



St. Christopher and Nevis Social Security Board



ANNUAL REPORT 2011

ST. CHRISTOPHER AND NEVIS SOCIAL SECURITY BOARD

REPORT AND ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

CONTENTS

VISION, MISSION, VALUES, MOTTO	2
CUSTOMER CHARTER	3
BOARD OF DIRECTORS.....	4
EXECUTIVE MANAGEMENT STAFF AND ASSISTANT DIRECTORS TEAM.....	5
REPORT OF CHAIRMAN OF THE BOARD OF DIRECTORS	6
REPORT OF OPERATIONS.....	7
FINANCIAL PERFORMANCE.....	8
INVESTMENTS.....	11
INCOME & EXPENDITURE.....	11
OTHER FINANCIAL PERFORMANCE INDICATORS.....	14
INSURANCE OPERATIONS.....	15
COMPLIANCE.....	20
CUSTOMER SERVICE.....	21
PUBLIC RELATIONS.....	21
DONATIONS.....	23
DEVELOPMENT OF HUMAN RESOURCES.....	24
SCHOLARSHIP PROGRAM.....	26
DIRECTOR'S SUMMARY AND COMMENDATIONS.....	27
FINANCIALS.....	29
INDEPENDENT AUDITORS' REPORT.....	30
STATEMENT OF FINANCIAL POSITION.....	31
INCOME AND EXPENDITURE ACCOUNT.....	32
STATEMENT OF COMPREHENSIVE INCOME.....	33
STATEMENT OF CHANGES IN EQUITY	34
STAFF SUPPLEMENTAL BENEFITS RESERVE - INCOME AND EXPENDITURE ACCOUNT.....	35
STATEMENT OF CASH FLOWS	36
BENEFITS PAID - SCHEDULE I.....	37
ADMINISTRATION EXPENSES - SCHEDULE II.....	38
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT - SCHEDULE III.....	39
NOTES TO THE ACCOUNTS.....	40-60



VISION

To become the most sustainable and secure financial institution in the Federation, that is efficient and committed to provide excellent service to all.

MISSION

The St Christopher and Nevis Social Security Board is committed to provide the best possible benefits to all eligible persons guaranteed by sound financial management and efficient administration.

VALUES

Confidentiality

Honesty & Integrity

Team Productivity

Commitment/Dedication

Efficiency

Motivation

Accountability

MOTTO

Striving for Social Justice



Customer Charter

We at Social Security are committed to providing you, our customer with excellent service. Here is what you can expect when you conduct business with us:

- ❖ Prompt, polite and courteous service at all times.
- ❖ Knowledgeable employees who will listen to your needs and provide you with the assistance you require at the time.
- ❖ A walk-in service five days a week, Monday through Friday, except Public Holidays.
- ❖ At least twenty-four hour notice for any closure of our offices except for unforeseen circumstances
- ❖ Your service will not take more than 20 minutes when you visit our offices for Registration or Benefit enquiries
- ❖ You will be seen within ten minutes of the scheduled time of an appointment
- ❖ We will aim to settle all short-term benefit claims – maternity, sickness employment injury, funeral grants - within ten working days of receiving the claim.
- ❖ We will aim to settle all long-term benefit claims - age, survivor, invalidity and non-contributory pensions or grants - within two months of receiving the claim.
- ❖ If we are unable to settle your claims within the specified time, we will communicate with you no later than ten working days after receiving the claim and provide you with our best estimate of the time needed to settle the claim.
- ❖ We will answer your telephone calls within the third ring and will provide any requested information as soon as it is practical to do so.



Board of Directors



Chairman:
Mr Halva Hendrickson



Deputy Chairman:
Mr Stanley Franks Jr



Mr Claudius Delany

Ex Officio:
Mrs Sephlin Lawrence

Recording Secretary:
Mr C. Steve Wrensford



Mr Frank Farrell



Ms Eslyn Swanston



Ms Myrna Liburd



Mrs Carleen Pemberton



Mrs Vancelyn Williams



Mr Dennis Phillip



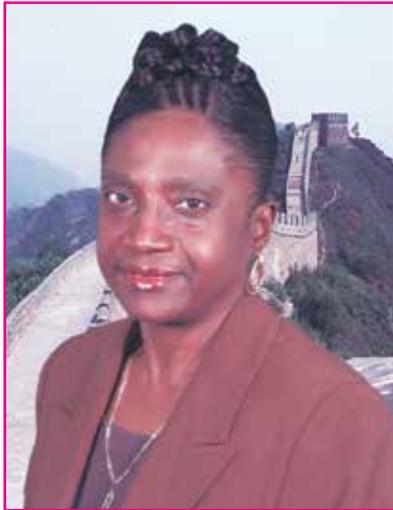
Mr Scott Caines



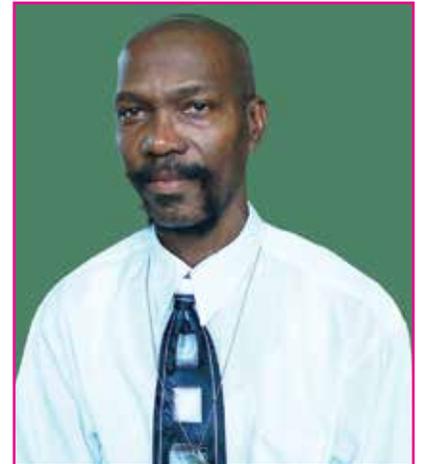
Ms Sandra Davoren - Secretary



Executive Management and Assistant Directors Team



Executive Director
Mrs Sephlin Lawrence - (Left)

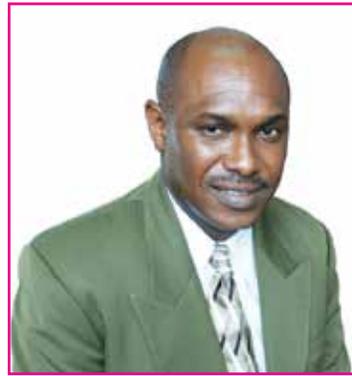


Deputy Director:
H.E. Mr C. Steve Wrensford - (Right)

Assistant Directors



Ms Marilyn Johnson
Chief Financial Officer



Mr Vernel Powell
Assistant Director Branch
Office Nevis



Mr Lyndon Hodge
Assistant Director
Management Information
Systems and Records



Mr Elvin Bailey - (Left)
Assistant Director Research Statistics and Public
Relations



Ms Rubie Taylor - (Right)
Assistant Director
Compliance and Benefits



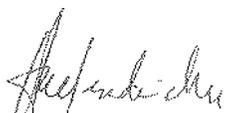
Report of Chairman of the Board of Directors

The Social Security Board experienced another commendable year of operations. The Fund continued to grow in all respects. Contribution Income increased as well as the number and value of the pensions. The Fund stood at \$1,198,042,163 at the end of the year after a surplus of \$90,037,155 was made. Investment Income realized was \$66,536,384 while contribution income was \$69,907,443. These represented a 6.9% increase in income from investments and a 4% decline in contribution income. Miscellaneous Income including fines showed a dramatic reduction of 34.4%. These changes in income led to a marginal increase in Total Income of .84% showing \$136,832,189 at the end of the year.

The Investment Portfolio increased to \$1,124,065,915. It is a challenge in our small developing economy, to identify sound investments in the Federation. We will continue to work with the various sectors in the area of investment as we ensure that the Funds are used for development of the Federation first and foremost. Not only are funds held in our indigenous banks, but also in the Credit Unions and Foundation for National Development to provide opportunities for personal or business development.

My colleagues have made sacrifices to attend the various meetings and serve assiduously on the Board Committees. Their work has enhanced the Fund and has added value in the different areas. I commend them for not only their contribution but for their full support in the Year. I laud the management and the entire staff for their valuable service which has led to another relatively successful year for SSB.




Halva Hendrickson
Chairman



REPORT OF OPERATIONS

The Social Security Board experienced a relatively good year despite the continuing decline in the economy. Notwithstanding the 42% decline in the net surplus resulting in an increase of \$46.8M in the Total Funds, there were other commendable achievements in the year under review.

Some of them are highlighted below:

- * Total funds stood at \$1.198B with surplus of \$46.8M for the year

- * Investment portfolio stood at \$1.124B, an increase of 4.2%
- * Investment income earned was \$66.536M. Average investment return was 6.04%
- * Investment Income increased by 7% from \$62.21M
- * Investment Income represented 48.6% while Contribution Income represented 51.1% of Total Income

Table 1 PERFORMANCE HIGHLIGHTS for 2007 to 2011

HIGHLIGHTS	2011	2010	2009	2008	2007
	\$000,000's	\$000,000's	\$000,000's	\$000,000's	\$000,000's
Total Assets	1,198.04	1,150.56	1,068.33	989.52	909.91
Investments	1,124.07	1,078.70	1,068.33	921.49	855.06
Net Surplus	46.80	80.60	71.27	80.29	72.96
Contribution Income	69.91	72.84	70.54	70.71	64.68
Investment Income	66.54	62.21	57.85	55.88	53.28
Other Income	0.39	0.59	0.69	0.61	0.49
Benefits Expenditure	44.55	41.62	39.70	33.95	30.19
Total Administration Expenses	12.29	13.18	12.26	12.96	15.30
Benefit expenditure as percentage of Contribution Income	64%	57%	56%	48%	47%
Administration Expenses as percentage of Contribution Income	18%	18%	17%	18%	24%
Net Surplus as a % OF Total Income	34%	59%	55%	63%	62%
Number of Employees*	136	141	135	148	136
Number of Claims/Benefits Paid	15,256	15,829	15,923	16,135	13,765
Active Employers	1,860	1,934	1,912	1,869	1,780
Active Insured Persons	24,823	25,854	25,822	25,454	24,801
* This includes temporary and part time employees for the year					



FINANCIAL PERFORMANCE

Evidenced by a growth of 4% or \$47.5M, the Total Funds stood at \$1.198 billion at the end of the year under review. The net surplus declined by 42% compared to 2010 as a result of loss provision related to the St. Kitts and Nevis Government Bond restructuring and loan impairment. Investment Income increased by \$4.3M or 6.9% and Contribution Income declined by \$3.9M or 4%. As shown in Table 1 over the last five years, the total assets grew by 32%, from \$909.9million dollars to \$1.198 billion dollars.

Over the period, contribution income grew for the first four years but declined in 2011, to just over the 2007 level. Investment income grew steadily each year, an overall rate of 25% over the five years. Astronomical growth of 47% was observed in benefit expenditure while administrative expenditure showed a decline of 19.7%. Worthy of note is that the number of claims continued to increase from 13,765 in 2007 to 15,256 in 2011. Other indicators are displayed in Table 1 (page 7).

Figure 1 - SOCIAL SECURITY FUND BALANCE 2007 - 2011

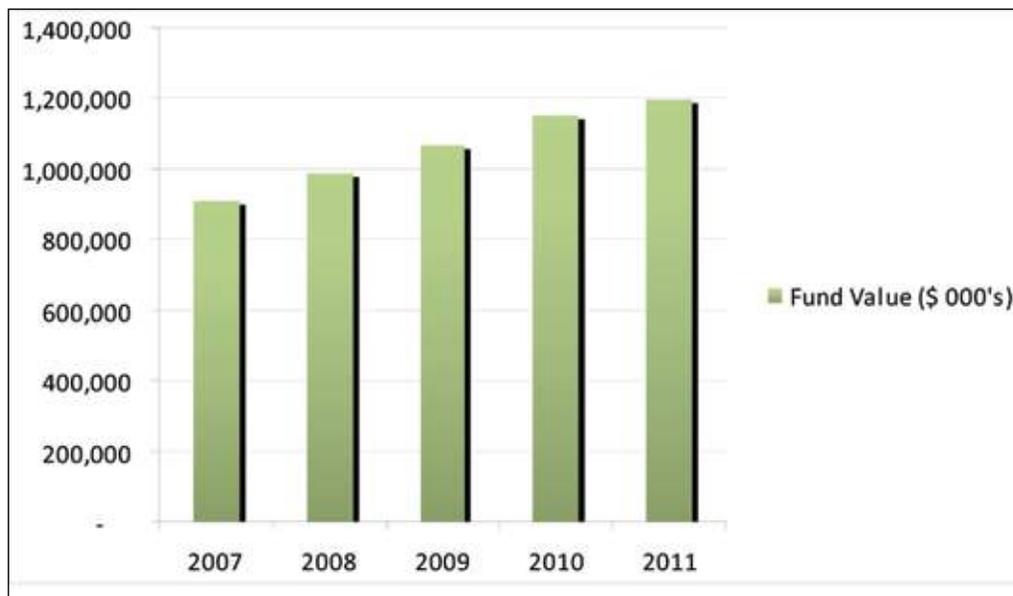
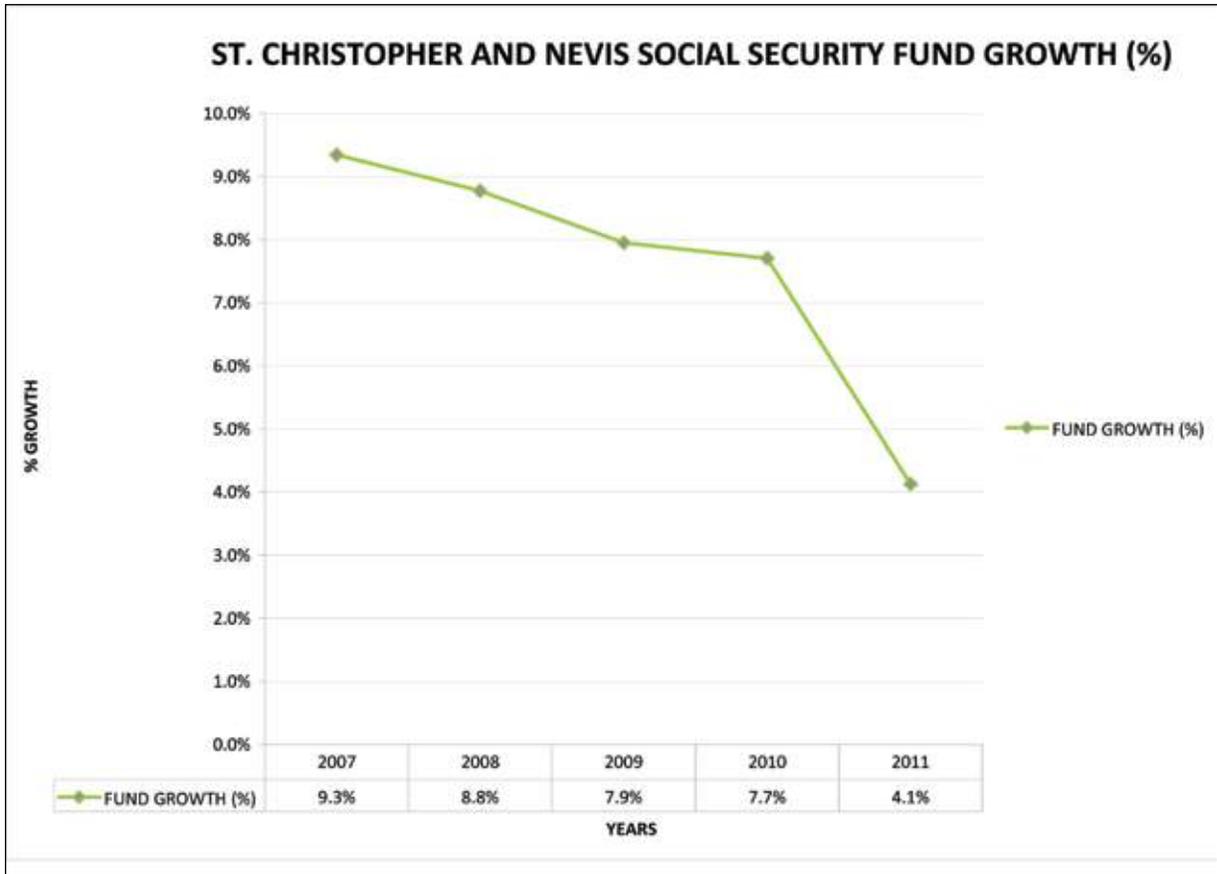


Figure 1 shows the Fund Balances over the last five years (2007 to 2011). While there has been positive growth of the Fund, the rate of growth continued to decline from year to year.

This is illustrated by Figure 2 which shows the percentage growth in the Fund. This trend is similar to the experience of other pension funds around the world.



Figure 2



Funds and Assets

The comparative statement of financial position, depicted in Table 2 (on page 10), shows the change from 2010.

The increase in the balances of the various Funds is reflective of the income apportioned and the

expenditure from each Fund. The Long Term Benefit Branch of the Fund is 75% of the Total Funds followed by Injury Benefit at 13% and Short Term Benefit at 9%. The distribution was the same for both years. The Total Funds increased by 4%.



Table 2

St. Christopher and Nevis Social Security 2011 Summary Statement of Financial Position

FUNDS EMPLOYED	2011	% of Total	2010	% of Total	% CHANGE
SOCIAL SECURITY FUND					
- Long Term Benefits Fund	892,731,554	75%	859,173,288	75%	3.9%
- Short Term Benefits Fund	102,154,770	9%	100,662,626	9%	1.5%
- Injury Benefits Fund	152,209,523	13%	141,698,197	12%	7.4%
- SSBP Benefits Fund	7,360,653	1%	6,923,748	1%	6.3%
National Provident Fund Members' Account	9,261,226	1%	8,741,336	1%	5.9%
National Provident Reserve Fund	12,708,522	1%	11,995,114	1%	5.9%
Revaluation Reserve	21,615,915	2%	21,368,217	2%	1.2%
TOTAL FUNDS	1,198,042,163	100%	1,150,562,526	100%	4.1%
REPRESENTED BY:					
NON-CURRENT ASSETS					
Property Plant & Equipment	28,109,311	2%	23,759,518	2%	18.3%
Intangible Assets	219,282	0%	272,328	0%	-19.5%
Total Investments	1,124,065,915	94%	1,078,697,965	94%	4.2%
	1,152,394,508	96%	1,102,729,811	96%	
CURRENT ASSETS					
Cash at Bank and in Hand	8,023,822	1%	10,016,158	1%	-19.9%
Accrued Interest receivable	41,172,261	3%	38,661,238	3%	6.5%
Accounts Receivable and Prepaid Expenses	2,216,013	0%	5,981,834	1%	-63.0%
	51,412,096	4%	54,659,230	5%	-5.9%
LESS CURRENT LIABILITIES					
Accounts Payable	60,653	0%	75,300	0%	-19.5%
Sundry creditors and Accruals	5,671,591	0%	6,719,018	1%	-15.6%
National Provident Fund treasury Balance	32,197	0%	32,197	0%	0.0%
	5,764,441	0%	6,826,515	1%	-15.6%
NET CURRENT ASSETS	45,647,655	4%	47,832,715	4%	-4.6%
TOTAL NET ASSETS	\$ 1,198,042,163	100%	\$ 1,150,562,526	100%	4.1%

94% of the Fund is in investments, 2% in property plant and equipment and 4% in current assets. The 18% increase in property plant and equipment resulted from expenditure on the Liverpool Row Building, which was over \$3M, purchase of the land at Pinney's Estate in Nevis, and some expenditure in relation to the Church Street Complex. Intangible assets are mainly computer software, and the 19.5% decline is mainly from depreciation.

Current assets declined by about 6% compared to 2010. Cash on hand was reduced by 20%, and accrued interest increased by 7%. The drastic 63% decline in Accounts Receivable was as a result of about \$3.2M which was paid in December 2010 for land as part settlement of the CLICO Barbados investment. The land was not received and the transaction was subsequently reversed when the payment was returned in 2011.

Accounts Receivable includes \$1.2M due on account of payments to the SSMC pensioners. As at December 2011, the number of SSMC pensioners was at 40 compared to December 2010 when it was at 46, with \$1.1M receivable.

Accounts payable declined in 2011 as greater efforts were made to settle benefit cheques that were outstanding and those that were stale. Sundry Creditors and Accruals declined in 2011 on account of the following:

- * Decline in the vacation days accrued in 2011 compared to 2010. This figure is still high at \$499,000 in 2011 on account of individuals accruing large number of vacation days
- * A substantial amount was cleared from unallocated contribution in 2011.
- * A decline in amount due for National Projects at the end of 2011.



INVESTMENTS

During the period, total investments increased by \$45.37 or 4.2%. Table 3 shows the asset classes which increased. This includes fixed deposits, equity and real

estate. The primary real estate is the Beacon Heights Development, now one of the premiere developments in the Federation.



Beacon Heights Development during its early stages of development

Table 3 - INVESTMENT PORTFOLIO BY ASSET CLASS

ASSET CLASS	2011	% of Total	2010	% of Total	% Change
EQUITY	46,752,541	4%	38,519,949	4%	3.5%
GOVT DEBT SECURITIES	35,366,342	3%	67,160,322	6%	6.2%
TREASURY BILLS	29,708,763	3%	30,938,763	3%	2.9%
FIXED DEPOSITS	657,677,684	59%	599,131,271	56%	55.5%
CALL ACCOUNTS	1,850,995	0%	1,971,952	0%	0.2%
LOANS	257,353,778	23%	258,369,307	24%	23.9%
REAL ESTATE	95,355,809	8%	82,606,403	8%	7.8%
	\$ 1,124,065,912	100%	\$ 1,078,697,965	100%	100.0%

However, the distribution remained just about the same in 2011 as in 2010 except for the Government Debt Securities which was 3% of the portfolio in 2011

compared to 6% in 2010. Fixed Deposits gained an additional 3% of the portfolio and Loans was 23% of the portfolio in 2011.

INCOME AND EXPENDITURE

Table 4 (see page 12) shows the summary Income and Expenditure account compared to 2010. Total income was \$136.8M in 2011 compared to \$135.6M in 2010. Contribution income was down by 4% compared to 2010 and investment income was up 7%. Other income

declined by 34%, mainly as a result of the reduction in fines and legal fees collected in 2011. Total income increased by 1%. In the previous year (2010), total income had increased by 5% compared to the previous year.



Table 4 - COMPARATIVE INCOME & EXPENDITURE

	2011	2010	% Change
INCOME			
Contributions	69,907,443	72,841,349	-4%
Investment Income	66,536,384	62,211,459	7%
Other Income	388,361	592,144	-34%
Total Income	\$ 136,832,188	\$ 135,644,952	1%
EXPENDITURE			
Benefits	44,553,785	41,621,184	7%
Administration	12,290,665	13,183,111	-7%
Loss Provision	33,192,705	235,755	13979%
Total Expenditure	\$ 90,037,155	\$ 55,040,050	64%
NET SURPLUS FOR THE YEAR	\$ 46,795,033	\$ 80,604,902	-42%

A breakdown of contribution income by type is shown in Table 5. In 2011 contribution from employers decreased by 4% compared to 2010, self-employed contribution increased by 2% and voluntary contribu-

tion increased by 8%. Employers and Self-employed contributions were 3% and 2% below the 2011 budget respectively. The total contribution income was 3% less than budgeted.

Table 5 - CONTRIBUTION BY TYPE

	2011	2010	% change	2011 Budget	% of Budget
Employers' Contribution	68,914,800	71,916,558	-4%	71,310,000	97%
Voluntary Contribution	21,841	20,133	8%	20,000	109%
Self Employed Contribution	1,065,704	1,040,278	2%	1,090,000	98%
Refund of Contribution	(94,902)	(135,620)	-30%	(120,000)	79%
	\$69,907,443	\$72,841,349	-4%	\$72,300,000	97%

Investment income earned in 2011 was \$66.5M, compared to \$62.2M in 2010. According to Table 6, 59% of the total investment income represented interest earned from Deposits that make up 59% of the investment portfolio. This is followed by interest from

loans at 24% of the total and 7% from government securities. Compared to 2010, there was a significant decline in income from Notes and Bonds and other income. Dividends increased by 56% mainly as a result of increase in BON shares held by Social Security.



Table 6 - INVESTMENT INCOME BY ASSET CLASSES

INVESTMENT INCOME	2011	% of Total	2010	% of Total	% Change
Dividends	1,748,966	3%	1,124,504	2%	56%
CD's interest	39,381,114	59%	35,607,020	57%	11%
Treasury Bills	2,090,430	3%	2,055,387	3%	2%
Government securities	4,783,914	7%	4,841,344	8%	-1%
Notes & bonds	115,260	0%	344,628	1%	-67%
Loans	16,218,849	24%	16,061,437	26%	1%
Staff & Students	636,257	1%	650,759	1%	-2%
Other	154,605	0%	184,487	0%	-16%
Gain/(Loss) on Sale of Investments	<u>131,445</u>	0%	<u>139,987</u>	0%	-6%
	65,260,840	98%	61,009,552	98%	7%
National Provident Fund	1,275,544	2%	1,201,907	2%	6%
Total	\$66,536,384	100%	\$62,211,459	100%	7%

Benefits expenditure increased by 7%, and represented 64% of contribution income compared to 2010 when it was 57% of contribution income. Expenditure was within budget at 97% of the 2011 budget.

Table 7 shows a 9% increase in Long Term Benefits expenditure, a 1% reduction in Short Term benefits and a 7% increase in Employment Injury.

Table 7 - Benefits Expenditure by Benefit Type compared with 2010 and 2011 Budget

BENEFITS	2011	2010	% Change	2011 Budget	% of Budget
Long Term Benefits	34,535,954	31,608,496	9%	34,460,000	100%
Short Term Benefits	8,733,386	8,813,597	-1%	10,015,000	87%
Employment Injury Benefits	1,255,201	1,172,660	7%	1,290,500	97%
National Provident Fund	29,244	26,431	11%	17,000	172%
Total	\$44,553,786	\$41,621,184	7%	\$45,782,500.00	97%

Administration expenses declined by 7%, and represented 18% of contribution income, same as 2010. The loss provision includes \$30M related to the Government bond restructuring and \$3M provided

for impairment of loans to Development Bank of St. Kitts and Nevis, and Nevis Land and Housing Development Corporation.



OTHER FINANCIAL PERFORMANCE INDICATORS

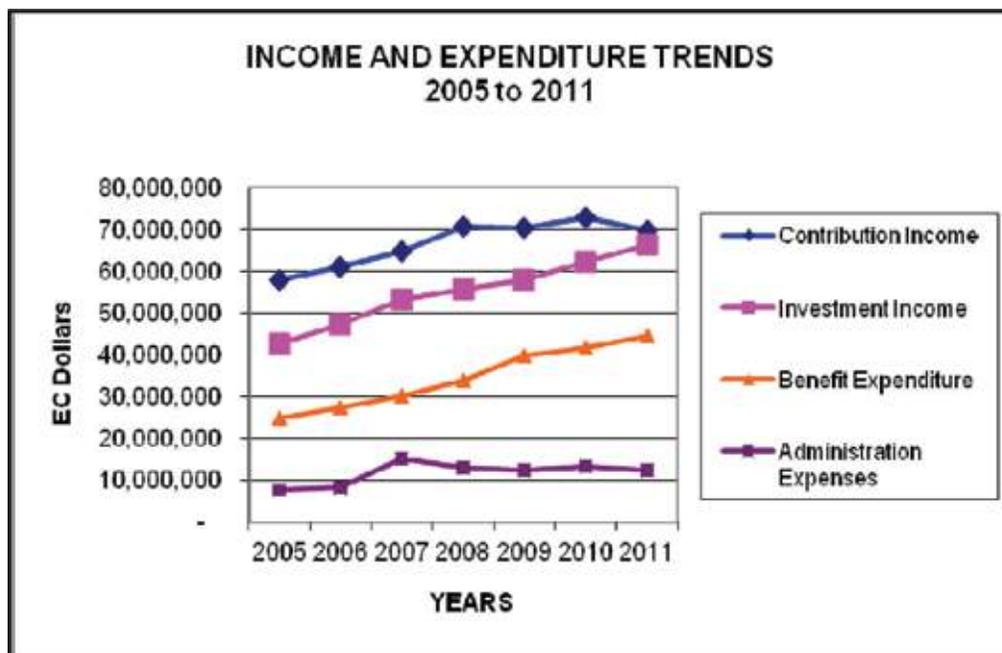
In 2011, the average return on investment was 6.04% compared to 5.61% in 2010. Benefits expenditure was 64% of the contribution income earned, and administration expenditure was 18%. In other words, the total expenditure for every contribution dollar is 82 cents compared to 75 cents in 2010.

Administration expenses as a percentage of benefits expenditure shows how much expense is incurred for every dollar spent in benefits and this was 28% in 2011 and 32% in 2010 (figure 3). This ratio improved as a result of decrease in benefits expenditure.

Figure 3

YEARS	2011	2010
FUND GROWTH (%)	7.0%	4.1%
Benefits Expenditure as % of Contribution Income	64%	57%
Total Expenditure as % of Contribution Income	82%	75%
Administration Expenses as % of Benefits Expenditure	28%	32%
Average Return on Investment	6.04%	5.61%

Figure 4



The trend lines in Figure 4 show that contribution income continues to decline while benefit expenditure

is on the rise. Administration expenses declined slightly in 2011.



INSURANCE OPERATIONS

Before conducting business, employers, employees and self-employed are expected to become members

by undertaking the requisite registration. The relevant registration information is reported below.

Registration of Insured Persons

For the year in review, 1,097 persons registered consisting of 574 males and 523 females. This represents a 12% decline in registrants from the previous year. Consistent with previous years, over 45% of the registrants were in the 16-19 age group. The Wholesale & Retail Trade industry

recorded the largest number of new registrants with 332 (30%) for the year with 182 males and 150 females. The Hotels & Restaurants sector was second with 137 (12%) Public Administration & Defence sector with 135 (12%), followed by the Construction sector with 104 (9%).



A customer being served by frontline staff at the Head Office along Bay Road in Basseterre.

Figure 5 (i)

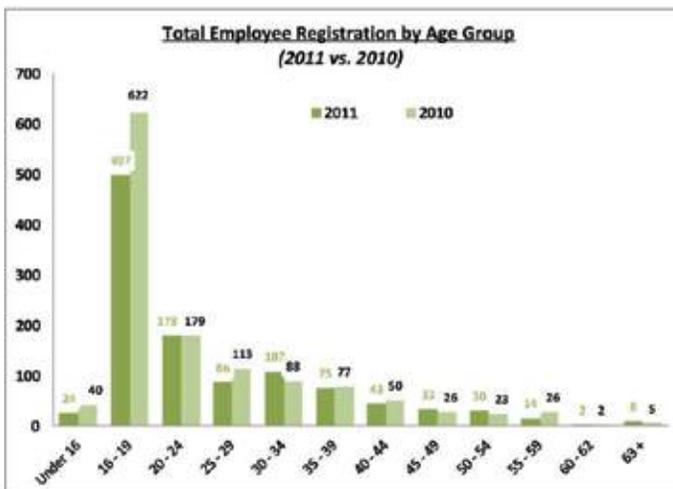
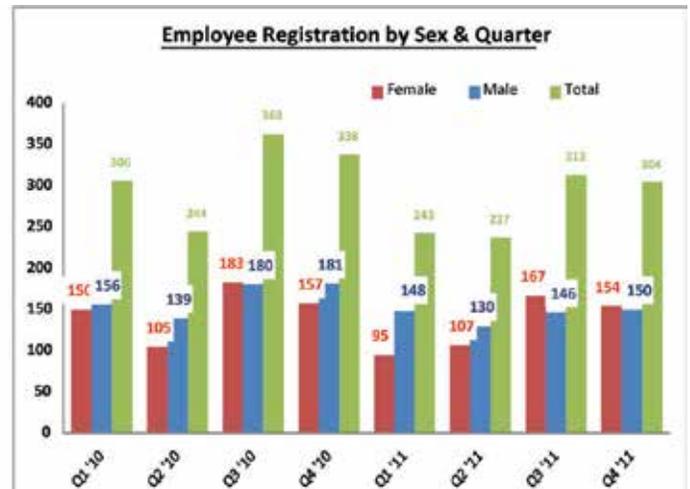


Figure 5 (ii)



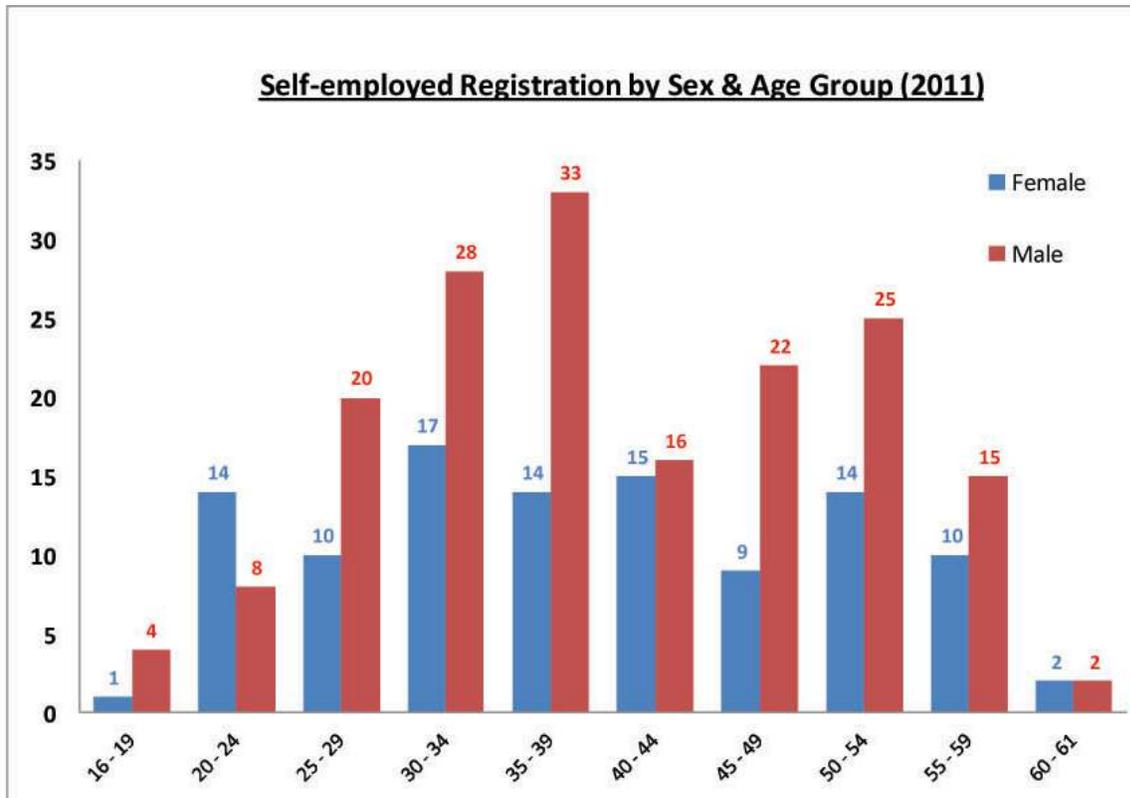
Registration of Self-Employed Persons

The 279 persons who registered for self-employed coverage in 2011 comprised of 173 males and 106 females. In 2010, there were 231 new self-employed registrants, 145 males and 86 females. This represented an increase in total self-employed registrants of 21% since 2010. The **Construction** industry dominated registration with 74 (27%), while **Wholesale & Retail Trade** registered 54 (19%). The two other notable sectors were ¹**Other Service Activities** with 37 (13%) followed by **Hotels & Restaurants** with 24 (9%). The **Real Estate, Renting & Business Activities** sector completed the top five with 23 (8%) self-employed registrants. Each of the top five sectors realized growth

in 2011 except for the **Real Estate, Renting & Business Activities** sector which declined by 28% from 32 in 2010 to 23 in 2011. With respect to the age profile of these new entrepreneurs, the **35 to 39** age group emerged with 47 or 17%. The middle age group 30 to 49 accounted for 154 (55%) of the self-employed registrants while the **50 to 59** age range accounted for 64 (23%). The **20 to 29** age range saw 52 (19%) of the registrants.

Figures 6-9 depict the registration of self-employed persons during the year under review.

Figure 6



¹ Other Community, Social & Personal Service Activities



Figure 7



Figure 8

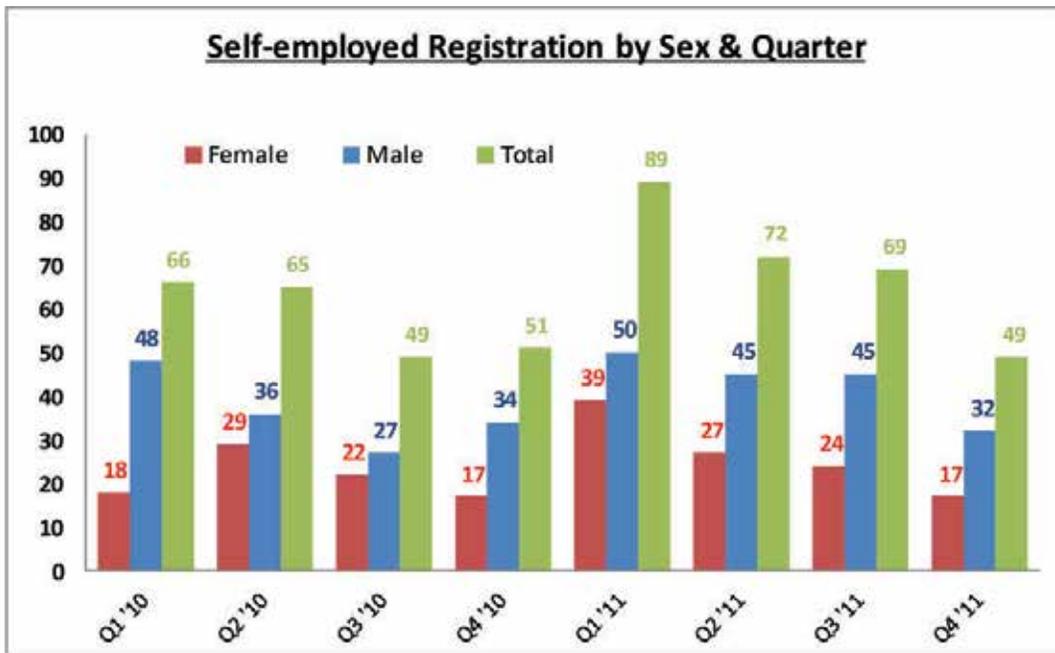


Figure 9

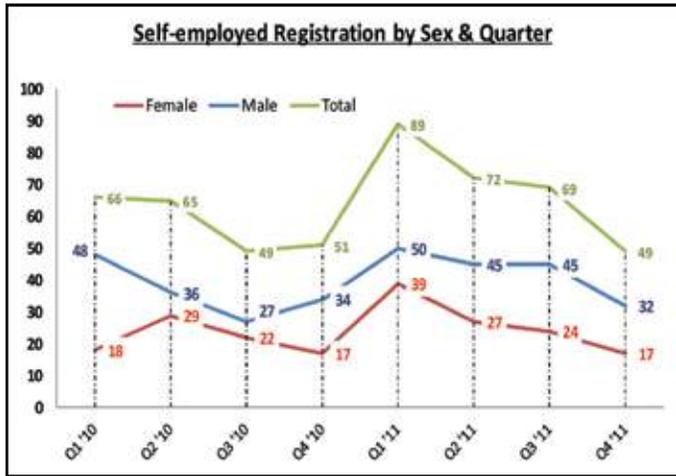
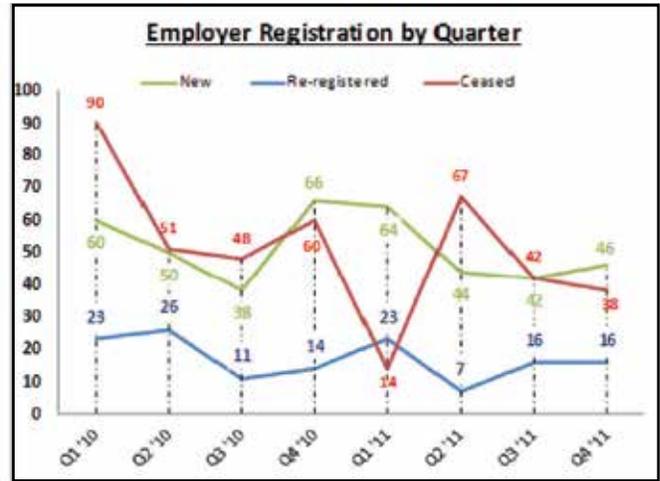


Figure 10

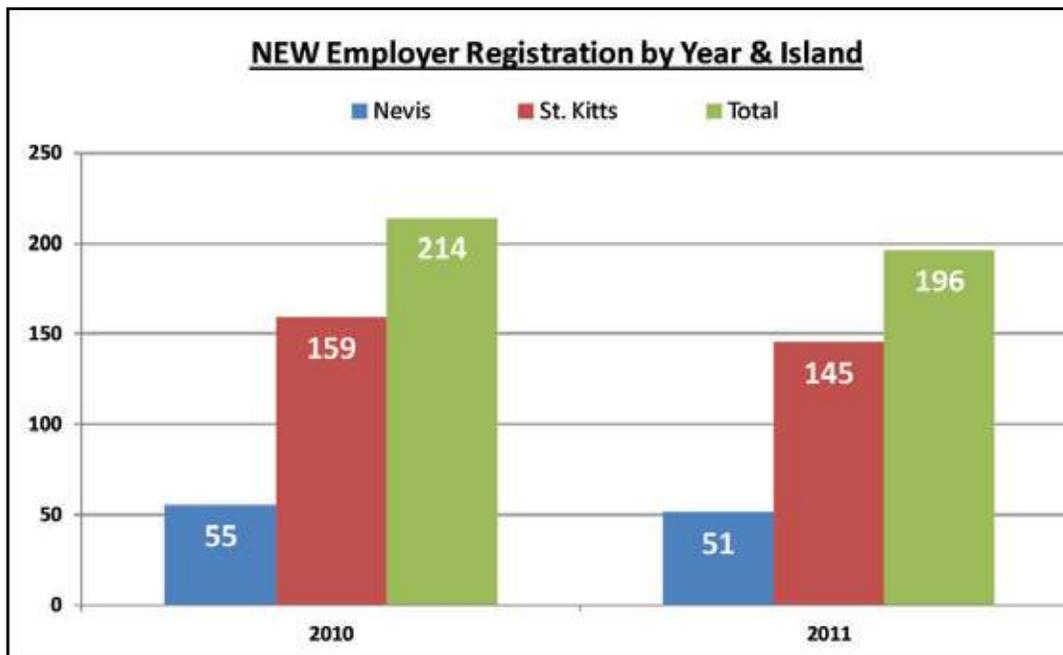


Registration of New Employers

There were 196 newly registered employers this year, 145 in St. Kitts and 51 in Nevis. Figure 10 shows the quarterly trend in registration in the two islands while Figure 11 shows the island comparison of registration in 2011 compared with 2010. The total registrations represent an 8% decline from the previous year. Compared to 2010 statistics, only five sectors realized positive growth in 2011. These industries were the **Transport, Storage &**

Communication sector, the **Agriculture, Hunting & Forestry** sector, the **Private Households** sector, the **Construction** sector and the **Hotels & Restaurants** sector. Of the 196 new registrants, 81% were registered in the following five industries namely **Construction** 50 (31%), **Wholesale & Retail Trade** 30 (15%), **Hotels & Restaurants** 29 (15%), and the **Real Estate, Renting & Business Activities** and **Private Households** sectors each with 18 (9%).

Figure 11



Cessation of Employer Registrations

While there were new businesses and registrations of new employers, some businesses completed their life cycle and sought to cancel or in some cases suspend their registrations. One Hundred and Sixty-one (161) employers ceased operations in 2011, (65) in Nevis and (96) in St. Kitts. Fourteen (14) industries were affected by the cessations, the most significant being the **Construction** industry with 63 cessations which accounted for approximately (49%) of the total cessations for the year. The **Private Households** sector recorded

14 (22%) cessations, while the **Wholesale & Retail Trade** (20) recorded 4 (9%) cessations and the **Hotels & Restaurants** (19) sectors each accounted for 12%. Overall, the number of cessations in 2011 resulted in a 35% decline compared to the previous year. However only two of the industries recorded an increase in the number of cessations when compared to 2010, namely the **Education** sector and the **Agriculture, Hunting & Forestry**.

Figure 12

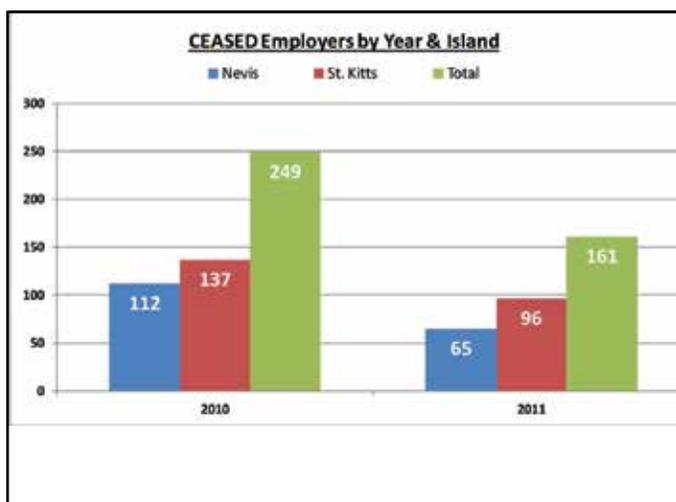
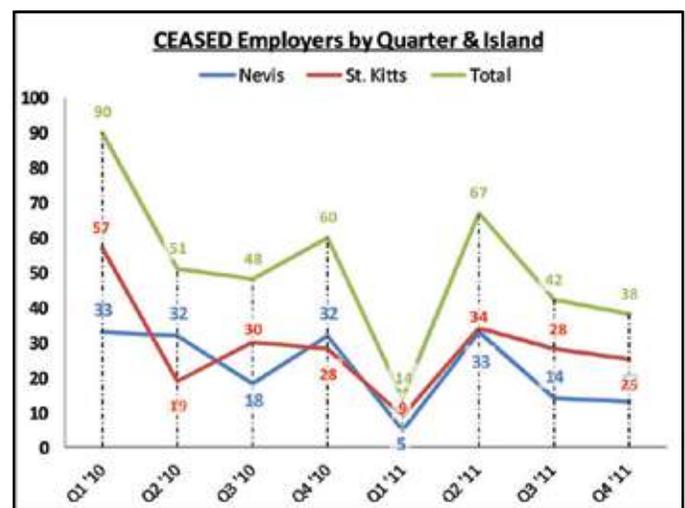


Figure 13



Re-registration of Employers

In the year under review, some of the ceased businesses were revived and 62 employers re-registered, twenty-four (24) on St. Kitts and thirty-eight (38) on Nevis. There was a 16% decline in total re-registered employers compared to 2010. These employers re-registered in ten sectors, of which the top three being **Construction** 26 (42%), **Private Households and Wholesale & Retail Trade** sectors each recording 9 (15%). The **Hotels & Restaurant** sector

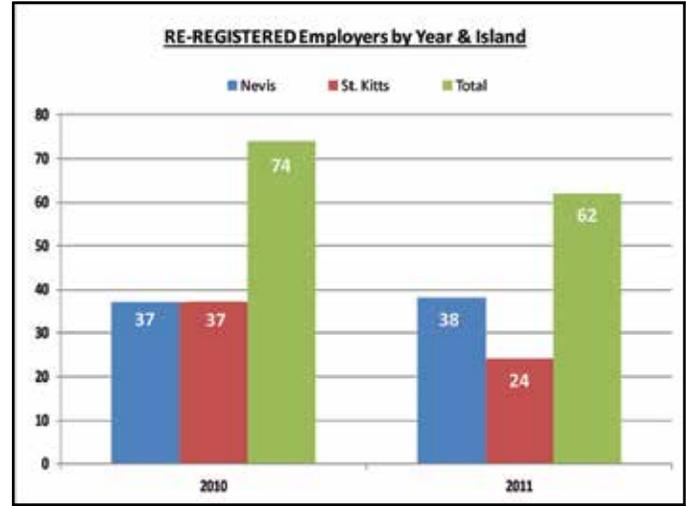
saw 6 (10%) of the businesses re-register. Three of the industries saw growth in re-registered employers in 2011 compared to 2010 including the **Hotels & Restaurants** sector, the **Real Estate, Renting & Business Activities** sector and **Wholesale & Retail Trade** sector. Figure 14 shows the quarterly re-registration activity from the start of 2010 to the end of 2011. Figure 15 shows the re-registration by island for 2011 compared to 2010.



Figure 14



Figure 15



COMPLIANCE

The majority of employers have imbibed their monthly responsibility in remitting required contribution in a timely manner. However, as several employers suspended operations during the year, the compliance arm also encountered several problems as the number of delinquent employers increased. Several negotiated payment plans to reduce the arrears. One employer

provided land to offset the total liability on his record. The asset is reflected on the records and will continue to appreciate. The notes to the financial statements showed that at the year-end, there was a marginal reduction of 2% in contributions outstanding which stood at \$6.4M.



Inspector Ersdel Warner in the field interacting with an employee on the job site.



CUSTOMER SERVICE

As gleaned from earlier paragraphs, much emphasis is placed on the quality of customer service provided. All frontliners are oftentimes exposed to internal training, external or internet self-help training programs. These programs serve to advance the world-class customer service which the organization continues to strive to

provide. The timely processing of short-term claims is a priority in delivering great customer service. Long-term benefits are also processed promptly with several pensioners receiving their first age-pension cheques on their 62nd birthday. Funeral grant claims are processed within two days.



A customer being served by a frontline staff at the Nevis Branch Office

PUBLIC RELATIONS

As the organization continued to inform the public about their rights and responsibilities, in addition to the achievements of the organization, different media were used. This included the regular broadcasts on radio and television, bulletins, the website, panel discussions and educational outreach programs.

The specific programs were *Social Security Five Radio Program* being aired on most of the radio stations, the

weekly television program - *Social Security and You*, as well as the monthly - *Because you Deserve a Future* Radio program. The Public Relations Department also made written weekly commentaries on various topics.

Not only was the former Nevis TV program extended for airing on ZIZ TV during the year, but also the staff in the Public Relations Department collaborated in the production and assumed greater control. The quality



of the programs was enhanced with the new arrangement.

Topics covered included salient information on benefits claiming requirements, self-employed registration, insured persons and employers registration rules, contract work, preparation of *Statement of Wages and Contribution* and submitting electronic employment reports.

Current topical or informational messages, bulletins and images were also shown on the lobby screen at the Head Office.

The *FaceBook* Page was supplemented with the *YouTube* facility introduced in the year under review.

Another area that formed a part of the program was the observance of the World Day of Safety in association with the Labour Department. The organiza-



Public Relations Department Officers, Ms Tasha Hendrickson and Ms Kamilah Lawrence attend to students who had visited the Social Security booth at the Agriculture Open Day 2011 in LaGuerite, Basseterre on St. Kitts.

tion also collaborated with the ECCB in observing the Financial Information Month.

One of the highlights in the Year

was the celebration of the 15th Anniversary of Self-Employed Coverage under the theme “*Sustaining The Self-Employed Through Guaranteed Benefits - 15 Years of Self-Employed Coverage 1996 to 2011*”.

Activities included Church Services on both Nevis and St. Kitts, Open Day, Honouring of fifteen (15) Self-Employed Exemplars (picture on left taken in St. Kitts) on each island in recognition of their excellent payment history and a Panel Discussion featuring a Testimonial Presentation by a Self-Employed Person.

Some of the Self-Employed persons honoured, from left: Mr Washington Fraites, Mr Vincent Broadbelt, Mr Ezekiel Parris, Mrs Camella Rogers, Mrs Lillian Williams, and Mr Vincent Buckley.



DONATIONS

During the year, the Ministry of Health was allocated the annual health donation sum of \$270,000. The health service was enhanced with the purchase of state-of-the-art examination tables with lights, instrument trays, electrocardiogram machine, auto-claves and a dermatome system in Nevis.

The Old Road Public Library was a lucky recipient of new airconditioning units.

As usual, several organizations benefitted from small donations throughout the year to facilitate their myriad of plans in education, health and sports.

At Christmastime, the decision was made to distribute Care Packages to elderly needy persons, in the communities throughout the Federation. Several of



Social Security Officers Ms Julita Lawrence and Mrs Peggy Browne share in a special moment with one recipient under the Christmas Care Package Program.

them expressed deep gratitude for the packages. Staff volunteered for the packing and the distribution tasks.



Picture left shows Social Security Deputy Director, His Excellency Steve Wrensford (left) presenting air conditioning units to the Old Road Public Library, received by a representative of the library, Mr Andy Agard. Looking on are from left, Assistant Director Research Statistics and Public Relations Mr Elvin Bailey, Board Member, Ms Eslyn Swanston, Director Mrs Sephlin Lawrence, and Mr Leroy Sprouse, Social Security Maintenance Staff.



Ms Tasha Hendrickson presents a donation cheque to Mr Lionel Stevens, a representative of the Sandy Point Agricultural Co-operative Society.



Student of the Immaculate Conception Catholic School receives donation from Mr Chesil Hamilton for a graduation and prize giving ceremony.

DEVELOPMENT OF HUMAN RESOURCES

The staff members continued to make admirable efforts to perform each task well. They continued to give priority to providing excellent customer service. Many internal training sessions were held for the front-liners during the year and several participated in internal online self-learning customer service training.

This resulted in improved service to customers, some of whom expressed their commendations. The STARS program saw participation from all divisions who nominated STARS for the quarters which culminated at year-end in the selection of the Employee of the Year. Gareth Forbes was the selected employee.

Six staff members commenced introductory Spanish classes to improve their skills to deal with the growing Spanish population and the organization provided the Rosetta Stone software to assist them. At the end of the year, there were 106 permanent employees, many

temporary and part time staff after two staff members retired from daily employment during the year.

Staff Training is supported and encouraged. A few staff members availed themselves of the UWI off campus facility and pursued bachelor's degrees. One staff member received first class honours in the UWI Program.

Some of the training programs to which staff were exposed included IT/Audit and Controls, Enhancing Productivity in Social Security Institutions, Sixth Caribbean Conference on National Health Financing Initiatives, Risk Management Loans, ILO Decent Work Health and Safety Seminar, Writing Development, Social Security Act and Regulations and Presentation Skills in Radio Broadcasting facilitated by Freedom FM.



As part of staff development and maintaining a healthy lifestyle, for the fourth consecutive year, the Organization celebrated internally the Health and Wellness Month. The theme selected was *“Get in Shape, Feel Healthy, and Feel Great”*.

Among the activities were the “insanity” exercise programme for weight watchers, health lectures, karaoke night, variety concert, local drink days and a health walk. The highlight was the Iron Chef competition at the end of the October.



Picture above shows Dr Norgen Wilson receiving token of appreciation from staff member Mr Sylvester Powell after a men’s health session.



[Picture left] Dr Derek Jeffers delivering a presentation on women’s health.

[Picture right] Participants in the ‘Iron Chef’ cooking competition. From left: Mrs Peggy Fraser-Browne, Mr Previn Browne, Ms Paulette Eddy, Mr Gareth Forbes, Ms Petula Clarke, Mr Leon Charles, Mr Donovan Herbert, Mr Sheldon Connor, and Mr Rawle Isaac.



SCHOLARSHIP PROGRAM

The organization continues to award new scholarships to one student of each high school each year and monitor the progress of the students. The monitoring is ably advanced by the continuing work of the Mentors, retired teachers- who are engaged to assist. The

efforts yield tremendous results, as the children were very successful in the CXC examinations. One student from Nevis, was highly commended as she increased her efforts at the 'final hour' encouraged and assisted by a board member.



[Above] Some of the Susanna Lee High School Scholarship 2011 recipients



Recipients of the Susanna Lee High School Scholarship 2011 and their relatives during the awards ceremony



DIRECTOR'S SUMMARY AND COMMENDATIONS

From the foregoing details in this report, one will observe that the Social Security Board experienced a good year. The result is marred by the 42% decline in net surplus resulting primarily from the huge accounting provision made on the restructured government debentures.

Contribution income declined by 4%, indicative of a decline in activity in the economy. Investment Income though, recorded an increase of 7% which led to an overall 1% increase in Total Income.

Notwithstanding this increase in total income the 64% increase in total expenditure is the main factor contributing to the significant decline in net surplus. But as previously mentioned, the most major outflow is the mandatory provision by the restructured Government Loans.

Management of investments is still deemed a formidable responsibility at the office because the institution is managing huge reserves to meet long-term pension commitments. It is becoming more challenging to find safe securities with good rates of return.

Worldwide interest rates are declining and the domestic banks are following that trend. One strategy that the Social Security has decided to adopt is to augment investments in real estate. However, with the apparent dearth in property sales, huge property investments will impact overall rate of return on investment in the short-term. It is hoped that with the appreciation in the value of the real estate, the value of the portfolio would be enhanced over time.

While management of investments is a tremendous priority, delivery of excellent customer service is also one of our passions. We like to have satisfied customers, regardless of the mode of service they select- whether direct desk service at the office, in the field, by telephone or online.

I commend the frontliners and management for continuing to work diligently in this area. I laud



the entire staff in the various departments and offices for their unstinting efforts to ensure that the organization meets the contribution and benefits service goals; achieve its objectives in internal auditing; support and encourage the development of our human resources; ensure the improvement and maintenance of the reliable technology to enhance operations as well as to ensure an active ancillary service.

The work of this Team is greatly enhanced by the operation of effective Board Committees which continue to add value in their various areas of responsibility. I commend the Board Members for not only their service on such committees, but for their supportive and encouraging role as members of the Board of Directors. The Medical Board has performed its role in the benefit service chain. Sincere gratitude is being conveyed through this medium to all.

I encourage the Chairman of the Board, the Deputy Director, the members of the Board Committees, members of management and staff to continue to strive for excellence. It is the united efforts of all of us which continue to allow the Fund to be regarded as one of the best in the region. We must continue in our pursuit to elevate persons from poverty and use the resources of Social Security to improve the entire economy of St Kitts and Nevis.



The Building Project Teams have to be commended too, for their continued work as we improve the work and service environment. In particular, the Liverpool Building is still under construction and on the verge of completion. We have surmounted the hurdles encountered during that construction. The Architect, Contractor and subcontractors are continuing their work to ensure occupancy in the ensuing year.

As I reflected on the year's results, I have to observe that expenditure in the year continued to increase while the income shows decline. Contribution income from employers fell, and there was little improvement in

that from self-employed persons. Further effort will be made to improve collection methods and better manage employers' accounts in order to improve contribution income from both employers and self-employed.

Benefits expenditure is increasing at a much faster rate than income and this is further exacerbated as *baby boomers* qualify for pension, longevity increases and birth rate declines. Therefore, reform now becomes an imperative. It is such reform which will delay the adverse impact of demographic factors on the Fund and affect its long-term sustainability.

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ST KITTS NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2011

PANNELL KERR FORSTER
Chartered Accountants



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 2011, 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, and for such internal control as management determines necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

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 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PANNELL KERR FORSTER
Chartered Accountants

BASSETERRE ST KITTS
13 December 2012



ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
FUNDS EMPLOYED			
Social Security Fund			
- Long Term Benefits Fund		892,731,554	859,173,288
- Short Term Benefits Fund		102,154,770	100,662,626
- Injury Benefits Fund		152,209,523	141,698,197
National Provident Fund			
- Members= Account	3	9,261,226	8,741,336
- Reserve Fund	4	12,708,522	11,995,114
Revaluation Reserve	5	<u>21,615,915</u>	<u>21,368,217</u>
EQUITY (Page 34)		1,190,681,510	1,143,638,778
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>7,360,653</u>	<u>6,923,748</u>
TOTAL FUNDS		<u>\$1,198,042,163</u>	<u>\$1,150,562,526</u>
REPRESENTED BY:			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 39)	7	<u>28,109,312</u>	<u>23,759,518</u>
INTANGIBLE ASSETS	8	<u>219,282</u>	<u>272,328</u>
INVESTMENTS	9	<u>1,124,065,915</u>	<u>1,078,697,965</u>
CURRENT ASSETS			
Cash at Bank and in Hand	10	8,023,822	10,016,158
Accrued Interest Receivable	11	41,172,261	38,661,238
Accounts Receivable and Prepaid Expenses	12	<u>2,216,013</u>	<u>5,981,834</u>
		<u>51,412,096</u>	<u>54,659,230</u>
LESS: CURRENT LIABILITIES			
Accounts Payable		60,654	75,300
Sundry Creditors and Accruals	10	5,671,591	6,719,018
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>5,764,442</u>	<u>6,826,515</u>
NET CURRENT ASSETS		<u>45,647,654</u>	<u>47,832,715</u>
TOTAL NET ASSETS		<u>\$1,198,042,163</u>	<u>\$1,150,562,526</u>

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

Approved by the Board of Directors on 13 December 2012.



 Halva Hendrickson - Chairman



 Sephlin Lawrence - Director



ST KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011
 (Expressed in Eastern Caribbean Dollars)

	Social Security Fund -----			National Provident Fund	Total 2011	Total 2010
	Long Term	Short Term	Injury			
INCOME (Note 14)						
Contributions	50,847,733	12,706,473	6,353,237	-	69,907,443	72,841,348
Investment Income	50,902,074	5,963,799	8,394,968	1,275,544	66,536,385	62,211,458
Other Income	<u>272,232</u>	<u>74,539</u>	<u>41,590</u>	-	<u>388,361</u>	<u>592,144</u>
	<u>102,022,039</u>	<u>18,744,811</u>	<u>14,789,795</u>	<u>1,275,544</u>	<u>136,832,189</u>	<u>135,644,950</u>
EXPENDITURE (Note 14)						
Benefits (Schedule I - Page 37)	34,535,954	8,733,386	1,255,201	29,244	44,553,785	41,621,184
Administration (Schedule II - Page 38)	9,161,007	2,300,330	816,326	13,002	12,290,665	13,183,112
Provision for loss on Investments (Notes 9 & 11)	<u>24,766,812</u>	<u>6,218,951</u>	<u>2,206,942</u>	-	<u>33,192,705</u>	<u>235,755</u>
	<u>68,463,773</u>	<u>17,252,667</u>	<u>4,278,469</u>	<u>42,246</u>	<u>90,037,155</u>	<u>55,040,051</u>
NET SURPLUS FOR THE YEAR (Note 13 - Page 54)	<u>\$33,558,266</u>	<u>\$1,492,144</u>	<u>\$10,511,326</u>	<u>\$1,233,298</u>	<u>\$46,795,034</u>	<u>\$80,604,899</u>

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in Eastern Caribbean Dollars)

	<u>2011</u>	<u>2010</u>
Income for the Year (Page 32) (Note 13)	46,795,034	80,604,899
Other Comprehensive Income:		
Unrealised Holding Gain (Note 2 (e)(i) & 5)	(377,552)	(460,197)
Bonus Shares Received (Notes 5 & 9)	<u>625,250</u>	<u>1,002,450</u>
Total Comprehensive Income for the Year (Page 34)	<u>\$47,042,732</u>	<u>\$81,147,152</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 2011
(Expressed in Eastern Caribbean Dollars)

	Social Security Fund		National Provident Fund		Revaluation Reserve	Unrealised Holding Gain	Capital Reserve	Total
	Long Term Benefits Fund	Short Term Benefits Fund	Injury Benefits Fund	Members' Account				
Balance as at 31 December 2009	799,580,434	93,142,281	129,371,285	8,250,326	6,108,232	6,144,727	8,573,005	1,062,491,626
Total Comprehensive Income (Page 33)	<u>59,592,854</u>	<u>7,520,345</u>	<u>12,326,912</u>	<u>491,010</u>	—	<u>(460,197)</u>	<u>1,002,450</u>	<u>81,147,152</u>
Balance at 31 December 2010 (Page 31)	859,173,288	100,662,626	141,698,197	8,741,336	6,108,232	5,684,530	9,575,455	1,143,638,778
Total Comprehensive Income (Page 33)	<u>33,558,266</u>	<u>1,492,144</u>	<u>10,511,326</u>	<u>519,890</u>	—	<u>(377,552)</u>	<u>625,250</u>	<u>47,042,732</u>
Balance at 31 December 2011 (Page 31)	\$892,731,554	\$102,154,770	\$152,209,523	\$9,261,226	\$6,108,232	\$5,306,978	\$10,200,705	\$1,190,681,510

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

STAFF SUPPLEMENTAL BENEFITS RESERVE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Eastern Caribbean Dollars)

	<u>2011</u>	<u>2010</u>
INCOME		
Contributions	546,859	549,066
Investment Income (Note 6)	<u>391,338</u>	<u>540,388</u>
	<u>938,197</u>	<u>1,089,454</u>
EXPENDITURE		
Benefits (Schedule I - Page 37)	490,705	2,189
Administration (Schedule II - Page 38)	<u>10,587</u>	<u>2,400</u>
	<u>501,292</u>	<u>4,589</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 46)	<u>\$436,905</u>	<u>\$1,084,865</u>

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Eastern Caribbean Dollars)**

	<u>2011</u>	<u>2010</u>
Cash provided by operating activities:		
Net surplus for the year		
- SSF and NPF (Page 32)	46,795,034	80,604,899
- SSBF (Page 35)	436,905	1,084,865
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	777,350	786,585
Loss/(Gain) on disposal of property, plant and equipment	<u>5,876</u>	<u>(37,170)</u>
	48,015,165	82,439,179
Non-cash working capital change		
Accrued interest receivable	(2,511,023)	917,235
Accounts receivable and prepaid expenses	3,765,821	(4,677,313)
Accounts payable	(14,647)	(98,279)
Sundry creditors and accruals	<u>(1,047,427)</u>	<u>1,235,166</u>
Cash provided by operating activities	<u>48,207,889</u>	<u>79,815,988</u>
Cash flows from investing activities		
Net increase in investments	(45,120,252)	(76,174,287)
Purchase of property, plant and equipment	(4,993,354)	(2,975,711)
Proceeds from disposal of property, plant and equipment	800	42,170
Purchase of intangible assets	<u>(87,419)</u>	<u>(26,063)</u>
Cash used in investing activities	<u>(50,200,225)</u>	<u>(79,133,891)</u>
(Decrease)/Increase in cash for the year	(1,992,336)	682,097
Cash at beginning of year	<u>10,016,158</u>	<u>9,334,061</u>
Cash at end of year	<u>\$8,023,822</u>	<u>\$10,016,158</u>
Cash at bank and in hand	<u>\$8,023,822</u>	<u>\$10,016,158</u>

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**BENEFITS PAID
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Eastern Caribbean Dollars)**

SCHEDULE I

	<u>2</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>
a) Social Security Fund:	Number of				Number of			
	Claims		\$		Claims		\$	
Long Term Benefits								
Elderly Refund	11		7,867		16		6,584	
Survivors Pension	868		2,624,208		839		2,549,694	
Invalidity	273		2,286,289		254		2,054,896	
Age Pension	2,252		27,149,906		2,094		24,501,709	
Age Grant	<u>99</u>		<u>738,180</u>		<u>83</u>		<u>593,513</u>	
	<u>3,503</u>		<u>32,806,450</u>		<u>3,286</u>		<u>29,706,396</u>	
Assistance Pension (Age)	415		1,275,030		475		1,460,850	
Assistance Pension (Invalidity)	<u>151</u>		<u>454,474</u>		<u>147</u>		<u>441,250</u>	
	<u>566</u>		<u>1,729,504</u>		<u>622</u>		<u>1,902,100</u>	
Sub-Total (Page 32)	<u>4,069</u>		<u>34,535,954</u>		<u>3,908</u>		<u>31,608,496</u>	
Short Term Benefits								
Sickness	9,210		5,987,764		9,846		6,050,084	
Funeral	231		553,202		235		550,791	
Maternity Allowance	458		1,972,370		486		1,980,522	
Maternity Grant	<u>481</u>		<u>220,050</u>		<u>508</u>		<u>232,200</u>	
Sub-Total (Page 32)	<u>10,380</u>		<u>8,733,386</u>		<u>11,075</u>		<u>8,813,597</u>	
Employment Injury								
Funeral Grant	1		4,000		1		4,000	
Injury	444		409,653		470		445,816	
Travelling Expenses	13		14,845		4		4,414	
Medical Care Expenses	239		214,818		267		100,859	
Death Benefits	17		144,803		17		163,225	
Constant Care	2		26,160		2		26,160	
Disablement - Pension	56		422,792		53		397,755	
Disablement - Grant	<u>3</u>		<u>18,130</u>		<u>5</u>		<u>30,431</u>	
Sub-Total (Page 32)	<u>775</u>		<u>1,255,201</u>		<u>819</u>		<u>1,172,660</u>	
b) National Provident Fund:								
Survivor	1		1,701		-		-	
Age	16		7,045		19		17,287	
Members' Balances repaid (Note 3)	<u>15</u>		<u>20,498</u>		<u>8</u>		<u>9,144</u>	
Sub-Total (Page 32)	<u>32</u>		<u>29,244</u>		<u>27</u>		<u>26,431</u>	
TOTAL (Page 32)	<u>15,256</u>		<u>\$44,553,785</u>		<u>15,829</u>		<u>\$41,621,184</u>	
c) Staff Supplemental Benefits:								
Refunds	2		105,018		1		1,556	
Pension	<u>3</u>		<u>385,687</u>		<u>1</u>		<u>633</u>	
Sub-Total (Page 35)	<u>5</u>		<u>490,705</u>		<u>2</u>		<u>2,189</u>	
GRAND TOTAL BENEFITS PAID	<u>15,261</u>		<u>\$45,044,490</u>		<u>15,831</u>		<u>\$41,623,373</u>	

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2011**
(Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2011</u>	<u>2010</u>
Actuarial Review	9,473	58,672
Advertising and Publicity	210,510	338,499
Anniversary Expenses	17,950	-
Audit Fees and Expenses	181,315	154,970
Bank Charges and Interest	(2,277)	(3,801)
Books, Periodicals, etc	380	7,006
Cleaning Expenses	15,567	10,027
Commission	41,477	23,503
Committee Expenses	66,482	82,544
Contribution for National Projects	405,000	270,000
Management Fees	43,386	40,962
Depreciation and Amortisation (Note 2(c) & 2(d))	777,350	786,584
Electricity	392,594	185,845
Hospitality	71,116	97,919
Insurances	303,693	383,659
Land and House Tax	1,044	1,044
Other Professional Fees	324,741	419,754
Maintenance of Computer System	159,840	343,946
Maintenance of Premises	137,791	209,554
Medical Expenses	7,060	4,000
Members of Social Security Board - Allowance and Other Expenses	202,199	229,846
Motor Vehicle Expenses	94,536	66,266
Postages, Telephone and Telegraph	194,587	177,254
Repairs, Maintenance and Related Minor Purchases	171,783	368,006
Retirement Benefits	5,884	19,124
Rental	10,950	26,950
Salaries and Allowances	6,471,319	6,947,192
Scholarships	70,609	80,166
Security Services	131,761	77,420
Social Security, Social Services, etc	602,661	602,053
Staff Pension	273,430	274,534
Stationery, Printing and Office Expenses	371,177	246,400
Subscriptions	120,505	62,186
Training Seminars, Conferences	464,031	668,558
Travelling and Subsistence	37,270	52,732
Uniforms	82,802	872
Wages - Other Employees	235,398	277,127
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(404,142)</u>	<u>(405,861)</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$12,301,252</u>	<u>\$13,185,512</u>
Allocated as follows:		
- Long Term Benefits Fund (Page 32)	9,161,007	9,735,158
- Short Term Benefits Fund (Page 32)	2,300,330	2,538,111
- Injury (Page 32)	816,326	896,841
- National Provident Fund (Page 32)	<u>13,002</u>	<u>13,002</u>
Sub-total (Page 32)	12,290,665	13,183,112
- Staff Supplemental Benefits Reserve Fund (Page 35)	<u>10,587</u>	<u>2,400</u>
TOTAL (As Above)	<u>\$12,301,252</u>	<u>\$13,185,512</u>

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





ST KITTS-NEVIS SOCIAL SECURITY BOARD
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT
 AT 31 DECEMBER 2011
 (Expressed in Eastern Caribbean Dollars)

SCHEDULE III

Item	Cost or Valuation 31/12/10	Additions/ (Disposals)	Cost or Valuation 31/12/11	D E P R E C I A T I O N		Written Down Value 31/12/11	Written Down Value 31/12/10
				31/12/10	Charge (Disposals)		
Freehold Properties							
- Kawaja Property St Kitts – Land at Valuation	796,067	-	796,067	-	-	796,067	796,067
- Liverpool Row Building St Kitts – Work in Progress	7,731,143	3,671,534	11,402,677	-	-	11,402,677	7,731,143
- Church Street St Kitts – Land at Valuation	2,598,000	-	2,598,000	-	-	2,598,000	2,598,000
- Church Street Building St Kitts – Work in Progress	2,358,626	772,329	3,130,955	-	-	3,130,955	2,358,626
- Bay Road St Kitts – At Valuation/Cost	6,463,666	-	6,463,666	326,562	109,039	6,028,065	6,137,104
- Chapel Street Nevis – At Valuation/Cost	2,101,200	-	2,101,200	139,875	46,625	1,914,700	1,961,325
- Pinneys Estate Nevis - Land at Cost	837,550	249,852	1,087,402	-	-	1,087,402	837,550
Furniture and Equipment – At Cost	22,886,252	4,693,715	27,579,967	466,437	155,664	26,957,866	22,419,815
Computer Equipment – At Cost	1,721,614	211,039 (10,014)	1,922,639	1,184,098	200,929 (3,338)	1,381,689	537,516
Motor Vehicles – At Cost	982,982	88,600	1,071,582	574,874	145,672	720,546	408,108
	763,118	-	763,118	369,039	134,619	259,460	394,079
TOTAL	\$26,353,966	\$4,993,354 \$(10,014)	\$31,337,306	\$2,594,448	\$636,884 \$(3,338)	\$28,109,312	\$23,759,518

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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, St Kitts.

- 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 ninth actuarial review of the Social Security Board was carried out in December 2009 by the Project Actuary, Mr Derek Osborne, who was privately engaged to conduct the review for the period 2006 to 2008. The report stated that the scheme was financially and actuarially sound. A net surplus was recorded in each year of operation.

The tenth actuarial review was however carried out in December 2012 but the report has not yet been submitted to the Board.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 and available-for-sale investments 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 Accounting:

The Financial Statements are prepared in accordance with International Financial Reporting Standards under the historical cost basis of accounting except for the revaluation of certain property, plant and equipment and available-for-sale investments.

The accounting policies which are followed are set out below.

The accounting policies adopted are consistent with those of the previous year including the adoption of the new and amended IAS, IFRS and IFRIC (International Financial Reporting Interpretations Committee) effective on or after the dates indicated:

New and Amended standards and interpretations in effect and applicable

IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparatives IFRS 7 Disclosures for First-time Adopters - effective 1 July 2010

IFRS 1 First-Adoption of International Financial Reporting Standards - Amendment resulting from May 2010 Annual Improvement to IFRSs - effective 1 January 2011

IFRS 7 Financial Instruments: Disclosures - Amendments resulting from May 2010 Annual Improvements to IFRSs - effective 1 January 2011

IAS 1 Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs - effective 1 January 2011

IAS 24 Related Party Disclosures - Revised definition of related parties - 1 January 2011

Adoption of these standards and interpretations did not have any effect on the performance of the Company.

Standards and interpretations in issue and effective but not applicable

IFRS 3 Business combinations - Amendments resulting from May 2010 Annual Improvements to IFRSs - effective 1 July 2010

IAS 27 Consolidated and separate Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs - effective 1 July 2010

IAS 32 Financial Instruments: Presentation- Amendments relating to classification of rights issue - effective 1 February 2010

IAS 34 Interim Financial Reporting - Amendments resulting from May 2010 Annual Improvement to IFRSs - effective 1 January 2011

IFRIC 13 Customer Loyalty Programmes - Amendments resulting from May 2010 Annual Improvements to IFRSs – effective 1 January 2011



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES

a) Basis of Accounting:

Standards and interpretations in issue and effective but not applicable (cont'd)

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - November 2009 Amendments with respect to Voluntary prepaid contributions - effective 1 January 2011

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - effective 1 July 2010

Standards and Interpretations in issue but not yet effective and not early adopted

IFRS 1 First-time Adoption of IFRSs - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' - effective 1 July 2011

IFRS 1 First-time Adoption of IFRSs - Additional exemption for entities ceasing to suffer from severe hyperinflation - effective 1 July 2011

IFRS 7 Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets - effective 1 July 2011

IFRS 7 Financial Instruments: Disclosures - Amendments - Offsetting Financial Assets and Financial Liabilities - effective 1 January 2013

IFRS 9 Financial Instruments - Classification and Measurement - effective 1 January 2015

IFRS 10 Consolidated Financial Statements - effective 1 January 2013

IFRS 11 Joint Arrangements - effective 1 January 2013

IFRS 12 Disclosure of Interests in Other Entities - effective 1 January 2013

IFRS 13 Fair Value Measurement - effective 1 January 2013

IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented - effective 1 July 2012

IAS 12 Income Taxes - Limited scope amendment (recovery of underlying assets) - effective 1 January 2012

IAS 19 Employee benefits - Amended Standard resulting from the Post -Employment Benefits and Termination Benefits projects - effective 1 January 2013

IAS 27 Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) - effective 1 January 2013

IAS 28 Investments in Associates and Joint Ventures - Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) - effective 1 January 2013

IAS 32 Amendments - Offsetting Financial Assets and Financial Liabilities - effective 1 January 2014

IFRIC 20 Stripping Costs in the Production Phase of Surface Mine - effective 1 January 2013



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 statement of financial position. 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.

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.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

- e) Investments: Available -for-sale, Held-to-maturity and Loans Receivable - Initial Recognition and Subsequent Measurements.

Investments are classified into the following three categories as follows:

- (i) Available-for-sale Investments – Debt and Equity

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 based on market quoted prices where available 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. Fair Values for unlisted securities are valued at cost less provision for diminution in value.

- (ii) Held-to-maturity Investments

Investments classified as held-to-maturity are measured at cost less provision diminution in value.

- (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 amortised cost less provisions for impairment. For delinquent mortgages, specific provisions are established based on the extent of delinquency of the mortgages.

- (iv) Lands and Land Development

Lands and Land Development stated at cost.

- f) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2011, at the rates quoted for the period of the investments.

- g) Revenue and Expenses:

Contributions 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.

- i) Critical accounting estimates and judgement:

- a) Use of Estimates:

The preparation of these accounts in conformity with IFRSs 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 below.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

i) Critical accounting estimates and judgement: (cont'd)

b) 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 less provision for impairment as no active market exists.

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

The fair value of financial instruments that are quoted in active markets is determined using the last traded value for the investment. Where no such value exist 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 \$20,499 to 15 members of the National Provident Fund (2010 = \$9,144 to 8 members) (see Schedule 1 - Page 37). 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 2011</u>	<u>Total 2010</u>
Balance as at 1 January 2011	6,108,232	5,684,530	9,575,455	21,368,217	20,825,964
Movement for the Year (Page 33 and Note 2 (e) (i))	<u>-</u>	<u>(377,552)</u>	<u>625,250</u>	<u>247,698</u>	<u>542,253</u>
Balance as at 31 December 2011	<u>\$6,108,232</u>	<u>\$5,306,978</u>	<u>\$10,200,705</u>	<u>\$21,615,915</u>	<u>\$21,368,217</u>

(Page 31)

6 STAFF SUPPLEMENTAL BENEFITS RESERVE FUND

	<u>2011</u>	<u>2010</u>
BALANCE - At Beginning of Year	6,923,748	5,838,883
Excess of Income over Expenditure for year (Page 35)	<u>436,905</u>	<u>1,084,865</u>
BALANCE - At End of Year (Page 31)	<u>\$7,360,653</u>	<u>\$6,923,748</u>

At 31 December 2010 staff supplemental Benefits Income included compounded interest of \$285,794 which was omitted from previous years amount.

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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

(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>
Year Ended 31 December 2011					
Gross Carrying Amounts					
Balance at 1 January 2011	22,886,252	1,721,614	982,982	763,118	26,353,966
Additions	4,693,715	211,039	88,600	-	4,993,354
Disposals	-	<u>(10,014)</u>	-	-	<u>(10,014)</u>
Balance at 31 December 2011	<u>27,579,967</u>	<u>1,922,639</u>	<u>1,071,582</u>	<u>763,118</u>	<u>31,337,306</u>
Accumulated Depreciation					
Balance at 1 January 2011	(466,437)	(1,184,098)	(574,874)	(369,039)	(2,594,448)
Depreciation Expense	(155,664)	(200,929)	(145,672)	(134,619)	(636,884)
Disposals	-	<u>3,338</u>	-	-	<u>3,338</u>
Balance at 31 December 2011	<u>(622,101)</u>	<u>(1,381,689)</u>	<u>(720,546)</u>	<u>(503,658)</u>	<u>(3,227,994)</u>
Net Book Value 2011	<u>\$26,957,866</u>	<u>\$540,950</u>	<u>\$351,036</u>	<u>\$259,460</u>	<u>\$28,109,312</u>

(Pages 31 & 39)

Year Ended 31 December 2010

Gross Carrying Amounts

Balance at 1 January 2010	20,416,229	1,446,724	831,184	758,118	23,452,255
Additions	2,470,023	274,890	151,798	79,000	2,975,711
Disposals	-	-	-	<u>(74,000)</u>	<u>(74,000)</u>
Balance at 31 December 2010	<u>22,886,252</u>	<u>1,721,614</u>	<u>982,982</u>	<u>763,118</u>	<u>26,353,966</u>

Accumulated Depreciation

Balance at 1 January 2010	(310,773)	(986,811)	(427,479)	(300,532)	(2,025,595)
Depreciation Expense	(155,664)	(197,287)	(147,395)	(137,507)	(637,853)
Disposals	-	-	-	<u>69,000</u>	<u>69,000</u>
Balance at 31 December 2010	<u>(466,437)</u>	<u>(1,184,098)</u>	<u>(574,874)</u>	<u>(369,039)</u>	<u>(2,594,448)</u>

Net Book Value 2010	<u>\$22,419,815</u>	<u>\$537,516</u>	<u>\$408,108</u>	<u>\$394,079</u>	<u>\$23,759,518</u>
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(Pages 31 & 39)



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 valued the land held at Church Street currently used as a parking lot at \$2,598,000 as at July 8 2008.

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 Liverpool Row Land at \$796,067. The value of the building that was previously on that land was derecognized.

	<u>2011</u>	<u>2010</u>
Land and Building at valuation	<u>\$26,957,866</u>	<u>\$22,419,815</u>

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

	<u>2011</u>	<u>2010</u>
Net Carrying Amount	<u>\$20,849,634</u>	<u>\$16,311,583</u>

8 INTANGIBLE ASSETS

Computer Software

	<u>2011</u>	<u>2010</u>
Cost at Beginning of Year	1,044,637	1,018,574
Additions during the Year	<u>87,419</u>	<u>26,063</u>
	<u>1,132,056</u>	<u>1,044,637</u>
Accumulated Amortisation – Beginning of year	(772,308)	(623,577)
Amortisation for the Year	<u>(140,466)</u>	<u>(148,732)</u>
Accumulated Amortisation – End of Year	<u>(912,774)</u>	<u>(772,309)</u>
Net Book Value (Page 31)	<u>\$219,282</u>	<u>\$272,328</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS	<u>2011</u>	<u>2010</u>
	Available-for-Sale		
	Lands	95,355,809	82,606,403
	Debt Securities: quoted at market value	2,432,015	3,050,549
	Equities:		
	Quoted at market value	46,323,544	38,090,949
	Unquoted	<u>429,000</u>	<u>429,000</u>
	Total Available for Sale	<u>144,540,368</u>	<u>124,176,901</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
	SKNA National Bank Limited	586,867,335	530,820,922
	SKN Finance Company Limited	8,321,764	7,821,764
	Bank of Nevis Limited	34,014,889	32,014,889
	St. Kitts Credit Union	2,297,553	2,297,553
	Nevis Credit Union	10,065,000	10,065,000
	Development Bank of St Kitts	<u>6,502,282</u>	<u>6,502,282</u>
		<u>663,456,172</u>	<u>604,909,759</u>
	Call Accounts:		
	R B C Dominion Securities	49,216	40,115
	Crown Agents	767,515	17,878
	SKNA National Bank Limited	714,321	1,632,926
	Bank of Nova Scotia	<u>319,943</u>	<u>281,033</u>
		<u>1,850,995</u>	<u>1,971,952</u>
	Sub-total carried forward	<u>665,307,167</u>	<u>606,881,711</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont'd)	<u>2011</u>	<u>2010</u>
	Sub-total brought forward	<u>665,307,167</u>	<u>606,881,711</u>
	Held to Maturity (cont'd)		
	Treasury Bills - St Kitts:	22,380,000	23,610,000
	Treasury Bills - Nevis:	<u>7,328,763</u>	<u>7,328,763</u>
		<u>29,708,763</u>	<u>30,938,763</u>
	Debt Securities Unquoted	<u>63,052,939</u>	<u>64,109,772</u>
	Total Held to Maturity	<u>758,068,869</u>	<u>701,930,246</u>
	Loans Receivable:		
	Government	47,316,523	41,337,791
	Statutory Corporations	198,521,934	205,558,892
	Other	2,316,574	2,670,244
	Staff Loans and Advances (Less Provision for Doubtful Accounts \$60,285/2010 = \$60,285)	<u>9,198,746</u>	<u>8,802,378</u>
	Total Loans Receivable	<u>257,353,777</u>	<u>258,369,305</u>
		1,159,963,014	1,084,476,452
	Provision for impairment – CL Financial Group Investments (See Note below)	(5,778,487)	(5,778,487)
	Provision for impairment – SKN Government Bonds (See Note below)	<u>(30,118,612)</u>	-
	TOTAL INVESTMENTS (Page 31)	<u>\$1,124,065,915</u>	<u>\$1,078,697,965</u>

Fixed Deposits:

Interest rates range between 6.5% and 7.5% (2010 = 6.5% and 7.5% per annum with maximum maturity of four years up to 24 August 2014.

Call Accounts:

Interest rates range between zero to 2.50% (2010 = zero to 2.50%) per annum.

Treasury Bills:

Interest rate is between 6.50 and 6.75% (2010 = 6.51 and 6.75%) per annum with a term of 91 days.

Debt Securities Unquoted:

These securities earn interest at varying rates up to 8.25% (2010 = 8.25%) and have maturities ranging between 2011 and 2027.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

Loans Receivable:

The loans earn interest at rates ranging from 5% to 8% (2010 = 5% to 8%) and have maturity dates ranging from 2012 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 2011 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 2011
CLICO Trinidad	3,149,287	1,574,644	August 31 2010
CLICO Barbados	2,688,200	-	April 7 2011
CLICO Barbados	3,440,383	-	May 29 2011
British American Insurance Co Ltd (St Kitts)	1,000,000	1,000,000	March 6 2010
British American Insurance Co Ltd (Anguilla)	<u>1,298,208</u>	<u>1,298,208</u>	May 19 2010
	<u>\$15,387,348</u>	<u>\$5,778,487</u>	

The matured investments 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).

St Kitts and Nevis Government Debt

The Government of St Kitts and Nevis indicated in August 2011, its intention to engage in a debt reconstructing programme with its creditors; and three possible reconstructing options were proposed. It is anticipated that all government and government guaranteed debts may be affected by this reconstructing except for the treasury bills.

In March 2012, as part of the reconstructing of specific St Kitts and Nevis Government Bonds, The Social Security Board agreed to the amortization of these bonds with interest rates of 1.5% and monthly payment of interest and principal over 45 years. The instruments affected by this reconstructing are:

- a) A 10 year bond issued in November 2002 maturing in November 2012 and traded on the Eastern Caribbean Regional Government Securities Market, with interest rate of 7.5% and principal of \$28,688,000. Interest payment due November 2011 was not received as scheduled. These bonds were delisted on the exchange in February 2012.
- b) A 12 year \$15,000,000 bond issue in March 2008 maturing March 2020 with interest rate of 8.5% and principal of \$13,445,938 at December 31, 2011.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

These bonds are a part of Debt Securities: Unquoted (Page 50). Related provisions for diminution in value of the bonds are detailed below:

	<u>Investment Amount</u>	<u>Provision</u>	<u>Maturity Date</u>
SKN Government Bond - Regional Securities Market	28,688,000	20,205,209	November 2012
SKN Government Bond - First Citizen Trustee Services Ltd	<u>13,445,938</u>	<u>9,913,403</u>	March 2020
	<u>\$42,133,938</u>	<u>\$30,118,612</u>	

Bonus Shares Received:

The St. Lucia Electricity Services Limited:

During the year under review, The St Lucia Electricity Services Limited made a bonus share issue of one share for every one held - 25,000 @ 25.01=\$625,250.

The Bank of Nevis Limited:

During the year ended 31 December 2010 The Bank of Nevis Limited made a bonus share issue of one share for every four held - \$167,075 shares @ \$6.00 = \$1,002,450.

10 CASH AT BANK AND IN HAND	<u>2011</u>	<u>2010</u>
Cash at Bank - Current Accounts		
Royal Bank of Canada	21,499	63,441
SKNA National Bank Limited	2,436,675	967,221
Bank of Nova Scotia	-	22,477
SKNA National Bank Limited (Social Services Levy & Protection of Employment Levy)	562,493	1,071,856
SKNA National Bank Limited (Administrative)	<u>3,387,085</u>	<u>6,491,660</u>
	6,407,752	8,616,655
Cash at Bank - Savings Accounts		
Royal Bank of Canada	117,891	114,419
SKNA National Bank Limited	1,478,864	1,266,743
NCCU Savings Account	-	866
Cash in Hand	<u>19,315</u>	<u>17,475</u>
TOTAL (Page 31)	<u>\$8,023,822</u>	<u>\$10,016,158</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

10 CASH AT BANK AND IN HAND (cont'd)

During the year under review, the savings accounts earned interest at the rates of 1.5% and 3% per annum.

The St Kitts Nevis and Anguilla Bank Limited current account (Social Services Levy & Protection of Employment Levy) was established to deposit checks collected by the Social Security Board in the name of the Accountant General for the Government of St Kitts and Nevis. The idea was to pass control of this account over to the Accountant General hence the balance on this account was not reflected in the books of the Social Security Board in previous years. A decision has been made to include the account balance in the Board's books starting 2010 since control over the account remain with the Board. The corresponding liability due to the Government of St Kitts and Nevis has been included under sundry creditors and accruals \$5,671,591 (2010 = \$6,719,018).

11 ACCRUED INTEREST RECEIVABLE	<u>2011</u>	<u>2010</u>
Balance At Beginning of Year	38,661,238	39,578,473
Interest Earned during the Year	66,536,384	62,211,459
Provision for Non-collectibility (Note 9)	(4,001,841)	(927,749)
Interest Payment Received during the Year	<u>(60,023,520)</u>	<u>(62,200,945)</u>
Balance At End of Year (Page 31)	<u>\$41,172,261</u>	<u>\$38,661,238</u>

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

PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECOVERABLE (\$4,001,840 (2010 = \$927,749))

CLICO GROUP OF COMPANIES \$927,749 (2010 = \$927,749) (See Note 9 and above)

During last year, 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.

The Group continued to experience liquidity problems during the year under review.

The Social Security Board of Directors continues to 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 fair and reasonable under the circumstances.

STATUTORY CORPORATIONS

A provision is made for interest due on SSMC, NHLDC and Development Bank of St Kitts and Nevis Student Loans at the end of this financial period which remained unpaid. The total amount of the provision is \$3,074,092.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

12 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Bank of Commerce (St Kitts & Nevis) Savings and Trust Association (In Liquidation):

Included in Accounts Receivable and Prepaid Expenses is an amount of \$6,744,247 which comprises 8 1/2% judgement debt of \$3,670,674 (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>2011</u>	<u>2010</u>
Social Security Fund		
a) Long Term Benefits Fund (Page 32)	33,558,266	59,592,854
b) Short Term Benefits Fund (Page 32)	1,492,144	7,520,345
c) Injury Benefits Fund (Note (Page 32)	<u>10,511,326</u>	<u>12,326,912</u>
	<u>45,561,736</u>	<u>79,440,111</u>
National Provident Fund		
a) Members' Account	519,890	491,010
b) Reserve Fund	<u>713,408</u>	<u>673,778</u>
Sub-Total (Page 32)	<u>1,233,298</u>	<u>1,164,788</u>
NET SURPLUS FOR THE YEAR (Page 32 & 33)	<u>\$46,795,034</u>	<u>\$80,604,899</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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

15 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2011, contributions and fines due from employers amounted to \$18,485,158 (2010 = \$18,118,683). Details are set out hereunder:

<u>Particulars</u>	<u>2011</u>	<u>2010</u>
Contributions due by Employers	6,395,555	6,525,167
Fines due by Employers	<u>12,089,603</u>	<u>11,593,516</u>
TOTAL DUE TO THE BOARD	<u>\$18,485,158</u>	<u>\$18,118,683</u>

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

16 CAPITAL COMMITMENT

At 31 December 2011, the Social Security Board of Directors approved capital expenditure for the ensuing year of \$17.85 million (including property development/2010 = \$18 million).

The infrastructure phase of the Beacon Heights Project was substantially completed in 2010. Five million is earmarked for Beacon Heights Project this year (included in the 17.85 million above).

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 BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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>2011</u>	<u>2010</u>
Loans to Government and Statutory Corporations		
Balance at Beginning of year	284,706,428	276,986,683
Loans advanced during the year	1,318,686	26,321,471
Loan Repayment received	(10,180,039)	(16,515,785)
Interest Income	17,878,826	18,151,205
Interest Received	<u>(15,482,782)</u>	<u>(20,237,146)</u>
Balance at End of Year	<u>\$278,241,119</u>	<u>\$284,706,428</u>

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

	<u>2011</u>	<u>2010</u>
Fixed Deposits, Bank Accounts and Treasury Bills with Related Parties		
Balance at Beginning of Year	595,180,501	568,648,371
Net Advances	51,965,445	25,281,050
Interest Income	39,301,819	35,636,223
Interest Received	<u>(36,535,593)</u>	<u>(34,385,143)</u>
Balance at End of Year	<u>\$649,912,172</u>	<u>\$595,180,501</u>

Key Management Compensation

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$598,794 (2010 = \$658,157).



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 2011 is adequate.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(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 2011:

	<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	8,023,822	-	-	8,023,822
Accrued Interest Receivable	41,172,261	-	-	41,172,261
Accounts Receivable and Prepaid Expenses	2,216,013	-	-	2,216,013
Investment Securities	-	816,533,056	307,532,859	1,124,065,915
Other Assets	-	<u>219,282</u>	<u>28,109,294</u>	<u>28,328,576</u>
Total Assets	<u>51,412,096</u>	<u>816,752,338</u>	<u>335,642,153</u>	<u>1,203,806,587</u>

Liabilities:

Year Ended 31 December 2011:

Accounts Payable	60,654	-	-	60,654
Other Payables	<u>5,703,788</u>	-	-	<u>5,703,788</u>
Total Liabilities	<u>5,764,442</u>	-	-	<u>5,764,442</u>
Net Liquidity Gap	<u>45,647,654</u>	<u>816,752,338</u>	<u>335,642,153</u>	<u>1,198,042,145</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Continued)

(Expressed in Eastern Caribbean Dollars)

18 FINANCIAL INSTRUMENTS (cont'd)

d) Liquidity Risk: (cont'd)

Assets:

Year Ended 31 December 2010:

	<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	10,016,158	-	-	10,016,158
Accrued Interest Receivable	38,661,238	-	-	38,661,238
Accounts Receivable and Prepaid Expenses	5,981,834	-	-	5,981,834
Investment Securities	-	826,929,759	251,768,206	1,078,697,965
Other Assets	-	<u>272,328</u>	<u>23,759,518</u>	<u>24,031,846</u>
Total Assets	<u>54,659,230</u>	<u>827,202,087</u>	<u>275,527,724</u>	<u>1,157,389,041</u>

Liabilities:

Year Ended 31 December 2010:

Accounts Payable	75,300	-	-	75,300
Other Payables	<u>6,751,215</u>	-	-	<u>6,751,215</u>
Total Liabilities	<u>6,826,515</u>	<u>-</u>	<u>-</u>	<u>6,826,515</u>
Net Liquidity Gap	<u>47,832,715</u>	<u>827,202,087</u>	<u>275,527,724</u>	<u>1,150,562,526</u>

19 CONTINGENT LIABILITY – CLAIM RE: KASSAB BUILDING

The court granted judgement in the amount of \$212,315 in favour of the claimant Samire Kassab in the matter of the collapse of the Kassab Building during construction of the Liverpool Row Building. The Board has a joint insurance policy with the contractor B C Audain and Associates and the insurance company National Caribbean Insurance Company Limited and is in the process of settling the judgement in accordance with what the court awarded. The deductible is \$25,000 and this is to be paid to the insurance company before the claim is settled.

20 EMPLOYEE RISK BENEFIT

The Social Security Board has made a commitment to build a contingency fund to cover inspectors and other compliance officers in the event of any employment related injury. The amount to be put aside annually is \$5,300 per person (totaling \$95,400) for 18 persons in 2011. The maximum payment to be awarded is \$200,000 per individual incident. The details are being finalized, thus no entries were made in these financial statements.





St. Christopher and Nevis Social Security Board

Head Office:

Robert Llewellyn Bradshaw Building
P.O. Box 79,
Bay Road, Basseterre
St. Kitts, West Indies

Tel: (869) 465-2535/6, 2826
Fax: (869) 465-5051

Branch Office:

Ivor Stevens Building
P.O. Box 667,
Chapel Street, Charlestown
Nevis, West Indies

Tel: (869) 469-0204/5245
Fax: (869) 469-1046

Email: pubinfo@socialsecurity.kn

Website: www.socialsecurity.kn

 /sknssb

 /SocialSecuritySKN

 :@sknssb