

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2009

**PKF
Chartered Accountants**

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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ST KITTS-NEVIS SOCIAL SECURITY BOARDSTATEMENT OF FINANCIAL POSITIONAT 31 DECEMBER 2009

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
FUNDS EMPLOYED			
Social Security Fund			
- Long Term Benefits Fund		799,580,434	745,760,873
- Short Term Benefits Fund		93,142,281	87,930,638
- Injury Benefits Fund		129,371,285	118,185,383
National Provident Fund			
- Members= Account	3	8,250,326	7,806,612
- Reserve Fund	4	11,321,336	10,712,458
Revaluation Reserve	5	<u>20,825,964</u>	<u>13,907,685</u>
EQUITY (Page 5)		1,062,491,626	984,303,649
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>5,838,883</u>	<u>5,220,612</u>
TOTAL FUNDS		<u>\$1,068,330,509</u>	<u>\$989,524,261</u>
REPRESENTED BY:			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 10)	7	<u>21,426,660</u>	<u>17,493,173</u>
INTANGIBLE ASSETS	8	<u>394,997</u>	<u>474,508</u>
INVESTMENTS	9	<u>1,001,981,426</u>	<u>921,486,716</u>
CURRENT ASSETS			
Cash at Bank and in Hand	10	7,631,182	2,916,938
Accrued Interest Receivable	11	39,578,473	50,284,084
Accounts Receivable and Prepaid Expenses	12	<u>1,304,521</u>	<u>1,028,976</u>
		<u>48,514,176</u>	<u>54,229,998</u>
LESS: CURRENT LIABILITIES			
Accounts Payable		173,579	160,469
Sundry Creditors and Accruals		3,780,974	3,967,468
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>3,986,750</u>	<u>4,160,134</u>
NET CURRENT ASSETS		<u>44,527,426</u>	<u>50,069,864</u>
TOTAL NET ASSETS		<u>\$1,068,330,509</u>	<u>\$989,524,261</u>

The attached Notes form an integral part of these Accounts.

Approved by the Board of Directors on 28 October 2010.

Halva Hendrickson - Chairman

Sephlin Lawrence - Director

ST KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009
 (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 2009</u>	<u>Total 2008</u>
INCOME (Note 14)						
Contributions	51,304,871	12,822,683	6,411,341	-	70,538,895	70,705,352
Investment Income	44,449,977	5,240,976	7,044,266	1,111,231	57,846,450	55,878,044
Other Income	<u>459,984</u>	<u>139,941</u>	<u>86,601</u>	<u>-</u>	<u>686,526</u>	<u>610,196</u>
	<u>96,214,832</u>	<u>18,203,600</u>	<u>13,542,208</u>	<u>1,111,231</u>	<u>129,071,871</u>	<u>127,193,592</u>
EXPENDITURE (Note 14)						
Benefits (Schedule I - Page 8)	29,180,903	9,351,363	1,119,820	45,637	39,697,723	33,959,490
Administration (Schedule II - Page 9)	8,945,189	2,464,424	837,013	13,002	12,259,628	12,332,435
Provision for loss on Investments (Notes 9 & 11)	<u>4,269,179</u>	<u>1,176,170</u>	<u>399,473</u>	<u>-</u>	<u>5,844,822</u>	<u>625,658</u>
	<u>42,395,271</u>	<u>12,991,957</u>	<u>2,356,306</u>	<u>58,639</u>	<u>57,802,173</u>	<u>46,917,583</u>
NET SURPLUS FOR THE YEAR (Note 13 - Page 23)	<u>\$53,819,561</u>	<u>\$5,211,643</u>	<u>\$11,185,902</u>	<u>\$1,052,592</u>	<u>\$71,269,698</u>	<u>\$80,276,009</u>

The attached Notes form an integral part of these Accounts.

	<u>2009</u>	<u>2008</u>
Income for the Year (Pages 3 & 5)	71,269,698	80,276,009
Other Comprehensive Income:		
Unrealised Holding Gain (Page 5)	(1,654,726)	(2,217,484)
Bonus Shares Received (Note 9 & Page 5)	<u>8,573,005</u>	<u>-</u>
Total Comprehensive Income for the Year	<u>\$78,187,977</u>	<u>\$78,058,525</u>

The attached Notes form an integral part of these Financial Statements.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

(Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----	National Provident Fund							
	Long Term Benefits Fund	Short Term Benefits Fund	Injury Benefits Fund	Members= Account	Reserve Fund	Revaluation Reserve	Unrealised Holding Gain	Capital Reserve	Total
Balance as at 31 December 2007	683,606,304	81,867,933	107,115,113	7,389,930	10,140,675	6,108,232	10,016,937	-	906,245,124
Amount Allocated from Net Surplus (Note 13 & Page 4)	62,154,569	6,062,705	11,070,270	416,682	571,783	-	-	-	80,276,009
Change in Unrealised Holding Gain (Notes 2e(i) and 5 and Page 4)	-	-	-	-	-	-	(2,217,484)	-	(2,217,484)
Balance at 31 December 2008 (Page 2)	745,760,873	87,930,638	118,185,383	7,806,612	10,712,458	6,108,232	7,799,453	-	984,303,649
Amount Allocated from Net Surplus (Note 13 & Page 4)	53,819,561	5,211,643	11,185,902	443,714	608,878	-	-	-	71,269,698
Change in Unrealised Holding Gain (Notes 2e (i) and 5 & Page 4)	-	-	-	-	-	-	(1,654,726)	-	(1,654,726)
Bonus Shares Received (Notes 5 & 9 & Page 4)	-	-	-	-	-	-	-	8,573,005	8,573,005
Balance at 31 December 2009 (Page 2)	<u>\$799,580,434</u>	<u>\$93,142,281</u>	<u>\$129,371,285</u>	<u>\$8,250,326</u>	<u>\$11,321,336</u>	<u>\$6,108,232</u>	<u>\$6,144,727</u>	<u>\$8,573,005</u>	<u>\$1,062,491,626</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARDSTAFF SUPPLEMENTAL BENEFITS RESERVE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009
(Expressed in Eastern Caribbean Dollars)

	<u>2009</u>	<u>2008</u>
INCOME		
Contributions	530,754	507,614
Investment Income	<u>250,950</u>	<u>246,985</u>
	<u>781,704</u>	<u>754,599</u>
EXPENDITURE		
Benefits (Schedule I - Page 8)	161,033	23,031
Administration (Schedule II - Page 9)	<u>2,400</u>	<u>2,400</u>
	<u>163,433</u>	<u>25,431</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 16)	<u>\$618,271</u>	<u>\$729,168</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 2009
(Expressed in Eastern Caribbean Dollars)

	<u>2009</u>	<u>2008</u>
Cash provided by operating activities:		
Net surplus for the year		
- SSF and NPF (Page 3)	71,269,698	80,276,009
- SSBF (Page 6)	618,271	729,168
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	795,940	637,295
Gain on disposal of property, plant and equipment	<u>(70,100)</u>	<u>(85,919)</u>
	72,613,809	81,556,553
Non-cash working capital change		
Accrued interest receivable	10,705,610	(10,804,650)
Accounts receivable and prepaid expenses	(275,545)	(137,483)
Accounts payable	13,110	56,023
Sundry creditors and accruals	<u>(186,492)</u>	<u>222,702</u>
Cash provided by operating activities	<u>82,870,492</u>	<u>70,893,145</u>
Cash flows from investing activities		
Net increase in investments	(73,576,431)	(68,642,411)
Additions to property, plant and equipment	(4,478,986)	(3,078,098)
Proceeds from disposal of property, plant and equipment	80,100	104,919
Additions to intangible assets	<u>(180,931)</u>	<u>(81,313)</u>
Cash used in investing activities	<u>(78,156,248)</u>	<u>(71,696,903)</u>
Increase/(Decrease) in cash for the year	4,714,244	(803,758)
Cash at beginning of year	<u>2,916,938</u>	<u>3,720,696</u>
Cash at end of year	<u>\$7,631,182</u>	<u>\$2,916,938</u>
Cash at bank and in hand	<u>\$7,631,182</u>	<u>\$2,916,938</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 2009

(Expressed in Eastern Caribbean Dollars)

SCHEDULE I

a)	Social Security Fund:	<u>2 0 0 9</u>		<u>2 0 0 8</u>	
		Number of <u>Claims</u>	<u>\$</u>	Number of <u>Claims</u>	<u>\$</u>
	<u>Long Term Benefits</u>				
	Elderly Refund	10	4,104	16	10,655
	Survivors Pension	778	2,232,961	758	1,778,104
	Invalidity	223	1,952,047	220	1,653,008
	Age Pension	1,989	22,447,110	1,858	17,791,949
	Age Grant	<u>77</u>	<u>590,141</u>	<u>67</u>	<u>492,314</u>
		<u>3,077</u>	<u>27,226,363</u>	<u>2,919</u>	<u>21,726,030</u>
	Assistance Pension (Age)	505	1,541,675	511	1,337,095
	Assistance Pension (Invalidity)	<u>145</u>	<u>412,865</u>	<u>130</u>	<u>315,035</u>
	Sub-Total (Page 3)	<u>3,727</u>	<u>29,180,903</u>	<u>3,560</u>	<u>23,378,160</u>
	<u>Short Term Benefits</u>				
	Sickness	10,036	6,400,940	10,346	6,408,494
	Funeral	230	556,206	214	508,470
	Maternity Allowance	523	2,147,617	534	2,150,285
	Maternity Grant	<u>540</u>	<u>246,600</u>	<u>556</u>	<u>254,250</u>
	Sub-Total (Page 3)	<u>11,329</u>	<u>9,351,363</u>	<u>11,650</u>	<u>9,321,499</u>
	<u>Employment Injury</u>				
	Funeral Grant	1	4,000	1	4,000
	Injury	483	418,700	540	510,994
	Travelling Expenses	23	33,280	22	37,119
	Medical Care Expenses	266	176,248	278	278,052
	Death Benefits	15	116,559	17	111,451
	Constant Care	2	32,327	1	12,000
	Disablement - Pension	45	338,706	34	247,911
	Disablement - Grant	<u>-</u>	<u>-</u>	<u>2</u>	<u>26,576</u>
	Sub-Total (Page 3)	<u>835</u>	<u>1,119,820</u>	<u>895</u>	<u>1,228,103</u>
b)	National Provident Fund:				
	Age	12	15,652	5	4,988
	Members' Balances repaid (Note 3)	<u>20</u>	<u>29,985</u>	<u>25</u>	<u>26,740</u>
	Sub-Total (Page 3)	<u>32</u>	<u>45,637</u>	<u>30</u>	<u>31,728</u>
	TOTAL	<u>15,923</u>	<u>\$39,697,723</u>	<u>16,135</u>	<u>\$33,959,490</u>
c)	Staff Supplemental Benefits:				
	Refunds	2	47,633	2	22,398
	Pension	<u>1</u>	<u>113,400</u>	<u>1</u>	<u>633</u>
	Sub-Total (Page 6)	<u>3</u>	<u>161,033</u>	<u>3</u>	<u>23,031</u>
	GRAND TOTAL BENEFITS PAID	<u>15,926</u>	<u>\$39,858,756</u>	<u>16,138</u>	<u>\$33,982,521</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 2009
 (Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2009</u>	<u>2008</u>
Actuarial Review	40,821	-
Advertising and Publicity	168,777	185,561
Anniversary Expenses	5,940	341,188
Audit Fees and Expenses	154,970	154,970
Bank Charges and Interest	6,812	28,576
Books, Periodicals, etc	15,071	2,474
Cleaning Expenses	11,618	4,837
Commission	5,823	1,135
Committee Expenses	67,050	47,629
Contribution for National Projects	270,000	270,000
Management Fees	36,375	75,789
Depreciation and Amortisation (Note 2(b))	795,940	637,295
Electricity	135,099	282,422
Hospitality	81,050	92,265
Insurances	320,716	302,272
Land and House Tax	1,044	2,604
Other Professional Fees	239,401	149,802
Maintenance of Computer System	363,972	228,673
Maintenance of Premises	136,698	133,111
Medical Expenses	5,080	2,440
Members of Social Security Board - Allowance and Other Expenses	206,364	188,555
Motor Vehicle Expenses	70,503	73,194
Pension Reform	32,470	35,729
Postages, Telephone and Telegraph	173,511	176,436
Repairs, Maintenance and Related Minor Purchases	149,809	538,773
Retirement Benefits	37,162	57,384
Rental	16,300	15,300
Salaries and Allowances	6,788,799	6,487,088
Scholarships	150,627	132,266
Security Services	63,450	63,450
Social Security, Social Services, etc	588,148	560,381
Staff Pension	265,377	250,623
Stationery, Printing and Office Expenses	322,051	399,789
Subscriptions	80,599	98,266
Training Seminars, Conferences	512,102	477,170
Travelling and Subsistence	50,120	42,211
Uniforms	48,984	52,094
Wages - Other Employees	248,786	174,327
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(405,391)</u>	<u>(431,244)</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$12,262,028</u>	<u>\$12,334,835</u>
Allocated as follows:		
- Long Term Benefits Fund (Page 3)	8,945,189	8,798,746
- Short Term Benefits Fund (Page 3)	2,464,424	2,618,456
- Injury (Page 3)	837,013	902,231
- National Provident Fund (Page 3)	<u>13,002</u>	<u>13,002</u>
Sub-total (Page 3)	12,259,628	12,332,435
- Staff Supplemental Benefits Reserve Fund (Page 6)	<u>2,400</u>	<u>2,400</u>
TOTAL (As Above)	<u>\$12,262,028</u>	<u>\$12,334,835</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 2009
(Expressed in Eastern Caribbean Dollars)

SCHEDULE III

<u>Item</u>	<u>Cost or Valuation 31/12/08</u>	<u>Additions/ (Disposals)</u>	<u>Transfer</u>	<u>Cost or Valuation 31/12/09</u>	<u>D E P R E C I A T I O N</u>			<u>31/12/09</u>	<u>Written Down Value</u>	
					<u>31/12/08</u>	<u>Charge (Disposals)</u>	<u>Transfers</u>		<u>31/12/09</u>	<u>31/12/08</u>
Freehold Properties										
- Kawaja Property St Kitts – At Valuation	796,067	-	-	796,067	-	-	-	-	796,067	796,067
- Liverpool Row Building St Kitts – Work in Progress	3,443,627	2,504,799	-	5,948,426	-	-	-	-	5,948,426	3,443,627
- Church Street St Kitts – At Valuation	2,598,000	-	-	2,598,000	-	-	-	-	2,598,000	2,598,000
- Church Street Building – Work in Progress	769,378	908,006	-	1,677,384	-	-	-	-	1,677,384	769,378
- Bay Road St Kitts – At Valuation/Cost	6,463,666	-	-	6,463,666	108,298	109,225	-	217,523	6,246,144	6,355,368
- Chapel Street Nevis – At Valuation/Cost	2,101,200	-	-	2,101,200	46,625	46,625	-	93,250	2,007,950	2,054,575
- Pinneys Estate – Nevis at Cost	<u>401,740</u>	<u>429,746</u>	<u>-</u>	<u>831,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>831,486</u>	<u>401,740</u>
	16,573,678	3,842,551	-	20,416,229	154,923	155,850	-	310,773	20,105,456	16,418,755
Furniture and Equipment – At Cost	3,069,830	134,640 (1,835,203)	77,456	1,446,723	2,574,455	222,382 (1,835,203)	25,175	986,809	459,914	495,375
Computer Equipment – At Cost	3,527,239	279,295 (2,720,420)	(254,930)	831,184	3,283,346	145,038 (2,720,420)	(280,485)	427,479	403,705	243,893
Motor Vehicles – At Cost	<u>709,118</u>	222,500 (173,500)	<u>-</u>	<u>758,118</u>	<u>373,968</u>	90,065 (163,500)	<u>-</u>	<u>300,533</u>	<u>457,585</u>	<u>335,150</u>
TOTAL	<u>\$23,879,865</u>	\$4,478,986 <u>\$(4,729,123)</u>	<u>\$(177,474)</u>	<u>\$23,452,254</u>	<u>\$6,386,692</u>	\$613,335 <u>\$(4,719,123)</u>	25,175 <u>\$(280,485)</u>	<u>\$2,025,594</u>	<u>\$21,426,660</u>	<u>\$17,493,173</u>

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 2009
(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 2008 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 2009

(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) Basis of Preparation:

The preparation of these accounts in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumption and estimates are significant to the accounts are disclosed in Note 2 (i) below.

The standards interpretations and amendments that are effective for the current year are as follows:

IAS 1 Presentation of Financial Statements
 IAS 7 Statement of Cash Flows
 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
 IAS 10 Events after the Reporting Period
 IAS 16 Property, Plant and Equipment
 IAS 17 Leases
 IAS 18 Revenue
 IAS 19 Employee Benefits
 IAS 21 The Effects of Changes in Foreign Exchange Rates
 IAS 23 Borrowing Costs
 IAS 24 Related Party Disclosures
 IAS 36 Impairment of Assets
 IAS 38 Intangible Assets
 IAS 39 Financial Instruments Recognition and Measurement
 IAS 40 Investment Property

IFRS 7 Financial Instruments Disclosures

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risk arising from financial instruments including specified minimum disclosures about credit risk, liquidity risk and market risk including sensitivity analysis to market risk. It replaces IAS 30. Disclosures in the Financial Statements of Banks and similar financial institutions and disclosure requirements in IAS 32, financial instruments. Disclosure and Presentation It is applicable to all entities that report under IAS 32.

IFRS 9: Financial Instruments: This standard will eventually completely replace IAS 39 by the end of 2010.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

b) 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.

c) 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	15%
Computer System and Equipment	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 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

d) 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.

e) 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.

f) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2009, at the rates quoted for the period of the investments.

g) 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.

h) 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 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

i) Critical accounting estimates and judgement:

a) Impairment of financial assets:

An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

An available for sale equity investment is considered impaired when there is a significant or prolonged decline in the fair value below cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and viability of the investee. These investments continue to be carried at cost as no active market exists.

b) Fair Value of available-for-sale investment:

The fair value of financial instruments that are not quoted in active markets is determined using the last traded value for the investment. Where no such value exists the investment is carried at cost.

3 NATIONAL PROVIDENT FUND - MEMBERS' ACCOUNT

During the year under review, the Social Security Fund repaid a total amount of \$29,985 to 20 members of the National Provident Fund (2008 = \$26,740 to 25 members) (see Schedule 1 - Page 8). 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".

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)
(Expressed in Eastern Caribbean Dollars)

5 REVALUATION RESERVE

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

	<u>Freehold Properties</u>	<u>Available-for- Sale Investments</u>	<u>Bonus Shares</u>	<u>Total 2009</u>	<u>Total 2008</u>
Balance as at 1 January 2009	6,108,232	7,799,453	-	13,907,685	16,125,169
Movement for the Year (Page 5 and Note 2e (i))	-	(1,654,726)	8,573,005	6,918,279	(2,217,484)
Balance as at 31 December 2009	<u>\$6,108,232</u>	<u>\$6,144,727</u>	<u>\$8,573,005</u>	<u>\$20,825,964</u>	<u>\$13,907,685</u>

(Page 2)

6	STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	<u>2009</u>	<u>2008</u>
	BALANCE - At Beginning of Year	5,220,612	4,491,444
	Excess of Income over Expenditure for year (Page 6)	<u>618,271</u>	<u>729,168</u>
	BALANCE - At End of Year (Page 2)	<u>\$5,838,883</u>	<u>\$5,220,612</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 2009
 (Continued)
 (Expressed in Eastern Caribbean Dollars)

7 PROPERTY, PLANT AND EQUIPMENT

	<u>Land & Buildings At Fair Value</u>	<u>Furniture & Equipment At Cost</u>	<u>Computer Equipment At Cost</u>	<u>Motor Vehicles At Cost</u>	<u>Total</u>
Cost or Valuation					
Balance at 1 January 2009	16,573,678	3,069,830	3,527,239	709,118	23,879,865
Additions	3,842,551	134,640	279,295	222,500	4,478,986
Disposals	-	(1,835,203)	(2,720,420)	(173,500)	(4,729,123)
Transfers	<u>-</u>	<u>77,456</u>	<u>(254,930)</u>	<u>-</u>	<u>(177,474)</u>
Balance at 31 December 2009	<u>20,416,229</u>	<u>1,446,723</u>	<u>831,184</u>	<u>758,118</u>	<u>23,452,254</u>
Accumulated Depreciation					
Balance at 1 January 2009	(154,923)	(2,574,455)	(3,283,346)	(373,968)	(6,386,692)
Depreciation Expense	(155,850)	(222,382)	(145,038)	(90,065)	(613,335)
Disposals	-	1,835,203	2,720,420	163,500	4,719,123
Transfers	<u>-</u>	<u>(25,175)</u>	<u>280,485</u>	<u>-</u>	<u>255,310</u>
Balance at 31 December 2009	<u>(310,773)</u>	<u>(986,809)</u>	<u>(427,479)</u>	<u>(300,533)</u>	<u>(2,025,594)</u>
Net Book Value 2009	<u>\$20,105,456</u>	<u>\$459,914</u>	<u>\$403,705</u>	<u>\$457,585</u>	<u>\$21,426,660</u>
					(Pages 2 & 10)
Net Book Value 2008	<u>\$16,418,755</u>	<u>\$495,375</u>	<u>\$243,893</u>	<u>\$335,150</u>	<u>\$17,493,173</u>
					(Pages 2 & 10)

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(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>2009</u>	<u>2008</u>
Land and Building at valuation	<u>\$20,105,456</u>	<u>\$16,418,755</u>

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

	<u>2009</u>	<u>2008</u>
Net Carrying Amount	<u>\$13,997,223</u>	<u>\$10,256,522</u>

8 INTANGIBLE ASSETS	<u>2009</u>	<u>2008</u>
Computer Software		
Cost at Beginning of Year	7,190,032	7,108,719
Additions during the Year	180,931	81,313
Transfers	177,474	-
Disposals	<u>(6,529,863)</u>	<u>-</u>
	<u>1,018,574</u>	<u>7,190,032</u>
Accumulated Amortisation – Beginning of year	(6,715,524)	(6,673,464)
Amortisation for the Year	(182,605)	(42,060)
Transfers	(255,310)	-
Disposals during the year	<u>6,529,862</u>	<u>-</u>
Accumulated Amortisation – End of Year	<u>(623,577)</u>	<u>(6,715,524)</u>
Net Book Value (Page 2)	<u>\$394,997</u>	<u>\$474,508</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS	<u>2009</u>	<u>2008</u>
	Available-for-Sale		
	Lands	60,166,939	45,820,296
	Debt Securities: quoted at market value	2,900,117	2,876,036
	Equities:		
	Quoted at market value	35,626,762	26,450,492
	Unquoted	<u>429,000</u>	<u>269,000</u>
	Total Available for Sale	<u>99,122,818</u>	<u>75,415,824</u>
	Held to Maturity		
	Fixed Deposits:		
	CLICO (Trinidad) Limited)	6,960,558	6,960,558
	CLICO (Barbados) Limited)	6,128,583	6,128,583
	British American Insurance (Anguilla)) See Note 11	1,298,208	1,298,208
	British American Insurance (St Kitts))	1,000,000	1,000,000
	Barclays Bank Plc UK	-	729,000
	RBTT Bank (SKN)	-	6,000,000
	SKNA National Bank Limited	488,798,264	454,101,554
	SKN Finance Company Limited	7,821,764	7,821,764
	Bank of Nevis Limited	32,014,889	29,014,889
	Bank of Nova Scotia	1,000,000	16,200,000
	Caribbean Money Market Brokers	-	2,939,457
	St. Kitts Credit Union	2,297,553	2,297,553
	Nevis Credit Union	9,315,000	8,565,000
	Development Bank of St Kitts	<u>6,502,282</u>	<u>6,502,282</u>
		<u>563,137,101</u>	<u>549,558,848</u>
	Call Accounts:		
	R B C Dominion Securities	92,969	118,423
	Crown Agents	27,237	65,991
	SKNA National Bank Limited	7,707,565	3,846,414
	Bank of Nova Scotia	<u>2,201,937</u>	<u>226,066</u>
		<u>10,029,708</u>	<u>4,256,894</u>
	Sub-total carried forward	<u>573,166,809</u>	<u>553,815,742</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont=d)	<u>2009</u>	<u>2008</u>
	Sub-total brought forward	<u>573,166,809</u>	<u>553,815,742</u>
	Held to Maturity (cont=d)		
	Treasury Bills - St Kitts:	23,610,000	21,642,500
	Treasury Bills - Nevis:	<u>7,328,763</u>	<u>6,396,263</u>
		<u>30,938,763</u>	<u>28,038,763</u>
	Debt Securities Unquoted	<u>63,607,000</u>	<u>63,607,000</u>
	Total Held to Maturity	<u>667,712,572</u>	<u>645,461,505</u>
	Loans Receivable:		
	Government	38,599,052	37,990,106
	Statutory Corporations	189,970,704	151,285,311
	Other	4,006,219	3,308,091
	Staff Loans and Advances (Less Provision for Doubtful Accounts \$60,285/2008 = \$60,285)	<u>8,348,548</u>	<u>8,025,879</u>
	Total Loans Receivable	<u>240,924,523</u>	<u>200,609,387</u>
		1,007,759,913	921,486,716
	Provision for impairment – CL Financial Group Investments (See Note below)	<u>(5,778,487)</u>	-
	TOTAL INVESTMENTS (Page 2)	<u>\$1,001,981,426</u>	<u>\$921,486,716</u>

Fixed Deposits:

Interest rates range between 6.5% and 7.5% (2008 = 6.5% and 7.5% per annum with maximum maturity of two years).

Call Accounts:

Interest rates range between zero to 2.50% (2008 = zero to 2.25%) per annum.

Treasury Bills:

Interest rates 7% (2008 = 7%) per annum with a term of 91 days.

Debt Securities Unquoted:

These securities earn interest at varying rates up to 8.25% (2008 = 9%) and have maturities ranging between 2009 and 2027.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont=d)

Loans Receivable:

The loans earn interest at rates ranging from 5% to 8% (2008 = 5% 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.

CL Financial Group Investments

As at the end of the 2009 financial year the Social Security Board held investments with the CLICO Financial Group. Details of these investments are as follows:

	<u>Investment Amount</u>	<u>Provision</u>	<u>Maturity Date</u>
CLICO Trinidad	3,811,270	1,905,635	September 27 2010
CLICO Trinidad	3,149,287	1,574,644	August 31 2009
CLICO Barbados	2,688,200	-	April 7 2010
CLICO Barbados	3,440,383	-	May 29 2010
British American Insurance Co Ltd (St Kitts)	1,000,000	1,000,000	March 6 2009
British American Insurance Co Ltd (Anguilla)	<u>1,298,208</u>	<u>1,298,208</u>	May 19 2009
	<u>\$15,387,348</u>	<u>\$5,778,487</u>	

The matured investment and interest receivable have not been repaid to date. CL Financial Group has been taken over by the Government of Trinidad and Tobago under section 44D of the Central Bank Act. As indicated in the above table a provision has been made for these investments against possible losses whilst efforts are put in place to recover the investments (see Note 11 for provision for non-collectible interest).

Bonus Shares Received:

SKNA National Bank Limited:

During the year under review, SKNA National Bank Limited made a bonus share issue of two shares for every three held – 3,429,202 shares @ \$2.50 = \$8,573,005.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

10	CASH AT BANK AND IN HAND	<u>2009</u>	<u>2008</u>
	Cash at Bank - Current Accounts		
	Royal Bank of Canada	41,393	31,266
	SKNA National Bank Limited	193,808	1,259,733
	Bank of Nova Scotia	796,133	663,163
	SKNA National Bank Limited (Administrative)	<u>5,786,128</u>	<u>384,409</u>
		6,817,462	2,338,571
	Cash at Bank - Savings Accounts		
	Royal Bank of Canada	111,050	107,780
	SKNA National Bank Limited	626,772	155,089
	Cash in Hand	<u>75,898</u>	<u>315,498</u>
	TOTAL (Page 2)	<u>\$7,631,182</u>	<u>\$2,916,938</u>

During the year under review, the savings accounts earned interest at the rates of 1.5% and 2.5% per annum.

11	ACCRUED INTEREST RECEIVABLE	<u>2009</u>	<u>2008</u>
	Balance At Beginning of Year	50,284,084	39,479,434
	Interest Earned during the Year	57,846,449	55,878,046
	Provision for Non-collectibility (Page 9 and Note 9)	(691,994)	(625,658)
	Interest Payment Received during the Year	<u>(67,860,066)</u>	<u>(44,447,738)</u>
	Balance At End of Year (Page 2)	<u>\$39,578,473</u>	<u>\$50,284,084</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

11 ACCRUED INTEREST RECEIVABLE (cont'd)

PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECOVERABLE

CLICO GROUP OF COMPANIES \$691,994 (2008 = \$625,658) (See Note 9 and Note 11)

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 created a negative impact on their day to day operations and also resulted in their inability to satisfy their investors' expectations.

Subsequent to 31 December 2009, 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.

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.

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.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

13	ALLOCATION OF NET SURPLUS	<u>2009</u>	<u>2008</u>
	Social Security Fund		
	a) Long Term Benefits Fund (Page 3)	53,819,561	62,154,569
	b) Short Term Benefits Fund (Page 3)	5,211,643	6,062,705
	c) Injury Benefits Fund (Note (Page 3))	<u>11,185,902</u>	<u>11,070,270</u>
		<u>70,217,106</u>	<u>79,287,544</u>
	National Provident Fund		
	a) Members= Account	443,714	416,682
	b) Reserve Fund	<u>608,878</u>	<u>571,783</u>
	Sub-Total (Page 3)	<u>1,052,592</u>	<u>988,465</u>
	NET SURPLUS FOR THE YEAR (Page 3 & 4)	<u>\$71,269,698</u>	<u>\$80,276,009</u>

14 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 2009
(Continued)
(Expressed in Eastern Caribbean Dollars)

14 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.

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) Administration Expenditure:

The administration 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.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

15 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2009, contributions and fines due from employers amounted to \$16,440,252 (2008 = \$12,791,677). Details are set out hereunder:

<u>Particulars</u>	<u>2009</u>	<u>2008</u>
Contributions due by Employers	5,737,319	4,506,778
Fines due by Employers	<u>10,702,933</u>	<u>8,284,899</u>
TOTAL DUE TO THE BOARD	<u>\$16,440,252</u>	<u>\$12,791,677</u>

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

16 CAPITAL COMMITMENT

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 2009, a total of \$50 million had been expended on the Project.

17 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

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

(Expressed in Eastern Caribbean Dollars)

17 RELATED PARTY TRANSACTIONS (cont'd)

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>2009</u>	<u>2008</u>
Loans to Government and Statutory Corporations		
Beginning of year	241,726,646	222,017,465
Loans advanced during the year	39,565,762	20,697,558
Loan Repayment received	(6,934,730)	(4,064,968)
Interest Income	16,013,720	13,885,158
Interest Received	(13,384,715)	(10,808,567)
End of Year	<u>\$276,986,683</u>	<u>\$241,726,646</u>

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

	<u>2009</u>	<u>2008</u>
Fixed Deposits, Bank Accounts and Treasury Bills with Related Parties		
Beginning of Year	520,658,492	523,740,874
Net Advances	45,240,158	(11,935,590)
Interest Income	46,907,837	32,038,503
Interest Received	(45,860,995)	(23,185,295)
End of Year	<u>\$566,945,492</u>	<u>\$520,658,492</u>

Key Management Compensation

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$720,718 (2008 = \$600,483).

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

18 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 31 December 2009 is adequate.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(Continued)

(Expressed in Eastern Caribbean Dollars)

18 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(e) (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 analysed into groupings based on the remaining periods from the Statement of Financial Position date to the contractual maturity dates.

Assets:

Year Ended 31 December 2009:

	<u>Due within</u> <u>1 Year</u>	<u>>1 Yr to 5 Yrs</u>	<u>>5 Years</u>	<u>Total</u>
Cash at Bank and in Hand	7,631,182	-	-	7,631,182
Accrued Interest Receivable	39,578,473	-	-	39,578,473
Accounts Receivable and Prepaid Expenses	1,304,521	-	-	1,304,521
Investment Securities	646,096,239	77,166,077	278,719,110	1,001,981,426
Other Assets	<u>394,997</u>	<u>-</u>	<u>21,426,660</u>	<u>21,821,657</u>
Total Assets	<u>695,005,412</u>	<u>77,166,077</u>	<u>300,145,770</u>	<u>1,072,317,259</u>

Liabilities:

Year Ended 31 December 2009:

Accounts Payable	173,579	-	-	173,579
Other Payables	<u>3,813,171</u>	<u>-</u>	<u>-</u>	<u>3,813,171</u>
Total Liabilities	<u>3,986,750</u>	<u>-</u>	<u>-</u>	<u>3,986,750</u>
Net Liquidity Gap	<u>691,018,662</u>	<u>77,166,077</u>	<u>300,145,770</u>	<u>1,068,330,509</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009(Continued)
(Expressed in Eastern Caribbean Dollars)

18 FINANCIAL INSTRUMENTS (cont'd)

d) Liquidity Risk: (cont'd)

Assets:

Year Ended 31 December 2008:

	Due within <u>1 Year</u>	<u>>1 Yr to 5 Yrs</u>	<u>>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	474,508	-	17,493,173	17,967,681
Total Assets	<u>666,385,753</u>	<u>73,616,797</u>	<u>253,681,845</u>	<u>993,684,395</u>

Liabilities:

Year Ended 31 December 2008:

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

19 CONTINGENT LIABILITY – CLAIM RE: KASSAB BUILDING

In October 2008, during the construction of the Liverpool Row Building, the walls of the neighbouring building housing Kassab's Hardware collapsed. A claim has been made against the Social Security Board through legal action 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 are to be determined by the Court.

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

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 statement of financial position as at 31 December 2009, and the income and expenditure account, statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management=s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants:

BASSETERRE - ST KITTS
4 August 2010

