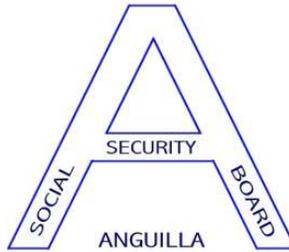




2008 ANNUAL REPORT

Social Security: Improving the Quality of Life for All



VISION STATEMENT

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

MISSION STATEMENT

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

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

CORE VALUES

Accountability

Customer-focus

Teamwork

Integrity

Visionary-leadership

Excellence

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PREFACE

2008 was a year of mixed results following the previous year's celebration of the Anguilla Social Security System's very significant milestone – its 25th Anniversary. The System realized record growth in Contribution Income, but suffered investment losses as the global financial crisis began to take hold in the US and International markets, significantly affecting investments held there.

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.

2008 PERFORMANCE HIGHLIGHTS

- Contribution Income increased by 31.4% to \$35.7M, compared to \$27.2M in 2007.
- A total of 3,520 claims were received and a total of 2,529 claims were paid.
- Benefits paid totaled \$7.4M.
- Reserves grew to \$207.1M, increasing by 10.7% from \$187.1M in 2007.
- Investment income totaled \$9.9M, declining by 7.3% from \$10.8M in 2007. This was however offset by investment losses of \$10.4M and net impairments of \$4.2M.
- Annual registrations totaled 1,338, a 36.8% reduction compared to 2,117 in 2007.

2007 RECAP AT A GLANCE

- 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 declined 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.

CHAIRMAN'S MESSAGE



The year under review, 2008, provided mixed results for the Anguilla Social Security System – record levels of Contribution Income, but also, for the very first time, investment losses. The record contribution income received was due to the economic growth seen in Anguilla up to the onset of the global financial crisis, which events in turn led to the investment losses. At times of such flux and accompanying uncertainty, it is important that we take stock and assess the ability of the System to withstand financial shocks and to continue to carry out its mission.

The legislation which governs the operations of the Social Security System does, in fact, provide for such periodic assessment in the form of triennial actuarial reviews. The System's Eighth Actuarial Review, being undertaken by Hernando Perez Montas, and which will assess its financial strength and its ability to meet future demands, is at an advanced stage. The preliminary report states "The actuarial development of the Social Security System in the period 2005-2007 exceeded most key performance indicators anticipated in the preceding valuation three years ago. The Fund Ratio and Cost Ratio of the two benefit branches were more favorable than expected, the relative cost of administration expenditure declined steadily, and demand indicators showed significant improvements. The favorable results reflected more efficient cost-curtailed and operational strategies implemented by management. As a result of these developments, at 31 December 2007 the System is in a stronger actuarial situation, with an expected operational surplus of the short-term branch in the period 2008/2010, accumulation of long-term branch reserves for a longer period than previously anticipated, and lower rates of administrative expenditure".

All of that is good and positive. In fact, subsequent to the end of the review period 2007, the System's reserves passed the significant milestone of \$200 Million, and are equivalent to one-third of the Gross Domestic Product, which has itself been increasing at a very high rate over the past three years. However, the Actuary's preliminary report recognizes that a challenging international environment requires an integral re-assessment of the asset allocation strategy. Thus, the asset allocation and the management of the investment portfolio, including offshore investments, continue to be one of the main challenges for the System. The preliminary report recommends that the portfolio should include investments in domestic projects meeting specific criteria of safety, profitability and liquidity, in addition to abetting the socio-economic development of Anguilla as a subsidiary objective. In this regard, the proposed Social Security subsidiary Investment and Development Corporation would have a critical role in productive investments which will both benefit the Fund and the economy in general.

I therefore continue to be confident that the Social Security System will continue to be strong and deliver on its mission as a provider of benefits to insured persons and their families.

Dr. Aidan Harrigan
Chairman

Social Security: Improving the Quality of Life for All

2008 IN REVIEW – THE DIRECTOR OF SOCIAL SECURITY



On January 29th 2008, the Anguilla Social Security System presented its Annual Business Plan and Budget publicly for the first time. The Plan stated that the focus of the Social Security System in 2008 must be a determination to ensure that the System both operates in an optimal manner, i.e. be the best it can be, and makes an optimal contribution to the country in which it exists, i.e. do the most it can do. This focus accordingly defined our 2008 theme as **“Managing a Meaningful, High-Performance Social Security System in Challenging Times”**.

The reference to “Challenging Times” was, to say the least, prophetic. 2008 will go down in history as the year that the global financial crisis, which had its genesis in the US sub-prime lending markets, reached Anguilla with extremely destructive force and effect. As regards the Anguilla Social Security System’s performance, 2008 can be described as being “bittersweet,” with record contribution income but investment

income being the worst ever, as that portion of investments outside Anguilla recorded losses and presumed losses which wiped out the gains on the remaining, and major, portion of the investments.

In terms of Contribution Income, 2008 was a record year with some \$35.7 million received, exceeding that for 2007 by \$8.5 million (31.4%). This was due in large part to the economic boom being experienced due to massive tourism construction and the importation of large numbers of workers from as far as China and India. However, with the closure of the largest project, Flag Luxury (Temenos) Hotel and Golf Course, contribution levels dropped off rapidly towards the end of the year, as did new registrations. With the deepening of the global financial crisis and its direct impacts on the System’s investment portfolio, investment losses and provisions for losses (Net Impairment Losses) exceeded investment gains for the first time since the System commenced operations in 1982. The net result of these contrasting performances in the contributions and investment elements of the System was a \$20 million increase in Assets. This surplus took the Reserves of the System past the \$200 million mark for the first time.

While the System plays an important role in the local economy as a mobilizer (and the largest single fund) of national savings, its primary role is that of paying social security benefits to contributors and their families, and it continued to perform that role admirably in 2008. Some 2,529 claims were paid, with benefit expenditure increasing by \$1.0 million to \$7.4 million.

The Board and Staff must be commended for controlling administrative costs during the year under review, in fact the 2008 percentage of contribution income plus benefit expenditure (12.7%) was the lowest since 2004 and represented four consecutive years of decline.

Towards the end of the year, the financial crisis unfolded with deep and painful impacts across the Anguillian economy, and it appears that these impacts could be long-lasting in nature. This will result in lower levels of employment, with consequential declines in contribution income and

therefore a smaller contribution base for the System going forward. Additionally, the tremendous volatility in the financial markets since the onset of the financial crisis makes the investment function even more critical in the years ahead.

The significant achievement of Reserves passing the \$200 million milestone, together with the Actuary's positive findings on the System's performance (albeit before the full onslaught of the financial crisis), gives me much confidence that we will weather these storms and come out strong and resilient when normalcy returns to the local and international economies and financial systems. But we will need the continued cooperation of our stakeholders, not least the employers and employed persons, and the commitment of our Staff to the task before us.

Finally, I wish to place on record my sincere appreciation to my colleague Mrs. Yolanda Gumbs, who this year retired from her post of Assistant Director after many years of faithful service to the Social Security Board. Her service dated back to 1981, the year that the Social Security Office was established. We wish her all the best in her future endeavours.

Timothy A. Hodge
Director of Social Security

BOARD MEMBERSHIP

During 2008, the membership of the Board consisted of:

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

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

INVESTMENT COMMITTEE MEMBERSHIP

The Social Security Fund Investment Committee members during 2008 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 2008 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 2009. Anguilla is a member territory of the Eastern Caribbean Central Bank.

After four consecutive years of double digit growth, economic activity in Anguilla contracted in 2008. Preliminary data indicate that real gross domestic product (GDP) fell by 0.5%, following growth of 21.0% in 2007 and annual increases averaging 16.6% in 2004 to 2007. The contraction in GDP was largely the result of a downturn in tourism activity. In addition, the pace on construction activity slowed as a number of major projects were completed and work on others was halted or reduced due to financing crisis. Consumer prices are estimated to have increased by 5.9%. The central government's fiscal operations resulted in a larger overall deficit, attributable to

an increase in current expenditure coupled with a decline in current revenue. The total outstanding public sector debt increased. Monetary liabilities and net foreign assets contracted, while domestic credit expanded. Commercial bank liquidity tightened, and the weighted interest rate spread between loans and deposits narrowed.

In 2009 real GDP is projected to contract by 4.2% based on a likely reduction in visitor arrivals and a fall in construction activity. The risks to the outlook for 2009 are heavily tilted to the downside. A more protracted economic recession in advanced economies will result in a further contraction in inflows of foreign direct investment and visitor arrivals; this will have increased negative spillover effects on the economy of Anguilla.

HUMAN RESOURCES

The human resources or employees are considered the greatest assets of any organization. Accordingly, great emphasis has been placed on learning and development at Social Security in order for the organization to achieve its objectives and enhance performance. We realize that training cannot occur in a vacuum but rather, but must be done within the strategic and operational realities facing the organization.

In 2008 the organization continued to provide financial assistance to its employees in the pursuit of formal academic education and professional qualification in various disciplines. The Board remains committed to supporting the Executive Diploma in Social Security Management, provided by the Centre for Management Development of the University of the West Indies, by the enrolment of at least 2 members of staff in this annual training programme.

As is customary, employees also continue to receive technical and operational training through annual participation in seminars and conferences held locally, regionally and internationally covering such diverse topics as: Transformational Coaching, Savings & Investment, Events Management, Portfolio Management, Actuarial Methods and Social Security Financing.

The Board will focus on capacity building and the development of competencies of staff in an effort to offer efficient and effective service to all our customers. We also endeavour to address and meet the needs of our stakeholders, as we strive to be in the forefront of the financial services industry, not just merely satisfying, but rather delighting our contributors.

Mrs. Yolanda Gumbs, Assistant Director, retired after 27 years of service to the Board, having opened the staff in 1981, the year the Social Security Office was established. The Board had a staff complement of 27 at year-end 2008.

Meetings/Seminars/Conferences/Workshops

Members of the Board and Staff attended and participated in the following during 2008:

- ECCB 10-Week Savings and Investment Course, commenced 21st February and 2nd October 2008.
- Caribbean Association of Indigenous Banks Inc. 2-Day Transformational Coaching Workshop in St. Lucia, held 2nd – 5th March 2008.
- Anguilla Electricity Company Ltd. Executive Management Programme, Anguilla, held 23rd – 28th June and 7th – 12th July 2008.
- Community College Development Unit Summer Programme - Events Management Course, Anguilla, held 25th – 29th August 2008.
- Social Security Board Attachment, Tortola, 25th – 29th August 2009.
- University of Chicago Graduate School of Business Portfolio Management Course, Chicago, held 8th – 12th September 2008.
- ECCB/Caribbean Association of Indigenous Banks Inc. 2-Day Transformational Coaching Workshop, Antigua, held 23rd – 24th September 2008.
- Management of Service Quality Workshop, Barbados, held 6th – 10th October 2008.
- Workshop on Actuarial Methods & Social Security Financing, Jamaica, held 29th November – 5th December 2008.

STATISTICAL REVIEW

REGISTRATIONS

Employees

After five consecutive years of significant increases, new employee registrations declined in 2008. New registrations were recorded at 1,309, a decrease of 37.7% when compared to 2,102 in 2007. This brought the accumulated total of insured persons on register to 16,451 (which include active, inactive, residents, non-residents and deceased persons), an increase of 8.9% from 15,113 in 2007. Males continue to dominate, comprising 75.3% of new registrations and 60.3% of the cumulative total. The significant areas of growth occurred among males whose ages ranged from 25 – 44 years. With respect to employee registrations by country of birth, the top five countries with significant numbers of registrants were: India (23.2% of new registrations), Anguilla (12.9%), USA (5.6%), St. Vincent & The Grenadines and Jamaica (4.6% each), and St. Kitts-Nevis (4.4%).

Chart 1

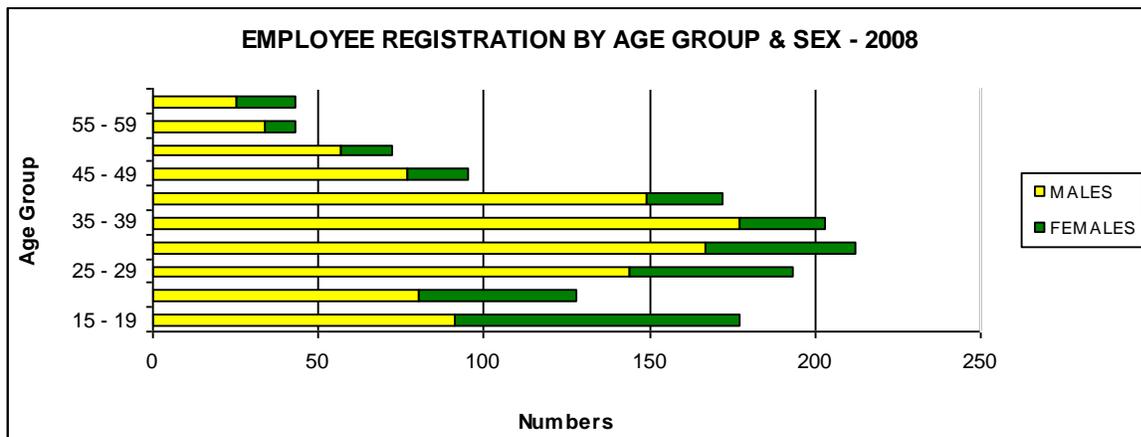
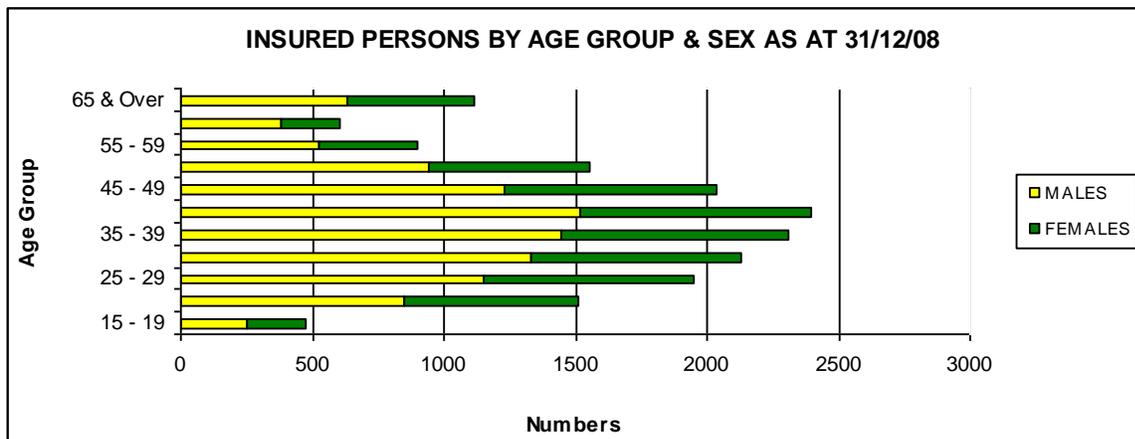


Chart 2



Employers

New Employer registrations totaled 81; this brought the combined total of new employer and self-employed registrations to 113, representing a decrease of 46.9% when compared to 213 in 2007. These new registrations brought the cumulative total on register to 2,746 during the period under review. As is customary, the three top industries dominating employer registrations in 2008 were Personal & Household Services 26 (32.1%), followed by Construction 15 (18.5%) and the Retail Trade 12 (14.8%).

The Self-Employed

A total of 32 new self-employed registrations were recorded in 2008, a 39.6% decrease when compared to 53 in 2007. The majority of these registrations occurred in the Construction (10 or 32.3%), Personal & Household Services (9 or 28.1%) and Retail Trade (7 or 21.9%) industries. As indicated over the past five years, coverage to the self-employed has continued to be a challenge for the Social Security Board, since its inception in 2003. The cumulative number of self-employed on register was 235 at year-end 2008.

BENEFITS

The Anguilla Social Security Board continues to meet its obligations to contributors in providing benefits promised. Year after year the Board continues to pay out higher amounts in benefit expenditure of both the long-term and short-term branches, and 2008 was no exception. During the period under review, Benefit Expenditure totaled \$7.4M, \$2.8M from the Short-term Benefit Branch (up from \$2.4M in 2007), and \$4.6M from the Long-term Benefit Branch (up from \$3.9M in 2007).

Total Long-term Benefit Expenditure increased by 17.8% in 2008, with the main components of the Long-term Benefit Branch expenditure being Age, Invalidity and Survivors Pensions. The number of long-term benefit recipients increased slightly by 28 (5.5%) to 541 when compared to 513 in 2007. Non-Contributory Old Age Pension (NCOAP) payments amounted to \$644,811, and increased significantly by 91.6% over the amount paid out in 2007 of \$336,592. NCOAP accounted for 13.9% of long-term benefits and 8.7% of total benefit expenditure.

There was a 16.7% increase in the Short-Term Benefit Branch expenditure in 2008. Sickness benefit payments were \$1.9M, an 18.0% (\$291,772) increase when compared to \$1.6M in 2007. 3,113 sickness benefit claims were received, the highest number of claims ever recorded; this represented a 16.0% (429) increase over 2,683 receipts in 2007. Total claims paid were 2,201, a 5.9% (122) increase over that of 2,079 paid in 2007. Maternity benefit increased moderately by 11.6% (\$83,587) to \$803,384 compared to \$719,797 the previous year. Total Maternity Allowances and Grants claims received in 2008 were 305, of which 253 were paid. Funeral Grant benefits decreased by 12.1% (\$12,000), from \$99,000 in 2007 to \$87,000 in 2008. Total funeral claims received were 26, 10 less than 36 received in 2007.

Chart 3

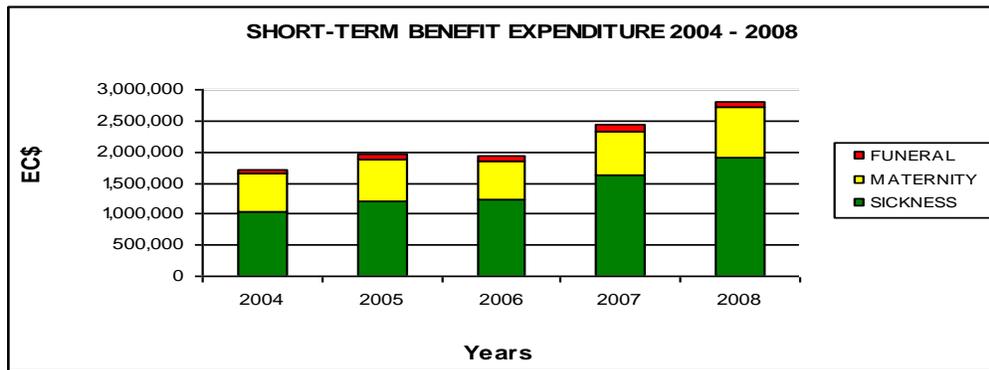
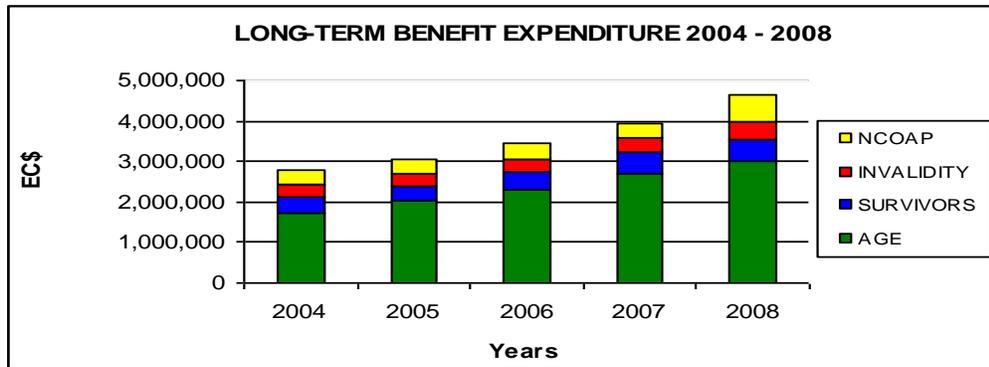


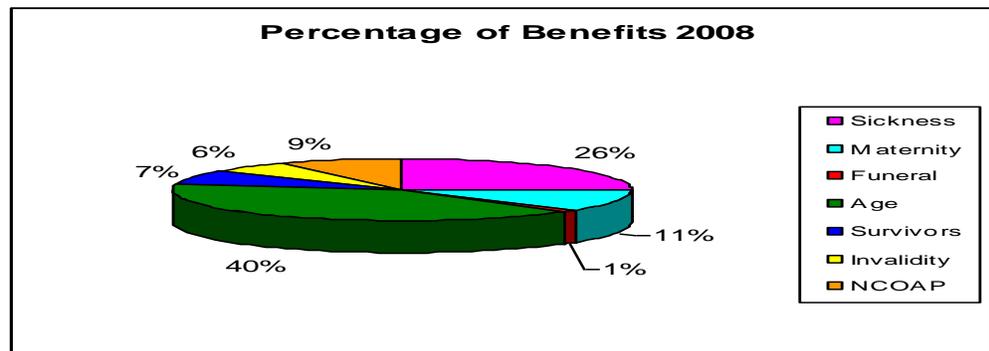
Chart 4



PENSIONS IN PAYMENT

Total pensioners on record as at 31st December 2008 increased by 28 (5.7%) to 541 from 513 in 2007. Of the 541 pensioners, 274 represented Age Pension, 43 were Invalidity Benefit, 116 were Non-Contributory Old Age Pension and 108 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

During the period under review, Contribution Income increased significantly by 31.4% (\$8,534,832) totaling \$35.7M, compared to \$27.2M in 2007. Of the \$35.7M, \$226,673 (0.6%) represented self-employed contributions, which decreased marginally by 0.8% from that of \$228,596 in 2007. No voluntary contributions were received during 2008.

INVESTMENT INCOME

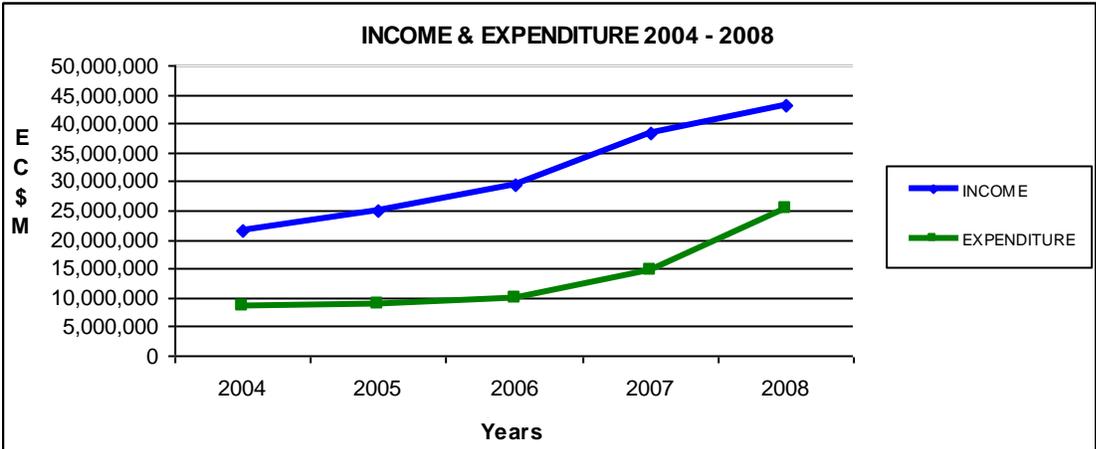
Towards the end of 2008, the financial climate became unfavourable due to what could be characterized as the commencement of a downturn in the US and by extension, the global economy. As a result of the unfavourable external economic conditions, the financial performance of overseas investments of the Anguilla Social Security Board was negatively impacted. This was a reflection of, or attributed to, the ricochet effect of the US financial crisis. Investment income totaled \$9.9M compared to \$10.7M in 2007, a 7.3% decline. A net loss of \$10.8M on overseas investments (US & International) was realized, this compares to a \$2.3M net gain realized in 2007. There were also a net impairment loss of \$4.2M recorded during 2008. The net result of the Investment Income in the Income Statement and the Investment and Impairment Losses in the Expenses Statement was a net loss of \$5.1M, the first such net loss in the System's history.

Net rental income from commercial units decreased marginally in 2008 by 6.0% (\$9,257) to \$144,745 from \$154,002 in 2007.

TOTAL INCOME AND NET INCOME

Total income increased by 20.1% (\$7.7M) to \$46.2M in 2008 from \$38.5M in 2007. Likewise, total expenditure for the same period increased significantly by 95.0% (\$13.9M) to \$28.5M from \$14.6M in 2007; this was attributed to the investment and impairment losses. Net income totaled \$17.6M in 2008, a decrease of 11.2% (\$6.2M) when compared to \$23.8M in 2007.

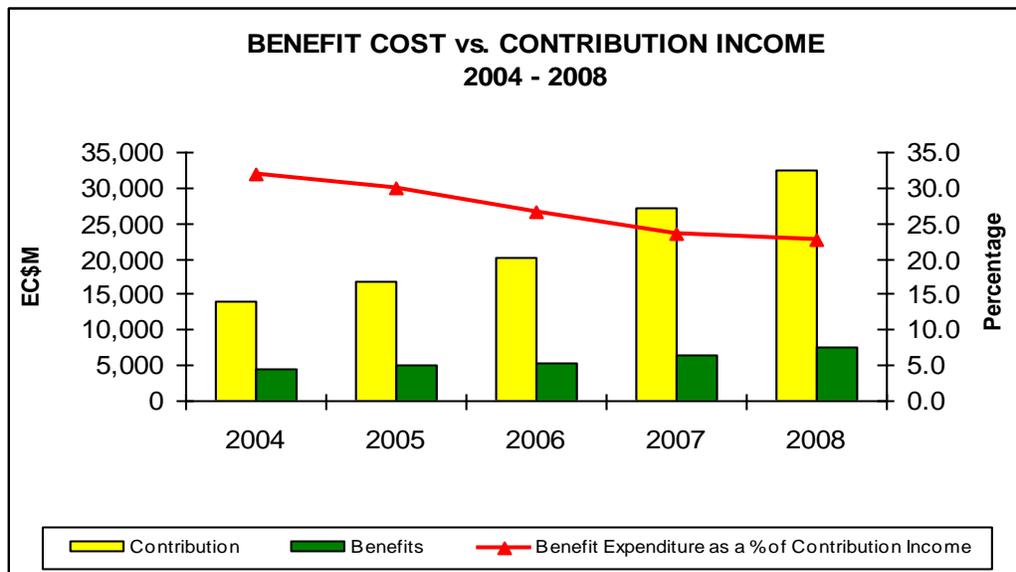
Chart 6



BENEFIT EXPENDITURE

In 2008 Benefit Expenditure totaled \$7.4M, an increase of 16.7% (\$1.1M) compared to \$6.4M in 2007, continuing the steady upward trend of such expenditure. The Long-Term Branch Expenditure totaled \$4.6M, an increase of 17.8% (\$701,167) from \$3.9M the previous year. Likewise, the Short-Term Branch Expenditure increased by 14.9% (\$363,359) to \$2.8M compared to \$2.4M in 2007. Over the last 5 years, a total of \$28.7M was paid out in benefits. Long-term benefits accounted for \$17.9M; which included Age benefits of \$11.8M, Survivors benefits of \$2.2M, Invalidation benefits of \$1.8M and Non-Contributory Old Age Pensions of \$2.1M. Meanwhile, Short-term benefits accounted for \$10.9M; which included Sickness benefits of \$7.0M, Maternity benefits of \$3.4M and Funeral grants of \$441,000.

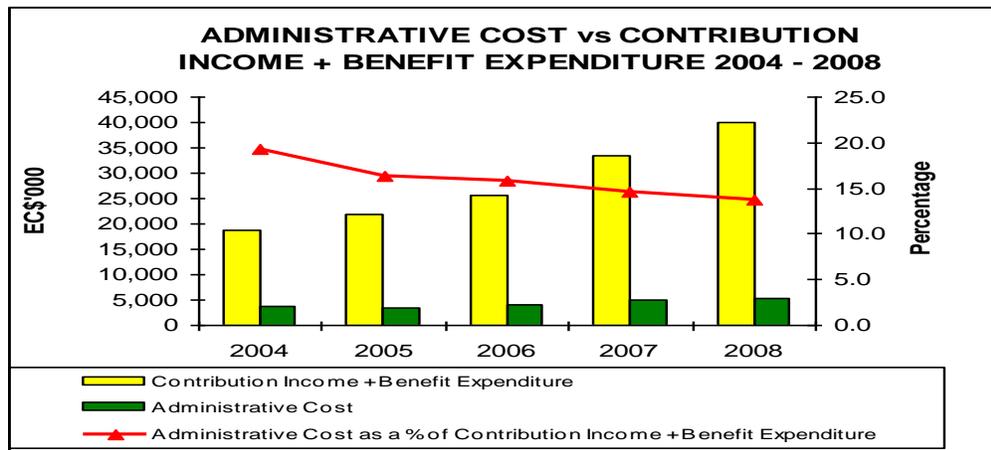
Chart 7



ADMINISTRATIVE EXPENDITURE

Administrative Expenditure in 2008 totaled \$5.5M, an 11.2% (\$552,821) increase when compared to \$4.9M in 2007, and was equivalent to 12.7% of total income as compared with 12.8% in the previous year. As a percentage of contribution income plus benefit expenditure, administrative expenditure continued its downward trend (for the fourth consecutive year) and was equivalent to 13.7%, down from 14.7% in 2007; this decrease is indicative of the Board's continued efforts to contain cost.

Chart 8



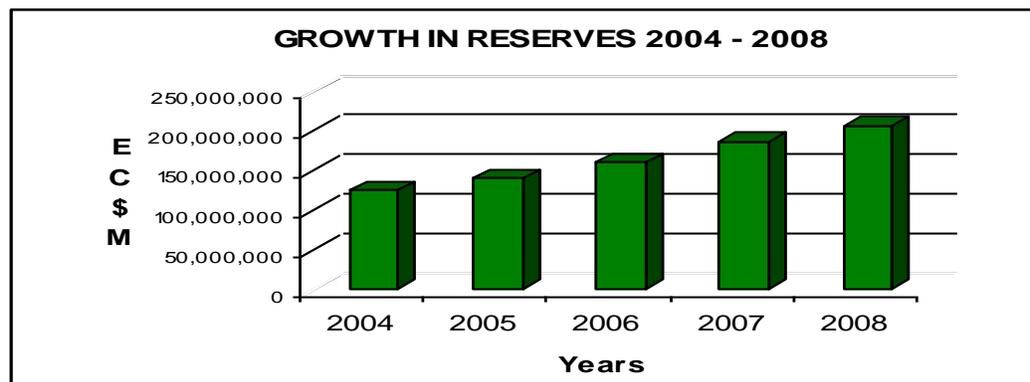
GROWTH IN RESERVES

The Social Security Fund’s growth is critical to ensuring its sustainability. The Board has a fiduciary responsibility to manage the Fund in a prudent and effective manner to enable the institution to meet its mandate of paying long-term benefits well into the future.

In 2008, Total Reserves grew moderately and stood at \$205.0M, reflecting an increase of 10.4% (\$19.3M) when compared to \$185.7M in 2007. This was attributed to the continued increase in contribution income and was realized despite the slowing down of the local economy, as a result of the down-turn in the US economy, the global economic crisis and the unfavourable returns on invested capital.

Long-Term Benefits Branch Reserves increased moderately by 8.7% (\$15.4M) to \$191.4M in 2008 from \$176.4M in 2007, continuing its steady upward growth. The Short-Term Benefits Branch continued to register significant growth for the third consecutive year, increasing by 38.0% (\$1.5M) to \$5.6M during the period under review compared to \$4.1M in 2007. The Social Security Development Fund increased to \$2.5M including the Permanent Endowment Reserve which increased to \$1.3M from \$1.0M in 2007.

Chart 9



SOCIAL SECURITY DEVELOPMENT FUND (SSDF)

The System's 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 2008, a total of \$541,920 was spent on projects.

Table 1
Social Security Development Fund (SSDF) Projects 2008

PROJECT NAME	EXPENDITURE EC\$
Health Authority of Anguilla (Recovery & Stabilization Room)	141,225
Tranquility Jazz Festival	134,410
James Ronald Webster Research Project	50,946
Juvenile Rehabilitation Centre	40,323
National HIV/AIDS Programme	5,843
Education Development Plan	20,419
August Thursday Boat Race	22,312
Music Summer Camp	18,817
National Sports Awards Committee	5,377
Camp Be Aware (Environmental Camp)	13,441
Reading Buddies Programme	12,000
Heritage Collection Museum	13,406
ALHCS Jump Rope Club (Pepper Steppers)	8,065
ALHCS Premedical Summer Programme	6,492
ALHCS Visual Arts Department	2,688
Anguilla Netball Association	1,344
Youth Empowerment Programme	2,554
Anguilla Football Association	2,688
Anguilla Amateur Athletic Association	6,721
Soroptimist Club of Anguilla	4,032
U17 Cricket Team	5,377
Blowing Point Youth Development Centre	4,000
Festival De Noel	4,000
World Food Day	4,032
International Black Summit	4,032
The Optimist Club of Anguilla	2,688
Anguilla Cycling Association	2,688
Rights of the Child Celebrations	2,000
TOTAL	541,920

STATISTICAL DIGEST

Table 2
Annual Registration of Employees by Sex - 2008

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	90	6.9	86	6.6	176	13.4
20 - 24	80	6.1	48	3.7	128	9.8
25 - 29	143	10.9	49	3.7	192	14.7
30 - 34	166	12.7	44	3.4	210	16.0
35 - 39	175	13.4	26	2.0	201	15.4
40 - 44	149	11.4	23	1.8	172	13.1
45 - 49	72	5.5	18	1.4	90	6.9
50 - 54	57	4.4	15	1.1	72	5.5
55 - 59	34	2.6	8	0.6	42	3.2
60 - 64	20	1.5	6	0.5	26	2.0
TOTALS	986	75.3	323	24.7	1309	100.0

Table 3
Tabulation of All Insured Persons by Sex as at 31st December 2008

AGE GROUPS	MALES	%	FEMALES	%	TOTAL	%
15 - 19	248	1.5	227	1.4	475	2.9
20 - 24	838	5.1	648	3.9	1486	9.0
25 - 29	1132	6.9	785	4.8	1917	11.7
30 - 34	1307	7.9	779	4.7	2086	12.7
35 - 39	1423	8.6	845	5.1	2268	13.8
40 - 44	1478	9.0	858	5.2	2336	14.2
45 - 49	1184	7.2	788	4.8	1972	12.0
50 - 54	899	5.5	583	3.5	1482	9.0
55 - 59	493	3.0	352	2.1	845	5.1
60 - 64	351	2.1	210	1.3	561	3.4
65 & Over	572	3.5	451	2.7	1023	6.2
TOTALS	9925	60.3	6526	39.7	16451	100.0

Table 4
Registration of Employees by Gender 2004 - 2008

YEAR	MALE	%	FEMALE	%	TOTAL AT YEAR-END	TOTAL ON REGISTER*	TOTAL** ACTIVE
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
2008	1,001	74.8	337	25.2	1,338	16,974	9,449

*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 - 2008

ILO CODE	INDUSTRY	No.	%
31	Manufacturing of Food, Beverage & Tobacco	1	1.0
37	Bsc. Metal Industry	1	1.0
41	Electricity, Gas & Steam	2	2.1
42	Water works & Supply	1	1.0
50	Construction	15	24.7
62	Retail Trade	12	16.5
63	Hotels & Guest Houses	3	4.1
64	Restaurant & Bars	8	9.3
71	Transport & Storage	3	3.1
82	Insurance	2	2.1
83	Real Estate & Business Services	3	3.1
93	Social & Related Community Services	4	4.1
95	Personal & Household Services	26	27.8
TOTAL		81	100.0

Table 6
Registration of Employers 2004 – 2008

YEAR	NEWLY REGISTERED EMPLOYERS	EMPLOYERS REGISTERED AT YEAR-END	ACTIVE EMPLOYERS AT YEAR-END
2004	106	2,054	667
2005	132	2,229	747
2006	141	2,411	840
2007	213	2,607	1,017
2008	113	2,746	984

Table 7
New Self-Employed Registrations by Industry - 2008

ILO CODE	INDUSTRY	No.	%
13	Fishing	1	3.1
42	Water Works & Supply	1	3.1
50	Construction	10	31.3
62	Retail Trade	7	21.9
64	Restaurant & Bars	2	6.3
81	Financial Institutions	1	3.1
83	Real Est. & Bus. Services	1	3.1
95	Personal & Household Services	9	22.6
TOTAL		32	100.0

Table 8
Benefit Claims Received, Approved, Rejected & Pending - 2008

TYPE	RECEIVED	APPROVED	REJECTED	PENDING
Sickness	3,113	2,449	527	137
Maternity	151	129	5	17
Maternity Grant	154	126	1	27
Funeral	26	26		
Age Pension	34	28		6
Age Grant	7	5		2
Survivors Pension	8	7		1
Invalidity Pension	15	6		9
NCOAP*	12	6		6
TOTALS	3,520	2,782	533	205

*Non-Contributory Old Age Pension

Table 9
Benefit Claims Received By Type 2004 – 2008

BENEFIT TYPE	2004	2005	2006	2007	2008
SICKNESS	2,071	2,573	2,498	2,684	3,113
MATERNITY BENEFIT	132	129	153	137	151
MATERNITY GRANTS	128	149	160	153	154
FUNERAL	27	27	30	36	26
TOTAL SHORT-TERM	2,358	2,878	2,841	3,010	3,444
AGE PENSION	29	29	30	23	34
AGE GRANT	6	3	7	9	7
SURVIVORS PENSION	8	20	9	21	8
SURVIVORS GRANT		2	11	1	0
INVALIDITY PENSION	6	5	7	9	15
INVALIDITY GRANT		1	0	0	0
NCOAP*	20	12	4	7	12
TOTAL LONG-TERM	69	72	68	70	76
TOTAL CLAIMS RECEIVED	2,427	2,950	2,909	3,080	3,520
% CHANGE	-5.3	21.5	-1.4	5.9	14.3

*Non-Contributory Old Age Pension

Table 10
Benefit Claims Paid by Type 2004 – 2008

BENEFIT TYPE	2004	2005	2006	2007	2008
SICKNESS	1,759	2,064	1,828	2,079	2,201
MATERNITY BENEFIT	132	127	132	137	128
MATERNITY GRANTS	144	151	134	147	125
FUNERAL	26	29	30	32	25
TOTAL SHORT-TERM	2,061	2,371	2,124	2,395	2,479
AGE PENSION	29	30	28	27	27
AGE GRANT	7	5	6	7	4
SURVIVORS PENSION	11	11	13	17	7
SURVIVORS GRANT	0	1	11	6	0
INVALIDITY PENSION	6	5	5	7	6
INVALIDITY GRANT	0	1	1	0	0
NCOAP*	17	3	7	5	6
TOTAL LONG-TERM	70	56	71	69	50
TOTAL CLAIMS PAID	2,131	2,427	2,195	2,464	2,529
% CHANGE	-8.1	13.9	-9.6	12.3	2.6

Each year includes claims brought forward from the previous year

*Non-Contributory Old Age Pension

Table 11
Benefit Expenditure by Type in EC\$ - 2004 – 2008

BENEFIT TYPE	2004	2005	2006	2007	2008
SICKNESS	1,048,620	1,219,242	1,222,260	1,619,161	1,910,933
MATERNITY	592,970	654,846	620,148	719,797	803,384
FUNERAL	78,000	87,000	90,000	99,000	87,000
TOTAL SHORT-TERM	1,719,590	1,961,088	1,932,408	2,437,958	2,801,317
AGE	1,740,991	2,041,537	2,319,079	2,707,629	2,997,213
SURVIVORS	367,277	350,869	412,000	515,460	544,264
INVALIDITY	329,130	310,693	325,411	381,497	456,057
NCOAP*	364,206	368,399	379,923	336,592	644,811
TOTAL LONG-TERM	2,801,604	3,071,498	3,436,413	3,941,178	4,642,345
TOTAL BENEFIT EXPENSE	4,521,194	5,032,586	5,368,821	6,379,136	7,443,662
% CHANGE	8.8	11.3	6.7	18.8	16.7

*Non-Contributory Old Age Pension

Table 12
Consolidated Income & Expenditure Account, 5-Year Comparative Analysis 2004 – 2008

	2004	2005	2006	2007	2008
INCOME					
CONTRIBUTION	14,114,120	16,845,392	20,284,267	27,160,458	35,695,290
INVESTMENT	7,310,359	7,762,156	8,871,564	10,679,018	9,894,984
OTHER (FINES & MISC.)	169,136	140,346	184,458	461,834	438,842
OTHER (NET RENT)	118,495	121,486	109,076	154,002	144,745
TOTAL	21,712,110	24,869,380	29,449,365	38,455,312	46,173,861
EXPENSES					
ADMINISTRATIVE	3,598,768	3,585,093	4,066,255	4,914,322	5,467,143
BENEFITS	4,521,194	5,032,585	5,368,821	6,379,136	7,443,662
INVESTMENT LOSSES					10,810,248
IMPAIRMENT LOSS - NET				2,732,080	4,166,490
SSDF*	401,408	315,566	511,838	521,261	541,920
OTHER	88,318	108,094	110,121	81,755	90,582
TOTAL	8,609,688	9,041,338	10,057,035	14,628,554	28,520,045
NET INCOME	13,102,422	15,828,042	19,392,330	23,826,758	17,653,816
% CHANGE	21.4	20.8	22.5	22.9	-25.9
RESERVES & LIABILITIES	124,832,507	140,465,774	160,520,209	187,087,800	207,075,923
FUND RATIO**	13.8	14.0	11.0	6.6	12.0

* Social Security Development Fund

** Figures revised

Table 13
Wages and Contributions by Economic Categories (EC\$) - 2008

CATEGORIES	TOTAL WAGES	AVERAGE WAGES	CONTRIBUTION DOLLARS	INSURED EARNINGS
Agriculture	977,261	23,268	91,734	928,384
Banking & Finance	22,096,215	57,843	1,749,313	17,470,087
Central & Local Government	78,520,368	52,805	7,174,368	71,706,048
Construction	81,922,832	27,509	7,477,721	74,782,454
Hotel & Restaurants	73,136,951	23,948	6,704,145	66,906,968
Manufacturing	2,886,785	23,281	279,106	2,806,711
Mining & Quarrying	125,936	41,979	12,678	125,936
Personal & Household Services	10,487,642	17,081	1,017,919	10,268,341
Real Estate & Housing & Professional Services	7,686,266	42,232	647,229	6,461,931
Recreational & Community Services	1,371,777	21,104	127,918	1,280,853
Social & Community Services	25,294,031	45,168	2,155,990	21,604,325
Trade & Commerce	16,504,583	22,547	1,613,652	16,186,684
Transport & Communications	15,356,710	37,364	1,336,535	13,409,620
Utilities	10,174,663	42,394	933,053	9,326,282
Other	467,995	17,333	45,619	467,986
TOTAL	347,010,015	-	31,366,980	313,732,610

ANGUILLA SOCIAL SECURITY BOARD

Financial Statements

31 December 2008

ANGUILLA SOCIAL SECURITY BOARD
Financial Statements
31 December 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Anguilla Social Security Board

We have audited the accompanying financial statements of Anguilla Social Security Board (the "Board"), which comprise the balance sheet as at 31 December 2008, and the related combined statements of income, statements of income and changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and Social Security Act, Revised Statutes of Anguilla Chapter S45 (R.S.A.c.S45).

Emphasis of Matter

We draw attention to Note 16 to the financial statements which highlights that during the year, the Board realized losses from disposal of investment securities amounting to EC\$11,434,759. This disposal is a result of the Board's decision to retire the major part of its investments in the United States and bring home the proceeds from such retired investments and other international markets due to unstable market conditions.

We also draw attention to Note 23 to the financial statements which show that as at 31 December 2008, the total financial instruments of the Board amounting to \$199,144,415 represents ninety-five percent (95%) of its total assets. Eighty percent (80%) of these financial instruments were in the form of savings, demand and fixed deposits, equity securities and interest receivables on fixed deposits held with National Bank of Anguilla Limited (44%) and savings, demand and fixed deposits and interest receivables on fixed deposits with Caribbean Commercial Bank (Anguilla) Limited (36%) during the year. In view of this, the Board is exposed to significant credit concentration and counterparty risks which could materially impact the Board's liquidity, position and performance in the event that any or both of the said indigenous banks encounter financial difficulties.

Moreover, also draw attention to Note 25 to the financial statements which shows that ASSIDCO, the Board's subsidiary, incurred a net loss of EC\$1,442,125 for the year ended 31 December 2009 and as of that date, ASSIDCO's liabilities exceeded its total assets by EC\$1,342,125. In August 2010, the Board made additional capital infusion of \$5,246,000 to provide ASSIDCO enough funds to operate based on its statutory functions.

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

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

ANGUILLA SOCIAL SECURITY BOARD
Balance Sheet
As at 31 December 2008

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

	<i>Notes</i>	2008	2007
Assets			
Cash on hand and in bank	7	1,068,384	2,533,775
Investment securities – net	8	184,736,649	169,805,640
Contributions, loans and other receivables	9	9,324,467	6,946,476
Property and equipment – net	10	9,272,682	5,402,779
Software – net	11	452,183	489,015
Other assets	12	2,221,558	1,910,115
Total Assets		207,075,923	187,087,800
Liabilities, Reserves and Development Fund			
Liabilities			
Accounts payable and accrued expenses		508,639	96,610
Pension fund obligation	13	1,607,502	1,340,099
Total Liabilities		2,116,141	1,436,709
Reserves and Development Fund			
Short-term benefits branch reserve		5,637,006	4,085,994
Long-term benefits branch reserve		191,787,113	176,422,539
Social Security Development Fund		1,366,764	870,667
Social Security Development Fund Reserve	14	1,250,000	1,000,000
Unrealized (loss)/gain on available-for-sale investment securities	8	(130,803)	1,746,552
Premises revaluation surplus	10	5,049,702	1,525,339
Total Reserves and Development Fund		204,959,782	185,651,091
Total Liabilities, Reserves and Development Fund		207,075,923	187,087,800

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

Thomas W. Astaphan, Chairman

Timothy Hodge, Director

ANGUILLA SOCIAL SECURITY BOARD
Combined Statement of Income
For the Year Ended 31 December 2008

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

	<i>Notes</i>	2008	2007
Income			
Contributions	<i>15</i>	35,695,290	27,160,458
Investment income	<i>16</i>	9,894,984	10,679,018
Rent income – net	<i>17</i>	144,745	154,002
Fines and miscellaneous	<i>18</i>	438,842	461,834
		46,173,861	38,455,312
Expenses			
Benefits			
Short-term	<i>19</i>	2,801,317	2,437,958
Long-term	<i>19</i>	4,642,345	3,941,178
		7,443,662	6,379,136
Administrative and other expenses	<i>21</i>	5,557,725	4,996,077
Investment losses	<i>16</i>	10,810,248	-
Impairment loss - net of recovery	<i>8</i>	4,166,490	2,732,080
Social Security Development Fund	<i>20</i>	541,920	521,261
		28,520,045	14,628,554
Net income		17,653,816	23,826,758

ANGUILLA SOCIAL SECURITY BOARD
Statement of Income and Changes in Reserve
Short-term Benefits Branch
For the Year Ended 31 December 2008

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

	<i>Notes</i>	2008	2007
Income			
Contributions	<i>15</i>	5,354,294	4,074,069
Investment income	<i>16</i>	221,648	208,241
Rent income – net	<i>17</i>	3,242	3,003
Fines and miscellaneous	<i>18</i>	219,421	230,917
		5,798,605	4,516,230
Expenses			
Benefits	<i>19</i>	2,801,317	2,437,958
Administrative and other expenses	<i>21</i>	1,111,977	1,024,725
Investment loss	<i>16</i>	242,150	-
Impairment loss - net of recovery	<i>8</i>	93,329	53,276
		4,248,773	3,515,959
Net income		1,549,832	1,000,271

Short-term benefits branch reserve

Balance at beginning of the year		4,085,994	3,084,543
Net income for the year		1,549,832	1,000,271
Depreciation transfer from premises revaluation surplus	<i>10</i>	1,180	1,180
Balance at end of the year		5,637,006	4,085,994

ANGUILLA SOCIAL SECURITY BOARD
Statement of Income and Changes in Reserve
Long-term Benefits Branch
For the Year Ended 31 December 2008

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

	<i>Notes</i>	2008	2007
Income			
Contributions	<i>15</i>	29,002,423	22,067,872
Investment income	<i>16</i>	9,571,418	10,383,209
Rent income – net	<i>17</i>	140,012	149,736
Fines and miscellaneous	<i>18</i>	219,421	230,917
		38,933,274	32,831,734
Expenses			
Benefits	<i>19</i>	4,642,345	3,941,178
Administrative and other expenses	<i>21</i>	4,445,748	3,971,352
Investment loss	<i>16</i>	10,456,753	-
Impairment loss - net of recovery	<i>8</i>	4,030,246	2,656,401
		23,575,092	10,568,931
Net income		15,358,182	22,262,803

Long-term benefits branch reserve

Balance at beginning of the year		176,422,539	154,153,344
Net income for the year		15,358,182	22,262,803
Depreciation transfer from premises revaluation surplus	<i>10</i>	6,392	6,392
Balance at end of the year		191,787,113	176,422,539

ANGUILLA SOCIAL SECURITY BOARD
Statement of Income and Changes in Reserve
Social Security Development Fund and Development Fund Reserve
For the Year Ended 31 December 2008

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

	<i>Notes</i>	2008	2007
Income			
Contributions	<i>15</i>	1,338,573	1,018,517
Investment income	<i>16</i>	101,918	87,568
Rent income – net	<i>17</i>	1,491	1,263
		1,441,982	1,107,348
Expenses			
Social projects funded	<i>20</i>	541,920	521,261
Investment loss	<i>16</i>	111,345	-
Impairment loss – net of recovery	<i>8</i>	42,915	22,403
		696,180	543,664
Net income		745,802	563,684

Social Security Development Fund

Balance at beginning of the year		870,667	556,688
Net income for the year		745,802	563,684
Depreciation transfer from premises revaluation surplus	<i>10</i>	295	295
Transfer to Development Fund Reserve	<i>14</i>	(250,000)	(250,000)
Balance at end of the year		1,366,764	870,667

Social Security Development Fund Reserve

Balance at beginning of the year		1,000,000	750,000
Transfer from Development Fund Reserve	<i>14</i>	250,000	250,000
Balance at end of the year		1,250,000	1,000,000

ANGUILLA SOCIAL SECURITY BOARD
Statement of Cash Flows
For the Year Ended 31 December 2008

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

	<i>Notes</i>	2008	2007
Cash flows from operating activities			
Net income		17,653,816	23,826,758
Adjustments for:			
Net realized loss/(gain) from available-for-sale investment securities	<i>16</i>	10,810,248	(2,317,749)
Interest income	<i>16</i>	(9,324,744)	(7,581,038)
Impairment loss - net of recovery	<i>8</i>	4,166,490	2,732,080
Dividend income	<i>16</i>	(570,240)	(780,231)
Depreciation and amortization	<i>10, 11</i>	408,961	398,528
Operating income before working capital changes		23,144,531	16,278,348
Decrease/(increase) in:			
Contributions, loans and other receivables	<i>9</i>	(2,827,393)	310,826
Other assets	<i>12</i>	(311,443)	(442,294)
Increase/(decrease) in:			
Accounts payable and accrued expenses		412,029	(67,832)
Pension fund obligation	<i>13</i>	267,403	124,994
Net cash provided by operating activities		20,685,127	16,204,042
Cash flows from investing activities			
Acquisition of held-to-maturity investment securities	<i>8</i>	(44,282,051)	(20,517,777)
Withdrawal (acquisition) of available-for-sale investment securities	<i>8.2</i>	13,219,809	(4,075,280)
Interest received		8,482,405	7,126,779
Dividends received		1,139,121	431,562
Acquisition of property and equipment	<i>10</i>	(624,410)	(83,829)
Acquisition of software	<i>11</i>	(85,392)	(94,402)
Net cash used in investing activities		(22,150,518)	(17,212,947)
Net decrease in cash on hand and in bank		(1,465,391)	(1,008,905)
Cash on hand and in bank at beginning of year		2,533,775	3,542,680
Cash on hand and in bank at end of year		1,068,384	2,533,775

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements
31 December 2008

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

1. Reporting entity

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

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 considered in the preparation of these financial statements.

The Board's financial statements as at and for the year ended 31 December 2008 were approved and authorised for issue by the Board of Directors on 11 February 2011.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

2. Basis of preparation (*continued*)

(d) Use of estimates and judgments (*continued*)

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in Note 5.

(e) Actuarial review of pension liabilities to members

An actuarial review was conducted as at 31 December 2007 by an independent actuary, Mr. Hernando Perez Montas. The actuarial report is being updated every three years. The actuarial projections provide a quantification of the emerging level of reserves of the long-term branch and from an actuarial standpoint, the investment return assumes as average 6% nominal return or a 3% real return net of inflation, an assumption that lies within accepted benchmarks of national pension systems. A summary of key parameters and the present value of pensions are disclosed in Note 13.

3. Significant accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to EC Dollars at the spot exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are retranslated into EC Dollars at the spot exchange rate ruling at that date. Translation gains or losses of assets and liabilities are recognized in the combined statement of income.

Outstanding 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 dates of acquisition.

(b) Financial assets

i. Recognition

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(b) Financial assets (*continued*)

ii. Classification

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

iii. Derecognition

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

iv. Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Board has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

v. Amortized cost measurement

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

vi. Fair value measurement

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

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(b) Financial assets (*continued*)

vii. Identification and measurement of impairment

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

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

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

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

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

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(c) Non-derivative financial instruments

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

i. Cash on hand and in bank

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

ii. Held-to-maturity investment securities

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

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

iii. Available-for-sale investment securities

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

iv. Loan receivables

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

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(d) Property and equipment

i. Recognition and measurement

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

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

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment.

ii. Subsequent costs

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

iii. Depreciation

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

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(d) Property and equipment (*continued*)

iii. Depreciation (*continued*)

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

iv. Revaluation of land and building

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

Any revaluation surplus is credited to the 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 combined statement of income, in which case the increase is recognised in the combined statement of income.

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

(e) Software

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

Amortization is recognised in the combined 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.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(f) Impairment of non-financial assets

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

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

(g) Employee benefits

i. Defined benefit plan

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 credit method. When the calculation results in a benefit to the Board, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements *(continued)*
31 December 2008

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

3. Significant accounting policies *(continued)*

(g) Employee benefits *(continued)*

i. Defined benefit plan *(continued)*

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

ii. Short-term benefits

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

(h) Distribution of income

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

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

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

	2008	2007
Short-term benefits branch	2.24%	1.95%
Long-term benefits branch	96.73%	97.23%
Social Security Development Fund	1.03%	0.82%

Other income is distributed equally between the two benefit branches.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(i) Distribution of expenditure

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

The benefits are grouped as follows:

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

Administrative expenses are distributed among the benefit branches in proportion of the sum of contribution income and benefit expenditure of each branch to the total sum of contribution income and benefit expenditure of the two benefit branches, based on Section 19(2) of the Financial and Accounting Regulations of the Social Security Act (R.S.A.c. S45). In 2008 and 2007, the allocations are as follows:

	2008	2007
Short-term benefits branch	19.51%	20.02%
Long-term benefits branch	80.49%	79.98%

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

(j) Contribution income

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

(k) Investment income

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(l) Rent income

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

(m) Fines and miscellaneous income

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

(n) Income taxes

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

(o) Provision

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

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

(p) Related party transactions

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

(q) Events after balance sheet date

Post year-end events that provide additional information about the Board's financial position as 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.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(r) Amendments to standards and interpretations effective in 2008

Amendments to standards effective in 2008

IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures, Reclassification of Financial Assets* (Amendments), permits an entity to reclassify non-derivative financial assets, other than those designated as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss (i.e., held for trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention to hold the financial asset for the foreseeable future or until maturity;
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the held for trading category only in “rare circumstances”;
- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been designated as available-for-sale, then it may be reclassified if the entity has the intention to hold the financial asset for the foreseeable future or until maturity.

The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008. The adoption of these amendments to standards did not affect the Board’s reported net income or financial position during the year.

Interpretations effective in 2008 but not relevant

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Board’s operations:

- IFRIC 12, *Service Concession Arrangements*, provides guidance on the accounting by operators of public-to-private service concession arrangements.
- IFRIC 14, *IAS 19 – The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, addresses how to assess the limit, under IAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset particularly when a minimum funding requirement exists.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(s) New standards, amendments to standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008 and have not been early adopted by the Board or are not relevant to the Board's operations. These are as follows:

	<u>Accounting standards</u>	<u>Effective date</u>
IFRS 1 and IAS 27 (Amendments)	IFRS 1 First-time Adoption of International Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 2 (Amendment)	IFRS 2 Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
IFRS 3 (Revised)	IFRS 3 Business Combinations	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1 (Revised)	IAS 1 Presentation of Financial Statements	1 January 2009
IAS 23 (Revised)	IAS 23 Borrowing Costs	1 January 2009
IAS 27 (Amendments)	IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
IAS 32 and IAS 1 (Amendments)	IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39 (Amendment)	IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
Various	Improvements to IFRSs 2008	1 January 2009

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(s) New standards, amendments to standards and interpretations not yet effective
(*continued*)

- Amendments to IFRS 1, *First-time Adoption of International Reporting Standards* and IAS 27, *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, permits a first-time adopter of IFRSs, at the date of transition, to measure the cost of its investment in a subsidiary, jointly controlled entity or associate at a deemed cost in its separate financial statements rather than having to determine cost under IFRSs. Amendments to IFRS 1 and IAS 27, which will become mandatory for 2009 financial statements, are not expected to have any impact on the Board's financial statements.
- Amendment to IFRS 2, *Share-based Payment – Vesting Conditions and Cancellations*, clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. Amendment to IFRS 2, which will become mandatory for 2009 financial statements with retrospective application required, is not expected to have any impact on the Board's financial statements.
- Revised IFRS 3, *Business Combinations*, incorporates changes as to (a) the definition of business has been broadened; (b) contingent consideration will be measured at fair value, with subsequent changes in fair value recognized in the combined statement of income; (c) transaction costs, other than share and debt issue costs, will be expensed as incurred; (d) any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognized in the combined statement of income; (e) any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. Revised IFRS 3, which will become mandatory for 2010 financial statements, is not expected to have any impact on the Board's financial statements.
- 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 tests related to revenues, results and assets. IFRS 8, which will become mandatory for 2009 financial statements, is not expected to have any impact on the Board's financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(s) New standards, amendments to standards and interpretations not yet effective (*continued*)

- Revised IAS 1, *Presentation of Financial Statements*, introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income” (i.e., changes in equity during a period, other than those changes resulting from transactions with owners in their capacity as owners), which is presented either in : (a) one statement (i.e, a statement of comprehensive income); or (b) two statements (i.e., an income statement and a statement beginning with profit or loss and displaying components of other comprehensive income). The revised standard also prohibits presenting components of comprehensive income in the Board’s reserve.

Other requirements in the revised standard that are not current IAS 1 requirement includes: (a) a statement of financial position (formerly “balance sheet”) is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements; (b) reclassification adjustments to profit or loss of amounts previously recognized in other comprehensive income (formerly “recycling”) are disclosed for each component of other comprehensive income; (c) income tax is disclosed for each component of other comprehensive income; (d) dividends and related per-share amounts are disclosed either on the face of the statement of reserve or in the notes.

Revised IAS 1, which will become mandatory for 2009 financial statements, will require adjustments and additional disclosures in the Board’s financial statements.

- Revised IAS 23, *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.
- Amendments to IAS 27, *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognized as an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the combined statement of income. Amendments to IAS 27, which will become mandatory for 2010 financial statements, are not expected to have any impact on the Board’s financial statements.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

3. Significant accounting policies (*continued*)

(s) New standards, amendments to standards and interpretations not yet effective (*continued*)

- Amendments to IAS 32, *Financial Instruments: Presentation* and IAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*, requires puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which will become mandatory for 2009 financial statements with retrospective application required, are not expected to have any impact on the Board's financial statements.
- Amendment to IAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*, clarifies the application of existing principles in a hedging relationship. The amendments, which will become mandatory for 2010 financial statements with retrospective application required, are 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 under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which will become mandatory for 2009 financial statements with retrospective application required, is not expected to have any impact on the Board's financial statements.
- IFRIC 15, *Agreements for the Construction of Real Estate*, determines whether an agreement for the construction of real estate is within the scope of IAS 11, *Construction Contracts* or IAS 18, *Revenue*. IFRIC 15, which will become mandatory for 2009 financial statements with retrospective application required, is not expected to have any impact on the Board's financial statements.
- IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, provides guidance in respect of hedges of foreign currency gains and losses on a net investment in a foreign operation. IFRIC 16, which will become mandatory for 2009 financial statements, is not expected to have any impact on the Board's financial statements.

(t) Comparatives

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

4. Financial risk management

(a) Introduction and overview

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

- credit risk
- liquidity risk
- market 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 and the Board's management of capital. 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.

(b) 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 and receivables and investment securities.

The risk that counterparties 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 investment securities 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 counterparties of good credit standing.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

4. Financial risk management (*continued*)

(b) Credit risk (*continued*)

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.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the 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 investment securities are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous depending on the situation of the economy.

(d) Liquidity risk

Liquidity risk is the risk arising from potential inability to meet all payment obligations when they become due. The Board of Directors and key officers safeguard the ability of the 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.

(e) 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 (*continued*)
31 December 2008

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

4. Financial risk management (*continued*)

(e) Capital management (*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 judgments

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

(a) Allowance for impairment losses

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

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

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

ANGUILLA SOCIAL SECURITY BOARD
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31 December 2008

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

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

(b) Pension benefits assumptions

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

The present value of obligation for the defined benefit plan and the related assumption used to determine such are disclosed in Note 13.

(c) Determination of fair values

The fair values of financial and non-financial assets and liabilities have been determined for measurement and/or disclosure purposes based on the methods described in Note 6 to the financial statements. The carrying and fair values of financial assets are presented in Note 23 to the financial statements.

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

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

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

(b) 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 balance sheet date.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
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(Expressed in Eastern Caribbean Dollars (EC\$))

6. Determination of fair values (*continued*)

(a) Other non-derivative financial assets

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

(b) Property and equipment

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

7. Cash on hand and in bank

	2008	2007
Cash on hand	530,422	1,279,261
Cash in bank	537,962	1,254,514
	1,068,384	2,533,775

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

8. Investment securities - net

	<i>Notes</i>	2008	2007
Held-to-maturity investments	8.1	172,418,029	133,589,454
Available-for-sale investments	8.2	12,318,620	36,216,186
		184,736,649	169,805,640

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements *(continued)*
31 December 2008

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

8. Investment securities - net *(continued)*

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

8.1 Held-to-maturity investment securities

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

<i>Note</i>	Due within one year	Due over one year	2008	2007
Fixed deposits				
National Bank of Anguilla Limited	23,537,857	59,760,094	83,297,951	53,547,498
Caribbean Commercial Bank Limited	27,297,915	41,313,039	68,610,954	55,204,777
British American Insurance Company	9,135,462	1,500,000	10,635,462	10,635,462
	59,971,234	102,573,133	162,544,367	119,387,737
Investments in bonds				
Eastern Caribbean Home Mortgage Bank (ECHMB)	-	2,500,000	2,500,000	2,500,000
Government of St. Kitts and Nevis	-	4,230,840	4,230,840	4,230,840
Government of St. Lucia	-	5,000,000	5,000,000	3,500,000
Government of Antigua and Barbuda	-	1,828,236	1,828,236	1,921,671
Government of St. Vincent and Grenadines	-	1,768,062	1,768,062	2,049,206
	-	15,327,138	15,327,138	14,201,717
Total held-to-maturity investments	59,971,234	117,900,271	177,871,505	133,589,454
Less allowance for impairment	8.3 (5,453,476)	-	(5,453,476)	-
	54,517,758	117,900,271	172,418,029	133,589,454

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements *(continued)*
31 December 2008

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

8. Investment securities - net *(continued)*

8.2 Available-for-sale investment securities

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

	<i>Note</i>	2008	2007
Equity securities – International			
Smith Barney		1,594,877	22,934,426
Summit Brokerage Services, Inc. (SBSI)		1,233	2,922,833
Merrill Lynch		1,888,156	1,979,012
Anguilla European Masters Fund (AEMF)		262,838	318,245
		3,747,104	28,154,516
Equity securities – Local and regional			
National Bank of Anguilla		1,500,000	1,500,000
Anguilla Electric Company Limited (ANGLEC)		4,587,750	4,587,750
Eastern Caribbean Financial Holding Company (ECFHC)		3,000,000	4,500,000
Eastern Caribbean Home Mortgage Bank (ECHMB)		81,000	81,000
Eastern Caribbean Securities Exchange Limited		125,000	125,000
		9,293,750	10,793,750
Total available-for-sale investment securities		13,040,854	38,948,266
Less allowance for impairment losses	8.3	(722,234)	(2,732,080)
		12,318,620	36,216,186

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (continued)
31 December 2008

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

8. Investment securities - net (continued)

8.2 Available-for-sale investment securities (continued)

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

	<i>Note</i>	2008	2007
Fair value of available-for-sale investment securities, beginning		38,948,266	29,871,566
Movements during the year:			
Net realized (loss)/gain	<i>16.1</i>	(10,810,248)	2,317,749
Withdrawal of investments with Smith Barney		(11,531,876)	-
(Withdrawal)/additional investments with SBSI		(1,687,933)	1,075,280
Additional investments in ECFH		-	3,000,000
Should be fair value of available-for-sale investment securities		14,918,209	36,264,595
Fair value of available-for-sale investment securities, ending		13,040,854	38,948,266
Net fair value movement during the year		1,877,355	(2,683,671)

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

	2008	2007
Unrealized gain/(loss), beginning of year	1,746,552	(937,119)
Net fair value movement during the year	(1,877,355)	2,683,671
Unrealized (loss)/gain, end of year	(130,803)	1,746,552

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (continued)
31 December 2008

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

8. Investment securities - net (continued)

8.3 Allowance for impairment losses

	<i>Notes</i>	2008	2007
Balance at beginning of year			
Held-to-maturity investment securities		-	-
Available-for-sale investment securities	8.2	2,732,080	-
		2,732,080	-
Impairment loss during the year			
Held-to-maturity investment securities		5,453,476	-
Available-for-sale investment securities		722,234	2,732,080
Contributions, loans and other receivables	9	722,860	-
		6,898,570	2,732,080
Reversal during the year			
Held-to-maturity investment securities		-	-
Available-for-sale investment securities		(2,732,080)	-
		(2,732,080)	
Balance at end of year			
Held-to-maturity investment securities	8.1	5,453,476	-
Available-for-sale investment securities	8.2	722,234	2,732,080
Contributions, loans and other receivables	9	722,860	-
		6,898,570	2,732,080

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

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

Distribution of impairment loss net of the reversal follows:

	2008		2007	
	%	Amount	%	Amount
Short-term benefits branch	2.24	93,329	1.95	53,276
Long-term benefits branch	96.73	4,030,246	97.23	2,656,401
Social Security Development Fund	1.03	42,915	0.82	22,403
	100.00	4,166,490	100.00	2,732,080

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

9. Contributions, loans and other receivables

	2008	2007
Contributions receivable	3,095,625	-
Loans receivable		
Anguilla Development Board (ADB)	1,701,000	1,989,000
Staff	162,937	203,054
	1,863,937	2,192,054
Other receivables		
Interest on fixed deposits	4,636,903	3,873,790
Interest on investments in bonds	346,677	264,563
Rent receivable	39,026	11,736
Interest on loans receivable	17,057	19,945
Dividends on Anglec shares	-	568,881
Other	48,102	15,507
	5,087,765	4,754,422
Total contributions, loans and other receivables	10,047,327	6,946,476
Less allowance for impairment losses	(722,860)	-
	9,324,467	6,946,476

Contributions receivable represent earned contributions for the year ended 31 December 2008 due from Social Security Board members and were collected subsequently. This amount is estimated by the Board based on actual collections subsequent to year end.

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

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

	2008	2007
Current	288,000	288,000
Non-current	1,413,000	1,701,000
	1,701,000	1,989,000

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (continued)
31 December 2008

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

10. Property and equipment - net

Movements in this account are as follows:

	Land	Building & improvements	Furniture, fittings and equipment	Computer equipment	Vehicles	Generator	Total
Cost and revalued amount							
31 December 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)
31 December 2007	1,139,797	4,260,686	653,660	401,071	84,686	201,313	6,741,213
Additions	-	469,836	20,482	124,138	-	9,954	624,410
Disposals	-	-	(23,831)	(121,910)	-	-	(145,741)
Appraisal increase	1,709,695	1,301,799	-	-	-	-	3,011,494
31 December 2008	2,849,492	6,032,321	650,311	403,299	84,686	211,267	10,231,376
Accumulated depreciation							
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)
31 December 2007	-	399,960	499,363	309,383	50,811	78,917	1,338,434
Depreciation for the year	-	120,776	53,300	53,470	16,937	42,254	286,737
Disposals	-	-	(23,831)	(121,910)	-	-	(145,741)
Appraisal result	-	(520,736)	-	-	-	-	(520,736)
31 December 2008	-	-	528,832	240,943	67,748	121,171	958,694
Carrying amount							
31 December 2007	1,139,797	3,860,726	154,297	91,688	33,875	122,396	5,402,779
31 December 2008	2,849,492	6,032,321	121,479	162,356	16,938	90,096	9,272,682

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

Annual transfers from the 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 account 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).

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

10. Property and equipment – net (*continued*)

Movements in the revaluation surplus account follow:

	2008	2007
Revaluation surplus, beginning of year	1,525,339	1,533,206
Appraisal increase	3,532,230	-
Depreciation for the year	(7,867)	(7,867)
Revaluation surplus, end of year	5,049,702	1,525,339

11. Software - net

Movements in this account follow:

	2008	2007
Cost		
Beginning balance	918,479	824,077
Acquisition during the year	85,392	94,402
Ending balance	1,003,871	918,479
Accumulated amortization		
Beginning balance	429,464	319,860
Amortization for the year	122,224	109,604
Ending balance	551,688	429,464
Carrying amount	452,183	489,015

12. Other assets

	2008	2007
Contingency reserve investment	2,100,000	1,800,000
Stationery and computer supplies	66,232	62,341
Prepayments	55,326	47,774
	2,221,558	1,910,115

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

12. Other assets (*continued*)

A contingencies reserve was established 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 as at 31 December 2008 and 2007 has been invested at NBA and CCB, in the form of fixed deposits which bear an interest rate of 6% per annum. The fixed deposits will mature on various dates from April to June 2009 and can be rolled over upon maturity. Accrued interest receivable for these fixed deposits amounted to \$52,356 (2007 - \$61,565).

13. Pension fund obligation

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

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

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

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements *(continued)*
31 December 2008

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

13. Pension fund obligation *(continued)*

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

The amounts recognized in the balance sheet are as follows:

	2008	2007
Present value of obligations	4,912,193	4,076,059
Fair value of plan assets	(1,424,498)	(1,404,465)
Deficit	3,487,695	2,671,594
Unamortized actuarial losses	(1,880,193)	(1,331,495)
	1,607,502	1,340,099

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

	2008	2007
Beginning of year	4,076,059	2,242,133
Current service cost	172,436	131,017
Interest cost	285,051	229,001
Past service cost	58,338	58,338
Contribution by plan participants	67,785	58,748
Benefits paid	(321,072)	(51,083)
Actuarial loss	573,596	1,407,905
End of year	4,912,193	4,076,059

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

	2008	2007
Beginning of year	1,404,465	1,027,028
Expected return on assets	105,678	85,184
Employer contributions	225,930	198,212
Contribution by plan participants	67,785	58,748
Benefits paid	(321,072)	(51,083)
Actuarial (loss) gain	(58,288)	86,376
End of year	1,424,498	1,404,465

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements *(continued)*
31 December 2008

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

13. Pension fund obligation *(continued)*

The plan assets as at balance sheet date consist of the following:

	2008	2007
Cash receivables	5%	16%
Fixed deposits	77%	65%
Staff loans	18%	19%

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

	2008	2007
Pension expense		
Current service cost	172,436	131,017
Interest cost on benefit obligation	285,051	229,001
Expected return on plan assets	(105,678)	(85,184)
Amortization on transitional obligation	58,338	-
Actuarial loss	81,186	48,372
	491,333	323,206

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

	2008	2007
Discount rate	7%	7%
Expected rate of return on plan assets	7%	7%
Rate of salary increases	4%	4%

14. Social Security Development Fund Reserve

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

15. Contribution income

	2008	2007
Contribution – employers	17,745,059	13,470,407
Contribution – employees	17,745,059	13,470,407
	35,490,118	26,940,814
Less refunds	(21,501)	(8,952)
	35,468,617	26,931,862
Contributions - self employed	226,673	228,596
	35,695,290	27,160,458

Distribution of contribution income follows:

	<i>Percentage</i>	2008	2007
Short-term benefits branch	<i>15.00</i>	5,354,294	4,074,069
Long-term benefits branch	<i>81.25</i>	29,002,423	22,067,872
Social Security Development Fund	<i>3.75</i>	1,338,573	1,018,517
		35,695,290	27,160,458

16. Investment (loss)/income

	<i>Note</i>	2008	2007
Interest income			
Fixed deposits (NBA and CCB)		7,120,587	5,694,399
Fixed deposits (British American)		1,025,708	1,025,708
Bonds - Government of St. Lucia		304,068	123,760
Bonds - Government of St. Kitts / Nevis		303,801	87,041
Bonds - Government of Antigua		145,594	162,062
Bonds - Government of St. Vincent and Grenadines		138,281	152,315
Bonds – ECHMB		135,390	135,315
Loans – ADB		102,060	127,234
Checking accounts		35,299	66,672
Loans – Staff		13,956	6,532
<i>Forward</i>		9,324,744	7,581,038

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (continued)
31 December 2008

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

16. Investment (loss)/income (continued)

<i>Balance forwarded</i>	9,324,744	7,581,038
Dividend income		
ANGLEC shares	275,265	568,881
ECFH shares	240,000	72,000
NBA shares	46,875	131,250
ECHMB shares	8,100	8,100
	570,240	780,231
Realized (loss)/gain from available-for-sale investment securities		
Smith Barney	(9,795,297)	1,975,920
SBSI	(1,187,272)	220,188
Merrill Lynch	172,321	121,641
	<i>16.1</i> (10,810,248)	2,317,749
	(915,264)	10,679,018

Related interest and dividend receivables are included in the contributions, loans and other receivables account in the balance sheet (see Note 9).

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

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

	Smith Barney	Merrill Lynch	SBSI	2008	2007
Dividend and interest income	349,098	753	68,736	418,587	449,356
Gains on disposals	163,350	172,307	182,676	518,333	2,523,517
Losses on disposals	(10,054,242)	-	(1,380,517)	(11,434,759)	(329,363)
Management fee and others	(253,503)	(739)	(58,167)	(312,409)	(325,761)
	(9,795,297)	172,321	(1,187,272)	(10,810,248)	2,317,749

ANGUILLA SOCIAL SECURITY BOARD
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31 December 2008

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

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

During the year, the Board realized losses from disposal of investment securities amounting to EC\$11,434,759. This disposal is a result of the Board's decision to retire the major part of its investments in the United States and bring home the proceeds from such retired investments and other international markets due to unstable market conditions.

In a joint meeting of Social Security Board and Social Security Board Investment Committee held on 19th November 2008, the Board discussed the liquidity situation on the island and agreed that bringing the money back into Anguilla would ease the liquidity crunch and would help to preserve the integrity of Anguilla's financial system. At a joint meeting of the Social Security Board and Social Security Board Investment Committee held on 20 November 2008, the decision to dispose these investments and bring back the funds to Anguilla was unanimously agreed by the Board of Directors despite of the proposal of the Board's financial advisor to invest in bonds rather than bringing its funds back to Anguilla. In the same meeting, it was agreed that the Board would substantially withdraw its funds held in US Equities and that the funds returned to Anguilla should be used to purchase shares of St. Kitts-Nevis-Anguilla National Bank ranging from \$3 million up to \$5 million from Caribbean Commercial Bank. It was also noted that the remaining balance of the funds received could be allocated in a number of investment opportunities which include capitalizing the proposed subsidiary investment company and buying government bonds when they become available.

The effect of the disposal of the investments and the conversion of the investments to bonds will be the same considering that in both cases the investments will be derecognized.

The total funds received net of the losses incurred amounting to EC\$13,219,810 were deposited at National Bank of Anguilla Limited (see Note 22).

Distribution of investment income follows:

	2008		2007	
	%	Amount	%	Amount
Short-term benefits branch	2.24	221,648	1.95	208,241
Long-term benefits branch	96.73	9,571,418	97.23	10,383,209
Social Security Development Fund	1.03	101,918	0.82	87,568
	100.00	9,894,984	100.00	10,679,018

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (continued)
31 December 2008

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

16. Investment (loss)/income (continued)

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

Distribution of investment loss follows:

	2008		2007	
	%	Amount	%	Amount
Short-term benefits branch	2.24	(242,150)	1.95	-
Long-term benefits branch	96.73	(10,456,753)	97.23	-
Social Security Development Fund	1.03	(111,345)	0.82	-
	100.00	(10,810,248)	100.00	-

17. Rent income

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

	2008	2007
Rent income	228,602	230,250
Less maintenance expenses	(83,857)	(76,248)
	144,745	154,002

Related receivables are included in the "Contributions, loans and other receivables" account in the balance sheet (see Note 9).

Distribution of rent income follows:

	2008		2007	
	%	Amount	%	Amount
Short-term benefits branch	2.24	3,242	1.95	3,003
Long-term benefits branch	96.73	140,012	97.23	149,736
Social Security Development Fund	1.03	1,491	0.82	1,263
	100.00	144,745	100.00	154,002

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

18. Fines and miscellaneous income

	2008	2007
Surcharges and additional surcharges	424,225	436,699
Rental fee surcharges	10,753	10,350
Other	3,864	14,785
	438,842	461,834

Distribution of fines and miscellaneous income follows:

	Percentage	2008	2007
Short-term benefits branch	50.00	219,421	230,917
Long-term benefits branch	50.00	219,421	230,917
		438,842	461,834

19. Benefit expenses

	2008	2007
Short-term benefits		
Sickness	1,910,933	1,619,161
Maternity	803,384	719,797
Funeral	87,000	99,000
	2,801,317	2,437,958
Long-term benefits		
Age	2,997,213	2,707,629
Non-contributory old age pension	644,811	336,592
Survivors	544,264	515,460
Invalidity	456,057	381,497
	4,642,345	3,941,178
	7,443,662	6,379,136

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

20. Social Security Development Fund (*continued*)

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

	2008	2007
Health Authority of Anguilla	141,225	141,189
Tranquility Jazz Festival	134,410	134,410
James Ronald Webster Research Project	50,946	116,627
Juvenile Rehabilitation Center	40,323	-
Anguilla Boat Racing	22,312	15,860
Education Development Plan	20,419	20,905
Music Summer Camp	18,817	-
Camp-Be-Aware	13,441	8,065
Heritage Collection Museum	13,406	-
Reading Recovery Program	12,000	4,267
Albena Lake Hodge Comprehensive School	9,180	-
ALHCS Jump Rope Club	8,065	8,065
Anguilla Amateur Athletic Association	6,721	5,645
National HIV / AIDS Program / Anguilla AIDS Foundation	5,843	25,000
National Sports Awards Committee	5,376	-
U17 Cricket	5,376	-
International Black Summit	4,032	-
World Food Day	4,032	-
Soroptimist Club of Anguilla	4,032	-
Blowing Point Youth Development Center	4,000	-
Festival D'Noel	4,000	-
Cycling Association	2,688	-
Optimist Club of Anguilla	2,689	-
Anguilla Football Association	2,688	6,801
Youth Empowerment Program	2,554	-
Rights of Child Celebration	2,000	-
Anguilla Netball Association	1,345	-
Sports Project	-	10,753
Anguilla Scouts Association	-	8,065
Youth Crime Watch	-	7,389
H.M. Prison	-	4,032
Department of Education	-	4,188
	541,920	521,261

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (continued)
31 December 2008

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

21. Administrative and other expenses

	<i>Note</i>	2008	2007
Salaries, benefits and allowances to staff		2,979,854	2,606,032
Administration expenses	<i>21.1</i>	2,262,658	2,174,865
Allowances and expenses of the Board and Investment Committee		224,631	133,425
		5,467,143	4,914,322
Other expenses		90,582	81,755
		5,557,725	4,996,077

Distribution of administrative expenses follows:

	2008		2007	
	%	Amount	%	Amount
Short-term benefits branch	19.51	1,066,686	20.02	983,847
Long-term benefits branch	80.49	4,400,457	79.98	3,930,475
	100.00	5,467,143	100.00	4,914,322

Distribution of other expenses follows:

	2008		2007	
	%	Amount	%	Amount
Short-term benefits branch	50.00	45,291	50.00	40,878
Long-term benefits branch	50.00	45,291	50.00	40,877
	100.00	90,582	100.00	81,755

Distribution of administrative and other expenses follows:

	2008		2007	
	Amount		Amount	
Short-term benefits branch	1,111,977		1,024,725	
Long-term benefits branch	4,445,748		3,971,352	
	5,557,725		4,996,077	

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (continued)
31 December 2008

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

21. Administrative and other expenses (continued)

21.1 Details of administration expenses follow:

	<i>Notes</i>	2008	2007
Professional fees		456,344	214,433
Depreciation and amortization	<i>10, 11</i>	318,379	316,773
Human resource development expense		248,326	136,110
Utilities		200,876	251,169
Repairs and maintenance		125,602	120,186
Insurance		121,422	114,574
Overseas travel and lodging		90,249	141,387
Social Security Board special events		85,969	249,505
Other expenses		615,491	630,728
		2,262,658	2,174,865

22. Related party transactions

a. Identification of related party

A party is related to the Board if:

- (i) Directly or indirectly the party:
 - Controls, is controlled by, or is under common control with the Board
 - Has an interest in the Board that gives it significant influence over the Board or
 - Has joint control over the Board;
- (ii) The party is a member of the key management personnel of the Board;
- (iii) The party is a close member of the family of any individual referred to in (i) or (ii); and
- (iv) The party is a post-employment benefit plan for the benefit of employees of the Board or any company that is a related party of the Board

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

22. Related party transactions (*continued*)

b. Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business as at 31 December 2008 and 2007.

- (i) The Board's cash in bank account and fixed deposits were held at Caribbean Commercial Bank (CCB), a registered employer, since inception. Funds held at CCB as of December 31, 2008 and 2007 are as follows:

	<i>Notes</i>	2008	2007
Cash in bank	7	424,397	1,254,514
Fixed deposits	8	68,610,954	55,204,777
Contingencies reserve	12	1,100,000	1,200,000
Funds held end of year		70,135,351	57,659,291
Funds held beginning of year		(57,659,291)	(51,872,763)
Increase in funds held		12,476,060	5,786,528

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

	2008	2007
Interest income	3,588,300	3,030,839
Accrued interest receivable	1,864,133	1,627,030

- (ii) The Board's fixed deposits and an investment were also held at National Bank of Anguilla (NBA), a registered employer, since inception. The following funds are held at NBA as of 31 December 2008 and 2007:

	<i>Notes</i>	2008	2007
Cash in bank	7	113,565	-
Fixed deposits	8	83,297,951	53,547,498
Contingencies reserve	12	1,000,000	600,000
Investments	8	1,500,000	1,500,000
Funds held end of year		85,911,516	55,647,498
Funds held beginning of year		(55,647,498)	(46,714,078)
Increase in funds held		30,264,018	8,933,420

Part of the increase in funds held with NBA came from the proceeds received by the Board from disposing its investment securities in the United States and other international markets (see Note 16).

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

22. Related party transactions (*continued*)

c. Related party transactions and balances (*continued*)

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

	2008	2007
Interest income	3,532,287	2,661,952
Dividend income	46,875	131,250
Accrued interest receivable	2,055,018	1,527,729

(iii) Remuneration to directors and executive staff during 2008 and 2007 are as follows:

	2008	2007
Board and investment committee allowance	205,673	111,120
Executive staff salaries and allowances	682,084	446,197
	887,757	557,317

(iv) Interlocking directors

Mr. Timothy Hodge, Director of the Board, is also a director of National Bank of Anguilla (NBA) Limited. Effective 30 June 2010, Mr. Hodge resigned as a Director of NBA.

23. Financial instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure of the Board. The maximum exposure to credit risk as at 31 December 2008 and 2007 were as follows:

	<i>Notes</i>	2008	2007
Cash in bank	7	537,962	1,254,514
Held-to-maturity investment securities - net	8.1	172,418,029	133,589,454
Available-for-sale investment securities - net	8.2	12,318,620	36,216,186
Contributions, loans and other receivables	9	9,324,467	6,946,476
Contingency reserve investment	12	2,100,000	1,800,000
		196,699,078	179,806,630

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (continued)
31 December 2008

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

23. Financial instruments (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

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

	2008	2007
Caribbean region	192,896,567	154,384,194
United States of America	3,802,511	25,104,191
Other	-	318,245
	196,699,078	179,806,630

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

	2008	2007
Related parties	159,966,018	116,461,548
Other	36,733,060	63,345,082
	196,699,078	179,806,630

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

	% to total assets	2008	2007
NBA			
Cash in bank		113,565	-
Fixed deposits		83,297,951	53,547,498
Equity securities		1,500,000	1,500,000
Contingencies reserve		1,000,000	600,000
Accrued interest receivable		2,055,018	1,527,729
	42%	87,966,534	57,175,227
CCB			
Cash in bank		424,397	1,254,514
Fixed deposits		68,610,954	55,204,777
Contingencies reserve		1,100,000	1,200,000
Accrued interest receivable		1,864,133	1,627,030
	34%	71,999,484	59,286,321
	76%	159,966,018	116,461,548

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

23. Financial instruments (*continued*)

(a) Credit risk (*continued*)

Exposure to credit risk (continued)

As at 31 December 2008, the total financial instruments of the Board amounting to \$199,144,415 represent ninety-five percent (95%) of its total assets. Eighty percent (80%) of these financial instruments were in the form of savings, demand and fixed deposits, equity securities and interest receivable on fixed deposits held with National Bank of Anguilla Limited (NBA) (44%) and savings, demand and fixed deposits and interest receivable on fixed deposits with Caribbean Commercial Bank (Anguilla) Limited (CCB) (36%) during the year. In view of this, the Board is exposed to significant credit concentration and counterparty risks which could materially impact the Board's liquidity, position and performance in the event that the said indigenous banks encounter financial difficulties.

As of report date, the Board withdrew a total of \$34,125,221 of its investments as of 31 December 2008 from National Bank of Anguilla Limited (\$13,955,961) and Caribbean Commercial Bank (Anguilla) Limited (\$20,169,260). As a result, the concentration and counterparty risks from the two indigenous banks were reduced to 63%, representing 37% and 26% for NBA and CCB, respectively.

The movement in the allowance for impairment losses in respect of the Board's investment securities is presented in Note 8 (8.3).

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

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

(c) Liquidity risk

The Board has no significant contractual financial liabilities except for its accounts payable as a result of operations. Accounts payable as at 31 December 2008 amounted to EC\$508,639 (2007: EC\$96,610).

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

23. Financial instruments (*continued*)

(d) Market risk

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

Interest risk

Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period. The Board's financial assets exposed to interest rate risk include held-to-maturity investments and loans receivable. Total financial assets that are exposed to interest rate risk amounted to EC\$179,735,442 (2007: EC\$121,579,791).

Sensitivity analysis

A ten percent (10%) strengthening of the interest rate on the Board's financial assets subject to interest rate risk as at 31 December 2008 would have increased equity by EC\$932,474 (2007: EC\$758,104). This analysis assumes that all other variables remain constant.

Sensitivity analysis (continued)

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

Price risk

The Board's financial assets are not exposed to price risk because prices are at pre-agreed rates except for available-for-sale investment securities held with trading companies. Total available-for-sale investment securities that are exposed to price risk as at 31 December 2008 amounted to EC\$6,877,806 (2007: EC\$30,907,964).

Sensitivity analysis

A ten percent (10%) strengthening of the market price on the Board's available-for-sale investment securities at 31 December would have increased equity by EC\$687,781 (2007: EC\$3,090,796). This analysis assumes that all other variables remain constant.

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

Foreign exchange risk

The 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 EC\$2.6882.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

23. Financial instruments (*continued*)

(e) Fair values

As at 31 December 2008 and 2007, the fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash on hand and in bank	1,068,384	1,068,384	2,533,775	2,533,775
Investments	184,736,649	184,736,649	169,805,640	169,805,640
Contributions, loans and other receivables	9,324,467	9,324,467	6,946,476	6,946,476
Accounts payable and accrued expenses	(508,639)	(508,639)	(96,610)	(96,610)
	194,620,861	194,620,861	179,189,281	179,189,281

24. Commitments and guarantees

The Board does not have any outstanding commitments and guarantees as at 31 December 2008 and 2007.

25. Subsequent events

a. Incorporation and operations of Anguilla Social Security Investment and Development Corporation

On 24 March 2009, the Board established the Anguilla Social Security Investment & Development Corporation (ASSIDCO) as its wholly-owned subsidiary, for the purpose of investment and development, in accordance with Section 13A of the Social Security Act, R.S.A.c.S45, as amended by the Social Security (Amendment) Act (No. 4) 2009 which became effective on 9 March 2009.

On 30 March 2009, ASSIDCO acquired the Cinnamon Reef property comprising 11.50 acres of land, building and improvements constructed thereon located in Little Harbour, Anguilla from NBA Assets Limited, a subsidiary of National Bank of Anguilla Limited, for US\$7,500,000 (EC\$20,250,000). An independent appraisal of the property was not carried out by the Board.

On the same day, ASSIDCO also entered into a loan agreement with National Bank of Anguilla Limited for US\$7,500,000 (EC\$20,250,000), the proceeds of which were used to acquire the Cinnamon Reef property. The said loan carries an interest rate of prime minus 5.25% per annum for 10 years. There is a one-year moratorium on payments. The loan is payable in full upon maturity.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

25. Subsequent events (*continued*)

- a. Incorporation and operations of Anguilla Social Security Investment and Development Corporation (*continued*)

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

On 20 October 2009, ASSIDCO Board signed a non-revolving term credit facility with Scotiabank Anguilla Limited amounting to EC\$20,250,000 equivalent to the loan amount of ASSIDCO to National Bank of Anguilla. Some of the provisions of the credit facility are as follows:

1. The borrower may utilize the Facility by way of a direct advance(s) evidenced by promissory notes.
2. Interest on the Facility shall accrue at a rate per annum during each interest period equal to the sum of cost of funds then applicable to such interest period plus 3%. Present effective interest rate is 6%.
3. The borrower shall repay the facility by 23 equal monthly principal payments of EC\$168,750 each for 23 months, commencing one month from the date of the initial advance under the facility and the balance of the loan together with accrued interest and all other amounts outstanding under the facility shall be due and payable in full on or before the 24th month from the date of the initial advance under the facility. The term of the facility is two (2) years amortized over ten (10) years.

The financial information of ASSIDCO as at and for the period ended 31 December 2009 follow:

	EC\$
Total assets	20,250,000
Total liabilities	21,592,125
Accumulated deficit	(1,342,125)
Net loss	(1,442,125)

ASSIDCO's net loss during the period ended 31 December 2009 includes interest on its loan with National Bank of Anguilla Limited and Scotiabank (Anguilla) Limited accrued from 1 April 2009 to 31 December 2009 at 6.75% per annum (assuming a prime rate of 12% per annum) amounting to EC\$1,367,548; directors' allowances of EC\$46,000; bank charges of EC\$28,104 and other costs of EC\$871.

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

25. Subsequent events (*continued*)

- a. Incorporation and operations of Anguilla Social Security Investment and Development Corporation (*continued*)

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

Term of lease and payments:

1. The lessor leases the property to the lessee for a 10 year term, and the lessee hereby agrees to purchase the property at any time during the term of the lease, both in consideration of the lease payments and upon the terms and conditions of the agreement.
2. The lessee agrees to pay the lessor monthly lease payments of \$300,000.00 commencing on 1st February 2010.
3. The purchase price of the property amounted EC\$20,250,000, less the total sum of any loan payments made by the lessor pursuant to the loan facility.

Currently, the Government of Anguilla is planning to surrender the lease of the property to ASSIDCO since a new foreign company is interested to lease the property. As of report date, the Government was not able to fulfil its obligation to ASSIDCO for the rental of the property since the inception of the lease. The total outstanding obligation to date amounted to EC\$4,200,000.

In August 2010, the Board made additional equity investment of EC\$5,246,000 to ASSIDCO, therefore allowing it to function as a viable company.

- b. Loans granted to the Government of Anguilla

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

- i. Paid out

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

25. Subsequent events (*continued*)

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

ii. Outstanding

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

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

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

c. Change in the members of the Board of Directors

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

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

ANGUILLA SOCIAL SECURITY BOARD
Notes to the Financial Statements (*continued*)
31 December 2008

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

25. Subsequent events (*continued*)

d. Borrowings

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

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

Investment Limited. It was agreed that Mr. Astaphan would go ahead with the finalization of the arrangements subject to the terms and conditions being favorable. On the same day, a Board Resolution was ratified and approved by the Board.

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

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

CORPORATE INFORMATION

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