

**ST KITTS-NEVIS SOCIAL SECURITY BOARD**

**ACCOUNTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2008**

*Dannell Kerr Forster*  
*Chartered Accountants*

**ST KITTS-NEVIS SOCIAL SECURITY BOARD**

**ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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Chartered Accountants  
& business advisers

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## AUDITORS' REPORT

TO THE BOARD OF DIRECTORS

ST KITTS-NEVIS SOCIAL SECURITY BOARD

We have audited the accompanying financial statements of St Kitts-Nevis Social Security Board which comprise the balance sheet as at 31 December 2008, and the income and expenditure account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with 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 the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of St Kitts-Nevis Social Security Board as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF  
Chartered Accountants:

BASSETERRE - ST KITTS

30 July 2009

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ST KITTS-NEVIS SOCIAL SECURITY BOARDBALANCE SHEET AT 31 DECEMBER 2008

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
FUNDS EMPLOYED			
Social Security Fund			
- Long Term Benefits Fund		745,760,873	683,606,304
- Short Term Benefits Fund		87,930,638	81,867,933
- Injury Benefits Fund		118,185,383	107,115,113
National Provident Fund			
- Members' Account	3	7,806,612	7,389,930
- Reserve Fund	4	10,712,458	10,140,675
Revaluation Reserve	5	<u>13,907,685</u>	<u>16,125,169</u>
EQUITY (Page 4)		984,303,649	906,245,124
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>5,220,612</u>	<u>4,491,444</u>
TOTAL FUNDS		<u>\$989,524,261</u>	<u>\$910,736,568</u>
REPRESENTED BY:			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 9)	7	<u>17,493,173</u>	<u>15,029,310</u>
INTANGIBLE ASSETS	8	<u>474,508</u>	<u>435,255</u>
INVESTMENTS	9	<u>921,486,716</u>	<u>855,061,789</u>
CURRENT ASSETS			
Cash at Bank and in Hand	10	2,916,938	3,720,696
Accrued Interest Receivable	11	50,284,084	39,479,434
Accounts Receivable and Prepaid Expenses	12	<u>1,028,976</u>	<u>891,493</u>
		<u>54,229,998</u>	<u>44,091,623</u>
<u>LESS: CURRENT LIABILITIES</u>			
Accounts Payable		160,469	104,446
Sundry Creditors and Accruals		3,967,468	3,744,766
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>4,160,134</u>	<u>3,881,409</u>
NET CURRENT ASSETS		<u>50,069,864</u>	<u>40,210,214</u>
TOTAL NET ASSETS		<u>\$989,524,261</u>	<u>\$910,736,568</u>

The attached Notes form an integral part of these Accounts.

Approved by the Board of Directors on

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Halva Hendrickson - Chairman

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Sephlin Lawrence - Director

ST KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund-----					
	<u>Long Term</u>	<u>Short Term</u>	<u>Injury</u>	<u>National Provident Fund</u>	<u>Total 2008</u>	<u>Total 2007</u>
INCOME (Note 15)						
Contributions	51,423,843	12,854,339	6,427,170	-	70,705,352	64,682,330
Investment Income	42,966,701	5,145,644	6,732,505	1,033,194	55,878,044	53,277,317
Other Income	<u>397,925</u>	<u>128,581</u>	<u>83,690</u>	<u>-</u>	<u>610,196</u>	<u>487,549</u>
	<u>94,788,469</u>	<u>18,128,564</u>	<u>13,243,365</u>	<u>1,033,194</u>	<u>127,193,592</u>	<u>118,447,196</u>
EXPENDITURE (Note 15)						
Benefits (Schedule I - Page 7)	23,378,160	9,321,500	1,228,103	31,727	33,959,490	30,185,513
Administration (Schedule II - Page 8)	<u>9,255,740</u>	<u>2,744,359</u>	<u>944,992</u>	<u>13,002</u>	<u>12,958,093</u>	<u>10,017,227</u>
	<u>32,633,900</u>	<u>12,065,859</u>	<u>2,173,095</u>	<u>44,729</u>	<u>46,917,583</u>	<u>40,202,740</u>
NET SURPLUS FOR THE YEAR (Note 13 - Page 19)	<u>\$62,154,569</u>	<u>\$6,062,705</u>	<u>\$11,070,270</u>	<u>\$988,465</u>	<u>\$80,276,009</u>	<u>\$78,244,456</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2008  
 (Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----			National Provident Fund			Total
	Long Term Benefits Fund	Short Term Benefits Fund	Injury Benefits Fund	Members' Account	Reserve Fund	Revaluation Reserve	
Balance as at 31 December 2006 as previously reported	625,433,256	76,215,436	98,034,053	7,015,319	9,626,624	11,979,048	828,303,736
Derecognition of Kawaja & Church Street Buildings (Note 14a)	(1,478,828)	(1,478,828)	(1,478,828)	-	-	-	(4,436,484)
Depreciation of Water Treatment Plant (Note 14(b))	(9,159)	(2,606)	(940)	-	-	-	(12,705)
<b>Balance as at 31 December 2006 – as restated</b>	<b>623,945,269</b>	<b>74,734,002</b>	<b>96,554,285</b>	<b>7,015,319</b>	<b>9,626,624</b>	<b>11,979,048</b>	<b>823,854,547</b>
Amount Allocated from Net Surplus (Note 13)	59,661,035	7,133,931	10,560,828	374,611	514,051	-	78,244,456
Change in Unrealised Holding Gain/(Loss) (Notes 2d (i) and 5)	-	-	-	-	-	4,146,121	4,146,121
<b>Balance at 31 December 2007 (Page 2)</b>	<b>\$683,606,304</b>	<b>\$81,867,933</b>	<b>\$107,115,113</b>	<b>\$7,389,930</b>	<b>\$10,140,675</b>	<b>\$16,125,169</b>	<b>\$906,245,124</b>
<b>Balance at 31 December 2007 (Page 2)</b>	<b>683,606,304</b>	<b>81,867,933</b>	<b>107,115,113</b>	<b>7,389,930</b>	<b>10,140,675</b>	<b>16,125,169</b>	<b>906,245,124</b>
Amount Allocated from Net Surplus (Note 13)	62,154,569	6,062,705	11,070,270	416,682	571,783	-	80,276,009
Change in Unrealised Holding Gain/(Loss) (Notes 2d (i) and 5)	-	-	-	-	-	(2,217,484)	(2,217,484)
<b>Balance at 31 December 2008 (Page 2)</b>	<b>\$745,760,873</b>	<b>\$87,930,638</b>	<b>\$118,185,383</b>	<b>\$7,806,612</b>	<b>\$10,712,458</b>	<b>\$13,907,685</b>	<b>\$984,303,649</b>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STAFF SUPPLEMENTAL BENEFITS RESERVE  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2008  
 (Expressed in Eastern Caribbean Dollars)

	<u>2008</u>	<u>2007</u>
INCOME		
Contributions	507,614	421,479
Investment Income	<u>246,985</u>	<u>205,691</u>
	<u>754,599</u>	<u>627,170</u>
EXPENDITURE		
Benefits (Schedule I - Page 7)	23,031	38,594
Administration (Schedule II - Page 8)	<u>2,400</u>	<u>2,400</u>
	<u>25,431</u>	<u>40,994</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 13)	<u>\$729,168</u>	<u>\$586,176</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2008  
 (Expressed in Eastern Caribbean Dollars)

	<u>2008</u>	<u>2007</u>
<b>Cash provided by operating activities:</b>		
Net surplus for the year		
- SSF and NPF (Page 3)	80,276,009	78,244,456
- SSBF (Page 5)	729,168	586,176
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	637,295	438,736
Gain on disposal of property, plant and equipment	(85,919)	(60,800)
Asset impairment	-	<u>76,358</u>
	81,556,553	79,284,926
<b>Non-cash working capital change</b>		
Accrued interest receivable	(10,804,650)	9,981,342
Accounts receivable and prepaid expenses	(137,483)	(149,517)
Accounts payable	56,023	18,775
Sundry creditors and accruals	<u>222,702</u>	<u>(539,737)</u>
	<u>70,893,145</u>	<u>88,595,789</u>
<b>Cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
Net increase in investments	(68,642,411)	(88,186,749)
Additions to property, plant and equipment	(3,078,098)	(1,749,482)
Proceeds from disposal of property, plant and equipment	104,919	65,550
Additions to intangible assets	<u>(81,313)</u>	<u>(336,173)</u>
	<u>(71,696,903)</u>	<u>(90,206,853)</u>
<b>Cash used in investing activities</b>		
	(803,758)	(1,611,064)
<b>Decrease in cash for the year</b>		
Cash at beginning of year	<u>3,720,696</u>	<u>5,331,760</u>
<b>Cash at end of year</b>	<u>\$2,916,938</u>	<u>\$3,720,696</u>
Cash at bank and in hand	<u>\$2,916,938</u>	<u>\$3,720,696</u>

The attached Notes form an integral part of these Accounts.

## ST KITTS-NEVIS SOCIAL SECURITY BOARD

BENEFITS PAID  
FOR THE YEAR ENDED 31 DECEMBER 2008  
 (Expressed in Eastern Caribbean Dollars)

SCHEDULE I

	<u>2</u> <u>0</u> <u>0</u> <u>8</u>	Number of	<u>2</u> <u>0</u> <u>0</u> <u>7</u>	Number of
a) Social Security Fund:	Claims	\$	Claims	\$
<u>Long Term Benefits</u>				
Elderly Refund	16	10,655	10	9,380
Survivors Pension	758	1,778,104	727	1,700,138
Invalidity	220	1,653,008	194	1,394,829
Age Pension	1,858	17,791,949	1,771	15,931,633
Age Grant	<u>67</u>	<u>492,314</u>	<u>77</u>	<u>662,314</u>
	2,919	21,726,030	2,779	19,698,294
Assistance Pension (Age)	511	1,337,095	548	1,417,202
Assistance Pension (Invalidity)	<u>130</u>	<u>315,035</u>	<u>126</u>	<u>312,599</u>
Sub-Total (Page 3)	<u>3,560</u>	<u>23,378,160</u>	<u>3,453</u>	<u>21,428,095</u>
<u>Short Term Benefits</u>				
Sickness	10,346	6,408,494	8,099	4,819,945
Funeral	214	508,470	205	487,047
Maternity Allowance	534	2,150,285	543	2,106,784
Maternity Grant	<u>556</u>	<u>254,251</u>	<u>561</u>	<u>254,700</u>
Sub-Total (Page 3)	<u>11,650</u>	<u>9,321,500</u>	<u>9,408</u>	<u>7,668,476</u>
<u>Employment Injury</u>				
Funeral Grant	1	4,000	-	-
Injury	540	510,994	565	512,675
Travelling Expenses	22	37,119	19	23,634
Medical Care Expenses	278	278,052	243	156,628
Death Benefits	17	111,451	19	114,157
Constant Care	1	12,000	1	12,000
Disablement - Pension	34	247,911	33	247,833
Disablement - Grant	<u>2</u>	<u>26,576</u>	<u>1</u>	<u>3,179</u>
Sub-Total (Page 3)	<u>895</u>	<u>1,228,103</u>	<u>881</u>	<u>1,070,106</u>
b) National Provident Fund:				
Age	5	4,987	5	2,606
Members' Balances repaid (Note 3)	<u>25</u>	<u>26,740</u>	<u>18</u>	<u>16,230</u>
Sub-Total (Page 3)	<u>30</u>	<u>31,727</u>	<u>23</u>	<u>18,836</u>
TOTAL	<u>16,135</u>	<u>\$33,959,490</u>	<u>13,765</u>	<u>\$30,185,513</u>
c) Staff Supplemental Benefits:				
Refunds	2	22,398	2	38,092
Pension	<u>1</u>	<u>633</u>	<u>1</u>	<u>502</u>
Sub-Total (Page 5)	<u>3</u>	<u>23,031</u>	<u>3</u>	<u>38,594</u>
GRAND TOTAL BENEFITS PAID	<u>16,138</u>	<u>\$33,982,521</u>	<u>13,768</u>	<u>\$30,224,107</u>

The attached Notes form an integral part of these Accounts.

## ST KITTS-NEVIS SOCIAL SECURITY BOARD

ADMINISTRATION EXPENSES  
FOR THE YEAR ENDED 31 DECEMBER 2008  
 (Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2008</u>	<u>2007</u>
Actuarial Review	-	13,794
Advertising and Publicity	185,561	177,842
Anniversary Expenses	341,188	65,914
Audit Fees and Expenses	154,970	137,950
Bank Charges and Interest	28,576	12,927
Books, Periodicals, etc	2,474	3,047
Cleaning Expenses	4,837	4,849
Commission	1,135	-
Committee Expenses	47,629	34,470
Contribution for National Projects	270,000	270,000
Management Fees	75,789	70,750
Depreciation and Amortisation (Note 2(b))	637,296	438,736
Provision for Non-collectibility (See Notes 9 and 11)	625,658	76,358
Electricity	282,421	219,408
Hospitality	92,265	71,454
Insurances	302,272	254,111
Land and House Tax	2,604	7,982
Other Professional Fees	149,802	102,451
Maintenance of Computer System	228,673	136,652
Maintenance of Premises	133,111	138,686
Medical Expenses	2,440	1,830
Members of Social Security Board - Allowance and Other Expenses	188,555	146,267
Motor Vehicle Expenses	73,194	62,880
Pension Reform	35,729	119,270
Postages, Telephone and Telegraph	176,436	189,648
Repairs, Maintenance and Related Minor Purchases	538,773	121,715
Retirement Benefits	57,384	41,501
Rental	15,300	18,616
Salaries and Allowances	6,487,088	5,767,109
Scholarships	132,266	139,726
Security Services	63,450	74,810
Social Security, Social Services, etc	560,381	469,793
Staff Pension	250,623	205,778
Stationery, Printing and Office Expenses	399,789	263,647
Subscriptions	98,266	48,296
Training Seminars, Conferences	477,170	358,372
Travelling and Subsistence	42,211	43,406
Uniforms	52,094	2,052
Wages - Other Employees	174,327	100,246
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(431,244)</u>	<u>(392,716)</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$12,960,493</u>	<u>\$10,019,627</u>
Allocated as follows:		
- Long Term Benefits Fund (Page 3)	9,255,740	7,221,997
- Short Term Benefits Fund (Page 3)	2,744,359	2,049,184
- Injury (Page 3)	944,992	733,044
- National Provident Fund (Page 3)	<u>13,002</u>	<u>13,002</u>
Sub-total (Page 3)	12,958,093	10,017,227
- Staff Supplemental Benefits Reserve Fund (Page 5)	<u>2,400</u>	<u>2,400</u>
TOTAL (As Above)	<u>\$12,960,493</u>	<u>\$10,019,627</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD  
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT  
AT 31 DECEMBER 2008  
(Expressed in Eastern Caribbean Dollars)

SCHEDULE III

<u>Item</u>	<u>Cost or Valuation 31/12/07</u>	<u>Additions/ (Disposals)</u>	<u>Cost or Valuation 31/12/08</u>	<u>D E P R E C I A T I O N</u>			<u>Written Down Value</u>	
				<u>31/12/07</u>	<u>Charge (Disposals)</u>	<u>31/12/08</u>	<u>31/12/08</u>	<u>31/12/07</u>
<b>Freehold Properties:</b>								
- Kawaja Property St Kitts – At Valuation	796,067	-	796,067	-	-	-	796,067	796,067
- Liverpool Row Building St Kitts – Work in Progress	1,943,045	1,500,582	3,443,627	-	-	-	3,443,627	1,943,045
- Church Street St Kitts – At Valuation	2,598,000	-	2,598,000	-	-	-	2,598,000	2,598,000
- Church Street Building – Work in Progress	186,627	582,751	769,378	-	-	-	769,378	186,627
- Bay Road St Kitts – At Valuation/Cost	6,434,015	29,651	6,463,666	-	108,298	108,298	6,355,368	6,434,015
- Chapel Street Nevis – At Valuation/Cost	2,100,000	1,200	2,101,200	-	46,625	46,625	2,054,575	2,100,000
- Pinneys Estate – Nevis at Cost	-	401,740	401,740	-	-	-	401,740	-
	14,057,754	2,515,924	16,573,678	-	154,923	154,923	16,418,755	14,057,754
Furniture and Equipment – At Cost	2,894,107	175,723	3,069,830	2,478,699	95,756	2,574,455	495,375	415,408
Computer Equipment – At Cost	3,334,788	192,451	3,527,239	3,059,814	223,532	3,283,346	243,893	274,974
Motor Vehicles – At Cost	670,118	194,000 (155,000)	709,118	388,944	(136,000) 121,024	373,968	335,150	281,174
<b>TOTAL</b>	<b>\$20,956,767</b>	<b>\$3,078,098 \$(155,000)</b>	<b>\$23,879,865</b>	<b>\$5,927,457</b>	<b>\$595,235 \$(136,000)</b>	<b>\$6,386,692</b>	<b>\$17,493,173</b>	<b>\$15,029,310</b>

(Page 2 &amp; Note 7)

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008  
(Expressed in Eastern Caribbean Dollars)

1 ESTABLISHMENT OF FUND

- Social Security Act 1977:

The Social Security Fund was established by The Social Security Act No 13 of 1977 on 29 December 1977. The Act repealed the National Provident Fund Act and established a system of Social Security providing pecuniary payments by way of various benefits to insured persons and social assistance by way of non-contributory old age pensions to insured and other persons not qualifying for benefits and for connected purposes. The Fund came into operation on 1 February 1978.

The Social Security Board was established as a corporate body by the Act and is domiciled in the Federation of St Kitts and Nevis. The principal place of business is Bay Road, Basseterre.

- Transfer of National Provident Fund Assets and Liabilities:

According to the provisions of Section 55 (1) and (2) of the Social Security Act No 13 of 1977, on the appointed date (1 February 1978), all assets and liabilities of the National Provident Fund shall become assets and liabilities of the Social Security Fund - that is to say:

- a) All sums standing to the credit of and accruing to other assets of the National Provident Fund;
- b) All assets of the body charged with the administration of the provisions of the National Provident Fund;
- c) Any liabilities accrued on or accruing after the appointed day to which the assets mentioned in (a) and (b) above would have been applicable but for this Act shall be liabilities of the Social Security Fund.

- Actuarial Review of the Fund:

Section 39 (1) of the Social Security Act 1977 (as amended) makes provision for an actuarial review of the operation of the Fund during the period ended 31 December 1980 and thereafter during the period ending 31 December in every third year.

The eighth actuarial review of the Social Security Board was carried out in December 2007 by the Project Actuary, Mr Derek Osborne, appointed by the International Labour Organisation (ILO) under the ILO Umbrella Programme for Actuarial Reviews to selected countries of the Caribbean covering the financial years 2003 to 2005. The report stated that the scheme was financially and actuarially sound. A net surplus was recorded in each year of operation.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES

The Accounts are prepared on the historical cost basis with the exception of certain property, plant and equipment which are included at net book values based upon valuations. These Accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs). Accounting policies applied are as follows:

a) Foreign Currencies:

All amounts are stated in Eastern Caribbean Dollars. During the year, transactions involving foreign currencies are converted into Eastern Caribbean Dollars at the exchange rates prevailing at the dates of the transactions.

Assets and liabilities in foreign currencies are translated at the exchange rates prevailing at the year end. Exchange gains or losses arising therefrom are accounted for in the Income and Expenditure Account.

b) Property, Plant and Equipment and Depreciation:

Property, plant and equipment are stated at cost and valuation. Provision for depreciation is calculated on the straight line basis at rates estimated to write off the assets over their expected useful lives.

Depreciation rates are as follows:

Buildings (Non residential real estate)	2.5% to 3.34%
Buildings (Rental Property)	3.34%
Furniture and Equipment	15%
Computer System	20%
Motor Vehicles	20%

Freehold Property

Land and buildings are measured at fair value less depreciation. Following initial recognition at cost, land and building are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Subsequent additions are at cost. Fair value is determined by reference to market-based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable and willing buyer and a knowledgeable willing seller in an arm's length transaction at valuation date. Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet. Any revaluation deficit directly offsetting a previous surplus in the same asset is directly offset against the surplus in the asset revaluation reserve. Losses on revaluation for which there was no prior surplus are charged to the Income Statement.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the item is derecognized.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

## 2 ACCOUNTING POLICIES (cont'd)

## c) Intangible Assets:

Acquired computer software licences, upgrades to software and related costs that are expected to contribute to the future economic benefit of the Board are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at a rate of 20% per annum.

Costs associated with maintaining computer software programmes are recognized as an expense when incurred.

## d) Investments: Available -for-sale, Held-to-maturity and Loans Receivable

Investments are classified into the following three categories as follows:

## ( i) Available-for-sale Investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; they are initially recognised at cost. After initial recognition, all available-for-sale investments are measured at their fair values with gains and losses on remeasurement recognised directly in the Revaluation Reserve until sold, collected or otherwise disposed of, at which time the cumulative gain or loss previously recognized in equity is included in the Profit and Loss account.

## ( ii) Held-to-maturity Investments

Investments classified as held-to-maturity are measured at cost.

## (iii) Loans Receivable:

Where the Board creates financial assets by providing money directly to a debtor, these assets are classified as loans and are measured at cost less provisions for impairment. For delinquent mortgages, specific provisions are established based on the extent of delinquency of the mortgages.

## e) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2008, at the rates quoted for the period of the investments.

## f) Revenue and Expenses:

Contributions and Benefits are accounted for when actually received and paid. Other revenues and expenses are accounted for on the accrual basis of accounting except for dividends on equities that are accounted for on a cash basis.

## g) Staff Supplemental Benefits Plan:

Effective February 1, 1998 the Board approved a Staff Supplemental Benefits Plan to be managed by the Social Security Board. Contributions to the Plan would represent 9% of salaries to be shared equally between the Board and Staff Members.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

3 NATIONAL PROVIDENT FUND - MEMBERS' ACCOUNT

During the year under review, the Social Security Fund repaid a total amount of \$26,740 to 25 members of the National Provident Fund (2007 = \$16,230 to 18 members) (see Schedule 1 - Page 7). The repayment represents members' claims against the Fund up to the date of settlement of their balances.

4 NATIONAL PROVIDENT RESERVE FUND

Section 26 (1) of The National Provident Fund Act, 1968 states that:

"There shall be a Reserve Fund of the National Provident Fund to be known as the National Provident Reserve Fund, hereinafter in this Act referred to as "the Reserve Fund", and into which shall be paid -

- a) all fines and penalties collected under this Act;
- b) contributions by employers or workers which for any reason may not be allocated to individual accounts in the Fund; and
- c) any other moneys authorised to be so paid under this Act or any Regulations made thereunder".

5 REVALUATION RESERVE

The revaluation reserve reflects gains and losses on revaluation of freehold properties, and available-for-sale investments as follows:

	<u>Freehold</u> <u>Properties</u>	<u>Available-for</u> <u>Sale Investments</u>	<u>Total</u> <u>2008</u>	<u>Total</u> <u>2007</u>
Balance as at 1 January 2008	6,108,232	10,016,937	16,125,169	11,979,048
Movement for the Year (Page 4 and Note 2d (i) )	-	(2,217,484)	(2,217,484)	4,146,121
Balance as at 31 December 2008	<u>\$6,108,232</u>	<u>\$7,799,453</u>	<u>\$13,907,685</u>	<u>\$16,125,169</u>

( Page 2 )

6 STAFF SUPPLEMENTAL BENEFITS RESERVE FUND

	<u>2008</u>	<u>2007</u>
BALANCE - At Beginning of Year	4,491,444	3,905,268
Excess of Income over Expenditure for year (Page 5)	<u>729,168</u>	<u>586,176</u>
BALANCE - At End of Year (Page 2)	<u>\$5,220,612</u>	<u>\$4,491,444</u>

In accordance with SRO No. 27 of 2003, a Staff Supplemental Benefits Branch Reserve is constituted by transferring to that Reserve every year the excess of income over expenditure of that Branch.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008  
(Continued)  
(Expressed in Eastern Caribbean Dollars)

7 PROPERTY, PLANT AND EQUIPMENT

	<u>Land &amp; Buildings At Fair Value</u>	<u>Furniture &amp; Equipment At Cost</u>	<u>Computer Equipment At Cost</u>	<u>Motor Vehicles At Cost</u>	<u>Total</u>
<b>Cost or Valuation</b>					
Balance at 1 January 2008	14,057,754	2,894,107	3,334,788	670,118	20,956,767
Additions	2,515,924	175,723	192,451	194,000	3,078,098
Disposals	-	-	-	(155,000)	(155,000)
Balance at 31 December 2008	<u>16,573,678</u>	<u>3,069,830</u>	<u>3,527,239</u>	<u>709,118</u>	<u>23,879,865</u>
<b>Accumulated Depreciation</b>					
Balance at 1 January 2008	-	(2,478,699)	(3,059,814)	(388,944)	(5,927,457)
Depreciation Expense	(154,923)	(95,756)	(223,532)	(121,024)	(595,235)
Disposals	-	-	-	136,000	136,000
Balance at 31 December 2008	<u>(154,923)</u>	<u>(2,574,455)</u>	<u>(3,283,346)</u>	<u>(373,968)</u>	<u>(6,386,692)</u>
<b>Net Book Value 2008</b>	<u>\$16,418,755</u>	<u>\$495,375</u>	<u>\$243,893</u>	<u>\$335,150</u>	<u>\$17,493,173</u>
					(Pages 2 & 9)
<b>Net Book Value 2007</b>	<u>\$14,057,754</u>	<u>\$415,408</u>	<u>\$274,974</u>	<u>\$281,174</u>	<u>\$15,029,310</u>
					(Pages 2 & 9)

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The board engaged Edwin Glasford, Architect and Real Estate agent, and Depsen Trust Limited Real Estate agents to value the land and buildings of its headquarters in St Kitts and its branch office in Nevis respectively. The land (\$2,102,100) on which the headquarters stands was valued on the basis of recent land sales in close proximity. The value of the building (\$4,331,915) was based on present acceptable construction practices, material and labour costs and the type of structure and component of the building. The value of \$2,100,000 for the branch in Nevis was determined on current market conditions in Nevis and based on the assumption that an informed buyer would pay no more for a property than he would have to pay to acquire an equally desirable property of the same or similar utility.

Mr Arthurlyn Belle licensed land surveyor, Civil Engineer and Construction management consultant has valued the land held at Church Street currently used as a parking lot at \$2,598,000.

The rate used by Mr Arthurlyn Belle to value the Board's headquarters was adopted to value the land currently used to construct the new building (Kawaja Property) on Liverpool Row. This puts the value of the land at \$796,067. The value of the building that was previously on that land was derecognized.

	<u>2008</u>	<u>2007</u>
Land and Building at valuation	\$ <u>16,418,755</u>	\$ <u>14,057,754</u>

If land and building were measured using the cost model, the carrying amounts would be as follows:

	<u>2008</u>	<u>2007</u>
Net Carrying Amount	\$ <u>10,256,522</u>	\$ <u>7,949,522</u>

8 INTANGIBLE ASSETS

Computer Software

	<u>2008</u>	<u>2007</u>
Cost at Beginning of Year	7,108,719	6,772,546
Additions during the Year	<u>81,313</u>	<u>336,173</u>
	<u>7,190,032</u>	<u>7,108,719</u>
Accumulated Amortisation – Beginning of year	(6,673,464)	(6,557,693)
Amortisation for the Year	<u>(42,060)</u>	<u>(115,771)</u>
Accumulated Amortisation – End of Year	<u>(6,715,524)</u>	<u>(6,673,464)</u>
Net Book Value (Page 2)	\$ <u>474,508</u>	\$ <u>435,255</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS	<u>2008</u>	<u>2007</u>
	Available for Sale		
	Lands	45,820,296	7,175,435
	Debt Securities: quoted at market value	2,167,510	2,267,827
	Equities:		
	Quoted at market value	26,521,368	28,159,725
	Unquoted	<u>906,650</u>	<u>378,000</u>
	Total Available for Sale	<u>75,415,824</u>	<u>37,980,987</u>
	Held to Maturity		
	Fixed Deposits:		
	CLICO (Trinidad) Limited )	6,960,558	6,357,157
	CLICO (Barbados) Limited )	6,128,583	-
	British American Insurance (Anguilla) ) See Note 11	1,298,208	-
	British American Insurance (St Kitts) )	1,000,000	-
	Barclays Bank Plc UK	729,000	378,000
	RBTT Bank (SKN)	6,000,000	2,000,000
	SKNA National Bank Limited	454,101,554	465,449,641
	SKN Finance Company Limited	7,821,764	7,821,764
	Bank of Nevis Limited	29,014,889	29,014,889
	Bank of Nova Scotia	16,200,000	16,200,000
	Caribbean Money Market Brokers	2,939,457	5,922,321
	St. Kitts Credit Union	2,297,553	2,297,553
	Nevis Credit Union	8,565,000	5,565,000
	Development Bank of St Kitts	<u>6,502,282</u>	<u>3,532,836</u>
		<u>549,558,848</u>	<u>544,539,161</u>
	Call Accounts:		
	R B C Dominion Securities	118,423	159,337
	Crown Agents	65,991	7,435
	SKNA National Bank Limited	3,846,414	8,011,683
	Bank of Nova Scotia	<u>226,066</u>	<u>221,582</u>
		<u>4,256,894</u>	<u>8,400,037</u>
	Sub-total carried forward	<u>553,815,742</u>	<u>552,939,198</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont'd)	<u>2008</u>	<u>2007</u>
	Sub-total brought forward	<u>553,815,742</u>	<u>552,939,198</u>
	Held to Maturity (cont'd)		
	Treasury Bills - St Kitts:	21,642,500	21,642,500
	Treasury Bills - Nevis:	<u>6,396,263</u>	<u>6,396,263</u>
		<u>28,038,763</u>	<u>28,038,763</u>
	Debt Securities Unquoted:	<u>63,607,000</u>	<u>48,582,026</u>
	Total Held to Maturity	<u>645,461,505</u>	<u>629,559,987</u>
	Loans Receivable:		
	Government	37,990,106	38,855,056
	Statutory Corporations	151,285,311	137,924,936
	Other	3,308,091	3,594,711
	Staff Loans and Advances		
	(Less Provision for Doubtful Accounts \$60,285/2007 = \$60,285)	<u>8,025,879</u>	<u>7,146,112</u>
	Total Loans Receivable	<u>200,609,387</u>	<u>187,520,815</u>
	TOTAL INVESTMENTS (Page 2)	<u>\$921,486,716</u>	<u>\$855,061,789</u>

## Fixed Deposits:

Interest rates range between 6.5% and 7.5% (2007 = 4.95% and 7%) per annum with maximum maturity of two years.

## Call Accounts:

Interest rates range between zero to 2.25% (2007 = zero to 2.5%) per annum.

## Treasury Bills:

Interest rates 7% (2007 = 5% to 7%) per annum with a term of 91 days.

## Debt Securities Unquoted:

These securities earn interest at varying rates up to 9% (2007 = 10.4%) and have maturities ranging between 2009 and 2027.

## Loans Receivable:

The loans earn interest at rates ranging from 5% to 8% (2007 = 6% to 8%) and have maturity dates ranging from 2009 to 2035.

## Collateral Security:

All the loans are secured by guarantees and/or mortgages over the assets of the respective borrowers.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

10	CASH AT BANK AND IN HAND	<u>2008</u>	<u>2007</u>
	Cash at Bank - Current Accounts		
	Royal Bank of Canada	31,266	1,253,915
	SKNA National Bank Limited	1,259,733	1,096,341
	Bank of Nova Scotia	663,163	547,015
	SKNA National Bank Limited (Administrative)	<u>384,409</u>	<u>4,988</u>
		2,338,571	2,902,259
	Cash at Bank - Savings Accounts		
	Royal Bank of Canada	107,780	104,598
	SKNA National Bank Limited	155,089	179,726
	Cash in Hand	<u>315,498</u>	<u>534,113</u>
	TOTAL (Page 2)	<u>\$2,916,938</u>	<u>\$3,720,696</u>

During the year under review, the savings accounts earned interest at the rates of 1.3% and 1.5% per annum.

11	ACCRUED INTEREST RECEIVABLE	<u>2008</u>	<u>2007</u>
	Balance At Beginning of Year	39,479,434	49,460,776
	Interest Earned during the Year	55,878,046	53,277,317
	Provision for Non-collectibility (Page 8 and Note 9)	(625,658)	-
	Interest Payment Received during the Year	<u>(44,447,738)</u>	<u>(63,258,659)</u>
	Balance At End of Year (Page 2)	<u>\$50,284,084</u>	<u>\$39,479,434</u>

Interest rates earned during the year are explained earlier under Notes 9 and 10.

PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECOVERABLE  
CLICO GROUP OF COMPANIES \$625,658 (See Page 8 and Note 9)

During the year under review, CLICO (Trinidad) Limited, CLICO (Barbados) Limited, British American Insurance Company (Anguilla), British American Insurance Company Limited (St Kitts) reported that these investee entities (all Members of C L Financial Limited Group) were experiencing liquidity problems which have, created negative impact on their day to day operations and have also resulted in their inability to satisfy their investors expectations.

Subsequent to 31 December 2008, the regional governments were invited to intervene into the group's operations for the purpose of determining its true financial position and also to ascertain whether the group can continue to operate as a going concern.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

11 ACCRUED INTEREST RECEIVABLE (cont'd)

PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECOVERABLE  
CLICO GROUP OF COMPANIES \$625,658 (cont'd)

The Social Security Board of Directors will continue to closely monitor the developments in relation to the C L Financial Limited Group and believes that the carrying values of the Social Security Board's deposits and interest receivable held with the CLICO Group of Companies are appropriate and do not require any further provision for impairment at this time.

12 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Included in Accounts Receivable and Prepaid Expenses is an amount of \$6,744,247 which comprises 8 1/2% judgement debt of \$3,670,668 (Suit No 71 of 1982) due from Bank of Commerce (St Kitts-Nevis) Savings and Trust Association, now in liquidation, plus accrued interest thereon of \$3,073,573 up to 31 December 1990, approved by the High Court. The Board took action against the Bank to recover fixed deposit balances and interest receivable due to the Board as at 21 July 1983.

The principal amount of the debt, \$2,963,506, was fully provided for and interest accrued and receivable of \$3,780,741 (\$707,162 part of original judgement debt, plus \$3,073,573 accrued on entire judgement debt) was excluded from the Board's income and deferred in these Financial Statements.

Since recovery of the Judgement Debt is considered doubtful, a decision was taken to cease accruing interest on this account effective from 31 December 1990. Provision has been made in full for the amount of \$6,744,247.

13 ALLOCATION OF NET SURPLUS	<u>2008</u>	<u>2007</u>
Social Security Fund		
a) Long Term Benefits Fund (Page 4)	62,154,569	59,661,035
b) Short Term Benefits Fund (Page 4)	6,062,705	7,133,931
c) Injury Benefits Fund (Note (Page 4)	<u>11,070,270</u>	<u>10,560,828</u>
	<u>79,287,544</u>	<u>77,355,794</u>
National Provident Fund		
a) Members' Account (Page 4)	416,682	374,611
b) Reserve Fund (Page 4)	<u>571,783</u>	<u>514,051</u>
	<u>988,465</u>	<u>888,662</u>
NET SURPLUS FOR THE YEAR (Page 3 & 4)	<u>\$80,276,009</u>	<u>\$78,244,456</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

14 PRIOR YEAR ADJUSTMENT - Year Ended 31 December 2007

- a) The Social Security Board purchased property on Church Street and the Kawaja building on Liverpool Row. The building on the Kawaja Property was demolished in 2006 and the Church Street building was demolished in 1998. Their costs however, contrary to International Accounting Standards, were not derecognized from the books of accounts. This derecognition, which is shown in the Statement of Equity, resulted in a reduction of the Board's reserves as follows:

	<u>2008</u>	<u>2007</u>
Kawaja Building	-	1,768,866
Church Street Building	<u>-</u>	<u>2,667,618</u>
Total Derecognition	\$ <u>-</u>	\$ <u>4,436,484</u>

The values for land and buildings were restated in these financial statements to reflect the changes.

- b) A water treatment plant costing \$84,700 and purchased in 2005 for the Liverpool Row building under construction, was also previously included in the cost of the Kawaja Building. The cost of this plant was transferred to Furniture and equipment. Depreciation totaling \$12,705 (15% per annum) was charged to represent charges for 2006 which were omitted in error.

The values for Property, Plant and Equipment was restated in 2007 to reflect the change.

15 DISTRIBUTION OF INCOME AND EXPENDITURE

According to the financial and accounting regulations of the Social Security Fund, Income and Expenditure are distributed as follows:

- 1) Social Security Fund - Contribution Income:

The income from contributions shall be distributed among the benefit branches in the following proportion:

(a)	Short Term Benefits Branch	2/11
(b)	Long Term Benefits Branch	8/11
(c)	Injury Benefits Branch	1/11

- 2) Staff Supplemental Benefits - Contribution Income:

Contributions to the staff supplemental benefits reserve fund shall be credited to that benefits branch.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)  
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15 DISTRIBUTION OF INCOME AND EXPENDITURE (cont'd)

3) Investment Income:

The income from the investment of the reserves shall be allocated as follows:

- (a) the income from the investment of the Short-term Benefits Reserve shall be allocated to the Short-term Benefits Branch;
- (b) the income from the investment of the Long-term Benefits Reserve shall be allocated to the Long-term Benefits Branch;
- (c) the income from the investments belonging to the Injury Benefits Reserve Fund, shall be allocated to the Injury Benefits Branch;
- (d) the income from the investment of the National Provident Reserve Fund, shall be allocated to the Provident Fund Branch.
- (e) the income from the investment of the Staff Supplemental Reserve shall be allocated to the Staff Supplemental Benefits Reserve Branch.

4) Other Income:

Any income of the Fund which cannot be identified with any specific branch shall be allocated to the Short-term, Long-term and Injury Benefits Branches in equal shares.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS  
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(Continued)

(Expressed in Eastern Caribbean Dollars)

## 15 DISTRIBUTION OF INCOME AND EXPENDITURE (cont'd)

## 5) Distribution of Expenditure:

## a) Benefits and Assistance:

All expenditure of the Fund on benefits and assistance shall be debited to the account of the appropriate branch.

## b) Administrative Expenditure:

The administrative expenditure of the Board shall be debited between the benefits branches in such a manner that the proportion allocated to a particular branch shall be equal to the proportion which the sum of the contribution income and benefits expenditure shown in the Income and Expenditure Account of that Branch bears to the sum of the contribution income and benefits expenditure of the Fund as a whole.

## c) Other Expenditure:

All other expenditure of the Board which is not attributable to any specific branch shall be distributed between the benefits branches in equal shares.

## 16 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2008, contributions and fines due from employers amounted to \$12,791,677 (2007 = \$11,143,166). Details are set out hereunder:

<u>Particulars</u>	<u>2008</u>	<u>2007</u>
Contributions due by Employers	4,506,778	4,085,235
Fines due by Employers	<u>8,284,899</u>	<u>7,057,931</u>
TOTAL DUE TO THE BOARD	<u>\$12,791,677</u>	<u>\$11,143,166</u>

These amounts are stated for memorandum purposes only and are not included in these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008(Continued)  
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## 17 COMMITMENT FOR CAPITAL EXPENDITURE

The Social Security Board approved investment in the Beacon Heights Development Project at Dewars. This residential and commercial development will include a shopping mall, banking and postal services. The estimated cost of the Project is \$58 million for the purchase of the land, and infrastructure development. As at December 2008, a total of \$37 million had been expended on the Project.

## 18 RELATED PARTY TRANSACTIONS

Section 4 subsection 3 of the Social Security Act, 1977 indicates that the members of the Board shall be appointed by the Minister in the Government of St Kitts-Nevis with responsibility for Social Security. The Government of St Kitts-Nevis has majority shareholding interest in St Kitts-Nevis-Anguilla National Bank and appoints the Board Members of the following Statutory Corporations:

St Christopher Air and Sea Ports Authority  
National Housing Corporation  
Development Bank of St Kitts and Nevis

The above Corporations and Company along with the Federal Government of St Kitts-Nevis are therefore considered to be related parties of the Social Security Board.

	<u>2008</u>	<u>2007</u>
<b>Loans to Government and Statutory Corporations</b>		
Beginning of year	222,017,465	211,023,622
Loans advanced during the year	20,697,558	13,301,778
Loan Repayment received	(4,064,968)	(3,093,873)
Interest Income	13,885,158	12,345,032
Interest Received	<u>(10,808,567)</u>	<u>(11,559,094)</u>
End of Year	<u>\$241,726,646</u>	<u>\$222,017,465</u>

The balances owed by the Statutory Corporations have been guaranteed by the Government of St Kitts and Nevis.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

18	RELATED PARTY TRANSACTIONS (cont'd)	<u>2008</u>	<u>2007</u>
	<b>Fixed Deposits, Bank Accounts and Treasury Bills with Related Parties</b>		
	Beginning of Year	523,740,874	481,531,880
	Net Advances	(11,935,590)	53,378,716
	Interest Income	32,038,503	30,889,385
	Interest Received	(23,185,295)	(42,059,107)
	End of Year	<u>\$520,658,492</u>	<u>\$523,740,874</u>

**Key Management Compensation**

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$600,483 (2007 = \$523,900).

19 FINANCIAL INSTRUMENTS

a) Price Risk:

( i) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. Substantially all the Board's transactions and assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars. Therefore, the Board has no significant exposure to currency risk.

( ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Board is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds.

(iii) Market risk:

Market risk is the risk that a financial instrument will fluctuate as a result of changes in market prices. The Board is mainly exposed to market risk with respect to its investments in quoted equities.

b) Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Board is mainly exposed to credit risk with respect to its mortgage portfolio. The Board granted mortgages based on evaluations of the mortgagors' financial situation, and continually monitors the exposure of potential losses from mortgages. Management believes that the provision at

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
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(Continued)

(Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

c) Fair Value:

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and bank balances, accrued interest receivable, accounts receivable, accounts payable and sundry creditors.

As stated in Note 2(d) (i) available-for-sale investments are stated at fair value.

Investments held-to-maturity and loans receivable are carried at cost.

d) Liquidity Risk:

In order to manage liquidity risk, management seeks to maintain sufficient levels of cash, cash equivalents and available credit facilities such as loans and overdrafts to finance its operations and ongoing projects.

The following table summarises the maturity profile of the Board's financial assets and liabilities:

Assets:

Year Ended 31 December 2008:

	<u>Due within 1 Year</u>	<u>&gt;1 Yr to 5 Yrs</u>	<u>&gt;5 Years</u>	<u>Total</u>
Cash at Bank and in Hand	2,916,938	-	-	2,916,938
Accrued Interest Receivable	50,284,084	-	-	50,284,084
Accounts Receivable and Prepaid Expenses	1,028,976	-	-	1,028,976
Investment Securities	611,681,247	73,616,797	236,188,672	921,486,716
Other Assets	<u>474,508</u>	<u>-</u>	<u>17,493,173</u>	<u>17,967,681</u>
<b>Total Assets</b>	<b><u>666,385,753</u></b>	<b><u>73,616,797</u></b>	<b><u>253,681,845</u></b>	<b><u>993,684,395</u></b>

Liabilities:

Year Ended 31 December 2008:

Accounts Payable	160,469	-	-	160,469
Other Payables	<u>3,999,665</u>	<u>-</u>	<u>-</u>	<u>3,999,665</u>
<b>Total Liabilities</b>	<b><u>4,160,134</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,160,134</u></b>
<b>Net Liquidity Gap</b>	<b><u>662,225,619</u></b>	<b><u>73,616,797</u></b>	<b><u>253,681,845</u></b>	<b><u>989,524,261</u></b>

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2008

(Continued)

(Expressed in Eastern Caribbean Dollars)

## 19 FINANCIAL INSTRUMENTS (cont'd)

## d) Liquidity Risk: (cont'd)

## Assets:

Year Ended 31 December 2007:

	<u>Due within</u> <u>1 Year</u>	<u>&gt;1 Yr to 5 Yrs</u>	<u>&gt;5 Years</u>	<u>Total</u>
Cash at Bank and in Hand	3,720,696	-	-	3,720,696
Accrued Interest Receivable	39,479,434	-	-	39,479,434
Accounts Receivable and Prepaid Expenses	891,493	-	-	891,493
Investment Securities	416,993,103	269,237,451	168,831,235	855,061,789
Other Assets	<u>435,255</u>	<u>-</u>	<u>15,029,310</u>	<u>15,464,565</u>
<b>Total Assets</b>	<b><u>461,519,981</u></b>	<b><u>269,237,451</u></b>	<b><u>183,860,545</u></b>	<b><u>914,617,977</u></b>

## Liabilities:

Year Ended 31 December 2007:

Accounts Payable	104,446	-	-	104,446
Other Payables	<u>3,776,963</u>	<u>-</u>	<u>-</u>	<u>3,776,963</u>
<b>Total Liabilities</b>	<b><u>3,881,409</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,881,409</u></b>
<b>Net Liquidity Gap</b>	<b><u>457,638,572</u></b>	<b><u>269,237,451</u></b>	<b><u>183,860,545</u></b>	<b><u>910,736,568</u></b>

## 20 CONTINGENT LIABILITY – CLAIM RE: KASSAB BUILDING

There is one matter for which the Board might be contingently liable. In October 2007, during the construction of the Liverpool Row Building, the walls of the neighbouring building housing Kassab's Hardware collapsed. While no formal claim has yet been made against the Social Security Board by the owner(s) of the damaged building, the Board has filed a claim with the insurance company, National Caribbean Insurance Company Limited. The claim has not been quantified since the costs associated with this collapsed building have not yet been ascertained.

It cannot be determined at this time the extent of the costs which, if any, will be recovered from National Caribbean Insurance Company Limited. Consequently, no provision has been made in these Accounts for this contingency.