SOCIAL SECURITY BOARD

Financial Statements
for the year ended December 31, 2010
and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Auditor General, Government of the British Virgin Islands

Social Security Board

We have audited the financial statements of Social Security Board, which comprise the statement of financial position as of December 31, 2010 and the statement of comprehensive income, statement of changes in the social security fund and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

This report is made solely to the auditor general, Government of the Virgin Islands (the "Auditor General"), in accordance with section 16(2)(b) of the Social Security Act (No. 17 of 1979). Our audit work has been undertaken so that we might state to the Auditor General those matters we are required to state to the Auditor General in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Auditor General, for our audit work, for this report, or for the opinion we have formed.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

We draw attention to Note 3 to the financial statements. The financial statements include benefits expenses which have been accounted for on a cash basis and not on an accrual basis. This treatment is not in accordance with International Accounting Standard 1 ("IAS 1"), "Presentation of Financial Statements".

Opinion

In our opinion, except for the effects on the financial statements of such adjustments, if any, that might have been determined necessary had benefits expenses been accounted for in accordance with IAS 1, the financial statements present fairly, in all material respects, the financial position of the Social Security Board as of December 31, 2010, and the result of operations and its cash flows for the period then ended, in accordance with International Financial Reporting Standards.

Deloitte & Touche

May 11, 2012
British Virgin Islands

SOCIAL SECURITY BOARD
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2010
(Expressed in United States Dollars)

	Note	2010	2009
Assets			
Non-current assets			
Property, plant and equipment	5	$ 1,427,283	$ 1,485,036
Financial assets held to maturity	7	49,652,171	55,174,375
Current assets			
Financial assets at fair value through profit or loss	6	241,055,043	201,335,382
Financial assets held to maturity	7	43,269,039	45,863,988
Cash and cash equivalents	10	15,165,502	15,949,829
Due from broker		26,367,991	9,364,775
Receivables	9	6,078,697	5,863,818
Total assets		$ 383,015,726	$ 335,037,203
Liabilities and social security fund			
Current liabilities			
Joshua Smith Fund	14	$ 565,040	$ 563,466
Pension plan liability	15	712,837	551,625
Accounts payable and accrued expenses		156,981	159,934
Total liabilities		1,434,858	1,275,025
Social security fund			
Employment injury benefits branch		11,176,406	9,330,364
Short-term benefits branch		59,321,602	55,906,995
Long-term benefits branch		311,082,860	268,524,819
Total social security fund		381,580,868	333,762,178
Total liabilities and social security fund		$ 383,015,726	$ 335,037,203

APPROVED BY THE BOARD OF DIRECTORS:

Chairperson — May 11, 2012

Director — May 11, 2012

See notes to financial statements

SOCIAL SECURITY BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010
(Expressed in United States Dollars)

	Note	2010 Employment injury benefits branch	2010 Short-term benefits branch	2010 Long-term benefits branch	2010 Total	2009 Total
Income						
Employee contributions		$ -	$ 2,237,006	$ 10,876,480	$ 13,113,486	$ 13,689,952
Employer contributions		-	2,237,006	10,876,480	13,113,486	13,689,952
Voluntary contributions		-	4,674	22,723	27,397	22,676
Self-employed contributions		-	44,871	218,164	263,035	290,623
Employment injury scheme		1,645,785	-	-	1,645,785	1,723,068
Total contributions		1,645,785	4,523,557	21,993,847	28,163,189	29,416,271
Interest and dividend income	12	982,693	2,126,724	9,357,585	12,467,002	12,386,362
Other income		16,644	36,021	158,493	211,158	307,721
Net changes in fair value on financial assets at fair value through profit or loss						
Realised gains/(losses)	13	-	-	4,096,203	4,096,203	(4,251,739)
Change in unrealised appreciation	13	-	-	18,697,431	18,697,431	27,366,830
Total income		2,645,122	6,686,302	54,303,559	63,634,983	65,225,445
Expenses						
Benefits paid		535,085	2,700,361	9,231,648	12,467,094	10,740,166
Administration expenses		248,362	537,501	2,365,003	3,150,866	3,570,621
Depreciation and amortisation		15,633	33,833	148,867	198,333	203,378
Brokerage and commission fees		-	-	-	-	492,672
Total expenses		799,080	3,271,695	11,745,518	15,816,293	15,006,837
Net income		$ 1,846,042	$ 3,414,607	$ 42,558,041	$ 47,818,690	$ 50,218,608

See notes to financial statements

SOCIAL SECURITY BOARD
STATEMENT OF CHANGES IN THE SOCIAL SECURITY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010
(Expressed in United States Dollars)

	Employment injury benefits branch	Short-term benefits branch	Long-term benefits branch	Total
Social security fund at January 1, 2009	$ 8,055,563	$ 52,267,144	$ 223,220,863	$ 283,543,570
Net income for the year	1,274,801	3,639,851	45,303,956	50,218,608
Social security fund at December 31, 2009	9,330,364	55,906,995	268,524,819	333,762,178
Net income for the year	1,846,042	3,414,607	42,558,041	47,818,690
Social security fund at December 31, 2010	$ 11,176,406	$ 59,321,602	$ 311,082,860	$ 381,580,868

See notes to financial statements

SOCIAL SECURITY BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Expressed in United States Dollars)

	2010	2009
Cash flows from operating activities		
Net income/(loss) for the year	$ 47,818,690	$ 50,218,608
Interest and dividend income	(12,467,002)	(12,386,362)
Other income	(211,158)	(307,721)
Depreciation and amortisation	198,333	203,378
Financial assets at fair value through profit or loss		
Realised (gains)/losses	(4,096,203)	4,251,739
Change in unrealised appreciation	(18,697,431)	(27,366,830)
	12,545,229	14,612,812
Movements in working capital:		
Increase in receivables	(116,298)	(722,573)
Increase/(decrease) in due from broker	(17,003,216)	4,389,667
Decrease in accounts payable and accrued expenses	(2,953)	(211,834)
Increase in pension plan liability	161,212	165,642
	(16,961,255)	3,620,902
Net repayments/(advances) on held to maturity investments	8,118,727	(9,042,858)
Financial assets at fair value through profit or loss		
Net payments for purchases, net of change in payable for investments purchased	(16,926,026)	(12,186,362)
	(8,807,299)	(21,229,220)
Cash used in operations	(13,223,325)	(2,995,506)
Interest and dividend income received	12,391,924	13,521,127
Other income received	211,158	307,721
Net cash (used in)/provided by operating activities	(620,243)	10,833,342
Cash flows from investing activities		
Payments on acquisition of fixed assets	(140,581)	(85,397)
Net advances of employee loans	(23,503)	(57,654)
Net cash used in financing activities	(164,084)	(143,051)
Net (decrease)/increase in cash and cash equivalents	(784,327)	10,690,291
Cash and cash equivalents at the beginning of the year	15,949,829	5,259,538
Cash and cash equivalents at the end of the year	$ 15,165,502	$ 15,949,829

See notes to financial statements

1. GENERAL INFORMATION

The Social Security Board (the "Board") is a body corporate established in the British Virgin Islands ("BVI") under the Social Security Act, Cap.266. The principal activity of the Board is to administer the operations of the national Social Security Fund, (the "Fund").

Contributions to the Fund are, subject to a few exceptions, compulsory for all persons employed in the British Virgin Islands between the ages of 15 and 65 years as well as for employers and self-employed persons. Contributions to the Fund are apportioned between the employment injury, short-term and ling-term benefit branches. The contribution level is recommended by actuaries and is currently 8.5% of insurable earnings capped at $35,490 (2009 - $33,800) per annum, with 4% being payable by the employee and 4.5% payable by the employer. Contributions revenue of all employees, with the exception of most Government employees, is apportioned between the employment injury, short and long-term benefit branches of the Board in the ratio of 0.68:1.45:6.38 (Government employees 0.5:0.5:6.5).

Disbursements from the employment injury benefits branch are in relation to any benefits associated with branch. Disbursements from the short term benefits branch are usually in respect of maternity, sickness and funeral benefits. Disbursements from the long-term benefits branch are usually in respect of survivors', age and invalidity pensions and grants. Administrative costs of the Board are apportioned between the three branches of the Fund on a similar basis to contributions to the Fund.

The financial statements were approved and authorised for issue by Sheila George & Antoinette Skelton on May 11, 2012 on behalf of the Board of Directors (the "Board of Directors").

2. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Standards and amendments to existing standards for the financial year effective January 1, 2011

During the year, the Board adopted the following new amendments to standards in the preparation of the financial statements:

- *Amendments to IAS 24 Related party disclosures* – The amendments have been revised on the following two aspects: (a) the definition of a related party and (b) introduction of a partial exemption from the disclosure requirements for government-related entities.
- *Amendments to IFRS 7 Financial instruments: Disclosures* – This amendment was part of the International Accounting Standards Board's ("IASBs'') annual improvement project published in May 2010. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.
- Amendments resulting from May 2010 Annual Improvements to IFRSs. Improvements to IFRS comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2011. No material changes to accounting policies are expected as a result of these amendments.

The adoption of these amendments did not have a significant impact on the Board's financial statements and did not result in any changes in the measurement or disclosure of amounts reported for the current or prior financial periods.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Board.

(Expressed in United States dollars)

New standards and amendments issued but not effective for the financial year beginning January 1, 2011 and not early adopted

A number of new standards and amendments to standards and interpretations that have been issued to date are not yet effective for the financial statements of the Board for the year ended December 31, 2011, and have not been applied nor early adopted in preparing the financial statements. The standards and amendments issued but not yet effective at the date of the issuance of the Board's financial statements are listed below:

Standard:	**Description:**	***Effective Date Annual periods beginning on or after***
IAS 1 (amendment)	Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 12 (amendment)	Income Taxes – Limited scope amendment (recovery of underlying assets)	January 1, 2012
IAS 19 (amendment)	Employee Benefits – Amended standard resulting from the post-employment benefits and termination benefits project.	January 1, 2013
IAS 27 (reissued)	Reissued as IAS 27, Separate Financial Statements (as amended in 2011)	January 1, 2013
IAS 28 (reissued)	Reissued as IAS 28, Investments in Associates and Joint Ventures (as amended in 2011)	January 1, 2013
IAS 32 (amendments)	Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IFRS 1 (amendments)	Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' and additional exemption for entities ceasing to suffer from severe hyperinflation for first time adopters	July 1, 2011
IFRS 7 (amendment)	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
IFRS 7 (amendment)	Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 1, 2013
IFRS 7 (amendment)	Financial Instruments: Disclosures – Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015
IFRS 9	Financial Instruments: Classification and measurement of financial assets and accounting for financial liabilities and derecognition	January 1, 2015

(Expressed in United States dollars)

Standard:	**Description:**	***Effective Date Annual periods beginning on or after***
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interest in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013

The following is an outline of the significant new standards and amendments which may have an impact on the Board when adopted.

- The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

  The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions.

- *Amendments to IFRS 7 Financial Instruments: Disclosures* – The amendment enhances disclosures about transfers of financial assets. It requires an entity to disclose information that enables users of its financial statements (i) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and ii) to evaluate the nature of, and risks associated with, the entity’s continuing involvement in derecognised financial assets. The required disclosure for transferred financial assets that are not derecognised in their entirety include description of the nature of the transferred assets, nature of risk and rewards as well as description of the nature and quantitative disclosure depicting relationship between transferred financial assets and the associated liabilities.

  For transferred financial assets that are derecognised in their entirety, required disclosures include the carrying amount of the assets and liabilities recognised, fair value of the assets and liabilities that represent continuing involvement, maximum exposure to loss from the continuing involvement as well as maturity analysis of the undiscounted cash flows to repurchase the derecognised financial assets. Additional disclosures are required for any gain or loss recognised at the date of transfer of the assets, income or expenses recognised from the entity’s continuing involvement in the derecognised financial assets as well as details of uneven distribution of proceeds from transfer activity throughout the reporting period. This new standard will be effective for periods beginning on or after July 1, 2011. The Board of Directors anticipates that this standard will be adopted in the Board’s financial statements for the year beginning January 1, 2012 but has not yet assessed the potential impact of adoption.

- *IFRS 9 Financial Instruments* – The new standard, which is intended to replace *IAS 39 Financial Instruments: Recognition and Measurement*, enhances the ability of investors and other users to understand the accounting of financial assets and reduces complexity.

IFRS 9 uses a single approach to determine whether financial assets are measured at amortised cost or fair value, based on how they are managed and the contractual cash flow characteristics of the financial asset. IFRS 9 also requires a single impairment method to be used. IFRS 9 was expanded during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting.

This new standard will be effective for periods beginning on or after January 1, 2015 with early adoption being permitted. IFRS 9 is required to be applied retrospectively. If the standard is adopted prior to January 1, 2012 the Board will be exempt from the requirement to restate prior period comparative information. The Board of Directors anticipates that this standard will be adopted in the Board's financial statements for the year beginning January 1, 2015 and anticipates that it will change the classification of financial assets but has not yet assessed the potential impact of adoption.

- *IFRS 13 Fair value measurement* – The new standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard applies to both financial and nonfinancial items measured at fair value. Fair value is defined as *"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date"* (i.e. exit price). Valuation techniques should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The Board utilizes the last quoted price or in the absence of any trades the mean of the ask and the bid is used. However, IAS 39 indicates that for listed financial assets and financial liabilities the best evidence of fair value is usually the last bid and offer prices per the quoted market, respectively. At the reporting date, the Board determines if the valuation of financial assets and financial liabilities per the Board's investment policy statement is materially different to that produced under IAS 39 and the difference is usually not significant. In accordance with IFRS 13, financial assets and liabilities can be measured at fair value, based on last traded prices in cases where the last traded prices fall within the bid-ask spread. Therefore the Board of Directors is currently assessing the impact of IFRS 13 on the Board but does not anticipate that the impact of IFRS 13 will be significant for the Board.

  This new standard will be effective for periods beginning on or after January 1, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

<u>Statements of compliance</u>

The financial statements have been prepared in accordance with IFRS, other than benefits expense which has been recognised on a cash basis rather than on an accrual basis. The treatment of benefits expense is in contravention of IAS 1, "Presentation of Financial Statements". The Board of Directors concluded that the cash basis would be more suitable than the accrual basis due to the expense and delay involved in calculating reliable accruals for benefits expense.

<u>Basis of preparation</u>

The Board has elected to present a single statement of comprehensive income. Because the Board does not have separate components of other comprehensive income, comprehensive income is equal to profit/(loss) reported for all periods presented.

The financial statements have been prepared on the historical cost basis except for the revaluation of financial assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Judgments made by management in the application of IFRS that have significant effects on the financial statements are disclosed, where applicable, in the relevant notes to financial statements.

The accounting policies have been consistently applied to all years presented, except otherwise stated and the principal accounting policies are set out below.

Foreign currency

Functional and presentation currency

Items included in the financial statements of the Board are measured in the currency of the primary economic environment in which the Board operates (the “functional currency”). The financial statements of the Board are presented in United States (“US”) dollars, which is the Board’s functional and presentation currency.

The Board’s performance is evaluated in US dollars . Therefore, management considers the US dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Foreign currency translation

Transactions in currencies other than US dollars are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items and non-monetary assets and liabilities that are denominated in foreign currencies are recognised in the statement of comprehensive income in the period in which they arise. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) are recognised together as net changes in the fair value.

Net foreign exchange losses on non-monetary and monetary financial assets and liabilities other than those classified as at FVTPL are included in the line item net foreign exchange loss.

Financial instruments

Financial assets at FVTPL

The Board classifies its investments in equities as financial assets at FVTPL. These financial assets and financial liabilities are either held for trading or are designated by the Board at FVTPL on initial recognition.

Financial assets held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are part of a portfolio of identified financial instruments that the Board manages together and has a recent actual pattern of short-term profit-taking.

Financial assets designated at FVTPL at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Board’s investment strategy as documented in its investment policy statements, and information about these financial assets are evaluated by the management of the Board on a fair value basis together with other relevant financial information. All of the Board’s investments can be realised within 12 months of the financial position date.

Held-to-maturity

The Board classifies its investments in socio-economic loans and certificates of deposits as held-to-maturity. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Board has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Other financial liabilities

Financial liabilities that are not designated as at FVTPL nor classified as an equity instrument include accounts payable and accrued expenses, pension plan liability and Joshua Smith Fund.

Recognition and derecognition

Financial assets and financial liabilities are recognised in the Board's statement of financial position when the Board becomes a party to the contractual provision of the instruments.

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Realised gains and losses on these investments are recorded in the statement of comprehensive income on the "First in, First out" basis.

Other financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or the Board transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Board derecognises its other financial liabilities when, the Board's obligations are discharged, cancelled or they expire.

Measurement

At initial recognition financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Gains and losses arising from changes in their fair value are included in statement of comprehensive income for the period in which they arise.

Interest earned on financial assets at FVTPL is disclosed in a separate line item in the statement of comprehensive income. Fair value is determined in the manner described in note 6.

Fair value

The fair value of financial assets traded in an active market is based on their last sale price at the reporting date without any deduction for estimated future selling costs. Where no sale occurred at the reporting date, financial assets are priced at current bid price while financial liabilities are priced at current "ask" price.

IAS 39 indicates that for listed assets the best evidence of fair value is usually the last bid and offer prices per the quoted market, respectively.

Offsetting

The Board only offsets financial assets and financial liabilities at FVTPL if the Board has a legally enforceable right to set off recognised amounts and either intends to settle on a net asset basis, or to realise the asset and settle the liability simultaneously.

Loans and Receivables

Accounts receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available for sale (“AFS”) equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

The Board considers cash at bank, short-term deposits and other short term highly liquid investments with maturities of three months or less to be cash and cash equivalents.

Due from brokers

Due from brokers includes cash, foreign cash and margin debit balances with the clearing brokers. The Board receives interest on cash balances and pays interest on margin debit balances as determined by the brokers based on market rates.

Fixed assets

Items of fixed assets are stated at historical cost and are depreciated using the straight-line method over their estimated useful lives. Leasehold land is amortised over the term of the lease.

The rates of depreciation and amortisation in use are based on the following estimated useful lives:

Leasehold building	33 years
Furniture and equipment	5 -20 years
Leasehold land	99 years

Subsequent expenditure incurred to replace a component of a fixed asset is capitalised only when it increases the future economic benefits embodied in that fixed asset. All other expenditure is recognised in the statement of comprehensive income when it is incurred.

Income and expense recognition

Revenue is measured at the fair value of the consideration received or receivable. The Board recognises revenue when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

Expenses

Benefits expense is recognised on the date payment of benefits is made, all other expenses are recorded on the accrual basis as incurred.

Retirement benefits costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Board's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Taxation

Under the current laws of the BVI, the Board is not subject to income, estate, corporation or capital gains taxes. Accordingly, no provision has been made for these taxes in these financial statements.

(Expressed in United States dollars)

The Board intends to conduct its affairs such that it will not be subject to taxation in any jurisdiction, other than withholding taxes on investment income and capital gains, where applicable. Withholding taxes, if any, are shown as a separate item in the statement of comprehensive income.

Effective January 1, 2005, the Government of the BVI, by virtue of the introduction of the Payroll Taxes Act, 2004, zero rated both personal and corporate income taxes in the Territory. Further, beginning January 1, 2005, the Board became subject to a payroll tax equating to 6% on all salaries, wages and benefits to employees.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Board's accounting policies, the Board of Directors is required to make judgments, estimates and assumptions about carrying amount of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

5. PROPERTY PLANT AND EQUIPMENT

	Leasehold building	Furniture and office equipment	Leasehold land	Total
COST				
January 1, 2010	$ 2,451,948	$ 1,683,731	$ 118,615	$ 4,254,294
Additions	36,090	104,491	-	140,581
December 31, 2010	2,488,038	1,788,222	118,615	4,394,875
DEPRECIATION				
January 1, 2010	1,248,622	1,477,722	42,914	2,769,258
Charge for the year	73,296	123,852	1,186	198,334
December 31, 2010	1,321,918	1,601,574	44,100	2,967,592
CARRYING AMOUNT				
December 31, 2010	$ 1,166,120	$ 186,648	$ 74,515	$ 1,427,283
At December 31, 2009	$ 1,203,326	$ 206,009	$ 75,701	$ 1,485,036

(Expressed in United States dollars)

	Leasehold building	Furniture and office equipment	Leasehold land	Total
COST				
January 1, 2009	$ 2,380,464	$ 1,669,818	$ 118,615	$ 4,168,897
Additions	71,484	13,913	-	85,397
December 31, 2009	2,451,948	1,683,731	118,615	4,254,294
DEPRECIATION				
January 1, 2009	1,174,321	1,349,831	41,728	2,565,880
Charge for the year	74,301	127,891	1,186	203,378
December 31, 2009	1,248,622	1,477,722	42,914	2,769,258
CARRYING AMOUNT				
December 31, 2009	$ 1,203,326	$ 206,009	$ 75,701	$ 1,485,036
At December 31, 2008	$ 1,206,143	$ 319,987	$ 76,887	$ 1,603,017

6. FAIR VALUE MEASUREMENT

Unless otherwise stated, the carrying amounts of held-to-maturity investments, loans and receivables and other financial liabilities approximate their fair values.

The fair value of financial instruments is determined as follows within the fair value hierarchy:

- Level 1 is represented by quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 is represented by inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 is represented by inputs for financial instruments that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	2010			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Held for trading				
Common shares	$ 83,103,271	$ -	$ -	$ 83,103,271
Debt securities	157,951,772	-	-	157,951,772
Total financial assets at FVTPL	$ 241,055,043	$ -	$ -	$ 241,055,043

(Expressed in United States dollars)

	2009			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Held for trading				
Common shares	$ 48,684,587	$ -	$ -	$ 48,684,587
Debt securities	152,650,795	-	-	152,650,795
Total financial assets at FVTPL	$ 201,335,382	$ -	$ -	$ 201,335,382

As at December 31, 2010, the Board held an investment in a bond issued by Lehman Brothers Inc. ("Lehman"). During 2008, Lehman declared bankruptcy and liquidators were appointed. The Board's total exposure to Lehman at year end was $Nil (2009 - $Nil), the carrying value of the bond.

There were no transfers between Level 1, 2 and 3 during the year.

At the reporting date, the Board had financial assets categorised as held for trading for a cost of $235,362,736 (2009 - $214,339,063) and a fair value of $241,055,043 (2009 - $201,335,382).

7. HELD-TO-MATURITY FINANCIAL ASSETS

	2010	2009
Certificates of deposit	$ 37,746,835	$ 41,445,951
Socio-economic loans	55,174,375	59,592,412
	$ 92,921,210	$ 101,038,363

Certificates of deposit

	2010		
	Fair value	Interest rate	Maturity date
Banco Popular de Puerto Rico	$ 13,270,264	1.40%	09.05.11
Banco Popular de Puerto Rico	7,308,131	1.45%	16.05.11
Scotiabank (British Virgin Islands)	374,546	0.04%	14.02.11
National Bank of the Virgin Islands	8,793,894	1.90%	28.03.11
National Bank of the Virgin Islands	8,000,000	2.20%	23.11.11
	$ 37,746,835		

(Expressed in United States dollars)

	2009		
	Fair value	Interest rate	Maturity date
Banco Popular de Puerto Rico	$ 13,094,429	1.30%	17.05.10
Scotiabank (British Virgin Islands)	7,198,500	1.75%	11.05.10
National Bank of the Virgin Islands	374,112	0.65%	15.02.10
National Bank of the Virgin Islands	8,655,765	1.70%	29.03.10
First Bank (BVI)	3,547,917	2.65%	08.01.10
First Bank (BVI)	8,575,228	2.00%	24.02.10
	$ 41,445,951		

Socio-economic loans

	2010	Interest rate	Maturity date	2009
Government of the British Virgin Islands				
New Peebles Hospital	$ 32,812,500	6.00%	May 2022	$ 35,000,000
Road Improvement Project # 1	400,000	7.00%	July 2013	600,000
Road Improvement Project # 2	6,075,375	3.50%	November 2020	6,682,912
Beef Islands Airport Project	2,011,500	6.75%	August 2017	2,309,500
Hospital Bridge Loan	13,875,000	6.00%	May 2021	15,000,000
Total	$ 55,174,375			$ 59,592,412
Receivable within one year	$ 5,522,204			$ 4,418,037
Receivable over one year	$ 49,652,171			$ 55,174,375

The rates of interest attached to these loans are fixed, with the exception of the Road Improvement Project # 2 loan, which is at the rate of U.S. Prime less 0.50%. The loans are secured by a guarantee from the Government of the BVI.

8. LOANS TO RELATED PARTIES

	2010	2009
Loans to key management personnel	$ 97,349	$ 73,846

The Board has provided several of its key management personnel with short-term loans at rates comparable to the average commercial rate of interest.

The loans to key management personnel are unsecured.

(Expressed in United States dollars)

9. RECEIVABLES

	2010	2009
Contributions receivable	$ 4,934,595	$ 4,714,490
Less: provision for doubtful accounts	(988,530)	(903,885)
Contribution receivables - net	3,946,065	3,810,605
Other receivables	2,132,632	2,053,213
	$ 6,078,697	$ 5,863,818

The carrying amounts of the Board's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is estimated as the greater of the asset's net selling price and value in use. An impairment loss is recognized in the statement of comprehensive income and social security fund whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the statement of comprehensive income and social security Board.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortization, if no impairment is recognized.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprises cash at bank at the reporting date.

11. CAPITAL

The Board is not subjected to regulatory imposed capital requirements. The capital of the Board is represented by the social security fund. The Board's objective is to safeguard the Fund's ability to continue as a going concern in order to provide benefits to all those entitled.

12. INTEREST AND DIVIDEND INCOME

	2010	2009
Held for trading	$ 8,492,985	$ 8,118,970
Held to maturity	3,974,017	$ 4,267,392
	$ 12,467,002	$ 12,386,362

13. NET CHANGES IN FAIR VALUE

For the year ended December 31, 2010, the realised gains/losses and the change in unrealised appreciation/(depreciation) arose solely on financial assets at FVTPL categorised as held for trading.

(Expressed in United States dollars)

14. JOSHUA SMITH FUND

The Joshua Smith Fund relates to amounts set aside by the Board for the purpose of funding a cancer research program.

15. PENSION PLAN LIABILITY

The Board operates a defined benefit plan, the assets of which are held in a separate trust, the Social Security Employees Pension Trust (the "SSEPT"). The SSEPT is funded by the payments from employees and by the Board (in accordance with the recommendations of independent qualified actuaries).

The amount recognised in the statement of financial position is determined as follows:

	2010	2009
Present value of funded obligations	$ 3,450,502	$ 3,129,927
Fair value of plan assets	(1,433,117)	(1,244,356)
	$ 2,017,385	$ 1,885,571
Present value of net obligations	$ 2,017,385	1,885,571
Unrecognised actuarial losses	(1,265,280)	(1,290,752)
Unrecognised transition cost	(39,268)	(43,194)
Liability in the statement of financial position	$ 712,837	$ 551,625

The amount recognised in the statement of comprehensive income is as follows:

	2010	2009
Current service cost	$ 147,676	$ 126,090
Interest cost	186,896	156,777
Amortisation of unrecognised actuarial losses	80,643	89,964
Expected return on plan assets	(77,786)	(79,492)
	$ 337,429	$ 293,339

(Expressed in United States dollars)

The movement in the liability recognised in the statement of financial position is as follows:

	2010	2009
Opening net liability	$ 551,625	$ 385,983
Net periodic pension cost	337,429	293,339
Actuarial (gains)/loss	(63,244)	(30,712)
Contributions paid	(112,973)	(96,985)
Closing net liability	$ 712,837	$ 551,625

The principal actuarial assumptions used in calculating the pension fund liability are:

Discount rate	6%	6%
Expected rate of return on plan assets	6%	6%
Rate of compensation increase	4%	4%

16. ACTUARIAL REVIEW

In accordance with section 17 of the Social Security Act, the Board commissioned its tenth actuarial review as of December 31, 2009 which was carried out by Derek Osborne of Horizonnow Consultants Ltd., Nassau, Bahamas who submitted their report to the Board on November 5, 2010. The review covered the operations of the Board for the period from January 1, 2007 to December 31, 2009. The report stated that:

- the data on which the projections and analysis were based were sufficient and reliable
- the assumptions used were, in the aggregate, reasonable and appropriate and
- the methodology employed was appropriate and consistent with sound actuarial principles.

The main recommendations of the report, subject to the Board's consideration, addressed the following matters:

a) adopt a policy of increasing funeral and maternity grants at three-year intervals which would result in the next increase occurring in January 2012;
b) consider the introduction of a modest unemployment benefit;
c) increase the contribution rate paid by civil servants and the Government from 7.5% to 8.1% so that all workers and employers contribute at the same effective rate for benefits other than sickness benefit;
d) amend the financial and accounting regulations to create the Employment Injury Benefit branch and revise the methods of allocating income and expenditure between the three benefit branches; and,
e) transfer $50 million from the Short-term Benefits branch to the Long-term Benefits branch and $8 million from the Employment Injury Benefits branch to the Long-term Benefits branch.

The Board's next actuarial review is due as of December 31, 2012.

(Expressed in United States dollars)

17. LEASE COMMITMENTS

The Board entered into a lease agreement concerning a parcel of land situated on Wickhams Cay 1, Road Town, Tortola, VG1110, British Virgin Islands. The lease term is 99 years which commenced on January 1, 1974.

The annual ground rent has been fixed at 1% of the lease premium since inception and is subject to review every five (5) years, with the next review due on December 31, 2015.

The minimum future lease payments are summarised as follows:

	2010	2009
Less than 1 year	$ 1,186	$ 1,186
More than 1 year but less than 5 years	4,744	4,744
More than 5 years	67,602	68,788
Closing net liability	$ 73,532	$ 74,718

The Board has also sublet a portion of its leasehold property to the National Bank of the Virgin Islands Limited at an annual rent of $83,181 (2009 - $83,181). This agreement was extended until December 31, 2011 at the same annual rate of $83,181.

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Board's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Board are discussed below.

<u>Market risk</u>

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables such as foreign currency risk, interest rate risk and price risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Board does not hold financial instruments denominated in currencies other than the functional currency and therefore is not exposed to risks that the exchange rate of the functional currency relative to those other currencies may change in a manner which has a favorable or unfavorable effect on the reported value of that portion of the Board's financial instruments which is denominated in other currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Board's financial assets are interest bearing cash and cash equivalents, due from brokers, fixed income portfolio and social-economic loans. As a result, the Board is exposed to the interest rate risk with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(Expressed in United States dollars)

At December 31, 2010, the interest rate profile of the Board's interest bearing financial instruments was as follows:

	2010	2009
Fixed rate instruments		
Financial assets	$ 125,189,687	$ 157,894,701
Variable rate instruments		
Financial assets	$ 123,543,822	$ 117,990,041

The table below summarises the weighted average interest rates for the interest bearing financial instruments:

	2010 %	2009 %
Held-for-trading investments	3.45	6.06
Certificates of deposit	1.50	1.82
Socio-economic loans	8.36	4.41

At the reporting date and based on the average drawdown, debit and credit bank and broker balances, if interest rates had been 140 basis points higher or lower and all other variables were held constant, the social security fund would decrease or increase by $2,015,388 (2009 - $1,734,091). The Board's assumptions have not changed from prior year. The Board does not actively manage its exposure to interest rate risk.

Price risk

Price risk is the risk that the value of the equity securities will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all similar financial instruments.

The Board moderates this risk through a careful selection of securities and other financial instruments with specified limits.

The table below summarises the Board's exposure to price risk by type of investment

	2010		2009	
	Fair Value	Percentage of social security fund	Fair Value	Percentage of social security fund
Financial assets at FVTPL				
Common shares	$ 83,103,271	21.78 %	$ 48,684,587	14.59 %
Debt securities	157,951,772	41.39	152,650,795	45.74
Total financial assets at FVTPL	$ 241,055,043	63.16 %	$ 201,335,382	60.33 %

(Expressed in United States dollars)

All investments present a risk of loss of capital. The maximum risk resulting from the investments is determined by their fair value.

At December 31, 2010, if market prices had been 600 basis points higher or lower with all other variables held constant, the increase or decrease in the social security fund for the year would have been $14,506,942 (2009 - $12,080,123).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Board. Credit risk arises from financial assets at fair value through profit or loss, held to maturity investments, cash and cash equivalents and accounts receivable.

	2010	2009
Cash and cash equivalents	$ 15,165,502	$ 15,949,808
Due from brokers	26,367,991	9,364,796
Receivables	6,399,154	5,863,818
Held for trading investments	241,055,043	201,335,382
Held to maturity investments	92,921,210	101,038,363
	$ 381,908,900	$ 333,552,167

The ageing of the Board's contributions receivable at December 31, 2010 was as follows:

	2010		2009	
	Gross	Impairment	Gross	Impairment
Current	$ 2,012,984	$ 17,335	$ 2,478,447	$ 155,032
3 - 6 months	455,807	2,622	398,161	152,914
Over 6 months	2,465,804	968,571	1,837,882	595,939
	$ 4,934,595	$ 988,528	$ 4,714,490	$ 903,885

The Board's contributions receivable was composed of an accrual for the December monthly contributions and the defaulters' contributions gross of allowance for doubtful accounts amounting to $1,875,886 (2009 - $1,977,961) and $3,058,709 (2009 - $2,736,529) respectively. The Board does not have significant exposure to the December monthly contribution since the amount is expected to be collected in January 2011. The contributions receivable from defaulters were those employers who had not paid at least three monthly contributions. To reduce exposure to credit risk from defaulters contributions, the Board performs monthly inspections of collections from defaulters.

The carrying amount of financial assets recorded in the statement of financial position represents the Board's maximum exposure to credit risk.

(Expressed in United States dollars)

Liquidity risk

Liquidity risk refers to the risk that the Board will encounter difficulty in meeting its obligations associated with its financial liabilities. The Social Security Act provides for the regular settlement of claims made by persons employed in the BVI and it is therefore exposed to liquidity risk of meeting such claims at any time.

The Board‘s investment in socio-economic loans is dependent on the borrower’s ability to pay and generally may be illiquid. As a result, the Board may not be able to liquidate quickly some of its investments in this instrument type at an amount close to its fair value in order to meet its liquidity requirements.

The Board’s equity investments are considered to be readily realisable as they are all listed on North American stock exchanges.

The table below illustrates how quickly the financial assets at FVTPL can be liquidated:

	2010		2009	
	Fair value	% of net assets	Fair value	% of net assets
Actively traded	$ 226,775,039	60.24 %	$ 201,335,382	60.32 %
Thinly traded	14,280,004	3.79	-	-
	$ 241,055,043	64.04 %	$ 201,335,382	60.32 %

19. SUBSEQUENT EVENTS

The Board of Directors has evaluated subsequent events occurring through May 11, 2012, the date the financial statements were available for issue and found that there were no significant events which would have a material bearing on these financial statements.

Members of the Board of Directors

Ms. Sheila C. George *(Chairperson)*
Mr. Neil Smith *(Deputy Chairperson)*
Mrs. Antoinette Skelton *(Director)*
Mr. Glenroy Forbes
Mr. Anghel George
Mrs. Perline Scatliffe-Leonard
Mrs. Wandamae Malone

Secretary

Mrs. Jeanette Scatliffe-Boynes *(Deputy Director)*

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