

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2010

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

CONTENTS

	<u>PAGE</u>
AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	2
INCOME AND EXPENDITURE ACCOUNT	3
STATEMENT OF COMPREHENSIVE INCOME	4
STATEMENT OF CHANGES IN EQUITY	5
STAFF SUPPLEMENTAL BENEFITS RESERVE - INCOME AND EXPENDITURE ACCOUNT	6
STATEMENT OF CASH FLOWS	7
BENEFITS PAID - SCHEDULE I	8
ADMINISTRATION EXPENSES - SCHEDULE II	9
SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT - SCHEDULE III	10
NOTES TO THE ACCOUNTS	11 - 30

~***~



Chartered Accountants
& business advisers

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 statement of financial position as at 31 December 2010, 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 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants:

BASSETERRE - ST KITTS
29th September 2011

PKF IP. O. Box 335/"Independence House"/North Independence Square/Basseterre/St. Kitts
Tel: (869) 465-2215/465-2746/4664925 Fax: (869) 466-2091/465-1098 Email: pannels@sisterisles.kn

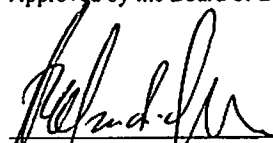
Partners: Omax A. E. Gardner Wilbur A. Harrigan, OBE

ST KITTS-NEVIS SOCIAL SECURITY BOARDSTATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2010</u>	<u>2009</u> (Restated)
FUNDS EMPLOYED			
Social Security Fund			
- Long Term Benefits Fund		859,173,288	799,580,434
- Short Term Benefits Fund		100,662,626	93,142,281
- Injury Benefits Fund		141,698,197	129,371,285
National Provident Fund			
- Members' Account	3	8,741,336	8,250,326
- Reserve Fund	4	11,995,114	11,321,336
Revaluation Reserve	5	<u>21,368,217</u>	<u>20,825,964</u>
EQUITY (Page 5)		1,143,638,778	1,062,491,626
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>6,923,748</u>	<u>5,838,883</u>
TOTAL FUNDS		<u>\$1,150,562,526</u>	<u>\$1,068,330,509</u>
REPRESENTED BY:			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 10)	7	<u>23,759,518</u>	<u>21,426,660</u>
INTANGIBLE ASSETS	8	<u>272,328</u>	<u>394,997</u>
INVESTMENTS	9	<u>1,078,697,965</u>	<u>1,001,981,426</u>
CURRENT ASSETS			
Cash at Bank and in Hand	10	10,016,158	9,334,061
Accrued Interest Receivable	11	38,661,238	39,578,473
Accounts Receivable and Prepaid Expenses	12	<u>5,981,834</u>	<u>1,304,521</u>
		<u>54,659,230</u>	<u>50,217,055</u>
LESS: CURRENT LIABILITIES			
Accounts Payable		75,300	173,579
Sundry Creditors and Accruals	10	6,719,018	5,483,853
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>6,826,515</u>	<u>5,689,629</u>
NET CURRENT ASSETS		<u>47,832,715</u>	<u>44,527,426</u>
TOTAL NET ASSETS		<u>\$1,150,562,526</u>	<u>\$1,068,330,509</u>

The attached Notes form an integral part of these Accounts.

Approved by the Board of Directors on 29th September 2011.


 Galva Hendrickson - Chairman



 Sephlin Lawrence - Director

ST KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010
 (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 2010</u>	<u>Total 2009</u>
INCOME (Note 14)						
Contributions	52,979,334	13,239,800	6,619,900	2,314	72,841,348	70,538,895
Investment Income	47,727,551	5,559,732	7,722,268	1,201,907	62,211,458	57,846,450
Other Income	<u>403,890</u>	<u>117,955</u>	<u>70,299</u>	<u>-</u>	<u>592,144</u>	<u>686,526</u>
	<u>101,110,775</u>	<u>18,917,487</u>	<u>14,412,467</u>	<u>1,204,221</u>	<u>135,644,950</u>	<u>129,071,871</u>
EXPENDITURE (Note 14)						
Benefits (Schedule I - Page 8)	31,608,496	8,813,597	1,172,660	26,431	41,621,184	39,697,723
Administration (Schedule II - Page 9)	9,735,158	2,538,111	896,841	13,002	13,183,112	12,259,628
Provision for loss on Investments (Notes 9 & 11)	<u>174,267</u>	<u>45,434</u>	<u>16,054</u>	<u>-</u>	<u>235,755</u>	<u>5,844,822</u>
	<u>41,517,921</u>	<u>11,397,142</u>	<u>2,085,555</u>	<u>39,433</u>	<u>55,040,051</u>	<u>57,802,173</u>
NET SURPLUS FOR THE YEAR (Note 13 - Page 23)	<u>\$59,592,854</u>	<u>\$7,520,345</u>	<u>\$12,326,912</u>	<u>\$1,164,788</u>	<u>\$80,604,899</u>	<u>\$71,269,698</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Eastern Caribbean Dollars)

	<u>2010</u>	<u>2009</u>
Income for the Year (Page 3) (Note 13)	80,604,899	71,269,698
Other Comprehensive Income:		
Unrealised Holding Gain (Note 2 (e)(i) & 5)	(460,197)	(1,654,726)
Bonus Shares Received (Notes 5 & 9)	<u>1,002,450</u>	<u>8,573,005</u>
Total Comprehensive Income for the Year (Page 5)	<u>\$81,147,152</u>	<u>\$78,187,977</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 2010

(Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----	National Provident Fund							
	Long Term Benefits Fund	Short Term Benefits Fund	Injury Benefits Fund	Members= Account	Reserve Fund	Revaluation Reserve	Unrealised Holding Gain	Capital Reserve	Total
Balance as at 31 December 2008	745,760,873	87,930,638	118,185,383	7,806,612	10,712,458	6,108,232	7,799,453	-	984,303,649
Total Comprehensive Income (Page 4)	<u>53,819,561</u>	<u>5,211,643</u>	<u>11,185,902</u>	<u>443,714</u>	<u>608,878</u>	-	(1,654,726)	<u>8,573,005</u>	<u>78,187,977</u>
Balance at 31 December 2009 (Page 2)	799,580,434	93,142,281	129,371,285	8,250,326	11,321,336	6,108,232	6,144,727	8,573,005	1,062,491,626
Total Comprehensive Income (Page 4)	<u>59,592,854</u>	<u>7,520,345</u>	<u>12,326,912</u>	<u>491,010</u>	<u>673,778</u>	-	(460,197)	<u>1,002,450</u>	<u>81,147,152</u>
Balance at 31 December 2010 (Page 2)	<u>\$859,173,288</u>	<u>\$100,662,626</u>	<u>\$141,698,197</u>	<u>\$8,741,336</u>	<u>\$11,995,114</u>	<u>\$6,108,232</u>	<u>\$5,684,530</u>	<u>\$9,575,455</u>	<u>\$1,143,638,778</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 2010
(Expressed in Eastern Caribbean Dollars)

	<u>2010</u>	<u>2009</u>
INCOME		
Contributions	549,066	530,754
Investment Income (Note 6)	<u>540,388</u>	<u>250,950</u>
	<u>1,089,454</u>	<u>781,704</u>
EXPENDITURE		
Benefits (Schedule I - Page 8)	2,189	161,033
Administration (Schedule II - Page 9)	<u>2,400</u>	<u>2,400</u>
	<u>4,589</u>	<u>163,433</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 16)	<u>\$1,084,865</u>	<u>\$618,271</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 2010
(Expressed in Eastern Caribbean Dollars)

	<u>2010</u>	<u>2009</u> (Restated)
Cash provided by operating activities:		
Net surplus for the year		
- SSF and NPF (Page 3)	80,604,899	71,269,698
- SSBF (Page 6)	1,084,865	618,271
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	786,585	795,940
Gain on disposal of property, plant and equipment	<u>(37,170)</u>	<u>(70,100)</u>
	82,439,179	72,613,809
Non-cash working capital change		
Accrued interest receivable	917,235	10,705,610
Accounts receivable and prepaid expenses	(4,677,313)	(275,545)
Accounts payable	(98,279)	13,110
Sundry creditors and accruals	<u>1,235,166</u>	<u>1,516,387</u>
Cash provided by operating activities	<u>79,815,988</u>	<u>84,573,371</u>
Cash flows from investing activities		
Net increase in investments	(76,174,287)	(73,576,431)
Additions to property, plant and equipment	(2,975,711)	(4,478,986)
Proceeds from disposal of property, plant and equipment	42,170	80,100
Additions to intangible assets	<u>(26,063)</u>	<u>(180,931)</u>
Cash used in investing activities	<u>(79,133,891)</u>	<u>(78,156,248)</u>
Increase in cash for the year	682,097	6,417,123
Cash at beginning of year	<u>9,334,061</u>	<u>2,916,938</u>
Cash at end of year	<u>\$10,016,158</u>	<u>\$9,334,061</u>
Cash at bank and in hand	<u>\$10,016,158</u>	<u>\$9,334,061</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 2010
 (Expressed in Eastern Caribbean Dollars)

SCHEDULE I

	<u>2</u> <u>0</u> <u>1</u> <u>0</u>		<u>2</u> <u>0</u> <u>0</u> <u>9</u>	
a) Social Security Fund:	Number of	\$	Number of	\$
	<u>Claims</u>		<u>Claims</u>	
<u>Long Term Benefits</u>				
Elderly Refund	16	6,584	10	4,104
Survivors Pension	839	2,549,694	778	2,232,961
Invalidity	254	2,054,896	223	1,952,047
Age Pension	2,094	24,501,709	1,989	22,447,110
Age Grant	<u>83</u>	<u>593,513</u>	<u>77</u>	<u>590,141</u>
	<u>3,286</u>	<u>29,706,396</u>	<u>3,077</u>	<u>27,226,363</u>
Assistance Pension (Age)	475	1,460,850	505	1,541,675
Assistance Pension (Invalidity)	<u>147</u>	<u>441,250</u>	<u>145</u>	<u>412,865</u>
	<u>622</u>	<u>1,902,100</u>	<u>650</u>	<u>1,954,540</u>
Sub-Total (Page 3)	<u>3,908</u>	<u>31,608,496</u>	<u>3,727</u>	<u>29,180,903</u>
<u>Short Term Benefits</u>				
Sickness	9,846	6,050,084	10,036	6,400,940
Funeral	235	550,791	230	556,206
Maternity Allowance	486	1,980,522	523	2,147,617
Maternity Grant	<u>508</u>	<u>232,200</u>	<u>540</u>	<u>246,600</u>
Sub-Total (Page 3)	<u>11,075</u>	<u>8,813,597</u>	<u>11,329</u>	<u>9,351,363</u>
<u>Employment Injury</u>				
Funeral Grant	1	4,000	1	4,000
Injury	470	445,816	483	418,700
Travelling Expenses	4	4,414	23	33,280
Medical Care Expenses	267	100,859	266	176,248
Death Benefits	17	163,225	15	116,559
Constant Care	2	26,160	2	32,327
Disablement - Pension	53	397,755	45	338,706
Disablement - Grant	<u>5</u>	<u>30,431</u>	<u>-</u>	<u>-</u>
Sub-Total (Page 3)	<u>819</u>	<u>1,172,660</u>	<u>835</u>	<u>1,119,820</u>
b) National Provident Fund:				
Age	19	17,287	12	15,652
Members' Balances repaid (Note 3)	<u>8</u>	<u>9,144</u>	<u>20</u>	<u>29,985</u>
Sub-Total (Page 3)	<u>27</u>	<u>26,431</u>	<u>32</u>	<u>45,637</u>
TOTAL (Page 3)	<u>15,829</u>	<u>\$41,621,184</u>	<u>15,923</u>	<u>\$39,697,723</u>
c) Staff Supplemental Benefits:				
Refunds	1	1,556	2	47,633
Pension	<u>1</u>	<u>633</u>	<u>1</u>	<u>113,400</u>
Sub-Total (Page 6)	<u>2</u>	<u>2,189</u>	<u>3</u>	<u>161,033</u>
GRAND TOTAL BENEFITS PAID	<u>15,831</u>	<u>\$41,623,373</u>	<u>15,926</u>	<u>\$39,858,756</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 2010
 (Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2010</u>	<u>2009</u>
Actuarial Review	58,672	40,821
Advertising and Publicity	338,499	168,777
Anniversary Expenses	-	5,940
Audit Fees and Expenses	154,970	154,970
Bank Charges and Interest	(3,801)	6,812
Books, Periodicals, etc	7,006	15,071
Cleaning Expenses	10,027	11,618
Commission	23,503	5,823
Committee Expenses	82,544	67,050
Contribution for National Projects	270,000	270,000
Management Fees	40,962	36,375
Depreciation and Amortisation (Note 2(c) & 2(d))	786,584	795,940
Electricity	185,845	135,099
Hospitality	97,919	81,050
Insurances	383,659	320,716
Land and House Tax	1,044	1,044
Other Professional Fees	419,754	239,401
Maintenance of Computer System	343,946	363,972
Maintenance of Premises	209,554	136,698
Medical Expenses	4,000	5,080
Members of Social Security Board - Allowance and Other Expenses	229,846	206,364
Motor Vehicle Expenses	66,266	70,503
Pension Reform	-	32,470
Postages, Telephone and Telegraph	177,254	173,511
Repairs, Maintenance and Related Minor Purchases	368,006	149,809
Retirement Benefits	19,124	37,162
Rental	26,950	16,300
Salaries and Allowances	6,947,192	6,788,799
Scholarships	80,166	150,627
Security Services	77,420	63,450
Social Security, Social Services, etc	602,053	588,148
Staff Pension	274,534	265,377
Stationery, Printing and Office Expenses	246,400	322,051
Subscriptions	62,186	80,599
Training Seminars, Conferences	668,558	512,102
Travelling and Subsistence	52,732	50,120
Uniforms	872	48,984
Wages - Other Employees	277,127	248,786
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(405,861)</u>	<u>(405,391)</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$13,185,512</u>	<u>\$12,262,028</u>
Allocated as follows:		
- Long Term Benefits Fund (Page 3)	9,735,158	8,945,189
- Short Term Benefits Fund (Page 3)	2,538,111	2,464,424
- Injury (Page 3)	896,841	837,013
- National Provident Fund (Page 3)	<u>13,002</u>	<u>13,002</u>
Sub-total (Page 3)	13,183,112	12,259,628
- Staff Supplemental Benefits Reserve Fund (Page 6)	<u>2,400</u>	<u>2,400</u>
TOTAL (As Above)	<u>\$13,185,512</u>	<u>\$12,262,028</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 2010
(Expressed in Eastern Caribbean Dollars)

SCHEDULE III

<u>Item</u>	<u>Cost or Valuation 31/12/09</u>	<u>Additions/ (Disposals)</u>	<u>Cost or Valuation 31/12/10</u>	<u>D E P R E C I A T I O N</u>			<u>Written Down Value</u>	
				<u>31/12/09</u>	<u>Charge (Disposals)</u>	<u>31/12/10</u>	<u>31/12/10</u>	<u>31/12/09</u>
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	5,948,426	1,782,717	7,731,143	-	-	-	7,731,143	5,948,426
- 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	1,677,384	681,242	2,358,626	-	-	-	2,358,626	1,677,384
- Bay Road St Kitts – At Valuation/Cost	6,463,666	-	6,463,666	217,523	109,039	326,562	6,137,104	6,246,144
- Chapel Street Nevis – At Valuation/Cost	2,101,200	-	2,101,200	93,250	46,625	139,875	1,961,325	2,007,950
- Pinneys Estate Nevis - Land at Cost	<u>831,486</u>	<u>6,064</u>	<u>837,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>837,550</u>	<u>831,486</u>
	20,416,229	2,470,023	22,886,252	310,773	155,664	466,437	22,419,815	20,105,457
Furniture and Equipment – At Cost	1,446,724	274,890	1,721,614	986,811	197,287	1,184,098	537,516	459,913
Computer Equipment – At Cost	831,184	151,798	982,982	427,479	147,395	574,874	408,108	403,705
Motor Vehicles – At Cost	<u>758,118</u>	<u>79,000 (74,000)</u>	<u>763,118</u>	<u>300,532</u>	<u>137,507 (69,000)</u>	<u>369,039</u>	<u>394,079</u>	<u>457,585</u>
		\$2,975,711			\$637,853			
TOTAL	<u>\$23,452,255</u>	<u>\$(74,000)</u>	<u>\$26,353,966</u>	<u>\$2,025,595</u>	<u>\$(69,000)</u>	<u>\$2,594,448</u>	<u>\$23,759,518</u>	<u>\$21,426,660</u>

The attached Notes form an integral part of these Accounts.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(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 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.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(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.

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 adopted in the current period

IAS 1	Presentation of Financial Statements	- effective 1 January 2010
IAS 7	Statement of Cash Flows	- effective 1 January 2010
IAS 17	Leases	- effective 1 January 2010
IAS 36	Impairment of Assets	- effective 1 January 2010
IAS 38	Intangible Assets	- effective 1 July 2009
IAS 39	Financial Instruments Recognition and Measurement	- effective 1 January 2010

New and amended Standards and interpretations in issue and effective but not applicable

IAS 27	Consolidated and Separate Financial Statements	- effective 1 July 2009
IAS 28	Investment in Associates	- effective 1 July 2009
IAS 31	Interest in Joint Ventures – Consequential	- effective 1 July 2009
IFRS 1	Amendment relating to oil and gas assets and determining whether an arrangement contains a lease	- effective 1 January 2010
IFRS 2	Share-based Payment – Amendments relating to group cash-settled share-based payment transactions	- effective 1 January 2010
IFRS 3	Business combinations	- effective 1 July 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	- effective 1 January 2010
IFRS 8	Operating segments	- effective 1 January 2010
IFRIC 9	Reassessment of Embedded Derivatives	- effective 1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	- effective 1 July 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	- effective 1 July 2009
IFRIC 18	Transfer of Assets from Customers	- effective 1 July 2009

New and amended Standards and Interpretations in issue but not yet effective

IAS 12	Income Taxes	- effective 1 January 2012
IAS 24	Related Party Disclosures	- effective 1 January 2011
IAS 32	Financial Instruments: Presentation	- effective 1 February 2010
IAS 34	Interim Financial Reporting	- effective 1 January 2011
IFRS 7	Financial Instrument: Disclosure	- effective 1 July 2011

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)
(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

a) Basis of Accounting: (Cont'd)

New and amended Standards and Interpretations in issue but not yet effective (Cont'd)

IFRS 9	Financial Instrument – Classification and Measurement	- effective 1 January 2013
IFRIC 13	Customer Loyalty Programmes	- effective 1 January 2011
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	- effective 1 January 2011
IFRIC 19	Extinguishing Financial Liabilities With Equity Instruments	- effective 1 July 2010

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.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

d) Intangible Assets:

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

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

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

Investments are classified into the following three categories as follows:

(i) Available-for-sale Investments

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

(ii) Held-to-maturity Investments

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

(iii) Loans Receivable:

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

f) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2010, 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.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

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.

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.

3 NATIONAL PROVIDENT FUND - MEMBERS' ACCOUNT

During the year under review, the Social Security Fund repaid a total amount of \$9,144 to 8 members of the National Provident Fund (2009 = \$29,985 to 20 members) (see Schedule 1 - Page 8). The repayment represents members' claims against the Fund up to the date of settlement of their balances.

4 NATIONAL PROVIDENT RESERVE FUND

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

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

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010(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 2010</u>	<u>Total 2009</u>
Balance as at 1 January 2010	6,108,232	6,144,727	8,573,005	20,825,964	13,907,685
Movement for the Year (Page 4 and Note 2 (e) (i))	-	(460,197)	1,002,450	542,253	6,918,279
Balance as at 31 December 2010	<u>\$6,108,232</u>	<u>\$5,684,530</u>	<u>\$9,575,455</u>	<u>\$21,368,217</u>	<u>\$20,825,964</u>

(Page 2)

6 STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	<u>2010</u>	<u>2009</u>
BALANCE - At Beginning of Year	5,838,883	5,220,612
Excess of Income over Expenditure for year (Page 6)	<u>1,084,865</u>	<u>618,271</u>
BALANCE - At End of Year (Page 2)	<u>\$6,923,748</u>	<u>\$5,838,883</u>

This year's staff supplemental Benefits Income includes 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 ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(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 2010					
Cost or Valuation					
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>-</u>	<u>-</u>	<u>-</u>	<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>-</u>	<u>-</u>	<u>-</u>	<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>

(Pages 2 & 10)

Year Ended 31 December 2009

Cost or Valuation

Balance at 1 January 2009	16,573,678	3,069,830	3,527,239	709,118	23,879,865
Additions	3,842,551	134,640	279,295	222,500	4,478,986
Disposals	-	(1,835,203)	(2,720,420)	(173,500)	(4,729,123)
Transfers	<u>-</u>	<u>77,456</u>	<u>(254,930)</u>	<u>-</u>	<u>(177,474)</u>
Balance at 31 December 2009	<u>20,416,229</u>	<u>1,446,723</u>	<u>831,184</u>	<u>758,118</u>	<u>23,452,254</u>

Accumulated Depreciation

Balance at 1 January 2009	(154,923)	(2,574,455)	(3,283,346)	(373,968)	(6,386,692)
Depreciation Expense	(155,850)	(222,382)	(145,038)	(90,065)	(613,335)
Disposals	-	1,835,203	2,720,420	163,500	4,719,123
Transfers	<u>-</u>	<u>(25,175)</u>	<u>280,485</u>	<u>-</u>	<u>255,310</u>
Balance at 31 December 2009	<u>(310,773)</u>	<u>(986,809)</u>	<u>(427,479)</u>	<u>(300,533)</u>	<u>(2,025,594)</u>
Net Book Value 2009	<u>\$20,105,456</u>	<u>\$459,914</u>	<u>\$403,705</u>	<u>\$457,585</u>	<u>\$21,426,660</u>

(Pages 2 & 10)

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(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>2010</u>	<u>2009</u>
Land and Building at valuation	\$ <u>22,419,815</u>	\$ <u>20,105,456</u>

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

	<u>2010</u>	<u>2009</u>
Net Carrying Amount	\$ <u>16,311,583</u>	\$ <u>13,997,223</u>

	<u>2010</u>	<u>2009</u>
8 INTANGIBLE ASSETS		
Computer Software		
Cost at Beginning of Year	1,018,574	7,190,032
Additions during the Year	26,063	180,931
Transfers	-	177,474
Disposals	<u>-</u>	<u>(6,529,863)</u>
	<u>1,044,637</u>	<u>1,018,574</u>
Accumulated Amortisation – Beginning of year	(623,577)	(6,715,524)
Amortisation for the Year	(148,732)	(182,605)
Transfers	-	(255,310)
Disposals during the year	<u>-</u>	<u>6,529,862</u>
Accumulated Amortisation – End of Year	<u>(772,309)</u>	<u>(623,577)</u>
Net Book Value (Page 2)	<u>\$272,328</u>	<u>\$394,997</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS	<u>2010</u>	<u>2009</u>
	Available-for-Sale		
	Lands	82,606,403	60,166,939
	Debt Securities: quoted at market value	3,050,549	2,900,117
	Equities:		
	Quoted at market value	38,090,949	35,626,762
	Unquoted	<u>429,000</u>	<u>429,000</u>
	Total Available for Sale	<u>124,176,901</u>	<u>99,122,818</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	530,820,922	488,798,264
	SKN Finance Company Limited	7,821,764	7,821,764
	Bank of Nevis Limited	32,014,889	32,014,889
	Bank of Nova Scotia	-	1,000,000
	St. Kitts Credit Union	2,297,553	2,297,553
	Nevis Credit Union	10,065,000	9,315,000
	Development Bank of St Kitts	<u>6,502,282</u>	<u>6,502,282</u>
		<u>604,909,759</u>	<u>563,137,101</u>
	Call Accounts:		
	R B C Dominion Securities	40,115	83,436
	Crown Agents	17,878	27,237
	SKNA National Bank Limited	1,632,926	7,707,565
	Bank of Nova Scotia	281,033	2,201,937
	Frank Aiello CIMA	-	<u>9,533</u>
		<u>1,971,952</u>	<u>10,029,708</u>
	Sub-total carried forward	<u>606,881,711</u>	<u>573,166,809</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont=d)	<u>2010</u>	<u>2009</u>
	Sub-total brought forward	<u>606,881,711</u>	<u>573,166,809</u>
	Held to Maturity (cont=d)		
	Treasury Bills - St Kitts:	23,610,000	23,610,000
	Treasury Bills - Nevis:	<u>7,328,763</u>	<u>7,328,763</u>
		<u>30,938,763</u>	<u>30,938,763</u>
	Debt Securities Unquoted	<u>64,109,772</u>	<u>63,607,000</u>
	Total Held to Maturity	<u>701,930,246</u>	<u>667,712,572</u>
	Loans Receivable:		
	Government	41,337,791	38,599,052
	Statutory Corporations	205,558,892	189,970,704
	Other	2,670,244	4,006,219
	Staff Loans and Advances		
	(Less Provision for Doubtful Accounts \$60,285/2009 = \$60,285)	<u>8,802,378</u>	<u>8,348,548</u>
	Total Loans Receivable	<u>258,369,305</u>	<u>240,924,523</u>
		1,084,476,452	1,007,759,913
	Provision for impairment – CL Financial Group Investments (See Note below)	<u>(5,778,487)</u>	<u>(5,778,487)</u>
	TOTAL INVESTMENTS (Page 2)	<u>\$1,078,697,965</u>	<u>\$1,001,981,426</u>

Fixed Deposits:

Interest rates range between 6.5% and 7.5% (2009 = 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% (2009 = zero to 2.50%) per annum to mature 24 June 2011.

Treasury Bills:

Interest rate is between 6.51 and 6.75% (2009 = 7%) per annum with a term of 91 days.

Debt Securities Unquoted:

These securities earn interest at varying rates up to 8.25% (2009 = 8.25%) and have maturities ranging between 2011 and 2027.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont=d)

Loans Receivable:

The loans earn interest at rates ranging from 5% to 8% (2009 = 5% to 8%) and have maturity dates ranging from 2011 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 2010 financial year the Social Security Board held investments with the CLICO Financial Group. Details of these investments are as follows:

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

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

Bonus Shares Received:

The Bank of Nevis Limited:

During the year under review, 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 (2009 = SKNA National Bank Limited 3,429,202 shares @ \$2.50 = \$8,573,005).

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

10	CASH AT BANK AND IN HAND	<u>2010</u>	<u>2009</u> (Restated)
	Cash at Bank - Current Accounts		
	Royal Bank of Canada	63,441	41,393
	SKNA National Bank Limited	967,221	193,808
	Bank of Nova Scotia	22,477	796,133
	SKNA National Bank Limited (Social Services Levy & Protection of Employment Levy)	1,071,856	1,702,879
	SKNA National Bank Limited (Administrative)	<u>6,491,660</u>	<u>5,786,128</u>
		8,616,655	8,520,340
	Cash at Bank - Savings Accounts		
	Royal Bank of Canada	114,419	111,050
	SKNA National Bank Limited	1,266,743	626,772
	NCCU Savings Account	866	-
	Cash in Hand	<u>17,475</u>	<u>75,898</u>
	TOTAL (Page 2)	<u>\$10,016,158</u>	<u>\$9,334,061</u>

During the year under review, the savings accounts earned interest at the rates of 2.5% 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 \$6,719,018 (2009 = \$5,483,855). The 2009 comparatives were restated to reflect this change.

11	ACCRUED INTEREST RECEIVABLE	<u>2010</u>	<u>2009</u>
	Balance At Beginning of Year	39,578,473	50,284,084
	Interest Earned during the Year	62,211,459	57,846,449
	Provision for Non-collectibility (Page 9 and Note 9)	(927,749)	(691,994)
	Interest Payment Received during the Year	<u>(62,200,945)</u>	<u>(67,860,066)</u>
	Balance At End of Year (Page 2)	<u>\$38,661,238</u>	<u>\$39,578,473</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

11 ACCRUED INTEREST RECEIVABLE (cont'd)

PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECOVERABLE

CLICO GROUP OF COMPANIES \$927,749 (2009 = \$691,994) (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.

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.

Deposit on Land:

Full payment was made for land at Fountain's Estate costing \$1,204,300. However, title for this property was not passed until February 2011. This amount forms a part of Accounts Receivable and Prepaid Expenses at 31 December 2010.

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

13	ALLOCATION OF NET SURPLUS	<u>2010</u>	<u>2009</u>
	Social Security Fund		
	a) Long Term Benefits Fund (Page 3)	59,592,854	53,819,561
	b) Short Term Benefits Fund (Page 3)	7,520,345	5,211,643
	c) Injury Benefits Fund (Note (Page 3))	<u>12,326,912</u>	<u>11,185,902</u>
		<u>79,440,111</u>	<u>70,217,106</u>
	National Provident Fund		
	a) Members= Account	491,010	443,714
	b) Reserve Fund	<u>673,778</u>	<u>608,878</u>
	Sub-Total (Page 3)	<u>1,164,788</u>	<u>1,052,592</u>
	NET SURPLUS FOR THE YEAR (Page 3 & 4)	<u>\$80,604,899</u>	<u>\$71,269,698</u>

14 DISTRIBUTION OF INCOME AND EXPENDITURE

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

1) Social Security Fund - Contribution Income:

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

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

2) Staff Supplemental Benefits - Contribution Income:

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Continued)
(Expressed in Eastern Caribbean Dollars)

14 DISTRIBUTION OF INCOME AND EXPENDITURE (cont'd)

3) Investment Income:

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

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

4) Other Income:

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

5) Distribution of Expenditure:

a) Benefits and Assistance:

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

b) Administration Expenditure:

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

c) Other Expenditure:

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

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010(Continued)
(Expressed in Eastern Caribbean Dollars)

15 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2010, contributions and fines due from employers amounted to \$18,118,683 (2009 = \$16,440,252). Details are set out hereunder:

<u>Particulars</u>	<u>2010</u>	<u>2009</u>
Contributions due by Employers	6,525,167	5,737,319
Fines due by Employers	<u>11,593,516</u>	<u>10,702,933</u>
TOTAL DUE TO THE BOARD	<u>\$18,118,683</u>	<u>\$16,440,252</u>

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

16 CAPITAL COMMITMENT

At 31 December 2010, the Social Security Board approved capital expenditure for the ensuing year of \$18 million (including property development/2009 = \$34 million).

The infrastructure phase of the Beacon Heights Project was substantially completed in 2010. The decision was taken to construct the first 10 of the houses for the Beacon Heights Project at an estimated cost of \$5m.

17 RELATED PARTY TRANSACTIONS

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

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

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(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>2010</u>	<u>2009</u>
Loans to Government and Statutory Corporations		
Balance at Beginning of year	276,986,683	241,726,646
Loans advanced during the year	26,321,471	39,565,762
Loan Repayment received	(16,515,785)	(6,934,730)
Interest Income	18,151,205	16,013,720
Interest Received	<u>(20,237,146)</u>	<u>(13,384,715)</u>
Balance at End of Year	<u>\$284,706,428</u>	<u>\$276,986,683</u>

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

	<u>2010</u>	<u>2009</u>
Fixed Deposits, Bank Accounts and Treasury Bills with Related Parties		
Balance at Beginning of Year	568,648,371	520,658,492
Net Advances	25,281,050	46,943,037
Interest Income	35,636,223	46,907,837
Interest Received	<u>(34,385,143)</u>	<u>(45,860,995)</u>
Balance at End of Year	<u>\$595,180,501</u>	<u>\$568,648,371</u>

Key Management Compensation

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$658,157 (2009 = \$720,718).

ST KITTS-NEVIS SOCIAL SECURITY BOARDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(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 2010 is adequate.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(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 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>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>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(Continued)

(Expressed in Eastern Caribbean Dollars)

18 FINANCIAL INSTRUMENTS (cont'd)

d) Liquidity Risk: (cont'd)

Assets:

Year Ended 31 December 2009:

	<u>Due within</u> <u>1 Year</u>	<u>>1 Yr to 5 Yrs</u>	<u>>5 Years</u>	<u>Total</u>
Cash at Bank and in Hand	9,334,061	-	-	9,334,061
Accrued Interest Receivable	39,578,473	-	-	39,578,473
Accounts Receivable and Prepaid Expenses	1,304,521	-	-	1,304,521
Investment Securities	-	723,262,316	278,719,110	1,001,981,426
Other Assets	<u>-</u>	<u>394,997</u>	<u>21,426,660</u>	<u>21,821,657</u>
Total Assets	<u>50,217,055</u>	<u>723,657,313</u>	<u>300,145,770</u>	<u>1,074,020,138</u>

Liabilities:

Year Ended 31 December 2009:

Accounts Payable	173,579	-	-	173,579
Other Payables	<u>5,516,050</u>	<u>-</u>	<u>-</u>	<u>5,516,050</u>
Total Liabilities	<u>5,689,629</u>	<u>-</u>	<u>-</u>	<u>5,689,629</u>
Net Liquidity Gap	<u>44,527,426</u>	<u>723,657,313</u>	<u>300,145,770</u>	<u>1,068,330,509</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. Counsel had advised that the amount has not been settled because certain aspects of the matter is still pending. Exposure to costs may well be as high as \$175,000.