

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2005

PANNELL
KERR
FORSTER

Chartered Accountants

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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AUDITORS' REPORT

TO THE BOARD OF DIRECTORS

ST KITTS-NEVIS SOCIAL SECURITY BOARD

We have audited the accompanying financial statements of St Kitts-Nevis Social Security Board which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

TO THE SHAREHOLDERS

ST KITTS-NEVIS SOCIAL SECURITY BOARD

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 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards except as disclosed in Note 2(b) to the Accounts.



Chartered Accountants:

BASSETERRE - ST KITTS
25 July 2007

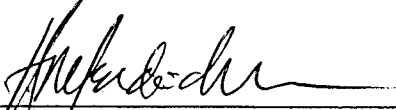
ST KITTS-NEVIS SOCIAL SECURITY BOARDBALANCE SHEET AT 31 DECEMBER 2006

(Expressed in Eastern Caribbean Dollars)


	<u>Notes</u>	<u>2006</u>	<u>2005</u>
FUNDS EMPLOYED			
Social Security Fund			
- Long Term Benefits Fund		625,433,256	569,517,446
- Short Term Benefits Fund		76,215,436	69,296,651
- Injury Benefits Fund		98,034,053	88,373,565
National Provident Fund			
- Members' Account	3	7,015,319	6,620,655
- Reserve Fund	4	9,626,624	9,085,055
Revaluation Reserve	5	11,979,048	11,268,369
EQUITY (Page 5)		828,303,736	754,161,741
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	3,905,268	3,446,253
TOTAL FUNDS		<u>\$832,209,004</u>	<u>\$757,607,994</u>
REPRESENTED BY:			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 10)		14,638,314	14,182,170
INVESTMENTS	7	766,438,549	706,321,447
CURRENT ASSETS			
Cash at Bank and in Hand	8	5,331,760	9,213,485
Accrued Interest Receivable	9	49,460,776	30,877,569
Accounts Receivable and Prepaid Expenses	10	741,976	248,464
		<u>55,534,512</u>	<u>40,339,518</u>
<u>LESS:</u> CURRENT LIABILITIES			
Accounts Payable		85,671	96,946
Sundry Creditors and Accruals		4,284,503	3,105,998
National Provident Fund Treasury Balance		32,197	32,197
		<u>4,402,371</u>	<u>3,235,141</u>
NET CURRENT ASSETS		<u>51,132,141</u>	<u>37,104,377</u>
TOTAL NET ASSETS		<u>\$832,209,004</u>	<u>\$757,607,994</u>

The attached Notes form an integral part of these Accounts.

Approved by the Board of Directors on 9 August 2007.



 Halva Hendrickson - Chairman



 Sephlin Lawrence - Director

ST KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006
 (Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----					
	<u>Long Term</u>	<u>Short Term</u>	<u>Injury</u>	<u>National Provident Fund</u>	<u>Total 2006</u>	<u>Total 2005</u>
INCOME (Note 12)						
Contributions	44,394,694	11,096,249	5,548,124	-	61,039,067	58,056,495
Investment Income	36,399,083	4,416,236	5,671,377	995,132	47,481,828	42,741,861
Other Income	<u>339,653</u>	<u>95,997</u>	<u>55,387</u>	<u>-</u>	<u>491,037</u>	<u>566,884</u>
	<u>81,133,430</u>	<u>15,608,482</u>	<u>11,274,888</u>	<u>995,132</u>	<u>109,011,932</u>	<u>101,365,240</u>
EXPENDITURE (Note 12)						
Benefits (Schedule I - Page 8)	19,188,035	6,975,905	994,006	45,897	27,203,843	24,910,349
Administration (Schedule II - Page 9)	<u>6,029,585</u>	<u>1,713,792</u>	<u>620,394</u>	<u>13,002</u>	<u>8,376,773</u>	<u>7,728,753</u>
	<u>25,217,620</u>	<u>8,689,697</u>	<u>1,614,400</u>	<u>58,899</u>	<u>35,580,616</u>	<u>32,639,102</u>
NET SURPLUS FOR THE YEAR (Note 11 - Page 18)	<u>\$55,915,810</u>	<u>\$6,918,785</u>	<u>\$9,660,488</u>	<u>\$936,233</u>	<u>\$73,431,316</u>	<u>\$68,726,138</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006
 (Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----			National Provident Fund			<u>Total</u>
	<u>Long Term Benefits Fund</u>	<u>Short Term Benefits Fund</u>	<u>Injury Benefits Fund</u>	<u>Members' Account</u>	<u>Reserve Fund</u>	<u>Revaluation Reserve</u>	
Balance as at 31 December 2004	517,095,052	62,697,025	79,548,137	6,250,248	8,576,772	10,872,350	685,039,584
Amount Allocated from Net Surplus (Note 11)	52,422,394	6,599,626	8,825,428	370,407	508,283	-	68,726,138
Change in Unrealised Holding Gain	-	-	-	-	-	396,019	396,019
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 December 2005 (Page 3)	569,517,446	69,296,651	88,373,565	6,620,655	9,085,055	11,268,369	754,161,741
Amount Allocated from Net Surplus (Note 11)	55,915,810	6,918,785	9,660,488	394,664	541,569	-	73,431,316
Change in Unrealised Holding Gain	-	-	-	-	-	710,679	710,679
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 December 2006 (Page 3)	<u>\$625,433,256</u>	<u>\$76,215,436</u>	<u>\$98,034,0523</u>	<u>\$7,015,319</u>	<u>\$9,626,624</u>	<u>\$11,979,048</u>	<u>\$828,303,736</u>

The attached Notes an integral form part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARDSTAFF SUPPLEMENTAL BENEFITS RESERVE
INCOME AND EXPENDITURE ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 2006

(Expressed in Eastern Caribbean Dollars)

	<u>2006</u>	<u>2005</u>
INCOME		
Contributions	352,762	356,085
Investment Income	<u>195,412</u>	<u>171,212</u>
	<u>548,174</u>	<u>527,297</u>
EXPENDITURE		
Benefits (Schedule I - Page 8)	86,759	61,304
Administration (Schedule II - Page 9)	<u>2,400</u>	<u>2,400</u>
	<u>89,159</u>	<u>63,704</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 14)	<u>\$459,015</u>	<u>\$463,593</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006
 (Expressed in Eastern Caribbean Dollars)

	<u>2006</u>	<u>2005</u>
Cash provided by operating activities:		
Net surplus for the year		
- SSF and NPF (Page 4)	73,431,316	68,726,138
- SSBF (Page 6)	459,015	463,593
Add non-cash item		
Depreciation	287,791	503,254
Gain on disposal of property, plant and equipment	<u>(12,000)</u>	<u>(19,760)</u>
	74,166,122	69,673,225
Non-cash working capital change		
Accrued interest receivable	(18,583,207)	9,020,429
Accounts receivable and prepaid expenses	(493,512)	(31,187)
Accounts payable	(11,275)	19,939
Sundry creditors and accruals	<u>1,178,505</u>	<u>548,788</u>
Cash provided by operating activities	<u>56,256,633</u>	<u>79,231,194</u>
Cash flows from investing activities		
Investments	(59,406,423)	(73,553,164)
Property, plant and equipment transferred to investments	10,000	-
Additions to property, plant and equipment	(753,935)	(1,064,559)
Proceeds from disposal of property, plant and equipment	<u>12,000</u>	<u>28,000</u>
Cash used in investing activities	<u>(60,138,358)</u>	<u>(74,589,723)</u>
(Decrease)/Increase in cash for the year	(3,881,725)	4,641,471
Cash at beginning of year	<u>9,213,485</u>	<u>4,572,014</u>
Cash at end of year	<u>\$5,331,760</u>	<u>\$9,213,485</u>
Cash at bank and in hand	<u>\$5,331,760</u>	<u>\$9,213,485</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

BENEFITS PAID
FOR THE YEAR ENDED 31 DECEMBER 2006
 (Expressed in Eastern Caribbean Dollars)

SCHEDULE I

	<u>2</u> <u>0</u> <u>0</u> <u>6</u>	<u>2</u> <u>0</u> <u>0</u> <u>5</u>
a) Social Security Fund:	Number of <u>Claims</u>	Number of <u>Claims</u>
	<u>\$</u>	<u>\$</u>
<u>Long Term Benefits</u>		
Elderly Refund	13	11,679
Survivors Pension	713	1,637,197
Invalidity	176	1,198,299
Age Pension	1,642	13,980,181
Age Grant	<u>64</u>	<u>523,592</u>
	2,608	17,350,948
Assistance Pension (Age)	592	1,527,000
Assistance Pension (Invalidity)	<u>122</u>	<u>310,087</u>
Sub-Total (Page 4)	<u>3,322</u>	<u>19,188,035</u>
<u>Short Term Benefits</u>		
Sickness	7,683	4,494,706
Funeral	217	517,900
Maternity Allowance	470	1,738,749
Maternity Grant	<u>493</u>	<u>224,550</u>
Sub-Total (Page 4)	<u>8,863</u>	<u>6,975,905</u>
<u>Employment Injury</u>		
Funeral Grant	1	4,000
Injury	538	500,285
Travelling Expenses	26	18,751
Medical Care Expenses	290	134,695
Death Benefits	21	95,912
Constant Care	1	15,633
Disablement - Pension	30	224,730
Disablement - Grant	-	-
Sub-Total (Page 4)	<u>907</u>	<u>994,006</u>
b) National Provident Fund:		
Survivor	1	9,496
Age	8	14,276
Members' Balances repaid (Note 3)	<u>22</u>	<u>22,125</u>
Sub-Total (Page 4)	<u>31</u>	<u>45,897</u>
TOTAL	<u>13,123</u>	<u>\$27,203,843</u>
c) Staff Supplemental Benefits:		
Refunds	6	86,292
Pension	1	467
Survivor	-	-
Sub-Total (Page 6)	<u>7</u>	<u>86,759</u>
GRAND TOTAL BENEFITS PAID	<u>13,130</u>	<u>\$27,290,602</u>
	<u>12,897</u>	<u>\$24,910,349</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2006
 (Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2006</u>	<u>2005</u>
Actuarial Review	88,023	3,553
Advertising and Publicity	202,717	114,445
Anniversary Expenses	143	5,739
Audit Fees and Expenses	150,000	150,000
Bank Charges and Interest	5,808	16,947
Books, Periodicals, etc	3,145	618
Cleaning Expenses	6,053	5,397
Committee Expenses	22,833	16,738
Contribution for National Projects	270,000	270,000
Management Fees	61,006	30,013
Depreciation (Note 2(b))	287,791	503,254
Electricity	191,228	156,976
Hospitality	70,020	48,424
Insurances	240,355	255,767
Land and House Tax	4,554	4,676
Other Professional Fees	79,469	53,415
Maintenance of Computer System	145,305	68,243
Maintenance of Premises	138,025	64,519
Medical Expenses	4,650	5,150
Members of Social Security Board - Allowance and Other Expenses	117,285	112,352
Motor Vehicle Expenses	67,850	65,814
Postages, Telephone and Telegraph	163,672	165,630
Repairs, Maintenance and Related Minor Purchases	102,267	70,313
Retirement Benefits	38,397	35,407
Rental	25,105	13,584
Salaries and Allowances	4,782,201	4,377,470
Scholarships	95,033	116,005
Security Services	52,050	49,050
Social Security, Social Services, etc	412,621	409,801
Staff Pension	200,539	178,042
Stationery, Printing and Office Expenses	229,888	217,112
Subscriptions	47,135	47,095
Training Seminars, Conferences	337,674	279,270
Travelling and Subsistence	33,530	23,189
Uniforms	50,439	3,276
Wages - Other Employees	137,861	118,412
Bad Debt Expense	40,208	-
Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration	(525,707)	(324,543)
TOTAL ADMINISTRATION EXPENSES	<u>\$8,379,173</u>	<u>\$7,731,153</u>
Allocated as follows:		
- Long Term Benefits Fund (Page 4)	6,029,585	5,547,625
- Short Term Benefits Fund (Page 4)	1,713,792	1,581,729
- Injury (Page 4)	620,394	586,397
- National Provident Fund (Page 4)	<u>13,002</u>	<u>13,002</u>
Sub-total (Page 4)	8,376,773	7,728,753
- Staff Supplemental Benefits Reserve Fund (Page 6)	<u>2,400</u>	<u>2,400</u>
TOTAL (As Above)	<u>\$8,379,173</u>	<u>\$7,731,153</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT

AT 31 DECEMBER 2006

(Expressed in Eastern Caribbean Dollars)

SCHEDULE III

<u>Item</u>	<u>Cost or Valuation 31/12/05</u>	<u>Additions (Disposals)/ (Transfers)</u>	<u>Cost or Valuation 31/12/06</u>	<u>D E P R E C I A T I O N</u>			<u>Written Down Value</u>	
				<u>31/12/05</u>	<u>Charge (Disposals)</u>	<u>31/12/06</u>	<u>31/12/06</u>	<u>31/12/05</u>
Freehold Properties:								
- Deposit on Land at Warde's Estate - Nevis	10,000	(10,000)	-	-	-	-	-	10,000
- Kawaja Property	2,922,948	233,999	3,156,947	-	-	-	3,156,947	2,922,948
- Church Street St Kitts - At Cost	4,085,649	-	4,085,649	-	-	-	4,085,649	4,085,649
- Bay Road St Kitts - At Valuation	4,290,873	64,373	4,355,246	-	-	-	4,355,246	4,290,873
- Chapel Street Nevis - At cost	2,176,358	-	2,176,358	-	-	-	2,176,358	2,176,358
Furniture and Equipment - At Cost	2,402,968	99,996	2,502,964	2,363,335	21,994	2,385,329	117,635	39,633
Computer Equipment - At Cost	9,747,813	223,467	9,971,280	9,351,078	143,877	9,494,955	476,325	396,735
Motor Vehicles - At Cost	633,244	132,100 (86,000)	679,344	373,270	121,920 (86,000)	409,190	270,154	259,974
TOTAL	\$26,269,853	\$753,935 \$(96,000)	\$26,927,788	\$12,087,683	\$287,791 \$(86,000)	\$12,289,474	\$14,638,314	\$14,182,170

(Page 3)

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(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.

- 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 eight actuarial review of the Social Security Board was carried out in December 2006 by the Project Actuary, Mr Derek Osborne, appointed by the International Labour Organisation (ILO) under the ILO Umbrella Programme for Actuarial Reviews to selected countries of the Caribbean covering the financial years 2003 to 2005. The report stated that the scheme was financially and actuarially sound. A net surplus was recorded in each year of operation.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES

a) Foreign Currencies:

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

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

b) Property, Plant and Equipment and Depreciation:

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

Depreciation rates are as follows:

Furniture and Equipment	15%
Computer System	20%
Motor Vehicles	20%

Freehold Property

It is the Board's policy to maintain its freehold properties in good condition and repair which substantially prolongs their useful lives and any depreciation involved would not be material. Consequently, the Fund does not provide for depreciation on its freehold properties. This policy is inconsistent with International Accounting Standard No. 16.

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

Investments are classified into the following three categories as follows:

(i) Available-for-sale Investments

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

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

c) Investments: Available -for-sale, Held-to-maturity and Loans Receivable (cont'd)

(ii) Held-to-maturity Investments

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

(iii) Loans Receivable:

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

d) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2006, at the rates quoted for the period of the investments.

e) Revenue and Expenses:

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

f) 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.

3 NATIONAL PROVIDENT FUND - MEMBERS' ACCOUNT

During the year under review, the Social Security Fund repaid a total amount of \$22,125 to 22 members of the National Provident Fund (2005 = \$23,393 to 28 members). The repayment represents members' claims against the Fund up to the date of settlement of their balances.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

(Expressed in Eastern Caribbean Dollars)

4 NATIONAL PROVIDENT RESERVE FUND

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

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

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

5 REVALUATION RESERVE

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

	<u>Freehold Properties</u>	<u>Available-for Sale Investments</u>	<u>Total 2006</u>	<u>Total 2005</u>
Balance as at January 1	2,398,602	8,869,767	11,268,369	10,872,350
Movement for the Year	-	<u>710,679</u>	<u>710,679</u>	<u>396,019</u>
Balance as at December 31	<u>\$2,398,602</u>	<u>\$9,580,446</u>	<u>\$11,979,048</u>	<u>\$11,268,369</u>

(Page 3)

6 STAFF SUPPLEMENTAL BENEFITS RESERVE FUND

	<u>2006</u>	<u>2005</u>
BALANCE - At Beginning of Year	3,446,253	2,982,660
Excess of Income over Expenditure for year (Page 6)	<u>459,015</u>	<u>463,593</u>
BALANCE - At End of Year (Page 3)	<u>\$3,905,268</u>	<u>\$3,446,253</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

(Expressed in Eastern Caribbean Dollars)

7	INVESTMENTS	<u>2006</u>	<u>2005</u>
	Available for Sale		
	Lands	7,022,608	6,658,889
	Debt Securities: quoted at market value	2,384,395	3,136,415
	Equities:		
	Quoted at market value	23,534,044	22,735,999
	Unquoted	<u>378,000</u>	<u>378,000</u>
	Total Available for Sale	<u>33,319,047</u>	<u>32,909,303</u>
	Held to Maturity		
	Fixed Deposits:		
	CLICO (Trinidad) Limited	5,907,876	5,400,000
	Barclays Bank Plc UK	1,174,500	-
	RBC Bank N.V	-	337,500
	SKNA National Bank Limited	422,296,556	391,641,750
	SKN Finance Company Limited	7,686,929	7,137,760
	Bank of Nevis Limited	23,263,423	21,640,909
	Bank of Nova Scotia	11,200,000	2,200,000
	Caribbean Money Market Brokers	3,183,944	-
	St. Kitts Credit Union	1,297,553	280,928
	Nevis Credit Union	<u>4,565,000</u>	<u>1,500,000</u>
		<u>480,575,781</u>	<u>430,138,847</u>
	Call Accounts:		
	R B C Dominion Securities	129,887	84,076
	Crown Agents	6,624	16,379
	SKNA National Bank Limited	2,597,878	460,589
	Bank of Nova Scotia	<u>215,886</u>	<u>5,020</u>
		<u>2,950,275</u>	<u>566,064</u>
	Sub-total carried forward	<u>483,526,056</u>	<u>430,704,911</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006(Continued)
(Expressed in Eastern Caribbean Dollars)

7	INVESTMENTS (Cont'd)	<u>2006</u>	<u>2005</u>
	Sub-total brought forward	<u>483,526,056</u>	<u>430,704,911</u>
	Held to Maturity (cont'd)		
	Treasury Bills - St Kitts:	19,871,750	21,839,250
	Treasury Bills - Nevis:	<u>6,396,263</u>	<u>6,284,328</u>
		<u>26,268,013</u>	<u>28,123,578</u>
	Debt Securities Unquoted:	<u>49,506,218</u>	<u>51,389,995</u>
	Total Held to Maturity	<u>559,300,287</u>	<u>510,218,484</u>
	Loans Receivable		
	Government	40,060,224	41,553,329
	Statutory Corporations	125,831,208	113,988,861
	Other	1,000,000	-
	Staff Loans and Advances (Less Provision for Doubtful Accounts \$60,285/2005 = \$20,077)	<u>6,927,783</u>	<u>7,651,470</u>
	Total Loans Receivable	<u>173,819,215</u>	<u>163,193,660</u>
	TOTAL INVESTMENTS (Page 3)	<u>\$766,438,549</u>	<u>\$706,321,447</u>

Fixed Deposits:

Interest rates range between 5.25% and 8% (2005 = 4.30% and 7 %) per annum with maximum maturity of two years.

Call Accounts:

Interest rates range between 2½% to 4% per annum.

Treasury Bills:

Interest rates range between 6½% and 7% (2005 = 6½% and 7%) per annum with a term of 91 days.

Debt Securities Unquoted:

These securities earn interest at varying rates up to 9% and have maturities ranging between 2007 and 2027.

Loans Receivable:

The loans earn interest at rates ranging from 2% to 8% and have maturity dates ranging from 2007 to 2035.

Collateral Security:

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

(Expressed in Eastern Caribbean Dollars)

8	CASH AT BANK AND IN HAND	<u>2006</u>	<u>2005</u>
	Cash at Bank - Current Accounts		
	Royal Bank of Canada	350,308	1,553,826
	SKNA National Bank Limited	1,507,173	1,360,023
	Bank of Nova Scotia	<u>1,161,067</u>	<u>1,370,937</u>
		3,018,548	4,284,786
	Cash at Bank - Savings Account		
	Royal Bank of Canada	101,518	-
	SKNA National Bank Limited	265,645	260,224
	Cash in Hand	<u>1,946,049</u>	<u>4,668,475</u>
	TOTAL (Page 3)	<u>\$5,331,760</u>	<u>\$9,213,485</u>
9	ACCRUED INTEREST RECEIVABLE	<u>2006</u>	<u>2005</u>
	Balance At Beginning of Year	30,877,579	39,897,998
	Interest Earned during the Year	47,481,828	42,741,861
	Interest Payment Received during the Year	<u>(28,898,631)</u>	<u>(51,762,290)</u>
	Balance At End of Year (Page 3)	<u>\$49,460,776</u>	<u>\$30,877,569</u>

Most of the deposits have a two year duration with interest payable on the maturity dates.

10 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

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

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

Since recovery of the Judgement Debt is considered doubtful, a decision was taken to cease accruing interest on this account effective from 31 December 1990.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

(Expressed in Eastern Caribbean Dollars)

11	ALLOCATION OF NET SURPLUS	<u>2006</u>	<u>2005</u>
	Social Security Fund		
	a) Long Term Benefits Fund (Page 5)	55,915,810	52,422,394
	b) Short Term Benefits Fund (Page 5)	6,918,785	6,599,626
	c) Injury Benefits Fund (Note (Page 5))	<u>9,660,488</u>	<u>8,825,428</u>
		<u>72,495,083</u>	<u>67,847,448</u>
	National Provident Fund		
	a) Members' Account (Page 5)	394,664	370,407
	b) Reserve Fund (Page 5)	<u>541,569</u>	<u>508,283</u>
		<u>936,233</u>	<u>878,690</u>
	NET SURPLUS FOR THE YEAR (Page 4)	<u>\$73,431,316</u>	<u>\$68,726,138</u>

12 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	18%
(b)	Long Term Benefits Branch	73%
(c)	Injury Benefits Branch	9%

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 BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

(Expressed in Eastern Caribbean Dollars)

12 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) Administrative Expenditure:

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

c) Other Expenditure:

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

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006(Continued)
(Expressed in Eastern Caribbean Dollars)

13 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2006, contributions and fines due from employers amounted to \$8,251,531 (2005 = \$7,793,952).
Details are set out hereunder:

<u>Particulars</u>	<u>2006</u>	<u>2005</u>
Contributions due by Employers	2,924,026	2,666,568
Fines due by Employers	<u>5,327,505</u>	<u>5,127,384</u>
TOTAL DUE TO THE BOARD	<u>\$8,251,531</u>	<u>\$7,793,952</u>

14 CAPITAL EXPENDITURE

At 31 December 2006, the Directors approved capital expenditure for the ensuing year of \$13 million (including property development) (2005 = \$16million).

15 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 2006 is adequate.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(Continued)

(Expressed in Eastern Caribbean Dollars)

15 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(c) (i) available-for-sale investments are stated at fair value.

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