

St. Christopher & Nevis Social Security Board



Striving for Social Justice



ANNUAL REPORT 2 0 1 3



Striving for Social Justice

VISION

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

MISSION

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

VALUES

Confidentiality

Honesty & Integrity

Team Productivity

Commitment/Dedication

Efficiency

Motivation

Accountability

MOTTO

Striving for Social Justice

ST. CHRISTOPHER AND NEVIS SOCIAL SECURITY BOARD

REPORT AND ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

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Board of Directors

St. Christopher and Nevis Social Security Board



Mr. Halva Hendrickson - Chairman



Mr. Stanley Franks Jr - Deputy Chairman



Mr. Claudius Delaney - Member



Mr. Frank Farrell - Member



Ms. Eslyn Swanston - Member



Ms. Myrna Liburd - Member



Mrs. Carlene Pemberton - Member



Mr. Victor Earle - Member



Mr. Scott Caines - Member



Mr. Dennis Phillip - Member



Ms. Sandra Davoren - Secretary

Executive Management and Assistant Directors Team



Executive Director: Mrs. Sephlin Lawrence



Deputy Director: H.E. Mr. C. Steve Wrensford



Ms. Marilyn Johnson (left)
Chief Financial Officer



Mr. Lyndon Hodge (right)
Assistant Director
MIS & Records/Data Entry



Mr. Elvin Bailey - (Left)
Assistant Director
Compliance & Benefits



Mr. Vernel Powell (right)
Assistant Director
Branch Office, Nevis

Social Security Board Managers



Ms. Charlene Bowry
Senior Manager, Human Resources



Mr. Leon Charles
Legal Officer



Mr. Chesil Hamilton
Manager, Public Relations



Mr. Donovan Herbert
Manager, Research & Statistics



Mr. Stephen McMahon
Manager, Benefits



Mrs. Trevere Swanston
Personnel Manager



Mrs. Icilma Jeffers
Internal Auditor



Mr. James Bradshaw
Systems Analyst



Mr. Denis Johnson
Manager, Compliance



Ms. Deborah Taylor
Investment Manager



Mrs. Joycelyn Warde
Manager, Accounts



Mrs. Angela Grey
Manager Records/Data Entry



Mr. Paul Trotman
Accountant



Mrs. Lesa Tyson
Manager, Branch Office, Nevis



Ms. Avonelle Woodley
Assistant Investment Manager

2013 Report of the Chairman of the Board of Directors

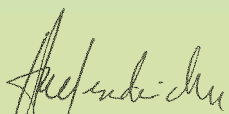
It is a pleasure to acknowledge that on reflection of the year 2013, the Social Security Board had another successful year. The total assets stood at \$1,323,833,784 but inclusive of the Staff Supplemental Benefits Plan, it was \$1,332,969,588, \$72.8M or 5.7% above the assets in 2012. I am particularly pleased to see total income of \$142.4M and to note that the Long Term Income alone was in excess of \$100M. It was not very long ago when I observed that the total income had reached \$100M. The size of the funds is a credit to the entire organisation, the public, and the government. It

is the contributions of all of us which have grown our esteemed Funds to this level. The contribution income increased by \$4.93M or 7%, an achievement of which we are proud.

Expenditure has continued to increase and was \$67.7M at year-end with the largest component being the ever-increasing benefit expenditure. That absorbed 37% of the total income and 70% of contribution income. My concern is the greater challenge we face in investing the funds prudently to guarantee higher future returns as we deal with the demographic challenges.

Nevertheless, we will continue to monitor the performance of the Funds and our Board Committees will continue to take oversight of property, audit, compliance, and investment matters. A large portion of the E. St John Payne Annexe which was opened in 2012 was available for rental, the new Nevis Building construction has commenced, and most of that property will be available for rental to augment investment income.

I commend the Board of Directors for their commitment to the Fund and for their involvement to ensure that all the Board Committees remain active and advance the business of the Board. I extend gratitude and commendation to the executive management and staff for their continued ardent efforts.



Halva Hendrickson

Chairman

Board of Directors

St. Christopher and Nevis Social Security Board



REPORT OF OPERATIONS

The St. Kitts and Nevis Social Security experienced a very good year of operations. Contribution Income increased by 7%, an indication that the economy has continued its upward trajectory. The financial highlights for the year are summarised below:

- The Fund grew by \$72.8 million or by 5.7% compared to 5% in 2012
- The reserves stood at \$1.333 billion compared to \$1.260 billion in 2012
- The net surplus increased 13% compared to 41% in 2012
- Total Income increased to \$142.4 million or by 4% compared to the decline of 0.37% observed in 2012

- Contribution Income was \$74.67 million an increase of 7% compared to \$69.7 million in 2012
- Investment Income increased by 1%
- Current Assets increased by 10%
- Cash on hand increased by 25%
- Accrued Interest increased by 2.33%
- Accounts Receivable and Prepaid Expenses increased by 31%
- Current Liabilities increased by 36%
- Investments increased by 5%
- Average return on investment was 5.4% compared to 5.7% in the preceding year

The table below summarises the highlights over the last five years of operation.

Table 1 **PERFORMANCE HIGHLIGHTS FOR 2009 TO 2013**

HIGHLIGHTS	2013	2012	2011	2010	2009
	\$000,000's	\$000,000's	\$000,000's	\$000,000's	\$000,000's
Total Net Assets	\$ 1,332.97	\$ 1,260.13	\$ 1,198.04	\$ 1,150.56	\$ 1,068.33
Investments	\$ 1,232.18	\$ 1,170.61	\$ 1,124.07	\$ 1,078.70	\$ 1,068.33
Net Surplus	\$ 74.70	\$ 66.02	\$ 46.80	\$ 80.60	\$ 71.27
Contribution Income	\$ 74.67	\$ 69.74	\$ 69.91	\$ 72.84	\$ 70.54
Investment Income	\$ 67.02	\$ 66.13	\$ 66.54	\$ 62.21	\$ 57.85
Other Income	\$ 0.71	\$ 0.46	\$ 0.39	\$ 0.59	\$ 0.69
Benefits Expenditure	\$ 52.52	\$ 47.41	\$ 44.55	\$ 41.62	\$ 39.70
Staff Costs	\$ 9.90	\$ 8.18	\$ 8.14	\$ 8.79	\$ 8.49
Total Administration Expenses	\$ 14.87	\$ 12.14	\$ 12.29	\$ 13.18	\$ 12.26
Benefit expenditure as percentage of Contribution Income	70%	68%	64%	57%	56%
Administration Expenses as percentage of Contribution Income	20%	17%	18%	18%	17%
Net Surplus as a % of Total Income	52%	48%	34%	59%	55%
Number of Employees*	141	131	136	141	135
Number of Claims/Benefits Paid	15,565	14,365	15,256	15,829	15,923
Active Employers	1,830	1,810	1,860	1,934	1,912
Active Insured Persons	27,387	24,503	24,823	25,854	25,822
<i>* This includes temporary and part time employees for the year</i>					

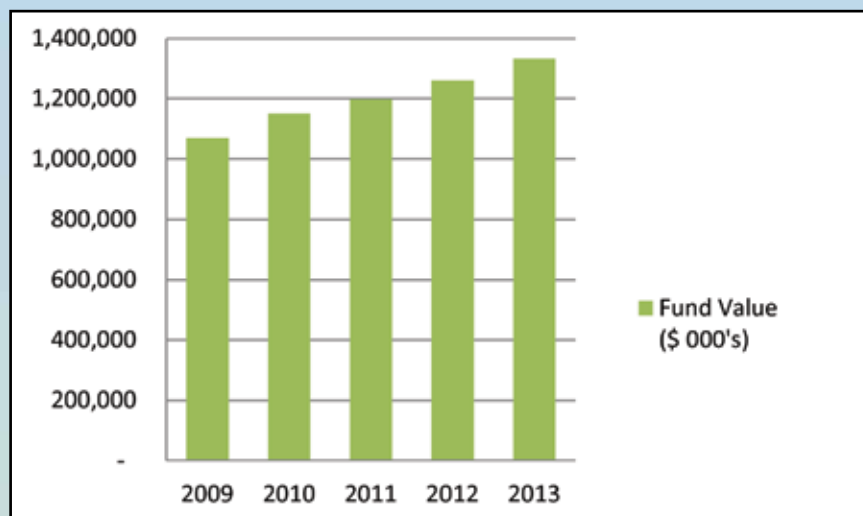


Figure 1 **SOCIAL SECURITY FUND BALANCE 2009-2013**

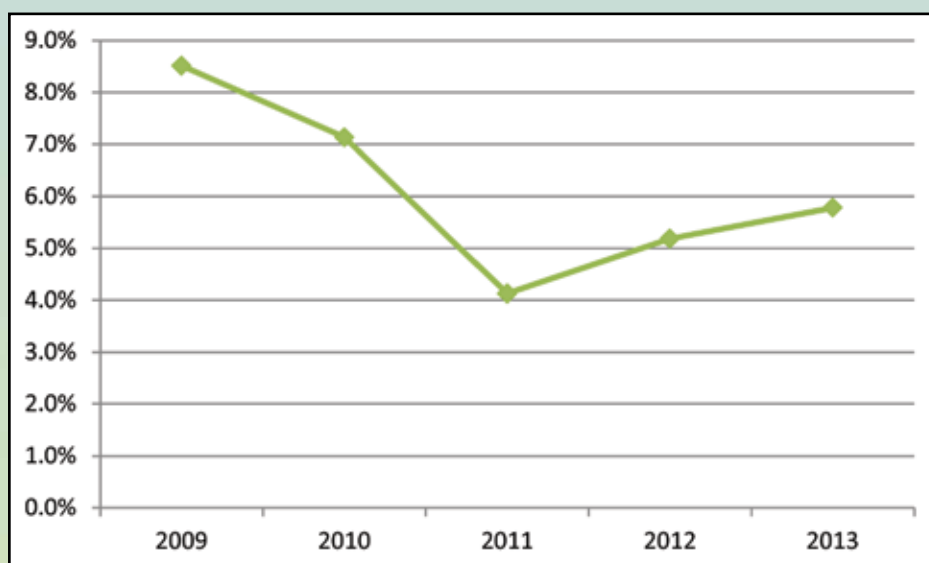


Figure 2 **FUND GROWTH 2009 TO 2013**

INVESTMENTS

During the year, the portfolio grew by 5% and stood at \$1.232 billion at the end of December 2013. Compared to 2012, Treasury Bills remained the same, while there was an increase in other asset classes except Government and Corporate Securities.

Investment in Real Estate increased significantly, primarily with the acquisition of Douglas Estate land partially to offset the worthless investment in CLICO Barbados. Douglas Estate was placed on the market for sale and some promotion is to be done in due course. One hopes that the return and appreciation of the real

estate will serve to reduce the impact of the reduction of rates on fixed deposits in the commercial banks where 63% of the investment portfolio resides.

There were sale and construction buildings at Beacon Heights, but some of the larger houses from the initial ten remained on the market. Negotiations continued with the Government of St Kitts and Nevis and the Debt Advisors on the restructuring of the bonds and loans for government and statutory bodies that are in the Investment Portfolio.

During the period the construction of the Pinney's

Estate office building commenced. The ground breaking ceremony was held after the construction contract was awarded to Chiverton Construction in Nevis. Other service providers include R.A. Peter Jenkins - Project Manager, R. Kennedy Bryan - Quantity Surveyor, Hugh Charles - Supervisor Electrical Services, Elston Tuckett - Supervisor Plumbing Services, Clyde Nisbett

- Supervisor Installation Data and Security Networks Services.

Only the ground floor will be occupied by Social Security Board as the other floors will augment investment income as they will be available for rental purposes.



Ground breaking ceremony for the Pinney's Estate Social Security Building. From right, Project Manager Mr. R.A. Peter Jenkins, Chairman of the Social Security Board Mr. Halva Hendrickson, Prime Minister the Rt. Hon Dr. Denzil Douglas, Premier of Nevis the Hon Vance Amory, Director of Social Security Mrs. Sephlin Lawrence, and Contractor Mr. Analdo Chiverton.

Pictures below show dignitaries at the head table during the proceedings (left), and a cross section of persons in attendance (right).



Table 2 INVESTMENT PORTFOLIO BY ASSET CLASS

PORTFOLIO BY CLASS %					
TARGET 2013 (%)	ASSET CLASSES	Dec-13		Dec-12	
		Valuation	% of Total	Valuation	% of Total
10-20	EQUITIES	\$ 39,744,846	3%	\$ 36,431,643	3%
5-10	TREASURY BILLS	\$ 29,292,412	2%	\$ 29,295,187	2%
20-30	FIXED DEPOSITS	\$ 777,129,211	63%	\$ 726,398,821	62%
20-30	GOVERNMENT SECURITIES	\$ 258,835,828	21%	\$ 265,250,621	23%
5-15	CORPORATE SECURITIES	\$ 1,530,912	0%	\$ 1,937,545	0%
10-20	REAL ESTATE	\$ 114,131,318	10%	\$ 100,736,694	9%
5-10	OTHER INVESTMENTS	\$ 11,515,103	1%	\$ 10,528,981	1%
		\$ 1,232,179,630	100%	\$ 1,170,609,492	100%

LOTS FOR SALE


A SOCIAL SECURITY INVESTMENT PROJECT

Lot Sizes: Ranging from 5,000 sq ft to 8,712 sq ft

Sold via: Real Estate Agents

Featured Amenity: Community Recreational Area

Douglas Estate, St. Peters, St. Kitts




Striving for Social Justice

Adjoining Developments: CLICO, St. Kitts Credit Union and Gillard Meadows Housing Developments

Infrastructure: Roads, Electricity, Water, Telephone, Cable

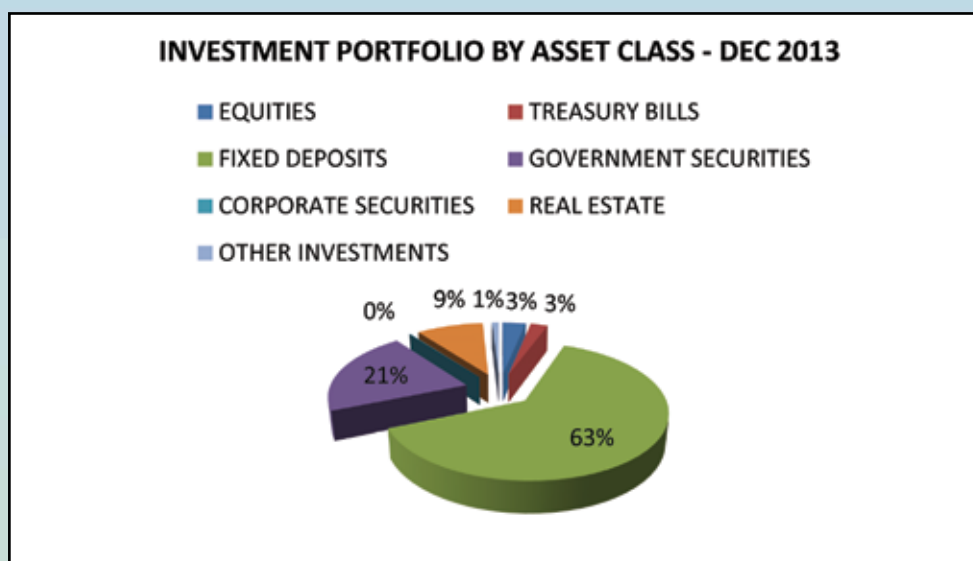
Contact Social Security For Further Information (869) 465-2535



Striving for Social Justice

Billboard used to announce the sale of lots at Douglas Estate

DECEMBER 2012 AND 2013



INCOME AND EXPENDITURE

Total Income for 2013 was \$142.4 million compared to \$136.3 million in 2012, representing a 4% increase between the two years. Contribution Income increased by 7%, Investment Income increased by 1% and Other Income increased by 56% compared to 2012.

Significant increase in Other Income resulted mainly from insurance settlement in relation to the Kassab's building. (Worthy of note is that the entire sum was disbursed in dealing with matters relating to the collapse of one side of the Kassab's building).

Table 4

COMPARATIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 2013

	2013	% of Total	2012	% of Total	2013 % Change
INCOME					
Contributions	74,668,386	52%	69,735,737	51%	7%
Investment Income	67,024,177	47%	66,130,624	49%	1%
Other Income	712,750	1%	456,494	0%	56%
Total Income	142,405,313	100%	136,322,855	100%	4%
EXPENDITURE					
Benefits	52,521,329	78%	47,408,411	67%	11%
Administration	14,869,555	22%	12,135,947	17%	23%
Loss on Investments(Prov.)	316,060	0%	10,755,285	15%	-97%
Total Expenditure	67,706,944	100%	70,299,643	100%	-4%
NET SURPLUS FOR THE YEAR	74,698,369		66,023,212		13%

A breakdown of contribution by type is shown in Table 5. In 2013 contribution from employers and self-employed increased by 7% and 15% respectively. Voluntary contribution declined by 17%. Contribution

income exceeded the budget by 6%, with all categories except voluntary contribution exceeding the budget. There was significant increase in contribution refunded in 2013.

Table 5 CONTRIBUTION INCOME BY TYPE

	2013	2012	% Change	2013 Budget	% of Budget
Employers' Contribution	73,624,181	68,766,346	7%	69,298,000	106%
Self Employed Contribution	1,215,077	1,059,906	15%	1,070,500	114%
Voluntary Contribution	11,202	13,561	-17%	12,000	93%
Refund of Contribution	(182,074)	(104,076)	75%	(120,000)	152%
Total Contribution Income	\$ 74,668,386	\$ 69,735,737	7%	\$ 70,260,500	106%

Benefits expenditure increased by 11% in 2013 and exceeded the annual budget by 3%. Benefits expenditure of \$52.5M was 70% of contribution income compared to 68% in 2012. Table 6 shows a 12% increase in Long Term benefit expenditure, a 7% increase in Short Term and a 2% decline in Employment Injury compared to 2012. National Provident Fund benefits paid increased by 12%.

Table 6 BENEFITS EXPENDITURE

	2013	2012	% Change	2013 Budget	% of 2013 Budget
LONG TERM BENEFITS	42,855,116	38,265,639	12%	41,080,000	104%
SHORT TERM BENEFITS	8,474,436	7,939,514	7%	8,435,000	100%
EMPLOYMENT INJURY BENEFITS	1,127,461	1,145,857	-2%	1,289,000	87%
NATIONAL PROVIDENT FUND	64,316	57,401	12%	33,000	195%
	\$ 52,521,329	\$ 47,408,411	11%	\$ 50,837,000	103%

Administration Expenses increased by 22% and represented 20% of contribution Income compared to 17% in 2012. Worthy of note, is that administration expenses were used in exploratory research for unemployment benefit and universal health coverage. The organisation suffered a mysterious hacking of the telephone system which resulted in huge costs even after negotiations with the local telephone provider.

CUSTOMER SERVICE

Social Security continued throughout the year, to demonstrate its commitment to the delivery of excellent customer service. All the main front line areas were staffed with pleasant, courteous and friendly staff members, who made excellent efforts to satisfy the customers' needs.

The Customer Service Excellence Committee continued its work to motivate the frontliners, boost their efforts and organised training programmes, as deemed necessary. They also continued with the Monday morning refreshers to provide action reminders for the week. Some short-term claimants received their

benefit cheques before the resumption of employment and when accurate fully completed claim forms were submitted, the claim settlement period was greatly reduced. Non-contributory pension cheques are hand delivered and the delivery officers oftentimes provide encouragement for the pensioners when delivering the cheques.

Contributory Pensioners were paid on time each month and it is now the policy to have cheques or bank deposits available five working days prior to month-end. Many new age pension recipients are paid on the day they attain age 62.



Recognising our pensioners, who are seen above receiving congratulatory cards from our friendly and hard working staffers:

Picture above left shows Mr. Cuthbert Clarke receiving a congratulatory card from Ms. Madeleine Isles of the Nevis Branch office, on becoming an age pensioner. On St. Kitts (picture right), it was Mr. Alfred Clarke receiving his congratulatory card, on attaining the same milestone, from Ms. Sharon Cotton.

PUBLIC RELATIONS

During the year, the organisation remained committed to the goal of educating the public and to promote the public's awareness of the work of Social Security. The various media were used in daily, weekly or monthly programmes. Programmes included the Social Security Five on Radio, the Social Security and You on TV, the Because you Deserve a Future on Radio as well as the publications of Vision and Insight Magazines. Newspaper articles were also done periodically to supplement the regular programming. During

the first quarter in the year, the usual educational intensive programme was conducted in the primary and secondary schools throughout St. Kitts and Nevis. The Twitter account was established and the website revamped and redesigned.

Scholarship Programme

The Scholarship Committee continued with its work to monitor the performance of the scholarship holders,

one in each class in all the public high schools. A new set of students entering high schools was also selected and a special ceremony held for their induction. They joined the set who receive mentoring from the services of two retired teachers, Ms. Susanna Lee and Mrs. Lornette Manners. Furthermore, during the year under review, in accordance with the guidelines of the Robert Manning Scholarship Programme financial assistance

was awarded to persons for tertiary education. The persons selected were Lyncia Dore, Sybastian Lawrence, Jacinta Lawrence and subsequently Kyle Edwards. Two recipients from the preceding cohort, Ornette Henry and Javeim Blanchette graduated with bachelor's degrees and returned to the Federation to join the work force more equipped to make enhanced contributions to its development.



Two beneficiaries of the Robert Manning Scholarship Programme financial assistance receive their certificates from Board Member and chairperson of Scholarship Committee, Ms. Eslyn Swanston.

The St. Christopher and Nevis Social Security Board continues its noble mandate of investing in the future of the Federation's students through its successful Scholarship Programme. During the year, scholarship holders were given the opportunity to meet and know each other at a Scholarship Student Christmas activity, where gift certificates were issued to each of the students as depicted in the following pictures:



Donations

The significant annual donations were again available to the Ministries of Health and Homeland Security. Items given in the year included a chemistry analyser for Ministry of Health in Nevis for US\$33,000.

The St. Paul's Health Centre also received financing for fencing of the property.

Assistance in the sum of US\$122,528 was also given to the Ministry of Health in St. Kitts for the purchase of mammography equipment, ultrasound system, dental X-ray unit and the EZ Autoclave.



Some of the items donated to the Ministry of Health in St. Kitts.



Picture above shows Social Security Board Assistant Director, Mr. Elvin Bailey, delivering an address on behalf of the Director of Social Security at the ceremony where the Old Road Health Centre was retooled at a total cost of \$60,000. Others appearing in the picture are from left: Mr. Andrew M. Skerritt, Permanent Secretary, Ministry of Health and Social Services; Mr. Osbert DeSuza, BNTF Project Manager; Hon. Glen Phillip, Constituency #4 parliamentary representative and Minister of Youth Empowerment, Sports, Information Technology, Telecommunications and Posts; The Rt. Hon. Dr. Denzil L. Douglas, Prime Minister; and Dr. Hazel Williams-Roberts, Director of Community Health Services.

To enhance technological capabilities at some of the early childhood centres, used computers were donated

to the PALS Day Care Centre, while a used computer was donated to the McKnight Day Care Centre.



Picture left: Standing among the teachers are Public Relations Officer, Ms. Kamilah Lawrence (2nd right back row), who accompanied by Mr. Previn Browne of the MIS Department (standing left), at the presentation ceremony of a used computer at the McKnight Day Care Centre.



Picture above left shows Public Relations Officer ,Ms. Tasha Hendrickson presenting a sponsorship cheque to an official of the St. Kitts Music Festival; picture in the centre shows Ms. Kamilah Lawrence presenting a donation cheque to the St. Kitts-Nevis Defence Force towards an Appreciation Dinner; while picture on the right shows Ms. Tasha Hendrickson making a presentation to the Saddlers Secondary School.



Picture left: Public Relations Officer, Ms. Kamilah Lawrence (left), who was accompanied by Computer Technician Mr. Previn Browne of the MIS Department (standing to the back), at this presentation ceremony where used computers were presented to the PALS Day Care Centre.

STAFF ACTIVITIES

The delivery of excellent customer service remained one of the primary goals of the organisation. In addition, to the weekly huddles held for the frontliners, customer service workers were exposed to training facilitated by Savvy Corporate Planners who partnered with Dr Ben Henry of the Customer Service Academy in Jamaica. Mr. Brendon Bello also conducted customer service training. In the fourth quarter, the training for the eight employees identified to staff the proposed one-stop customer service for the ensuing year was commenced. The Customer Service Unit will offer benefit claim services, register employees and employers, discuss contribution records, interview claimants, educate first time pensioners, newly registered employers and self-employed persons. The eight staff members will not all be deployed simultaneously.

The Human Resource (HR) Department hosted one customer service training programme entitled “Accepting Change in the Workplace” and presented alternatives to leverage change in the workplace and in one’s personal life.” The organisation arranged training sessions on Minute-Taking, Advanced Supervisory Management, Business Communication and Supervisory management, in Social Security as well as Financial Planning for persons nearing



Staff in training session.

retirement. Facilitators included Ms Marilyn Johnson, Mr. Rawlinson Isaac, Mr. Albert Edwards, Mr. Percival Hanley and Mrs. Eunice Nisbett.

The Health and Wellness month was celebrated under the theme “LIFE: Live, Laugh, Love”. Among the activities were health lectures, health quizzes, health walk (culminating with a barbecue) and a hike to Ottley’s Level. Several messages were communicated on healthy eating habits to encourage good decisions for lifestyle changes.

Specifically, the staff benefitted from the lectures on “Kidneys and the importance of drinking water by Dr Terrence Drew and the Breast Cancer awareness discussions with Dr. Garfield Alexander and Mrs. Lea Parris-Cambridge (a breast cancer survivor). The overnight camp at Friars Bay with storytelling and games provided opportunities to build social bonds.



Health and Wellness month was celebrated under the theme “LIFE: Live, Laugh, Love”, and as part of it they held a ‘healthy food fair’.



Social Security staff take part in an overnight camp at Friars Bay, which provided opportunities to build social bonds.

Overseas Training was financed in several areas for staff and board members. Some of the topics and locations are shown below.

Location	Topic
Miami, Florida	8th Annual Economic and Financial Development Conference
Seattle, Washington	67 th National Conference of Corporate Secretaries
San Salvador, El Salvador	27th General Assembly of the CISS
Port of Spain, Trinidad & Tobago	7th Annual General Meeting & Conference of the CAACM
St Vincent	Pooling of Reserves
San Francisco, CA	Auditing For Internal Fraud
Boston	Auditing Major Capital Projects
British Virgin Islands	10th Regional Law Fair
Barbados	The C/bean & Latin American Conference on Talent Management
Pennsylvania, Washington	Certificate Programme for HR Generalists
Doha, Qatar	World Social Security Forum
Montego Bay, Jamaica	8th Caribbean Conference on Health Financing Initiatives
Castries, St Lucia	24th Meeting of Caricom Heads of Social Security

Staff Movement

As Ms. Rubie Taylor retired from active duties, Mr. Elvin Bailey was appointed Assistant Director, Compliance & Benefits. Ms. Taylor was commended for her sterling service and best wishes were conveyed for a healthy retirement. During the year, Mrs. Trevere Elliot-Swanston was appointed to the position of Personnel Manager, Human Resources. Staff promotions in the year included Mr. Kerrio Bartlette, Ms. Rosalyn Carty, Ms. Madeleine Isles, Ms. Julita Lawrence and Mrs. Fayola Tross.

At year-end, Mr. Sheldon Connor captured the Employee of the Year Award while special awards were given to Mr. Leon Charles and Ms. Marilyn Johnson for their contribution in staff training. Finance & Investment Division was given special recognition for its commitment to the organisation's values and

objectives. Worthy of note, is the opportunity provided to managers to understand firsthand the operations of other departments when there was a short-term manager rotation for three weeks in September.



Employee of the Year, Mr. Sheldon Connor (right) receives recognition plaque from Prime Minister the Rt. Hon Dr. Denzil Douglas.

DIRECTOR'S CONCLUSIONS AND COMMENDATIONS

In our review of the year's results, it is prudent to consider the successes as well as the challenges. Several goals were achieved as the staff, propelled and encouraged by the management and board of directors, made concerted efforts to meet the established goals. Given that the foregoing pages provide a full analysis of the financial performance of our organisation, it is superfluous to recap similar points, but a few have to be highlighted.

Total surplus increased by 13% resulting from changes in both income and expenditure. There was an 11% increase in benefits expenditure when compared to the previous year compounded by a 23% increase in administrative expenditure. The latter was attributable to increased audit fees, higher depreciation charges, higher insurance rates, and outlay in research with respect to proposed health and unemployment benefits. The increased expenditure obscured the significance of the reduced investment impairment provision between 2012 to 2013.

Worthy of note though is that there were a 7% increase in contribution income and a 56% increase in other income. However, the augmentation in contribution income was a welcome feat having failed to attain the contribution target in the previous year. It is noteworthy to reiterate that the self-employed contributions increased by 14% compared to 2012. Benefits disbursements absorbed 70.3% of contribution income compared to 67.9% in 2012.

Despite the increased contribution inflow, contribution arrears were higher than that in 2012 at the end of the reporting year. Collecting sums from some chronic delinquent employers is a challenge. Compliance officers first attempt to negotiate payment arrangements and after this fail, legal action is pursued to enforce compliance. Oftentimes this is a protracted process



Executive Director, Mrs. Sephlin Lawrence.

and arrears continue to increase even prior to the court case hearing.

The arrears coupled with the decline in returns on investments will adversely impact the future income streams in the organisation. This is critical with the escalating benefits costs, particularly pension disbursements even as longevity is evident. Social Security has to seek reliable and relatively low risk investments to bolster total income in order to meet the costs to ensure that the Fund remains financially sustainable.

I express gratitude to the Board of Directors, our Management team, and all staff members for their continued valued service. Together, we have managed to surmount many hurdles and carve a path to deal with the impending multifaceted challenges ahead. I thank the many stakeholders- employers, insured persons and government - for their continued cooperation and interest in the affairs of the organisation. I am confident that after implementing the requisite reforms, this organisation has the potential to become the best insurance organisation in the entire region.

ST KITTS NEVIS SOCIAL SECURITY BOARD

ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2013

PANNELL KERR FORSTER
Chartered Accountants

INDEPENDENT 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 2013, and the income and expenditure account, statements of comprehensive income, changes in reserve funds 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 2013, 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
24 November 2014

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

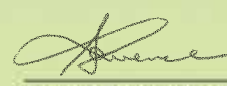
(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
FUNDS EMPLOYED			
Social Security Fund			
- Long Term Benefits Fund		989,562,679	938,484,766
- Short Term Benefits Fund		117,297,500	108,739,446
- Injury Benefits Fund		178,423,438	164,614,920
National Provident Fund			
- Members' Account	3	10,329,341	9,800,773
- Reserve Fund	4	14,174,218	13,448,902
Revaluation Reserve	5	<u>14,046,608</u>	<u>16,817,659</u>
EQUITY (Page 24)		1,323,833,784	1,251,906,466
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>9,135,804</u>	<u>8,225,274</u>
TOTAL FUNDS		<u>\$1,332,969,588</u>	<u>\$1,260,131,740</u>
REPRESENTED BY:			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 29)	7	<u>39,570,049</u>	<u>32,625,900</u>
INTANGIBLE ASSETS	8	<u>169,260</u>	<u>177,355</u>
INVESTMENTS	9	<u>1,232,179,630</u>	<u>1,170,609,492</u>
CURRENT ASSETS			
Cash at Bank and in Hand	10	20,896,983	16,621,886
Accrued Interest Receivable	11	43,346,458	42,359,888
Accounts Receivable and Prepaid Expenses	12	<u>3,888,702</u>	<u>2,966,393</u>
		<u>68,132,143</u>	<u>61,948,167</u>
LESS: CURRENT LIABILITIES			
Accounts Payable		15,020	19,032
Sundry Creditors and Accruals	15	7,034,277	5,177,945
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>7,081,494</u>	<u>5,229,174</u>
NET CURRENT ASSETS		<u>61,050,649</u>	<u>56,718,993</u>
TOTAL NET ASSETS		<u>\$1,332,969,588</u>	<u>\$1,260,131,740</u>

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

Approved by the Board of Directors on 3 November 2014.


Halva Hendrickson - Chairman


Sephlin Lawrence - Director

ST KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)

	<u>-----Social Security Fund -----</u>			<u>National</u>	<u>Total</u>	
	<u>Long Term</u>	<u>Short Term</u>	<u>Injury</u>	<u>Provident</u>	<u>2013</u>	<u>2012</u>
INCOME (Note 14)						
Contributions	54,307,336	13,574,033	6,787,017	-	74,668,386	69,735,737
Investment Income	50,874,621	5,894,692	8,923,662	1,331,202	67,024,177	66,130,624
Other Income	<u>347,562</u>	<u>195,284</u>	<u>169,904</u>	<u>-</u>	<u>712,750</u>	<u>456,494</u>
	<u>105,529,519</u>	<u>19,664,009</u>	<u>15,880,583</u>	<u>1,331,202</u>	<u>142,405,313</u>	<u>136,322,855</u>
EXPENDITURE (Note 14)						
Benefits (Schedule I - Page 27)	42,855,116	8,474,436	1,127,461	64,316	52,521,329	47,408,411
Administration (Schedule II - Page 28)	11,354,924	2,576,702	924,927	13,002	14,869,555	12,135,947
Provision for loss on Investments (Notes 9 & 11)	<u>241,566</u>	<u>54,817</u>	<u>19,677</u>	<u>-</u>	<u>316,060</u>	<u>10,755,285</u>
	<u>54,451,606</u>	<u>11,105,955</u>	<u>2,072,065</u>	<u>77,318</u>	<u>67,706,944</u>	<u>70,299,643</u>
NET SURPLUS FOR THE YEAR (Note 13 - Page 47)	<u>\$51,077,913</u>	<u>\$8,558,054</u>	<u>\$13,808,518</u>	<u>\$1,253,884</u>	<u>\$74,698,369</u>	<u>\$66,023,212</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Eastern Caribbean Dollars)

	<u>2013</u>	<u>2012</u>
Net Surplus for the Year (Page 22) (Note 13)	74,698,369	66,023,212
Other Comprehensive Income:		
Unrealised Holding Gain (Note 2 (e)(i) & 5)	(2,771,051)	(4,798,256)
Total Comprehensive Income for the Year (Page 24)	<u>\$71,927,318</u>	<u>\$61,224,956</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 2013
(Expressed in Eastern Caribbean Dollars)

	-----Social Long Term Benefits Fund	Security Fund Short Term Benefits Fund	Injury Benefits Fund	National Provident Fund Members' Account	Reserve Fund	Revaluation Reserve	Unrealised Holding Loss	Capital Reserve	Total
Balance as at 31 December 2011	892,731,554	102,154,770	152,209,523	9,261,226	12,708,522	6,108,232	5,306,978	10,200,705	1,190,681,510
Total Comprehensive Income (Page 23)	<u>45,753,212</u>	<u>6,584,676</u>	<u>12,405,397</u>	<u>539,547</u>	<u>740,380</u>	<u>-----</u>	<u>(4,798,256)</u>	<u>-----</u>	<u>61,224,956</u>
Balance at 31 December 2012 (Page 21)	938,484,766	108,739,446	164,614,920	9,800,773	13,448,902	6,108,232	508,722	10,200,705	1,251,906,466
Total Comprehensive Income (Page 23)	<u>51,077,913</u>	<u>8,558,054</u>	<u>13,808,518</u>	<u>528,568</u>	<u>725,316</u>	<u>-----</u>	<u>(2,771,051)</u>	<u>-----</u>	<u>71,927,318</u>
Balance at 31 December 2013 (Page 21)	<u>\$989,562,679</u>	<u>\$117,297,500</u>	<u>\$178,423,438</u>	<u>\$10,329,341</u>	<u>\$14,174,218</u>	<u>\$6,108,232</u>	<u>\$(2,262,329)</u>	<u>\$10,200,705</u>	<u>\$1,323,833,784</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STAFF SUPPLEMENTAL BENEFITS RESERVE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)

	<u>2013</u>	<u>2012</u>
INCOME		
Contributions	584,107	555,233
Investment Income	<u>329,505</u>	<u>433,991</u>
	<u>913,612</u>	<u>989,224</u>
EXPENDITURE		
Benefits (Schedule I - Page 27)	682	122,203
Administration (Schedule II - Page 28)	<u>2,400</u>	<u>2,400</u>
	<u>3,082</u>	<u>124,603</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 36)	<u>\$910,530</u>	<u>\$864,621</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)**

	<u>2013</u>	<u>2012</u>
Cash provided by operating activities:		
Net surplus for the year		
- SSF and NPF (Page 22)	74,698,369	66,023,212
- SSBF (Page 25)	910,530	864,621
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	1,219,065	677,793
Gain on disposal of property, plant and equipment	<u>(64,550)</u>	<u>(65,150)</u>
	76,763,414	67,500,476
Non-cash working capital change		
Accrued interest receivable	(986,570)	(1,187,627)
Accounts receivable and prepaid expenses	(922,309)	(750,380)
Accounts payable	(4,012)	(41,622)
Sundry creditors and accruals	<u>1,856,332</u>	<u>(493,646)</u>
Cash provided by operating activities	<u>76,706,855</u>	<u>65,027,201</u>
Cash flows from investing activities		
Net increase in investments	(64,341,189)	(51,341,833)
Purchase of property, plant and equipment	(8,115,046)	(5,122,150)
Proceeds from disposal of property, plant and equipment	99,859	75,150
Purchase of intangible assets	<u>(75,382)</u>	<u>(40,304)</u>
Cash used in investing activities	<u>(72,431,758)</u>	<u>(56,429,137)</u>
Increase in cash for the year	4,275,097	8,598,064
Cash at beginning of year	<u>16,621,886</u>	<u>8,023,822</u>
Cash at end of year	<u>\$20,896,983</u>	<u>\$16,621,886</u>
Cash at bank and in hand	<u>\$20,896,983</u>	<u>\$16,621,886</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

**BENEFITS PAID
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)**

SCHEDULE I

	<u>2013</u>		<u>2012</u>	
	<u>Number of Claims</u>	<u>\$</u>	<u>Number of Claims</u>	<u>\$</u>
a) Social Security Fund:				
<u>Long Term Benefits</u>				
Elderly Refund	13	4,299	14	1,425
Survivors Pension	995	2,935,417	954	2,823,207
Invalidity	323	2,963,436	308	2,561,345
Age Pension	2,622	34,245,017	2,431	30,490,907
Age Grant	<u>144</u>	<u>1,179,332</u>	<u>102</u>	<u>812,540</u>
	<u>4,097</u>	<u>41,327,501</u>	<u>3,809</u>	<u>36,689,424</u>
Assistance Pension (Age)	363	1,076,265	384	1,123,171
Assistance Pension (Invalidity)	<u>153</u>	<u>451,350</u>	<u>151</u>	<u>453,044</u>
	<u>516</u>	<u>1,527,615</u>	<u>535</u>	<u>1,576,215</u>
Sub-Total (Page 22)	<u>4,613</u>	<u>42,855,116</u>	<u>4,344</u>	<u>38,265,639</u>
<u>Short Term Benefits</u>				
Sickness	9,170	6,070,513	8,055	5,174,487
Funeral	238	568,591	280	664,312
Maternity Allowance	383	1,652,182	459	1,888,315
Maternity Grant	<u>402</u>	<u>183,150</u>	<u>468</u>	<u>212,400</u>
Sub-Total (Page 22)	<u>10,193</u>	<u>8,474,436</u>	<u>9,262</u>	<u>7,939,514</u>
<u>Employment Injury</u>				
Funeral Grant	1	4,000	1	4,000
Injury	411	405,410	420	354,114
Travelling Expenses	12	9,728	16	27,415
Medical Care Expenses	220	89,609	204	137,982
Death Benefits	21	155,934	21	128,792
Constant Care	2	26,160	2	26,160
Disablement - Pension	59	436,620	58	451,025
Disablement - Grant	<u>-</u>	<u>-</u>	<u>2</u>	<u>16,369</u>
Sub-Total (Page 22)	<u>726</u>	<u>1,127,461</u>	<u>724</u>	<u>1,145,857</u>
b) National Provident Fund:				
Survivor	-	-	2	2,714
Age	25	54,624	24	46,561
Members' Balances repaid (Note 3)	<u>8</u>	<u>9,692</u>	<u>9</u>	<u>8,126</u>
Sub-Total (Page 22)	<u>33</u>	<u>64,316</u>	<u>35</u>	<u>57,401</u>
TOTAL (Page 22)	<u>15,565</u>	<u>\$52,521,329</u>	<u>14,365</u>	<u>\$47,408,411</u>
c) Staff Supplemental Benefits:				
Refunds	-	-	1	121,619
Pension	<u>1</u>	<u>682</u>	<u>1</u>	<u>584</u>
Sub-Total (Page 25)	<u>1</u>	<u>682</u>	<u>2</u>	<u>122,203</u>
GRAND TOTAL BENEFITS PAID	<u>15,566</u>	<u>\$52,522,011</u>	<u>14,367</u>	<u>\$47,530,614</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

ADMINISTRATION EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2013
 (Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2013</u>	<u>2012</u>
Actuarial Review	15,873	96,101
Advertising and Publicity	162,649	173,016
Donations	14,173	58,138
Anniversary Expenses	28,117	5,741
Dedication of Annex	(181)	59,906
Audit Fees and Expenses (Current and Prior)	337,615	150,000
Bad Debts	6,002	-
Bank Charges and Interest	(12,324)	(2,034)
Books, Periodicals, etc	1,936	5,038
Cleaning Expenses	16,152	13,535
Commission	-	2,220
Committee Expenses	87,338	71,763
Contribution for National Projects	405,000	406,579
Management Fees	151,751	45,211
Depreciation and Amortisation (Note 2(c) & 2(d))	1,219,065	677,793
Electricity	466,304	581,575
Hospitality	97,922	96,491
Insurances	463,455	388,751
Land and House Tax	4,747	11,035
Other Professional Fees	11,521	41,599
Exploration Costs	89,556	-
Maintenance of Computer System	195,282	201,083
Maintenance of Premises	199,160	204,160
Medical Expenses	4,580	5,144
Members of Social Security Board - Allowance and Other Expenses	207,093	202,306
Motor Vehicle Expenses	95,183	102,285
Postages, Telephone and Telegraph	277,180	205,790
Repairs, Maintenance and Related Minor Purchases	177,401	131,325
Rental	24,950	10,750
Salaries and Allowances	8,159,017	6,621,618
Scholarships	122,225	97,658
Security Services	100,790	119,131
Social Security, Social Services, etc	636,633	607,622
Staff Pension	292,053	277,617
Stationery, Printing and Office Expenses	327,318	259,379
Subscriptions	68,622	21,121
Training Seminars, Conferences	473,800	407,592
Travelling and Subsistence	51,921	34,291
Uniforms	110,360	4,922
Wages - Other Employees	229,599	258,078
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(447,883)</u>	<u>(515,983)</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$14,871,955</u>	<u>\$12,138,347</u>
Allocated as follows:		
- Long Term Benefits Fund (Page 22)	11,354,924	9,213,470
- National Provident Fund (Page 22)	13,002	13,002
- Short Term Benefits Fund (Page 22)	2,576,702	2,134,571
- Injury (Page 22)	<u>924,927</u>	<u>774,904</u>
Sub-total (Page 22)	14,869,555	12,135,947
- Staff Supplemental Benefits Reserve Fund (Page 28)	<u>2,400</u>	<u>2,400</u>
TOTAL (As Above)	<u>\$14,871,955</u>	<u>\$12,138,347</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in Eastern Caribbean Dollars)

SCHEDULE III

Item	GROSS CARRYING AMOUNTS			D E P R E C I A T I O N		NET CARRYING AMOUNTS	
	31/12/12	Additions (Disposals)	Reclassification	31/12/13	Charge (Disposals)	31/12/13	31/12/12
Freehold Properties							
- Liverpool Row Property St Kitts - Land at Valuation	796,067	-	-	796,067	-	-	796,067
- Liverpool Row Building - Cost	-	-	15,814,748	15,814,748	-	395,369	15,419,379
- Liverpool Row Building St Kitts - In Progress	14,669,407	1,145,341	(15,814,748)	-	-	-	14,669,407
- Church Street St Kitts - Land at Valuation	2,598,000	-	-	2,598,000	-	-	2,598,000
- Church Street Building St Kitts	3,400,860	-	-	3,400,860	-	-	3,400,860
- Bay Road St Kitts - At Valuation/Cost	6,463,666	-	-	6,463,666	544,640	109,039	5,919,026
- Chapel Street Nevis - At Valuation/Cost	2,101,200	-	-	2,101,200	233,125	46,625	1,868,075
- Pinneys Estate Nevis - Land at Cost	886,734	-	-	886,734	-	-	886,734
- Pinneys Estate Nevis - Work in Progress	1,360,490	5,283,627	-	6,644,117	-	-	1,360,490
	32,276,424	6,428,968	-	38,705,392	777,765	1,328,798	31,498,659
Furniture and Equipment - At Cost	2,124,604	1,044,925 (270,429)	-	2,899,100	1,550,388	1,599,104	574,216
Computer Equipment - At Cost	1,127,968	117,608	-	1,245,576	851,399	991,779	276,569
Motor Vehicles - At Cost	774,267	523,545 (253,000)	-	1,044,812	497,811	405,150	276,456
	\$36,303,263	\$8,115,046 \$(523,429)	-	\$43,894,880	\$3,677,363	\$4,324,831	\$39,570,049
TOTAL					\$1,135,588 \$(488,120)		\$32,625,900

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Expressed in Eastern Caribbean Dollars)

1 ESTABLISHMENT OF FUND

- Social Security Act 1977:

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

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

- Transfer of National Provident Fund Assets and Liabilities:

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

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

- Actuarial Review of the Fund:

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

The tenth actuarial review of the Social Security Board was carried out in December 2012 by the Project Actuary, Mr Derek Osborne, who was privately engaged to conduct the review for the period 2009 to 2011. The report which was submitted in 2013 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES

a) Basis of Accounting:

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

The accounting policies which are followed are set out below.

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

New and Amended Standards and interpretations in effect and applicable

IFRS 7 Financial Instruments: Disclosures

The amended standard requires disclosures to include information that will enable users of the financial statements to evaluate the effects or potential effects of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and liabilities. The amendment is effective for periods commencing on or after 1 January 2013. This amendment has no effect on the Board's financial position or performance.

IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 – 2009-2011 cycle

The process is to enhance the quality of standards, by amending existing IFRSs to clarify guidance and wording, or to correct for relatively minor unintended oversights, conflicts and consequences. Issues included in the cycles are as follows:

IFRS 1-permits the repeated application of IFRS 1, borrowing costs on certain qualifying assets;

IAS 1 - clarification of requirements for comparative information;

IAS 16 – classification of servicing equipment;

IAS 32 – clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 *Income Taxes*;

IAS 34 – clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating Segments*.

The amendment for the cycle is effective for annual periods beginning on or after 1 January 2013 and have no effect on the Board's financial position or performance

IFRS 13 Fair Value

The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instrument items and non-financial instrument items where other standards require or permit fair value measurements and disclosures at fair value measurements.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

a) Basis of Accounting (cont'd):

IFRS 13 Fair Value (cont'd)

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (eg whether it is recognized in the financial statements or merely disclosed) and the level in which it is classified.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013. This standard did not significantly affect any fair value measurements of the Board's assets or liabilities as changes were limited to presentation and disclosure. There was no effect on the Board's financial position or performance.

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

The Board intends to adopt the following standards and amendments, if applicable, when they become effective:

IFRS 15 Revenue from Contracts with Customers	effective 1 January 2016
IAS 32 Financial Instruments: Presentation	effective 1 January 2014
IAS 16 Property, Plant and Equipment (Amendment)	effective 1 January 2016

b) Foreign Currencies:

All amounts are stated in Eastern Caribbean Dollars (functional currency). 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%

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

c) Property, Plant and Equipment and Depreciation (cont'd):

Freehold Property

Land and buildings are measured at fair value less depreciation. Following initial recognition at cost, land and buildings 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 on 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. Upon disposal of revalued assets, the Board has elected to transfer in full, the revaluation reserve relating to the particular asset being sold to retained earnings.

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.

The Liverpool Row Property

The Liverpool Row property was substantially completed in 2012 and certain parts of the property was rented during a portion of that year. The property was officially handed over in August 2013. However, in light of the foregoing, depreciation on the building was charged for the entire year 2013. The related land is shown at fair value.

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 - Initial Recognition and Subsequent Measurements:

Investments are classified into the following four categories:

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

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

- e) Investments: Available -for-sale, Held-to-maturity and Loans Receivable - Initial Recognition and Subsequent Measurements (cont'd):

Investments are classified into the following four categories (cont'd):

- (ii) Held-to-maturity Investments

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

- (iii) Loans Receivable:

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

- (iv) Lands and Land Development

Lands and Land Development are stated at cost less amounts written off.

- f) Accounts Receivable

Accounts receivable are recognised and carried at original invoice amounts less an allowance for any uncollectible amounts. Provisions are made specifically for any debts considered to be doubtful. Known bad debts are written off.

- g) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2013, at the rates quoted for the period of the investments.

- h) 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.

- i) 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.

- j) Trade Creditors and Accruals

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Board.

- k) Provisions

Provisions are recognised when the Board has a present obligation (legal or constructive) as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

l) Critical accounting estimates and judgement:

a) Use of Estimates:

The preparation of these Financial Statements 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 assumptions and estimates are significant to the Financial Statements are disclosed below.

b) Impairment of financial assets:

Unquoted available-for-sale debt securities, loans or receivables are 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 unquoted 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 financial assets:

Fair value measurement of financial assets:

A number of assets included in the Board's financial statements require measurement at, and /or disclosure of, fair value.

Fair value measurement of the Board's financial and non-financial assets utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorized into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1 – quoted prices in active markets for identical assets that the entity can access at the measurement date
- Level 2 – inputs other than quoted market price is included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 – unobservable inputs for the asset

The Board measures the following at fair value:

- Revalued land and buildings – property, plant and equipment (See Note 7)
- Investment property (See Note 9)
- Quoted and unquoted investments

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(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 \$9,692 to 8 members of the National Provident Fund (2012 = \$8,126 to 9 members) (see Schedule 1 - Page 27). 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>Bonus</u> <u>Shares</u>	<u>Total</u> <u>2013</u>	<u>Total</u> <u>2012</u>
Balance as at 31 December 2012	6,108,232	508,722	10,200,705	16,817,659	21,615,915
Movement for the Year (Page 23 and Note 2 (c) (i))	-	(2,771,051)	-	(2,771,051)	(4,798,256)
Balance as at 31 December 2013	<u>\$6,108,232</u>	<u>\$(2,262,329)</u>	<u>\$10,200,705</u>	<u>\$14,046,608</u>	<u>\$16,817,659</u>

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6	STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	<u>2013</u>	<u>2012</u>
	BALANCE - At Beginning of Year	8,225,274	7,360,653
	Excess of Income over Expenditure for year (Page 25)	<u>910,530</u>	<u>864,621</u>
	BALANCE - At End of Year (Page 21)	<u>\$9,135,804</u>	<u>\$8,225,274</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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

6 STAFF SUPPLEMENTAL BENEFITS RESERVE FUND (cont'd)

The Social Security Board operates a defined benefit pension scheme. The effective date of the Staff Supplemental Benefit Plan (SSBP) which provides coverage for substantially all full-time employees was February 1998. In accordance with SRO No. 27 of 2003, SSBP reserve is constituted by transferring every year the excess of income over expenditure to the branch. A valuation of the SSBP which is to be done every three years was done by independent and qualified actuarial and financial consultants, Horizonow using the projected Unit Credit Method.

This is the first time the SSBP is being valued in accordance with IAS 19. For these disclosures, it is assumed that IAS 19 was adopted on 1st January 2012. The full value of the obligation is assumed to be established on this day. Net assets available for benefits as at 31 December 2013 were \$9,135,805. Assets held in the name of the SSBP are not segregated but instead form part of the reserves of the Social Security Fund. For the purpose of IAS disclosure, therefore, SSBP is assumed to have no assets.

The present value of the obligation for benefits is \$6,529,956 at 31 December 2013 (2012 = \$5,723,954) detailed as follows:

Amounts per actuarial report	<u>2013</u>	<u>2012</u>
Present value of pension obligation	6,529,956	5,723,954
Fair Value of plan assets	<u>-</u>	<u>-</u>
Total amount per actuarial report	<u>\$6,529,956</u>	<u>\$5,723,954</u>

Changes in the present value of the Obligation and Fair Value of Plan Assets

Present value of obligation at start of the year	5,723,954	5,048,400
Interest Cost	431,458	378,688
Current Service Cost	440,093	422,527
Benefits Paid	(682)	(122,203)
Actuarial gain on plan assets	<u>(64,867)</u>	<u>(3,458)</u>
Present value of obligation at end of year	<u>\$6,529,956</u>	<u>\$5,723,954</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Continued)

(Expressed in Eastern Caribbean Dollars)

7 PROPERTY, PLANT AND EQUIPMENT

	<u>Land & Buildings at At Valuation</u>	<u>Furniture & Equipment At Cost</u>	<u>Computer Equipment At Cost</u>	<u>Motor Vehicles At Cost</u>	<u>Capital Work In progress At Cost</u>	<u>Total</u>
Year Ended 31 December 2013						
Gross Carrying Amounts						
Balance at 1 January 2013	12,844,467	2,124,604	1,127,968	774,267	19,431,957	36,303,263
Additions	-	1,044,925	117,608	523,545	6,428,968	8,115,046
Disposals	-	(270,429)	-	(253,000)	-	(523,429)
Reclassification	<u>15,814,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,814,748)</u>	<u>-</u>
Balance at 31 December 2013	<u>28,659,215</u>	<u>2,899,100</u>	<u>1,245,576</u>	<u>1,044,812</u>	<u>10,046,177</u>	<u>43,894,880</u>
Accumulated Depreciation						
Balance at 1 January 2013	(777,765)	(1,550,388)	(851,399)	(497,811)	-	(3,677,363)
Depreciation Expense	(551,033)	(303,836)	(140,380)	(140,339)	-	(1,135,588)
Disposals	<u>-</u>	<u>255,120</u>	<u>-</u>	<u>233,000</u>	<u>-</u>	<u>488,120</u>
Balance at 31 December 2013	<u>(1,328,798)</u>	<u>(1,599,104)</u>	<u>(991,779)</u>	<u>(405,150)</u>	<u>-</u>	<u>(4,324,831)</u>
Net Carrying Amounts 2013	<u>\$27,330,417</u>	<u>\$1,299,996</u>	<u>\$253,797</u>	<u>\$639,662</u>	<u>\$10,046,177</u>	<u>\$39,570,049</u>

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Year Ended 31 December 2012

Gross Carrying Amounts

Balance at 1 January 2012	12,795,283	1,922,639	1,071,582	763,118	14,784,684	31,337,306
Additions	49,184	221,825	57,201	146,667	4,647,273	5,122,150
Disposals	<u>-</u>	<u>(19,860)</u>	<u>(815)</u>	<u>(135,518)</u>	<u>-</u>	<u>(156,193)</u>
Balance at 31 December 2012	<u>12,844,467</u>	<u>2,124,604</u>	<u>1,127,968</u>	<u>774,267</u>	<u>19,431,957</u>	<u>36,303,263</u>

Accumulated Depreciation

Balance at 1 January 2012	(622,101)	(1,381,689)	(720,546)	(503,658)	-	(3,227,994)
Depreciation Expense	(155,664)	(188,559)	(131,668)	(119,671)	-	(595,562)
Disposals	<u>-</u>	<u>19,860</u>	<u>815</u>	<u>125,518</u>	<u>-</u>	<u>146,193</u>
Balance at 31 December 2012	<u>(777,765)</u>	<u>(1,550,388)</u>	<u>(851,399)</u>	<u>(497,811)</u>	<u>-</u>	<u>(3,677,363)</u>

Net Carrying Amounts 2012	<u>\$12,066,702</u>	<u>\$574,216</u>	<u>\$276,569</u>	<u>\$276,456</u>	<u>\$19,431,957</u>	<u>\$32,625,900</u>
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ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Continued)

(Expressed in Eastern Caribbean Dollars)

7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Board engaged Glasford Associates, Architect and Real Estate Agent, and Depsen Trust Limited, Real Estate agent 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>2013</u>	<u>Restated 2012</u>
Land and Building at valuation	\$27,330,417	\$12,066,702

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

	<u>2013</u>	<u>Restated 2012</u>
Net Carrying Amount	\$21,222,185	\$5,958,470

8 INTANGIBLE ASSETS	<u>2013</u>	<u>2012</u>
Computer Software		
Cost at Beginning of Year	1,172,360	1,132,056
Additions during the Year	<u>75,382</u>	<u>40,304</u>
Cost at End of Year	<u>1,247,742</u>	<u>1,172,360</u>
Accumulated Amortisation – Beginning of year	(995,005)	(912,774)
Amortisation for the Year	<u>(83,477)</u>	<u>(82,231)</u>
Accumulated Amortisation – End of Year	<u>(1,078,482)</u>	<u>(995,005)</u>
Net Book Value (Page 21)	<u>\$169,260</u>	<u>\$177,355</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS	<u>2013</u>	<u>2012</u>
	Available-for-Sale		
	Lands - At Cost	114,131,318	100,736,694
	Debt Securities: quoted at market value	3,109,311	3,402,735
	Equities:		
	Quoted at market value	39,315,846	36,002,643
	Unquoted	<u>429,000</u>	<u>429,000</u>
	Total Available for Sale	<u>156,985,475</u>	<u>140,571,072</u>
	Held to Maturity		
	Fixed Deposits:		
	CLICO (Trinidad) Limited)	6,960,558	6,960,558
	CLICO (Barbados) Limited)	-	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	698,951,215	631,678,088
	SKN Finance Company Limited	8,321,764	8,321,764
	Bank of Nevis Limited	38,014,889	38,014,889
	St. Kitts Credit Union	2,297,553	2,297,553
	Nevis Credit Union	750,000	5,500,000
	Development Bank of St Kitts	<u>20,502,282</u>	<u>20,502,282</u>
		<u>778,096,469</u>	<u>721,701,925</u>
	Call Accounts:		
	R B C Dominion Securities	484,984	48,649
	Crown Agents	327,997	25,625
	SKNA National Bank Limited	3,643,214	4,271,195
	Bank of Nova Scotia	348,352	324,900
	RBC Dominion Canada (Aiello – CIMA)	<u>6,682</u>	<u>5,805,015</u>
		<u>4,811,229</u>	<u>10,475,384</u>
	Sub-total carried forward	<u>782,907,698</u>	<u>732,177,309</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont'd)	<u>2013</u>	<u>2012</u>
	Sub-total brought forward	<u>782,907,698</u>	<u>732,177,309</u>
	Held to Maturity (cont'd)		
	Treasury Bills - St Kitts:	22,380,000	22,380,000
	Treasury Bills - Nevis:	<u>6,912,413</u>	<u>6,915,188</u>
		<u>29,292,413</u>	<u>29,295,188</u>
	Debt Securities Unquoted	<u>32,786,854</u>	<u>32,786,854</u>
	Total Held to Maturity	<u>844,986,965</u>	<u>794,259,351</u>
	Loans Receivable:		
	Government	47,394,831	46,933,747
	Statutory Corporations	184,912,560	191,525,014
	Other	1,530,912	1,937,543
	Staff Loans and Advances		
	(Less Provision for Doubtful Accounts Nil/2012 = \$60,285)	<u>11,515,103</u>	<u>10,528,981</u>
	Total Loans Receivable	<u>245,353,406</u>	<u>250,925,285</u>
	Total Investments	1,247,325,846	1,185,755,708
	Provision for impairment – CL Financial Group Investments (See Note below)	(5,778,487)	(5,778,487)
	Provision for impairment – SKN Government Bonds (See Note below)	<u>(9,367,729)</u>	<u>(9,367,729)</u>
	TOTAL INVESTMENTS NET OF PROVISIONS FOR IMPAIRMENT (Page 21)	<u>\$1,232,179,630</u>	<u>\$1,170,609,492</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont'd)	<u>2013</u>	<u>2012</u>
	The movement for the year is as follows:		
	Available for Sale Investments:		
	Balance at Beginning of year	140,571,072	144,540,368
	Additions	21,280,042	5,380,885
	Matured Securities	(2,094,588)	(5,706,935)
	Change in market value	<u>(2,771,051)</u>	<u>(3,643,246)</u>
	Balance at end of year	<u>156,985,475</u>	<u>140,571,072</u>
	Held to Maturity:		
	Balance at beginning of year	788,480,864	722,171,768
	Additions	111,291,226	78,460,240
	Retired	(60,563,612)	(12,565,000)
	Impairment Provision (see note)	<u>-</u>	<u>413,856</u>
	Balance at end of year (Net of Provision for impairment)	<u>839,208,478</u>	<u>788,480,864</u>
	Analysis of Provision for Impairment:		
	Balance brought forward	5,778,487	5,778,487
	Charge for the year	-	-
	Recoveries	-	-
	Written Off	<u>-</u>	<u>-</u>
	TOTAL	<u>\$5,778,487</u>	<u>\$5,778,487</u>
	Loans and Receivables		
	Balance at beginning of year	241,557,556	257,353,779
	Additions	4,446,439	5,522,676
	Repayments	(10,078,603)	(11,951,170)
	Impairment provision	<u>60,285</u>	<u>(9,367,729)</u>
	Balance at end of year (Net of Provision for impairment)	<u>\$235,985,677</u>	<u>\$241,557,556</u>
	Analysis of Provision for Impairment:		
	Balance brought forward	9,428,014	60,285
	Charge for the year	-	9,367,729
	Recoveries/ Write Backs	<u>(60,285)</u>	<u>-</u>
	TOTAL	<u>\$9,367,729</u>	<u>\$9,428,014</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

Fixed Deposits:

Interest rates range between 3.25% and 7.5% (2012 = 6.5% and 7.5%) per annum with maximum maturity of five years up to 10 October 2017.

Call Accounts:

Interest rates range between zero to 2% (2012 = zero to 2.5%) per annum.

Treasury Bills:

Interest rate is between 6.5 and 7% (2012 = between 6.5% and 6.75%) per annum with a term between 91 days and 365 days.

Debt Securities Unquoted:

These securities earn interest at varying rates up to 7.5% (2012 = 8.25%) and have maturity dates ranging between 2015 and 2057.

Loans Receivable:

The loans earn interest at rates ranging from 2% to 8% (2012 = 5% to 8%) and have maturity dates ranging from 2014 to 2053.

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 2013 financial year the Social Security Board held investments with the CLICO Financial Group. Details of these investments are as follows:

	<u>Investment Amount</u>	<u>Provision</u>	<u>Maturity Date</u>
CLICO Trinidad	3,811,270	1,905,635	September 27 2010
CLICO Trinidad	3,149,287	1,574,644	August 31 2009
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>\$9,258,765</u>	<u>\$5,778,487</u>	

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

During the year under review, the Social Security Board acquired land at Douglas Estate in the value of \$12,000,000 to offset the principal and some of the outstanding interest with regards to CLICO Barbados Investment. The excess of the value of the land over the amount outstanding amounted to \$3,976,418 and was paid in full to CLICO Barbados.

St Kitts and Nevis Government Debt

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

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

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

As part of the Government of St Kitts and Nevis debt restructuring the two bonds referred to, (a and b) above, were retired. In exchange for those bonds, the St Kitts Nevis Social Security Board received a par bond of \$41,572,610 at an interest rate of 1.5% per annum for 45 years. There is a 15 year moratorium on principal but interest is however payable monthly throughout the life of the bond.

Prior to restructuring, a principal payment was received on the 12 year bond reducing the amount due and thus restructured from \$13,445,938 to \$12,844,610. The foregoing necessitated a reduction in the provision for diminution in value of the investment of \$413,856.

These bonds are a part of Debt Securities: Unquoted (Page 41).

c) SOCIAL SECURITY BOARD AND THE ST KITTS AND NEVIS GOVERNMENT DEBT – RESTRUCTURING PROGRAMME

St. Kitts Government and its Statutory Corporations

At 31 December 2013, the total Reserve Funds of the Social Security Board amounted to \$1.33 billion (2012 = \$1.260 billion). The Social Security Board and the St Kitts and Nevis Government have negotiated a settlement of loans advanced to the Government and its Statutory Corporations in St Kitts, totalling approximately \$206 million. The Management of the Social Security Board has been given the assurance by the St Kitts and Nevis Government to indemnify the Social Security Fund for any losses suffered as a result of the debt restructuring programme.

Subsequent Repayments

Subsequent to the year end, the St Kitts Nevis Government paid an amount of \$56,418,961 towards the principal to settle the principal balance and accrued interest on two of the debt instruments.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

d) Nevis Island Administration:

On April 12 2013 the Social Security Board and the Nevis Island Administration signed an agreement to give effect to the restructuring of four loans – two to the Nevis Island Administration (NIA) and two to the Nevis Housing and Land Development Corporation (NHLDC). These restructured loans, including accrued interest, totalled \$26.9m. The loans in question were discounted resulting in a loan loss provision of \$9.3m which was included in the surplus reported for the year ended 31 December 2012.

10 CASH AT BANK AND IN HAND	<u>2013</u>	<u>2012</u>
Cash at Bank - Current Accounts		
Royal Bank of Canada	115,509	55,841
SKNA National Bank Limited (Benefits)	1,002,508	1,674,718
SKNA National Bank Limited		
(Social Services Levy & Protection of Employment Levy)	614,427	572,357
SKNA National Bank Limited (Administrative)	4,293,681	5,206,469
SKNA National Bank Limited (Beacon Heights)	<u>1,257,072</u>	<u>2,575,171</u>
	7,283,197	10,084,556
Cash at Bank - Savings Accounts		
Royal Bank of Canada	125,163	121,477
SKNA National Bank Limited	3,912,252	1,829,371
NCCU Savings Account	9,550,348	4,583,440
SKNA National Bank Limited (Escrow)	2,729	2,709
Cash in Hand	<u>23,294</u>	<u>333</u>
TOTAL (Page 21)	<u>\$20,896,983</u>	<u>\$16,621,886</u>

During the year under review, the savings accounts earned interest at the rates of 0.5%, 0.9% and 3% per annum.

11 ACCRUED INTEREST RECEIVABLE	<u>2013</u>	<u>2012</u>
Balance At Beginning of Year	42,359,888	41,172,261
Interest Earned during the Year	67,024,177	66,130,624
Provision for Non-collectibility (Note 9)	(6,119,313)	(5,803,253)
Interest Received during the Year	<u>(59,918,295)</u>	<u>(59,139,744)</u>
Balance At End of Year (Page 21)	<u>\$43,346,457</u>	<u>\$42,359,888</u>

As at 31 December 2013, the aging analysis of accrued interest is as follows:

	<u>Total</u>	<u>Neither Past Due nor Impaired</u>	<u>Past Due but not Impaired 30 to 90 days</u>	<u>over 90 days</u>
2013	<u>43,346,457</u>	<u>32,612,036</u>	<u>825,818</u>	<u>9,908,603</u>
2012	<u>42,359,888</u>	<u>31,248,547</u>	<u>2,095,687</u>	<u>9,015,654</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

11 ACCRUED INTEREST RECEIVABLE (cont'd)

Analysis of Provision for Impairment:	<u>2013</u>	<u>2012</u>
Balance brought forward	5,803,253	4,001,843
Charge for the year	5,712,493	1,950,583
Recoveries/Write backs	(5,396,433)	(149,173)
TOTAL	\$6,119,313	\$5,803,253

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

PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECEIVABLE (\$6,119,313 (2012 = \$5,803,253))

CLICO GROUP OF COMPANIES \$406,820 (2012 = \$927,749) (See Note 9 and above)

During the year ended 31 December 2010, 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. However, the interest receivable from CLICO Barbados was recovered in full when the Social Security Board acquired land at Douglas Estate to offset the principal and outstanding interest. (See Note 9)

The Social Security Board of Directors continues to monitor the developments in relation to the C L Financial Limited Group and believes that the carrying values of the Social Security Board's deposits and interest receivable held with the CLICO Group of Companies are fair and reasonable under the circumstances.

STATUTORY CORPORATIONS \$5,712,493 (2012 = \$4,875,504)

A provision is made for interest due on Development Bank of St Kitts and Nevis Student Loans and at the end of this financial period which remained unpaid.

12 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	<u>2013</u>	<u>2012</u>
Accounts Receivable	1,716,810	1,486,655
Prepayments	<u>2,171,892</u>	<u>1,479,738</u>
TOTAL (Page 21)	\$3,888,702	\$2,966,393

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.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

13	ALLOCATION OF NET SURPLUS	<u>2013</u>	<u>2012</u>
	Social Security Fund		
a)	Long Term Benefits Fund (Page 22)	51,077,913	45,753,212
b)	Short Term Benefits Fund (Page 22)	8,558,054	6,584,676
c)	Injury Benefits Fund (Page 22)	<u>13,808,518</u>	<u>12,405,397</u>
		<u>73,444,485</u>	<u>64,743,285</u>
	National Provident Fund		
a)	Members' Account	528,568	539,547
b)	Reserve Fund	<u>725,316</u>	<u>740,380</u>
	Sub-Total (Page 22)	<u>1,253,884</u>	<u>1,279,927</u>
	NET SURPLUS FOR THE YEAR (Pages 22 & 23)	<u>\$74,698,369</u>	<u>\$66,023,212</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.

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 BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

14 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) Administration Expenditure:

The administration expenditure of the Board shall be distributed 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.

15 SUNDRY CREDITORS AND ACCRUALS

	<u>2013</u>	<u>2012</u>
Accounts Payable	3,611,664	3,222,636
Accruals	2,636,844	1,199,225
Provisions	<u>785,769</u>	<u>756,084</u>
TOTAL (Page 21)	<u>\$7,034,277</u>	<u>\$5,177,945</u>

16 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2013, contributions and fines due from employers amounted to \$24,900,484 (2012 = \$20,986,513). Details are set out hereunder:

<u>Particulars</u>	<u>2013</u>	<u>2012</u>
Contributions due by Employers	8,931,289	7,688,432
Fines due by Employers	<u>15,969,195</u>	<u>13,298,081</u>
TOTAL DUE TO THE BOARD	<u>\$24,900,484</u>	<u>\$20,986,513</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Continued)

(Expressed in Eastern Caribbean Dollars)

17 CAPITAL COMMITMENT

At 31 December 2013, the Social Security Board of Directors approved capital expenditure for the ensuing year in the amount of \$13.2 million (including property development/2012 = \$6.4 million).

Some infrastructure on the Beacon Heights Development Project is to be completed in 2014. \$1 million has been budgeted and included in \$13.2 million above. It is anticipated that some development will be done in relation to the commercial area.

The Board commenced construction of the Nevis office building in 2013. The building is estimated to cost \$18M.

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:

National Housing Corporation
Development Bank of St Kitts and Nevis

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

Loans to Government and Statutory Corporations	<u>2013</u>	<u>2012</u>
Balance at Beginning of year	268,871,136	278,241,119
Loans advanced during the year	-	41,572,610
Loan Repayment received	(5,327,137)	(50,391,150)
Interest Income	13,934,418	13,137,994
Interest Received	(9,574,668)	(13,689,437)
Balance at End of Year	<u>\$267,903,749</u>	<u>\$268,871,136</u>

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

Fixed Deposits, Bank Accounts and Treasury Bills with Related Parties	<u>2013</u>	<u>2012</u>
Balance at Beginning of Year	718,899,142	649,912,172
Net Advances	65,878,841	66,348,755
Interest Income	42,649,869	42,619,209
Interest Received	(44,791,249)	(39,980,994)
Balance at End of Year	<u>\$782,636,603</u>	<u>\$718,899,142</u>
Amounts owing By Directors		
Beginning of Year	1,142,906	1,207,313
Loans advanced during the year	161,404	24,344
Loan Repayment Received	(589,846)	(90,071)
Interest Income	53,612	84,705
Interest Received	(54,167)	(83,385)
Balance at End of Year	<u>\$713,909</u>	<u>\$1,142,906</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

18 RELATED PARTY TRANSACTIONS (cont'd)

Loans in the amount of \$ 1,467,517 were taken by the directors. These loans were adequately secured with land, shares, bills of sale and third party guarantees. The monthly repayments range from \$309 to \$2,813 and terms from 2.5 to 20 years.

Key Management Compensation

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$692,659 (2012 = \$597,550).

19 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 rates. 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 2013 is adequate.

c) Fair Value:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and bank balances, accrued interest receivable, accounts receivable, investments, accounts payable and sundry creditors.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

c) Fair Value (cont'd):

Fair value measurements

Fair value measurement hierarchy for assets at 31 December 2013:

	<u>Date of Valuation</u>	<u>Total</u>	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant Observable inputs (Level 2)</u>	<u>Significant Unobservable inputs (Level 3)</u>
Assets valued at fair value:					
Investment properties (included in property, plant and equipment)	31 December 2013	2,598,000	-	-	2,598,000
Investment properties	31 December 2013	114,131,318	-	-	114,131,318
Available-for-sale financial assets:					
Quoted equity shares	31 December 2013	39,315,846	39,315,846	-	-
Quoted equity shares:					
Corporate bonds	31 December 2013	3,109,311	3,109,311	-	-
Lands and buildings	31 December 2013	24,732,417	-	-	24,732,417

ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Continued)

(Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

c) Fair Value (cont'd):

Fair value measurements (cont'd)

Fair value measurement hierarchy for assets at 31 December 2012:

	<u>Date of Valuation</u>	<u>Total</u>	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant Observable inputs (Level 2)</u>	<u>Significant Unobservable inputs (Level 3)</u>
Investment properties (included in property, plant and equipment)	31 December 2012	2,598,000	-	-	2,598,000
Investment properties	31 December 2012	100,736,694	-	-	100,736,694
Available-for-sale financial assets:					
Quoted equity shares	31 December 2012	36,002,643	36,002,643	-	-
Quoted debt securities:					
Corporate bonds	31 December 2012	3,402,735	3,402,735	-	-
Lands and buildings	31 December 2012	9,468,702	-	-	9,468,702

Unquoted debt securities, held-to-maturity investments and loans receivable

Unquoted debt securities, held-to-maturity investments and loans receivable are carried at cost less provision for diminution in value. In the opinion of the Board, the carrying amounts of these investments approximate fair values.

Fair value of the Board's non-financial assets

The carrying value of the Board's Investment properties and land and buildings are stated at cost and valuation. Fair value of these assets approximate the stated carrying values based on the appraisal done by professional valuers and the Board of Directors in consultation with the Investment Committee.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

d) Liquidity Risk:

In order to manage liquidity risk, management seeks to maintain sufficient levels of cash and cash equivalents 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 2013:

	<u>Due within 1 Year</u>	<u>>1 Yr to 5 Yrs</u>	<u>>5 Years</u>	<u>Total</u>
Cash at Bank and in Hand	20,896,983	-	-	20,896,983
Accrued Interest Receivable	43,346,458	-	-	43,346,458
Accounts Receivable and Prepaid Expenses	3,888,702	-	-	3,888,702
Investment Securities	-	<u>1,074,532,621</u>	<u>157,647,009</u>	<u>1,232,179,630</u>
Total Assets	<u>68,132,143</u>	<u>1,074,532,621</u>	<u>157,647,009</u>	<u>1,300,311,773</u>

Liabilities:

Year Ended 31 December 2013:

Accounts Payable	15,020	-	-	15,020
Other Payables	<u>7,066,474</u>	-	-	<u>7,066,474</u>
Total Liabilities	<u>7,081,494</u>	-	-	<u>7,081,494</u>
Net Liquidity Gap	<u>61,050,649</u>	<u>1,074,532,621</u>	<u>157,647,009</u>	<u>1,293,230,279</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

d) Liquidity Risk: (cont'd)

Assets:

Year Ended 31 December 2012:

	<u>Due within 1 Year</u>	<u>>1 Yr to 5 Yrs</u>	<u>>5 Years</u>	<u>Total</u>
Cash at Bank and in Hand	16,621,886	-	-	16,621,886
Accrued Interest Receivable	42,359,888	-	-	42,359,888
Accounts Receivable and Prepaid Expenses	2,966,393	-	-	2,966,393
Investment Securities	<u>-</u>	<u>1,040,621,133</u>	<u>129,988,359</u>	<u>1,170,609,492</u>
Total Assets	<u>61,948,167</u>	<u>1,040,621,133</u>	<u>129,988,359</u>	<u>1,232,557,659</u>

Liabilities:

Year Ended 31 December 2012:

Accounts Payable	19,032	-	-	19,032
Other Payables	<u>5,210,142</u>	<u>-</u>	<u>-</u>	<u>5,210,142</u>
Total Liabilities	<u>5,229,174</u>	<u>-</u>	<u>-</u>	<u>5,229,174</u>
Net Liquidity Gap	<u>56,718,993</u>	<u>1,040,621,133</u>	<u>129,988,359</u>	<u>1,227,328,485</u>

20 CONTINGENT LIABILITY

There was no contingent liability at 31 December 2013.

21 EMPLOYEE RISK BENEFIT RESERVE

The Social Security Board has made a commitment to build a contingency fund to cover inspectors and other compliance officers in the event of any employment-related injury. The amount to be put aside annually is \$5,300 per person (totaling \$95,400) for 18 persons (2012 = \$95,400 for 18 persons). The maximum payment to be awarded is \$200,000 per individual incident. The details are being finalized, thus no entries were made in these financial statements.

22 INCOME TAX EXEMPTION

The Social Security Board is exempt from Income tax in accordance with Income Tax Ordinance No. 17 of 1966 section 5 n (A) and 5 n (B) and section 9 f (A).

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

(Continued)

(Expressed in Eastern Caribbean Dollars)

23. RECLASSIFICATION

An amount previously included in land and buildings have been reclassified to work in progress during the year under review. The comparative figures have also been reclassified to be comparable with the current year. This reclassification has not affected the reported results of the previous year (See Note 7 and Schedule III-Page 29).

24. RESERVE FUND

The following describes the nature and purpose of each reserve within the reserve fund:

<u>Reserve:</u>	<u>Description and Purpose:</u>
Long Term Benefits Fund	Invalidity, Age, Survivors and assistance benefits to be paid out in accordance with Social Security Act, 1977;
Short Term Benefits Fund	Sickness, Maternity and Funeral Grants to be paid out in accordance with Social Security Act, 1977;
Injury Benefits Fund	Injury, disablement and death benefits to be paid out in accordance with Social Security Act, 1977;
National Provident Fund - Members Accounts	Surplus and transactions under National Provident Fund;
National Provident Fund - Reserve Account	Under National Provident Act 1968, this represents Fines and penalties collected, contributions by employers or workers which may not be allocated to individual accounts and any other moneys authorized to be paid into the fund;
Revaluation Reserve	Gains and losses on revaluation of the Board's freehold properties, and realised gains/losses on available for sale investments;
Staff Supplemental Benefit Reserve	Staff supplemental benefits to be paid to the Board's staff members;
Unrealised Holding Gains	Unrealised gains/losses on available-for-sale investments.

NOTES



Striving for Social Justice

Customer Charter

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

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



Striving for Social Justice

St. Christopher and Nevis Social Security Board

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