ANGUILLA FINANCIAL SERVICES COMMISSION

Annual Report and Accounts 2008

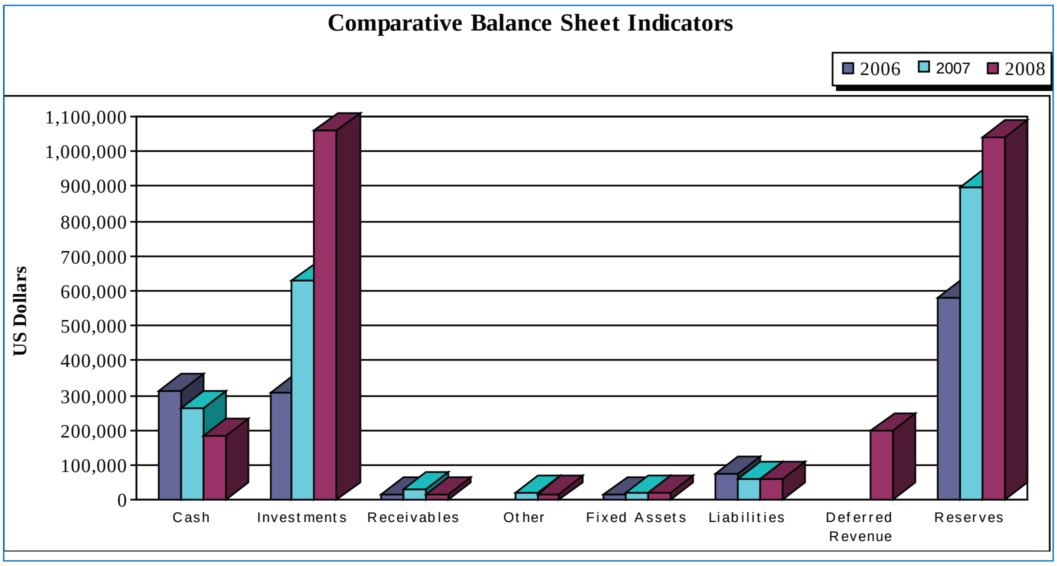
Financial Performance Analysis

The Commission is pleased with its financial performance over the 16 months ending 31 December 2008; the Commission was able to meet all its expenses and increase its reserves. This performance was consistent with that of the previous two financial years.

The Commission's financial year-end was changed during the review period from 31 August to 31 December, which resulted in a 16 months reporting period for 2008 as compared to 12 months for 2006 and 2007. Accordingly, it is expected that expenses for 2008 would be approximately 33.0% more than it would have been without the change; revenue would remain relatively unchanged as most of the Commission's revenue is earned in January.

Assets

As at 31 December 2008, the Commission's total assets amounted to $1,295,821 and consisted mainly of high quality liquid assets; cash and liquid investment accounted for 95.9% of total assets, with short term interest earning investment representing 81.6%. The Commission had $4.95 in current assets for every $1.0 of liabilities, indicating a strong ability to satisfy outstanding obligations.



The growth in the Commission's assets was relatively consistent over the review periods, expanding by $238,879 (33.1%) in 2007 and $336,690 (35.1%) in 2008. The increase in total assets of $336,690 in 2008 was funded by additional liabilities of $195,880 and reserves of $140,810 (15.7%).

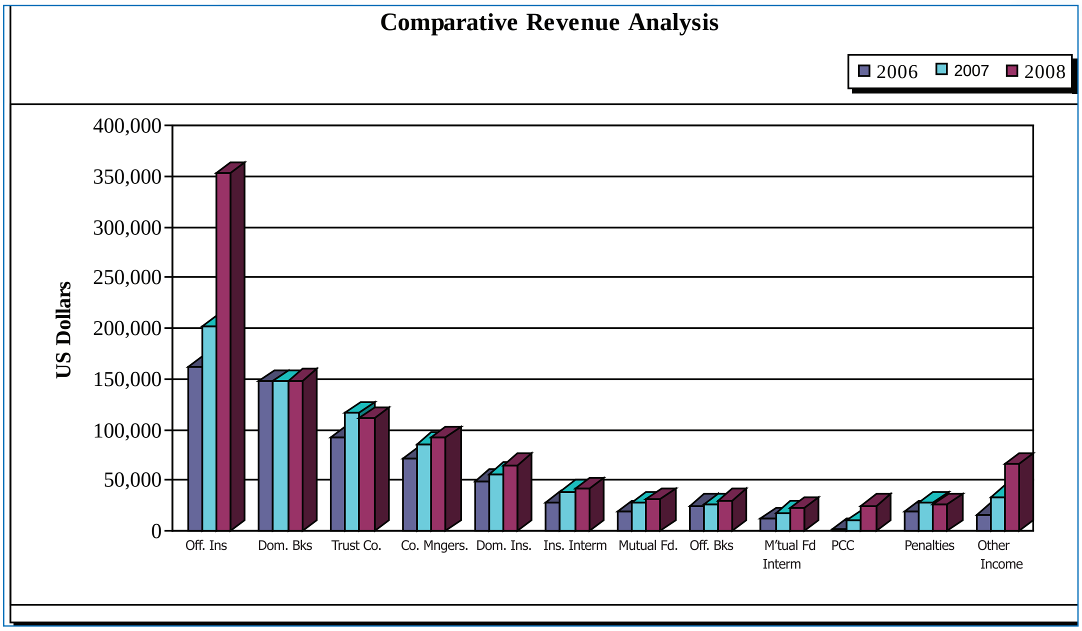
The Commission contributed $150,000 of its reserves to the Government of Anguilla during the review period.

Revenue

Total revenue amounted to $1,012,459 for the 16 months under review, compared to $790,859 in 2007 and $645,266 in 2006.

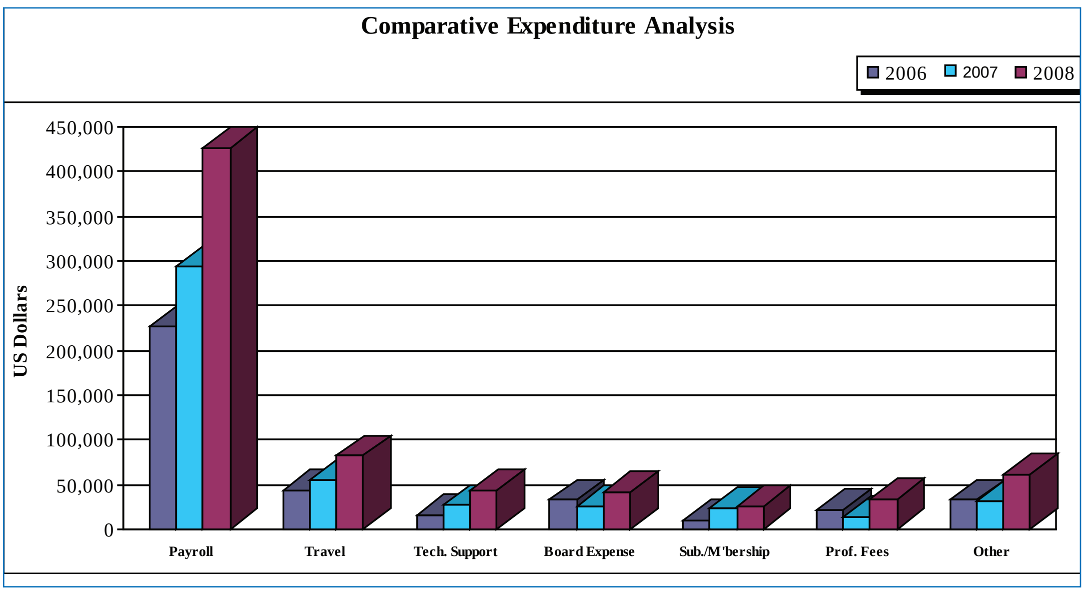
The Commission's 2008 revenue was earned from annual licence renewals, 68.4%, new licensees granted, 15.0%, application fees, 7.3%, interest income, 6.5% and penalties, 2.8%. The bulk of the Commission's revenue, $459,900 or 45.4%, was earned from the insurance industry, with 34.9% of total revenue being earned from captive insurance. The banking industry with the smallest number of licensees accounted for the second largest portion of the Commission's revenue, $148,798 or 14.7%. The relativity of both industries' contribution to total revenue remained consistent over the three financial years under review.

The Commission is disappointed that penalties continued to represent a portion of total revenue which is a reflection of continued delinquency on the part of licensees. However, the Commission is encouraged that this revenue item is trending downward from 3.5% in 2007 to 2.8% in 2008.



Expenses

Total expenses for the 16 months review period amounted to $715,910 and absorbed 70.7% of total revenue. As expected, the rate of growth total expenses more than doubled during the 16 months review when compared to the 12 months ending August 2007, expenses increased by 22.0% in 2007 compared to 51.7 in 2008. This was a reflection of normal inflationary increases in expenses in addition to the extra four months expenses included in this review period.



Payroll expenses, which accounted for 59.6% of total expenses, dominated total expenses; which is to be expected of a service institution such as the Commission. Payroll expenses increased by 45.1% during 2008 as a result of the payment of gratuity, the recruitment of two additional staff members and the granting of a salary increase consistent with that paid to civil servants. Board expenses also increased over the review period due to the recruitment of an additional board member and a slight increase in the stipend paid to board members. The other expense category expanded by 97.2% over the year as a result of the purchase of officers and directors indemnity insurance and the write-off of bad debts.