee benefits

i. Defined benefit plan

The Group sponsors a defined benefit pension plan for its employees. Operations commenced on 1 January 2001, under the temporary supervision of the Board, until a Trust Deed was formally sanctioned on 4 March 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.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. Any unrecognized past service costs and the fair value of plan assets are deducted. The calculation is performed every three years by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in the consolidated statement of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the consolidated statement of income.

In respect of actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognized actuarial gain or loss exceeds ten (10) percent of the greater of the present value of defined benefit obligation and the fair value of plan assets, that portion is recognized in the consolidated statement of income over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized. When the calculation results in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

3. Significant accounting policies *(continued)*

(p) Employee benefits *(continued)*

ii. Short-term benefits

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

(q) Income taxes

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

(r) Provision

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

(s) Related party transactions

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

(t) Subsequent events

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

3. Significant accounting policies *(continued)*

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

A number of new standards, amendments to standards and interpretations that have been issued but are not yet effective as at 31 December 2009 or not relevant to the Group's operations. These are as follows:

- *IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions (effective 1 January 2010)*. Clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled and provides guidance on the scope and the accounting for group cash-settled share based payment transactions.

- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)*. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- *IFRS 3 Business Combinations* (Revised) and IAS 27 *Consolidated and Separate Financial Statements* (Amended) *(effective 1 July 2009)* including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

  IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or a loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

3. Significant accounting policies *(continued)*

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

- *IFRIC 9 Remeasurement of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* (effective for period ending on or after 30 June 2009). This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly changes the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit and loss.

- *IFRIC 17 Distributions of Non-cash Assets to Owners* (effective from 1 July 2009) provides guidance on how to account for such transactions. It also provides guidance on when to recognize a liability and how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so.

- *IFRIC 18 Transfers of Assets from Customers (effective from 1 July 2009)* provides guidance on when and how an entity should recognize items of property, plant and equipment received from their customers.

In May 2008 and April 2009 the International Accounting Standards Board issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following amendments resulted in changes to accounting policies but did have any impact on the consolidated financial position or performance of the Group or are not applicable to the activities of the Group.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

- *IFRS 8 Operating Segment Information:* Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

3. Significant accounting policies *(continued)*

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

Improvements to IFRS

- *IAS 1 Presentation of Financial Statements:* Assets and liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the consolidated statement of financial position.

- *IAS 7 Statement of Cash Flows:* Explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

- *IAS 16 Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell".

- *IAS 18 Revenue:* The Group has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

  - Has primary responsibility for providing the goods and service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:* Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates.

- *IAS 23 Borrowing Costs:* The definition of costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

- *IAS 36 Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

3. Significant accounting policies *(continued)*

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

- *IAS 38 Intangible Assets:* Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible asset other than a straight-line method has been removed.

Other amendments resulting from improvements to IFRSs to the following standards that are not applicable to the Group and/or did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 40 Investment Properties
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

(v) Comparatives

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

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4. Determination of fair values *(continued)*

(a) Cash on hand and in bank

Due to the short-term nature of the transactions, the fair value of cash on hand and in bank approximates the carrying value as at the reporting date.

(b) Held-to-maturity and available-for-sale investment securities

The fair value of available-for-sale investment securities is determined by reference to their quoted market price at the reporting date. The fair value of held-to-maturity investment securities is equivalent to the present value of the estimated future cash flows, discounted at the market of interest as at the reporting date.

(c) Loans and receivables

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

(d) Other non-derivative financial assets

The fair values of other non-derivative financial assets approximate their carrying amounts due to the short-term nature of the related transactions.

(e) Property and equipment

The fair values of land and building are recognized based on market values. The market value of the property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(f) Investment property

The fair value of investment property is recognized based on market values. The market value of the property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(g) Borrowings

The fair value of borrowings is equivalent or approximate its carrying value due to the nature of the borrowings which is payable at a fixed date and have rates that reflect market conditions.

5. Financial risk management

(a) Introduction and overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

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

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

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty or third party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and receivables and investment securities.

The risk that counterparties to the Group’s financial assets might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to available-for-sale investment securities with a positive fair value and to the volatility of the fair value instruments. To manage the level of credit risk, the Group deals with counterparties of good credit standing.

It is the Group's policy to limit its credit risk by restricting the amount of assets placed with any one investee or related group of investees.

5. Financial risk management *(continued)*

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.

All available-for-sale investment securities are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous depending on the situation of the economy.

(d) Liquidity risk

Liquidity risk is the risk arising from potential inability to meet all payment obligations when they become due. The Board of Directors and key officers safeguard the ability of the Group to meet all payment obligations when they become due. To limit this risk, management arranges for diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The Board of Directors is responsible for the management of liquidity risk. The Group's liquidity risk management framework is designed to identify measure and manage the liquidity risk position. The underlying policies are reviewed on a regular basis by the key officers of the Group and finally approved by the members of the Board of Directors.

(e) Capital management

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

In implementing current capital requirements, the regulation requires that the Group transfer the excess of income over expenditure for each branch to a separate reserve at the end of the year.

5. Financial risk management *(continued)*

(e) Capital management *(continued)*

The Group's regulatory reserves are analysed into three categories:

- Short-term Benefit Reserve;
- Long-term Benefit Reserve; and
- Social Security Development Fund Reserve.

The Group's policy is to maintain a strong capital base so as to sustain future development of the Group and finance approved benefits. The Group recognizes the need to maintain a balance between the higher benefit payments that might be possible and the advantages and security afforded by a sound capital decision.

The Group has complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Group's management of capital during the year.

6. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant use of material adjustment in the next financial year are discussed below:

(a) Allowance for impairment losses

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

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

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

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

(b) Pension benefits assumptions

The present value of the pension obligations depends on a number of factors that are determined by independent qualified actuaries using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the expected long-term rate of return on the relevant plans assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The present value of obligation for the defined benefit plan and the related assumption used to determine such are disclosed in Note 14.

(c) Determination of fair values

The fair values of financial and non-financial assets and liabilities have been determined for measurement and/or disclosure purposes based on the methods described in Note 4 to the consolidated financial statements. The carrying and fair values of financial assets are presented in Note 25 to the consolidated financial statements.

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

7. Cash on hand and in bank

	2009	2008
Cash on hand	**688,665**	530,422
Cash in bank	**1,517,245**	537,962
	2,205,910	1,068,384
Bank overdraft	**(1,480,972)**	-
	724,938	1,068,384

The cash in bank represents deposits with the indigenous banks in Anguilla which earned interest at the rate of 1.0% per annum.

Bank overdraft pertains to the Group’s checking account overdraft facility with National Bank Anguilla Limited obtained on 28 October 2009. Some of the provisions of the overdraft facility are as follows:

i. The maximum amount at any time shall not exceed EC$3,500,000. However, National Bank of Anguilla can, from time to time and without prior notice, advise the Group that advances will be limited to less than the stated amount.

7. Cash on hand and in bank *(continued)*

ii. Interest will be calculated in respect of the amount for the time being overdrawn under the overdraft facility on the basis of the number of days elapsed. Interest to be charged to the Group checking account shall be computed monthly in arrears and shall be computed at the rate of interest of 7% per annum.

iii. On demand, the Group should pay the lender any and all sums outstanding from time to time which may have been advanced in accordance with this facility.

iv. This agreement shall terminate on the 30 October 2011 and the facility shall not be extended beyond that date unless a new agreement is entered into prior thereto.

8. Investment securities - net

	Notes	**2009**	2008
Held-to-maturity investments	*8.1*	**191,578,728**	172,418,029
Available-for-sale investments	*8.2*	**11,894,149**	12,318,620
		203,472,877	184,736,649

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

8.1 Held-to-maturity investment securities

The following shows the breakdown of held-to-maturity investments consisting of fixed deposits and investment in bonds by contractual maturity dates:

	Due within one year	Due over one year	**2009**	2008
Fixed deposits				
National Bank of Anguilla Limited	25,055,864	64,721,336	**89,777,200**	83,297,951
Caribbean Commercial Bank Limited	29,291,750	52,375,235	**81,666,985**	68,610,954
British American Insurance Company	9,135,462	1,500,000	**10,635,462**	10,635,462
	63,483,076	118,596,571	**182,079,647**	162,544,367

Forward

8. Investment securities - net *(continued)*

8.1 Held-to-maturity investment securities (continued)

	Note	Due within one year	Due over one year	**2009**	2008
Investments in bonds					
Eastern Caribbean Home Mortgage Bank (ECHMB)		1,000,000	1,500,000	**2,500,000**	2,500,000
Government of St. Kitts and Nevis		-	4,230,840	**4,230,840**	4,230,840
Government of St. Lucia		-	5,000,000	**5,000,000**	5,000,000
Government of Antigua and Barbuda		-	1,614,450	**1,614,450**	1,828,236
Government of St. Vincent and Grenadines		-	1,607,267	**1,607,267**	1,768,062
		1,000,000	13,952,557	**14,952,557**	15,327,138
Total held-to-maturity investments		64,710,879	132,549,128	**197,032,204**	177,871,505
Less allowance for impairment	*8.3*	(5,453,476)	-	**(5,453,476)**	(5,453,476)
		59,257,403	132,549,128	**191,578,728**	**172,418,029**

The fixed deposits carry interest rates ranging from 5% to 9.75% while investments in bonds carry interest rates ranging from 5.5% to 8.25% per annum.

8.2 Available-for-sale investment securities

The Group's available-for-sale investment securities comprise of:

	Note	**2009**	2008
Equity securities – International			
Smith Barney		**1,588,978**	1,594,877
Merrill Lynch		**305,815**	1,888,156
Anguilla European Masters Fund (AEMF)		**262,838**	262,838
Summit Brokerage Services, Inc. (SBSI)		**-**	1,233
		2,157,631	3,747,104
Equity securities – Local and regional			
National Bank of Anguilla		**1,500,000**	1,500,000
Anguilla Electric Company Limited (ANGLEC)		**4,587,750**	4,587,750
Eastern Caribbean Financial Holding Company (ECFHC)		**3,592,800**	3,000,000
Eastern Caribbean Home Mortgage Bank (ECHMB)		**331,400**	81,000
Eastern Caribbean Securities Exchange Limited		**125,000**	125,000
		10,136,950	9,293,750
Total available-for-sale investment securities		**12,294,581**	13,040,854
Less allowance for impairment losses	*8.3*	**(400,432)**	(722,234)
		11,894,149	12,318,620

8. Investment securities - net *(continued)*

8.2 Available-for-sale investment securities (continued)

The movements in the fair value of available-for-sale investment securities follow:

	Note	**2009**	2008
Fair value of available-for-sale investment securities, beginning		**13,040,854**	38,948,266
Movements during the year:			
Net realized (loss)/gain	*18.1*	**(48,058)**	(10,810,248)
Additional investments in ECHMB		**250,400**	-
Withdrawal of investments with Merrill Lynch		**(1,507,504)**	-
Withdrawal of investments with Smith Barney		**(118,751)**	(11,531,876)
Withdrawal of investments with SBSI		**(1,233)**	(1,687,933)
Should be fair value of available-for-sale investment securities		**11,615,708**	14,918,209
Fair value of available-for-sale investment securities, ending		**12,294,581**	13,040,854
Net fair value (gain) loss during the year		**(678,873)**	1,877,355

The movements of the “Unrealized loss on available-for-sale investment securities” account as a result of changes in the fair values are as follows:

	2009	2008
Unrealized gain/(loss), beginning of year	**(130,803)**	1,746,552
Net fair value gain (loss) during the year	**678,873**	(1,877,355)
Unrealized (loss)/gain, end of year	**548,070**	(130,803)

8. Investment securities - net *(continued)*

8.3 Allowance for impairment losses

	Notes	**2009**	2008
Balance at beginning of year			
Held-to-maturity investment securities	*8.1*	**5,453,476**	-
Available-for-sale investment securities	*8.2*	**722,234**	2,732,080
Contributions, loans and other receivables	*9*	**722,860**	-
		6,898,570	2,732,080
Impairment loss during the year			
Held-to-maturity investment securities		-	5,453,476
Available-for-sale investment securities		-	722,234
Contributions, loans and other receivables		**1,339,824**	722,860
		1,339,824	6,898,570
Reversal during the year			
Held-to-maturity investment securities		-	-
Available-for-sale investment securities		**(321,802)**	(2,732,080)
		(321,802)	(2,732,080)
Balance at end of year			
Held-to-maturity investment securities	*8.1*	**5,453,476**	5,453,476
Available-for-sale investment securities	*8.2*	**400,432**	722,234
Contributions, loans and other receivables	*9*	**2,062,684**	722,860
		7,916,592	6,898,570

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

2009	Principal	Interest	**Total**
British American Insurance Company	5,317,731	1,743,459	**7,061,190**
Smith Barney	137,594	-	**137,594**
Anguilla European Masters Fund	262,838	-	**262,838**
Caribbean Commercial Bank	135,745	5,108	**140,853**
Government of Anguilla	-	314,117	**314,117**
	5,853,908	2,062,684	**7,916,592**

2008	Principal	Interest	Total
British American Insurance Company	5,317,731	717,752	6,035,483
Smith Barney	459,396	-	459,396
Anguilla European Masters Fund	262,838	-	262,838
Caribbean Commercial Bank	135,745	5,108	140,853
	6,175,710	722,860	6,898,570

8. Investment securities - net *(continued)*

8.3 Allowance for impairment losses (continued)

Distribution of impairment loss net of the reversal follows:

	2009		2008	
	%	**Amount**	%	Amount
Short-term benefits branch	**2.82**	**28,687**	2.24	93,329
Long-term benefits branch	**95.87**	**976,018**	96.73	4,030,246
Social Security Development Fund	**1.31**	**13,317**	1.03	42,915
	100.00	**1,018,022**	100.00	4,166,490

9. Contributions, loans and other receivables - net

	2009	2008
Contributions receivable	**9,205,640**	3,095,625
Loans receivable		
Anguilla Development Board (ADB)	**1,440,000**	1,701,000
Staff	**159,406**	162,937
	1,599,406	1,863,937
Other receivables		
Interest on fixed deposits	**6,023,213**	4,636,903
Interest on investments in bonds	**360,711**	346,677
Rent receivable	**62,915**	39,026
Interest on loans receivable	**14,439**	17,057
Other	**4,583**	48,102
	6,465,861	5,087,765
Total contributions, loans and other receivables	**17,270,907**	10,047,327
Less allowance for impairment losses	**(2,062,684)**	(722,860)
	15,208,223	9,324,467

Contributions receivable include earned contributions as of year-end that is due from Social Security Board members and were collected subsequently. This amount is estimated by the Group based on actual collections subsequent to year-end. This also includes unpaid contributions and surcharges from the Government of Anguilla amounting to EC$6,875,679 and EC$314,117 respectively.

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

Loans receivable from ADB represent the balances on drawdowns of EC$1,620,000 and EC$2,700,000 which were granted on 1 September 1989 and 29 December 1997, respectively. Both loans are payable in quarterly instalments after five years from the date of drawdown and carry a six percent (6%) interest per annum. The first loan matured last 31 October 2009 and the remaining loan will mature on 31 January 2018.

The current and non-current portion of the loans receivable follows:

	2009	2008
Current	**180,000**	288,000
Non-current	**1,260,000**	1,413,000
	1,440,000	1,701,000

10. Investment property

Investment property pertains to the acquired Cinnamon Reef property comprising 11.50 acres of land, with constructed building and improvements located in Little Harbour, Anguilla from NBA Assets Limited, a subsidiary of National Bank of Anguilla Limited, for US$7,500,000 (EC$20,250,000) on 30 March 2009. The purchase price was based on the mutual agreement between the two parties. Fees pertaining to the acquisition of the property through bank borrowings were waived.

In a meeting of the Executive Council of the Government of Anguilla held on 20 March 2009, the Executive Council agreed that the Ministry of Social Development should indicate to the Company its willingness to engage in a lease and purchase agreement with respect to the Cinnamon Reef property.

Appraisal of the property was not carried out by the Group during the year, but considering that the purchase was made within the year, the fair value of the investment property approximates the purchase price.

11. Property and equipment - net

Movements in this account are as follows:

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
Cost and revalued amount							
31 December 2007	1,139,797	4,260,686	653,660	401,071	84,686	201,313	6,741,213
Additions	-	469,836	20,482	124,138	-	9,954	624,410
Disposals	-	-	(23,831)	(121,910)	-	-	(145,741)
Appraisal increase	1,709,695	1,301,799	-	-	-	-	3,011,494
31 December 2008	2,849,492	6,032,321	650,311	403,299	84,686	211,267	10,231,376
Additions	-	269,261	44,254	19,055	-	-	332,570
Disposals	-	-	-	-	-	-	-
31 December 2009	**2,849,492**	**6,301,582**	**694,565**	**422,354**	**84,686**	**211,267**	**10,563,946**
Accumulated depreciation							
31 December 2007	-	399,960	499,363	309,383	50,811	78,917	1,338,434
Depreciation for the year	-	120,776	53,300	53,470	16,937	42,254	286,737
Disposals	-	-	(23,831)	(121,910)	-	-	(145,741)
Appraisal result	-	(520,736)	-	-	-	-	(520,736)
31 December 2008	-	-	528,832	240,943	67,748	121,171	958,694
Depreciation for the year	-	185,564	50,148	55,025	16,938	42,254	349,929
Disposals	-	-	-	-	-	-	-
31 December 2009	**-**	**185,564**	**578,980**	**295,968**	**84,686**	**163,425**	**1,308,623**
Carrying amount							
31 December 2008	2,849,492	6,032,321	121,479	162,356	16,938	90,096	9,272,682
31 December 2009	**2,849,492**	**6,116,018**	**115,585**	**126,386**	**-**	**47,842**	**9,255,323**

The Group's land and building were revalued on 31 December 2008 by an independent and qualified valuer, the Land Development Survey Services of Anguilla. The value was estimated using the investment approach method of valuation.

Annual transfers from the premises revaluation reserve to branch reserves (i.e. Short-term Benefits Branch Reserve and Long-term Benefits Branch Reserve) and Social Security Development Fund accounts are made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Every year, depreciation of EC$52,727 (2008: EC$7,867) from Premises Revaluation Surplus account is transferred to branch reserves (allocated to Short-term Benefits Branch Reserve: EC$7,909 (2008: EC$1,180); Long-term Benefits Branch Reserve: EC$42,841 (2008: EC$6,392) and Social Security Development fund: EC$1,977 (2008: EC$295).

Movements in the premises revaluation surplus account follow:

	2009	2008
Revaluation surplus, beginning of year	**5,049,702**	1,525,339
Appraisal increase	**-**	3,532,230
Depreciation for the year	**(52,727)**	(7,867)
Revaluation surplus, end of year	**4,996,975**	5,049,702

12. Software - net

Movements in this account follow:

	2009	2008
Cost		
Beginning balance	**1,003,871**	918,479
Acquisition during the year	**56,335**	85,392
Ending balance	**1,060,206**	1,003,871
Accumulated amortization		
Beginning balance	**551,688**	429,464
Amortization for the year	**120,968**	122,224
Ending balance	**672,656**	551,688
Carrying amount	**387,550**	452,183

13. Other assets

	2009	2008
Contingency reserve investment	**2,100,000**	2,100,000
Prepayments	**220,441**	55,326
Stationery and computer supplies	**57,884**	66,232
	2,378,325	2,221,558

A contingencies reserve is a restricted fixed deposit and was established to meet any unforeseen or abnormal expenditure which the current income of the Group may not be sufficient to cover, or to make good any unforeseen or abnormal reduction of income. The contingencies reserve is increased to an amount equivalent to the average expenditure of the Group for the provision of benefits and administration for two (2) months. The contingencies reserve as at 31 December 2009 and 2008 has been invested at NBA and CCB, in the form of fixed deposits which bear an interest rate of 6% per annum. The fixed deposits matured in December 2010 and were rolled over until maturity. Accrued interest receivable for these fixed deposits amounted to EC$76,726 (2008: EC$52,356).

14. Pension fund obligation

The present value of the Group's pension payments to its members as at 31 December 2007 amounted to EC$43.4 million, equivalent to 24% of the long-term branch reserves in 2007, with 76% to provide partial coverage of actuarial obligations accumulated by active insured persons. The summary of key parameters and assumptions used are as follows:

	2007
Assumed rate of return (ROA)	6% (basic assumption)
Period of equilibrium	25 years (positive growth of reserves
Sensitivity to ROA on period of equilibrium	±2 years for each increase/decline in ROA
General average premium (50 year period)	10.75% @ 6% discount rate
	11.73% @ 5% discount rate
	12.60% @ 4% discount rate
Liquidity constraints	None, medium term
Contributions less expenditures (2008/10)	$15 million per annum
Income less expenditures (2008/10)	$28 million per annum ± $2 million for each 1% increase/decrease in ROA

Expected reserve ratio (reserves / expenditures) for the next forty years are as follows:

Year	Ratio
2007	22.70%
2017	20.60%
2027	10.40%
2037	03.90%
2047	Nil

Aside from the Group's pension scheme to its members, the Board also 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 Anguilla Social Security Staff Pension Fund. The benefits are based on the years of service and the employee's average pensionable compensation prior to retirement.

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

	2009	2008
Present value of obligations	**6,094,494**	4,912,193
Fair value of plan assets	**(1,772,594)**	(1,424,498)
Deficit	**4,321,900**	3,487,695
Unamortized actuarial losses	**(2,457,247)**	(1,880,193)
	1,864,653	1,607,502

14. Pension fund obligation *(continued)*

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

	2009	2008
Beginning of year	**4,912,193**	4,076,059
Current service cost	**203,593**	172,436
Interest cost	**295,036**	285,051
Past service cost	**58,338**	58,338
Contribution by plan participants	**86,206**	67,785
Benefits paid	**(119,830)**	(321,072)
Actuarial loss	**658,958**	573,596
End of year	**6,094,494**	4,912,193

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

	2009	2008
Beginning of year	**1,424,498**	1,404,465
Expected return on assets	**105,012**	105,678
Employer contributions	**287,402**	225,930
Contribution by plan participants	**86,206**	67,785
Benefits paid	**(119,830)**	(321,072)
Actuarial loss	**(10,694)**	(58,288)
End of year	**1,772,594**	1,424,498

The plan assets as at reporting date consist of the following:

	2009	2008
Cash receivables	**1%**	5%
Fixed deposits	**59%**	77%
Staff loans	**40%**	18%

14. Pension fund obligation *(continued)*

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

	2009	2008
Pension expense		
Current service cost	**203,593**	172,436
Interest cost on benefit obligation	**295,036**	285,051
Expected return on plan assets	**(105,012)**	(105,678)
Amortization on transitional obligation	**58,338**	58,338
Actuarial loss	**92,598**	81,186
	544,553	491,333

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

	2009	2008
Discount rate	**7%**	7%
Expected rate of return on plan assets	**7%**	7%
Rate of salary increases	**4%**	4%

15. Borrowings

This account pertains to the Group's non-revolving term credit facility with Scotiabank (Anguilla) Limited amounting to EC$20,250,000 obtained on 20 October 2009. The significant provisions of the credit facility are as follows:

a. The borrower may utilize the facility by way of a direct advance(s) evidenced by promissory notes.

b. Interest on the facility shall accrue at a rate per annum during each interest period equal to the sum of cost of funds then applicable to such interest period plus 3%. Present effective interest rate is 6%.

c. The borrower shall repay the facility by 23 equal monthly principal payments of EC$168,750 each for 23 months, commencing one month from the date of the initial advance under the facility and the balance of the loan together with accrued interest and all other amounts outstanding under the facility shall be due and payable in full on or before the 24th month from the date of the initial advance under the facility. The term of the facility is two (2) years amortized over ten (10) years.

15. Borrowings *(continued)*

Initially, on 30 March 2009, the Group also entered into a loan agreement with National Bank of Anguilla (NBA) Limited for US$7,500,000 (EC$20,250,000), the proceeds of which were used to acquire the Cinnamon Reef property. The said loan carries an interest rate of prime minus 5.25% per annum for 10 years. There is a one-year moratorium on payments and the loan is payable in full upon maturity. Fees related to the borrowing were waived by the lender. The principal on the loan was paid out using the non-revolving term credit facility obtained from ScotiaBank (Anguilla) Limited and the accrued interest was paid from ASSIDCO's overdraft facility at NBA.

Details of the borrowing cost are as follows:

	2009
Interest in NBA	**903,656**
Legal fees paid to Scotiabank	**164,028**
Commitment fees paid to Scotiabank	**151,875**
Interest in Scotiabank	**126,437**
Other transaction costs	**21,552**
	1,367,548

Distribution of borrowing cost follows:

	%	**2009**
Short-term benefits branch	**2.82**	**38,537**
Long-term benefits branch	**95.87**	**1,311,122**
Social Security Development Fund	**1.31**	**17,889**
	100.00	**1,367,548**

Total accrued interest payable as of 31 December 2009 amounted to EC$29,903.

16. Social Security Development Fund Reserve

The Social Security Development Fund Reserve was created in 2004. Since its creation, the Group has transferred EC$250,000 each year from the Social Security Development Fund to create a Social Security Development Fund Reserve for future projects should the statutory funding for the Development Fund be eliminated.

(Expressed in Eastern Caribbean Dollars (EC$))

17. Contribution income

	2009	2008
Contribution – employers	**14,036,645**	17,745,059
Contribution – employees	**14,036,645**	17,745,059
	28,073,290	35,490,118
Less refunds	**(23,109)**	(21,501)
	28,050,181	35,468,617
Contributions - self employed	**194,343**	226,673
	28,244,524	35,695,290

Distribution of contribution income follows:

	%	**2009**	2008
Short-term benefits branch	*15.00*	**4,236,678**	5,354,294
Long-term benefits branch	*81.25*	**22,948,676**	29,002,423
Social Security Development Fund	*3.75*	**1,059,170**	1,338,573
		28,244,524	35,695,290

18. Investment income/(loss)

	2009	2008
Interest income		
Fixed deposits (NBA and CCB)	**9,342,981**	7,120,587
Fixed deposits (British American)	**1,025,707**	1,025,708
Bonds - Government of St. Kitts / Nevis	**369,214**	303,801
Bonds - Government of St. Lucia	**369,000**	304,068
Bonds - Government of Antigua	**138,788**	145,594
Bonds – ECHMB	**137,500**	135,390
Bonds - Government of St. Vincent and Grenadines	**121,032**	138,281
Loans – ADB	**85,848**	102,060
Checking accounts	**38,108**	35,299
Loans – Staff	**11,739**	13,956
	11,639,917	9,324,744
Dividend income		
ECFH shares	**228,000**	240,000
NBA shares	**129,255**	46,875
ANGLEC shares	**22,500**	275,265
ECHMB shares	**8,100**	8,100
	387,855	570,240
Total investment income	**12,027,772**	9,894,984

Forward

18. Investment income/(loss) *(continued)*

	Note	2009	2008
Balance forwarded			
Realized (loss)/gain from available-for-sale investment securities			
Smith Barney		**26,779**	(9,795,297)
SBSI		-	(1,187,272)
Merrill Lynch		**(74,837)**	172,321
Total investment losses	*18.1*	**(48,058)**	(10,810,248)
		11,979,714	(915,264)

Related interest and dividend receivables are included in the contributions, loans and other receivables account in the consolidated statement of financial position (see Note 9).

18.1 Realized (loss)/gain from available-for-sale investment securities

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

	Smith Barney	Merrill Lynch	2009	2008
Dividend and interest income	40,904	598	**41,502**	418,587
Gains on disposals	57,219	-	**57,219**	518,333
Losses on disposals	(54,664)	(74,695)	**(129,359)**	(11,434,759)
Management fee and others	(16,680)	(740)	**(17,420)**	(312,409)
	26,779	(74,837)	**(48,058)**	(10,810,248)

Distribution of investment income follows:

	2009		2008	
	%	Amount	%	Amount
Short-term benefits branch	**2.82**	**338,934**	2.24	221,648
Long-term benefits branch	**95.87**	**11,531,501**	96.73	9,571,418
Social Security Development Fund	**1.31**	**157,337**	1.03	101,918
	100.00	**12,027,772**	100.00	9,894,984

18. Investment income/(loss) *(continued)*

18.1 Realized (loss)/gain from available-for-sale investment securities (continued)

Distribution of investment loss follows:

	2009		2008	
	%	**Amount**	%	Amount
Short-term benefits branch	**2.82**	**(1,354)**	2.24	(242,150)
Long-term benefits branch	**95.87**	**(46,075)**	96.73	(10,456,753)
Social Security Development Fund	**1.31**	**(629)**	1.03	(111,345)
	100.00	**(48,058)**	100.00	(10,810,248)

19. Rental income

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

	2009	2008
Rental income	**291,779**	228,602
Less maintenance expenses	**(96,843)**	(83,857)
	194,936	144,745

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

Distribution of rent income follows:

	2009		2008	
	%	**Amount**	%	Amount
Short-term benefits branch	**2.82**	**5,493**	2.24	3,242
Long-term benefits branch	**95.87**	**186,893**	96.73	140,012
Social Security Development Fund	**1.31**	**2,550**	1.03	1,491
	100.00	**194,936**	100.00	144,745

20. Fines and miscellaneous income

	2009	2008
Surcharges and additional surcharges	**559,074**	424,225
Rental fee surcharges	**1,382**	10,753
Other	**500**	3,864
	560,956	438,842

Distribution of fines and miscellaneous income follows:

	%	**2009**	2008
Short-term benefits branch	50.00	**280,478**	219,421
Long-term benefits branch	50.00	**280,478**	219,421
		560,956	**438,842**

21. Benefit expenses

	2009	2008
Short-term benefits		
Sickness	**1,788,600**	1,910,933
Maternity	**966,102**	803,384
Funeral	**119,937**	87,000
	2,874,639	2,801,317
Long-term benefits		
Age	**3,201,294**	2,997,213
Non-contributory old age pension	**588,658**	644,811
Survivors	**609,689**	544,264
Invalidity	**561,289**	456,057
	4,960,930	4,642,345
	7,835,569	7,443,662

22. Social Security Development Fund

The Group's Social Security Development Fund was established in 1986 as a vehicle to fund socially desirable projects that would benefit the citizens of Anguilla. The Social Security Development Fund contributes to human well-being and the progress of society through sports development, education, health services, environmental protection, economic development and community revitalization.

The following table shows the projects funded by Social Security Development Fund.

	2009	2008
Health Authority of Anguilla	**376,348**	141,225
Tranquility Jazz Festival	**134,410**	134,410
Anguilla Football Association	**95,432**	2,688
Anguilla National Trust	**82,897**	-
Anguilla Cricket Association	**41,533**	-
Anguilla Community Foundation	**40,323**	-
Youth Crime Watch	**39,929**	-
Anguilla Boat Racing Committee	**30,000**	22,312
Educational Development Plan	**18,868**	20,419
ALHCS Jump Rope Club	**16,129**	8,065
Camp-Be-Aware	**13,441**	13,441
Anguilla Statistics Department	**12,534**	-
Youth Escape	**8,065**	-
Anguilla Amateur Athletic Association	**6,721**	6,721
Heritage Collection Museum	**4,839**	13,406
Festival D'Noel	**3,000**	4,000
James Ronald Webster Research Project	-	50,946
Juvenile Rehabilitation Center	-	40,323
Music Summer Camp	-	18,817
Reading Recovery Program	-	12,000
Albena Lake Hodge Comprehensive School	-	9,180
Others	-	43,967
	924,469	541,920

23. Administrative and other expenses

	Note	**2009**	2008
Salaries, benefits and allowances to staff		**3,762,649**	3,075,099
Administration expenses	*23.1*	**1,937,853**	2,167,413
Allowances and expenses of the Board and Investment Committee		**184,832**	224,631
		5,885,334	5,467,143
Other expenses		**139,173**	90,582
		6,024,507	5,557,725

The Group is composed of 29 employees as at 31 December 2009 (2008: 26), six of them are considered key management personnel.

Distribution of administrative expenses follows:

	2009		2008	
	%	**Amount**	%	Amount
Short-term benefits branch	**20.31**	**1,195,070**	19.51	1,066,686
Long-term benefits branch	**79.69**	**4,690,264**	80.49	4,400,457
	100.00	**5,885,334**	100.00	5,467,143

Distribution of other expenses follows:

	2009		2008	
	%	**Amount**	%	Amount
Short-term benefits branch	**50.00**	**69,586**	50.00	45,291
Long-term benefits branch	**50.00**	**69,587**	50.00	45,291
	100.00	**139,173**	100.00	90,582

Distribution of administrative and other expenses follows:

	2009	2008
Short-term benefits branch	**1,264,656**	1,111,977
Long-term benefits branch	**4,759,851**	4,445,748
	6,024,507	5,557,725

23. Administrative and other expenses *(continued)*

23.1 Details of administration expenses follow:

	Notes	**2009**	2008
Professional fees		**341,723**	456,344
Depreciation and amortization	*11, 12*	**331,724**	318,379
Utilities		**246,340**	200,876
Repairs and maintenance		**165,859**	154,866
Human resource development expense		**118,355**	248,326
Insurance		**116,939**	121,422
Overseas travel and lodging		**107,959**	90,249
Social Security Board special events		**56,816**	85,969
Other expenses		**452,128**	490,982
		1,937,853	2,167,413

24. Related party transactions

a. Identification of related party

A party is related to the Group if:

(i) Directly or indirectly the party:
- Controls, is controlled by, or is under common control with the Board
- Has an interest in the Board that gives it significant influence over the Board or
- Has joint control over the Board;

(ii) The party is a member of the key management personnel of the Group;
(iii) The party is a close member of the family of any individual referred to in (i) or (ii); and
(iv) The party is a post-employment benefit plan for the benefit of employees of the Group or any company that is a related party of the Group.

b. Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business as at 31 December 2009 and 2008.

(i) The Group's cash in bank account and fixed deposits were held at Caribbean Commercial Bank (Anguilla) Limited (CCB), a registered employer, since inception. Funds held at CCB as of December 31, 2009 and 2008 are as follows:

24. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

	Notes	**2009**	2008
Cash in bank	*7*	**1,146,991**	**424,397**
Fixed deposits	*8*	**81,666,985**	**68,610,954**
Contingency reserve investment	*13*	**1,100,000**	**1,100,000**
Funds held at end of year		**83,913,976**	**70,135,351**
Funds held at beginning of year		**(70,135,351)**	**(57,659,291)**
Increase in funds held		**13,778,625**	**12,476,060**

Details of interest income and accrued interest receivable for the above assets follow:

	2009	2008
Interest income	**5,073,483**	3,588,300
Accrued interest receivable	**2,127,472**	1,864,133

(ii) The Group's fixed deposits and an investment were also held at National Bank of Anguilla Limited (NBA), a registered employer, since inception. The following funds are held at NBA as of 31 December 2009 and 2008:

	Notes	**2009**	2008
Cash in bank	*7*	**370,254**	113,565
Bank overdraft	*7*	**(1,480,972)**	-
Fixed deposits	*8*	**89,777,200**	83,297,951
Contingency reserve investment	*13*	**1,000,000**	1,000,000
Investments	*8*	**1,500,000**	1,500,000
Funds held end of year		**91,166,482**	85,911,516
Funds held beginning of year		**(85,911,516)**	(55,647,498)
Increase in funds held		**5,254,966**	30,264,018

Details of interest income, dividend income, bank charges and accrued interest receivable for the above assets follow:

	2009	2008
Interest income	**4,269,498**	3,532,287
Dividend income	**129,255**	46,875
Bank charges	**28,104**	-
Accrued interest receivable	**2,147,174**	2,055,018

24. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

(ii) During the year, the Group acquired Cinnamon Reef property comprising 11.50 acres of land, with constructed building and improvements located in Little Harbour, Anguilla from NBA Assets Limited, a subsidiary of National Bank of Anguilla Limited, for US$7,500,000 (EC$20,250,000) on 30 March 2009. The purchase price was based on the mutual agreement between the two parties. Fees pertaining to the acquisition of the property through bank borrowings were waived.

Also, on 30 March 2009, the Group entered into a loan agreement with National Bank of Anguilla (NBA) Limited for US$7,500,000 (EC$20,250,000), the proceeds of which were used to acquire the Cinnamon Reef property. The said loan carries an interest rate of prime minus 5.25% per annum for 10 years. There is a one-year moratorium on payments and the loan is payable in full upon maturity. Fees related to the borrowing were waived by the lender. The principal on the loan was paid out using the non-revolving term credit facility obtained from ScotiaBank (Anguilla) Limited and the accrued interest was paid ASSIDCO's overdraft facility at NBA.

(iii) Remuneration to directors and executive staff during 2009 and 2008 are as follows:

	2009	2008
Board and investment committee allowance	**218,960**	205,673
Executive staff salaries and allowances	**928,473**	682,084
	1,101,433	887,757

(iv) Interlocking directors

Mr. Timothy Hodge, Director of the Anguilla Social Security Board, was also a director of National Bank of Anguilla (NBA) Limited until 30 June 2010 when Mr. Hodge resigned as a director of NBA.

25. Financial instruments

(a) Credit risk

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure of the Group. The maximum exposure to credit risk as at 31 December 2009 and 2008 were as follows:

	Notes	**2009**	2008
Cash in bank	*7*	**1,517,245**	537,962
Held-to-maturity investment securities - net	*8.1*	**191,578,728**	172,418,029
Available-for-sale investment securities - net	*8.2*	**11,894,149**	12,318,620
Contributions, loans and other receivables - net	*9*	**15,208,223**	9,324,467
Contingency reserve investment	*13*	**2,100,000**	2,100,000
		222,298,345	196,699,078

The maximum exposure to credit risk for financial assets by geographical region follows:

	2009	2008
Caribbean region	**220,541,146**	192,896,567
United States of America	**1,757,199**	3,802,511
	222,298,345	196,699,078

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

	2009	2008
Related parties	**180,836,076**	159,966,018
Other	**41,462,269**	36,733,060
	222,298,345	196,699,078

The details of the maximum exposure to credit risk from related parties follow:

	% to total assets	**2009**	2008
NBA			
Cash in bank		**370,254**	113,565
Fixed deposits		**89,777,200**	83,297,951
Equity securities		**1,500,000**	1,500,000
Contingencies reserve		**1,000,000**	1,000,000
Accrued interest receivable		**2,147,174**	2,055,018
	37%	**97,794,628**	87,966,534

25. Financial instruments *(continued)*

(a) Credit risk *(continued)*

Exposure to credit risk (continued)

	% to total assets	2009	2008
CCB			
Cash in bank		**1,146,991**	424,397
Fixed deposits		**81,666,985**	68,610,954
Contingencies reserve		**1,100,000**	1,100,000
Accrued interest receivable		**2,127,472**	1,864,133
	34%	**86,041,448**	71,999,484
	71%	**183,836,076**	159,966,018

As at 31 December 2009, the total financial instruments of the Group amounting to $220,817,353 represent eighty-eight percent (88%) of its total assets. Seventy-one percent (71%) of these financial instruments were in the form of savings, demand and fixed deposits, equity securities and interest receivable on fixed deposits held with National Bank of Anguilla Limited (NBA) (37%) and savings, demand and fixed deposits and interest receivable on fixed deposits with Caribbean Commercial Bank (Anguilla) Limited (CCB) (34%) during the year. In view of this, the Group is exposed to significant credit concentration and counterparty risks which could materially impact the Group's consolidated liquidity, position and performance in the event that the said indigenous banks encounter financial difficulties.

The movement in the allowance for impairment losses in respect of the Group's investment securities is presented in Note 8.3 of the consolidated financial statements.

The impairment loss in respect of the Group's investment securities recognized during the year was due to the market decline in the value of the investment securities being held by the Group with the international markets and due to the liquidity problems being experienced by regional companies and indigenous bank in Anguilla where some of the Group assets are invested as brought about by the current global financial crisis.

The allowance account in respect of the Group's investment securities are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrevocable and realized by the Group upon withdrawal for available-for-sale investment securities or writing if off against the asset amount for held-to-maturity investment securities.

25. Financial instruments *(continued)*

(b) Liquidity risk

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

	Carrying amount	Contractual cash flows	6 months or less	6-12 months
Borrowings	20,081,250	22,076,719	2,181,938	19,894,781
Bank overdraft	1,480,972	1,480,972	1,480,972	-
Accounts payable and accrued expenses	282,663	282,663	282,663	-
	21,844,885	23,840,354	3,945,573	19,894,781

(c) Market risk

Market risk consists of interest, price and foreign exchange risks.

Interest risk
Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period. The Group's financial assets exposed to interest rate risk include held-to-maturity investments and loans receivable. Total financial assets that are exposed to interest rate risk amounted to EC$195,118,728 (2008: EC$179,735,442).

Sensitivity analysis
A ten percent (10%) strengthening of the interest rate on the Group's financial assets subject to interest rate risk as at 31 December 2009 would have increased equity by EC$1,170,712 (2008: EC$932,474). This analysis assumes that all other variables remain constant.

A ten percent (10%) weakening of the market price on the Group's financial assets subject to interest rate risk as at 31 December would have had the equal but opposite effect on the above financial assets to the amounts shown above, on the basis that all other variables remain constant.

25. Financial instruments *(continued)*

(c) Market risk *(continued)*

The Group's financial liability that is exposed to interest rate risk pertains to its borrowings with Scotiabank (Anguilla) Limited which is subject to variable interest rate.

Sensitivity analysis
A ten percent (10%) weakening of the interest rate on the Company's financial liability subject to interest rate risk as at 31 December 2009 would have decreased equity by EC$199,547. This analysis assumes that all other variables remain constant.

A ten percent (10%) strengthening of the market price on the Company's financial liability subject to interest rate risk as at 31 December would have had the equal but opposite effect on the above financial liability to the amounts shown above, on the basis that all other variables remain constant.

Price risk
The Group's financial assets are not exposed to price risk because prices are at pre-agreed rates except for available-for-sale investment securities held with trading companies. Total available-for-sale investment securities that are exposed to price risk as at 31 December 2009 amounted to EC$5,750,431 (2008: EC$6,877,806).

Sensitivity analysis
A ten percent (10%) strengthening of the market price on the Group's available-for-sale investment securities at 31 December would have increased equity by EC$575,043 (2008: EC$687,781). This analysis assumes that all other variables remain constant.

A ten percent (10%) weakening of the market price on the Group's available-for-sale investment securities at 31 December would have had the equal but opposite effect on the above investment securities to the amounts shown above, on the basis that all other variables remain constant.

Foreign exchange risk
The Group is not exposed to any significant foreign exchange risk since most of the Group's transactions are in EC Dollars and United States Dollars (US Dollars). EC Dollar is fixed to US Dollar at the rate of EC$2.6882.

25. Financial instruments *(continued)*

(d) Fair values

As at 31 December 2009 and 2008, the fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash on hand and in bank	**2,205,910**	**2,205,910**	1,068,384	1,068,384
Investments securities	**203,472,877**	**203,472,877**	184,736,649	184,736,649
Contributions, loans and other receivables	**15,208,223**	**15,208,223**	9,324,467	9,324,467
Borrowings	**(20,081,250)**	**(20,081,250)**	-	-
Bank overdraft	**(1,480,972)**	**(1,480,972)**	-	-
Accounts payable and accrued expenses	**(282,663)**	**(282,663)**	(508,639)	(508,639)
	199,042,125	**199,042,125**	194,620,861	194,620,861

26. Commitments and guarantees

The Group does not have any outstanding commitments and guarantees as at 31 December 2009 and 2008.

27. Subsequent events

a. Loans granted to the Government of Anguilla

The Group also granted loans to the Government of Anguilla detailed as follows:

i. Paid out loans

Disbursement Date	Loan Agreement Date	Security	Interest	**Amount**
24 February 2010	16 June 2010	Unsecured	7.00%	**10,000,000**
23 April 2010	16 June 2010	Unsecured	6.00%	**13,115,815**
26 May 2010	30 July 2010	Unsecured	5.00%	**20,000,000**
				43,115,815

27. Subsequent events *(continued)*

a. Loans granted to the Government of Anguilla *(continued)*

ii. Outstanding loans

On 28 June 2010, the House of Assembly authorized the Honourable Minister of Finance to borrow, on behalf of the Government of Anguilla, pursuant to Section 40 of the Financial Administration and Audit Act, R.S.A.c F27, a loan of fifty million Eastern Caribbean Dollars (EC$50 million) or its equivalent in United States Dollar currency, from local or regional banks or the regional government securities market to meet the capital and recurrent expenditure requirement of the government.

Further on 29 July 2010 and 11 November 2010, the Executive Council approved and authorized the Minister of Finance to sign the related agreements pertaining to the following loans:

Disbursement Date	Loan Agreement Date	Security	Interest	Amount
29 July 2010	29 July 2010	Unsecured	5.00%	6,000,000
11 November 2010	11 November 2010	Unsecured	4.50%	44,000,000
				50,000,000

b. Change in the members of the Board of Directors

Effective 18 March 2010, the following are the new members of the Board of Directors of the Anguilla Social Security Board (parent company):

Mr. Thomas Astaphan	-	Chairman / Government Representative
Mr. Alkins Rogers	-	Deputy Chairman / Employees Representative
Mr. Timothy Hodge	-	Director
Pastor Victor Hugo Brooks	-	Member / Employees Representative
Mr. Kirkley Carty	-	Member / Employers Representative
Mr. Evans Lake	-	Member / Employers Representative
Dr. Aidan Harrigan	-	Member / Government Representative

27. Subsequent events *(continued)*

c. Lease agreement with the Government of Anguilla

On 19 January 2010, the lease and purchase agreement was signed by the Government of Anguilla (lessee) and ASSIDCO (lessor). Some of the provisions of the agreement are as follows:

1. The lessor leases the property to the lessee for a 10 year term, and the lessee hereby agrees to purchase the property at any time during the term of the lease, both in consideration of the lease payments and upon the terms and conditions of the agreement.

2. The lessee agrees to pay the lessor monthly lease payments of $300,000 commencing on 1st February 2010.

3. The purchase price of the property amounted EC$20,250,000, less the total sum of any loan payments made by the lessor pursuant to the loan facility.

Currently, the Government of Anguilla is willing to surrender the lease of the property to ASSIDCO once there will be a new company interested to lease the property. As of report date, the Government was not able to fulfil its obligation to ASSIDCO for the rental of the property since the inception of the lease. The total outstanding obligation to date amounted to EC$2,700,000.

d. Borrowings

On 7 June 2010, the Group, through the Chairman, received a proposal from United Investment Limited with registered address Gulf Insurance Historical Bldg., 1st Grey St., Point of Spain, Trinidad, to provide funding for sovereign entities.

On 9 July 2010, the Board members discussed the aforementioned investment opportunity to borrow US$200 million at 1.5% interest per annum with zero upfront cost. The said borrowing will be used as follows: (a) US$100 million for social security projects; (b) US$25 million for the local banks; and (c) US$75 million for government projects. It was also noted that the Group would guarantee the loan. Further, the Board of Directors resolved that the Chairman, Mr. Thomas Astaphan, was authorized to sign and issue on behalf of the Board any and all documentation required in pursuance thereof, including but not limited to, a guarantee to be issued to United Investment Limited. It was agreed that Mr. Astaphan would go ahead with the finalization of the arrangements subject to the terms and conditions being favorable. On the same day, a Board Resolution was ratified and approved by the Board.

27. Subsequent events *(continued)*

d. Borrowings *(continued)*

On 16 July 2010, the Group executed a guarantee with number 0001/2010 issued in accordance with Section 3 (2) of the Social Security Act R.I.A.c S45 and a resolution of the Group dated July 9, 2010 and by the minister responsible for Social Security dated July 9, 2010. The said guarantee confirms the Group's full responsibility that the sum of US$200 million plus all accrued interest will be paid to United Investment Limited, Dallas Texas or their assigns, on July 17, 2015, with interest thereon at the rate of 1.5% per annum. The principal and interest of this borrowing are secured by the guarantee and is backed by cash and charged upon and payable out of the Anguilla Social Security Board Fund. Upon maturity date, the said guarantee is payable to Caribbean Commercial Bank (Anguilla) Limited by the Anguilla Social Security Board Fund.

On 7 September 2010, the Group issued a letter to United Investment Limited to terminate the transaction including all related documents, after due diligence procedures conducted by the Caribbean Commercial Bank (Anguilla) Limited resulted to the fact that United Investment Limited registered in Dallas, Texas is not an existing company and it is an entity doing business as True A/U Network LLC with registered address 11700 Preston Forest Center, Suite 550-388, Dallas Texas.

CORPORATE INFORMATION

ANGUILLA SOCIAL SECURITY BOARD
P. O. Box 243
James Ronald Webster Building
The Valley
ANGUILLA, BWI
Tel: 264-497-2201/2 or 3201/2
Fax: 264-497-5649
Email: angsosec@anguillanet.com or info@ssbai.com
Website: www.ssbai.com

AUDITORS

KPMG LLC
Caribbean Commercial Centre
P.O. Box 136
The Valley
ANGUILLA

National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP
UNITED KINGDOM

ATTORNEYS

Alex Richardson
The Richardson Group
The Valley
ANGUILLA

ACTUARIAL CONSULTANT

Hernando Perez Montas and Associates
César Nicolás Pensón 116
Santo Domingo
DOMINICAN REPUBLIC