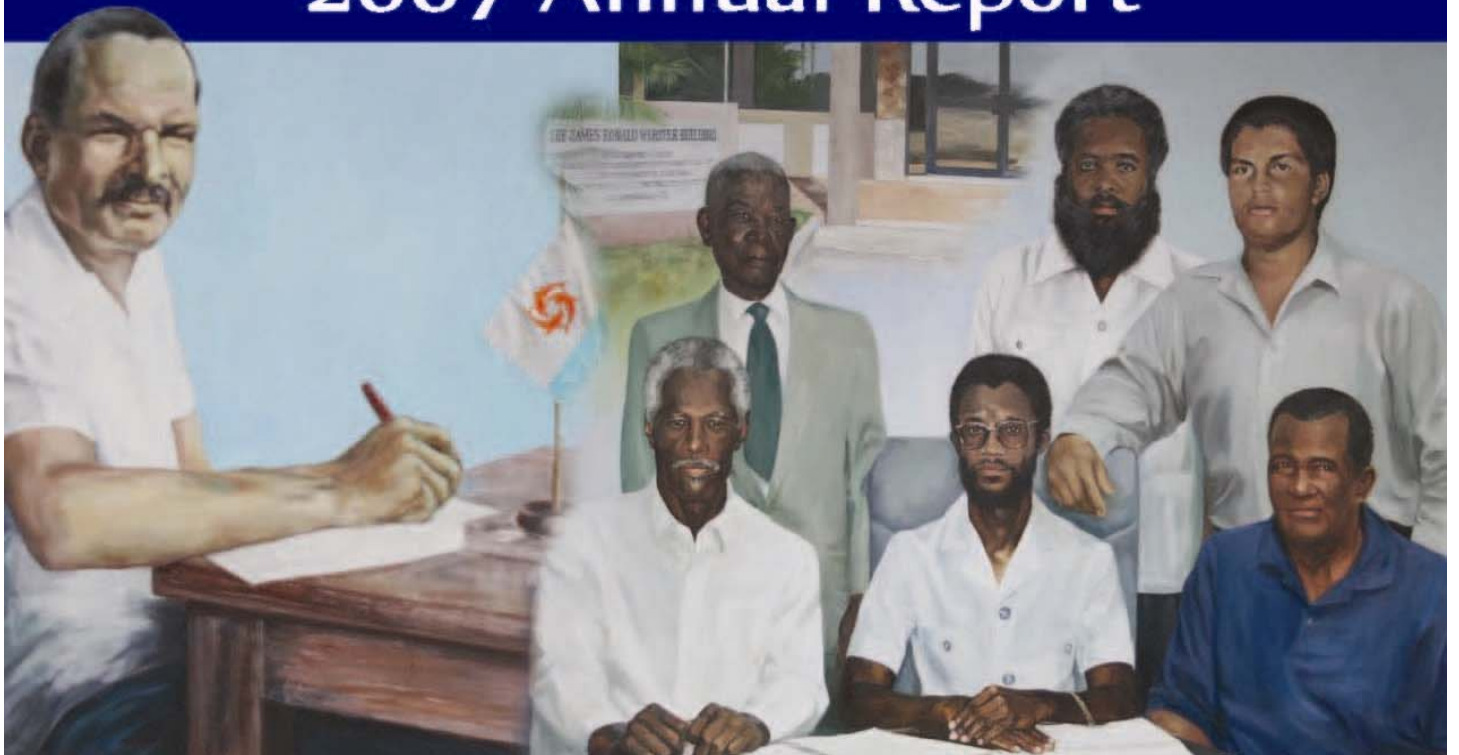
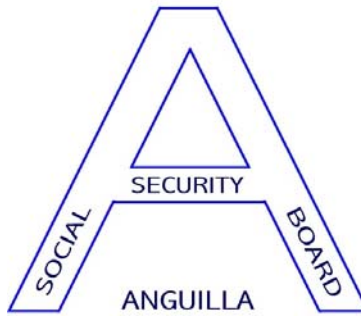


ANGUILLA SOCIAL SECURITY BOARD



2007 Annual Report





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.

Revised 2006

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.

Revised 2006

CORE VALUES

Accountability

Customer-focus

Teamwork

Integrity

Visionary-leadership

Excellence

Improving the Quality of Life for All.

1982-2007: 25 Years of Achievement; A Lifetime Commitment

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PREFACE

2007 was a year of celebration of the Anguilla Social Security System's very significant milestone – its 25th Anniversary! The year 2007 was yet another phenomenal year for the System; one of continued success and record-breaking growth in investment income, general revenues and registrations. Such outstanding performance by the Social Security System was against the backdrop of a very buoyant economy and economic growth in all sectors.

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.

2007 PERFORMANCE HIGHLIGHTS

- Reserves stood at \$187.1M, an increase of 16.6% (\$26.6M) compared to \$160.5M in 2006.
- Annual registrations reached an all time high of 2,117, reflecting an increase of 44.1% over 2006 registrations of 1,469.
- Contribution Income totaled \$27.2M.
- Administrative Expenditure as a percentage of contribution income plus benefit expenditure decreased to 14.7%.
- Claims received totaled 3,080 and claims paid totaled 2,464.
- A total of \$6.4M was paid out in Benefit Expenditure.

2006 AT A GLANCE

- Annual registrations totaled 1,469, reflecting an all time high, record increase of 67.5%.
- Reserves stood at \$160.5M, an increase of 14.3% (\$20.1M) compared to 2005.
- Investment Income increased by 14.3% totaling \$8.9M over \$7.8M in 2005.
- Contribution Income totaled \$20.3M.
- Net Income stood at \$19.4M, an increase of 22.5% over 2005.
- Claims received during the year totaled 2,909, a mere decrease of 1.4% compared to 2005.
- Administrative Expenditure as a percentage of contribution income plus benefit expenditure decreased to 15.9%.

CHAIRMAN'S STATEMENT



It is indeed an honour for me as Chairman of the Board of the Anguilla Social Security Board (SSB) to contribute this Message for the Annual Report in respect of the 25th Anniversary of the Social Security System.

25 Years is an important milestone in the life of any organization, but especially one of such national importance as the SSB. As has been well documented, the idea of a social security system for Anguilla was not well received when it was proposed by Anguilla's Revolutionary Leader and former Chief Minister, Hon. James Ronald Webster. To Mr. Webster's credit he ignored all the dire predictions and warnings of the skeptics and ploughed ahead with the implementation of the social security system as he saw it as a critical and essential piece of social infrastructure to constructing the "New Anguilla" envisioned by the revolutionary song "We are out to build a new Anguilla". 25 Years later, with EC\$187 million in reserves and having had a direct impact on the lives of numerous Anguillians through the benefits that it provides and its funding of socially desirable projects, it can be said that the success of the Social Security Board has proven Mr. Webster to be truly deserving of that other title by which he is known – "Father of the Nation".

25 Years is an important milestone, because as much as it is important to celebrate the achievements of the past, it signals that with the passage of this time inevitably Anguilla has changed. Consequently the SSB has to evolve if it is to continue to keep its mandate of providing the first line of defense for the social security of all Anguillians. This is aptly captured in the celebratory theme – **"25 Years of Achievement; A Lifetime Commitment"**. The Social Security System is young in actuarial terms and consequently the demands placed on it to date have not been onerous. However, as more and more of that first generation of contributors to the system reach retirement age the demand for payouts will increase. Consequently, we as custodians of the system - the Minister with responsibility for Social Security, the Board, the Director and Staff - have to ensure that there are mechanisms in place for the system to meet those demands. The Minister for Social Security, the Honourable Mr. Victor Banks, has led the way in declaring that one such mechanism which is required 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. The Minister has charged the Social Security Board to make this a reality. The idea of a SSB Investment and Development Company is not likely to find favour with everyone. However, we take comfort in fact that while the idea of the Social Security System itself was far from universally accepted when it was conceived in the early 1980s, history has vindicated the decision to go ahead with its formation.

Much as an institution is about a mandate and a vision delivering on such objective statements fundamentally is about the people involved in its leadership, management and operation. The Anguilla Social Security Board has been blessed with fine leadership over its 25 years of existence in terms of the various Ministers of Social Security, and the persons who have served on the Board, ably assisted by the Director and Staff of the SSB. It is telling that most of the staff who have joined the SSB have remained with the organization, starting with Mr. Timothy Hodge its first employee and long-serving Director. It is true to say therefore that for the staff the SSB is “a lifetime commitment”.

On behalf of the new Board which took over the reins in July of 2006, I pledge that we will do our utmost to ensure that the SSB continues to be a center of excellence in Anguilla and the region. Transparency and accountability will be our watch words and we expect all Anguillians as stakeholders in the social security system to hold us to our word in this respect. And with God’s blessings and guidance it is our intention that for as long as we are asked to serve, we will be true to the trust and responsibility that has been accorded to us.

Dr Aidan A. Harrigan

MESSAGE FROM THE DIRECTOR OF SOCIAL SECURITY



2007 was not just a banner year for the Social Security System, it was also the year Anguilla celebrated its 40th birthday. That the System has an important role to play in “Building a New Anguilla” - as the revolutionary band of pioneers set out to do in 1967 - is undeniable. Mr. Victor Banks, Minister of Finance stated in his 2007 Budget Address: “The accumulation of reserve funds.....makes the Social Security Board the island’s largest institutional investor with a need to invest them strategically based on sound diversification principles until such time as they are required to pay benefits. The SSB 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.....Social Security is indeed one of those institutions which is providing the architecture of our future”.

I believe that there is much in the achievements of the Social Security System for us to celebrate. We truly have much to be thankful for, and so, recognizing that “Except the Lord build the house they labour in vain that build it” (Ps. 127:1), we began the year with a service at Bethel Methodist Church giving God thanks for His past blessings. The theme for the service, being the year’s first, was “Renewal of the Covenant”. It was also a fitting and timely theme for us as we began the next 25 years of service, for social security is a promise, a commitment between two parties, it is in fact a covenant. This is reflected in the Anniversary theme “**25 Years of Achievement; A Lifetime Commitment**”, so that while throughout 2007 we celebrated solid achievements, our celebration was tempered by the knowledge that ours is indeed a lifetime commitment: between workers and the Social Security System, and between generations.

The programme of 25th Anniversary Activities was unveiled on 15th January 2007, the birthday of that great dreamer Dr. Martin Luther King whose “I Have A Dream” speech has inspired and wrought so much and will continue to inspire throughout human existence. Every system, every development starts with an idea, a vision, a dream, and so it is appropriate that we recognize that visionary, former Chief Minister, Revolutionary Leader and Father of the Nation Mr. James Ronald Webster, whose vision is the reality that we now celebrate. The dream of life with dignity when one is unable to work because of the uncertainties one may face such as sickness or disability, or in one’s senior years after a lifetime of employment, or when the breadwinner in the family dies, is one that is common to mankind, but all across the world there are many for whom it remains just a dream. In Anguilla, we are fortunate that we have built on those dreams to create a strong, sustainable social security system which will have in reserves before the end of next year over \$200 million to deliver on its promise of economic security, social justice and dignity.

Among 25th Anniversary Activities held throughout the year were the following:

- A Youth Empowerment Solutions workshop, and the formation of Youth Crime Watch of Anguilla;

1982-2007: 25 Years of Achievement; A Lifetime Commitment

- A Good Governance Project led by Dr. Vanus James, University of the West Indies;
- The Annual Social Security Board Lecture Series;
- The hosting of a meeting of the American Commission on Organizational and Administrative Systems (CAOSA) with representatives of Social Security Systems from throughout the Caribbean and the Americas as well as of the International Social Security Association (ISSA);
- A 25th Anniversary Commemorative Magazine and Video;
- The first-time sponsorship of a Carnival Queen contestant, Miss Kafi Gumbs, who was crowned Miss Anguilla 2007-08;
- A Leadership Development Workshop for Management and Supervisory Staff and a Customer Service Workshop for Frontline Staff;
- The System's first public Governance and Accountability Forum; and
- The 3rd Biennial National Development Conference under the theme "Anguilla at 40, A Self-Evaluation: Conversations on a Blueprint for Tomorrow".

I express my sincere appreciation to all those who helped to make the celebration of our banner year so successful. I also thank all those who have helped in any way in the creation of Anguilla's strong and sustainable social security system, who have been part of this success story in whatever capacity – Pioneer, Legislator, Minister, Chairman, Board and Committee Member, Staff, Actuary, Auditor, Anguilla's Employees and Employers, Consultants, Media, Regional and International Colleagues, Partners, all.

I also extend appreciation to the successive Anguillian Governments for what they have done, and for what they haven't done regarding the System over its first 25 years. I say this in all seriousness, for to quote Derek Osborne "Perhaps the most influential but least visible contributor to the state of social security in the region is political intervention – both good and bad. In many respects, governments have hurt their schemes by being too involved with administration and investment matters. On the other hand, many have failed to make timely and appropriate increases to the wage ceilings and pensions in payment and to respond to recommendations made in successive actuarial reviews. By their actions, the ongoing social relevance and financial state of several schemes have been diminished....the misfortune of poor governance can be readily noted in many country comparisons of design and performance indicators..." Anguilla's Social Security System has been blessed by the absence of both negative political intervention and the inability or unwillingness to act on advice. It has also been blessed because Government has always met its obligations: whether in terms of contributions as employer, loan repayments as a borrower, rent as a tenant, or otherwise; and has never treated the Social Security Fund as an extension of the Treasury. Indeed the Government presently is not indebted in any way to the Fund. Our successive governments are therefore to be commended, and future governments warned that future generations of Anguillians will demand no less of them.

Finally, to the members of my Management Team and to all members of Staff, I thank you for helping to get to this landmark occasion. We have together built an excellent and a blessed institution over the years, with an enviable record of achievements, and we can be justly proud. We have heard the phrase "God bless Social Security" from grateful hearts so many times. May God continue to bless us all, and may God bless Anguilla!

Timothy A. Hodge

BOARD MEMBERSHIP

During 2007, the membership of the Board consisted of:

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

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

INVESTMENT COMMITTEE MEMBERSHIP

The Social Security Fund Investment Committee members during 2007 were:

Mr. Willis Hodge, Independent Member, Chairman
Mr. Sheldon Rogers, Independent Member
Dr. Aidan Harrigan, Chairman Social Security Board, Member
Mr. Carl Harrigan, Director of Finance, Member
Mr. Timothy Hodge, Director of Social Security, Member

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

ECONOMIC ENVIRONMENT

The Social Security System's performance is closely linked to the overall economic performance of the island. Accordingly, an overview of the economic environment in which the System operated during 2005 is presented below. The information was extracted from the country report for Anguilla in the Eastern Caribbean Central Bank's Annual Economic and Financial Review for the Financial Year ended 31st March 2008. Anguilla is a member territory of the Eastern Caribbean Central Bank.

The economy of Anguilla experienced another year of double digit growth, 11.9% in 2007 following an increase of 15.0% in 2006. Growth was broad based, fuelled by activity in tourism and construction. Consumer prices rose by 1.9% during 2007, on an end of period basis. The fiscal operations of the central government resulted in an overall deficit, in contrast to a surplus in 2006. Total outstanding debt of the public sector rose during 2007. Monetary liabilities increased influenced by growth in domestic credit. Commercial bank liquidity remained high despite a decline in the level. The spread between the commercial banks' weighted average interest rate on

loans and deposits narrowed. In the external sector, an increase in the overall surplus was recorded, reflecting larger inflows on the capital and financial account.

The economy is projected to expand in 2008, largely based on buoyant activity in the construction sector and expected developments in the tourism industry. A current account surplus is projected on the central government's fiscal accounts, based on strong growth in revenue relative to the increase in expenditure. The projections are contingent on strong external demand for Anguilla's tourism product and favourable weather. A slowdown in the US economy and rising prices of international oil and other commodities could dampen the expansion in the economic activity.

HUMAN RESOURCES

Social Security plays an important role in nation building through its policy of assisting employees to finance their academic and professional education, and providing them with appropriate training. Employees are also motivated to contribute fully to our endeavor to fully exemplify our core values.

To this end, a series of meetings with staff was conducted during the year to provide our employees with the necessary tools and exposure that are key to excel in today's globalized and decentralized environment.

In 2007 employees were provided with financial assistance for the pursuit of formal academic education and professional qualification in a wide range of disciplines including Masters, Bachelors and Association of Certified Chartered Accounts (ACCA). Others completed certificate/diploma courses from institutions such as Centre for Management Development of the University of the West Indies.

Employees also received technical and operational training through participation in seminars and conferences held locally, regionally and internationally covering such diverse topics as: Transformational Coaching, Health & Safety, Savings & Investment, and Compliance Procedures & Processes.

Going forward, the institution will strive for growth through continued emphasis on effective corporate governance principles, internal controls, risk management and international standards. Social Security Board has a clear strategic vision and is focused on innovation through additional investments in information technology and human capacity building.

The Board will utilize its competent staff to achieve its goal of being recognized as a premier financial institution offering top quality services, generating increased stakeholder value and leading the way by observing high standards for the financial services industry.

The staff complement in 2007 consisted of 25 employees.

Members of the Board and Staff attended and participated in the following during 2007:

Meetings/Seminars/Conferences/Workshops

IAPA & IALI Health & Safety Conference in Canada, held on 16th - 21st April 2007.

Regional Committee Meeting – Compliance Procedures & Processes in Barbados, held on 16th – 18th May 2007.

2-Day Transformational Coaching Workshop in Jamaica, held on 12th – 13th June 2007.

Anguilla Association of Office Professionals Seminar for Office Professionals, held on 28th June 2007.

Cavehill School of Business – Caribbean International Leadership Summit, held on 12th –13th November 2007.

STATISTICAL REVIEW

REGISTRATIONS

Employees

2007 was a record year for new employee registrations, with large numbers of immigrant workers being registered in the construction industry in building our tourism projects. Registrations of new employees increased significantly by 44.1% (648) totaling 2,117, compared to 1,469 in 2006; thus making new registrations in 2007 the highest in any year since the System's inception. Such growth in annual registrations brought the accumulated total of insured persons on register to 15,465 (which include active, inactive, residents, non-residents and deceased persons), an increase of 15.7% from 13,364 in 2006. Males continue to dominate, comprising 80.3% of new registrations and 59.8% of the cumulative total. The significant areas of growth occurred in the male age groups 20 – 49 years, which accounted for 69.5% of the growth. However, in the age group 15 – 19 years female registrations surpassed that of males 104 to 87 in 2007.

Chart 1

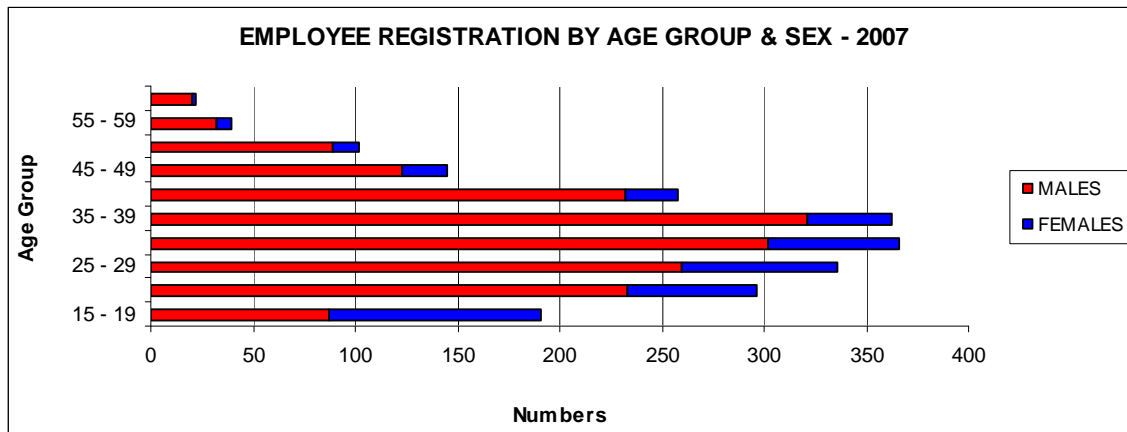
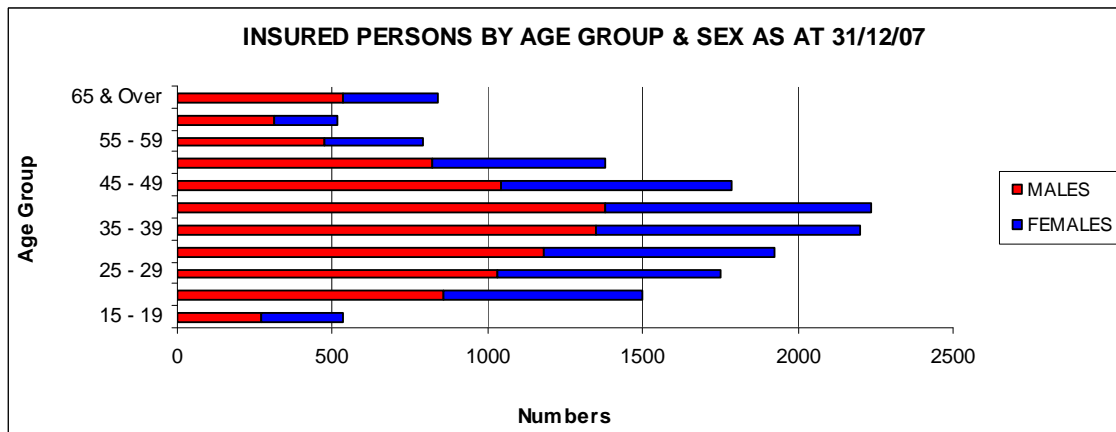


Chart 2



Employers

Like employee registrations, 2007 was also a record year for employer registrations. 213 new employer registrations were received making it the most significant number of registrations in any year. This represented an increase of 51.1% over 141 in 2006. As a result of such growth in new registrations, the cumulative total on register stood at 2,624 during the period under review. The three top industries dominating employer registrations are Personal & Household Services accounting for 59 (27.7%), closely followed by the Construction with 54 (25.4%) and Retail Trade with 20 (9.4%) of new registrations in 2007.

The Self-Employed

New self-employed registrations totaled 59 in 2007, an increase of 11.3% when compared to 53, in 2006. Although coverage of this category of workers continues to be a challenge for the Social Security Board, the annual registrations continue to increase year after year. At year-end 2007 the cumulative number of self-employed on register totaled 231 persons.

BENEFITS

The trend over the past five years shows that the Anguilla Social Security Board continues to pay out higher amounts in benefit expenditure, year after year. This is clearly an indication that the Institution is meeting its obligations to its contributors in providing benefits promised.

Total Benefit Expenditure for 2007 was \$6.4M. The main components of the Long-term benefit branch, Age, Invalidity and Survivors Pensions, accounted for 56.5% (\$3.6M) of total benefit expenditure in 2007. The Non-Contributory Old Age Pension accounted for 5.3% (\$336,592). The number of long-term benefit recipients increased by 3.6% to 513 from 495 in 2006.

Other benefit components also recorded significant increases. In the Short-term benefit branch, the value of sickness benefit claims continues to increase. In 2007, a total of 2,684 sickness claims was received, of that number, 2,079 (including claims from previous years) were paid valuing \$1.6M. Over the past five years a total of \$6.1M was paid out in sickness benefit.

In 2007, 290 maternity allowances and grants claims were received of which 284 were paid totaling \$719,797. 36 funeral grant claims were received of which 32 were paid, the value of which totaled \$99,000.

A comparative analysis of the past five years showed that a total of \$25.5M was paid in benefits, of which \$15.8M out to recipients of Long-term benefits and \$9.7M paid out in Short-term benefits.

The Board continues to assess its service delivery with a view to ensuring the accuracy and timeliness of benefit payments.

Chart 3

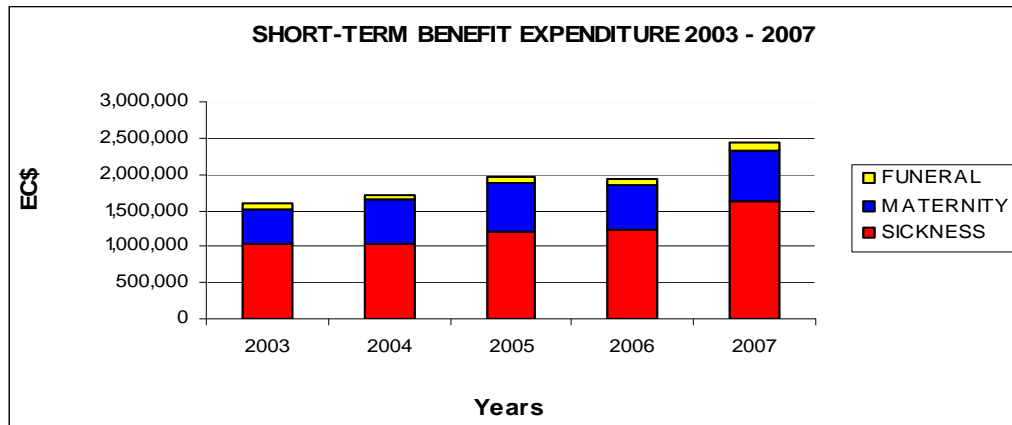
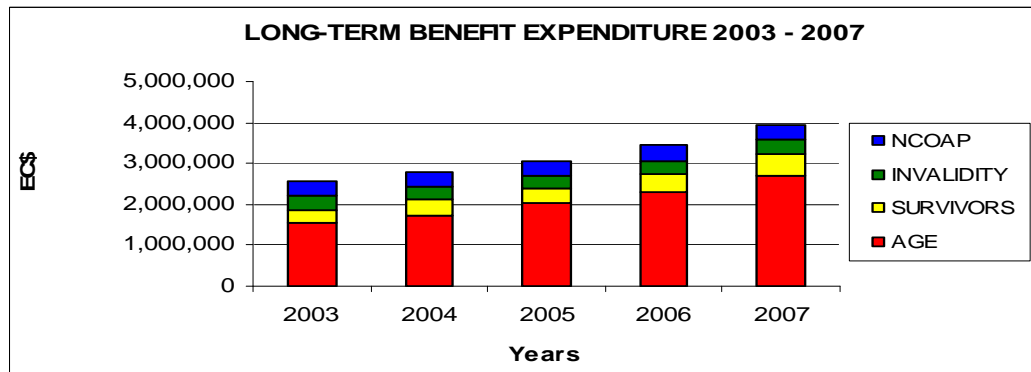


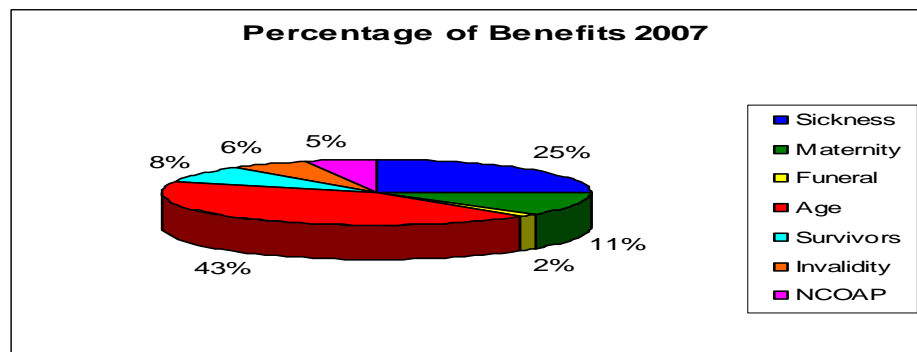
Chart 4



PENSIONS IN PAYMENT

There was a total of 513 pensioners on record as at 31st December 2007, including 265 in receipt of Age Pension, 39 in receipt of Invalidity Benefit, 118 in receipt of Non-Contributory Old Age Pension and 91 persons in receipt of Survivor’s Pension. All long-term benefits are payable for the remainder of the lives of the beneficiaries, with the exception of payments to dependent children, which are payable until age 15 or 18 if the beneficiaries are still in school.

Chart 5



FINANCIAL OPERATIONS

CONTRIBUTION INCOME

Contribution income in 2007 totaled \$27.2M a significant increase of \$6.4M (33.9%) compared to \$20.3M in 2006, and accounted for 70.6% of total income. Self-employed contributions increased significantly by 33.5% (\$57,347) to \$228,596 from \$171,249 in 2006, and accounted for 0.8% of total contribution income. There were no voluntary contributions made during 2007.

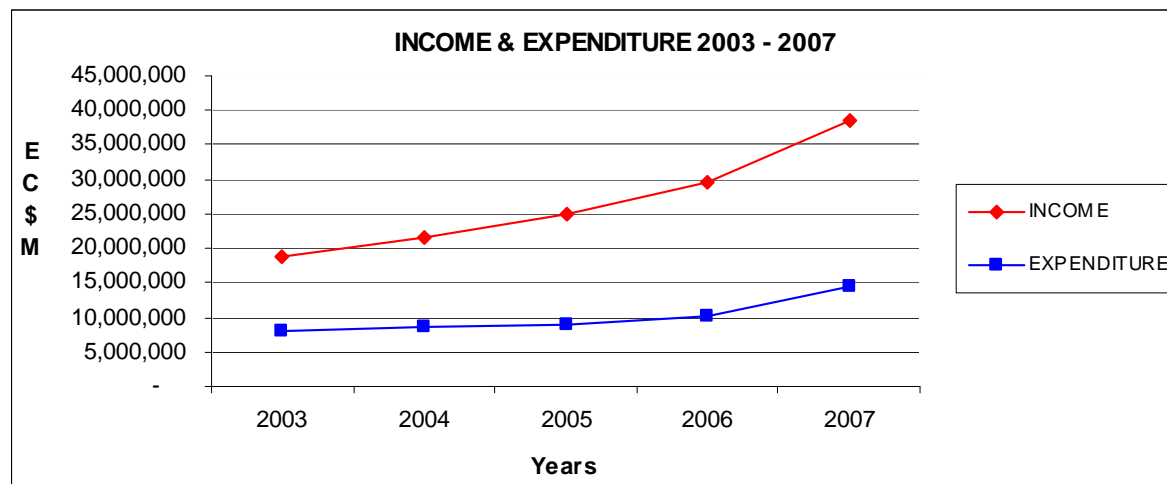
INVESTMENT INCOME

The prevailing financial climate in 2007 remained favourable, thus enabling the outstanding financial performance of the Anguilla Social Security Board, very much reflective of the strength of the economy that existed over the course of 2007.

In 2007, investment income increased by 20.3% (\$1.8M) totaling \$10.7M compared to \$8.9M in 2006. Net rental income from commercial units totaled \$154,002 a significant increase of \$44,926 (41.2%) when compared to \$109,076 in 2006. A net gain of \$2.3M on overseas investments (US & International) was realized, a 31.6% increase from \$1.8M in 2006.

The overall nominal rate of return of the Fund in 2007 increased marginally to 6.56% from 6.34% in 2006.

Chart 6

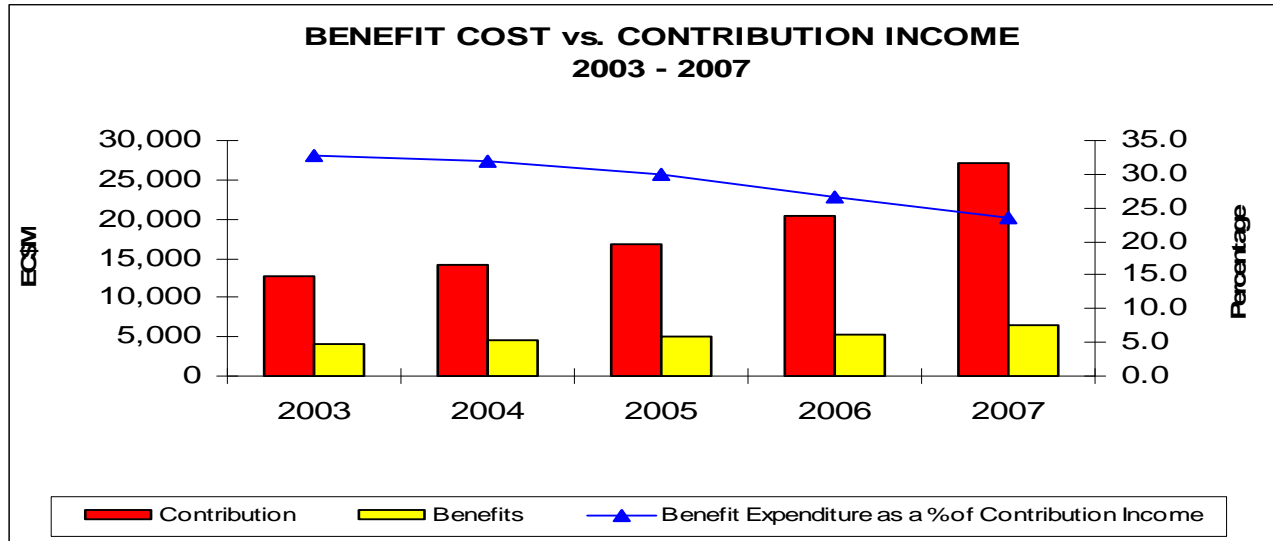


During the year under review, total income grew significantly by \$9.0M (30.6%) to \$38.5M from \$29.5M in 2006. Total expenditure for the same period increased significantly by \$4.6M (45.5%) to \$14.6M from \$10.1M the previous year. In 2007, net income totaled \$23.8M reflecting growth of \$4.4M (22.9%) when compared to \$19.4M in 2006.

BENEFIT EXPENDITURE

Total Benefit Expenditure increased by 18.8% in 2007 to \$6.4M compared to \$5.4M in 2006, continuing to show a steady upward trend. Of the total benefits paid, expenditure of the Short-term Branch increased by 26.2% to \$2.4M compared to \$1.9M in 2006. Expenditure in the Long-term Branch totaled \$3.9M, an increase of 14.7% from \$3.4M the previous year.

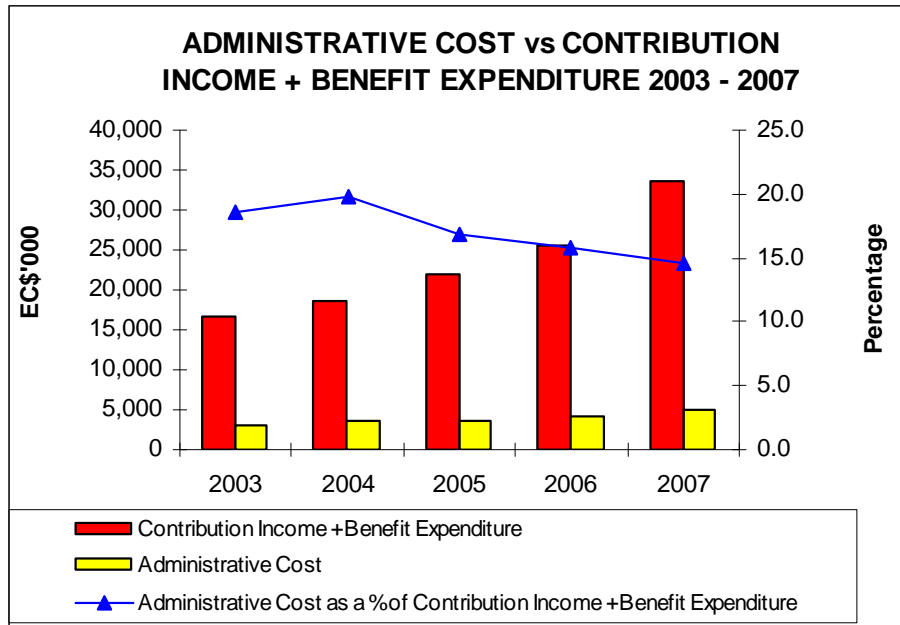
Chart 7



ADMINISTRATIVE EXPENDITURE

In 2007, Administrative Expenditure totaled \$5.0M an increase of 20.9% (\$819,701) when compared to \$4.2M in 2006, and was equivalent to 12.8% of total income as compared with 13.8% in the previous year. As a percentage of contribution income plus benefit expenditure, administrative expenditure continued its downward trend (for the third consecutive year) and was equivalent to 14.7%, down from 15.9% in 2006. This continued decline of administrative expenditure as a percentage of contribution income plus benefit expenditure is a reflection of the Board's constant vigilance to ensure cost effectiveness.

Chart 8



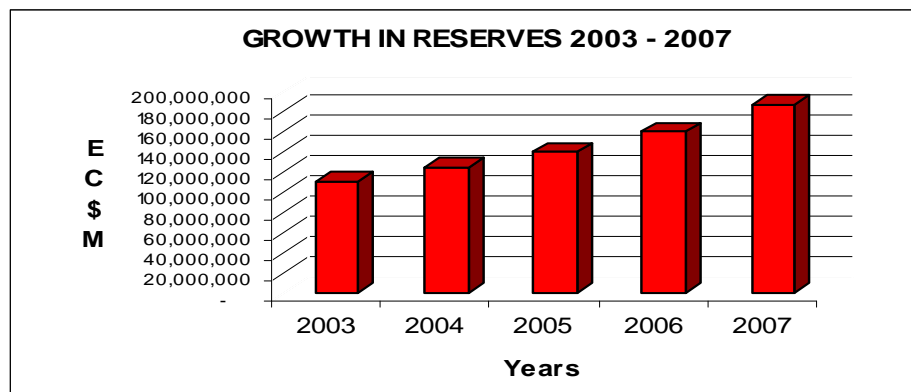
GROWTH IN RESERVES

At year-end 2007, Total Reserves continued its upward trend of significant growth and stood at \$187.1M, reflecting an increase of 16.6% (\$26.6M) when compared to \$160.5M in 2006. This was as a result of strong economic growth, resulting in continued increase in contributions and favourable returns on invested capital.

Reserves of the Short-term Benefits Branch recorded a significant increase for the second consecutive year, increasing by 30.5% (\$1,001,451), after four consecutive years of marginal declines. Likewise, reserves of the Long-term Benefits Branch continued its upward trend of steady growth, registering an increase of 14.4% (\$22.3M), from \$154.2M in 2006 to \$176.4M during the period under review. The Contingencies Reserve increased to \$1.8M from 1.4M in 2007. The Social Security Development Fund increased to \$1.87M including the Permanent Endowment Reserve which increased to \$1.0M from \$0.75M in 2006.

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.

Chart 9



SOCIAL SECURITY DEVELOPMENT FUND (SSDF)

The drive to improve the quality of life for all includes supporting community developmental programmes, activities and initiatives in the fields of education, health, sports and culture. In addition to minor sponsorships, contributions and donations as recurrent expenditure, the Board supports projects from the Social Security Development Fund (SSDF). The SSDF was established in 1986 for the purpose of funding such social projects as the Board may select, subject to the prior approval of the Minister responsible for Social Security. It is funded by 3.75% of contribution income and a percentage of investment income based on the balance in the Development Fund at the end of the preceding year. In 2007 a total of \$521,261 was spent on projects.

Table 1
Social Security Development Fund (SSDF) Projects 2007

PROJECT NAME	EXPENDITURE EC\$
Health Authority of Anguilla	141,189
Tranquility Jazz Festival	134,410
Governance (James Ronald Webster) Research Project	116,627
National HIV/AIDS Programme/Anguilla AIDS Foundation	25,000
Education Development Plan	20,905
Anguilla Boat Racing	15,860
Sports Project	10,753
Camp Be Aware (Environmental Camp)	8,065
ALHCS Jump Rope Clut	8,065
Anguilla Scouts Association	8,065
Youth Crime Watch	7,389
Anguilla Football Association	6,801
Anguilla Amateur Athletic Association	5,645
Reading Recovery Programme	4,267
H.M. Prison	4,032
The Optimist Club of Anguilla	4,188
TOTAL	521,261

STATISTICAL DIGEST

Table 2
Annual Registration of Employees by Sex - 2007

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	87	4.1	104	4.9	191	9.0
20 - 24	233	11.0	63	3.0	296	14.0
25 - 29	260	12.3	76	3.6	336	15.9
30 - 34	302	14.3	64	3.0	366	17.3
35 - 39	321	15.2	41	1.9	362	17.1
40 - 44	232	11.0	26	1.2	258	12.2
45 - 49	123	5.8	22	1.0	145	6.8
50 - 54	89	4.2	13	0.6	102	4.8
55 - 59	32	1.5	7	0.3	39	1.8
60 - 64	20	0.9	2	0.1	22	1.0
TOTALS	1,699	80.3	418	19.7	2,117	100.0

Table 3
Tabulation of All Insured Persons by Sex as at 31st December 2007

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	272	1.8	259	1.7	531	3.4
20 - 24	858	5.5	642	4.2	1,500	9.7
25 - 29	1,029	6.7	724	4.7	1,753	11.3
30 - 34	1,183	7.6	743	4.8	1,926	12.5
35 - 39	1,346	8.7	856	5.5	2,202	14.2
40 - 44	1,380	8.9	859	5.6	2,239	14.5
45 - 49	1,041	6.7	746	4.8	1,787	11.6
50 - 54	822	5.3	556	3.6	1,378	8.9
55 - 59	471	3.0	323	2.1	794	5.1
60 - 64	313	2.0	204	1.3	517	3.3
65 & Over	536	3.5	302	2.0	838	5.4
TOTALS	9,251	59.8	6,214	40.2	15,465	100.0

Table 4
Registration of Employees by Gender 2003 - 2007

YEAR	MALE	%	FEMALE	%	TOTAL AT YEAR-END	TOTAL ON REGISTER*	TOTAL** ACTIVE
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
2007	1,699	80.3	418	19.7	2,117	15,465	9,030

*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 - 2007

ILO CODE	INDUSTRY	No.	%
11	Agriculture	2	0.9
13	Fishing	2	0.9
31	Manufacturing of Food, Beverage & Tobacco	1	0.5
33	Mfg of Wood & Wood Products incl. Furniture	3	1.4
34	Manufacturing of Paper Products, Print/Publication	1	0.5
41	Electricity, Gas & Steam	4	1.9
50	Construction	54	25.4
61	Wholesale Trade	2	0.9
62	Retail Trade	20	9.4
63	Hotels & Guest Houses	12	5.6
64	Restaurant & Bars	17	8.0
71	Transport & Storage	11	5.2
72	Communication	2	0.9
81	Financial Institutions	1	0.5
83	Real Estate & Business Services	7	3.3
91	Public Administration & Defense	1	0.5
92	Sanitary & Similar Services	1	0.5
93	Social & Related Community Services	5	2.3
94	Recreational & Cultural Services	1	0.5
95	Personal & Household Services	59	27.7
Uncoded	Other	7	3.3
TOTAL		213	100.0

Table 6
Registration of Employers 2003 – 2007

YEAR	NEWLY REGISTERED EMPLOYERS	EMPLOYERS REGISTERED AT YEAR-END	ACTIVE EMPLOYERS AT YEAR-END
2003	79	1,865	614
2004	106	2,054	667
2005	132	2,229	747
2006	141	2,411	840
2007	213	2,609	1,016

Table 7
New Self-Employed Registrations by Industry - 2007

ILO CODE	INDUSTRY	No.	%
31	Manufacture of Food, Beverage & Tobacco	1	1.7
33	Manufacture of wood and Wood Products Including Furniture	1	1.7
50	Construction	14	23.7
62	Retail Trade	5	8.5
63	Hotel & Guest Houses	1	1.7
64	Restaurant & Bars	5	8.5
71	Transport & Storage	7	11.9
93	Social & Related Community Services	1	1.7
95	Personal & Household Services	18	30.5
Uncoded	Other	6	10.2
TOTAL		59	100.0

Table 8
Claims Received - 2007

TYPE	# RECEIVED	# PAID	# DENIED	# PENDING AT 31/12/07
SICKNESS BENEFIT	2684	1990	434	260
MATERNITY BENEFIT	137	116	5	16
MATERNITY GRANT	153	116	0	37
FUNERAL	36	32	0	4
AGE PENSION	23	20	0	3
AGE GRANT	9	6	1	2
SURVIVORS PENSION	21	14	0	7
SURVIVORS GRANT	1	0	0	1
INVALIDITY PENSION	9	5	1	3
INVALIDITY GRANT	0	0	0	0
NCOAP*	7	0	0	7
TOTALS	3,080	2,299	441	340

*Non-Contributory Old Age Pension

Table 9
Claims Brought Forward from Years Prior to 2007

TYPE	CLAIMS B/F	ALLOWED OR PAID	DISALLOWED
SICKNESS	129	89	40
MATERNITY	21	21	0
MATERNITY GRANT	32	31	1
FUNERAL	0	0	0
AGE PENSION	7	7	0
AGE GRANT	1	1	0
SURVIVORS PENSION	3	3	0
SURVIVORS GRANT	6	6	0
INVALIDITY PENSION	2	2	0
INVALIDITY GRANT	0	0	0
NCOAP*	6	5	1
TOTALS	207	165	42

*Non-Contributory Old Age Pension

Table 10
Benefit Claims Paid by Type - 2007
(Including Claims from Previous Years)

TYPE	CLAIMS	ALLOWED OR PAID	DISALLOWED	PENDING AT 31/12/07
SICKNESS	2813	2079	474	260
MATERNITY	158	137	5	16
MATERNITY GRANT	185	147	1	37
FUNERAL	36	32	0	4
AGE PENSION	30	27	0	3
AGE GRANT	10	7	1	2
SURVIVORS PENSION	24	17	0	7
SURVIVORS GRANT	7	6	0	1
INVALIDITY PENSION	11	7	1	3
INVALIDITY GRANT	0	0	0	0
NCOAP*	13	5	1	7
TOTALS	3287	2464	483	340

*Non-Contributory Old Age Pension

Table 11
Benefit Claims Received By Type 2003 - 2007

BENEFIT TYPE	2003	2004	2005	2006	2007
SICKNESS	2,205	2,071	2,573	2,498	2,684
MATERNITY BENEFIT	112	132	129	153	137
MATERNITY GRANTS	127	128	149	160	153
FUNERAL	25	27	27	30	36
TOTAL SHORT-TERM	2,469	2,358	2,878	2,841	3,010
AGE PENSION	23	29	29	30	23
AGE GRANT	10	6	3	7	9
SURVIVORS PENSION	14	8	20	9	21
SURVIVORS GRANT	2		2	11	1
INVALIDITY PENSION	11	6	5	7	9
INVALIDITY GRANT	1		1	0	0
NCOAP*	34	20	12	4	7
TOTAL LONG-TERM	95	69	72	68	70
TOTAL CLAIMS RECEIVED	2,564	2,427	2,950	2,909	3,080
% CHANGE	0	-5.3	21.5	-1.4	5.9

*Non-Contributory Old Age Pension

Table 12
Benefit Claims Paid by Type 2003 – 2007

BENEFIT TYPE	2003	2004	2005	2006	2007
SICKNESS	1,966	1,759	2,064	1,828	2,079
MATERNITY BENEFIT	106	132	127	132	137
MATERNITY GRANTS	129	144	151	134	147
FUNERAL	25	26	29	30	32
TOTAL SHORT-TERM	2,226	2,061	2,371	2,124	2,395
AGE PENSION	22	29	30	28	27
AGE GRANT	9	7	5	6	7
SURVIVORS PENSION	13	11	11	13	17
SURVIVORS GRANT	2		1	11	6
INVALIDITY PENSION	9	6	5	5	7
INVALIDITY GRANT	1		1	1	0
NCOAP*	37	17	3	7	5
TOTAL LONG-TERM	93	70	56	71	69
TOTAL CLAIMS PAID	2,319	2,131	2,427	2,195	2,464
% CHANGE	2.3	-8.1	13.9	-9.6	12.3

Each year include claims brought forward from the previous year

*Non-Contributory Old Age Pension

Table 13
Benefit Expenditure by Type 2003 – 2007

BENEFIT TYPE	2003	2004	2005	2006	2007
SICKNESS	1,025,785	1,048,620	1,219,242	1,222,260	1,619,161
MATERNITY	492,925	592,970	654,846	620,148	719,797
FUNERAL	71,700	78,000	87,000	90,000	99,000
TOTAL SHORT-TERM	1,590,410	1,719,590	1,961,088	1,932,408	2,437,958
AGE	1,569,121	1,740,991	2,041,537	2,319,079	2,707,629
SURVIVORS	296,570	367,277	350,869	412,000	515,460
INVALIDITY	345,831	329,130	310,693	325,411	381,497
NCOAP*	355,125	364,206	368,399	379,923	336,592
TOTAL LONG-TERM	2,566,647	2,801,604	3,071,498	3,436,413	3,941,178
TOTAL BENEFIT EXPENSE	4,157,057	4,521,194	5,032,586	5,368,821	6,379,136
% CHANGE	15.7	8.8	11.3	6.7	18.8

*Non-Contributory Old Age Pension

Table 14
Consolidated Income & Expenditure Account
Five-Year Comparative Analysis 2003 – 2007

	2003	2004	2005	2006	2007
INCOME					
CONTRIBUTION	12,628,125	14,114,120	16,845,392	20,284,267	27,160,458
INVESTMENT	6,100,793	7,310,359	7,762,156	8,871,564	10,679,018
OTHER (FINES & MISC.)	84,971	169,136	140,346	184,458	461,834
OTHER (NET RENT)	112,387	118,495	121,486	109,076	154,002
TOTAL	18,926,276	21,712,110	24,869,380	29,449,365	38,455,312
EXPENDITURE					
ADMINISTRATIVE	3,119,162	3,598,768	3,585,093	4,066,255	4,914,322
BENEFITS	4,157,058	4,521,194	5,032,585	5,368,821	6,379,136
SSDF*	771,218	401,408	315,566	511,838	521,261
OTHER	89,083	88,318	108,094	110,121	81,755
TOTAL	8,136,521	8,609,688	9,041,338	10,057,035	11,896,474
NET YEARLY INCOME	10,789,755	13,102,422	15,828,042	19,392,330	26,558,838
% CHANGE	92.6	21.4	20.8	22.5	37.0
RESERVES	110,606,016	124,832,507	140,465,774	160,520,209	187,087,800
FUND RATIO	13.6	14.5	15.5	16.0	15.7

* Social Security Development Fund

Anguilla Social Security Board
Financial Statements
31 December 2007

ANGUILLA SOCIAL SECURITY BOARD

Balance Sheet

As at 31 December 2007

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

	Notes	2007	2006
Assets			
Cash on hand and in bank	7	2,533,775	3,542,680
Financial assets	8	176,724,873	149,335,581
Other receivables	9	27,243	62,036
Prepayments	10	47,774	89,844
Stationery and computer supplies		62,341	27,977
Property, plant and equipment, net	11	5,402,779	5,607,874
Software costs, net	12	489,015	504,217
Contingency reserve investment	13	1,800,000	1,350,000
Total Assets		187,087,800	160,520,209
Liabilities, Reserves and Development Fund			
Liabilities			
Accounts payable and accrued expenses	14	96,610	164,442
Pension fund obligation	15	1,340,099	1,215,105
Total Liabilities		1,436,709	1,379,547
Reserves and Development Fund			
Short-term benefits branch reserve		4,085,994	3,084,543
Long-term benefits branch reserve		176,422,539	154,153,344
Social Security Development Fund		870,667	556,688
Social Security Development Fund reserve	16	1,000,000	750,000
Unrealised gain/(loss) on available-for-sale financial assets	8	1,746,552	(937,119)
Premises revaluation surplus	11	1,525,339	1,533,206
Total Reserves and Development Fund		185,651,091	159,140,662
Total Liabilities, Reserves and Development Fund		187,087,800	160,520,209

These financial statements were approved on behalf of the Board of Directors on 9 December 2008 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 31 December 2007

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

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Income			
Contributions	17	27,160,458	20,284,267
Investment income	18	10,679,018	8,871,564
Rental income, net	19	154,002	109,076
Fines and miscellaneous	20	<u>461,834</u>	<u>184,458</u>
		<u>38,455,312</u>	<u>29,449,365</u>
Expenses			
Benefits expenditures:	21		
Short-term		2,437,958	1,932,408
Long-term		<u>3,941,178</u>	<u>3,436,413</u>
		6,379,136	5,368,821
Social Security Development Fund	22	521,261	511,838
Administrative and other expenses	23	4,996,077	4,176,376
Impairment losses on investments	8	<u>2,732,080</u>	<u>-</u>
		<u>14,628,554</u>	<u>10,057,035</u>
Net income for the year		<u>23,826,758</u>	<u>19,392,330</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 31 December 2007

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

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Income			
Contributions	17	4,074,069	3,042,640
Investment income	18	208,241	165,011
Rental income, net	19	3,003	2,029
Fines and miscellaneous	20	<u>230,917</u>	<u>92,229</u>
		<u>4,516,230</u>	<u>3,301,909</u>
Expenses			
Benefits	21	2,437,958	1,932,408
Administrative and other expenses	23	1,024,725	867,905
Impairment losses on investments	8	<u>53,276</u>	<u>-</u>
		<u>3,515,959</u>	<u>2,800,313</u>
Net income for the year		<u>1,000,271</u>	<u>501,596</u>
 Short-term branch benefits reserve			
Balances at beginning of the year		3,084,543	2,581,767
Depreciation transfer from premises revaluation surplus	11	1,180	1,180
Net income for the year		<u>1,000,271</u>	<u>501,596</u>
Balances at end of the year		<u>4,085,994</u>	<u>3,084,543</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 31 December 2007

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

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Income			
Contributions	17	22,067,872	16,480,967
Investment income	18	10,383,209	8,643,565
Rental income, net	19	149,736	106,273
Fines and miscellaneous		<u>230,917</u>	<u>92,229</u>
		<u>32,831,734</u>	<u>25,323,034</u>
Expenses			
Benefits	21	3,941,178	3,436,413
Administrative and other expenses	23	3,971,352	3,308,471
Impairment losses on investments	8	<u>2,656,401</u>	<u>-</u>
		<u>10,568,931</u>	<u>6,744,884</u>
Net income for the year		<u>22,262,803</u>	<u>18,578,150</u>
 Long-term branch benefits reserve			
Balances at beginning of the year		154,153,344	135,568,802
Depreciation transfer from premises revaluation surplus	11	6,392	6,392
Net income for the year		<u>22,262,803</u>	<u>18,578,150</u>
Balances at end of the year		<u>176,422,539</u>	<u>154,153,344</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 31 December 2007

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

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
Income			
Contributions	17	1,018,517	760,660
Investment income	18	87,568	62,988
Rental income, net	19	<u>1,263</u>	<u>774</u>
		<u>1,107,348</u>	<u>824,422</u>
Expenses			
Social projects funded	22	521,261	511,838
Impairment losses on investments	8	<u>22,403</u>	<u>-</u>
		<u>543,664</u>	<u>511,838</u>
Net income for the year		<u>563,684</u>	<u>312,584</u>
 Social Security Development Fund Reserve			
Balances at beginning of the year		556,688	493,809
Depreciation transfer from premises revaluation surplus	11	295	295
Net income for the year		563,684	312,584
Transfer to Development Fund Reserve	16	<u>(250,000)</u>	<u>(250,000)</u>
Balances at end of the year		<u>870,667</u>	<u>556,688</u>

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

ANGUILLA SOCIAL SECURITY BOARD

Statement of Cash Flows

For the Year Ended 31 December 2007

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

	Notes	<u>2007</u>	<u>2006</u>
Cash flows from operating activities			
Net income for the year		23,826,758	19,392,330
Adjustments for:			
Depreciation and amortisation	11, 12	398,528	418,264
Impairment losses on investments		2,732,080	-
Interest income	18	(7,581,038)	(6,774,900)
Dividend income	18	(780,231)	(335,187)
Net realised gains from available-for-sale financial assets	18	<u>(2,317,749)</u>	<u>(1,761,477)</u>
Operating income before working capital changes		16,278,348	10,939,030
Changes in operating assets and liabilities:			
Other receivables	9	34,793	(31,897)
Prepayments	10	42,070	(38,671)
Stationery and computer supplies		(34,364)	(4,430)
Accounts payable and accrued expenses	14	(67,832)	76,608
Pension fund obligation	15	<u>124,994</u>	<u>(15,183)</u>
Net cash provided by operating activities		<u>16,378,009</u>	<u>10,925,457</u>
Cash flows from investing activities			
Interest received		7,126,779	6,253,445
Dividends received		431,562	114,975
Acquisitions of investments in:			
Held-to-maturity financial assets	8	(20,517,777)	(13,895,779)
Available-for-sale financial assets	8	(4,075,280)	(2,150,560)
Decrease in loans and receivables		276,033	177,080
Increase in contingency reserve		(450,000)	-
Acquisitions of:			
Property, plant and equipment	11	(83,829)	(204,631)
Software	12	<u>(94,402)</u>	<u>(263,110)</u>
Net cash used in investing activities		<u>(17,386,914)</u>	<u>(9,968,580)</u>
Net (decrease)/increase in cash on hand and in bank		(1,008,905)	956,877
Cash on hand and in bank at beginning of year		<u>3,542,680</u>	<u>2,585,803</u>
Cash on hand and in bank at end of year		<u>2,533,775</u>	<u>3,542,680</u>

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

[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 Board's registered office address is James Ronald Webster Building, The Valley, Anguilla, B.W.I.

2. 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 provisions of Social Security (Financial and Accounting) Regulations R.R.A.S45-4 are also in force in the preparation of financial statements.

The financial statements of the Board were authorised for issue by the Board of Directors on 9 December 2008.

(b) Basis of measurement

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 and presentation currency. Except as indicated, financial information presented in EC Dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

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

31 December 2007

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

2. Basis of preparation (continued)

(e) Actuarial review

The eighth actuarial review of the Social Security Fund was conducted in 2008 by Mr. Hernando Perez Montas. This covers the three-year period 1 January 2005 to 31 December 2007. The report assessed the Fund as being actuarially sound. The next actuarial review is scheduled in 2011 covering the period January 2008 to December 2010.

3. Significant accounting policies

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

(a) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise of investments in debt and equity securities and cash on hand and in bank.

Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Held-to-maturity financial assets

If the Board has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

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

Cash on hand and in bank

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

Other

Other non-derivative financial instruments are measured at cost less any impairment losses.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

3. Significant accounting policies (continued)

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal within the carrying amount of property, plant and equipment and are recognized net within other income in the statement of income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Board and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of income as incurred.

(iii) Depreciation

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
Vehicles	5 years
Generator	5 years

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

3. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(iv) 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.

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 the 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

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

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

(d) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

3. Significant accounting policies (continued)

(d) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively by groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(ii) Non-financial assets

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 translated to EC Dollars at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into EC Dollars at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on conversion and translation are recognised in the statement of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to EC Dollars at the foreign exchange rates ruling at the date of the acquisition.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

3. Significant accounting policies (continued)

(f) Employee benefits

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

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Board's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. Any unrecognized past service costs and the fair value of plan assets are deducted. The calculation is performed every three years by a qualified actuary using the projected unit cost method.

Past service by employees is recognised as an expense in the statement of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of income.

(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 and its related losses and 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 2007 and 2006 allocations are as follows:

(i)	Short-term Benefits Branch	1.95% (2006: 1.86%)
(ii)	Long-term Benefits Branch	97.23% (2006: 97.43%)
(iii)	Social Security Development Fund	0.82% (2006: 0.71%)

Other income is distributed equally between the two benefit branches.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

3. Significant accounting policies (continued)

(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-contributory old age pension.

Administrative expenses are distributed among the benefit branches in proportion to the sum of the contribution income and benefit expenditure of each branch as compared to these amounts for the Fund as a whole, as per Section 19(2) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45). In 2007 and 2006, the allocations are as follows:

- | | |
|--------------------------------|-----------------------|
| (i) Short-term Benefits Branch | 20.02% (2006: 19.99%) |
| (ii) Long-term Benefits Branch | 79.98% (2006: 80.01%) |

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

(j) Investment income

Investment income comprises interest income on funds invested (including available-for-sale financial assets, held-to-maturity financial assets, loans and receivables and deposits to banks), dividend income and gains on disposal of available-for-sale financial assets. Interest income is recognized in the statement of income as it accrues using the effective interest method. Dividend income is recognized in the statement of income on the date that the Board's right to receive payment is established.

(k) Taxation

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

(l) Provision

A provision is recognised if, as a result of a past event, the Board has a present legal or constructive obligation that can be estimated reliably, and is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

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

3. Significant accounting policies (continued)

(l) Provision (continued)

A provision for restructuring is recognised when the Board has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Board from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Board recognises any impairment loss on the assets associated with that contract.

(m) Related parties

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

(n) Events after balance sheet date

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

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, or are not applicable to the Board and have not yet been applied in preparing these financial statements:

	<u>Accounting standards</u>	<u>Effective date</u>
IFRS 8	<i>Operating Segments</i>	1 January 2009
IFRIC 12	<i>Service Concession Arrangements</i>	1 January 2008
IFRIC 13	<i>Customer Loyalty Programmes</i>	1 July 2008
IFRIC 14	<i>IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction</i>	1 January 2008
IAS 23 (Revised)	<i>Borrowing Costs</i>	1 January 2009

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

3. Significant accounting policies (continued)

(o) New standards and interpretations not yet adopted (continued)

- IFRS 8 - *Operating Segments*, requires segment disclosure based on the components of the Board that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. Segments will be reportable based on threshold test related to revenues, results and assets. IFRS 8 will become mandatory for 2010 financial statements, and will require additional disclosures with respect to the Board's operating segments and is not expected to have any impact on the Board's financial statements.
- IFRIC 12 - *Service Concession Arrangements*, addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 will become mandatory for 2009 financial statements and is not expected to have any impact on the Board's financial statements.
- IFRIC 13 - *Customer Loyalty Programmes*, addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13 will become mandatory for the Board's 2009 financial statements, with retrospective application required. It is not expected to have any impact on the Board's financial statements.
- IFRIC 14 - *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides a limit on the measurement of a defined benefit asset to the "present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan" plus unrecognised gains and losses (the "asset ceiling"). IFRIC 14 will become mandatory for the Board's 2009 financial statements.
- IAS 23 (Revised) - *Borrowing Costs*, removes the option of immediately recognising all borrowing costs as an expense, which was the benchmark treatment in the previous standard. The revised standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. IAS 23 (Revised) will become mandatory for the Board's 2009 financial statements.

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

4. **Financial risk management** **Overview**

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

- credit risk
- market risk
- liquidity risk

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

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

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

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

Credit risk

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

At the balance sheet date, the Board's credit exposure from financial instruments held is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet.

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

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

4. Financial risk management (continued)

Market risk

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

All available-for-sale financial assets are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous.

The Board has an investment policy in place and the exposure to market risk is monitored on an ongoing basis. Investment evaluations are performed on all investments. The Board of Directors has delegated responsibility for the management of investments to the Investment Committee. The following are the major policies adopted by the Investment Committee:

- Written permission from the Minister of Finance and concurrence from the Director of Finance to invest outside of Anguilla
- Setting of investment limits by the Minister of Finance •
Direction by the Board of Directors
- Regular reports of the Investment Committee to the Board of Directors

Liquidity risk

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

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

Capital management

Regulatory reserves

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

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

4. Financial risk management (continued)

Capital management (continued)

Regulatory reserves (continued)

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

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

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

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

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

5. Critical accounting estimates and judgements

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

(a) Allowance for impairment losses

Assets accounted for at amortised cost and available-for-sale are evaluated for impairment on a basis described in accounting policy (see note 3d).

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

(b) Pension benefits assumptions

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

ANGUILLA SOCIAL SECURITY BOARD

Notes to the Financial Statements

31 December 2007

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

5. Critical accounting estimates and judgements (continued)

(c) Impairment of non-financial assets

(d) Determination of fair values

(e) Financial asset and liability classification

Accounting policies 3(a), 3(d) and 3(f) contain information about the assumptions and their factors relating to financial asset and liability classification, impairment of assets and employee benefits.

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

6. Determination of fair values

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

(a) Property, plant and equipment

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

(b) Investment in equity and debt securities

The fair value of held-to-maturity financial assets and available-for-sale financial assets is determined by their reference to their quoted bid price at the reporting date. The fair value of held-to-maturity financial assets is determined for disclosure purposes only.

(c) Loans and receivables

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

7. Cash on hand and in bank

	<u>2007</u>	<u>2006</u>
Cash on hand	1,279,261	1,452,085
Cash in bank	<u>1,254,514</u>	<u>2,090,595</u>
	<u>2,533,775</u>	<u>3,542,680</u>

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Notes to the Financial Statements

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

8. Financial assets

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

	<u>2007</u>	<u>2006</u>
Held-to-maturity financial assets (see note 8.1)	133,589,454	113,071,677
Available-for-sale financial assets (see note 8.2)	36,216,186	29,871,566
Loans and receivables (see note 8.3)	<u>6,919,233</u>	<u>6,392,338</u>
	<u>176,724,873</u>	<u>149,335,581</u>

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

8.1 Held-to-maturity financial assets

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

	<u>Due within one year</u>	<u>Due over one year</u>	<u>2007</u>	<u>2006</u>
Fixed deposits				
NBA	27,909,641	25,637,857	53,547,498	44,514,078
CCB	26,806,862	28,397,915	55,204,777	50,341,857
British American Insurance Company	<u>-</u>	<u>10,635,462</u>	<u>10,635,462</u>	<u>10,635,462</u>
	<u>54,716,503</u>	<u>64,671,234</u>	<u>119,387,737</u>	<u>105,491,397</u>
Investments in bonds				
Eastern Caribbean Home Mortgage Bank (ECHMB)	-	2,500,000	2,500,000	2,000,000
Government of St. Kitts/Nevis	-	4,230,840	4,230,840	1,005,000
Government of St. Lucia	-	3,500,000	3,500,000	1,500,000
Government of Antigua and Barbuda	-	1,921,671	1,921,671	2,075,280
Government of St. Vincent and Grenadines	<u>-</u>	<u>2,049,206</u>	<u>2,049,206</u>	<u>1,000,000</u>
	<u>-</u>	<u>14,201,717</u>	<u>14,201,717</u>	<u>7,580,280</u>
	<u>54,716,503</u>	<u>78,872,951</u>	<u>133,589,454</u>	<u>113,071,677</u>

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

8.2 Available-for-sale financial assets

The Board's available-for-sale financial assets comprise of:

	<u>2007</u>	<u>2006</u>
Equity securities - International		
Smith Barney	22,934,426	19,629,996
Summit Brokerage Services, Inc. (SBSI)	2,922,833	1,908,199
Merrill Lynch	1,979,012	1,732,455
Anguilla European Masters Fund (AEMF)	<u>318,245</u>	<u>307,166</u>
	<u>28,154,516</u>	<u>23,577,816</u>

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8. Financial assets (continued)

8.2 Available-for-sale financial assets (continued)

	<u>2007</u>	<u>2006</u>
Equity securities - Local and Regional		
NBA	1,500,000	1,500,000
Anguilla Electricity Company Limited (ANGLEC)	4,587,750	4,587,750
Eastern Caribbean Financial Holding Company Limited (ECFHC)	4,500,000	-
ECHMB	81,000	81,000
Eastern Caribbean Securities Exchange Ltd.	<u>125,000</u>	<u>125,000</u>
	<u>10,793,750</u>	<u>6,293,750</u>
Total available-for-sale financial assets	38,948,266	29,871,566
Allowance for impairment losses on investments	<u>(2,732,080)</u>	<u>-</u>
	<u>36,216,186</u>	<u>29,871,566</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:

	<u>2007</u>	<u>2006</u>
Fair value of available-for-sale financial assets, beginning of year	29,871,566	25,358,849
Add: Movements during the year:		
Net realised gains (see note 18.1)	-	1,761,477
Additional investment in Smith Barney	-	1,344,100
Additional investment in ECFHC	3,000,000	-
Additional investment in SBSI	<u>1,075,280</u>	<u>806,460</u>
	33,946,846	29,270,886
Fair value of available-for-sale financial assets, end of year	<u>36,216,186</u>	<u>29,871,566</u>
Unrealised loss/(gain) for the year	<u>(2,269,340)</u>	<u>(600,680)</u>

	<u>2007</u>	<u>2006</u>
Unrealised loss on available-for-sale financial assets, beginning of year	937,119	1,537,799
Add: unrealised loss / (gain) for the year	48,409	(600,680)
Less: reversal of unrealized loss for impairment losses of investments	<u>(2,732,080)</u>	<u>-</u>
Unrealised loss on available-for-sale financial assets, end of year	<u>(1,746,552)</u>	<u>937,119</u>

8.3 Loans and receivables

	<u>2007</u>	<u>2006</u>
Loans		
Anguilla Development Board (ADB)	1,989,000	2,277,000
Staff	<u>203,054</u>	<u>191,087</u>
	<u>2,192,054</u>	<u>2,468,087</u>
Receivables		
Interest on fixed deposits	3,873,790	3,490,325
Interest on loans	19,945	22,832
Interest on bonds	264,563	190,882
Dividends on ANGLEC shares	<u>568,881</u>	<u>220,212</u>
	<u>4,727,179</u>	<u>3,924,251</u>
	<u>6,919,233</u>	<u>6,392,338</u>

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8. Financial assets (continued)

8.3 Loans and receivables (continued)

ADB loans represent drawdowns of EC\$1,620,000 and EC\$2,700,000 which were received on 1 September 1989 and 29 December 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 31 October 2009 and 31 January 2018, respectively.

The breakdown of the loans by contractual maturity dates follows:

	<u>2007</u>	<u>2006</u>
Due within one year	288,000	288,000
Due over one year	<u>1,701,000</u>	<u>1,989,000</u>
	<u>1,989,000</u>	<u>2,277,000</u>

8.3 Loans and receivables (continued)

Staff loans are composed of vehicle and computer loans. Vehicle loans are provided to field officers that are required to travel in the performance of their jobs. On the other hand, computer loans are bestowed to staff for the purchase of computers. Vehicle and computer loans carries an interest rate of 4% and 0% respectively

The breakdown of the loans follows:

	<u>2007</u>	<u>2006</u>
Vehicle loans	156,967	114,727
Computer loans	34,290	56,868
Others	<u>11,797</u>	<u>19,492</u>
	<u>203,054</u>	<u>191,087</u>

9. Other receivables

	<u>2007</u>	<u>2006</u>
Rent	11,736	52,551
Others	<u>15,507</u>	<u>9,485</u>
	<u>27,243</u>	<u>62,036</u>

10. Prepayments

	<u>2007</u>	<u>2006</u>
Insurance	47,774	40,240
Staff uniforms	-	24,671
Anniversary booklet	-	11,309
Others	<u>-</u>	<u>13,624</u>
	<u>47,774</u>	<u>89,844</u>

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11. Property, plant and equipment

	<u>Land</u>	<u>Building</u>	<u>Furnitures, fittings and equipment</u>	<u>Computer equipment</u>	<u>Vehicles</u>	<u>Generator</u>	<u>Total</u>
Cost and revaluation							
Balance, 1 January 2005	1,139,797	4,225,046	544,538	359,808	84,686	99,662	6,453,537
Additions	-	35,640	54,566	20,812	-	93,613	204,631
Balance, 31 December 2006	1,139,797	4,260,686	599,104	380,620	84,686	193,275	6,658,168
Additions	-	-	55,340	20,451	-	8,038	83,829
Disposals	-	-	(784)	-	-	-	(784)
Balance, 31 December 2007	1,139,797	4,260,686	653,660	401,071	84,686	201,313	6,741,213
Accumulated depreciation							
Balance, 1 January 2005	-	144,125	327,851	222,775	16,937	-	711,688
Depreciation for the year	-	146,828	90,549	45,637	16,937	38,655	338,606
Balance, 31 December 2006	-	290,953	418,400	268,412	33,874	38,655	1,050,294
Depreciation for the year	-	109,007	81,747	40,971	16,937	40,262	288,924
Disposals	-	-	(784)	-	-	-	(784)
Balance, 31 December 2007	-	399,960	499,363	309,383	50,811	78,917	1,338,434
Net book value							
1 January 2006	1,139,797	4,080,921	216,687	137,033	67,749	99,662	5,741,849
31 December 2006	1,139,797	3,969,733	180,704	112,208	50,812	154,620	5,607,874
31 December 2007	1,139,797	3,860,726	154,297	91,688	33,875	122,396	5,402,779

The Board's land and building were revalued on 4 January 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).

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12. Software

	<u>2007</u>	<u>2006</u>
Cost		
Beginning balance	824,077	560,967
Purchases during the year	<u>94,402</u>	<u>263,110</u>
Ending Balance	<u>918,479</u>	<u>824,077</u>
Accumulated amortisation		
Beginning balance	319,860	240,202
Charges for the year	<u>109,604</u>	<u>79,658</u>
Ending Balance	<u>429,464</u>	<u>319,860</u>
Net book value	<u>489,015</u>	<u>504,217</u>

13. Contingency reserve investment

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\$1,800,000 as of 31 December 2007 (2006 - EC\$1,350,000), 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 5 January 2009 and 11 July 2008, respectively, and are subject to rollover upon maturity.

14. Accounts payable and accrued expenses

	<u>2007</u>	<u>2006</u>
Accounts payable	96,610	163,342
Unearned revenue	<u>-</u>	<u>1,100</u>
	<u>96,610</u>	<u>164,442</u>

15. 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 Anguilla Social Security Staff Pension Fund. The benefits are based on the years of service and the employee's average pensionable compensation prior to retirement.

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

	<u>2007</u>	<u>2006</u>
Pension expense		
Current service cost	131,017	91,674
Interest cost on benefit obligation	229,001	115,854
Expected return on plan assets	(85,184)	(40,186)
Actuarial loss	<u>48,372</u>	<u>-</u>
	<u>323,206</u>	<u>167,342</u>

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15. Pension fund obligation (continued)

	<u>2007</u>	<u>2006</u>
Pension fund liability		
Defined benefit obligation	4,076,059	2,242,133
Fair value of plan assets	<u>(1,404,465)</u>	<u>(1,027,028)</u>
Funded status	2,671,594	1,215,105
Unamortized actuarial losses	<u>(1,331,495)</u>	<u>-</u>
Pension fund liability	<u>1,340,099</u>	<u>1,215,105</u>
Movements in the pension fund liability account		
Opening balance	1,215,105	1,230,288
Pension expense recognised in the statement of income	323,206	167,342
Employer contributions	<u>(198,212)</u>	<u>(182,525)</u>
Closing balance	<u>1,340,099</u>	<u>1,215,105</u>
Movement in the present value of the defined benefit obligations		
Opening balance	2,242,133	2,430,053
Current service cost	131,017	91,674
Interest cost	229,001	115,854
Past service cost	58,338	58,338
Contribution by plan participants	58,748	58,166
Benefits paid	(51,083)	(53,355)
Actuarial loss/(gain)	<u>1,407,905</u>	<u>(458,597)</u>
Closing balance	<u>4,076,059</u>	<u>2,242,133</u>
Movement in the present value of plan assets		
Opening balance	1,027,028	841,329
Expected return on assets	85,184	40,186
Employer contributions	198,212	173,957
Contribution by plan participants	58,748	58,166
Benefits paid	(51,083)	(53,355)
Actuarial gain / (loss)	<u>86,376</u>	<u>(33,255)</u>
Closing balance	<u>1,404,465</u>	<u>1,027,028</u>

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

	<u>2007</u>	<u>2006</u>
Discount rate	7%	7%
Expected rate of return on plan assets	7%	7%
Rate of salary increases	4%	4%

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16. 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 the Social Security Development Fund to the Social Security Development Fund Reserve.

17. Contribution income

	<u>2007</u>	<u>2006</u>
Contribution - Employers	13,470,407	10,056,689
Contribution - Employees	<u>13,470,407</u>	<u>10,056,689</u>
	26,940,814	20,113,378
Less: Refunds	<u>(8,952)</u>	<u>(360)</u>
	26,931,862	20,113,018
Contributions - Self-employed	<u>228,596</u>	<u>171,249</u>
	<u>27,160,458</u>	<u>20,284,267</u>

18. Investment income

	<u>2007</u>	<u>2006</u>
Interest income		
Fixed deposits (NBA and CCB)	5,694,399	5,290,431
Fixed deposits (British American)	1,025,708	969,488
Bonds - Government of Antigua	162,062	74,335
Bonds - Government of St. Vincent and Grenadines	152,315	28,356
Bonds - ECHMB	135,315	110,000
Bonds - Government of St. Lucia	123,760	55,419
Loans - ADB	127,234	144,514
Bonds - Government of St. Kitts / Nevis	87,041	75,375
Checking accounts	66,672	24,502
Loans - Staff	<u>6,532</u>	<u>2,480</u>
	<u>7,581,038</u>	<u>6,774,900</u>
Dividend income		
ANGLEC shares	568,881	220,212
NBA shares	131,250	106,875
ECFH shares	72,000	-
ECHMB shares	<u>8,100</u>	<u>8,100</u>
	<u>780,231</u>	<u>335,187</u>

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

18. Investment income (continued)

Realised gain from available-for-sale financial assets (see note 8.2)

Investments in:

Smith Barney	1,975,920	1,674,022
Merrill Lynch	220,188	25,901
Summit Brokerage Services, Inc. (SBSI)	121,641	61,554
	<u>2,317,749</u>	<u>1,761,477</u>
	<u>10,679,018</u>	<u>8,871,564</u>

Related receivables on interest and dividend are included in the "Financial assets - loans and receivables" account (see note 8.3) in the balance sheet.

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

	<u>Smith Barney</u>	<u>Merrill Lynch</u>	<u>SBSI</u>	<u>2007</u>	<u>2006</u>
Dividend and interest income	400,370	1,955	47,031	449,356	329,931
Gains on disposals	2,129,135	218,972	175,410	2,523,517	1,854,409
Losses on disposals	(271,923)	-	(57,440)	(329,363)	(159,753)
Management fee and others	<u>(281,662)</u>	<u>(739)</u>	<u>(43,360)</u>	<u>(325,761)</u>	<u>(263,110)</u>
	<u>1,975,920</u>	<u>220,188</u>	<u>121,641</u>	<u>2,317,749</u>	<u>1,761,477</u>

19. Rental income

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

	<u>2007</u>	<u>2006</u>
Rental income	230,250	195,810
Less: Maintenance expenses	<u>(76,248)</u>	<u>(86,734)</u>
	<u>154,002</u>	<u>109,076</u>

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

20. Fines and miscellaneous income

	<u>2007</u>	<u>2006</u>
Contributions and additional surcharges	436,699	184,459
Rental fee surcharges	10,350	-
Gains on disposal of fixed assets	14,785	-
	<u>461,834</u>	<u>184,459</u>

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21 Benefits expenses

The following table presents the benefits paid by the Board as of 31 December 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Short-term Benefits		
Sickness	1,619,161	1,222,260
Maternity	719,797	620,148
Funeral	99,000	90,000
	<u>2,437,958</u>	<u>1,932,408</u>
Long-term Benefits		
Age	2,707,629	2,319,079
Non-contributory Old Age Pension	336,592	379,923
Survivors	515,460	412,000
Invalidity	381,497	325,411
	<u>3,941,178</u>	<u>3,436,413</u>
	<u>6,379,136</u>	<u>5,368,821</u>

22 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 contributes to the 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 the Social Security Development Fund.

	<u>2007</u>	<u>2006</u>
Health Authority of Anguilla	141,189	-
Tranquility Jazz Festival	134,410	134,410
James Ronald Webster Research Project	116,627	-
National HIV / AIDS Program / Anguilla AIDS Foundation	25,000	-
Education Development Plan	20,905	-
Anguilla Boat Racing	15,860	-
Sports Project	10,753	60,485
Camp-Be-Aware	8,065	8,065
ALHCS Jump Rope Club	8,065	-
Anguilla Scouts Association	8,065	1,680
Youth Crime Watch	7,389	63,710
Anguilla Football Association	6,801	-
Anguilla Amateur Athletic Association	5,645	19,758
Reading Recovery Program	4,267	-
H.M. Prison	4,032	-
The Optimist Club of Anguilla	4,188	-
Anguilla Teachers Music Association	-	131,759
The Anguilla Community Foundation	-	80,646
Nations Fitness Quest Project	-	9,981
Anguilla Amateur Cycling Association	-	1,344
	<u>521,261</u>	<u>511,838</u>

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23 Administrative and other expenses

	<u>2007</u>	<u>2006</u>
Administration expenses (see note 23.1)	2,498,071	2,035,916
Salaries and allowances of staff	2,282,826	1,892,493
Allowances and expenses of the Board and Investment Committee	133,425	137,846
Other expenses	<u>81,755</u>	<u>110,121</u>
	<u>4,996,077</u>	<u>4,176,376</u>

Details of administration expenses follow:

	<u>2007</u>	<u>2006</u>
Pension expense	323,206	167,342
Depreciation and amortization	316,773	308,143
Social Security Board special events	249,505	81,274
Professional fees	214,433	169,051
Utilities	180,365	104,350
Overseas travel and lodging	141,387	105,932
Human resource development expense	136,110	208,805
Insurance	114,574	100,667
Repairs and maintenance	107,485	114,583
Other expenses	<u>714,233</u>	<u>675,769</u>
	<u>2,498,071</u>	<u>2,035,916</u>

24 Related party transactions

- a. One of the director of the Board is also a director of National Bank of Anguilla.
- b. The Board's cash in bank account and fixed deposits were held at CCB and NBA. Funds held as of December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
CCB		
Cash in bank	1,254,514	880,906
Fixed deposits	55,204,777	50,341,857
Contingencies reserve	<u>1,200,000</u>	<u>650,000</u>
Funds held at CCB, end of year	57,659,291	51,872,763
Funds held at CCB, beginning of year	<u>51,872,763</u>	<u>46,875,823</u>
Increase in funds held at CCB	<u>5,786,528</u>	<u>4,996,940</u>
NBA		
Fixed deposits	53,547,498	44,514,078
Contingencies reserve	600,000	700,000
Investments at NBA	<u>1,500,000</u>	<u>1,500,000</u>
Funds held at NBA, end of year	54,147,498	46,714,078
Funds held at NBA, beginning of year	<u>46,714,078</u>	<u>44,932,338</u>
Increase in funds held at NBA	<u>7,433,420</u>	<u>1,781,740</u>

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24 Related party transactions (continued)

c. Remuneration to directors and executive staff during 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Board and Investment Committee allowances	111,120	118,185
Executive staff salaries	446,197	372,894
	<u>557,317</u>	<u>491,079</u>

25 Financial instruments

a. Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>Note</u>	<u>2007</u>	<u>2006</u>
Held-to-maturity financial assets	7	133,589,454	113,071,677
Available-for-sale financial assets	7	36,216,186	29,871,566
Loans and receivables	7	6,919,233	6,392,338
Cash in bank	6	<u>1,254,514</u>	<u>2,090,595</u>
		<u>177,979,387</u>	<u>151,426,176</u>

b. Market risk

Market risks consist of price risk and foreign exchange risk.

Price risk

The Board financial assets is not exposed to price risk because interest are at pre-agreed rates except for financial assets classified as available-for-sale. Total available-for-sale financial assets that is exposed to price risk amounted to EC\$36,216,186 (2006: EC\$29,871,566).

Foreign exchange risk

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

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25 Financial instruments (continued)

c. Fair values

The fair values of financial assets together with the carrying amounts shown in the balance sheet are as follows:

	31 December 2007		31 December 2006	
	Fair <u>value</u>	Carrying <u>amount</u>	Fair <u>value</u>	Carrying <u>amount</u>
Held-to-maturity financial assets	133,589,454	133,589,454	113,071,677	113,071,677
Available-for-sale financial assets	36,216,186	36,216,186	29,871,566	29,871,566
Loans and receivables	6,919,233	6,919,233	6,392,338	6,392,338
Cash in bank	1,254,514	1,254,514	2,090,595	2,090,595
Property, plant and equipment	<u>5,402,779</u>	<u>5,402,779</u>	<u>5,607,874</u>	<u>5,607,874</u>
	<u>183,382,166</u>	<u>183,382,166</u>	<u>157,034,050</u>	<u>157,034,050</u>

26. Subsequent events

Due to the current global financial crisis, the Board's investments with Smith Barney (SB) and Summit Brokerage Services, Inc. (SBSI) suffered a significant decline in their current market values. As of 30 September 2008 market values of investments with SB and SBSI amounted to EC\$16,308,553 and EC\$2,279,710, respectively, as compared to the 31 December 2007 market values amounting to EC\$20,202,346 and EC\$2,922,833, respectively. As a result, the Board is expected to recognize additional impairment losses in its 2008 financial statements.

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