

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2007

*Dannell Kerr Forster*  
*Chartered Accountants*

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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Page 1

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 2007, 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.

**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 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

Chartered Accountants:

BASSETERRE - ST KITTS  
24 July 2008

*Leeward Islands (Anguilla, Antigua & Barbuda, Montserrat and St Kitts & Nevis)*

ST KITTS-NEVIS SOCIAL SECURITY BOARD

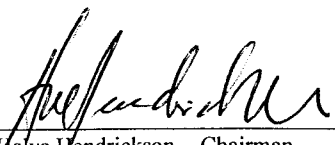
BALANCE SHEET AT 31 DECEMBER 2007

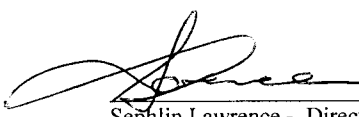
(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>FUNDS EMPLOYED</b>			
Social Security Fund			
- Long Term Benefits Fund		683,606,304	623,945,269
- Short Term Benefits Fund		81,867,933	74,734,002
- Injury Benefits Fund		107,115,113	96,554,285
National Provident Fund			
- Members' Account	3	7,389,930	7,015,319
- Reserve Fund	4	10,140,675	9,626,624
Revaluation Reserve	5	<u>16,125,169</u>	<u>11,979,048</u>
EQUITY (Page 4)		906,245,124	823,854,547
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>4,491,444</u>	<u>3,905,268</u>
TOTAL FUNDS		<u>\$910,736,568</u>	<u>\$827,759,815</u>
REPRESENTED BY:			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 9)	7	<u>15,029,310</u>	<u>9,974,272</u>
INTANGIBLE ASSETS	8	<u>435,255</u>	<u>214,853</u>
INVESTMENTS	9	<u>855,061,789</u>	<u>766,438,549</u>
<b>CURRENT ASSETS</b>			
Cash at Bank and in Hand	10	3,720,696	5,331,760
Accrued Interest Receivable	11	39,479,434	49,460,776
Accounts Receivable and Prepaid Expenses	12	<u>891,493</u>	<u>741,976</u>
		<u>44,091,623</u>	<u>55,534,512</u>
<b>LESS: CURRENT LIABILITIES</b>			
Accounts Payable		104,446	85,671
Sundry Creditors and Accruals		3,744,766	4,284,503
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>3,881,409</u>	<u>4,402,371</u>
NET CURRENT ASSETS		<u>40,210,214</u>	<u>51,132,141</u>
TOTAL NET ASSETS		<u>\$910,736,568</u>	<u>\$827,759,815</u>

The attached Notes form an integral part of these Accounts.

Approved by the Board of Directors on 27<sup>th</sup> November 2008.

  
 Halva Hendrickson - Chairman

  
 Sephlin Lawrence - Director

ST KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2007

(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 2007</u>	<u>Total 2006</u>
INCOME (Note 15)						
Contributions	47,042,903	11,759,618	5,879,809	-	64,682,330	61,039,067
Investment Income	40,948,357	4,989,976	6,418,484	920,500	53,277,317	47,481,828
Other Income	<u>319,867</u>	<u>101,997</u>	<u>65,685</u>	-	<u>487,549</u>	<u>491,037</u>
	<u>88,311,127</u>	<u>16,851,591</u>	<u>12,363,978</u>	<u>920,500</u>	<u>118,447,196</u>	<u>109,011,932</u>
EXPENDITURE (Note 15)						
Benefits (Schedule I - Page 7)	21,428,095	7,668,476	1,070,106	18,836	30,185,513	27,203,843
Administration (Schedule II - Page 8)	<u>7,221,997</u>	<u>2,049,184</u>	<u>733,044</u>	<u>13,002</u>	<u>10,017,227</u>	<u>8,389,478</u>
	<u>28,650,092</u>	<u>9,717,660</u>	<u>1,803,150</u>	<u>31,838</u>	<u>40,202,740</u>	<u>35,593,321</u>
NET SURPLUS FOR THE YEAR (Note 13 - Page 19)	<u>\$59,661,035</u>	<u>\$7,133,931</u>	<u>\$10,560,828</u>	<u>\$888,662</u>	<u>\$78,244,456</u>	<u>\$73,418,611</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 2007  
 (Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----	National Provident Fund	Total				
	Long Term Benefits Fund	Short Term Benefits Fund	Injury Benefits Fund	Members' Account	Reserve Fund	Revaluation Reserve	Total
Balance as at 31 December 2005 as previously reported	569,517,446	69,296,651	88,373,565	6,620,655	9,085,055	11,268,369	754,161,741
Derecognition of Kawaja & Church Street Buildings (Note 14a)	<u>(1,478,828)</u>	<u>(1,478,828)</u>	<u>(1,478,828)</u>	-	-	-	<u>(4,436,484)</u>
<b>Balance as at 31 December 2005 as restated</b>	568,038,618	67,817,823	86,894,737	6,620,655	9,085,055	11,268,369	749,725,257
Amount Allocated from Net Surplus (Note 13)	55,915,810	6,918,785	9,660,488	394,664	541,569	-	73,431,316
Depreciation of Water Treatment Plant (Note 14b)	<u>(9,159)</u>	<u>(2,606)</u>	<u>(940)</u>	-	-	-	<u>(12,705)</u>
Change in Unrealised Holding Gain (Note 5)	-	-	-	-	-	<u>710,679</u>	<u>710,679</u>
<b>Balance at 31 December 2006 as restated (Page 2)</b>	<u>\$623,945,269</u>	<u>\$74,734,002</u>	<u>\$96,554,285</u>	<u>\$7,015,319</u>	<u>\$9,626,624</u>	<u>\$11,979,048</u>	<u>\$823,854,547</u>
<b>Balance at 31 December 2006 as previously reported</b>	625,433,256	76,215,436	98,034,053	7,015,319	9,626,624	11,979,048	828,303,736
Derecognition of Kawaja & Church Street Buildings (Note 14a)	<u>(1,478,828)</u>	<u>(1,478,828)</u>	<u>(1,478,828)</u>	-	-	-	<u>(4,436,484)</u>
Depreciation of Water Treatment Plant (Note 14b)	<u>(9,159)</u>	<u>(2,606)</u>	<u>(940)</u>	-	-	-	<u>(12,705)</u>
<b>Balance at 31 December 2006 as restated</b>	623,945,269	74,734,002	96,554,285	7,015,319	9,626,624	11,979,048	823,854,547
Amount Allocated from Net Surplus (Note 13)	59,661,035	7,133,931	10,560,828	374,611	514,051	-	78,244,456
Change in Unrealised Holding Gain (Note 5)	-	-	-	-	-	<u>4,146,121</u>	<u>4,146,121</u>
<b>Balance at 31 December 2007 (Page 2)</b>	<u>\$683,606,304</u>	<u>\$81,867,933</u>	<u>\$107,115,113</u>	<u>\$7,389,930</u>	<u>\$10,140,675</u>	<u>\$16,125,169</u>	<u>\$906,245,124</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STAFF SUPPLEMENTAL BENEFITS RESERVE  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2007  
 (Expressed in Eastern Caribbean Dollars)

	<u>2007</u>	<u>2006</u>
INCOME		
Contributions	421,479	352,762
Investment Income	<u>205,691</u>	<u>195,412</u>
	<u>627,170</u>	<u>548,174</u>
EXPENDITURE		
Benefits (Schedule I - Page 7)	38,594	86,759
Administration (Schedule II - Page 8)	<u>2,400</u>	<u>2,400</u>
	<u>40,994</u>	<u>89,159</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 13)	<u>\$586,176</u>	<u>\$459,015</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(Expressed in Eastern Caribbean Dollars)

	<u>2007</u>	<u>2006</u>
<b>Cash provided by operating activities:</b>		
Net surplus for the year		
- SSF and NPF (Page 3)	78,244,456	73,418,611
- SSBF (Page 5)	586,176	459,015
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	438,736	300,496
Gain on disposal of property, plant and equipment	(60,800)	(12,000)
Asset impairment	<u>76,358</u>	<u>-</u>
	79,284,926	74,166,122
<b>Non-cash working capital change</b>		
Accrued interest receivable	9,981,342	(18,583,207)
Accounts receivable and prepaid expenses	(149,517)	(493,512)
Accounts payable	18,775	(11,275)
Sundry creditors and accruals	<u>(539,737)</u>	<u>1,178,505</u>
<b>Cash provided by operating activities</b>	<u>88,595,789</u>	<u>56,256,633</u>
<b>Cash flows from investing activities</b>		
Net increase in investments	(88,186,749)	(59,406,423)
Property, plant and equipment transferred to investments	-	10,000
Additions to property, plant and equipment	(1,749,482)	(724,494)
Proceeds from disposal of property, plant and equipment	65,550	12,000
Additions to intangible assets	<u>(336,173)</u>	<u>(29,441)</u>
<b>Cash used in investing activities</b>	<u>(90,206,853)</u>	<u>(60,138,358)</u>
<b>Decrease in cash for the year</b>	(1,611,064)	(3,881,725)
Cash at beginning of year	<u>5,331,760</u>	<u>9,213,485</u>
<b>Cash at end of year</b>	<u>\$3,720,696</u>	<u>\$5,331,760</u>
Cash at bank and in hand	<u>\$3,720,696</u>	<u>\$5,331,760</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 2007  
 (Expressed in Eastern Caribbean Dollars)

## SCHEDULE I

a)	2	0	0	7	2	0	0	6
Social Security Fund:	Number of Claims				Number of Claims			
	\$				\$			
<u>Long Term Benefits</u>								
Elderly Refund	10		9,380		13		11,679	
Survivors Pension	727		1,700,138		718		1,654,758	
Invalidity	194		1,394,829		171		1,180,738	
Age Pension	1,771		15,931,633		1,642		13,980,181	
Age Grant	<u>77</u>		<u>662,314</u>		<u>64</u>		<u>523,592</u>	
	2,779		19,698,294		2,608		17,350,948	
Assistance Pension (Age)	548		1,417,202		592		1,527,000	
Assistance Pension (Invalidity)	<u>126</u>		<u>312,599</u>		<u>122</u>		<u>310,087</u>	
Sub-Total (Page 3)	<u>3,453</u>		<u>21,428,095</u>		<u>3,322</u>		<u>19,188,035</u>	
<u>Short Term Benefits</u>								
Sickness	8,099		4,819,945		7,683		4,494,706	
Funeral	205		487,047		217		517,900	
Maternity Allowance	543		2,106,784		470		1,738,749	
Maternity Grant	<u>561</u>		<u>254,700</u>		<u>493</u>		<u>224,550</u>	
Sub-Total (Page 3)	<u>9,408</u>		<u>7,668,476</u>		<u>8,863</u>		<u>6,975,905</u>	
<u>Employment Injury</u>								
Funeral Grant	-		-		1		4,000	
Injury	565		512,675		538		500,285	
Travelling Expenses	19		23,634		26		18,751	
Medical Care Expenses	243		156,628		290		134,695	
Death Benefits	19		114,157		21		95,912	
Constant Care	1		12,000		1		15,633	
Disablement - Pension	33		247,833		30		224,730	
Disablement - Grant	<u>1</u>		<u>3,179</u>		-		-	
Sub-Total (Page 3)	<u>881</u>		<u>1,070,106</u>		<u>907</u>		<u>994,006</u>	
<b>b) National Provident Fund:</b>								
Survivor	-		-		1		9,496	
Age	5		2,606		8		14,276	
Members' Balances repaid (Note 3)	<u>18</u>		<u>16,230</u>		<u>22</u>		<u>22,125</u>	
Sub-Total (Page 3)	<u>23</u>		<u>18,836</u>		<u>31</u>		<u>45,897</u>	
TOTAL	<u>13,765</u>		<u>\$30,185,513</u>		<u>13,123</u>		<u>\$27,203,843</u>	
<b>c) Staff Supplemental Benefits:</b>								
Refunds	2		38,092		6		86,292	
Pension	<u>1</u>		<u>502</u>		<u>1</u>		<u>467</u>	
Sub-Total (Page 5)	<u>3</u>		<u>38,594</u>		<u>7</u>		<u>86,759</u>	
GRAND TOTAL BENEFITS PAID	<u>13,768</u>		<u>\$30,224,107</u>		<u>13,130</u>		<u>\$27,290,602</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 2007  
 (Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2007</u>	<u>2006</u>
Actuarial Review	13,794	88,023
Advertising and Publicity	177,842	202,717
Anniversary Expenses	65,914	143
Audit Fees and Expenses	137,950	150,000
Bank Charges and Interest	12,927	5,808
Books, Periodicals, etc	3,047	3,145
Cleaning Expenses	4,849	6,053
Committee Expenses	34,470	22,833
Contribution for National Projects	270,000	270,000
Management Fees	70,750	61,006
Depreciation and Amortisation (Note 2(b))	438,736	300,496
Impairment Losses	76,358	-
Electricity	219,408	191,228
Hospitality	71,454	70,020
Insurances	254,111	240,355
Land and House Tax	7,982	4,554
Other Professional Fees	102,451	79,469
Maintenance of Computer System	136,652	145,305
Maintenance of Premises	138,686	138,025
Medical Expenses	1,830	4,650
Members of Social Security Board - Allowance and Other Expenses	146,267	117,285
Motor Vehicle Expenses	62,880	67,850
Pension Reform	119,270	-
Postages, Telephone and Telegraph	189,648	163,672
Repairs, Maintenance and Related Minor Purchases	121,715	102,267
Retirement Benefits	41,501	38,397
Rental	18,616	25,105
Salaries and Allowances	5,767,109	4,782,201
Scholarships	139,726	95,033
Security Services	74,810	52,050
Social Security, Social Services, etc	469,793	412,621
Staff Pension	205,778	200,539
Stationery, Printing and Office Expenses	263,647	229,888
Subscriptions	48,296	47,135
Training Seminars, Conferences	358,372	337,674
Travelling and Subsistence	43,406	33,530
Uniforms	2,052	50,439
Wages - Other Employees	100,246	137,861
Bad Debt Expense	-	40,208
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(392,716)</u>	<u>(525,707)</u>
<b>TOTAL ADMINISTRATION EXPENSES</b>	<b><u>\$10,019,627</u></b>	<b><u>\$8,391,878</u></b>
Allocated as follows:		
- Long Term Benefits Fund (Page 3)	7,221,997	6,038,602
- Short Term Benefits Fund (Page 3)	2,049,184	1,718,015
- Injury (Page 3)	733,044	619,859
- National Provident Fund (Page 3)	<u>13,002</u>	<u>13,002</u>
Sub-total (Page 3)	10,017,227	8,389,478
- Staff Supplemental Benefits Reserve Fund (Page 5)	<u>2,400</u>	<u>2,400</u>
<b>TOTAL (As Above)</b>	<b><u>\$10,019,627</u></b>	<b><u>\$8,391,878</u></b>

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 2007  
(Expressed in Eastern Caribbean Dollars)

SCHEDULE III

<u>Item</u>	<u>Cost or Valuation 31/12/06</u>	<u>Additions/ (Disposals)</u>	<u>Revaluations</u>	<u>Cost or Valuation 31/12/07</u>	<u>D E P R E C I A T I O N</u>			<u>Written Down Value</u>	
					<u>31/12/06</u>	<u>Charge (Disposals)</u>	<u>31/12/07</u>	<u>31/12/07</u>	<u>31/12/06</u>
Freehold Properties:									
- Kawaja Property St Kitts – At Valuation	531,803	-	264,264	796,067	-	-	-	796,067	531,803
- Liverpool Row Building St Kitts – Work in Progress	771,578	1,171,467	-	1,943,045	-	-	-	1,943,045	771,578
- Church Street St Kitts – At Valuation	1,231,404	-	1,366,596	2,598,000	-	-	-	2,598,000	1,231,404
- Church Street Building – Work in Progress	186,627	-	-	186,627	-	-	-	186,627	186,627
- Bay Road St Kitts – At Valuation	4,355,246	-	2,078,769	6,434,015	-	-	-	6,434,015	4,355,246
- Chapel Street Nevis – At Valuation	<u>2,176,358</u>	-	<u>(76,358)</u>	<u>2,100,000</u>	-	-	-	<u>2,100,000</u>	<u>2,176,358</u>
	9,253,016	1,171,467	3,633,271	14,057,754	-	-	-	14,057,754	9,253,016
Furniture and Equipment – At Cost	2,587,664	306,443	-	2,894,107	2,398,034	80,665	2,478,699	415,408	189,630
Computer Equipment – At Cost	3,198,734	136,054	-	3,334,788	2,937,262	122,552	3,059,814	274,974	261,472
Motor Vehicles – At Cost	<u>679,344</u>	135,518 <u>(144,744)</u>	-	<u>670,118</u>	<u>409,190</u>	<u>119,748</u> <u>(139,994)</u>	<u>388,944</u>	<u>281,174</u>	<u>270,154</u>
		\$1,749,482 <u>\$(144,744)</u>	<u>\$3,633,271</u>	<u>\$20,956,767</u>	<u>\$5,744,486</u>	<u>\$322,965</u> <u>\$(139,994)</u>	<u>\$5,927,457</u>	<u>\$15,029,310</u>	<u>\$9,974,272</u>
TOTAL	<u>\$15,718,758</u>								

(Page 2 &amp; Note 7)

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(Expressed in Eastern Caribbean Dollars)

1 ESTABLISHMENT OF FUND

- Social Security Act 1977:

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

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

- Transfer of National Provident Fund Assets and Liabilities:

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

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

- Actuarial Review of the Fund:

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

The eighth actuarial review of the Social Security Board was carried out in December 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 BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES

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

a) Foreign Currencies:

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

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

b) Property, Plant and Equipment and Depreciation:

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

Depreciation rates are as follows:

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

Property, plant and equipment previously included computer software, which is now classified as intangible assets in order to comply with International Financial Reporting Standards (IFRS No 38). This change has necessitated the restatement of Property, plant and equipment of the previous year ended 31 December 2006. This change has had no effect on the reported results of the Board.

Freehold Property

The Board, in order to comply with IFRSs, has decided to depreciate its buildings in the ensuing year. No depreciation for buildings is shown in these accounts as buildings were revalued at 31 December 2007.

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. Fair value is determined by reference to market-based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable and willing buyer and a knowledgeable willing seller in an arm's length transaction at valuation date. Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet. Any revaluation deficit directly offsetting a previous surplus in the same asset is directly offset against the surplus in the asset revaluation reserve. Losses on revaluation for which there was no prior surplus are charged to the Income Statement.

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

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

(Continued)

(Expressed in Eastern Caribbean Dollars)

## 2 ACCOUNTING POLICIES (cont'd)

## c) Intangible Assets:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description and has been removed from property, plant and equipment in order to comply with International Financial Reporting Standards (IAS 38).

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

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

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

Investments are classified into the following three categories as follows:

## ( i) Available-for-sale Investments

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

## ( ii) Held-to-maturity Investments

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

## e) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2007, at the rates quoted for the period of the investments.

## f) Revenue and Expenses:

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

## g) Staff Supplemental Benefits Plan:

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

(Continued)

(Expressed in Eastern Caribbean Dollars)

3 NATIONAL PROVIDENT FUND - MEMBERS' ACCOUNT

During the year under review, the Social Security Fund repaid a total amount of \$16,230 to 18 members of the National Provident Fund (2006 = \$22,125 to 22 members) (see Schedule 1 - Page 7). The repayment represents members' claims against the Fund up to the date of settlement of their balances.

4 NATIONAL PROVIDENT RESERVE FUND

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

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

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

5 REVALUATION RESERVE

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

	<u>Freehold</u> <u>Properties</u>	<u>Available-for</u> <u>Sale Investments</u>	<u>Total</u> <u>2007</u>	<u>Total</u> <u>2006</u>
Balance as at 1 January 2007	2,398,602	9,580,446	11,979,048	11,268,369
Movement for the Year	<u>3,709,630</u>	<u>436,491</u>	<u>4,146,121</u>	<u>710,679</u>
Balance as at 31 December 2007	<u>\$6,108,232</u>	<u>\$10,016,937</u>	<u>\$16,125,169</u>	<u>\$11,979,048</u>

( Page 2 )

6 STAFF SUPPLEMENTAL BENEFITS RESERVE FUND

	<u>2007</u>	<u>2006</u>
BALANCE - At Beginning of Year	3,905,268	3,446,253
Excess of Income over Expenditure for year (Page 5)	<u>586,176</u>	<u>459,015</u>
BALANCE - At End of Year (Page 2)	<u>\$4,491,444</u>	<u>\$3,905,268</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 2007  
(Continued)  
(Expressed in Eastern Caribbean Dollars)

## 7 PROPERTY, PLANT AND EQUIPMENT

	<u>Land &amp; Buildings At Fair Value</u>	<u>Furniture &amp; Equipment At Cost</u>	<u>Computer Equipment At Cost</u>	<u>Motor Vehicles At Cost</u>	<u>Total</u>
<b>Cost or Valuation</b>					
Balance at 1 January 2006	8,964,644	2,487,668	3,004,708	633,244	15,090,264
Additions	298,372	99,996	194,026	132,100	724,494
Disposal	(10,000)	-	-	(86,000)	(96,000)
Balance at 1 January 2007	9,253,016	2,587,664	3,198,734	679,344	15,718,758
Additions	1,171,466	306,443	136,054	135,518	1,749,481
Disposals	-	-	-	(144,744)	(144,744)
Revaluation Increase	3,709,630	-	-	-	3,709,630
Impairment loss on Revaluation	(76,358)	-	-	-	(76,358)
Balance at 31 December 2007	<u>14,057,754</u>	<u>2,894,107</u>	<u>3,334,788</u>	<u>670,118</u>	<u>20,956,767</u>
<b>Accumulated Depreciation</b>					
Balance at 1 January 2006	-	(2,363,335)	(2,815,808)	(373,270)	(5,552,413)
Depreciation Expense	-	(34,699)	(121,454)	(121,920)	(278,073)
Disposals	-	-	-	86,000	86,000
Balance at 1 January 2007	-	(2,398,034)	(2,937,262)	(409,190)	(5,744,486)
Depreciation Expense	-	(80,665)	(122,552)	(119,748)	(322,965)
Disposals	-	-	-	139,994	139,994
Balance at 31 December 2007	<u>-</u>	<u>(2,478,699)</u>	<u>(3,059,814)</u>	<u>(388,944)</u>	<u>(5,927,457)</u>
<b>Net Book Value 2007</b>	<u>\$14,057,754</u>	<u>\$415,408</u>	<u>\$274,974</u>	<u>\$281,174</u>	<u>\$15,029,310</u> (Pages 2 & 9)
<b>Net Book Value 2006</b>	<u>\$9,253,016</u>	<u>\$189,630</u>	<u>\$261,472</u>	<u>\$270,154</u>	<u>\$9,974,272</u> (Pages 2 & 9)



ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

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

Land and Building at valuation is as follows:	<u>2007</u>	<u>2006</u>
	\$14,057,754	\$9,253,016

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

	<u>2007</u>	<u>2006</u>
Net Carrying Amount	\$7,949,522	\$5,540,324

8 INTANGIBLE ASSETS	<u>2007</u>	<u>2006</u>
Computer Software		
Cost at Beginning of Year	6,772,546	6,743,105
Additions during the Year	<u>336,173</u>	<u>29,441</u>
	<u>7,108,719</u>	<u>6,772,546</u>
Accumulated Amortisation – Beginning of year	(6,557,693)	(6,535,270)
Amortisation for the Year	<u>(115,771)</u>	<u>(22,423)</u>
Accumulated Amortisation – End of Year	<u>(6,673,464)</u>	<u>(6,557,693)</u>
Net Book Value (Page 2)	<u>\$435,255</u>	<u>\$214,853</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS	<u>2007</u>	<u>2006</u>
	Available for Sale		
	Lands	7,175,435	7,022,608
	Debt Securities: quoted at market value	2,267,827	2,384,395
	Equities:		
	Quoted at market value	28,159,725	23,534,044
	Unquoted	<u>378,000</u>	<u>378,000</u>
	Total Available for Sale	<u>37,980,987</u>	<u>33,319,047</u>
	Held to Maturity		
	Fixed Deposits:		
	CLICO (Trinidad) Limited	6,357,157	5,907,876
	Barclays Bank Plc UK	378,000	1,174,500
	RBTT Bank (SKN)	2,000,000	-
	SKNA National Bank Limited	465,449,641	422,296,556
	SKN Finance Company Limited	7,821,764	7,686,929
	Bank of Nevis Limited	29,014,889	23,263,423
	Bank of Nova Scotia	16,200,000	11,200,000
	Caribbean Money Market Brokers	5,922,321	3,183,944
	St. Kitts Credit Union	2,297,553	1,297,553
	Nevis Credit Union	5,565,000	4,565,000
	Development Bank of St Kitts	<u>3,532,836</u>	-
		<u>544,539,161</u>	<u>480,575,781</u>
	Call Accounts:		
	R B C Dominion Securities	159,337	129,887
	Crown Agents	7,435	6,624
	SKNA National Bank Limited	8,011,683	2,597,878
	Bank of Nova Scotia	<u>221,582</u>	<u>215,886</u>
		<u>8,400,037</u>	<u>2,950,275</u>
	Sub-total carried forward	<u>552,939,198</u>	<u>483,526,056</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(Continued)  
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9	INVESTMENTS (cont'd)	<u>2007</u>	<u>2006</u>
	Sub-total brought forward	<u>552,939,198</u>	<u>483,526,056</u>
	Held to Maturity (cont'd)		
	Treasury Bills - St Kitts:	21,642,500	19,871,750
	Treasury Bills - Nevis:	<u>6,396,263</u>	<u>6,396,263</u>
		<u>28,038,763</u>	<u>26,268,013</u>
	Debt Securities Unquoted:	<u>48,582,026</u>	<u>49,506,218</u>
	Total Held to Maturity	<u>629,559,987</u>	<u>559,300,287</u>
	Loans Receivable		
	Government	38,855,056	40,060,224
	Statutory Corporations	137,924,936	125,831,208
	Other	3,594,711	1,000,000
	Staff Loans and Advances (Less Provision for Doubtful Accounts \$60,285/2006 = \$60,285)	<u>7,146,112</u>	<u>6,927,783</u>
	Total Loans Receivable	<u>187,520,815</u>	<u>173,819,215</u>
	TOTAL INVESTMENTS (Page 2)	<u>\$855,061,789</u>	<u>\$766,438,549</u>

## Fixed Deposits:

Interest rates range between 4.95% and 7% (2006 = 5.25% and 8 %) per annum with maximum maturity of two years.

## Call Accounts:

Interest rates range between zero to 2.25% (2006 = 2.5% to 4%) per annum.

## Treasury Bills:

Interest rates range between 6½% and 7% (2006 = same) per annum with a term of 91 days.

## Debt Securities Unquoted:

These securities earn interest at varying rates up to 10.4% (2006 = 9%) and have maturities ranging between 2008 and 2027.

## Loans Receivable:

The loans earn interest at rates ranging from 6% to 8% and have maturity dates ranging from 2008 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  
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(Continued)

(Expressed in Eastern Caribbean Dollars)

10	CASH AT BANK AND IN HAND	<u>2007</u>	<u>2006</u>
	Cash at Bank - Current Accounts		
	Royal Bank of Canada	1,253,915	350,308
	SKNA National Bank Limited	1,096,341	1,507,173
	Bank of Nova Scotia	547,015	1,161,067
	SKNA National Bank Limited (Administrative)	<u>4,988</u>	<u>-</u>
		2,902,259	3,018,548
	Cash at Bank - Savings Account		
	Royal Bank of Canada	104,598	101,518
	SKNA National Bank Limited	179,726	265,645
	Cash in Hand	<u>534,113</u>	<u>1,946,049</u>
	TOTAL (Page 2)	<u>\$3,720,696</u>	<u>\$5,331,760</u>
11	ACCRUED INTEREST RECEIVABLE	<u>2007</u>	<u>2006</u>
	Balance At Beginning of Year	49,460,776	30,877,579
	Interest Earned during the Year	53,277,317	47,481,828
	Interest Payment Received during the Year	(63,258,659)	(28,898,631)
	Balance At End of Year (Page 2)	<u>\$39,479,434</u>	<u>\$49,460,776</u>

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

12 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

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

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

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
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(Continued)  
(Expressed in Eastern Caribbean Dollars)

13	ALLOCATION OF NET SURPLUS	<u>2007</u>	<u>2006</u>
	Social Security Fund		
	a) Long Term Benefits Fund (Page 4)	59,661,035	55,906,651
	b) Short Term Benefits Fund (Page 4)	7,133,931	6,916,179
	c) Injury Benefits Fund (Note (Page 4))	<u>10,560,828</u>	<u>9,659,548</u>
		<u>77,355,794</u>	<u>72,482,378</u>
	National Provident Fund		
	a) Members' Account (Page 4)	374,611	394,664
	b) Reserve Fund (Page 4)	<u>514,051</u>	<u>541,569</u>
		<u>888,662</u>	<u>936,233</u>
	NET SURPLUS FOR THE YEAR (Page 3 & 4)	<u>\$78,244,456</u>	<u>\$73,418,611</u>

14 PRIOR YEAR ADJUSTMENT

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

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

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

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

The values for Property, Plant and Equipment have been restated in these financial statement to reflect the change.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

(Continued)

(Expressed in Eastern Caribbean Dollars)

## 15 DISTRIBUTION OF INCOME AND EXPENDITURE

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

## 1) Social Security Fund - Contribution Income:

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

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

## 2) Staff Supplemental Benefits - Contribution Income:

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

## 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.

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

(Expressed in Eastern Caribbean Dollars)

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

## 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.

## 16 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2007, contributions and fines due from employers amounted to \$11,143,166 (2006 = \$8,251,531). Details are set out hereunder:

<u>Particulars</u>	<u>2007</u>	<u>2006</u>
Contributions due by Employers	4,085,235	2,924,026
Fines due by Employers	<u>7,057,931</u>	<u>5,327,505</u>
TOTAL DUE TO THE BOARD	<u>\$11,143,166</u>	<u>\$8,251,531</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007  
 (Continued)  
 (Expressed in Eastern Caribbean Dollars)

## 17 CAPITAL EXPENDITURE

At 31 December 2007, the Directors approved capital expenditure for the ensuing year of \$5,982,043 (including property development) (2006 = \$13million).

## 18 RELATED PARTY TRANSACTIONS

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

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

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

	<u>2007</u>	<u>2006</u>
<b>Loans to Government and Statutory Corporations</b>		
Beginning of year	211,023,622	197,569,980
Loans advanced during the year	13,301,778	13,198,179
Loan Repayment received	(3,093,873)	(2,687,388)
Interest Income	12,345,032	11,378,633
Interest Received	(11,559,094)	(8,435,782)
End of Year	<u>\$222,017,465</u>	<u>\$211,023,622</u>

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
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(Continued)

(Expressed in Eastern Caribbean Dollars)

18 RELATED PARTY TRANSACTIONS (cont'd)

	<u>2007</u>	<u>2006</u>
<b>Fixed Deposits, Bank Accounts and Treasury Bills with Related Parties</b>		
Beginning of Year	481,531,880	435,499,254
Net Advances	53,378,716	30,977,166
Interest Income	30,889,385	28,491,184
Interest Received	<u>(42,059,107)</u>	<u>(13,435,724)</u>
End of Year	<u>\$523,740,874</u>	<u>\$481,531,880</u>

19 KEY MANAGEMENT COMPENSATION

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$523,900 (2006 = \$492,402).

20 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 2007 is adequate.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2007

(Continued)  
(Expressed in Eastern Caribbean Dollars)

20 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.

21 CONTINGENT LIABILITY SOCIAL SECURITY BOARD – CLAIM RE: KASSAB BUILDING

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

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