2011

ANNUAL REPORT

ANGUILLA SOCIAL SECURITY BOARD

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 2011. It includes the audited consolidated Financial Statements, statistical analyses and tables with details on the overall performance of the Social Security System.

2011 PERFORMANCE HIGHLIGHTS

- Contribution income decreased by 3.8% totaling $26.01M compared to $27.04M in 2010.
- No Investment losses were registered.
- Net income increased significantly to $18.1M from $8.5M in 2010.
- Impairment loss – net recovery decreased significantly by 87.3% to $2.8M from $21.8M in 2010.
- Social Security Development Fund expenditure increased by 20.1% and totaled $738,256 compared to $614,861 in 2010.
- Reserves increased by 7.2% and stood at $254.8M.
- Reserves of the Long-Term Benefits Branch grew, increasing by 8.1% to $241.5M compared

2010 RECAP AT A GLANCE

- Rental Income (net) increased to $209,239 from $194,936 in 2009.
- Investment losses declined significantly by 37.21% to $35,025 from $48.058M in 2009.
- Total Income increased to $48.1M from $41.0M in 2009.
- Borrowing costs declined significantly by 20.03% to $1.1M from $1.4M in 2009.
- Social Security Development Fund expenditure totaled $614,861 compared to $924,469 in 2009.
- Reserves increased by 3.48% and stood at $237.7M compared to $229.4M in 2009.
- Reserves of the Long-Term Benefits Branch grew, increasing by 3.89% to $223.41M compared to 214.72M in 2009.

BOARD MEMBERSHIP

Members of the Board of Directors were:

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

Mrs. Maglan Richardson, Deputy Director, served as Board Secretary.

INVESTMENT COMMITTEE MEMBERSHIP

Membership of the Social Security Fund Investment Committee were:

Mrs. Gele Bryan, Independent Member/Chairman
Mr. Patrick Hanley, Independent Member
Dr. Aidan Harrigan, Director of Finance/Member
Mr. Timothy Hodge, Director of Social Security/Member
Mr. Thomas Astaphan, Chairman of Social Security Board/Member
Mr. Carlyle Franklin, Investment Manager of Social Security/Member

Mrs. Maglan Richardson, Deputy Director, 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 2011 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 2012. Anguilla is a member territory of the Eastern Caribbean Central Bank.

Economic activity in Anguilla is estimated to have contracted in 2011, however, the rate of decline slowed when compared with the previous year. Preliminary estimates indicate that real GDP growth fell by 2.7% compared with a 5.6% decline in 2010. The lower rate of contraction in economic activity was largely due to a recovery in the hotels and restaurants sector and further strengthening in real estate, renting and business activity. The improvements partially offset the decline in other major sectors. Consumer prices rose by 8.6% during 2011. The central government recorded an overall surplus on its fiscal operations, reflecting an improvement in current account position through higher revenue collections and lower expenditure. The total outstanding debt of the public sector declined during the period under review. Developments in the banking system included contractions in monetary liabilities, domestic credit net foreign assets. Declines in domestic credit reflected increases in the net deposit positions of non-financial public enterprises and the central government. Commercial bank liquidity tightened during the review period and the weighted average interest rate spread between loans and deposits widened. The balance of payment recorded an overall deficit attributable to reduction in the surplus on the capital and financial account.

Real output is expected to recover in 2012, based on a projected strengthening in key sectors such as, hotels and restaurants, construction, real estate, renting and business activities, as well as financial intermediation and transport, storage and communications. Developments in the hotels and restaurants and construction sectors will impact the magnitude and direction of activity in the allied sectors. The positive outturn for the number of stay-over visitors is estimated to continue in 2012, while the uptick in construction attributable to foreign direct investment inflows will likely strengthen during that period as well. The fiscal operations of central government are also expected to improve, buoyed by revenue increasing measures including the stabilization levy and an increase in property tax rates, coupled with expenditure restraint. Nonetheless, elevated uncertainty in the Eurozone combined with rising fuel costs ensure that risks remain firmly tilted to the downside.

HUMAN RESOURCES

The staff complement at year-end 2011 was 31 permanent employees.

Overseas Travel to Meetings/Seminars/Conferences/Workshops

- Attendance at funeral service of the mother of Chairman of the St. Kitts/Nevis Social Security Board in St. Kitts, 18th March;
- Caribbean Heads of Social Security Meeting in Dominica, 10th – 13th April;
- First International Social Security Week observance in Mexico, 25th April – 1st May;
- OECS Heads of Social Security meeting in Antigua, 30th June – 1st July;
- 6th Annual Atlantic Connections Conference in Miami, 12th – 16th July;
- The Future of Corporate Reform Public Funds Forum Conference in San Fransisco, 6th – 8th September;
- Caricom Marketing/Public Relations Seminar in Bermuda, 26th – 28th September.

STATISTICAL REVIEW

REGISTRATIONS

Employees

During the period under review, new employee registrations totaled 436, a marginal decrease of 4.2% when compared to 455 in 2010. This is the fourth year of consecutive decline in employee registrations since 2008. Registrations in 2011 brought the accumulated total of all insured persons on register to 17,863 (this include active, inactive, residents, non-residents and deceased persons), a slight increase of 2.6% from 17,408 in 2010. The highest number of new registrants continued to be among the age group 15 – 19 years. Females again dominated registrations, accounting for 50.2% (219) of the new registrants in 2011, while males accounted for 49.8% (217).

Chart 1

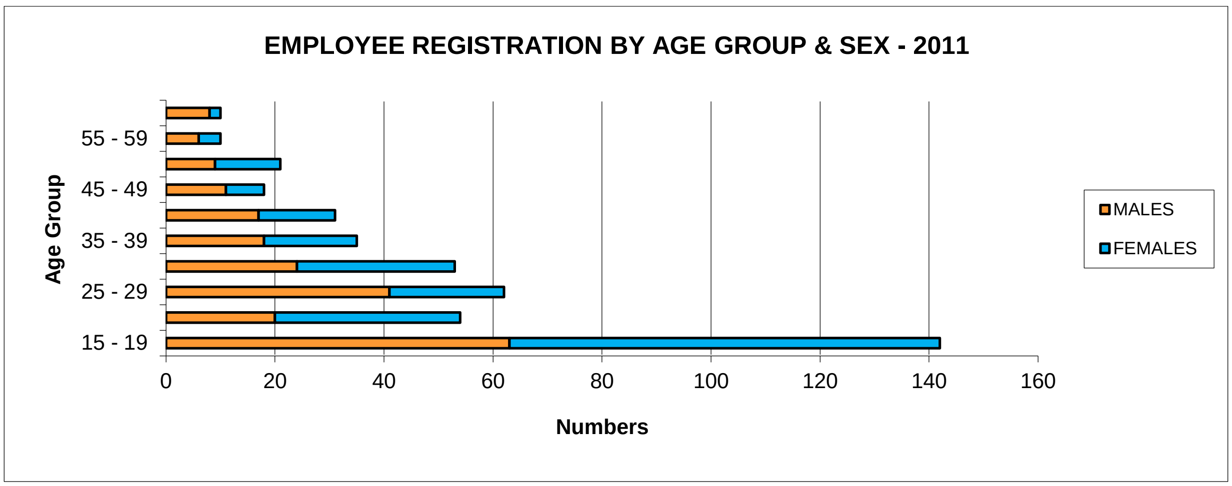
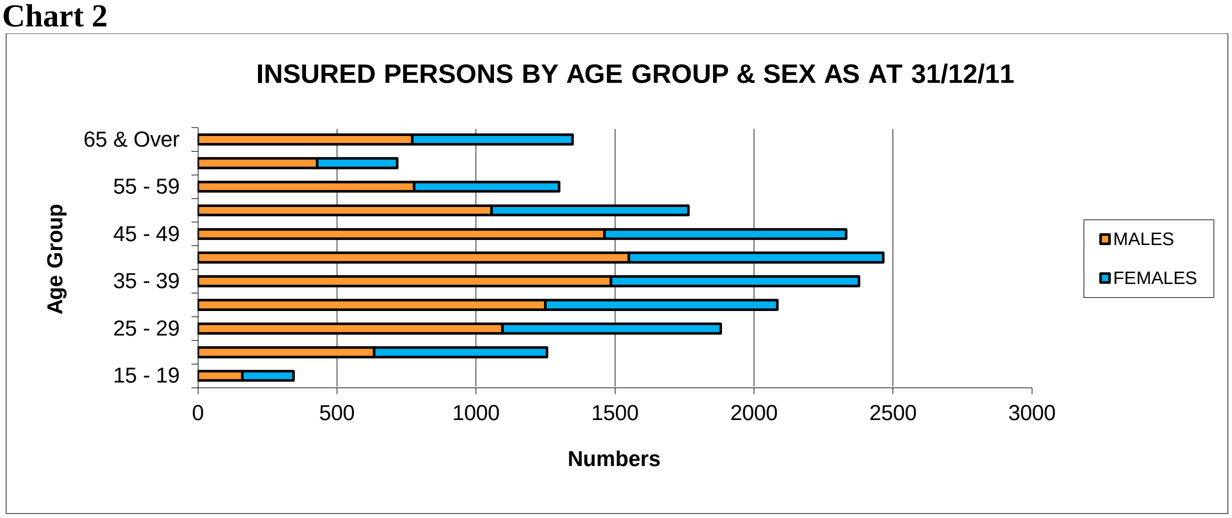


Chart 2



Employers & The Self-Employed

In 2011, employer registrations totaled 104, an increase of 23.8% when compared to a total of 84 in 2010. Likewise, new self-employed registrations increased significantly, totaling 54, compared to 18 in 2010. As a result of the new registrations, the combined and accumulated total of employers on register increased by 5.3% to 3,142 from 2,985 the previous year. Of this accumulated total, only 903 employers (28.7%) were active.

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, Disability 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 2010 the decision was made to change the term "Invalidity" to that of "Disability".

In 2011 a total of 3,512 benefit claims were received, this represented an increase of 5.2% when compared to 3,337 in 2010. Of the total claims received 2,930 were paid, 488 were rejected and 94 were pending. Short-term benefit claims totaled 3,407 accounting for 97.0% of total claims, while long-term benefit claims totaled 105, accounting for 3.0% of total claims.

Full statistical data on benefit claims can be found in Tables 7, 8, and 9 of the Statistical Digest, herein.

Chart 3

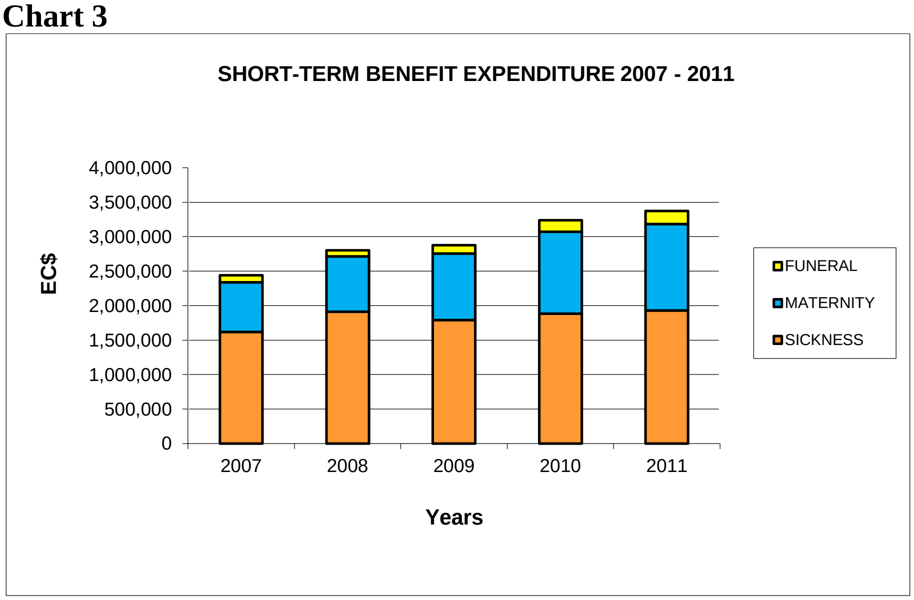
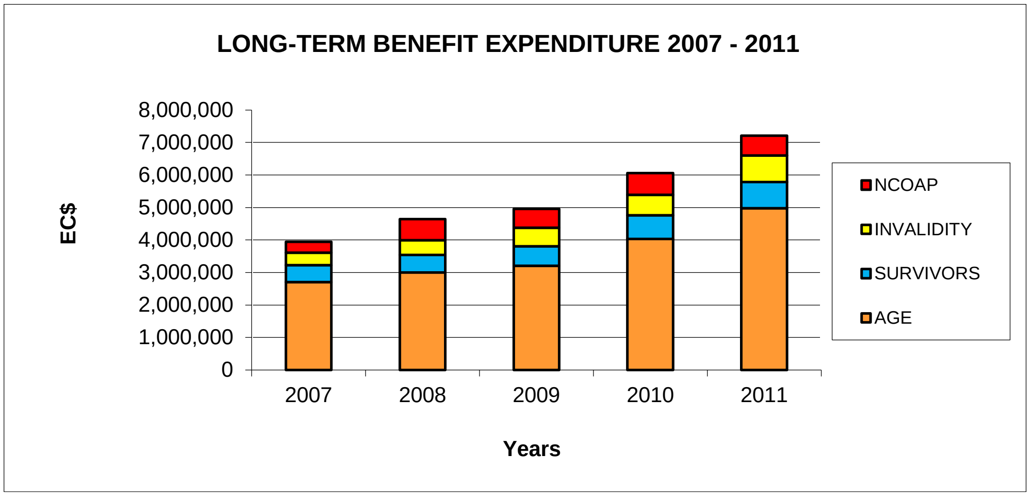


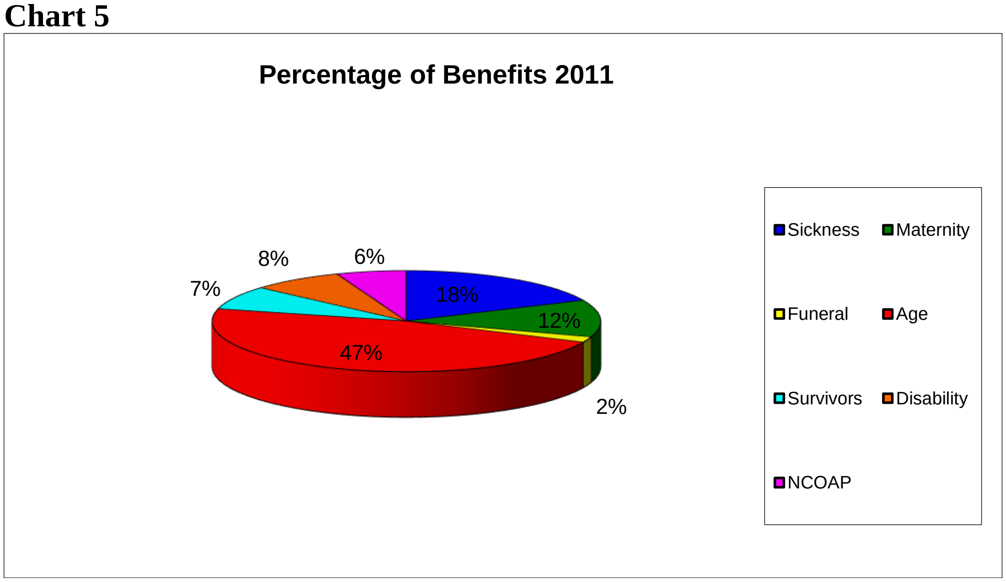
Chart 4



PENSIONS IN PAYMENT

At year-end 2011 the total number of pensioners on record was 740, an increase of 21.1% when compared to 611 in 2010. Total pensioners consisted of 394 Age Pensions, 75 Disability Pensions, 123 Non-Contributory Old Age Pensions and 148 Survivor's Pensions. 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, and up to age 21 if they are enrolled in tertiary education.

Chart 5



FINANCIAL OPERATIONS

CONTRIBUTION INCOME

Contribution Income registered its third consecutive year of marginal decline by 3.8% to total $26.01M, compared to $27.04M in 2010. The decline in contributions can be attributed to the continued contraction of the local economy due to the global recession. Self-Employed contributions also decreased marginally by 3.5% to total $218,201, compared to $226,072 in the previous year. There were no voluntary contributions received during the period under review.

INVESTMENT INCOME

In 2011, Investment income totaled $11.4M, a decrease of 6.4% when compared to $12.2M during the previous year. Despite the decline in investment income, Investments portfolio performed relatively well. No investment losses were registered in the Expense Statement. Impairment Loss (net of recovery) totaled $2.8M, a significant recovery from that of $21.8M in 2010.

During the period under review, Net Rental Income from commercial units decreased marginally by 3.7% totaling $201,474 compared to $209,239 realized in 2010.

TOTAL INCOME AND NET INCOME

At year-end 2011, Total Income decreased significantly by 17.5% to $39.7M compared to $48.1M in 2010. Likewise, Total Expenditure also decreased significantly by 45.5% to $21.6M compared to $39.6M in 2010. Net Income increased significantly totaling $18.1M compared to $8.5M in the previous year.

Chart 6

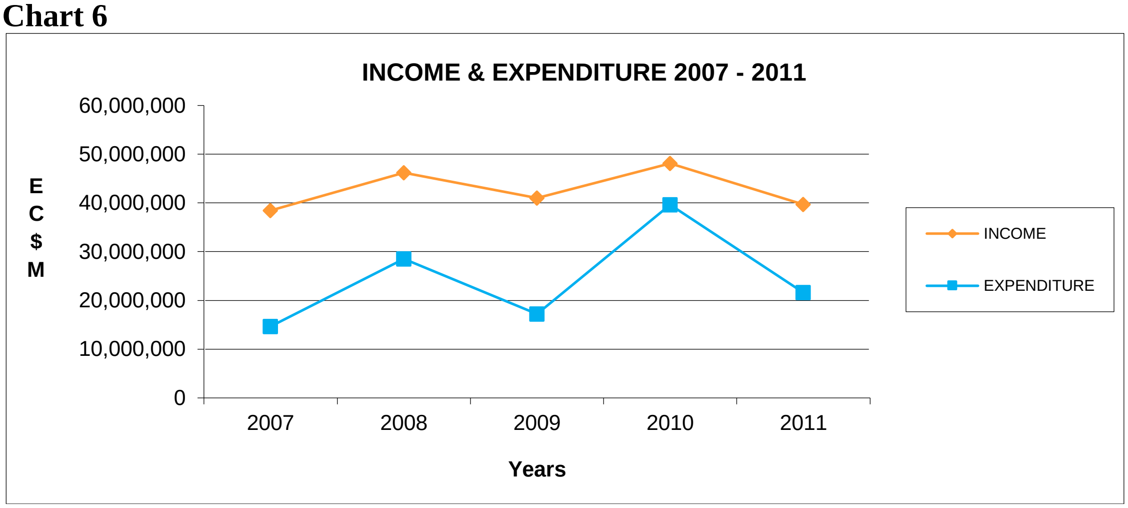
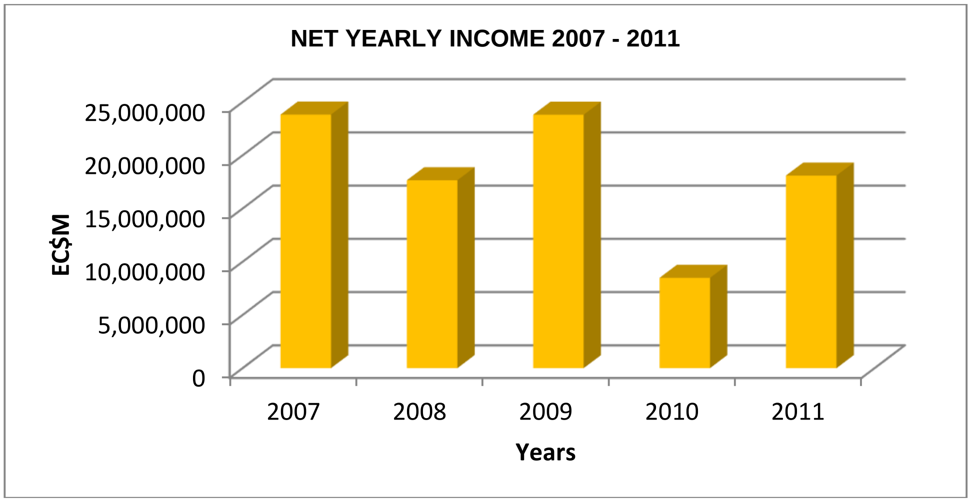


Chart 7



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. Contribution Income is distributed among the branches according to agreed percentages established by the Actuary. These allocations are 81.25% to the Long-Term Branch, 15.00% to the Short-Term Branch and 3.75% to the Social Security Development Fund.

At fiscal 2011, Benefit Expenditure continued its upward climb totaling $10.6M, an increase of 13.8% when compared to $9.3M the previous year. As usual, long-term benefits accounted for the larger share amounting to $7.2M (68.2%), while short-term benefits amounted to $3.4M (31.8%). an average annual increase of 13.24% over the last five years.

During the period under review, benefit expenditure accounted for 49.0% of total expenditure and 40.7% of contribution income; this compares with 23.5% and 34.4% respectively in 2010.

Chart 8

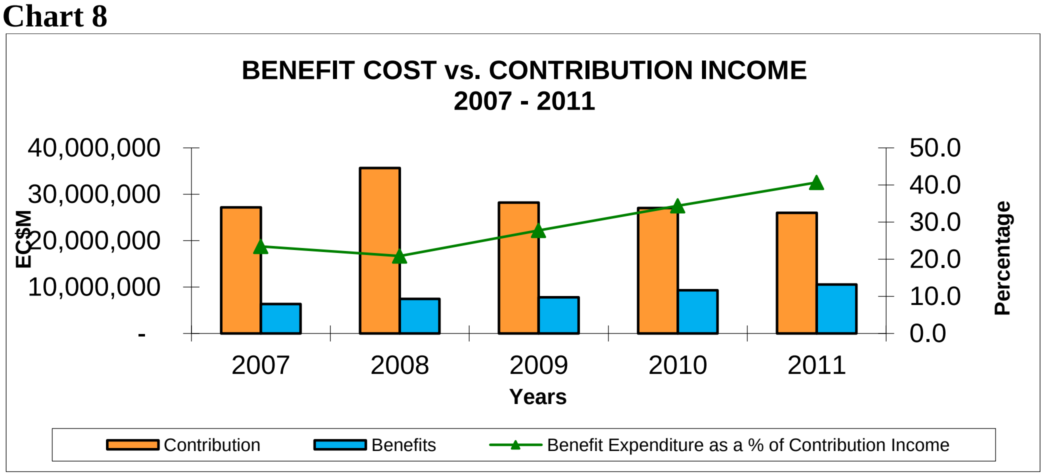
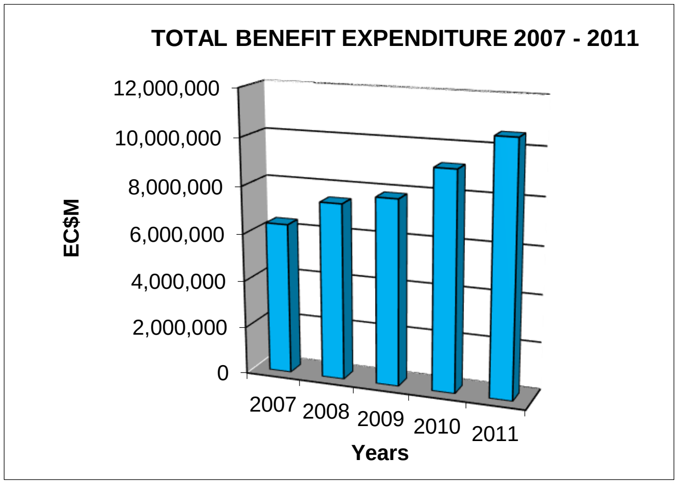


Chart 9



ADMINISTRATIVE EXPENDITURE

Administrative Expenditure at year-end 2011 totaled $6.5M, decreasing by 4.6%, when compared to $6.8M in 2010. In 2011, Administrative Cost was equivalent to 29.3% of Total Expenditure, 24.3% of Contributions and 17.3% of Contributions plus Benefit Expenditure; this compares to 16.7%, 24.5% and 18.2% respectively in 2010.

Chart 10

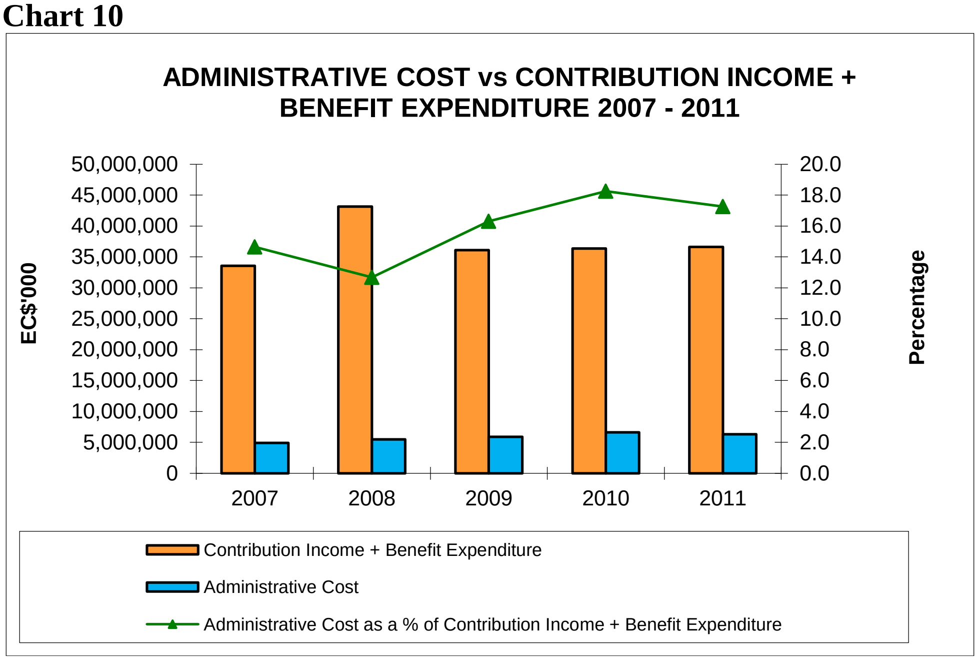
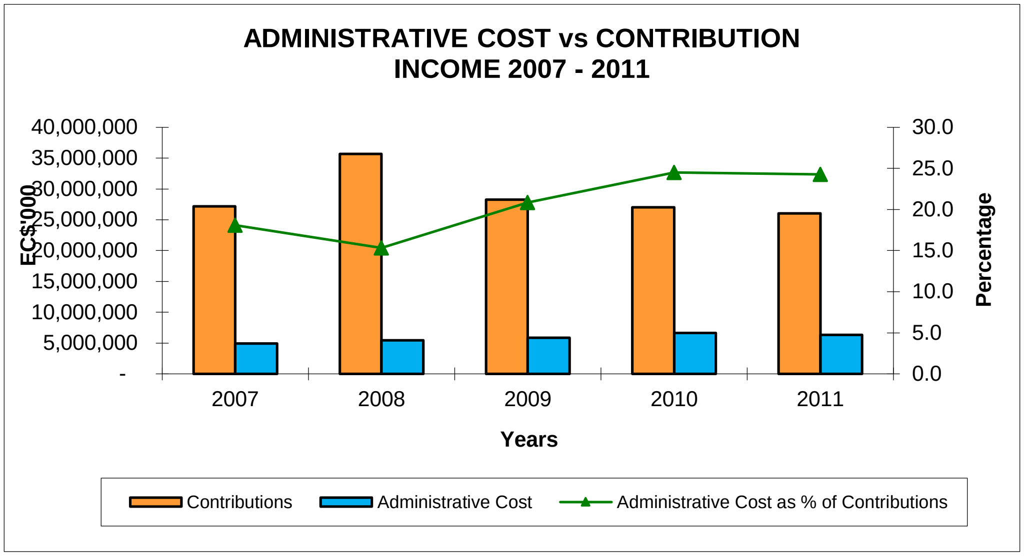


Chart 11



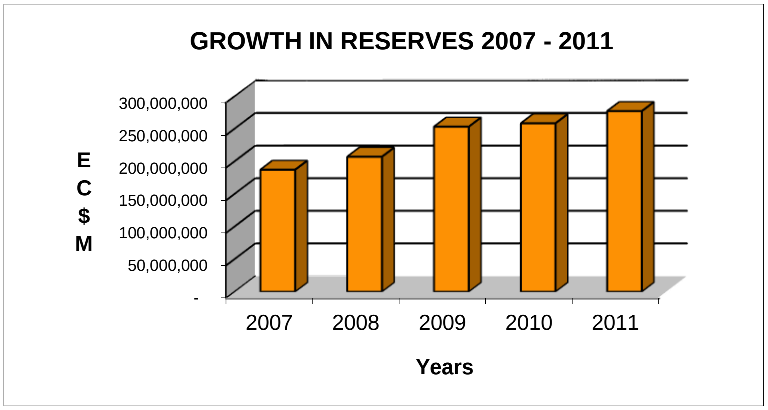
GROWTH IN RESERVES

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.

At year-end 2011 Total Reserves stood at $254.8M increasing by 7.2% when compared to $237.7M in 2010; despite the continued poor economic climate. Meanwhile, Total Liabilities, Reserves and Development Fund stood at $277.1M, an increase of 7.3% when compared to 258.3% in 2010.

Reserves of the Long-Term Benefits Branch continued its steady growth in 2011, registering an increase of 8.1% and totaling $241.5M compared to $223.4M in 2010. However, Reserves of the Short-Term Benefits Branch continued to decline, this time by 5.3% to total $5.5M compared to $5.8M in 2010. Reserves of the Social Security Development Fund increased marginally to $1.6M from $1.5M; likewise, the Social Security Development Fund Reserve increased to $2.0M from $1.8M during the period under review.

Chart 11



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 2011 a total of $738,256 was spent on projects, increasing significantly by 20.1% when compared to $614,861 in 2010. An itemized listing of expenditure items can be found at Notes #22 to the Financial Statement.

STATISTICAL DIGEST

Table 1
Annual Registration of Employees by Sex - 2011

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	63	14.4	79	18.1	142	32.6
20 - 24	20	4.6	34	7.8	54	12.4
25 - 29	41	9.4	21	4.8	62	14.2
30 - 34	24	5.5	29	6.7	53	12.2
35 - 39	18	4.1	17	3.9	35	8.0
40 - 44	17	3.9	14	3.2	31	7.1
45 - 49	11	2.5	7	1.6	18	4.1
50 - 54	9	2.1	12	2.8	21	4.8
55 - 59	6	1.4	4	0.9	10	2.3
60 - 64	8	1.8	2	0.5	10	2.3
TOTALS	**217**	**49.8**	**219**	**50.2**	**436**	**100.0**

Table 2
Tabulation of All Insured Persons by Sex as at 31st December 2011

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	160	0.9	184	1.0	344	1.9
20 - 24	634	3.5	621	3.5	1255	7.0
25 - 29	1095	6.1	785	4.4	1880	10.5
30 - 34	1249	7.0	835	4.7	2084	11.7
35 - 39	1485	8.3	892	5.0	2377	13.3
40 - 44	1550	8.7	915	5.1	2465	13.8
45 - 49	1462	8.2	870	4.9	2332	13.1
50 - 54	1056	5.9	708	4.0	1764	9.9
55 - 59	777	4.3	522	2.9	1299	7.3
60 - 64	429	2.4	287	1.6	716	4.0
65 & Over	771	4.3	576	3.2	1347	7.5
TOTALS	**10668**	**59.7**	**7195**	**40.3**	**17863**	**100.0**

Table 3
Registration of Employees by Gender 2007 – 2011

YEAR	MALE	%	FEMALE	%	TOTAL AT YEAR-END	TOTAL ON REGISTER*	TOTAL** ACTIVE
2007	1,699	80.3	418	19.7	2,117	15,465	9,030
2008	1,001	75.3	337	24.7	1,338	16,974	9,449
2009	374	62.3	227	37.7	601	17,574	8,259
2010	210	46.2	245	53.8	455	17,408	6,939
2011	217	49.8	219	50.2	436	17,863	

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

Table 4
New Registration of Employers by Industry - 2011

ILO CODE	INDUSTRY	No.	%
11	Agriculture	1	1.0
33	Mftg of Food, Beverage & Tobacco	2	1.9
38	Manufacturing Fab. Mtl. Products, MH & EQ	1	1.0
41	Electricity, Gas & Steam	2	1.9
42	Water works & Supply	2	1.9
50	Construction	4	3.8
62	Retail Trade	15	14.4
63	Hotels & Guest Houses	4	3.8
64	Restaurant & Bars	10	9.6
71	Transport & Storage	5	4.8
82	Insurance	1	1.0
83	Real Estate & Business Services	7	6.7
91	Public Administration & Defense	1	1.0
92	Sanitary & Similar Services	1	1.0
93	Social & Related Community Services	4	3.8
95	Personal & Household Services	44	42.3
TOTAL		**104**	**100.0**

Table 5
Registration of Employers 2007 – 2011

YEAR	NEWLY REGISTERED EMPLOYERS	EMPLOYERS REGISTERED AT YEAR-END	ACTIVE EMPLOYERS AT YEAR-END
2007	213	2,609	1,016
2008	113	2,746	984
2009	126	2,874	916
2010	84	2,985	877
2011	104	3,142	903

Table 6
New Self-Employed Registrations by Industry - 2011

ILO CODE	INDUSTRY	No.	%
11	Agriculture	1	1.9
13	Fishing	1	1.9
31	Mft of Food, Bev. and Tobacco	2	3.7
50	Construction	9	16.7
62	Retail Trade	8	14.8
64	Restaurant & Bars	5	9.3
71	Transport & Storage	11	20.4
81	Financial Institutions	1	1.9
92	Sanitary and Similar Services	2	3.7
93	Social & Related Community Services	1	1.9
94	Recreational & Cultural Services	1	1.9
95	Personal & Household Services	9	16.7
Uncoded	Activities Not Adequately Defined	3	5.6
TOTAL		**54**	**100.0**

Table 7
Benefit Claims Received, Rejected, Pending, Paid – 2011

BENEFIT TYPE	RECEIVED	REJECTED	PENDING	PAID
Sickness	2986	478	55	2453
Maternity Grant	206	2	23	181
Maternity Benefit	175	3	9	163
Funeral	40	1		39
Total Short-Term	**3407**	**484**	**87**	**2836**
Age Pension	36		4	32
Age Grant	25	3	1	21
Survivors Pension	12			12
Survivors Grant	5			5
Disability Pension	10		1	9
Disability Grant	2			2
NCOAP	15	1	1	13
Total Long-Term	**105**	**4**	**7**	**94**
TOTAL CLAIMS	**3512**	**488**	**94**	**2930**

*Non-Contributory Old Age Pension

Table 8
Number of Benefit Claims Received by Type 2007 – 2011

BENEFIT TYPE	2007	2008	2009	2010	2011
SICKNESS	2,684	3,113	2,895	2,863	2986
MATERNITY BENEFIT	137	151	155	160	206
MATERNITY GRANTS	153	154	175	186	175
FUNERAL	36	26	42	38	40
TOTAL SHORT-TERM	**3,010**	**3,444**	**3,267**	**3,247**	**3,407**
AGE PENSION	23	34	34	46	36
AGE GRANT	9	7	1	12	25
SURVIVORS PENSION	21	8	16	9	12
SURVIVORS GRANT	1	0	3	1	5
INVALIDITY PENSION	9	15	11	13	10
INVALIDITY GRANT	0	12	0	2	2
NCOAP*	7		6	9	15
TOTAL LONG-TERM	**70**	**76**	**71**	**92**	105
TOTAL CLAIMS RECEIVED	**3,080**	**3,520**	**3,338**	**3,339**	**3,512**
% CHANGE	**5.9**	**14.3**	**-5.2**	**0.03**	**5.2**

Table 9
Benefit Expenditure (EC$) by Type 2007 – 2011

BENEFIT TYPE	2007	2008	2009	2010	2011
SICKNESS	1,619,161	1,910,933	1,802,770	1,883,772	1,930,578
MATERNITY	719,797	803,384	954,643	1,187,123	1,251,377
FUNERAL	99,000	87,000	123,000	165,000	189,000
TOTAL SHORT-TERM	**2,437,958**	**2,801,317**	**2,880,413**	**3,235,895**	**3,370,955**
AGE	2,707,629	2,997,213	3,198,786	4,028,168	4,979,849
SURVIVORS	515,460	544,264	602,604	737,479	814,475
DISABILITY	381,497	456,057	564,975	669,845	802,688
NCOAP*	336,592	644,811	579,320	627,330	616,314
TOTAL LONG-TERM	**3,941,178**	**4,642,345**	**4,945,685**	**6,062,822**	**7,213,326**
TOTAL BENEFIT EXPENSE	**6,379,136**	**7,443,662**	**7,826,098**	**9,298,717**	**10,584,281**
% CHANGE	**18.8**	**16.7**	**5.1**	**18.8**	**13.8**

*Non-Contributory Old Age Pension

Table 10
Consolidated Income & Expenditure Account, 5-Year Comparative Analysis 2007 – 2011

INCOME	2007	2008	2009	2010	2011
CONTRIBUTION	27,160,458	35,695,290	28,244,524	27,038,338	26,018,719
INVESTMENT	10,679,018	9,894,984	12,027,772	12,223,661	11,443,500
OTHER (FINES & MISC.)	461,834	438,842	560,956	312408	586,731
LEASE INCOME (NET)	154,002	144,745	194,936	8547266	1,642,012
TOTAL	**38,455,312**	**46,173,861**	**41,028,188**	**48,121,673**	**39,690,962**
EXPENSES					
ADMINISTRATIVE	4,914,322	5,467,143	5,885,354	6,629,674	6,317,800
BENEFITS	6,379,136	7,443,662	7,835,569	9,298,717	10,584,280
BORROWING COST			1,367,548	1,139,338	1,031,635
INVESTMENT LOSSES		10,810,248	48,058	35,025	
IMPAIRMENT LOSS - NET	2,732,080	4,166,490	1,018,022	21,762,244	2,761,866
SSDF*	521,261	541,920	924,469	614,860	738,256
OTHER	81,755	90,582	139,173	161,747	161,598
TOTAL	**14,628,554**	**28,520,045**	**17,218,193**	**39,641,605**	**21,595,435**
NET YEARLY INCOME	**23,826,758**	**17,653,816**	**23,809,995**	**8,480,068**	**18,095,527**
% CHANGE	**22.9**	**-25.9**	**34.9**	**-64.4**	**114.4**
RESERVES & LIABILITIES	**187,087,800**	**207,075,923**	**253,138,208**	**258,334,264**	**277,071,072**
FUND RATIO	**6.6**	**12.0**	**6.4**	**12.0**	**12.6**

ANGUILLA SOCIAL SECURITY BOARD

Consolidated Financial Statements

31 December 2011

CONSOLIDATED FINANCIAL STATEMENTS FOR THE ANGUILLA SOCIAL SECURITY BOARD

FOR THE PERIOD ENDED 31 DECEMBER 2011

CERTIFICATE OF AUDIT AND REPORT OF THE CHIEF AUDITOR

Section 61(2) of the Financial Administration and Audit Act (Revised Statutes of Anguilla Chapter F27, revised as at December 2008)(the Act) permits me, as Chief Auditor, to accept the audit of the accounts and financial statements of a government agency by an independent auditor of the government agency if the appointment of the auditor has been approved by me, and the audit of the government agency has been performed in accordance with my directions.

After I accept the audit of the accounts and financial statements of a government agency by an independent auditor, Sections 61(6) and (7) of the Act require me to issue a certificate of audit and prepare a report that evidences the acceptance of the audit of the independent auditor, and to send that certificate of audit and report to the government agency, to the minister responsible for the government agency and to the Minister of Finance.

Section 67 of the Act requires the Anguilla Social Security Board, as a government agency, to submit an annual report, including my certificate and report, to the minister responsible for the Board, the Permanent Secretary and the Minister of Finance. The minister responsible for the Board is required to lay the annual report before the House of Assembly.

The appointment of KPMG LLC as the independent auditor of the Anguilla Social Security Board was approved by me. KPMG were directed to undertake their audit in accordance with appropriate auditing standards, and I accept their audit of the Board's financial statements for the period ended 31 December 2011.

No approach, however, has been made to me either by the Anguilla Social Security Board or the Board of the Anguilla Social Security Investment and Development Corporation (ASSIDCO) - a company established as a subsidiary of the Anguilla Social Security Board under the Social Security (Amendment) Act, 2009 - to approve the appointment of KPMG LLC as ASSIDCO's independent auditor. I have therefore neither approved, nor withheld my approval to KPMG's appointment. An additional technical difficulty with respect to the establishment of ASSIDCO as a company is that members of the accountancy institute of which I am a member are not are not permitted under United Kingdom companies legislation to audit the accounts of companies.

In these circumstances, I have not issued a separate Certificate of Audit relating to the financial statements of ASSIDCO. In issuing a Certificate of Audit for the consolidated financial statements of the Anguilla Social Security Board, in respect of ASSIDCO I have relied entirely upon KPMG's audit report, and in particular on their statements that:

- their audit was conducted in accordance with International Standards on Auditing;
- they believe that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their opinion; and that
- in their opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

As regards the audit of the consolidated financial statements and as recorded in their Auditors' Report, KPMG have audited the Consolidated Financial Statements of the Anguilla Social Security Board and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2011, and the related consolidated statements of income; of comprehensive income; and of income and changes in reserves and cash flows for the year then ended; and a summary of significant ɔunting policies and other explanatory notes. The consolidated financial statements are the ponsibility of the Board's management. KPMG's responsibility is to express an opinion on the nsolidated financial statements based on their audit.

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

In KPMG's opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

In their audit report KPMG draw attention to Note 25 to the consolidated financial statements which shows that as at 31 December 2011, the total financial instruments of the Group amounting to $295,722,385 represent ninety-six percent (96%) of its total gross assets. Ninety-three percent (93%) of these financial instruments were invested in Anguilla. In view of this, KPMG point out that the Group is exposed to significant credit concentration which could materially impact the Group's liquidity, financial position and performance should Anguilla encounter financial difficulties.

KPMG 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$1,208,594 for the year ended 31 December 2011 (2010:EC$6,587,525) and as of that date, ASSIDCO's accumulated deficit and shareholder's deficit amounted to EC$9,238,244 and EC$3,891,687 respectively.

As disclosed also in Note 1 of the consolidated financial statements, the Board guaranteed ASSIDCO's loan from a bank in Anguilla. With the protracted sale of the Cinnamon Reef property and non-collection of rentals owed by the Government of Anguilla pursuant to a Sale and Purchase agreement entered between the latter and ASSIDCO, the Board committed to infuse additional financial support to ASSIDCO to support its operations and payment of obligations as described in Note 29.

KPMG are of the opinion that these above-mentioned issues expose the Board to further risks at the potential cost of members' contributions.

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

M L Daynes
Chief Auditor
5 July 2013

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Financial Statements
31 December 2011

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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 2011, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statements of income and changes in reserves and the consolidated statement of 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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 audit opinion.

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 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

INDEPENDENT AUDITORS' REPORT *(continued)*

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 25 of the consolidated financial statements which shows that as at 31 December 2011, the total financial instruments of the Group amounting to $295,722,385 represent ninety-six percent (96%) of its total gross assets. Ninety-three percent (93%) of these financial instruments were invested in Anguilla. In view of this, the Group is exposed to significant credit concentration which could materially impact the Group's liquidity, financial position and performance should Anguilla encounter financial difficulties.

We also draw attention to Note 1 of the consolidated financial statements which shows that ASSIDCO, the Board's subsidiary, incurred a net loss of EC$1,208,594 for the year ended 31 December 2011 (2010: EC$6,587,525) and as of that date, ASSIDCO's accumulated deficit and shareholder's deficit amounted to EC$9,238,244 and EC$3,891,687, respectively.

As disclosed also in Note 1 of the consolidated financial statements, the Board guaranteed ASSIDCO's loan from a bank in Anguilla. With the protracted sale of the Cinnamon Reef property and non-collection of rentals owed by the Government of Anguilla pursuant to a Sale and Purchase agreement entered between the latter and ASSIDCO, the Board committed to infuse additional financial support to ASSIDCO to support its operations and payment of obligations as described in Note 29.

The above-mentioned issues expose the Board to further risks at the potential cost of members' contributions.

KPMG LLC

Chartered Accountants
8th May 2013
The Valley, Anguilla

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Financial Position
As at 31 December 2011

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2011**	2010
Assets			
Cash and cash equivalents	*7*	**109,806,771**	40,290,496
Investment securities – net	*8*	**83,117,032**	132,769,637
Contributions, loans and other receivables - net	*9*	**71,707,516**	72,810,165
Property and equipment – net	*11*	**9,244,411**	9,389,152
Intangible assets – net	*12*	**336,715**	418,574
Other assets	*13*	**2,858,627**	2,656,240
Total Assets		**277,071,072**	258,334,264
Liabilities, Reserves and Development Fund			
Liabilities			
Accounts payable and accrued expenses		**351,934**	278,889
Bank overdraft	*7*	**2,779,851**	-
Pension fund obligation	*14*	**3,010,771**	2,277,546
Borrowings	*15*	**16,123,322**	18,056,250
Total Liabilities		**22,265,878**	20,612,685
Reserves and Development Fund			
Short-term benefits branch reserve		**5,467,864**	5,772,126
Long-term benefits branch reserve		**241,492,858**	223,409,610
Social Security Development Fund		**1,623,952**	1,504,684
Social Security Development Fund Reserve	*16*	**2,000,000**	1,750,000
Unrealized gain on available-for-sale investment securities	*8.2*	**(177,868)**	340,911
Premises revaluation surplus	*11*	**4,398,388**	4,944,248
Total Reserves and Development Fund		**254,805,194**	**237,721,579**
Total Liabilities, Reserves and Development Fund		**277,071,072**	**258,334,264**

These consolidated financial statements were approved on behalf of the Board of Directors on 7th May 2013 by the following:

Alkins Rogers
Chairman

Timothy Hodge, BA, MBA
Director

The notes on pages 13 to 62 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income
For the Year Ended 31 December 2011

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2011**	2010
Income			
Contributions	*17*	**26,018,719**	27,038,338
Investment income	*18*	**11,443,500**	12,223,661
Lease income – net	*19*	**1,642,012**	8,547,266
Fines and miscellaneous	*20*	**586,731**	312,408
		39,690,962	48,121,673
Expenses			
Benefits			
Short-term	*21*	**3,370,955**	3,235,895
Long-term	*21*	**7,213,325**	6,062,822
		10,584,280	9,298,717
Impairment loss - net of recovery	*8*	**2,761,866**	21,762,244
Administrative and other expenses	*23*	**6,479,398**	6,791,420
Borrowing costs	*15*	**1,031,635**	1,139,338
Social Security Development Fund	*22*	**738,256**	614,861
Investment losses	*18*	**-**	35,025
		21,595,429	39,641,605
Net income		**18,095,527**	8,480,068

The notes on pages 13 to 62 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2011

[Expressed in Eastern Caribbean Dollars (EC$)]

	Note	2011	2010
Net income		**18,095,527**	8,480,068
Other comprehensive loss			
Net change in fair value of property and equipment	*11*	**(493,133)**	-
Net change in fair value of available-for-sale investment securities	*8*	**(518,779)**	(207,159)
		(1,011,912)	(207,159)
Total comprehensive income		**17,083,615**	8,272,909
Attributable to the owners of the Group		**17,083,615**	8,272,909

The notes on pages 13 to 62 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Loss and Changes in Reserve
Short-term Benefits Branch
For the Year Ended 31 December 2011

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2011	2010
Income			
Contributions	*17*	**3,902,808**	4,055,751
Investment income	*18*	**287,279**	344,578
Lease income – net	*19*	**41,221**	240,942
Fines and miscellaneous	*20*	**293,366**	156,204
		4,524,674	4,797,475
Expenses			
Benefits	*21*	**3,370,955**	3,235,895
Administrative and other expenses	*23*	**1,370,658**	1,449,417
Impairment loss - net of recovery	*8*	**69,334**	613,466
Borrowing costs	*15*	**25,898**	32,117
Investment loss	*18*	**-**	987
		4,836,845	5,331,882
Net loss		**(312,171)**	(534,407)

Short-term benefits branch reserve

Balance at beginning of the year		**5,772,126**	**6,298,624**
Net loss		**(312,171)**	**(534,407)**
Depreciation transfer from premises revaluation surplus	*11*	**7,909**	**7,909**
Balance at end of the year		**5,467,864**	**5,772,126**

The notes on pages 13 to 62 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Income and Changes in Reserve
Long-term Benefits Branch
For the Year Ended 31 December 2011

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	2011	2010
Income			
Contributions	*17*	**21,140,209**	21,968,649
Investment income	*18*	**10,996,311**	11,721,809
Lease income – net	*19*	**1,577,846**	8,196,352
Fines and miscellaneous	*20*	**293,365**	156,204
		34,007,731	42,043,014
Expenses			
Impairment loss - net of recovery	*8*	**2,653,938**	20,868,778
Benefits	*21*	**7,213,325**	6,062,822
Administrative and other expenses	*23*	**5,108,740**	5,342,003
Borrowing costs	*15*	**991,321**	1,092,562
Investment loss	*18*	**-**	33,587
		15,967,324	33,399,752
Net income		**18,040,407**	8,643,262

Long-term benefits branch reserve

Balance at beginning of the year		**223,409,610**	214,723,507
Net income		**18,040,407**	8,643,262
Depreciation transfer from premises revaluation surplus	*11*	**42,841**	42,841
Balance at end of the year		**241,492,858**	223,409,610

The notes on pages 13 to 62 are integral part of these consolidated financial statements.

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 2011

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2011**	2010
Income			
Contributions	*17*	**975,702**	1,013,938
Investment income	*18*	**159,910**	157,274
Lease income – net	*19*	**22,945**	109,972
		1,158,557	1,281,184
Expenses			
Social projects funded	*22*	**738,256**	614,861
Impairment loss – net of recovery	*8*	**38,594**	280,000
Borrowing costs	*15*	**14,416**	14,659
Investment loss	*18*	**-**	451
		791,266	909,971
Net income		**367,291**	371,213

Social Security Development Fund			
Balance at beginning of the year		**1,504,684**	1,381,494
Net income		**367,291**	371,213
Depreciation transfer from premises revaluation surplus	*11*	**1,977**	1,977
Transfer to Development Fund Reserve	*16*	**(250,000)**	(250,000)
Balance at end of the year		**1,623,952**	1,504,684

Social Security Development Fund Reserve			
Balance at beginning of the year		**1,750,000**	1,500,000
Transfer from Development Fund Reserve	*16*	**250,000**	250,000
Balance at end of the year		**2,000,000**	1,750,000

The notes on pages 13 to 62 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2011

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2011**	2010
Cash flows from operating activities			
Net income		**18,095,527**	8,480,068
Adjustments for:			
Interest income	*18*	**(11,162,994)**	(11,828,646)
Impairment loss - net of recovery	*8*	**2,761,866**	21,762,244
Finance lease earned income	*19*	**(1,440,538)**	(1,430,881)
Interest expense	*15*	**1,031,635**	1,139,338
Depreciation and amortization	*11, 12*	**417,683**	467,616
Dividend income	*18*	**(267,260)**	(395,015)
Net realized loss from available-for-sale investment securities	*18*	**(13,246)**	35,025
Gain on finance lease	*19*	**-**	(6,907,146)
Accounts written off	*8*	**-**	(314,117)
Operating income before working capital changes		**9,422,673**	11,008,486
Decrease (increase) in:			
Contributions and other receivables	*9*	**(371,736)**	(14,095,217)
Other assets	*13*	**(202,387)**	(277,915)
Increase/(decrease) in:			
Accounts payable and accrued expenses		**75,698**	2,384
Pension fund obligation	*14*	**733,225**	412,893
Net cash provided by/(used in) operating activities		**9,657,473**	(2,949,369)
Cash flows from investing activities			
Interest received		**11,383,221**	12,142,675
Withdrawal of held-to-maturity investment securities	*8*	**48,851,451**	63,299,623
Acquisition of property and equipment	*11*	**(660,123)**	(489,733)
Dividends received		**267,260**	395,015
Loan collection/(disbursed)		**228,451**	(49,750,603)
Acquisition of intangible assets	*12*	**(24,093)**	(142,736)
Acquisition of available-for-sale investment securities	*8.2*	**-**	(18,818)
Sale of investment property		**-**	20,250,000
Net cash provided by investing activities		**60,046,167**	45,685,423

Forward

The notes on pages 13 to 62 are integral part of these consolidated financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Consolidated Statement of Cash Flows *(continued)*
For the Year Ended 31 December 2011

[Expressed in Eastern Caribbean Dollars (EC$)]

	Notes	**2011**	2010
Forwarded			
Cash flows from financing activities			
Payment of borrowings	*15*	**(1,932,928)**	(2,025,000)
Interest paid		**(1,034,288)**	(1,145,496)
Net cash provided used in financing activities		**(2,967,216)**	(3,170,496)
Net increase in cash and cash equivalents		**66,736,424**	39,565,558
Cash and cash equivalents at beginning of year		**40,290,496**	724,938
Cash and cash equivalents at end of year	*7*	**107,026,920**	40,290,496

Represented by:

	Notes	**2011**	2010
Cash and cash equivalents	*7*	**109,806,771**	40,290,496
Bank overdraft	*12*	**(2,779,851)**	-
		107,026,920	40,290,496

The notes on pages 13 to 62 are integral part of these consolidated financial statements

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 and principal place of business address is at 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’s 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

On 19 January 2010, ASSIDCO and the Government of Anguilla entered into a lease and purchase agreement relating to the Cinnamon Reef Property which was purchased by ASSIDCO in 2009 through a loan from a local bank. This loan is guaranteed by the Board. The lease and purchase agreement provides that the Government of Anguilla leases the property from ASSIDCO for a period of 10 years for a monthly rent of EC$300,000. Within the said period, the latter committed to purchase the said property at an agreed price of EC$20,250,000.

As at 31 December 2011, the outstanding rental receivables from the Government of Anguilla amounting to EC$7,200,000 since the inception of the lease remain unpaid. Further, the Government of Anguilla advised ASSIDCO on 20 May 2011 that the former is no longer interested in the acquisition of the Cinnamon Reef and desirous of bringing closure to the lease and purchase agreement. This issue had put a strain in ASSIDCO’s cash flows and financial performance.

The Group advised the Government of Anguilla that the matter was referred to counsel for legal advice. As of this date, the lease and purchase agreement is still being reviewed by the Company’s lawyer to ascertain any legal implications.

The doubtful recoverability of the ASSIDCO’s receivables from the Government of Anguilla resulted in significant credit losses to ASSIDCO’s profit or loss resulting in a net loss of EC$1,208,594 for the year ended 31 December 2011 (2010: $6,587,525). As of that date, ASSIDCO’s accumulated deficit and shareholders’ deficit amounted to EC$9,238,244 and EC$3,891,687, respectively.

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 2011 were authorised for issue by the Board of Directors on 7th May 2013.

(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.

(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.

2. Basis of preparation *(continued)*

(e) Actuarial review of pension liabilities to members

An actuarial review was conducted as at 31 December 2010 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 an 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.

The Group applies IAS 26 which requires the actuarial present value of promised retirement benefits to be recognized on the statement of financial position, in the notes to the financial statements or in an accompanying actuarial report. The Group has chosen to disclose the actuarial present value of promised retirement benefits in the notes to these financial statements.

(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 2011:

- *IAS 24, Related Party Disclosures (revised 2009)*
- Improvements to IFRS 2010

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group except for necessary disclosures.

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' obligations to contribute become 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 bank, 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) Lease

Leases in terms of which the Group transfers substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the Group recognizes assets under a finance lease in the statement of financial position as a receivable at an amount equal to the net investment in the lease. Net investment is comprised of the present value of the minimum lease payments and any unguaranteed residual value accruing to the Group. The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the calculation of the finance lease receivable, because the interest rate implicit in the lease, used for discounting the minimum lease payments, takes initial direct costs incurred into consideration.

The Group derecognises the leased asset and recognises the difference between the carrying amount of the leased asset and the finance lease receivable in the consolidated statement of income when recording the finance lease receivable. This gain or loss is presented in the consolidated statement of income in the same line item in which the lessor presents gains or losses from sales of similar assets.

Over the lease term the Group accrues interest income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognising finance income, so as to produce a constant rate of return on the net investment.

Lease 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.

3. Significant accounting policies *(continued)*

(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%

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:

	2011	2010
Short-term benefits branch	**2.51%**	2.82%
Long-term benefits branch	**96.09%**	95.89%
Social Security Development Fund	**1.40%**	1.29%

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

3. Significant accounting policies *(continued)*

(h) Distribution of expenditure *(continued)*

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 2011 and 2010, the allocations are as follows:

	2011	2010
Short-term benefits branch	**20.42%**	**20.64%**
Long-term benefits branch	**79.58%**	**79.36%**

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

(i) Financial assets

(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, loans and receivables and available-for-sale.

(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.

3. Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

(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.

(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.

3. Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

(vii) Identification and measurement of impairment

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.

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 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 and cash equivalents, investments in debt and equity securities, contributions, loans and other receivable, finance lease receivables, 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 and cash equivalents
Cash and cash equivalents include cash balances on hand, balances with local banking institutions and highly liquid financial assets with maturities of less than three months, which are subject to insignificant risk of changes in their fair 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.

3. Significant accounting policies *(continued)*

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

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.

Loans, contributions and other receivables
Loans, contributions and other receivables 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, contributions and other receivables 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, contributions and other receivables at fair value through profit or loss.

Finance lease receivables
Finance lease receivables are measured at the present value of the minimum lease payments and any unguaranteed residual value accruing to the Group less any impairment losses. The present value is calculated by discounting the minimum lease payments due and any unguaranteed residual value, at the interest rate implicit in the lease.

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.

3. Significant accounting policies *(continued)*

(k) Investment property *(continued)*

The Group'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.

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.

3. Significant accounting policies *(continued)*

(l) Property and equipment *(continued)*

iv. *Revaluation of land and building*

Following initial recognition at cost, land and building are carried at the 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 every three years 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.

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) Intangible asset

Intangibles acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on intangible 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 intangibles, from the date that it is available for use. The estimated useful life of intangible asset is eight years.

(n) Borrowing costs

Borrowing costs are recognized as expenses as incurred.

3. Significant accounting policies *(continued)*

(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.

(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.

3. Significant accounting policies *(continued)*

(p) Employee benefits *(continued)*

i. Defined benefit plan (continued)

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.

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) 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.

(r) 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.

(s) 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)*

(t) 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 2011 or not relevant to the Group's operations. These are as follows:

- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)* effective 1 July 2012.
- *IFRS 9, Financial Instruments* effective 1 January 2013.
- *IFRS 13 Fair Value Measurement* effective 1 January 2013.
- *IAS 19 Employee Benefits (amended 2011)* effective 1 January 2013.

(u) 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.

(a) Cash and cash equivalents

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

(b) 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 interest rate as at the reporting date.

(c) Loans, contributions and other receivables

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

4. Determination of fair values *(continued)*

(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 their 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.

5. Financial risk management *(continued)*

(a) Introduction and overview *(continued)*

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 is responsible for developing and monitoring the Group's risk management policies in their specified areas. The committee has 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.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

5. Financial risk management *(continued)*

(c) Market risk *(continued)*

Management of market risk
Overall authority for management of market risk is vested in the Board of Directors, which is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation. The Group exposure to market risk arises from its borrowings, held-to-maturity investment securities and available-for-sale investment securities.

Foreign exchange risk
Substantially all the Group's transactions and assets and liabilities are denominated in Eastern Caribbean dollars or United States dollars. The exchange rate of the Eastern Caribbean dollar to the United States dollar has been formally pegged at EC$2.70 to US$1.00 since 19 July 1976. Therefore, the Group's exposure to foreign exchange risk is not considered significant.

Cash flow and fair value interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

The Group's interest rate risk arises from its long term borrowings and held-to-maturity investment securities. Borrowings and held-to-maturity investment securities issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and held-to-maturity investment securities issued at fixed rates expose the Group to fair value interest rate risk. The Group is exposed to cash flow and fair value interest rate risk as a result of its bank loan (see Note 11) and various held-to-maturity investment securities (see Note 8).

(d) Liquidity risk

Liquidity risk is the risk arising from the 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.

5. Financial risk management *(continued)*

(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.

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).

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

(a) Allowance for impairment losses *(continued)*

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

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

(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.

[Expressed in Eastern Caribbean Dollars (EC$)]

7. Cash and cash equivalents

	2011	2010
Cash on hand	**956,668**	2,228,531
Cash in bank		
Savings and demand deposits	**3,854,789**	2,375,454
Short-term fixed deposits	**104,995,314**	35,686,511
	109,806,771	40,290,496
Bank overdraft	**(2,779,851)**	-
	107,026,920	40,290,496

The cash in bank represents deposits with the indigenous banks in Anguilla which earned interest at the rate of 1.0% per annum for savings and 4% - 7% for short-term fixed deposits. The fixed deposits mature in 1-3 months.

Bank overdraft pertains to the Group's checking account overdraft facility with National Bank Anguilla Limited obtained on 28 October 2009. Significant 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.

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

As mentioned in item (iv) above, a new agreement shall be made upon termination of the facility on 30 October 2011, however the Bank allowed the Group to use the facility until it is fully paid. Total bank charge as at 31 December 2011 amounted to EC$82,334 (2010: EC$103,561)

8. Investment securities - net

	Notes	2011	2010
Held-to-maturity investments	*8.1*	**71,971,920**	121,079,149
Available-for-sale investments	*8.2*	**11,145,112**	11,690,488
		83,117,032	132,769,637

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:

	Note	Due within one year	Due over one year	**2011**	2010
Fixed deposits					
National Bank of Anguilla Limited		16,236,572	2,781,740	**19,018,312**	52,508,911
Caribbean Commercial Bank Limited		35,230,190	1,149,466	**36,379,656**	54,138,649
British American Insurance Company		10,635,462	-	**10,635,462**	10,635,462
First Caribbean International Bank		-	4,000,000	**4,000,000**	-
		62,102,224	7,931,206	**70,033,430**	117,283,022
Investments in bonds					
Eastern Caribbean Home Mortgage Bank (ECHMB)		1,500,000	1,000,000	**2,500,000**	2,500,000
Government of St. Kitts and Nevis		1,005,000	2,891,630	**3,896,630**	4,123,908
Government of St. Lucia		-	6,978,515	**6,978,515**	6,978,515
Government of Antigua and Barbuda		-	307,225	**307,225**	1,460,838
Government of St. Vincent and Grenadines		-	1,165,330	**1,165,330**	1,386,298
		2,505,000	12,342,700	**14,847,700**	16,449,559
Total held-to-maturity investments		64,607,224	20,273,906	**84,881,130**	133,732,581
Less allowance for impairment	*8.3*	(11,322,630)	(1,586,580)	**(12,909,210)**	(12,653,432)
		53,284,594	18,687,326	**71,971,920**	121,079,149

The fixed deposits carry interest rates ranging from 3% to 9.75% while investments in bonds carry interest rates ranging from 5.5% to 8.25% per annum.

8. Investment securities - net

8.2 Available-for-sale investment securities

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

	Note	2011	2010
Equity securities – International			
Smith Barney		**1,736,848**	1,799,914
Merrill Lynch		**309,846**	226,713
Anguilla European Masters Fund (AEMF)		**262,838**	262,838
		2,309,532	2,289,465
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)		**2,712,000**	3,237,600
Eastern Caribbean Home Mortgage Bank (ECHMB)		**331,400**	331,400
Eastern Caribbean Securities Exchange Limited		**125,000**	125,000
		9,256,150	9,781,750
Total available-for-sale investment securities		**11,565,682**	12,071,215
Less allowance for impairment losses	*8.3*	**(420,570)**	(380,727)
		11,145,112	11,690,488

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

	Note	2011	2010
Beginning balance		**12,071,215**	12,294,581
Net realized gain/(loss)	*17.1*	**13,246**	(35,025)
Additional investments with Merrill Lynch		**-**	18,818
Should be fair value balance		**12,084,461**	12,278,374
Ending balance		**11,565,682**	12,071,215
Net fair value loss during the year		**518,779**	207,159

8. Investment securities - net *(continued)*

8.2 Available-for-sale investment securities (continued)

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

	2011	2010
Unrealized gain/(loss), beginning of year	**340,911**	548,070
Net fair value (loss)/gain during the year	**(518,779)**	(207,159)
Unrealized gain, end of year	**(177,868)**	340,911

8.3 Allowance for impairment losses

	Notes	**2011**	2010
Balance at beginning of year			
Held-to-maturity investment securities	*8.1*	**12,653,432**	5,453,476
Available-for-sale investment securities	*8.2*	**380,727**	400,432
Contributions, loans and other receivables	*9*	**16,330,560**	2,062,684
		29,364,719	7,916,592
Impairment loss during the year			
Held-to-maturity investment securities		**255,778**	7,199,956
Available-for-sale investment securities		**39,843**	-
Contributions, loans and other receivables		**2,466,245**	14,581,993
		2,761,866	21,781,949
Reversal during the year			
Available-for-sale investment securities		**-**	(19,705)
Written off during the year			
Contributions, loans and other receivables		**-**	(314,117)
Balance at end of year			
Held-to-maturity investment securities	*8.1*	**12,909,210**	12,653,432
Available-for-sale investment securities	*8.2*	**420,570**	380,727
Contributions, loans and other receivables	*9*	**18,796,805**	16,330,560
		32,126,585	29,364,719

8. Investment securities - net *(continued)*

8.3 Allowance for impairment losses (continued)

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

2011	***Note***	Principal	Interest	**Total**
Government of Anguilla	*19*	12,125,404	2,871,419	**14,996,823**
British American Insurance Company		10,635,462	3,794,874	**14,430,336**
Government of St. Kitts and Nevis		2,138,003	-	**2,138,003**
Anguilla European Masters Fund		262,838	-	**262,838**
Caribbean Commercial Bank		135,745	5,108	**140,853**
Smith Barney		119,734	-	**119,734**
Merrill Lynch		37,998	-	**37,998**
		25,455,184	6,671,401	**32,126,585**

2010	Principal	Interest	**Total**
Government of Anguilla	12,125,404	1,430,881	13,556,285
British American Insurance Company	10,635,462	2,769,167	13,404,629
Government of St. Kitts and Nevis	1,882,225	-	1,882,225
Anguilla European Masters Fund	262,838	-	262,838
Caribbean Commercial Bank	135,745	5,108	140,853
Smith Barney	97,865	-	97,865
Merrill Lynch	20,024	-	20,024
	25,159,563	4,205,156	29,364,719

Distribution of impairment loss net of the reversal follows:

	2011		2010	
	%	**Amount**	%	Amount
Short-term benefits branch	**2.51**	**69,334**	2.82	613,466
Long-term benefits branch	**96.09**	**2,653,938**	95.89	20,868,778
Social Security Development Fund	**1.40**	**38,594**	1.29	280,000
	100.00	**2,761,866**	100.00	21,762,244

9. Contributions, loans and other receivables - net

	Note	**2011**	2010
Contributions receivable		**3,357,191**	2,990,727
Loans receivable			
Government of Anguilla		**50,000,000**	50,000,000
Anguilla Development Board (ADB)		**1,080,000**	1,260,000
Staff		**41,558**	90,009
		51,121,558	51,350,009
Finance lease receivable	*19*	**30,028,565**	28,588,027
Other receivables			
Interest on fixed deposits		**5,096,712**	5,411,223
Interest on loans receivable		**386,857**	271,539
Interest on investments in bonds		**380,538**	401,572
Rent receivable		**76,684**	84,190
Other		**56,216**	43,438
		5,997,007	6,211,962
Total contributions, loans and other receivables		**90,504,321**	89,140,725
Less allowance for impairment losses	*8.3*	**(18,796,805)**	(16,330,560)
		71,707,516	72,810,615

Contributions receivable include earned contributions as of yearend 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.

Loans receivable from ADB represent 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:

	2011	2010
Current	**180,000**	180,000
Non-current	**900,000**	1,080,000
	1,080,000	1,260,000

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

Government of Anguilla loan represents borrowed funds amounting to fifty million Eastern Caribbean Dollars (EC$50 million). This borrowing was approved by the House of Assembly after presentation by the Honourable Minister of Finance on 28 June 2010 pursuant to Section 40 of the Financial Administration and Audit Act, R.S.A.c F27.

On 29 July 2010 and 11 November 2010, the Executive Council of Anguilla approved and authorized the Minister of Finance to sign the related agreements pertaining to the loans as follows:

Disbursement Date	Loan Agreement Date	Security	Interest	Amount
19 November 2010	30 December 2010	Unsecured	4.50%	**50,000,000**

The loan shall be for a period of ten (10) years commencing on 19th November 2010 and ending 19th November 2020. The loan shall be repaid in thirty-six (36) equal or approximately equal and consecutive quarterly instalments payable on each payment date commencing after the expiry of one (1) year following the initial drawdown date. The loan can be also prepaid by the borrower without penalty.

Details of finance lease are disclosed in Note 19 to the consolidated financial statements.

10. Investment property

Investment property pertains to the acquired Cinnamon Reef property comprising of 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 appraisal conducted by Can Engineering Ltd on 25 July 2006 and such price was agreed by both 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. The lease and purchase agreement was signed on 19 January 2010 (see Note 19).

As at 31 December 2010, the Company's investment property was revalued by an independent and qualified appraiser, Can Engineering Ltd., who used the investment and cost approach method of valuation. The revalued amount as at 31 December 2010 ranges from EC$13,717,885 - EC$16,345,600. No revaluation was done during the year as the Group believes that the fair value did not change.

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 2009	2,849,492	6,301,582	694,565	422,354	84,686	211,267	10,563,946
Additions	-	417,039	72,694	-	-	-	489,733
Disposals	-	-	(49,157)	-	-	-	(49,157)
31 December 2010	2,849,492	6,718,621	718,102	422,354	84,686	211,267	11,004,522
Additions	565,922	44,487	26,248	23,465	-	-	660,122
Appraisal adjustment	-	(1,109,824)	-	-	-	-	(1,109,824)
Disposals	-	-	-	-	-	-	-
31 December 2011	**3,415,414**	**5,653,284**	**744,350**	**445,819**	**84,686**	**211,267**	**10,554,820**
Accumulated depreciation							
31 December 2009	-	185,564	578,980	295,968	84,686	163,425	1,308,623
Depreciation for the year	-	215,663	52,803	45,185	-	42,253	355,904
Disposals	-	-	(49,157)	-	-	-	(49,157)
31 December 2010	-	401,227	582,626	341,153	84,686	205,678	1,615,370
Depreciation for the year	-	215,464	48,622	44,046	-	3,599	311,731
Appraisal adjustment	-	(616,691)	-	-	-	-	(616,691)
Disposals	-	-	-	-	-	-	-
31 December 2011	**-**	**-**	**631,248**	**385,199**	**84,686**	**209,277**	**1,310,410**
Carrying amount							
31 December 2010	2,849,492	6,317,394	135,476	81,201	-	5,589	9,389,152
31 December 2011	**3,415,414**	**5,653,285**	**113,102**	**60,620**	**-**	**1,990**	**9,244,411**

The Group's land and building were revalued on 31 December 2011 by an independent and qualified valuator, 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 (2010: EC$7,867) from Premises Revaluation Surplus account is transferred to branch reserves (allocated to Short-term Benefits Branch Reserve: EC$7,909 (2010: EC$7,909); Long-term Benefits Branch Reserve: EC$42,841 (2010: EC$42,841) and Social Security Development fund: EC$1,977 (2010: EC$1,977).

Movements in the Premises Revaluation Surplus account are as follows:

	2011	2010
Revaluation surplus, beginning of year	**4,944,248**	4,996,975
Change in fair value	**(493,133)**	-
Depreciation for the year	**(52,727)**	(52,727)
Revaluation surplus, end of year	**4,398,388**	4,944,248

12. Intangible asset

Movements in this account follow:

	2011	2010
Cost		
Beginning balance	**1,202,942**	1,060,206
Acquisition during the year	**24,093**	142,736
Ending balance	**1,227,035**	1,202,942
Accumulated amortization		
Beginning balance	**784,368**	672,656
Amortization for the year	**105,952**	111,712
Ending balance	**890,320**	784,368
Carrying amount	**336,715**	418,574

13. Other assets

	2011	2010
Contingency reserve investment	**2,700,000**	2,500,000
Prepayments	**90,259**	90,674
Stationery and computer supplies	**68,368**	65,566
	2,858,627	2,656,240

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 2011 and 2010 has been invested at NBA and CCB in the form of fixed deposits which bear interest at a rate ranging from 3.00% - 6.00% per annum. Accrued interest receivable for these fixed deposits amounted to EC$1,652 (2010: EC$58,019).

14. Pension fund obligation

An actuarial review was conducted as at 31 December 2010 by an independent actuary, Mr. Hernando Perez Montas and is being updated every three years. The present value of the Board's pension fund benefit obligation to its members as at 31 December 2011 which is the same as at 31 December 2010 follows:

	2011/2010
Retirement pensions	43,679,326
Disablement pensions	9,129,299
Survivor's pensions	9,961,182
Non-contributory pensions	4,085,853
Sub-total (pensions in payment)	66,855,660
Active insured persons	291,363,329
Total Accumulated Benefit Obligations (ABO)	358,218,989
Net assets available for benefits (ASS)	(237,105,461)
Net Accumulated Obligations (ABO-ASS)	121,113,528
Funded Status (ASS/ABO)%	66.19%
Projected Benefit Obligations (PBO)	613,847,205
- Vested	348,835,692
- Non-vested	265,011,513
Unfunded Projected Obligation (PBO-ASS)	376,741,744

The key assumptions and methods used in this calculation were as follows

Mortality table	GAM-83 (USA)
Discount	4% (2% real)
Salary scale	2%
Termination assumption (basically foreign workers)	.07 to .03 (20/50 years)
Loading factor for complementary benefits:	5%

As detailed above, there is a difference of $121,113,528 between the reserves of the Fund and the actuarial present value of actual benefit obligations and a difference of $376,741,744 between the reserves of the Fund and the actuarial present value of projected benefit obligations. These differences will be compensated by future adjustments to the contribution rates by employers and employees, under the scaled-premium system of finance of the long-term branch, pursuant to Section 18(2) of the Social Security Act.

Aside from the Group's pension scheme to its members, the Group also has a defined benefit pension scheme for its regular employees which requires contribution on a bipartite basis by the Group and its employees to be made to administered funds. The plan is administered by the Anguilla Social Security Staff Pension Fund and an actuarial review is conducted every year by Mr. Hernando Perez Montas. The benefits are based on the years of service and the employee's average pensionable compensation prior to retirement.

14. Pension fund obligation *(continued)*

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

	2011	2010
Present value of obligations	**8,078,562**	7,233,109
Fair value of plan assets	**(2,057,806)**	(1,880,066)
Deficit	**6,020,756**	5,353,043
Unamortized actuarial losses conducive	**(3,009,985)**	(3,075,497)
	3,010,771	2,277,546

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

	2011	2010
Beginning of year	**7,233,109**	6,094,494
Current service cost	**291,711**	294,033
Interest cost	**499,002**	386,285
Past service cost	**58,338**	58,338
Contribution by plan participants	**94,331**	94,259
Benefits paid	**(209,016)**	(407,046)
Actuarial (gain)/loss	**111,087**	712,746
End of year	**8,078,562**	7,233,109

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

	2011	2010
Beginning of year	**1,880,066**	1,772,594
Expected return on assets	**83,976**	135,420
Employer contributions	**188,661**	313,530
Contribution by plan participants	**94,331**	94,259
Benefits paid	**(209,016)**	(407,046)
Actuarial loss	**19,788**	(28,691)
End of year	**2,057,806**	1,880,066

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

	2011	2010
Cash receivables	**6%**	3%
Fixed deposits	**54%**	54%
Staff loans	**40%**	43%

14. Pension fund obligation *(continued)*

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

	2011	2010
Current service cost	**291,711**	294,033
Interest cost on benefit obligation	**499,002**	386,285
Expected return on plan assets	**(83,976)**	(135,420)
Amortization on transitional obligation	**58,338**	58,338
Actuarial loss	**156,812**	123,187
	921,887	726,423

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

	2011	2010
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. 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% per annum.

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.

Total interest expense and accrued interest payable as of 31 December 2011 amounted EC$1,031,635 and EC$21,092, respectively (2010: EC$1,031,635 and EC$23,745).

15. Borrowings *(continued)*

Distribution of borrowing costs follows:

	2011		2010	
	%	**Amount**	%	Amount
Short-term benefits branch	**2.51**	**25,898**	2.82	32,117
Long-term benefits branch	**96.09**	**991,321**	95.89	1,092,562
Social Security Development Fund	**1.40**	**14,416**	1.29	14,659
	100.00	**1,031,635**	100.00	1,139,338

The current and non-current portion of the borrowing follows:

	2011	2010
Current	**2,117,072**	2,025,000
Non-current	**14,006,250**	16,031,250
	16,123,322	18,056,250

16. Social Security Development Fund Reserve

The Social Security Development Fund Reserve was created in 2004. Since its creation, the Group had 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.

17. Contribution income

	2011	2010
Contribution – employers	**12,962,538**	13,417,669
Contribution – employees	**12,962,538**	13,417,669
	25,925,076	26,835,338
Less refunds	**(124,558)**	(23,072)
	25,800,518	26,812,266
Contributions - self employed	**218,201**	226,072
	26,018,719	27,038,338

[Expressed in Eastern Caribbean Dollars (EC$)]

17. Contribution income

Distribution of contribution income follows:

	%	2011	2010
Short-term benefits branch	*15.00*	**3,902,808**	4,055,751
Long-term benefits branch	*81.25*	**21,140,209**	21,968,649
Social Security Development Fund	*3.75*	**975,702**	1,013,938
		26,018,719	27,038,338

18. Investment income

		2011	2010
Interest income			
Fixed deposits (Local banks)		**6,279,926**	7,740,104
Loan – Government of Anguilla		**2,267,123**	1,400,631
Fixed deposits (British American)		**1,025,707**	1,025,707
Bonds - Government of St. Lucia		**512,442**	495,346
Savings and demand deposits		**376,548**	372,845
Bonds - Government of St. Kitts / Nevis		**322,289**	338,424
Bonds – ECHMB		**137,981**	140,021
Bonds - Government of St. Vincent and Grenadines		**89,813**	105,899
Bonds - Government of Antigua		**79,274**	125,250
Loans – ADB		**69,734**	80,534
Loans – Staff		**2,157**	3,885
		11,162,993	11,828,646
Dividend income			
ANGLEC shares		**183,510**	275,265
ECFH shares		**60,000**	96,000
ECHMB shares		**23,750**	23,750
		267,260	395,015
Total investment income		**11,430,253**	12,223,661
Realized (loss)/gain from available-for-sale investment securities			
Smith Barney		**13,219**	(34,652)
Merrill Lynch		**28**	(373)
Total investment losses	*18.1*	**13,247**	(35,025)
Total investment income – net		**11,443,500**	12,188,636

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).

[Expressed in Eastern Caribbean Dollars (EC$)]

18. Investment income *(continued)*

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**	**2011**	2010
Dividend and interest income	34,757	74	**34,831**	25,209
Gains on disposals	25,263	-	**25,263**	5,696
Losses on disposals	(23,160)	-	**(23,160)**	(45,069)
Management fee and others	(22,948)	(740)	**(23,688)**	(20,861)
	13,912	(666)	**13,246**	(35,025)

Distribution of investment income is as follows:

	2011		2010	
	%	**Amount**	%	Amount
Short-term benefits branch	**2.51**	**287,279**	2.82	344,578
Long-term benefits branch	**96.09**	**10,996,311**	95.89	11,721,809
Social Security Development Fund	**1.40**	**159,910**	1.29	157,274
	100.00	**11,443,500**	100.00	12,223,661

Distribution of investment loss is as follows:

	2011		2010	
	%	**Amount**	%	Amount
Short-term benefits branch	**2.51**	**-**	2.82	(987)
Long-term benefits branch	**96.09**	**-**	95.89	(33,587)
Social Security Development Fund	**1.40**	**-**	1.29	(451)
	100.00	**-**	100.00	(35,025)

19. Leases

a) Operating lease

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

	2011	2010
Rental income	**292,300**	295,455
Less maintenance expenses	**(90,826)**	(86,216)
	201,474	209,239

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

b) Finance lease

	2011	2010
Finance lease receivable	**27,157,146**	27,157,146
Finance lease earned income receivable	**2,871,419**	1,430,881
	30,028,565	28,588,027
Allowance for impairment	**(14,996,823)**	(13,556,285)
	15,031,742	15,031,742

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

i. 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.

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

iii. 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.

Considering the above provisions, the Company recognized the lease as a finance lease, recognizing a profit at the inception amounting to EC$6,907,146 and finance lease earned income amounting to EC$1,430,881 in 2010 and additional finance lease earned income for 2011 amounting to EC$1,440,538.

19. Leases *(continued)*

b) Finance lease *(continued)*

As at 31 December 2011, the Government was not able to fulfil its obligation to the Company for the rental of the property since the inception of the lease. The total outstanding obligation amounted to EC$7,200,000. Considering the default of the Government, the Company provided allowance for impairment for the whole amount of income related to the lease amounting to EC$9,778,565 and the total amount of decline in the value of the leased property amounting to EC$5,218,258.

The future minimum finance lease receivables are as follows:

2011	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	7,200,000	-	7,200,000
Less than one year	3,600,000	1,307,347	2,292,653
Between one and five years	18,000,000	4,232,947	13,767,053
More than five years	7,200,000	431,140	6,768,860
	36,000,000	5,971,434	30,028,566

2010	Gross Investment	Unearned Income	Minimum Finance Lease Receivable
Past due	3,600,000	-	3,600,000
Less than one year	3,600,000	1,440,538	2,159,462
Between one and five years	18,000,000	5,032,740	12,967,260
More than five years	10,800,000	938,695	9,861,305
	36,000,000	7,411,973	28,588,027

There are no unguaranteed residual values accruing to the benefit of the lessor and contingent rents recognized as income during the lease period.

Distribution of lease income net of maintenance expenses follows:

	2011		2010	
	%	**Amount**	%	Amount
Short-term benefits branch	**2.51**	**41,221**	2.82	240,942
Long-term benefits branch	**96.09**	**1,577,846**	95.89	8,196,352
Social Security Development Fund	**1.40**	**22,945**	1.29	109,972
	100.00	**1,642,012**	100.00	8,547,266

[Expressed in Eastern Caribbean Dollars (EC$)]

20. Fines and miscellaneous income

	2011	2010
Surcharges and additional surcharges	**577,096**	310,385
Rental fee surcharges	**-**	184
Other	**9,635**	1,839
	586,731	312,408

Distribution of fines and miscellaneous income follows:

	%	**2011**	2010
Short-term benefits branch	50.00	**293,366**	156,204
Long-term benefits branch	50.00	**293,365**	156,204
		586,731	312,408

21. Benefit expenses

	2011	2010
Short-term benefits		
Sickness	**1,930,578**	1,883,772
Maternity	**1,251,377**	1,187,123
Funeral	**189,000**	165,000
	3,370,955	3,235,895
Long-term benefits		
Age	**4,979,849**	4,028,168
Non-contributory old age pension	**616,314**	669,845
Survivors	**802,688**	737,479
Invalidity	**814,474**	627,330
	7,213,325	6,062,822
	10,584,280	9,298,717

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.

22. Social Security Development Fund *(continued)*

The following table shows the projects funded by Social Security Development Fund in 2011.

	2011	2010
Literacy Program	**300,000**	20,754
Fisher's Project	**73,729**	-
Arijah Children's Foundation	**68,549**	-
Vivian Vanterpool Primary School	**57,560**	243,406
Orelia Kelly Primary School	**31,058**	-
Educational Development Plan	**27,552**	20,945
Anguilla Youth Sports Complex	**26,882**	-
Anguilla Amateur Netball Association	**18,683**	-
Anguilla Cricket Association	**17,346**	5,377
Anguilla Masters Cricket Club	**16,129**	-
Camp-Be-Aware	**13,441**	13,441
Anguilla Tennis Academy	**13,441**	-
Anguilla Red Cross	**10,753**	-
Anguilla Statistics Department	**10,753**	-
Anguilla Amateur Athletic Association	**10,242**	20,162
Early Childhood Education	**6,722**	53,764
Youth Escape Summer Arts Program	**6,000**	6,000
Caribbean Talented Teen	**5,376**	-
Anguilla Amateur Cycling Association	**4,032**	6,116
Festival D'Noel	**3,000**	3,000
Children's Library Annual Summer Programme	**3,000**	-
Race Against Aids	**2,688**	-
Anguilla Amateur Volleyball Association	**2,688**	-
Anguilla Amateur Radio Society	**2,680**	-
Kool FM Children's Day Event	**2,000**	5,900
Anguilla Body Building and Fitness Federation	**1,882**	-
National AIDS Programme	**1,613**	-
Morris Vanterpool Primary School	**457**	33,384
Her Majesty Prison	**-**	92,782
James Ronald Webster Park	**-**	34,910
TV Reality Show, The Bachelor	**-**	26,882
U17 Cricket	**-**	13,952
Department of Education	**-**	7,366
Albena Lake Hodge Comprehensive School	**-**	4,032
Tourism Gala	**-**	2,688
	738,256	614,861

23. Administrative and other expenses

	Notes	2011	2010
Salaries, benefits and allowances to staff		**4,438,094**	4,279,595
Administration expenses	*23.1*	**1,636,630**	2,092,653
Allowances and expenses of the Board and Investment Committee		**243,076**	257,425
		6,317,800	6,629,673
Other expenses	*11*	**161,598**	161,747
		6,479,398	6,791,420

The Group is composed of 32 employees as at 31 December 2011 (2010: 33), eight of them are considered key management personnel.

Other expense pertains to depreciation of the Group's premises that are being leased out.

Distribution of administrative expenses follows:

	2011		2010	
	%	**Amount**	%	Amount
Short-term benefits branch	**20.42**	**1,289,859**	20.64	1,368,544
Long-term benefits branch	**79.58**	**5,027,941**	79.36	5,261,129
	100.00	**6,317,800**	100.00	6,629,673

Distribution of other expenses follows:

	2011		2010	
	%	**Amount**	%	Amount
Short-term benefits branch	**50.00**	**80,799**	50.00	80,873
Long-term benefits branch	**50.00**	**80,799**	50.00	80,874
	100.00	**161,598**	100.00	161,747

Distribution of administrative and other expenses follows:

	2011	2010
Short-term benefits branch	**1,370,658**	1,449,417
Long-term benefits branch	**5,108,740**	5,342,003
	6,479,398	6,791,420

[Expressed in Eastern Caribbean Dollars (EC$)]

23. Administrative and other expenses

23.1 Details of administration expenses follow:

	Notes	**2011**	2010
Professional fees		**362,556**	511,913
Utilities		**299,062**	230,155
Depreciation and amortization	*11, 12*	**256,084**	305,869
Repairs and maintenance		**136,079**	168,517
Bank charge		**82,334**	103,561
Overseas travel and lodging		**70,867**	151,420
Social Security Board special events		**63,263**	34,252
Insurance		**26,806**	28,600
Human resource development expense		**445**	117,897
Other expenses		**339,134**	440,469
		1,636,630	2,092,653

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 2011 and 2010.

(i) The Group's savings and demand deposits 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, 2011 and 2010 are as follows:

24. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

	Notes	2011	2010
Savings and demand deposits	*7*	1,321,117	568,087
Fixed deposits	*8*	65,039,292	57,981,282
Contingency reserve investment	*13*	2,700,000	1,000,000
Funds held at end of year		69,060,409	59,549,369
Funds held at beginning of year		(59,549,369)	(83,913,976)
Increase/(decrease) in funds held		9,511,040	(24,364,607)

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

	2011	2010
Interest income	2,109,662	3,694,000
Accrued interest receivable	646,158	1,385,525

(ii) The Group's savings and demand deposits accounts, fixed deposits, investment in shares and an overdraft 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 2011 and 2010:

	Notes	2011	2010
Savings and demand deposits	*7*	1,672,169	1,113,691
Bank overdraft	*7*	(2,779,851)	-
Fixed deposits	*8*	80,578,639	67,052,789
Contingency reserve investment	*13*	-	1,500,000
Investment	*8*	1,500,000	1,500,000
Funds held end of year		80,970,957	71,166,480
Funds held beginning of year		(71,166,480)	(91,166,482)
Increase/(decrease) in funds held		9,804,477	(20,000,002)

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

	2011	2010
Interest income	2,394,615	4,061,199
Bank charges	82,334	103,561
Accrued interest receivable	568,784	1,254,986

24. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

(iii) The Group savings and demand deposits and fixed deposits account were also held at Scotiabank (Anguilla) Limited, a registered employer, since inception. The following funds are held at Scotiabank as of 31 December 2011:

	Notes	**2011**	2010
Savings and demand deposits	*7*	**861,503**	693,676
Fixed deposits	*7*	**14,775,351**	18,800,000
Funds held end of year		**15,636,854**	19,493,676
Funds held beginning of year		**(19,493,676)**	-
Decrease/(increase) in funds held		**(3,856,822)**	19,493,676

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

	2011	2010
Interest income	**473,812**	357,750
Accrued interest receivable	**12,923**	1,545

(iv) The Group also have outstanding receivables from the Government of Anguilla, a registered employer, since inception. The following funds are receivable from the Government as of 31 December 2011:

	Notes	**2011**	**2010**
Loans	*9*	**50,000,000**	50,000,000
Finance lease	*19*	**30,028,565**	28,588,027
Accrued interest		**376,027**	258,904
Contributions	*9*	**-**	621,878
Receivables held end of year		**80,404,592**	79,468,809
Receivables held beginning of year		**(79,468,809)**	(6,916,122)
Increase in receivables held		**935,783**	72,556,687

Interest income received as at 31 December 2011 amounted to $2,267,123 (2010: $1,401,531).

In 2010, the Board waived and wrote-off the penalties and surcharges relating to delayed payments of contributions from the Government of Anguilla amounting to EC$314,117.

24. Related party transactions *(continued)*

b. Related party transactions and balances (continued)

(v) Pension Fund

The Board does not charge the Pension for the use of its facilities. There is no defined policy for the terms of payment of the Pension Fund liabilities to the Board.

Total contribution by the Board for the year amounted to EC$188,661 (2010: 313,999).

(vi) Remuneration to directors and executive staff during 2011 and 2010 are as follows:

	2011	2010
Board and investment committee allowance	**240,777**	251,471
Executive staff salaries and allowances	**1,131,805**	1,111,789
	1,372,582	1,363,260

(vii) 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 gross maximum exposure to credit risk as at 31 December 2011 and 2010 were as follows:

	Notes	2011	2010
Cash and cash equivalents	*7*	**106,071,252**	38,061,965
Held-to-maturity investment securities	*8.1*	**84,881,130**	133,732,581
Available-for-sale investment securities	*8.2*	**11,565,682**	12,071,215
Contributions, loans and other receivables	*9*	**90,504,321**	89,140,725
Contingency reserve investment	*13*	**2,700,000**	2,500,000
		295,722,385	275,506,486

25. Financial instruments *(continued)*

(a) Credit risk *(continued)*

Exposure to credit risk (continued)

As at 31 December 2011, the total financial instruments of the Group amounting to $295,722,385 represent ninety-six percent (96%) of its total gross assets. Ninety-three percent (93%) of these financial instruments are invested in Anguilla. In view of this, the Group is exposed to significant credit concentration and counterparty risks which could materially impact the Group's liquidity, financial position and performance should Anguilla encounter financial difficulties.

Details of the maximum exposure to credit risk for gross financial assets by geographical region follows:

		2011	2010
Anguilla	*93%*	**275,016,215**	257,759,762
Caribbean region	*06%*	**18,396,638**	15,720,097
United States of America	*01%*	**2,309,532**	2,026,627
	100%	**295,722,385**	275,506,486

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

	Percentage	**2011**	2010
Related parties	84%	**247,301,677**	232,461,243
Other	16%	**48,420,708**	43,045,243
	100%	**295,722,385**	275,506,486

The details of the maximum gross exposure to credit risk from related parties are as follows:

	% to total financial assets	**2011**	2010
NBA			
Savings and demand deposits		**1,672,169**	1,113,691
Fixed deposits		**77,578,639**	67,052,789
Equity securities		**1,500,000**	1,500,000
Contingencies reserve		**-**	1,500,000
Accrued interest receivable		**568,784**	1,254,986
	27%	**81,319,592**	72,421,466

Forward

25. Financial instruments *(continued)*

(a) Credit risk *(continued)*

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

		2011	2010
Forwarded			
CCB			
Savings and demand deposits		**1,321,117**	568,087
Fixed deposits		**67,739,292**	58,117,027
Contingencies reserve		**-**	1,000,000
Accrued interest receivable		**646,158**	1,390,633
	24%	**69,706,567**	61,075,747
Scotiabank			
Savings and demand deposits		**861,503**	693,676
Fixed deposits		**14,775,351**	18,800,000
Accrued interest receivable		**12,923**	1,545
	5%	**15,649,777**	19,495,221
Government of Anguilla			
Loans		**50,000,000**	50,000,000
Finance lease receivable		**30,028,565**	28,588,027
Contributions receivable		**-**	621,878
Accrued interest receivable		**376,027**	258,904
	27%	**80,404,592**	79,468,809
	83%	**247,080,528**	232,461,243

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 held by the Group in the international market and due to the liquidity concerns in the region and locally which affected the recoverability of these investments.

The allowance account in respect of these 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 it 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**	**more than 6 months**
31 December 2011				
Borrowings	16,123,322	19,878,750	1,480,781	18,397,969
Accounts payable and accrued expenses	351,934	351,934	351,934	-
	16,475,256	**20,230,684**	**1,832,715**	**18,397,969**

	Carrying amount	Contractual cash flows	6 months or less	more than 6 months
31 December 2010				
Borrowings	18,056,250	22,931,438	1,541,531	21,389,907
Accounts payable and accrued expenses	278,889	1,287,783	794,189	493,594
	18,335,139	24,219,221	2,335,720	21,883,501

(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 fixed deposits and loans receivable. Total financial assets and liabilities that are exposed to interest rate risk amounted to EC$179,078,230 (2010: EC$185,082,590).

Sensitivity analysis
A ten percent (10%) strengthening of the interest rate on the Group's financial assets and liabilities subject to interest rate risk as at 31 December 2011 would have increased equity by EC$1,116,281 (2010: EC$1,182,519). This analysis assumes that all other variables remain constant.

25. Financial instruments *(continued)*

(c) Market risk *(continued)*

A ten percent (10%) weakening of the market price on the Group's financial assets and liabilities subject to interest rate risk as at 31 December 2010 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.

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

Sensitivity analysis
A ten percent (10%) weakening of the interest rate on the Group's financial liability subject to interest rate risk as at 31 December 2011 would have decreased equity by EC$103,164 (2010: EC$113,934). This analysis assumes that all other variables remain constant.

A ten percent (10%) strengthening of the market price on the Group's financial liability subject to interest rate risk as at 31 December 2010 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 2011 amounted to EC$5,021,540 (2010: EC$5,527,065).

Sensitivity analysis
A ten percent (10%) strengthening of the market price on the Group's available-for-sale investment securities at 31 December 2011 would have increased equity by EC$502,154 (2010: EC$552,706). 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 2011 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 2011 and 2010, the fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

	2011		2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	**109,806,771**	**109,806,771**	40,290,496	40,290,496
Investments securities	**83,117,032**	**84,452,523**	132,769,637	141,930,645
Contributions, loans and other receivables	**71,707,516**	**75,843,385**	72,810,165	75,065,765
Borrowings	**(16,123,322)**	**(18,229,145)**	(18,056,250)	(22,931,438)
Bank overdraft	**(2,779,851)**	**(2,779,851)**	-	-
Accounts payable and accrued expenses	**(351,934)**	**(351,934)**	(278,889)	(278,889)
	245,376,212	**248,741,749**	227,535,159	234,076,579

26. Commitments and guarantees

The Group does not have any outstanding commitments and guarantees as at 31 December 2011 and 2010.

27. Income taxes

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

28. Other information

a. Lease agreement with the Government of Anguilla

The Government of Anguilla sent a letter to the Company on 20 May 2011 addressed to Mr. Carlyle Franklin, Corporate Secretary. The Government advised that they are no longer interested in the acquisition of the Cinnamon Reef and is desirous of bringing closure to the lease and purchase agreement.

28. Other information *(continued)*

a. Lease agreement with the Government of Anguilla *(continued)*

After consultation with legal counsel on 11 October 2012 and in agreement with the Anguilla Social Security Board, the Company agreed to the closure of the said agreement without prejudice to the terms of termination and default laid out in the agreement.

Furthermore, claims against the Government of Anguilla for lease rentals since the inception to audit report date amounting to EC$11,600,000 remained unpaid.

b. Sale of Cinnamon Reef Property

In meetings of the Board of Directors dated 11 April 2012, the Board discussed the sale of the Cinnamon Reef property to third parties. There are two buyers that are currently interested in buying the property. However, as of the report date, no agreement as to the sale of property has been finalized.

29. Subsequent events

On the 25th of January 2013, the Board approved a resolution to provide financial support to ASSIDCO sufficient for it to satisfy its obligation as they become due and will satisfy on a timely basis all liabilities and obligations that ASSIDCO is unable to satisfy when due so that it may continue as a going concern. Also, the Board agreed to (place a hold on its deposits with Scotiabank (Anguilla) Limited amounting to EC$7,290,000 (US$2,700,000) in view of the devaluation of the collateral of ASSIDCO loan from the mentioned Bank.)

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