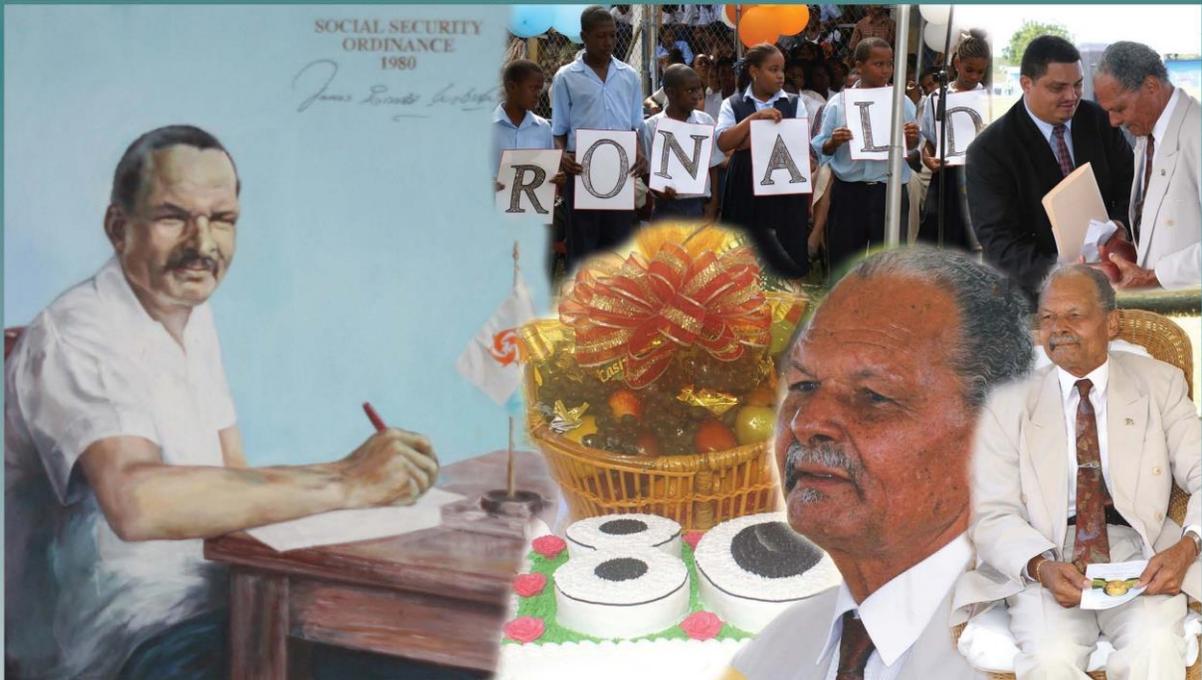
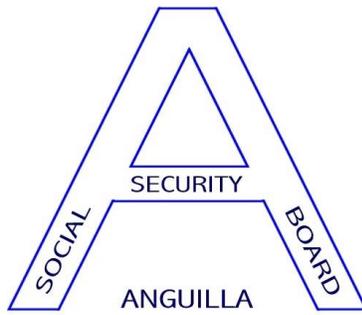




2006 ANNUAL REPORT



SOCIAL SECURITY - IMPROVING THE QUALITY OF LIFE FOR ALL



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

Cover Collage:

Painting by Eileen Lamond of Chief Minister Ronald Webster signing the Social Security Ordinance 1980, and photographs from the 80th Birthday celebrations of Mr. Webster in March 2006.

Cover designed by The Graphic Edge

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PREFACE

The performance of the Anguilla Social Security System in 2006 was characterized by phenomenal growth in registrations, general revenues and investments, thus making it the most successful year of operations to date. Such performance was as a result of strong and focused management and dedicated staff – supported by a strong and vibrant economy. This report provides a review of the operations of the Board for the financial year under review. It includes the audited Financial Statements, statistical analyses and tables with details on the overall performance of the Social Security System.

HIGHLIGHTS

2006 PERFORMANCE HIGHLIGHTS

- Employee registrations totaled 1,469, reflecting an all-time high, and a record increase of 67.5% over those for 2005.
- Assets stood at \$160.5M, an increase of \$20.0M (14.3%) compared to 2005.
- Contribution Income totaled \$20.3M, increasing by 20.8% over \$16.8M in 2005.
- Investment Income totaled \$8.9M, increasing by 14.3% over \$7.8M in 2005.
- Net Income stood at \$19.4M, an increase of 22.5% over 2005.
- Claims received during the year totaled 2,909, a decrease of 1.4% compared to 2005.
- 53 new Self-Employed registrations were received, bringing the total on register to 294.
- Administrative Expenditure as a percentage of Contribution Income plus Benefit Expenditure declined to 15.9%.

2005 AT A GLANCE

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

CHAIRMAN'S STATEMENT



The financial performance of the Anguilla Social Security Board (ASSB) was quite vibrant in 2006 in line with strong economic growth for the island, with 2006 registering the third consecutive year of double-digit growth rates. The improvement is apparent in the growth of Contribution Income reflecting growing employment and wage and salary increases.

Contribution Income in 2006 grew by 20.8%, exceeding the 19.3% GDP growth rate. Investment income grew by 14.3%. Overall Income grew by 18.7%. It is expected that strong income growth will be maintained over the medium-term as the growth prospects for the Anguillian economy are quite good. This bodes well for the sustainability of the Social Security System.

The 6.7% increase in Benefit Expenditure was significantly lower than the growth rate of Contribution Income. This should not be unexpected, because the Social Security System going into its 25th year of operations is still relatively young, consequently benefit demands are not yet onerous.

The financial efficiency of the administration of the Social Security System can be gauged by the ratio of Administrative Costs to Total Income. Administrative expenditure as a ratio of total income was 14.2 per cent. The comparable figure for 2005 was 14.5 per cent. This suggests that Management and the Board as stewards of the system are being successful in holding the line against increased administrative costs.

Overall, the Social Security System continued to effectively discharge its mandate during 2006 and to be an active player in the social sector through its support of projects funded through the Development Fund. In noting that the consolidated reserves of the ASSB had reached EC\$158 million by the end of the year, the Minister of Finance, who has responsibility for Social Security, commented that this made the Social Security Board the island's largest institutional investor, with a need to invest reserves strategically based on sound diversification principles until such time as they are required to pay benefits. The Minister of Finance went on to say that the Social Security Board is therefore both a guardian and mobilizer of national savings and has the potential to have a huge impact on Anguilla's development going forward. But in order to do so "we have to put the necessary mechanisms and structures in place; we have to provide the architecture, the superstructure to build on our successes with the Social Security system". One such mechanism is an investment and development company, as a subsidiary of the Social Security Board. This would allow the Board to invest in social development infrastructure, housing, economically targeted investments (ETI's) and other areas of need while providing acceptable rates of return on such investments. This is a priority area for advancement during 2007.

While overall performance was robust, there are areas however, where improved performance is required. Coverage of the self-employed continues to be a challenge. This is disappointing in an economy where the self-employed constitute a significant segment of the labour force. Failure to achieve high participation in the self-employed could negatively impact the Non-contributory Age Pension programme in the long-run, because self-employed outside of the Social Security System could end up requiring financial support in their old age.

There is also need for improvement in the performance of the overseas investments portfolio. The Investment Committee and the Board continue to explore new avenues to optimize the performance of the

overseas investments keeping in mind overall objectives of the growth, safety and stability of funds invested.

With the 2002-2006 Strategic Plan coming to an end, during 2006 the Management and Staff of the Anguilla Social Security Board, in conjunction with the Board of Directors, worked on a Strategic Plan to cover the period 2007-2011. The theme of the 2007-2011 Strategic Plan is “Improved Quality of Life for All”. As part of the process the mission of the ASSB was reformulated to state:

“We exist 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. ASSB 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”.

Briefly, the priorities for the 2007 – 2011 Strategic Plan include Business Processing Re-engineering, a Performance Management System with incentive compensation, a system of monitoring and reporting, a revised system for selecting social development projects for funding through the Social Security Development Fund, and the development of a comprehensive programme to build stakeholder relationships.

Finally, 2007 will be a special year as the ASSB will celebrate 25 years of existence, Social Security having been formally introduced in Anguilla on January 1st 1982. The occasion will be aptly captured by the celebratory theme “25 Years of Achievement; A Lifetime Commitment”. We invite all to join us in the events planned throughout the year to celebrate the occasion and as we re-commit to ensuring that the ASSB remains a centre of excellence in Anguilla and the Caribbean.

Dr. Aidan A. Harrigan



MESSAGE BY THE DIRECTOR OF SOCIAL SECURITY

On December 31st, 2006, the Anguilla Social Security System completed twenty-five years of service to the workers of Anguilla and indeed to the entire Anguillian community. The twenty-fifth anniversary of any institution is an appropriate

occasion to celebrate its accomplishments over its formative years, and we will indeed celebrate this institution's silver anniversary throughout 2007. The chosen anniversary theme "Social Security: 25 Years of Achievement; A Lifetime Commitment" aptly sets the stage for those celebrations – not just as a reflection on the past, but also in the context of this System's promises of a secure future.

2006 was in many ways an excellent capstone for those first twenty-five years. The 2006 Business Plan's theme was "Optimize, Strategize, Celebrate!" as a representation of a race - like the race to complete preparations before Christmas Day, to clean up and even discard where necessary, enhance and restore where appropriate, and generally seek to get everything in tip-top shape in preparation for celebrating. It was the final year of the Board's five-year Strategic Plan "Strengthening Social Security" which set out the ten major Goals for the period 2002-2006 on which the Board needed to focus its resources over the Plan's duration if it was to successfully achieve its Vision and Mission. Those goals, which have all been substantially achieved, were:

1. Develop and Institutionalize Strategic, Operational and Business Plans;
2. Strengthen the "social" in Social Security, review products/services, strengthen coverage;
3. Strengthen Human Resource Management Systems;
4. Review and revise the Organization Structure;
5. Develop and implement enhanced Marketing/Public Relations/Education Strategy;
6. Strengthen the Operational Systems especially the Knowledge System;
7. Strengthen the IT Platform and Application;
8. Strengthen the Management/Leadership Culture;
9. Strengthen the "security" in Social Security;
10. Strengthen the Financial Management System.

The following 2006 programme proposals were pursued by the Board:

- Maintain compliance as number one priority; improve Self-Employed coverage.
- Make Research, Marketing and Public Relations the second area of focus.
- Introduce the Balanced Scorecard as a management system.
- Pursue the formation of a Social Security Investment and Development Corporation.
- Prepare a new 5-year (2007-2011) Business Plan to help the SSB move to a higher plane as a key Financial/Social/Developmental institution in Anguilla.
- Name a Committee to plan activities to commemorate the 25th Anniversary.
- Sponsor and organize the 3rd Biennial National Development Conference in 2007.
- Invite CAOSA to hold its Spring 2007 meeting in Anguilla.
- Pursue a review of the Social Security legislation.
- Play a significant role in the proposed National Health Fund.
- Adopt new ISSA Investment Guidelines, improve in-house investment capabilities.
- Implement recommendations from the 7th Actuarial Review Report.
- Implement HIV/AIDS, Corporate Governance, Employee Health and Safety policies.

In addition to pursuing the above objectives, the Board achieved the following in 2006:

- Organized the March 2nd 2006 celebration of the 80th birthday celebrations of Mr. Ronald Webster, father of the nation and social security pioneer.
- Hosted a regional Social Security Systems' training seminar in Customer Service.
- Conducted a mid-term review of its investment consultancy relationship with Citigroup/Smith Barney in New York; met Fund Managers and visited the New York Stock Exchange trading floor.
- Agreed to the "Native Migration" of its database software and the purchase of the source code from GSI of Canada.

- Obtained approval of increases in the contribution ceiling, and 10% increases in pensions in payment for implementation in January 2007.

In financial terms, 2006 was another excellent year for the SSB. Contribution Income grew by 20.8% over that in 2005, and Investment Income grew by 14.3%. Benefit Expenditure increased at a lower rate than did Contribution Income, and it is noteworthy that 2006 was the second consecutive year of surpluses in the Short-term Benefits Branch after some years of deficits. Administrative Expenditure as a proportion of Income has continued to fall, leading to a higher than budgeted surplus of income over expenditure. Fund Reserves therefore increased by \$19.4 million, the highest amount to date.

The SSB engaged the firm of Growth Facilitators from Jamaica as Consultant in the development of the 2007 – 2011 Strategic Plan using the Balanced Scorecard format. The balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective. The balanced scorecard is a management system (not only a measurement system) that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. When fully deployed, the balanced scorecard transforms strategic planning from an academic exercise into the nerve center of an enterprise, and is thought to be an ideal management system for social security organizations.

The Board and staff along with the Consultants commenced work on the strategic plan in July and development of the plan continued through to December. The focus question was “What specific targeted actions must we take to provide social security services to delight the people of Anguilla?” New Vision and Mission Statements were developed, and five core values were chosen to guide the Board as it pursues its Mission under the theme “improving the quality of life for all.”

The balanced scorecard suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives: Learning and Growth; Internal; Customer; and Financial. A number of “ideal future states” were agreed under each of the four perspectives and incorporated into a map of strategies (page 10) which feed into the activities to be pursued in the business plans over the next five years and work toward the achievement of the overall goal of improved quality of life for all.

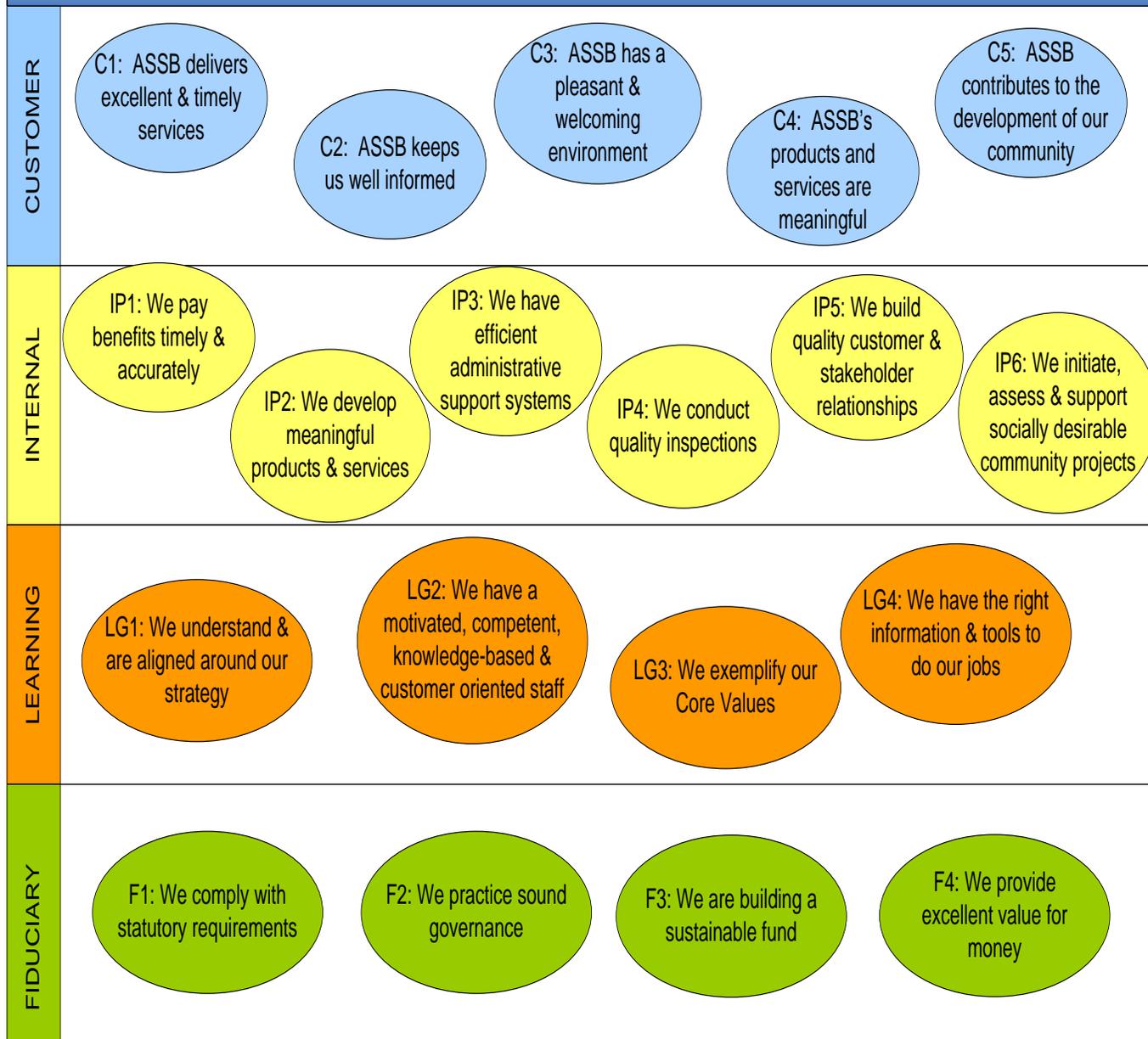
It would be extremely remiss of me if I were to fail to mention another significant event in the life of our System which took place in 2006 - the retirement of Mr. Fabian Marcel Fahie as Chairman of the Board. I must record here my personal appreciation to him for the services he rendered, both as the first Chairman from 1981 to 1986 and then again from 2001 to July 2006. When I began working with this institution I was still a teenager and have learnt much from him, so both from a personal and institutional standpoint I wish to say thanks and all the best in his future endeavours. We are fortunate to have one who has also had the benefit of Mr. Fahie's tutelage and example to succeed him - in the person of Dr. Aidan Harrigan. I welcome him and wish him all the best as well in this very key position as Chairman, Social Security Board. I also welcome our other new and returning Board Members and trust that together we will have a very successful and productive term of office. As the Social Security Fund continues the rapid accumulation of reserves, the work of the Investment Committee will also grow and their results will be increasingly relevant to the System's success. I am pleased that the Board is rapidly developing a professional staff, with a high percentage of its staff possessing tertiary-level education and an appreciation of their role in ensuring that the System meets its objectives. I am also pleased that our Minister the Hon. Victor Banks continues to have a deep interest in, and abiding support of, the Social Security System. The support of all these key players, along with the continued collaboration of workers, employers and other stakeholders, will serve the institution well as it faces a challenging but exciting future.

I believe that there is much in the achievements of the Social Security System in its first 25 years for us to celebrate. It is only right that when we achieve, when we accomplish, we should celebrate. For me, the celebrations started early with two additional reasons to celebrate in 2006, on February 1st, I celebrated 25 years of employment with the SSB, and on April 16th, I celebrated 20 years as Director of Social Security, and end 2006 as the longest-serving Director of Social Security in the Caribbean. To the members of my Management Team and to all members of Staff, I thank you for helping to get to this point. We have together built an excellent and a blessed institution over the years, with an enviable record of achievements. We will put our institution on display to Anguilla, the region and indeed to the world next year as we celebrate its 25th Anniversary. I call on all of us to do our part to ensure that we pass that scrutiny with flying colours. May God bless us all in our twenty-fifth anniversary year 2007!

Timothy A. Hodge



IMPROVED QUALITY OF LIFE FOR ALL IN ANGUILLA



BOARD MEMBERSHIP

The membership of the Board up to July 2006 consisted of:

| | |
|------------------------|--|
| Mr. Fabian M. Fahie | - Government Representative, Chairman |
| Mr. Jeffrey Carty | - Employers' Representative, Deputy Chairman |
| Ms. Connie Brooks | - Employers' Representative |
| Mr. Lynrod Brooks | - Government's Representative |
| Mrs. Brenda Richardson | - Employees' Representative |
| Mr. Timothy A. Hodge | - Director of Social Security |

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

Board membership from July 2006 consisted of:

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

INVESTMENT COMMITTEE MEMBERSHIP

The Social Security Fund Investment Committee members during 2006 were:

| |
|---|
| Mr. Willis Hodge, Independent Member, Chairman |
| Mr. Sheldon Rogers, Independent Member |
| Dr. Aidan Harrigan, Chairman Social Security Board, Member (from July) |
| Mr. Fabian M. Fahie, Chairman Social Security Board, Member (served up to July) |
| Mr. Carl Harrigan, Director of Finance, Member |
| Mr. Timothy Hodge, Director of Social Security, Member |

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

ECONOMIC ENVIRONMENT

The Social Security System's performance is closely linked to the overall economic performance of the island. Accordingly, an overview of the economic environment in which the System operated during 2005 is presented below. The information was extracted from the country report for Anguilla in the Eastern Caribbean Central Bank's Annual Economic and Financial Review for the Financial Year ended 31st March 2007. Anguilla is a member territory of the Eastern Caribbean Central Bank.

Economic activity in Anguilla remained vibrant in 2006. Provisional data indicated that real GDP growth was 12.5%, following increases of 10.9% and 16.4% in 2005 and 2004 respectively. The expansion in 2006 was driven by robust activity in tourism and construction. The consumer price index rose by 10.7% on an end of period basis. An overall surplus was recorded on the central government's fiscal accounts, in

contrast to a deficit in 2005. Total outstanding public sector debt fell during 2006. In the banking system, monetary liabilities expanded, influenced by increases in domestic credit and net foreign assets. Liquidity in the commercial banking system fell but remained at a high level. Commercial bank interest rates spread narrowed during 2006. Preliminary estimates indicate a smaller overall balance of payments surplus in 2006 than in 2005, mainly the results of larger outflows on the current account.

The economy is projected to expand in 2007 on the strength of buoyant activity in the construction sector and expected developments in the tourism industry. On the central government's fiscal accounts, a current account surplus is projected as the economy continues to expand. Downside risks to the projections include shortage of skilled labour, high oil prices, slowdown in the US economy and adverse weather.

HUMAN RESOURCES

The Social Security Board's staff complement in 2006 consisted of 25 employees. The Board, in pursuit of the objectives its Vision and Mission Statements (to deliver excellent service and prudent financial management by knowledge-based, competent and committed staff) continues to facilitate the training of staff at every level in a number of areas. During the period under review, members of staff participated in and attended university education, local, regional and international meetings, seminars, workshops and conferences, as well as other short-term development courses.

Members of the Board and Staff attended and participated in the following during 2006:

Meetings/Seminars/Conferences/Workshops

- Pension Fund Management Workshop & Technical Meeting, St. Lucia, 18th – 20th January.
- Caribbean Corporate Governance Forum, St. Kitts, 8th – 9th March.
- Atlantic Connection Investment Seminar, Bermuda, 4th – 7th April.
- Corporate Governance Workshop, Dominica, 11th – 14th April.
- CAOSA Technical Meeting, El Salvador, 17th – 21st April.
- Caribbean Investment Forum, Barbados, 8th – 10th May.
- ECCB Meeting with Social Security Systems, St. Kitts, 22nd – 23rd May.
- ISSA American Regional Conference & CARICOM Heads of Social Security Meeting, Belize, 29th May – 2nd June.
- Study Tour sponsored by Dept. of Health Services Management, Ben-Gurion University of Negev, Israel, 12th – 16th June.
- ECHMB Annual General Meeting, Grenada, 13th – 14th July.
- Caribbean Regional Meeting on National Health Financing Initiatives, Turks & Caicos, 26th – 28th September.
- XXII Annual Meeting of CISS & CAOSA, Cancun, Mexico, 23rd – 26th October.
- Meeting with the Board's Investment Consultants Smith Barney at Citigroup, New York, 28th November – 1st December.
- ECCB Meeting with Social Security Systems, St. Kitts, 7th – 8th December.

Training Programmes

Short-Term Training Courses & Work Attachments

Operations Clerks Charo Richardson and Melissa Carty were on a one-week attachment at the British Virgin Islands Social Security Office, 19th – 25th March.

Systems Administrator Bertha Gumbs and Research & Development Officer Rosanna Browne were on a one-week attachment at the Grenada National Insurance Office, 26th March – 1st April.

Accounts Officer Donna Gumbs and Operations Officer Jacqueline Reid attended the Paul Douglas Administrative Professionals Seminar, Las Vegas, 17th – 21st April.

Operations Manager Lena Sasso attended a CARICOM Reciprocal Agreement Workshop in St. Lucia, 26th – 29th April.

Operations Clerk Ingrid Richardson and Inspector Mavis Rogers commenced studies in May 2006 in the Executive Diploma in Social Security Management Course with the Centre for Management Development (CMD), University of the West Indies Cave Hill Campus, Barbados.

Assistant Director Yolanda Gumbs attended a Policy & Advocacy Development Workshop in Jamaica, 22nd – 26th May.

Assistant Director Maglan Richardson attended a Professional Development Workshop on Capital Markets and Syndication held in Antigua, 20th – 23rd September.

Internal Auditor Clive Gumbs attended a training course on Internal Audit in the Public Sector held in St. Lucia, 24th – 30th September.

Operations Officer Pauleta Gumbs and Research and Development Officer Rosanna Browne attended a Public Relations Workshop in The Bahamas, 19th – 23rd November.

Inspectors Liston Adams and Elkin Richardson attended a Regional Compliance Training Workshop held in Antigua, 3rd – 7th December.

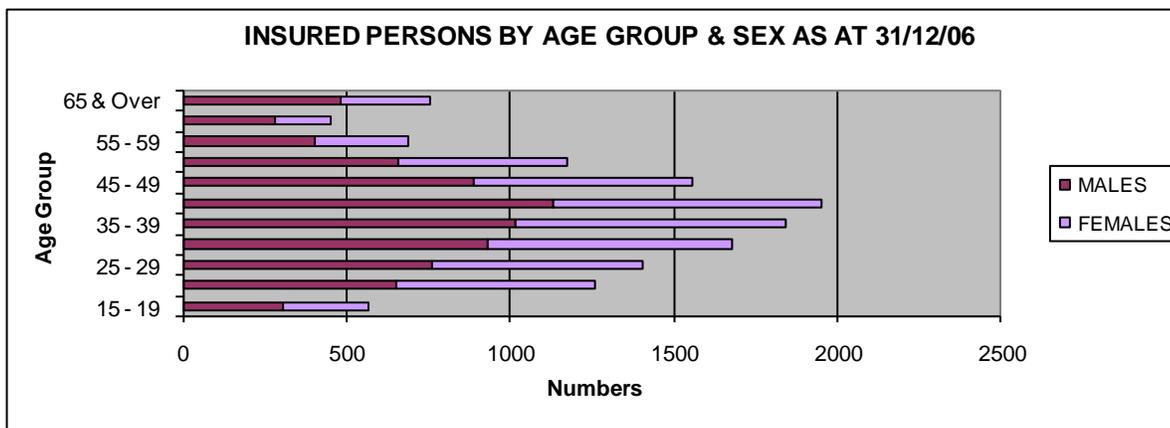
STATISTICAL REVIEW

REGISTRATIONS

Employees

The number of new employee registrations for 2006 totaled 1,469, increasing significantly by 67.5% over the 877 in 2005. The accumulated total of insured persons on register stood at 13,364 (which include active, inactive, residents, non-residents and deceased persons), an increase of 12.3% from 11,897 the previous year. Males continue to dominate, with 70.3% of new registrations and 56.4% of the cumulative total, while females accounted for 29.7% and 43.6% respectively. 2006 recorded the most significant growth in any year, just 11% less than 1,650 registered during the 1981-1982 Social Security inception period when mass registrations were made. Of the total insured population, 7,526 persons were active at year-end.

Chart 1



Employers

A total of 141 new employer registrations were received in 2006, representing a marginal increase of 6.8% over last year's 132. Personal & Household Services industry again dominated employer registrations, accounting for 34 (24.1%), followed by the Construction industry with 32 (22.7%), and Restaurants & Bars and Hotels & Guest Houses, both with 12 (8.5%). At year-end, there were 840 active employers.

The Self-Employed

During the period under review, new self-employed registrations increased by 26.2% totaling 53, 11 more than the 42 registrations in 2005. After three years of extension of coverage to this category of workers, it still continues to be a challenge for the Social Security Board. However, annual registrations continue to increase slowly. The number of the self-employed on register at year-end 2006 totaled 294 persons.

BENEFITS

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

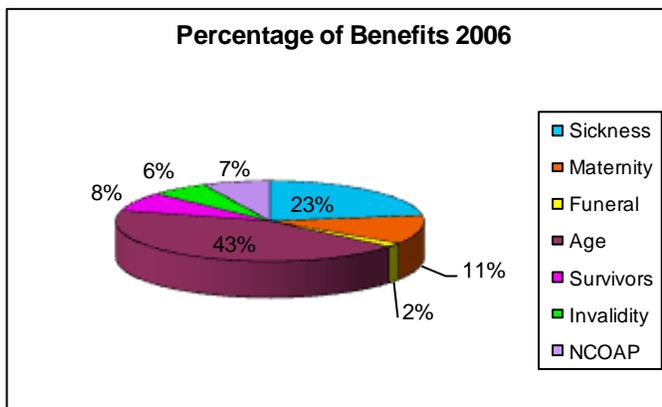
The Fund continues to provide benefits to the insured workers of Anguilla and their families. The benefits offered provide partial compensation at those times when workers are unable to work due to sickness, maternity, invalidity or old age, and survivor's benefit and funeral grant to their families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

Total paid out in benefits in 2006 amounted to \$5.4M, increasing marginally by 6.7% over \$5.0M in the previous year. The Short-term Branch expenditure decreased by 1.5% to \$1.93M, while the Long-term Branch expenditure increased by 11.9% to \$3.44M.

PENSIONS IN PAYMENT

There were a total of 495 pensioners on record as at 31st December 2006. Included in that figure were 245 persons in receipt of Age Pension, 34 persons in receipt of Invalidity Benefit, 129 persons in receipt of Non-Contributory Old Age Pension and 87 persons in receipt of Survivor's Pension. All long-term benefits are payable for the remainder of the lives of the beneficiaries, with the exception of payments to dependent children, which is payable until age 15 or 18 if they are still students.

Chart 2



FINANCIAL OPERATIONS

The very strong financial performance of the Anguilla Social Security Board was reflective of the prevailing economic climate that existed over the course of 2006.

CONTRIBUTION INCOME

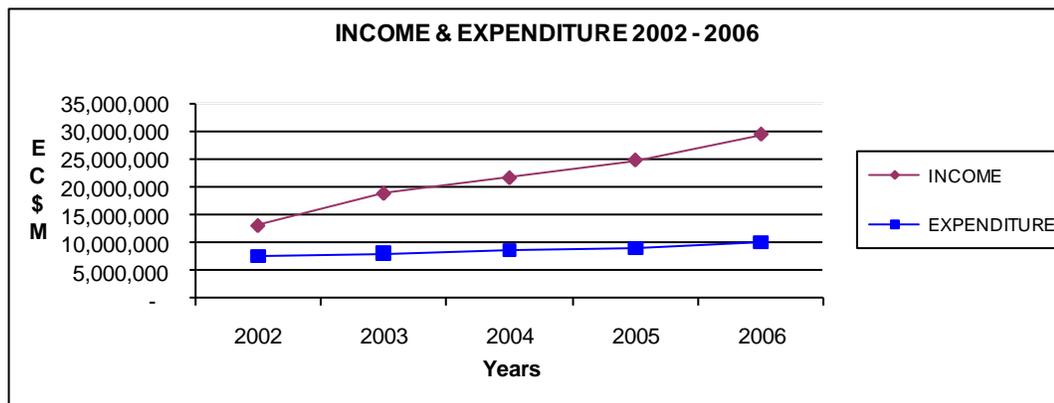
Contribution Income in 2006 totaled \$20.3M, an increase of \$3.4M (20.4%) compared to \$16.8M in 2005, and accounted for 68.9% of total income. Self-employed contributions increased by \$74,305 (76.6%) to \$171,249 from \$96,944 in 2005, and accounted for 0.6% of total contribution income. There were no voluntary contributions made during 2006.

INVESTMENT INCOME

During the period under review, Investment Income totaled \$8.9M compared to \$7.8M in 2005, an increase of 14.3%. Net rental income from commercial units was \$109,076, a decrease of 10.2% compared to \$121,486 in 2005. The SSB realized a net gain of \$1.8M on overseas investments (US & International), an increase of 40.3% from \$1.3M in 2005.

The overall nominal rate of return of the Fund in 2006 increased to 6.1% from 5.9% in 2005.

Chart 3

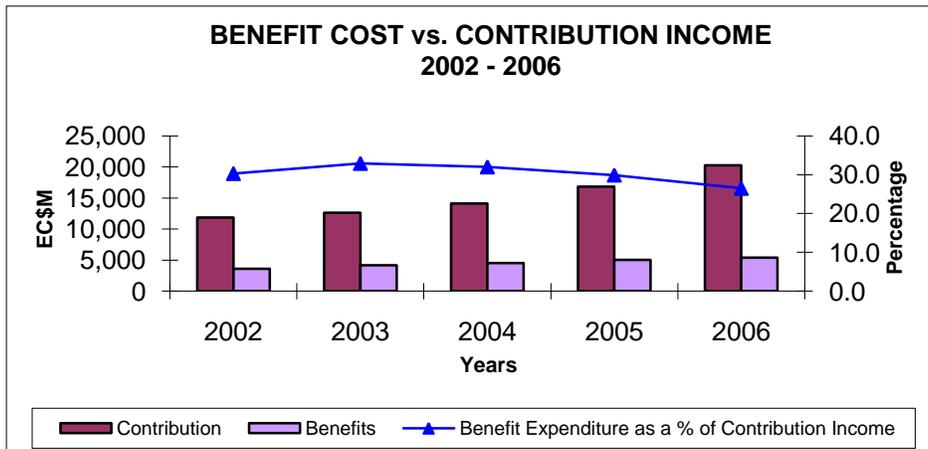


Total Income for 2006 grew by \$4.6M (18.6%) to \$29.34M from \$24.75M in 2005. Total Expenditure for the same period grew by \$1.0M (11.2%) to \$10.1M from \$9.0M the previous year. In 2006, Net Income totaled \$19.4M, reflecting growth of \$3.7M (22.5%) when compared to \$15.8M in 2005.

BENEFIT EXPENDITURE

In 2006, Total Benefit Expenditure increased by 6.7% to \$5.4M, compared to \$5.0M in 2005. Of the total benefits paid, expenditure of the Short-term Branch decreased marginally by 1.5% to \$1.93M compared to \$1.96M in 2005. Expenditure in the Long-term Branch totaled \$3.4M, an increase of 10.6% from \$3.1M the previous year. Total Benefit Expenditure continued to show a steady upward trend in 2006. However, Benefit Expenditure as a percentage of Contribution Income remains relatively stable, varying from a high of 32.9% in 2003 to a low of 26.5% in 2006 and averaging 30.3% over the last five years.

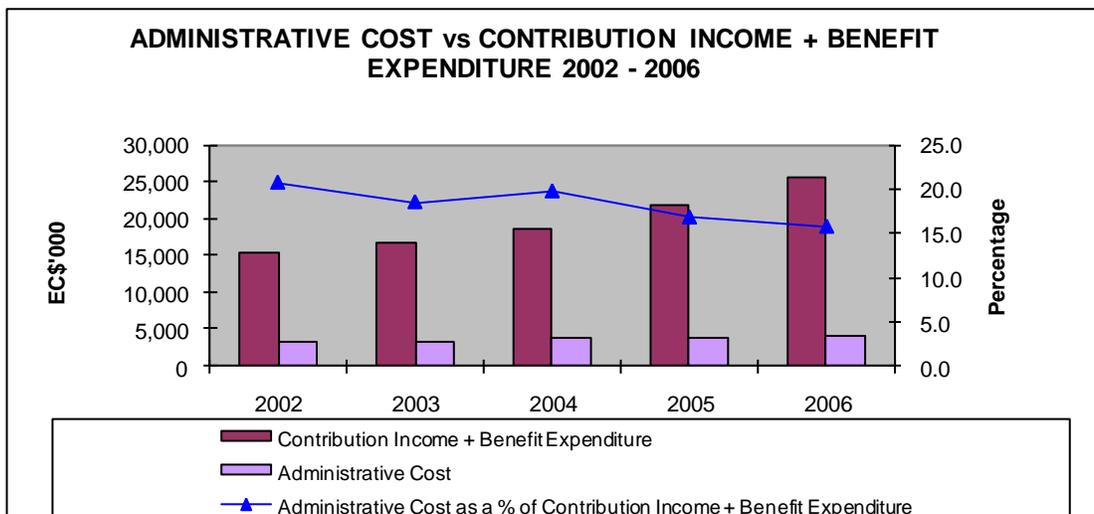
Chart 4



ADMINISTRATIVE EXPENDITURE

Administrative Expenditure in 2006 increased to \$4.1M from \$3.6M in 2005, and was equivalent to 13.8% of Total Income as compared with 14.7% in 2005. As a percentage of Contribution Income plus Benefit Expenditure, Administrative Expenditure was equivalent to 15.9%, down from 16.9% in 2005. Although Administrative Expenditure in itself continues to increase annually, the trend over the past 5 years shows that Administrative Expenditure as a percentage of Contribution Income plus Benefit Expenditure has been on the decline.

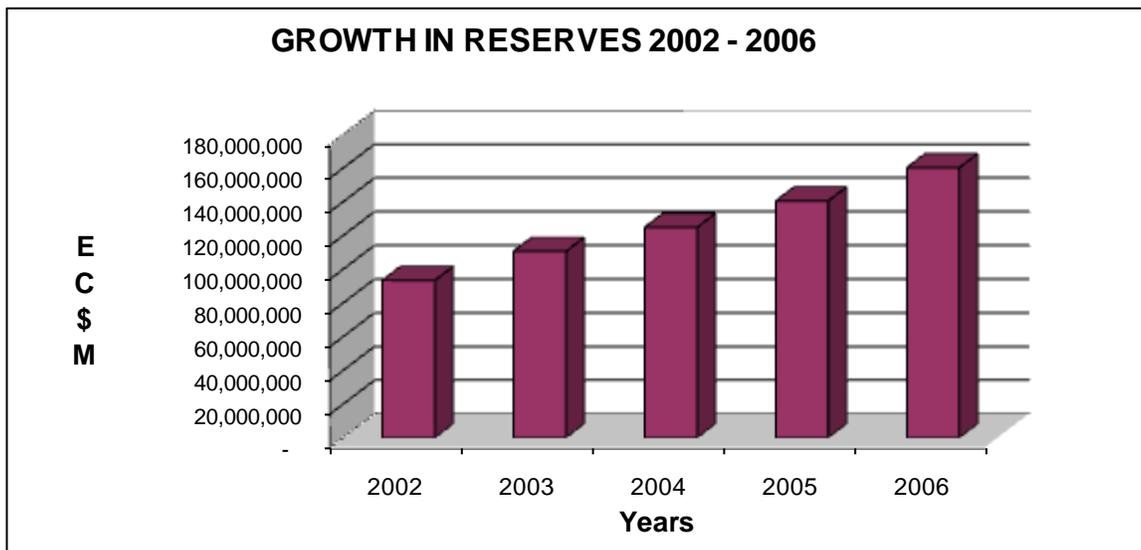
Chart 5



GROWTH IN RESERVES

In 2006, Reserves of the Short-term Benefits Branch recorded a significant increase of \$502,776 (19.5%) after four consecutive years of marginal declines, and stood at \$3.1M at year-end. Meanwhile, Reserves of the Long-term Benefits Branch continued an upward trend of steady growth, registering an increase of 13.7% (\$18.6M), from \$135.6M in 2005 to \$154.2M during the period under review. The Social Security Development Fund increased to \$1.3M, and includes the Permanent Endowment Reserve which was increased to \$0.75M in 2006.

Chart 6



SOCIAL SECURITY DEVELOPMENT FUND (SSDF)

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

The Social Security Development Fund (SSDF) was established in 1986 for the purpose of funding such social projects as the Board may select, subject to the prior approval of the Minister responsible for Social Security. It is funded by 3.75% of contribution income and a percentage of investment income based on the balance in the Development Fund at the end of the preceding year. In 2006 a total of \$511,838 was spent on projects.

Table 1
Social Security Development Fund (SSDF) Projects 2006

| PROJECT NAME | EXPENDITURE EC\$ |
|---------------------------------------|-------------------------|
| Tranquility Jazz Festival | 134,410 |
| Anguilla Music Teachers Association | 131,759 |
| Anguilla Community Foundation | 80,646 |
| Youth Crime Watch | 63,710 |
| Sports Projects | 60,485 |
| Anguilla Amateur Athletic Association | 19,758 |
| Nations Fitness Quest Project | 9,981 |
| Camp Be Aware (Environmental Camp) | 8,065 |
| Scouts of Anguilla | 1,680 |
| Anguilla Amateur Cycling Association | 1,344 |
| TOTAL | 511,838 |

FUND BALANCE

The Social Security Fund's balance at year-end 2006, i.e. its Assets or alternatively its Liabilities, Reserves and Development Fund, totaled \$160.5M, reflecting an increase of 14.3% (\$20.0M) when compared to \$140.5M in 2005. 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. It is noteworthy that for the fourth successive year the System's Fund Ratio, which is the size of the reserves relative to annual expenditure, has increased and at the end of 2006 had returned to pre-2002 levels. (The precipitous drop in 2002 was caused as the System was severely affected by the economic decline in Anguilla and downturn in financial markets following the events of September 11, 2001.) These increases in the Fund Ratio are evidence that the System is actually increasing its sustainability over time, which is indeed commendable.

STATISTICAL DIGEST

Table 2
Annual Registration of Employees by Sex - 2006

| AGE GROUPS | MALES | % | FEMALES | % | TOTAL | % |
|-------------------|--------------|-------------|----------------|-------------|--------------|--------------|
| 15 - 19 | 122 | 8.3 | 131 | 8.9 | 253 | 17.2 |
| 20 - 24 | 139 | 9.5 | 70 | 4.8 | 209 | 14.2 |
| 25 - 29 | 142 | 9.7 | 65 | 4.4 | 207 | 14.1 |
| 30 - 34 | 166 | 11.3 | 56 | 3.8 | 222 | 15.1 |
| 35 - 39 | 162 | 11.0 | 31 | 2.1 | 193 | 13.1 |
| 40 - 44 | 116 | 7.9 | 29 | 2.0 | 145 | 9.9 |
| 45 - 49 | 80 | 5.4 | 20 | 1.4 | 100 | 6.8 |
| 50 - 54 | 56 | 3.8 | 20 | 1.4 | 76 | 5.2 |
| 55 - 59 | 39 | 2.7 | 8 | 0.5 | 47 | 3.2 |
| 60 - 64 | 11 | 0.7 | 6 | 0.4 | 17 | 1.2 |
| TOTALS | 1,033 | 70.3 | 436 | 29.7 | 1,469 | 100.0 |

Table 3
Tabulation of All Insured Persons by Sex as at 31st December 2006

| AGE GROUPS | MALES | % | FEMALES | % | TOTAL | % |
|---------------|--------------|-------------|--------------|-------------|---------------|--------------|
| 15 - 19 | 309 | 2.3 | 261 | 2.0 | 570 | 4.3 |
| 20 - 24 | 651 | 4.9 | 611 | 4.6 | 1,262 | 9.4 |
| 25 - 29 | 765 | 5.7 | 645 | 4.8 | 1,410 | 10.6 |
| 30 - 34 | 936 | 7.0 | 743 | 5.6 | 1,679 | 12.6 |
| 35 - 39 | 1,020 | 7.6 | 828 | 6.2 | 1,848 | 13.8 |
| 40 - 44 | 1,136 | 8.5 | 822 | 6.2 | 1,958 | 14.7 |
| 45 - 49 | 893 | 6.7 | 666 | 5.0 | 1,559 | 11.7 |
| 50 - 54 | 663 | 5.0 | 517 | 3.9 | 1,180 | 8.8 |
| 55 - 59 | 402 | 3.0 | 286 | 2.1 | 688 | 5.1 |
| 60 - 64 | 280 | 2.1 | 172 | 1.3 | 452 | 3.4 |
| 65 & Over | 482 | 3.6 | 276 | 2.1 | 758 | 5.7 |
| TOTALS | 7,537 | 56.4 | 5,827 | 43.6 | 13,364 | 100.0 |

Table 4
Registration of Employees by Gender 2002 - 2006

| YEAR | MALE | % | FEMALE | % | TOTAL AT YEAR-END | TOTAL ON REGISTER* | TOTAL ACTIVE |
|------|-------|------|--------|------|-------------------|--------------------|--------------|
| 2002 | 128 | 46.7 | 146 | 53.3 | 274 | 9,988 | 4,982 |
| 2003 | 236 | 53.3 | 207 | 46.7 | 443 | 10,430 | 5,099 |
| 2004 | 317 | 53.2 | 279 | 46.8 | 597 | 11,026 | 5,554 |
| 2005 | 533 | 60.8 | 344 | 39.0 | 877 | 11,897 | 6,144 |
| 2006 | 1,033 | 70.3 | 436 | 29.7 | 1,469 | 13,364 | 7,526 |

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

Table 5
New Registration of Employers by Industry - 2006

| ILO CODE | INDUSTRY | No. | % |
|--------------|---|------------|--------------|
| 13 | Fishing | 1 | 0.7 |
| 24 | Stone Quarrying, Clay & Sand Pits | 1 | 0.7 |
| 31 | Manufacturing of Food, Beverage & Tobacco | 1 | 0.7 |
| 32 | Textile, Wearing apparel and Leather Industries | 1 | 0.7 |
| 33 | Mfg of Wood & Wood Products incl. Furniture | 7 | 5.0 |
| 37 | Basic Metal Industries | 1 | 0.7 |
| 41 | Electricity, Gas & Steam | 5 | 3.5 |
| 50 | Construction | 32 | 22.7 |
| 62 | Retail Trade | 7 | 5.0 |
| 63 | Hotels & Guest Houses | 12 | 8.5 |
| 64 | Restaurant & Bars | 12 | 8.5 |
| 71 | Transport & Storage | 4 | 2.8 |
| 72 | Communication | 3 | 2.1 |
| 81 | Financial Institutions | 1 | 0.7 |
| 83 | Real Estate & Business Services | 9 | 6.4 |
| 92 | Sanitary & Similar Services | 1 | 0.7 |
| 93 | Social & Related Community Services | 8 | 5.7 |
| 94 | Recreational & Cultural Services | 1 | 0.7 |
| 95 | Personal & Household Services | 34 | 24.1 |
| TOTAL | | 141 | 100.0 |

Table 6
Registration of Employers 2002 – 2006

| YEAR | NEWLY REGISTERED EMPLOYERS | EMPLOYERS REGISTERED AT YEAR-END | ACTIVE EMPLOYERS AT YEAR-END |
|------|----------------------------|----------------------------------|------------------------------|
| 2002 | 86 | 1,790 | 591 |
| 2003 | 79 | 1,865 | 614 |
| 2004 | 106 | 2,054 | 667 |
| 2005 | 132 | 2,229 | 747 |
| 2006 | 141 | 2,411 | 840 |

Table 7
Claims Received – 2006

| TYPE | # RECEIVED | # PAID | # DENIED | # PENDING AT 31/12/06 |
|----------------------------------|-------------------|---------------|-----------------|----------------------------------|
| SICKNESS BENEFIT | 2498 | 1693 | 416 | 389 |
| MATERNITY BENEFIT | 153 | 124 | 4 | 25 |
| MATERNITY GRANT | 160 | 122 | 0 | 38 |
| FUNERAL | 30 | 30 | 0 | 0 |
| AGE PENSION | 30 | 23 | 0 | 7 |
| AGE GRANT | 7 | 5 | 0 | 2 |
| SURVIVORS PENSION | 9 | 8 | 0 | 1 |
| SURVIVORS GRANT | 11 | 4 | 0 | 7 |
| INVALIDITY PENSION | 7 | 4 | 0 | 3 |
| INVALIDITY GRANT | 0 | 0 | 0 | 0 |
| NON-CONTRIBUTORY OLD AGE PENSION | 4 | 0 | 0 | 4 |
| TOTALS | 2,909 | 2,013 | 420 | 476 |

Table 8
Number of Benefit Claims Received By Type 2002 - 2006

| BENEFIT TYPE | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| SICKNESS | 2,056 | 2,205 | 2,071 | 2,573 | 2,498 |
| MATERNITY BENEFIT | 138 | 112 | 132 | 129 | 153 |
| MATERNITY GRANTS | 153 | 127 | 128 | 149 | 160 |
| FUNERAL | 25 | 25 | 27 | 27 | 30 |
| TOTAL SHORT-TERM | 2,372 | 2,469 | 2,358 | 2,878 | 2841 |
| AGE PENSION | 27 | 23 | 29 | 29 | 30 |
| AGE GRANT | 10 | 10 | 6 | 3 | 7 |
| SURVIVORS PENSION | 7 | 14 | 8 | 20 | 9 |
| SURVIVORS GRANT | | 2 | | 2 | 11 |
| INVALIDITY PENSION | 11 | 11 | 6 | 5 | 7 |
| INVALIDITY GRANT | | 1 | | 1 | 0 |
| NCOAP* | 136 | 34 | 20 | 12 | 4 |
| TOTAL LONG-TERM | 191 | 95 | 69 | 72 | 68 |
| TOTAL CLAIMS RECEIVED | 2,563 | 2,564 | 2,427 | 2,950 | 2,909 |
| % CHANGE | 26.1 | 0 | -5.3 | 21.5 | -1.4 |

*Non-Contributory Old Age Pension

Table 9
Claims Brought Forward from Years Prior to 2006

| TYPE | CLAIMS B/F | ALLOWED OR PAID | DISALLOWED | PENDING AT 31/12/06 |
|-------------------------------------|-------------------|----------------------------|-------------------|--------------------------------|
| SICKNESS | 160 | 135 | 25 | 0 |
| MATERNITY | 11 | 8 | 3 | 0 |
| MATERNITY GRANT | 12 | 12 | 0 | 0 |
| FUNERAL | 0 | 0 | 0 | 0 |
| AGE PENSION | 5 | 5 | 0 | 0 |
| AGE GRANT | 1 | 1 | 0 | 0 |
| SURVIVORS PENSION | 5 | 5 | 0 | 0 |
| SURVIVORS GRANT | 7 | 7 | 0 | 0 |
| INVALIDITY PENSION | 1 | 1 | 0 | 0 |
| INVALIDITY GRANT | 1 | 1 | 0 | 0 |
| NON-CONTRIBUTORY OLD AGE PENSION | 7 | 7 | 0 | 0 |
| TOTALS | 210 | 182 | 28 | 0 |

Table 10
Benefit Claims Paid by Type 2002 – 2006

| BENEFIT TYPE | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| SICKNESS | 1,758 | 1,966 | 1,759 | 2,064 | 1,828 |
| MATERNITY BENEFIT | 134 | 106 | 132 | 127 | 132 |
| MATERNITY GRANTS | 175 | 129 | 144 | 151 | 134 |
| FUNERAL | 24 | 25 | 26 | 29 | 30 |
| TOTAL SHORT-TERM | 2,091 | 2,226 | 2,061 | 2,371 | 2,124 |
| AGE PENSION | 27 | 22 | 29 | 30 | 28 |
| AGE GRANT | 9 | 9 | 7 | 5 | 6 |
| SURVIVORS PENSION | 6 | 13 | 11 | 11 | 13 |
| SURVIVORS GRANT | | 2 | | 1 | 11 |
| INVALIDITY PENSION | 11 | 9 | 6 | 5 | 5 |
| INVALIDITY GRANT | | 1 | | 1 | 1 |
| NCOAP* | 123 | 37 | 17 | 3 | 7 |
| TOTAL LONG-TERM | 176 | 93 | 70 | 56 | 71 |
| TOTAL CLAIMS PAID | 2,267 | 2,319 | 2,131 | 2,427 | 2,195 |
| % CHANGE | 36.0 | 2.3 | -8.1 | 13.9 | -9.6 |

Each year include claims brought forward from the previous year

*Non-Contributory Old Age Pension

Table 11
Benefit Expenditure by Type 2002 – 2006

| BENEFIT TYPE | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| SICKNESS | 984,446 | 1,025,785 | 1,048,620 | 1,219,242 | 1,222,260 |
| MATERNITY | 514,670 | 492,925 | 592,970 | 654,846 | 620,148 |
| FUNERAL | 72,000 | 71,700 | 78,000 | 87,000 | 90,000 |
| TOTAL SHORT-TERM | 1,571,116 | 1,590,410 | 1,719,590 | 1,961,088 | 1,932,408 |
| AGE | 1,248,786 | 1,569,121 | 1,740,991 | 2,041,537 | 2,319,079 |
| SURVIVORS | 264,185 | 296,570 | 367,277 | 350,869 | 412,000 |
| INVALIDITY | 223,841 | 345,831 | 329,130 | 310,693 | 325,411 |
| NCOAP* | 283,557 | 355,125 | 364,206 | 368,399 | 379,923 |
| TOTAL LONG-TERM | 2,020,369 | 2,566,647 | 2,801,604 | 3,071,498 | 3,436,413 |
| TOTAL BENEFIT EXPENSE | 3,591,485 | 4,157,057 | 4,521,194 | 5,032,586 | 5,368,821 |
| % CHANGE | 19.9 | 15.7 | 8.8 | 11.3 | 6.7 |

*Non-Contributory Old Age Pension

Table 12
Consolidated Income & Expenditure Account
Five-Year Comparative Analysis 2002 – 2006

| INCOME | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| CONTRIBUTION | 11,846,152 | 12,628,125 | 14,114,120 | 16,845,392 | 20,284,267 |
| INVESTMENT | 1,175,003 | 6,100,793 | 7,310,359 | 7,762,156 | 8,871,564 |
| OTHER (FINES & MISC.) | 107,309 | 84,971 | 169,136 | 140,346 | 184,458 |
| OTHER (NET RENT) | 95,322 | 112,387 | 118,495 | 121,486 | 109,076 |
| TOTAL | 13,223,786 | 18,926,276 | 21,712,110 | 24,869,380 | 29,449,365 |
| EXPENDITURE | | | | | |
| ADMINISTRATIVE | 3,202,960 | 3,119,162 | 3,598,768 | 3,585,093 | 4,066,255 |
| BENEFITS | 3,591,484 | 4,157,058 | 4,521,194 | 5,032,585 | 5,368,821 |
| SSDF* | 750,899 | 771,218 | 401,408 | 315,566 | 511,838 |
| OTHER | 76,110 | 89,083 | 88,318 | 108,094 | 110,121 |
| TOTAL | 7,621,453 | 8,136,521 | 8,609,688 | 9,041,338 | 10,057,035 |
| NET INCOME | 5,602,333 | 10,789,755 | 13,102,422 | 15,828,042 | 19,392,330 |
| % CHANGE | -39.1 | 92.6 | 21.4 | 20.8 | 22.5 |
| ASSETS | 97,390,287 | 110,606,016 | 124,832,507 | 140,465,774 | 160,520,209 |
| FUND RATIO | 12.8 | 13.6 | 14.5 | 15.5 | 16.0 |

* Social Security Development Fund

Anguilla Social Security Board
Financial Statements
December 31, 2006

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Anguilla Social Security Board

Report on the financial statements

We have audited the accompanying financial statements of Anguilla Social Security Board (the Board), which comprise the balance sheet as at 31 December 2006, and the related statements of income and reserve profit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the 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 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 principles 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Board as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
The Valley
Anguilla, B.W.I.

October 18, 2007

ANGUILLA SOCIAL SECURITY BOARD

Balance Sheet

December 31, 2006

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

| | Notes | 2006 | 2005 |
|--|-------|--------------------|--------------------|
| ASSETS | | | |
| Cash on hand and in bank | 4 | 3,542,680 | 2,585,804 |
| Financial assets | 5 | 149,335,581 | 130,362,497 |
| Investment for contingencies reserve | 6 | 1,350,000 | 1,350,000 |
| Other receivables | 7 | 62,036 | 30,139 |
| Prepayments | 8 | 89,844 | 51,173 |
| Stationery and computer supplies | | 27,977 | 23,547 |
| Property, plant and equipment, net | 9 | 5,607,874 | 5,741,849 |
| Software costs, net | 10 | 504,217 | 320,765 |
| | | <u>160,520,209</u> | <u>140,465,774</u> |
| LIABILITIES, RESERVES and DEVELOPMENT FUND | | | |
| Liabilities | | | |
| Accounts payable and accruals | 11 | 164,442 | 87,834 |
| Pension fund obligation | 12 | 1,215,105 | 1,230,288 |
| | | 1,379,547 | 1,318,122 |
| Reserves and Development Fund | | | |
| Short-term benefits branch reserve | | 3,084,543 | 2,581,767 |
| Long-term benefits branch reserve | | 154,153,344 | 135,568,802 |
| Social Security Development Fund | | 556,688 | 493,809 |
| Social Security Development Fund reserve | 13 | 750,000 | 500,000 |
| Premises revaluation surplus | 9 | 1,533,206 | 1,541,073 |
| Unrealised loss on available-for-sale financial assets | 5 | (937,119) | (1,537,799) |
| | | 159,140,662 | 139,147,652 |
| | | <u>160,520,209</u> | <u>140,465,774</u> |

These financial statements were approved on behalf of the Board of Directors on October 18, 2007 by the following:

Chairman
Dr. Aidan Harrigan

Director
Timothy A. Hodge

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

ANGUILLA SOCIAL SECURITY BOARD

Combined Statement of Income

For the year ended December 31, 2006

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

| | Notes | 2006 | 2005 |
|--|-------|-------------------|-------------------|
| Income | | | |
| Contributions | 14 | 20,284,267 | 16,845,392 |
| Investments | 15 | 8,871,564 | 7,762,156 |
| Other income - fines and miscellaneous | | 184,458 | 140,346 |
| | | 29,340,289 | 24,747,894 |
| Expenses | | | |
| Benefits expenditures: | 16 | | |
| Short-term | | 1,932,408 | 1,961,088 |
| Long-term | | 3,436,413 | 3,071,497 |
| | | 5,368,821 | 5,032,585 |
| Social Security Development Fund | 17 | 511,838 | 315,566 |
| Administrative and other expenses | 18 | 4,176,376 | 3,693,187 |
| | | 10,057,035 | 9,041,338 |
| Operating income | | 19,283,254 | 15,706,556 |
| Other income | | | |
| Rent income, net | 19 | 109,076 | 121,486 |
| NET INCOME FOR THE YEAR | | <u>19,392,330</u> | <u>15,828,042</u> |

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

ANGUILLA SOCIAL SECURITY BOARD

Short-term Benefits Branch

Statement of Income and Reserve

For the year ended December 31, 2006

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

| | Notes | 2006 | 2005 |
|--|-------|----------------|----------------|
| Income | | | |
| Contributions | 14 | 3,042,640 | 2,526,809 |
| Investment income | 15 | 165,011 | 163,005 |
| Other Income - fines and miscellaneous | | 92,229 | 70,173 |
| | | 3,299,880 | 2,759,987 |
| Expenses | | | |
| Benefits | 16 | 1,932,408 | 1,961,088 |
| Administrative and other expenses | 18 | 867,905 | 811,219 |
| | | 2,800,313 | 2,772,307 |
| Operating income/(loss) | | 499,567 | (12,320) |
| Other income | | | |
| Rent income, net | 19 | 2,029 | 2,551 |
| NET INCOME/(LOSS) FOR THE YEAR | | <u>501,596</u> | <u>(9,769)</u> |

SHORT-TERM BENEFITS BRANCH RESERVE

| | | | |
|---|---|------------------|------------------|
| Balances at beginning of the year | | 2,581,767 | 2,590,356 |
| Depreciation transfer from premises revaluation surplus | 9 | 1,180 | 1,180 |
| Net income/(loss) for the year | | 501,596 | (9,769) |
| Balances at end of the year | | <u>3,084,543</u> | <u>2,581,767</u> |

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

ANGUILLA SOCIAL SECURITY BOARD

Long-Term Benefits Branch

Statement of Income and Reserve

For the year ended December 31, 2006

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

| | Notes | 2006 | 2005 |
|--|-------|-------------------|-------------------|
| Income | | | |
| Contributions | 14 | 16,480,967 | 13,686,881 |
| Investment income | 15 | 8,643,565 | 7,558,788 |
| Other income - fines and miscellaneous | | 92,229 | 70,173 |
| | | 25,216,761 | 21,315,842 |
| Expenses | | | |
| Benefits | 16 | 3,436,413 | 3,071,497 |
| Administrative and other expenses | 18 | 3,308,471 | 2,881,968 |
| | | 6,744,884 | 5,953,465 |
| Operating income | | 18,471,877 | 15,362,377 |
| Other income | | | |
| Rent income, net | 19 | 106,273 | 118,303 |
| NET INCOME FOR THE YEAR | | <u>18,578,150</u> | <u>15,480,680</u> |

LONG-TERM BENEFITS BRANCH RESERVE

| | | | |
|---|---|--------------------|--------------------|
| Balances at beginning of the year | | 135,568,802 | 120,081,730 |
| Depreciation transfer from premises revaluation surplus | 9 | 6,392 | 6,392 |
| Net income for the year | | 18,578,150 | 15,480,680 |
| Balances at end of the year | | <u>154,153,344</u> | <u>135,568,802</u> |

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

ANGUILLA SOCIAL SECURITY BOARD
 Social Security Development Fund
 Statement of Income and Development Fund Reserve
 For the year ended December 31, 2006

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

| | Notes | 2006 | 2005 |
|--------------------------------|-------|----------------|----------------|
| Income | | | |
| Contributions | 14 | 760,660 | 631,702 |
| Investment income | 15 | 62,988 | 40,363 |
| | | 823,648 | 672,065 |
| Expenses | | | |
| Social projects funded | 17 | 511,838 | 315,566 |
| Operating income | | 311,810 | 356,499 |
| Other income: Rent, net | 19 | 774 | 632 |
| NET INCOME FOR THE YEAR | | <u>312,584</u> | <u>357,131</u> |

SOCIAL SECURITY DEVELOPMENT FUND RESERVE

| | | | |
|---|----|----------------|----------------|
| Balances at beginning of the year | | 493,809 | 386,383 |
| Depreciation transfer from premises revaluation surplus | 9 | 295 | 295 |
| Net income for the year | | 312,584 | 357,131 |
| Transfer to Development Fund Reserve | 13 | (250,000) | (250,000) |
| Balances at end of the year | | <u>556,688</u> | <u>493,809</u> |

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

ANGUILLA SOCIAL SECURITY BOARD

Statement of Cash Flows

For the year ended December 31, 2006

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

| | 2006 | 2005 |
|---|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year | 19,392,330 | 15,828,042 |
| Adjustments for: | | |
| Depreciation and amortisation | 418,264 | 380,308 |
| Interest income | (6,774,900) | (6,114,349) |
| Dividend income | (335,187) | (392,115) |
| Net realised gains from available-for-sale financial assets | (1,761,477) | (1,255,692) |
| Operating income before working capital changes | 10,939,030 | 8,446,194 |
| Changes in operating assets and liabilities: | | |
| Other receivables | (31,897) | (4,631) |
| Prepayments | (38,671) | (5,030) |
| Stationery and computer supplies | (4,430) | (8,518) |
| Accounts payable and accruals | 76,608 | 53,834 |
| Pension fund obligation | (15,183) | 36,681 |
| Net cash provided by operating activities | 10,925,457 | 8,518,530 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 6,253,445 | 5,801,066 |
| Dividends received | 114,975 | 429,615 |
| Proceeds/(acquisitions) of investments in: | | |
| Held-to-maturity financial assets: | | |
| Fixed deposits - National Bank of Anguilla Ltd. (NBA) | (1,781,740) | (5,310,250) |
| Fixed deposits - Caribbean Commercial Bank (Anguilla) Ltd. (CCB) | (6,038,759) | (6,979,605) |
| Fixed deposits - British American Insurance Company (British American) | (1,500,000) | - |
| Bonds - Government of St. Lucia | (1,500,000) | - |
| Bonds - Government of Antigua and Barbuda | (2,075,280) | - |
| Bonds - Government of St. Vincent and Grenadines | (1,000,000) | - |
| Available-for-sale financial assets: | | |
| Smith Barney | (1,344,100) | - |
| Summit Brokerage Services, Inc. (Summit) | (806,460) | (806,460) |
| Decrease/(increase) in loans and receivables: | | |
| Loans - Anguilla Development Board (ADB) | 288,000 | 288,000 |
| Loans - Staff | (110,920) | (19,184) |
| Acquisitions of: | | |
| Property, plant and equipment | (204,631) | (277,685) |
| Software costs | (263,110) | (125,241) |
| Net cash used in investing activities | (9,968,580) | (6,999,744) |
| Net increase/(decrease) in cash on hand and in bank | 956,877 | 1,518,786 |
| Cash on hand and in bank at beginning of year | 2,585,803 | 1,067,017 |
| Cash on hand and in bank at end of year | <u>3,542,680</u> | <u>2,585,803</u> |

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

1. General information

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

2. Statement of compliance and basis of preparation

(a) *Statement of compliance*

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

The financial statements of the Board were authorised for issue by the Board of Directors on October 18, 2007.

(b) *Basis of preparation*

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value and land and building which are stated at its appraised values.

(c) *Functional and presentation currency*

These financial statements have been prepared in Eastern Caribbean Dollars (EC Dollars), which is the Board's functional currency. Except as indicated, financial information presented in EC Dollars has been rounded to the nearest dollar. The provisions of Social Security (Financial and Accounting) Regulations R.R.A.S45-4 are also in force in the preparation of financial statements.

(d) *Use of estimates*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. 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.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

2. Statement of compliance and basis of preparation (continued)

(d) *Use of estimates (continued)*

The accounting policies have been consistently applied by the Board to all periods presented in these financial statements.

(e) *Actuarial review*

The seventh actuarial review of the Social Security Fund was conducted in 2005 by Mr. Hernando Perez Montas. This covers the three year period January 1, 2002 to December 31, 2004. The report assessed the Fund as being actuarially sound. The next actuarial review is scheduled in 2008 covering the period January 2005 to December 2007.

3. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

(a) *Financial instruments*

i. *Classification*

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Board does not intend to sell immediately or in the near term.

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

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

i. Classification (continued)

fair value. Available-for-sale instruments include money market placements and certain debt and equity investments.

ii. Recognition

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

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

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of IAS 39.

iii. Measurement

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

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

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

Financial liabilities other than those at fair value through profit and loss are stated at cost.

iv. Fair value measurement principle

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

If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. If the fair value of the financial instruments cannot be reliably estimated, it is stated at cost.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

iv. Fair value measurement principle (continued)

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

v. Derecognition

The Board derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or 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 Board is recognised as a separate asset or liability.

The Board derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Board enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate or return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Board neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Board continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Board also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

3. Significant accounting policies (continued)

(b) *Property, plant and equipment*

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

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

The estimated useful lives are as follows:

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

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

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

Revaluation of land and building

Following initial recognition at cost, land and building are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on building and subsequent accumulated impairment losses, if any. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

3. Significant accounting policies (continued)

(b) *Property, plant and equipment (continued)*

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

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

(c) *Software costs*

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

(d) *Impairment losses*

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

(e) *Foreign currency*

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

3. Significant accounting policies (continued)

(f) *Employee benefits*

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

(g) *Distribution of income*

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

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

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

The 2006 and 2005 allocations are as follows:

| | |
|--|-----------------------|
| (i) Short-term Benefits Branch | 1.86% (2005: 2.10%) |
| (ii) Long-term Benefits Branch | 97.43% (2005: 97.38%) |
| (iii) Social Security Development Fund | 0.71% (2005: 0.52%) |

Other income is distributed equally between the two benefit branches.

(h) *Distribution of expenditure*

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

The benefits are grouped as follows:

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

3. Significant accounting policies (continued)

(h) *Distribution of expenditure (continued)*

Administrative expenses are distributed among the benefit branches in proportion to the sum of the contribution income and benefit expenditure of each branch as compared to these amounts for the Fund as a whole, as per Section 19(2) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45). In 2006 and 2005, the allocations are as follows:

| | |
|----------------------------|-----------------------|
| Short-term Benefits Branch | 19.99% (2005: 21.12%) |
| Long-term Benefits Branch | 80.01% (2005: 78.88%) |

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

(i) *Rental income*

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

(j) *Interest income*

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

(k) *Dividend income*

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

(l) *Taxation*

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

(m) *Subsequent events*

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

4. Cash on hand and in bank

| | 2006 | 2005 |
|--------------|------------------|------------------|
| Cash on hand | 1,452,085 | 663,079 |
| Cash in bank | 2,090,595 | 1,922,725 |
| | <u>3,542,680</u> | <u>2,585,804</u> |

Cash in bank includes cash in transit as of year-end amounting to EC\$1,209,690 for an investment in Government of St. Vincent US\$ Bonds. The effective date of the investment is January 5, 2007.

5. Financial assets

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

| | 2006 | 2005 |
|-------------------------------------|--------------------|--------------------|
| Held-to-maturity financial assets | 113,071,677 | 99,175,898 |
| Available-for-sale financial assets | 29,871,566 | 25,358,849 |
| Loans and receivables | 6,392,338 | 5,827,750 |
| | <u>149,335,581</u> | <u>130,362,497</u> |

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

i. Held-to-maturity financial assets

The following shows the breakdown of held-to-maturity financial assets as of December 31, 2006 and 2005, consisting of fixed deposits with banks, investment in bonds, government and other securities, by contractual maturity dates:

| | Due within one year | Due over one year | Total 2006 | Total 2005 |
|---|------------------------|----------------------|--------------------|-------------------|
| Fixed deposits | | | | |
| NBA | 15,414,651 | 29,099,427 | 44,514,078 | 42,732,338 |
| CCB | 22,984,995 | 27,356,862 | 50,341,857 | 44,303,098 |
| British American | - | 10,635,462 | 10,635,462 | 9,135,462 |
| | 38,399,646 | 67,091,751 | 105,491,397 | 96,170,898 |
| Investments in Bonds | | | | |
| Eastern Caribbean Home Mortgage Bank (ECHMB) | - | 2,000,000 | 2,000,000 | 2,000,000 |
| Government of St. Kitts / Nevis | - | 1,005,000 | 1,005,000 | 1,005,000 |
| Government of St. Lucia | - | 1,500,000 | 1,500,000 | - |
| Government of Antigua and Barbuda | - | 2,075,280 | 2,075,280 | - |
| Government of St. Vincent and Grenadines | - | 1,000,000 | 1,000,000 | - |
| | - | 7,580,280 | 7,580,280 | 3,005,000 |
| | <u>38,399,646</u> | <u>74,672,031</u> | <u>113,071,677</u> | <u>99,175,898</u> |

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

5. Financial assets (continued)

i. Held-to-maturity financial assets (continued)

The fixed deposits carry interest rates between 5% to 9.75% while investments in bonds carry interest rates between 5.5% to 8.25%.

ii. Available-for-sale financial assets

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

| | 2006 | 2005 |
|---|-------------------|-------------------|
| Equity securities - International | | |
| Smith Barney | 19,629,996 | 16,309,320 |
| Merrill Lynch | 1,732,455 | 1,615,128 |
| Summit | 1,908,199 | 847,851 |
| Anguilla European Masters Fund (AEMF) | 307,166 | 292,800 |
| | <u>23,577,816</u> | <u>19,065,099</u> |
| Equity securities - Local and Regional | | |
| NBA | 1,500,000 | 1,500,000 |
| Anguilla Electricity Company Limited (ANGLEC) | 4,587,750 | 4,587,750 |
| ECHMB | 81,000 | 81,000 |
| Eastern Caribbean Securities Exchange Ltd. | 125,000 | 125,000 |
| | <u>6,293,750</u> | <u>6,293,750</u> |
| Total Available-for-sale financial assets | <u>29,871,566</u> | <u>25,358,849</u> |

The movements of the "Unrealised loss on available-for-sale financial assets" account as a result of changes in the fair values, are as follows:

| | 2006 | 2005 |
|---|-------------------|-------------------|
| Fair value of Available-for-sale financial assets, beginning of year | 25,358,849 | 23,581,987 |
| Add: Movements during the year: | | |
| Net realised gains (see note 15.1) | 1,761,477 | 1,255,692 |
| Additional investment in Smith Barney | 1,344,100 | - |
| Additional investment in Summit | 806,460 | 806,460 |
| | <u>29,270,886</u> | <u>25,644,139</u> |
| Fair value of Available-for-sale financial assets, end of year | 29,871,566 | 25,358,849 |
| Unrealised (gain) loss for the year | <u>(600,680)</u> | <u>285,290</u> |
| Unrealised loss on available-for-sale financial assets, beginning of year | 1,537,799 | 1,252,509 |
| Add: Unrealised (gain) loss for the year | (600,680) | 285,290 |
| Unrealised loss on available-for-sale financial assets, end of year | <u>937,119</u> | <u>1,537,799</u> |

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

5. Financial assets (continued)

iii. Loans and receivables

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

| | 2006 | 2005 |
|----------------------------|------------------|------------------|
| Loans | | |
| ADB* | 2,277,000 | 2,565,000 |
| Staff | 191,087 | 80,167 |
| | <u>2,468,087</u> | <u>2,645,167</u> |
| Receivables | | |
| Interest on fixed deposits | 3,490,325 | 3,107,840 |
| Interest on loans | 22,832 | 25,720 |
| Interest on bonds | 190,882 | 49,023 |
| Dividends on ANGLEC shares | 220,212 | - |
| | <u>3,924,251</u> | <u>3,182,583</u> |
| | <u>6,392,338</u> | <u>5,827,750</u> |

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

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

| | 2006 | 2005 |
|--------------------|------------------|------------------|
| Current portion | 288,000 | 288,000 |
| Noncurrent portion | 1,989,000 | 2,277,000 |
| | <u>2,277,000</u> | <u>2,565,000</u> |

There are no material unrecognised financial assets as of December 31, 2006.

6. Investment for contingencies reserve

A contingencies reserve was established to be available to meet any unforeseen or abnormal expenditure which the current income of the Board may not be sufficient to cover, or to make good any unforeseen or abnormal reduction of income. The contingencies reserve is increased to an amount equivalent to the average expenditure of the Board for the provision of benefits and administration for two (2) months. The contingencies reserve of EC\$1,350,000 as of December 31, 2006 and 2005, has been invested at NBA and CCB, under fixed deposits which bear an interest rate of 6% and 6.5% per annum, respectively. The fixed deposits will mature on January 4, 2007 and July 11, 2007, respectively, and are subject to rollover upon maturity.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

7. Other receivables

| | 2006 | 2005 |
|--------|---------------|---------------|
| Rent | 52,551 | 24,178 |
| Others | 9,485 | 5,961 |
| | <u>62,036</u> | <u>30,139</u> |

8. Prepayments

| | 2006 | 2005 |
|--|---------------|---------------|
| Insurance | 40,240 | 40,825 |
| Staff uniforms | 24,671 | - |
| Anniversary booklet | 11,309 | - |
| Sponsorship - National Sports Awards Ceremony 2006 | - | 5,376 |
| Others | 13,624 | 4,972 |
| | <u>89,844</u> | <u>51,173</u> |

9. Property, plant and equipment

| | 2005 | Additions | Disposals | 2006 |
|------------------------------------|------------------|----------------|-----------|------------------|
| Cost and revaluation | | | | |
| Land | 1,139,797 | - | - | 1,139,797 |
| Building | 4,225,046 | 35,640 | - | 4,260,686 |
| Furnitures, fittings and equipment | 544,538 | 54,566 | - | 599,104 |
| Computer equipment | 359,808 | 20,812 | - | 380,620 |
| Vehicle | 84,686 | - | - | 84,686 |
| Generator | 99,662 | 93,613 | - | 193,275 |
| | <u>6,453,537</u> | <u>204,631</u> | <u>-</u> | <u>6,658,168</u> |

| | 2005 | Depreciation for the year | Disposals | 2006 |
|------------------------------------|----------------|---------------------------|-----------|------------------|
| Accumulated depreciation: | | | | |
| Land | - | - | - | - |
| Building | 144,125 | 146,828 | - | 290,953 |
| Furnitures, fittings and equipment | 327,851 | 90,549 | - | 418,400 |
| Computer equipment | 222,775 | 45,637 | - | 268,412 |
| Vehicle | 16,937 | 16,937 | - | 33,874 |
| Generator | - | 38,655 | - | 38,655 |
| | <u>711,688</u> | <u>338,606</u> | <u>-</u> | <u>1,050,294</u> |

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

9. Property, plant and equipment (continued)

| | 2006 | 2005 |
|-----------------------------------|------------------|------------------|
| Net book value: | | |
| Land | 1,139,797 | 1,139,797 |
| Building | 3,969,733 | 4,080,921 |
| Furniture, Fittings and Equipment | 180,704 | 216,687 |
| Computer Equipment | 112,208 | 137,033 |
| Vehicle | 50,812 | 67,749 |
| Generator | 154,620 | 99,662 |
| | <u>5,607,874</u> | <u>5,741,849</u> |

The Board's land and building were revalued on January 4, 2005 by an independent and qualified valuer, the Land Development Survey Services of Anguilla. The value was estimated using the Investment approach method of valuation.

Annual transfers from the asset revaluation reserve to branch reserves (i.e. Short-term benefits branch reserve and Long-term benefits branch reserve) and Social Security Development Fund accounts 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\$7,867 from Premises revaluation surplus is transferred to branch reserves (allocated to Short-term benefits branch reserve: EC\$1,180; Long-term benefits branch reserve: EC\$6,392 and Social Security Development fund: EC\$295).

10. Software costs

| | 2006 | 2005 |
|----------------------------------|----------------|----------------|
| Cost: | | |
| Beginning balance | 560,967 | 435,726 |
| Purchases during the year | 263,110 | 125,241 |
| Ending Balance | 824,077 | 560,967 |
| Accumulated amortisation: | | |
| Beginning balance | 240,202 | 170,081 |
| Charges for the year | 79,658 | 70,121 |
| Ending Balance | 319,860 | 240,202 |
| Net book value | <u>504,217</u> | <u>320,765</u> |

11. Accounts payable and accruals

| | 2006 | 2005 |
|------------------|----------------|---------------|
| Accounts payable | 163,342 | 81,212 |
| Unearned revenue | 1,100 | - |
| Accruals | - | 6,622 |
| | <u>164,442</u> | <u>87,834</u> |

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

December 31, 2006

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

12. Pension fund obligation

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

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

| <i>Net benefit expense</i> | 2006 | 2005 |
|-------------------------------------|----------------|----------------|
| Current service cost | 91,674 | 91,674 |
| Interest cost on benefit obligation | 115,854 | 115,854 |
| Expected return on plan assets | (40,186) | (40,186) |
| Net benefit expense | <u>167,342</u> | <u>167,342</u> |

| <i>Benefit liability</i> | 2006 | 2005 |
|---------------------------|------------------|------------------|
| Benefit obligation | 2,242,133 | 2,071,617 |
| Fair value of plan assets | (1,027,028) | (841,329) |
| Pension fund obligation | <u>1,215,105</u> | <u>1,230,288</u> |

The movements in the Pension fund obligations are as follows:

| | 2006 | 2005 |
|---|------------------|------------------|
| Opening balance | 1,230,288 | 1,193,607 |
| Net benefit expense recognised in the statement of income | 167,342 | 167,342 |
| Contributions made | (182,525) | (130,661) |
| Closing balance | <u>1,215,105</u> | <u>1,230,288</u> |

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

| | 2006 | 2005 |
|--|------|------|
| Discount rate | 7% | 7% |
| Expected rate of return on plan assets | 7% | 7% |
| Rate of salary increases | 4% | 4% |

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13. Social Security Development Fund Reserve

The Social Security Development Fund Reserve was created in 2004. This fund will go towards the focus areas such as HIV/AIDS education, youth and adolescents at risk, and health services. Since its creation in 2004, the Board had transferred EC\$250,000 each year from Social Security Development Fund to Social Security Development Fund Reserve.

14. Contribution income

| | 2006 | 2005 |
|-------------------------------|-------------------|-------------------|
| Contribution - Employers | 10,056,689 | 8,377,507 |
| Contribution - Employees | 10,056,689 | 8,377,507 |
| | 20,113,378 | 16,755,014 |
| Less: Refunds | (360) | (6,566) |
| | 20,113,018 | 16,748,448 |
| Contributions - Self-employed | 171,249 | 96,944 |
| | <u>20,284,267</u> | <u>16,845,392</u> |

15. Investment income

| | 2006 | 2005 |
|--|------------------|------------------|
| Interest income | | |
| Fixed deposits (NBA and CCB) | 5,290,431 | 4,858,121 |
| Fixed deposits (British American) | 969,488 | 889,455 |
| Loans - ADB | 144,514 | 161,716 |
| Bonds - ECHMB | 110,000 | 110,000 |
| Bonds - Government of St. Kitts / Nevis | 75,375 | 75,375 |
| Bonds - Government of Antigua | 74,335 | - |
| Bonds - Government of St. Lucia | 55,419 | - |
| Bonds - Government of St. Vincent and Grenadines | 28,356 | - |
| Checking accounts | 24,502 | 17,943 |
| Loans - Staff | 2,480 | 1,739 |
| | 6,774,900 | 6,114,349 |
| Dividend income | | |
| ANGLEC shares | 220,212 | 275,265 |
| NBA shares | 106,875 | 108,750 |
| ECHMB shares | 8,100 | 8,100 |
| | 335,187 | 392,115 |
| Realised gain/(loss) from Available-for-sale financial assets (see note 15.1) | | |
| Smith Barney investments | 1,674,022 | 1,275,392 |
| Summit Brokerage Services, Inc. | 25,901 | 5,045 |
| Merrill Lynch investments | 61,554 | (24,745) |
| | 1,761,477 | 1,255,692 |
| | <u>8,871,564</u> | <u>7,762,156</u> |

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15. Investment income (continued)

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

15.1 Realised gain / (loss) from Available-for-sale financial assets

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

| | Smith Barney | Merrill Lynch | Summit Brokerage | Total 2006 | Total 2005 |
|------------------------------|------------------|------------------|---------------------|------------------|------------------|
| Dividend and interest income | 293,497 | 5,588 | 30,846 | 329,931 | 239,359 |
| Gains on disposals | 1,769,291 | 21,052 | 64,066 | 1,854,409 | 1,506,800 |
| Losses on disposals | (155,493) | - | (4,260) | (159,753) | (274,067) |
| Management fee | (233,273) | (739) | (29,098) | (263,110) | (216,400) |
| | <u>1,674,022</u> | <u>25,901</u> | <u>61,554</u> | <u>1,761,477</u> | <u>1,255,692</u> |

16. Benefits expenses

The following table presents the benefits paid by the Board as of December 31, 2006 and 2005:

| | 2006 | 2005 |
|----------------------------------|------------------|------------------|
| Short-term Benefits | | |
| Sickness | 1,222,260 | 1,219,242 |
| Maternity | 620,148 | 654,846 |
| Funeral | 90,000 | 87,000 |
| | <u>1,932,408</u> | <u>1,961,088</u> |
| Long-term Benefits | | |
| Age | 2,319,079 | 2,041,537 |
| Non-contributory Old Age Pension | 379,923 | 368,399 |
| Survivors | 412,000 | 350,869 |
| Invalidity | 325,411 | 310,692 |
| | <u>3,436,413</u> | <u>3,071,497</u> |
| | <u>5,368,821</u> | <u>5,032,585</u> |

17. Social Security Development Fund

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

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17. Social Security Development Fund (continued)

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

The following table shows the projects funded by Social Security Development Fund as of December 31, 2006 and 2005:

| | 2006 | 2005 |
|---------------------------------------|----------------|----------------|
| Tranquility Jazz Festival | 134,410 | 134,410 |
| Anguilla Teachers Music Association | 131,759 | - |
| The Anguilla Community Foundation | 80,646 | - |
| Youth Crime Watch | 63,710 | - |
| Sports Project | 60,485 | 9,203 |
| Anguilla Amateur Athletic Association | 19,758 | - |
| Nations Fitness Quest Project | 9,981 | - |
| Camp-Be-Aware | 8,065 | 8,065 |
| Scouts of Anguilla | 1,680 | - |
| Anguilla Amateur Cycling Association | 1,344 | - |
| Anguilla Tennis Academy | - | 67,205 |
| HIV AIDS | - | 50,000 |
| Anguilla National Creative Arts | - | 40,000 |
| Nursing Education | - | 3,995 |
| Anguilla Race Against AIDS | - | 2,688 |
| | <u>511,838</u> | <u>315,566</u> |

18. Administrative and other expenses

| | 2006 | 2005 |
|---|------------------|------------------|
| Administration expenses | 2,035,916 | 1,672,965 |
| Salaries and allowances of staff | 1,892,493 | 1,770,886 |
| Allowances and expenses of the Board and Investment Committee | 137,846 | 141,242 |
| Other expenses | 110,121 | 108,094 |
| | <u>4,176,376</u> | <u>3,693,187</u> |

19. Rent income

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

| | 2006 | 2005 |
|----------------------------|----------------|----------------|
| Rent income | 195,810 | 180,384 |
| Less: Maintenance expenses | (86,734) | (58,898) |
| | <u>109,076</u> | <u>121,486</u> |

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

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20. Related Party Transactions

- i. The Board's cash in bank account and fixed deposits were held at CCB, a registered employer, since inception. Funds held at CCB as of December 31, 2006 and 2005 are as follows:

| | 2006 | 2005 |
|--------------------------------------|------------------|------------------|
| Cash in bank | 880,906 | 1,922,725 |
| Fixed deposits | 50,341,857 | 44,303,098 |
| Contingencies reserve | 650,000 | 650,000 |
| Funds held at CCB, end of year | 51,872,763 | 46,875,823 |
| Funds held at CCB, beginning of year | 46,875,823 | 38,770,066 |
| Increase in funds held at CCB | <u>4,996,940</u> | <u>8,105,757</u> |

- ii. Mr. Fabian Fahie, previous Chairman of the Board, Mr. Stanley Reid, Member of the Board, and Mr. Timothy Hodge, Director of the Board, are also Directors of NBA. The following funds are held at NBA as of December 31, 2006 and 2005:

| | 2006 | 2005 |
|--------------------------------------|------------------|------------------|
| Fixed deposits | 44,514,078 | 42,732,338 |
| Contingencies reserve | 700,000 | 700,000 |
| Funds held at NBA, end of year | 45,214,078 | 43,432,338 |
| Funds held at NBA, beginning of year | 43,432,338 | 38,122,088 |
| Increase in funds held at NBA | <u>1,781,740</u> | <u>5,310,250</u> |

- iii. Remuneration to directors and executive staff during 2006 and 2005 are as follows:

| | 2006 | 2005 |
|---|----------------|----------------|
| Board and Investment Committee allowances | 122,085 | 128,023 |
| Executive staff salaries | 372,894 | 316,487 |
| | <u>494,979</u> | <u>444,510</u> |

21. Financial instruments

(a) Currency Risk

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

(b) Interest Rate Risk

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

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21. Financial instruments (continued)

(c) Credit Risk

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

(d) Fair values

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

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

22. Comparative information

Certain comparative figures have been re-classified to conform with the current year financial statement presentation.

CORPORATE INFORMATION

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