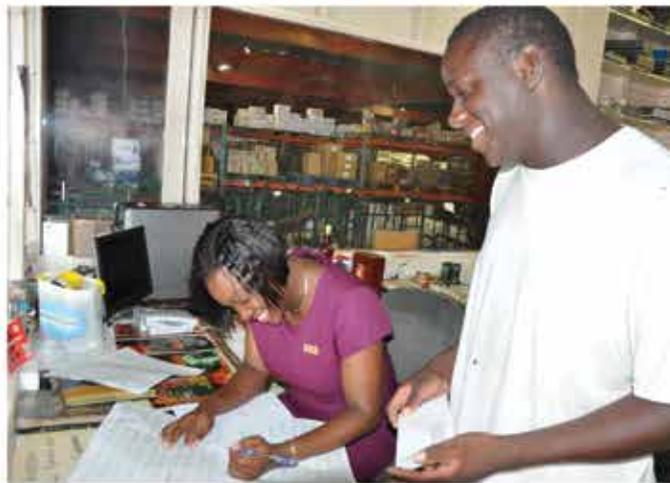


St. Christopher and Nevis Social Security Board



ANNUAL REPORT

2014



Striving for Social Justice

ST. CHRISTOPHER AND NEVIS SOCIAL SECURITY BOARD

REPORT AND ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

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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.

VISION

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

VALUES

Confidentiality

Honesty & Integrity

Team Productivity

Commitment/Dedication

Efficiency

Motivation

MOTTO

Striving for Social Justice

Report of Chairman of the Board of Directors

The financial year ended December 31, 2014 yielded satisfactory results. The total assets of Social Security stood at \$1,359,563,436 inclusive of the Staff Supplemental Benefits Plan. The main Fund stood \$1,349,710,113 or 2% above the assets in 2013. The Long-term Benefit Fund Reserves reached \$1.004 billion, the short-term reserves were \$116.7 million and the Injury Fund reserves stood at \$189.6 million.

Worthy of note was that the total income reached the highest in the history of Social Security in the sum of \$146.8 million. The Long-Term Benefit income was 73.8% of this sum amassing \$108.4 million while the short-term was \$20.8 million. As customary, the largest source of total income was contributions income, which was \$82.5 million in the year, 10.5% higher than the previous year. The investment income showed a decline of \$3.2 million or 4.7%. This is attributable to the reduced interest rates on not only the statutory bodies loans but also on fixed deposits held in commercial banks. The current challenge is for the Fund to seek other viable investment opportunities within reasonable risk levels. The investment portfolio demands further diversification but one is cognisant of the dearth of opportunities in the Federation and regionally. However, as the government has increased the portion authorised for overseas investment from 1% to 10%, this provides greater opportunities for diversification.

Total Expenditure has continued to increase and was \$120.45 million at year-end. Without the investment loss provision, the total expenditure increased by over \$8 million. Benefits absorbed over \$7 million of this increase, or an augmentation of 13.4% over 2013. Administrative expenditure also showed an increase of 6% in the year.

Although the \$26.3 million net surplus is lower than during the previous year, it is my view that the Fund performed well. Without the investment loss provision on the statutory loans restructuring, the surplus would have been \$71 million. The organisation continued to be respectful of good corporate governance policies in the conduct of its business.



I express profound thanks to my dedicated Team, in particular my fellow members for their oversight. Their contributions on the various Board Committees advanced the work of the Board and facilitated easier decision-making. This include Investment, Property, Audit, Staff, Energy Saving and Compliance. I commend the resourceful and committed management Team as well as the entire staff for their valuable contribution in the various tasks of the organisation.

Of course, the bedrock of the Fund is the contributor and I extend deep appreciation for their faithful contributions in the year. Several employers remain delinquent, but I am of the view that they have good intentions being challenged by the various demands on their businesses. We trust that many will increase their efforts as the report shows that the ratio of benefits to contribution income increases every year.

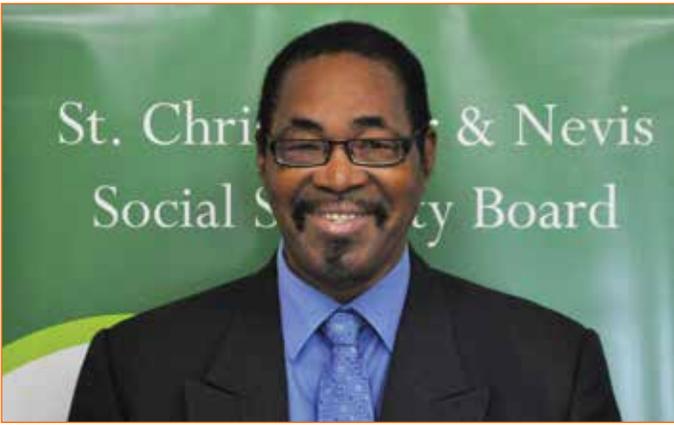
I encourage all of us to be committed to the development of our Social Security Fund as all of us anticipate a pension at the appropriate time. The Fund must remain sustainable not only for us but for future generations.


Halva Hendrickson

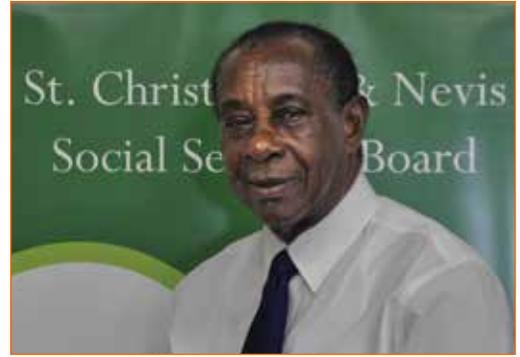
Chairman

St. Christopher and Nevis Social Security Board





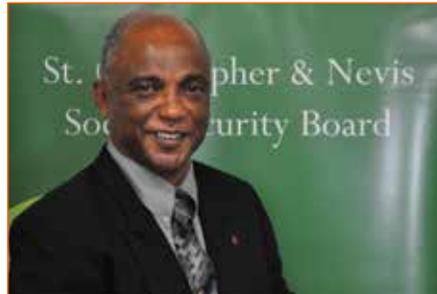
Mr Halva Hendrickson - Chairman



Mr Stanley Franks Jr - Deputy Chairman



Ms Sandra Davoren - Secretary



Mr Dennis Phillip - Member



Mr Frank Farrell - Member



Mrs Carleen Pemberton - Member

BOARD OF DIRECTORS



Mr Claudius Delany - Member



Ms Myrna Liburd - Member



Mr Victor Earle - Member

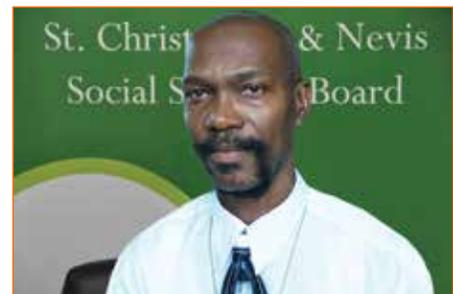


Ms Eslyn Swanston - Member



Mrs Sephlin Lawrence
CEO/Director

Mr C. Steve Wrensford
Assistant Director
Recording Secretary



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.



REPORT OF THE DIRECTOR FOR THE YEAR ENDED DECEMBER 31, 2014

It is with tremendous pleasure that I provide a report on the operations of the Social Security Fund of St. Kitts and Nevis for the year ended December 31, 2014. In accordance with our triennial strategic plan, our main concentration in the year revolved around the maintenance of the financial sustainability of our Fund, the delivery of excellent customer service and the prudent application of technological solutions to advance the efficiency of our organization. The year was a relatively successful one, and despite the largest provision to date on restructured debts with statutory bodies, the organization realized a surplus. The surplus was actually the lowest in five years in the sum of \$26.3 million.



The Social Security Funds show progressive growth over many years. Comparative growth over the period 2010 to 2014 is shown below in Table 1.

Performance Highlights for 2010 to 2014

HIGHLIGHTS	2014	2013	2012	2011	2010
	\$000,000's	\$000,000's	\$000,000's	\$000,000's	\$000,000's
Total Net Assets	\$ 1,359.56	\$ 1,332.97	\$ 1,260.13	\$ 1,198.04	\$ 1,150.56
Investments	\$ 1,244.48	\$ 1,232.18	\$ 1,170.61	\$ 1,124.07	\$ 1,078.70
Net Surplus	\$ 26.32	\$ 74.70	\$ 66.02	\$ 46.80	\$ 80.60
Contribution Income	\$ 82.49	\$ 74.67	\$ 69.74	\$ 69.91	\$ 72.84
Investment Income	\$ 63.82	\$ 67.02	\$ 66.13	\$ 66.54	\$ 62.21
Other Income	\$ 0.46	\$ 0.71	\$ 0.46	\$ 0.39	\$ 0.59
Benefits Expenditure	\$ 59.58	\$ 52.52	\$ 47.41	\$ 44.55	\$ 41.62
Provision for loss on restructured loans	\$ 45.09	\$ 0.31			
Provision for loss on purchase of lands	\$ 1.90				
Total Administration Expenses	\$ 13.90	\$ 14.87	\$ 12.14	\$ 12.29	\$ 13.18
Benefit expenditure as percentage of Contribution Income	72%	70%	68%	64%	57%
Administration Expenses as percentage of Contribution Income	17%	20%	17%	18%	18%
Net Surplus as a % of Total Income	18%	52%	48%	34%	59%

Table 1



INCOME AND EXPENDITURE

The Income and Expenditure Account showed a 78% decline in surplus in the year. Contributing to this was a 78% increase in total expenditure, the main component of which was the provision for restructured debts, as well as a 13% increase in benefits expenditure. Administration Expenditure declined by 7% but this was somewhat overshadowed by a provision made for loss on land deposits.

Worthy of note was that there was also a 3% increase in total income. Contribution income increased by 10% but investment income declined by 4.8% when the sum of \$63.823 million was earned from the investments. Other income declined by 36% as last year high income was due to a non-recurring event. Interest rates on all fixed deposits declined similarly to those on the restructured statutory bodies' loans and debentures.

Comparative Income and Expenditure Account For The Years 2014 & 2013

	2014	2013	Change %
INCOME			
Contributions	82,494,154	74,668,386	10%
Investment Income	63,823,416	67,024,177	-5%
Other Income	456,424	712,750	-36%
Total Income	146,773,994	142,405,313	3%
EXPENDITURE			
Benefits	59,575,652	52,521,329	13%
Administration	13,899,903	14,869,555	-7%
Prov. For Loss on Deposit on Lands	1,881,044		
Loss on Investment (Prov.)	45,093,331	316,060	14167%
Total Expenditure	120,449,930	67,706,944	78%
Net Surplus for the Year	26,324,064	74,698,369	-65%

Table 2



CONTRIBUTION COLLECTIONS

In 2014, the contribution collections of \$82.4 million made history, as it was the highest sum ever collected. Of this, \$81.1 million came from employers and the balance from self-employed and voluntary contributors. The self-employed contribution also reached a new high with the collection of \$1,391,134, 15% higher than that collected in 2013. Increase in collections from self-employed, was significant in St. Kitts at 17%. Voluntary, a small sum of \$2,917, showed a decline of 69% over the previous period. Employer contributions were 10% higher than the previous year. The table 3 comparing the contribution collections for 2013 and 2014 with the budget also show the changes in each category of contributions.

CONTRIBUTION INCOME BY TYPE 2014

TYPE	2014	2013	% Change	2014 Budget
Employer's Contribution	81,100,103	73,585,899	10%	74,900,000
Self-Employed Contribution	1,391,134	1,214,862	14%	1,300,000
Voluntary	2,917	11,202	-69%	12,000
Total	82,494,154	74,811,963	10%	76,212,000

Table 3

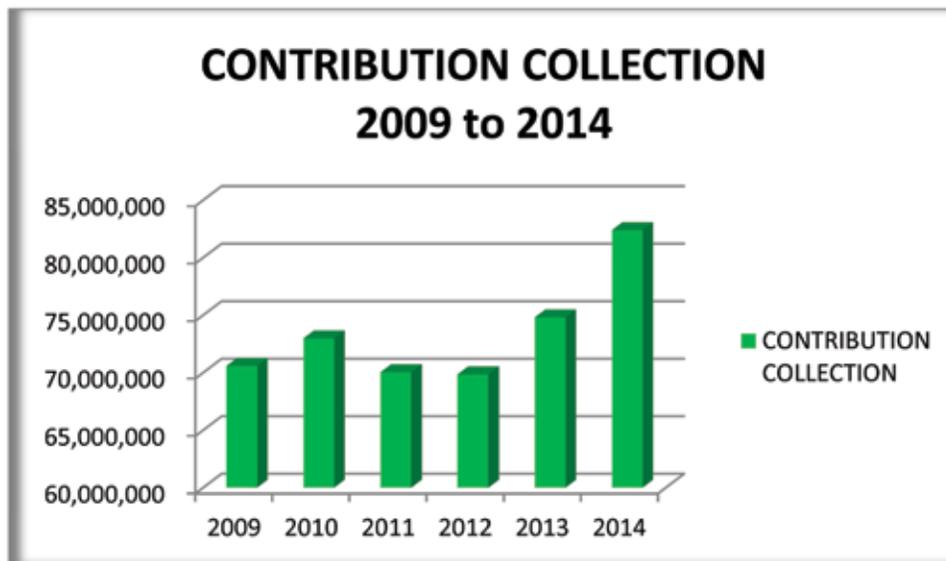


Figure 1



The chart shown below provide the trend of monthly collections in each island and depict January and December as the highest contribution months and the lowest in August.

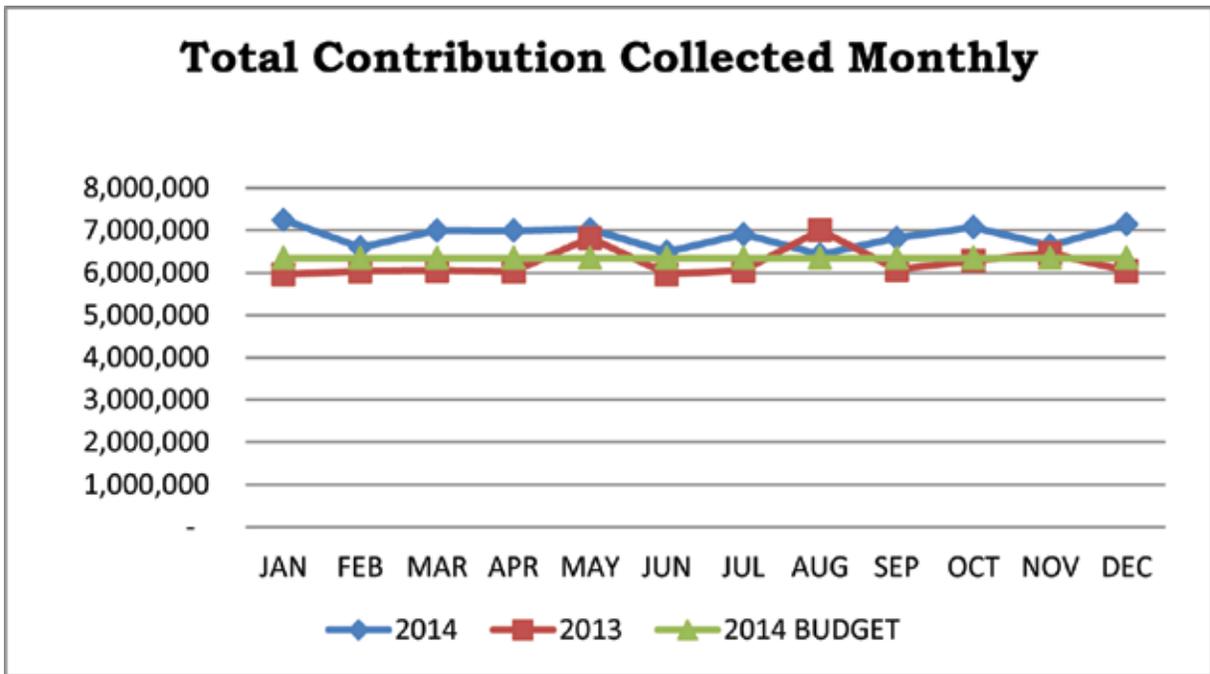


Figure 2

Self-employed Contribution Collections

The self-employed persons contribution collection of \$1.39 million; comprised of \$406,000 or 29% collected in Nevis and 71% or \$989,000 from St. Kitts. Figure 3 shows that over the past six (6) years, contribution collections on Nevis have not increased significantly, while St. Kitts has seen a noticeable increase over the past two years.

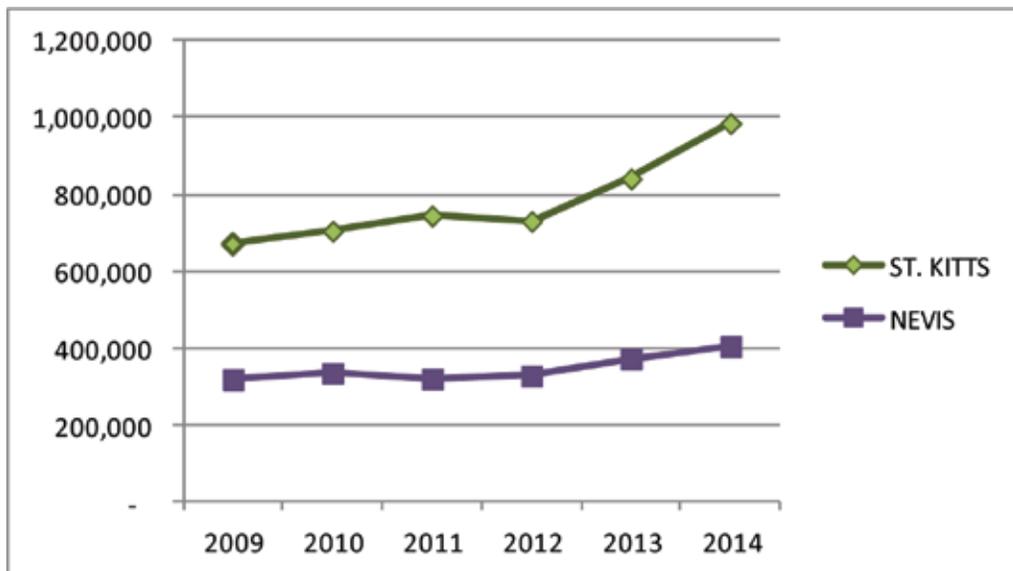


Figure 3



Benefit Paid by Branch & Type						
January - December 2014 & 2013						
Type of Benefit	2014			2013		
	No	Amount \$	Distribution of Amount	No	Amount \$	Distribution of Amount
Long Term Benefits						
Age Pension*	2860	39,330,693.00	66%	2622	34,245,017.00	65%
Age Grant	132	781,779.00	1%	144	1,179,332.00	2%
Elderly Refund	19	7,740.00	0%	13	4,299.00	0%
Invalidity Pension	318	3,146,547.00	5%	323	2,963,436.00	6%
Survivor's Pension*	934	3,014,529.00	5%	995	2,935,417.00	6%
Survivors Grant	0	-	0%	0	-	0%
Invalid Assistance Pension*	153	458,945.00	1%	153	451,350.00	1%
Assistance Pension (Age)*	352	1,077,050.00	2%	363	1,076,265.00	2%
Total	4768	47,817,283.00	80%	4613	42,855,116.00	82%
Short Term Benefits						
Sickness Benefit	12,111	7,648,030.00	13%	9,170	6,070,513.00	12%
Maternity Allowance	469	1,936,418.00	3%	383	1,652,182.00	3%
Maternity Grant	482	220,050.00	0%	402	183,150.00	0%
Funeral Grant	269	641,206.00	1%	238	568,591.00	1%
Total	13,331	10,445,704.00	18%	10193	8,474,436.00	16%
Employment Injury						
Employment Injury	434	505,057.00	1%	411	405,410.00	1%
Disablement Pension	61	478,239.00	1%	59	436,620.00	1%
Disablement Grant	2	22,573.00	0%	0	-	0%
Medical Expenses	199	89,471.00	0%	220	89,609.00	0%
Travel Expenses	7	13,182.00	0%	12	9,728.00	0%
Funeral Grant	2	8,000.00	0%	1	4,000.00	0%
Constant Care Allowance	2	26,698.00	0%	2	26,160.00	0%
Death Benefit	21	169,445.00	0%	21	155,934.00	0%
Total	728	1,312,665.00	2%	726	1,127,461.00	2%
Total for Soc. Sec & E I Benefit	18,827	59,575,652.00	100%	15,532	52,457,013.00	100%
National Provident						
Refund	26	7,177.00	13%	8	9,692.00	15%
Age Benefit	8	49,720.00	87%	25	54,624.00	85%
Total	34	56,897.00	100%	33	64,316.00	100%
Grand Total	18,861	59,632,549.00	1.128163028	15,565	52,521,329.00	

*All pension figures reflect the total number of active pensioners at the end of quarter

Table 4



BENEFITS EXPENDITURE

During the year benefits expenditure increased by 14%. The total benefits expenditure of \$59.6 million absorbed 72% of contribution income compared to 70% in 2013. Previous year results showed a similar 2% increase. In 2014, the table 5 shows a 12% increase

in Long-Term benefit expenditure, a 23% increase in Short-Term and a 16% increase in Employment Injury compared to 2013. The National Provident Fund benefits disbursed in 2014 were in the sum of \$56,762.

	2014	2013	% Change
Long Term Benefits	47,817,284	42,855,116	12%
Short Term Benefits	10,445,704	8,474,436	23%
Employment Injury Benefits	1,312,664	1,127,461	16%
Total Benefits Expenditure	59,575,652	52,457,013	14%
National Provident Fund	56,897	64,316	-12%

Table 5

The detailed benefits disbursements by branch and type are depicted in Table 5. It is noteworthy that 80% of benefits expenditure was for long term, 18% for short term and 2% for employment injury. Age pension absorbed 66% of total benefits.

At the end of the year, there were 2,860 age pensioners, 318 invalidity pensioners and 934 survivor pensioners. The assistance non-contributory pensioners stood at 505 a decline of 11 persons or 2%. Short term beneficiaries increased by 18% to 13,331 from 10,193 in 2013.

INVESTMENTS

The Investment Portfolio showed a marginal increase of 1% in the year, in the sum of \$12.3 million and stood at \$1.244.48 billion at the end of the year. The ratio of the asset classes also changed. Investment properties, fixed deposits and loans showed increases.

Figure 4 shown on facing page displays the distribution of investment in asset classes.

Provisions for impairment totaling \$59 million were made for the SKN Statutory bodies debts in the sum

\$49.9 million and another \$9.26 million in respect of the CL Financial Group Investments in Trinidad and Tobago. All of the investments with the exception of 2% are domiciled in the Federation. Two overseas fund managers RBC Dominion and Crown Agents manage most of the overseas investments.

Two new houses were constructed at Beacon Heights but three of the initial stock remains on the market.





Lot 106 at Beacon Heights (above)



Furnished house at Lot 106 Beacon Heights (right)

Investment Portfolio By Asset Class

Investments	Balance Dec 2014	Balance Dec 2013
Equity	45,508,001	39,744,846
Gov't Debt Securities	24,157,847	35,896,165
Treasury Bills	29,292,413	29,292,413
Fixed Deposit	839,753,842	772,317,981
Call Accounts	10,180,200	4,811,229
Loans	154,877,702	235,985,677
Property	140,709,686	114,131,318
	1,244,479,690	1,232,179,630

Table 6

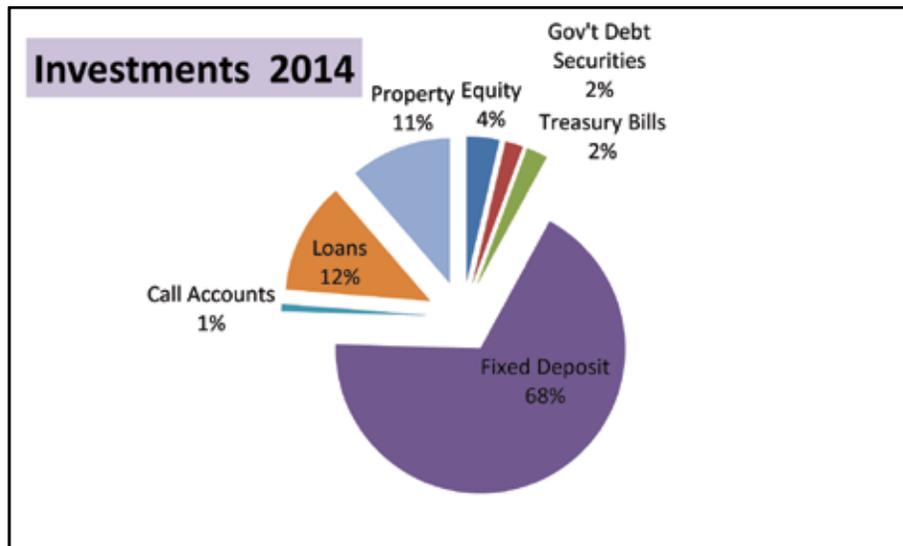


Figure 4



INSURANCE OPERATIONS

The statistics prepared in respect of the performance in 2014, show a total of 1,475 new registration of insured persons registration. Most of them, 57%, were males and 43% were females as shown in the table 7 below. The highest number, 617 or 42% were young persons

in the 16-19 age group and another 16% in the 20-24 age group. The highest registrations, 321 or 22% were in the Public Administration and Defense industrial category followed by 313 or 21% in Wholesale and Retail and 231 or 16% in the Construction industry.

Employees Registration by Sex, Age Group and Industry - FEDERATION				
January - December 2014				
Industry	Total		Grand Total	Distribution
	Female	Male		
Agriculture, Hunting & Forestry	8	15	23	2%
Fishing	0	0	0	0%
Mining & Quarrying	2	0	2	0%
Manufacturing	60	38	98	7%
Electricity, Gas & Water Supply	2	3	5	0%
Construction	23	213	236	16%
Wholesale & Retail Trade	145	163	308	21%
Hotels & Restaurants	67	76	143	10%
Transport, Storage & Communications	24	27	51	3%
Financial Intermediation	17	22	39	3%
Real Estate, Renting & Business Activities	48	76	124	8%
Public Administration & Defence	168	153	321	22%
Education	27	25	52	4%
Health & Social Work	3	0	3	0%
Other Community, Social & Personal Service Activities	34	27	61	4%
Private Household With Employed Persons	5	1	6	0%
Extra-Territorial Organizations And Bodies	1	0	1	0%
Unknown	1	1	2	0%
Total	635	840	1475	100%

Table 7



SELF-EMPLOYED REGISTRATION

During the year, some of the persons who registered were self-employed as they opted to commence their own businesses. Our records showed that 324 registered, 53% or 171 males and 153 or 47% females. The highest number 55 (or 17%) were in the 45-49 age range as shown in table 8 below.

Self-employed Registration by Sex and Age Group - FEDERATION						
<i>January - December 2014</i>						
Age Group	Number			Distribution		
	Female	Male	Total	Female	Male	Total
16 - 19	3	4	7	1%	1%	2%
20 - 24	8	11	19	2%	3%	6%
25 - 29	22	19	41	7%	6%	13%
30 - 34	25	21	46	8%	6%	14%
35 - 39	22	27	49	7%	8%	15%
40 - 44	22	27	49	7%	8%	15%
45 - 49	26	29	55	8%	9%	17%
50 - 54	11	20	31	3%	6%	10%
55 - 59	12	12	24	4%	4%	7%
60 - 61	2	1	3	1%	0%	1%
Total	<u>153</u>	<u>171</u>	<u>324</u>	<u>47%</u>	<u>53%</u>	<u>100%</u>

Table 8

Self-employed by law, can choose their class and category for payment. Table 9, on opposite page, shows their choices.



Self-employed Registration by Sex and Income Category - FEDERATION						
<i>January - December 2014</i>						
Earnings Category	Number			Distribution		
	Female	Male	Total	Female	Male	Total
\$100.00	3	1	4	1%	0%	1%
\$200.00	90	46	136	28%	14%	42%
\$300.00	18	31	49	6%	10%	15%
\$400.00	17	56	73	5%	17%	23%
\$500.00	8	21	29	2%	6%	9%
\$600.00	5	4	9	2%	1%	3%
\$700.00	1	0	1	0%	0%	0%
\$800.00	3	4	7	1%	1%	2%
\$900.00	5	4	9	2%	1%	3%
\$1,000.00	2	3	5	1%	1%	2%
\$1,100.00	0	0	0	0%	0%	0%
\$1,200.00	0	0	0	0%	0%	0%
\$1,350.00	1	1	2	0%	0%	1%
\$1,400.00	0	0	0	0%	0%	0%
\$1,500.00	0	0	0	0%	0%	0%
Total	153	171	324	47%	53%	100%

Table 9



A compliant Self Employed contributor, Mrs Paulette Peets, at her vegetable-selling stall at the Passenger Ferry Terminal in Basseterre.



Ms Gwendolyn Mills, a compliant Self Employed contributor, attends to a client in her hair salon on Liverpool Row, Basseterre.

CUSTOMER SERVICE AND PUBLIC RELATIONS

Over the year, we respected our commitment to our customers as efforts were extended to serve each customer well, regardless of the mode of service selected. Clients were seen promptly and their business conducted efficiently. Pensioners were paid in a timely manner and many short-term claimants had their claims processed within the targeted time of ten (10) days.

The regular public education programs continued to be aired and news releases made on pertinent matters as appropriate. Programs included the Social Security Five on most local radio stations, the *Social Security and You* TV shows, the *Because you Deserve a Future* on WINN FM Radio as well as the publications of Vision and Insight Magazines. The Social Security website, Facebook and Twitter continue to be used as channels to engage the public.

Throughout the year, the Social Security Board



Agriculture Open Day 2014: Public Relations Officer, Ms Tasha Hendrickson, with students from the Basseterre High School.

continued to financially support local organizations and schools with their initiatives such as Agriculture Open Day on St. Kitts and on Nevis, graduations, sports tournaments and also summer camps. Social Security was also a sponsor of the first Caribbean Kidney Screening Education held in the federation hosted by Caribbean Health & Education Foundation.



Prime Minister and Minister of Social Security, the Rt. Hon. Dr. Denzil Douglas presents a Toyota Hiace Bus to the Minister of Health in Nevis, the Hon. Mark Brantley, as part of Social Security's annual donation to the Ministry of Health. Present were senior Ministry of Health and Social Security officials.

Donations were also made to festivals namely the St. Kitts Music Festival and Nevis Culturama Festival and Sugar Mas. The Social Security Board also kept its commitment to the Ministries of Health on St. Kitts and Nevis and the Ministry of Homeland Security. These government ministries benefited from fixed annual donations to enhance health service delivery and to advance the security initiatives devised.

The Alexandra Hospital on Nevis received an anesthesia patient monitor and a ventilator, costing EC\$50,241 and EC

\$70,418 respectively. Social Security contributed EC \$68,243.89 towards the acquisition of a brand new Toyota Hiace Bus for the same hospital. These items were officially handed over to the Ministry at a formal ceremony held on the grounds of the Alexandra Hospital near Christmas day.

Earlier that same day, the Fire and Rescue Services in Nevis was the recipient of one Nissan Navara Pick-up costing EC\$74,000. Additionally, the Nevis Island Administration (NIA) Ministry of Finance received computer equipment costing EC\$80,000 for the Nevis Treasury Office to replace those lost in a fire on Friday 17th January 2014. Similarly, partial funding of EC\$40,754 was granted to equip the Customs Department at the Vance W. Amory International Airport with a state of the art baggage X-ray machine.

We continue to support education of the youths of the Federation with the award of secondary scholarships.



Susanna Lee High School Scholarship Holders – 2014 with Prime Minister, Rt. Hon. Dr. Denzil Douglas, and members of the Scholarship Committee.

One child in each form of each public high school is in receipt of a scholarship. To enhance the program, staff members provide mentorship to the students, but more significantly, two retired teachers focus on their performance and assist in resolving personal issues that may challenge the students.



Scholarship-Holder Zwena Jones, of the Gingerland Secondary School, keenly watches as her mother Ms Veida Mills signs Social Security letter of Commitment. Social Security's Personnel Manager Mrs. Trevere Swanston (left) was at hand to ensure the process was flawless.



Mrs Sandra Liburd, mother of Scholarship-Holder Breandra Liburd of the Charlestown Secondary School, is seen signing Social Security letter of commitment. Looking on is Social Security's Personnel Manager Mrs. Trevere Swanston.



STAFF MATTERS

As customary, staff training was pursued during the year for staff at all levels. There was internal, local and overseas training for persons depending on the need. The internal sessions included some on benefits and compliance legislation, customer service, health issues and retirement planning. Staff members and local professionals facilitated these sessions. Some of topics covered during the local and overseas sessions included:

- o Customer Service training by Mr. John Pilgrim of the Barbados Productivity Council and Mr. Hensley Daniel of HST Consulting Services for the seven (7) identified officers for the one-stop customer service area



Mr Hensley Daniel (above) is seen conducting one of the sessions.

- o Transformative leadership with topics such as the leader as motivator; leadership IQ test; leadership and governance; the transformative leadership model for managers and successors conducted by Mr. Peter Adrien.
- o Understanding Ebola by Dr. Mervin Laws



Members of staff (above) take part in the session by Dr. Mervin Laws.

Other topics covered during local and overseas sessions included:

- o Mauris Customer Service Videoconference Seminar organized by Centre of American Studies in Mexico
- o Breast cancer awareness lecture by Dr. Joylette Woodley-Fassales (locally)
- o Best Practices for Managing & Leading In-House Legal in Miami, Florida
- o Annual Investment Educational Symposium in The Valley, Anguilla
- o Financial Fraud Prevention & Compliance Procedures Seminar in Ft Lauderdale, Florida
- o 9th Caribbean conference on National Health Financing Initiatives in Tobago
- o Internal Auditors Regional Social Security Workshop in Castries, St Lucia
- o Credit & Collection Management Seminar in Ft Lauderdale, Florida
- o ACCA/ICAEC Working Papers in St. Johns, Antigua
- o CISS High-Level Meeting: Emerging Challenges of Social Protection in Baltimore, Maryland
- o 11th Regional Law Fair in The Valley, Anguilla
- o The Future of Corporate Reform in San Diego, California
- o World Congress on Safety and Health at Work in Frankfurt, Germany
- o CARICOM Heads meeting in St. Vincent & the Grenadines
- o Certificate Program for HR Generalist in Atlanta, Georgia
- o CAACM 8th Annual General Meeting & Conference in Trinidad & Tobago
- o 8th Annual Economic & Financial Development Conference in Miami Florida.



Staff members attend a Transformative Leadership session conducted by Mr. Peter Adrien.

STAFF CHANGES

During the year, four new staff members were employed and three demitted the organization. Three security officers were engaged on contract for a period of two years.

At the end of the year, several staff members were recognized for attendance, punctuality and work performance. This year Ms. Juliana Bennire won the Employee of the Year award.

The decision was made to make special awards to persons for long service, performance and loyalty. Recipients included Mr. Gareth Forbes, Ms. Kamilah Lawrence, Ms. Lorraine Liburd and Mr. Diego Walters while from management special recognition was given to Ms. Charlene Bowry, Mrs. Sephlin Lawrence and Mr. Halva Hendrickson (who was Chairman of the Board of Directors for ten years).



Staff members, including CFO Ms Marilyn Johnson (in red), at the Staff Christmas Dinner.



Ms Juliana Bennire (left) who won 'Employee of the Year' award, is seen with friends at the Staff Christmas Dinner.



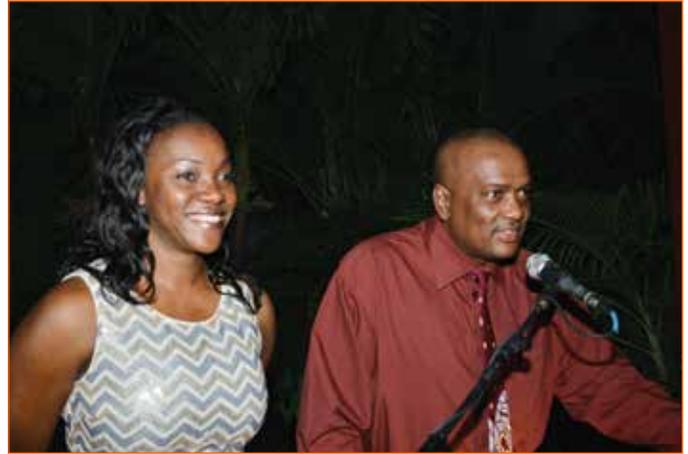
Chairman, Mr Halva Hendrickson, and CEO, Mrs Sephlin Lawrence, with awards at the Staff Christmas Dinner.



It was a night to remember as a contingent of the well-known Sylvester's Masquerade added a cultural touch.



Section of audience of the Staff Christmas Dinner held at the Carambola Restaurant.



Mistress and Master of Ceremonies, Ms Kamilah Lawrence and Mr Walter Morton, exude confidence.

CONCLUSION

The foregoing encapsulates the main operations of the year under review. When compared to the plan for the year, the organization was successful in meeting its targets. The income budget was passed, but this was overshadowed by the increased benefits expenditure in all branches. Administrative expenditure was also below the budget, as the provision for loss on the investment was an abnormal item. Customer service was negatively impacted as the relocation impacted the service environment but the staff made an excellent effort despite the inconveniences.

I express gratitude to the staff for their patience during the renovations, their dedicated work in the year and I commend them for the good results we received. I trust that they will continue to do their good work. My sincere appreciation to the Board of Directors for their input and their work on the various committees. Board committees add tremendous value to the work of the organization. My utmost thanks to God who has blessed the organization tremendously and I am certain that we will crave his direction and assistance as the organization faces the inevitable challenges ahead.

Sephlin Lawrence - Director
St. Christopher and Nevis Social Security Board



ST KITTS-NEVIS SOCIAL SECURITY BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014

PKF

Chartered Accountants &
business advisers





Chartered Accountants
& business advisers

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 2014, 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 2014, and of its financial performance and its cash flows for year then ended in accordance with International Financial Reporting Standards.

PKF

Chartered Accountants

BASSETERRE - ST. KITTS

10 December 2015

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

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014
(Expressed in Eastern Caribbean Dollars)**

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
FUNDS EMPLOYED			
Social Security Fund			
- Long Term Benefits Fund		1,003,980,324	989,562,679
- Short Term Benefits Fund		116,776,733	117,297,500
- Injury Benefits Fund		189,615,757	178,423,438
National Provident Fund			
- Members' Account	3	3,514,256	10,329,341
- Reserve Fund	4	22,167,273	14,174,218
Revaluation Reserve	5	<u>13,655,770</u>	<u>14,046,608</u>
EQUITY (Page 28)		1,349,710,113	1,323,833,784
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>9,853,323</u>	<u>9,135,804</u>
TOTAL FUNDS		<u>\$1,359,563,436</u>	<u>\$1,332,969,588</u>
REPRESENTED BY:			
PROPERTY, PLANT AND EQUIPMENT (Schedule III - Page 33)	7	<u>48,461,572</u>	<u>39,570,049</u>
INTANGIBLE ASSETS	8	<u>241,294</u>	<u>169,260</u>
INVESTMENTS	9	<u>1,244,479,689</u>	<u>1,232,179,630</u>
CURRENT ASSETS			
Cash at Bank and in Hand	10	13,652,064	20,896,983
Accrued Interest Receivable	11	29,805,014	43,346,457
Accounts Receivable and Prepaid Expenses	12	<u>30,657,130</u>	<u>3,888,702</u>
		<u>74,114,208</u>	<u>68,132,142</u>
LESS: CURRENT LIABILITIES			
Accounts Payable		41,204	15,019
Sundry Creditors and Accruals	15	7,659,926	7,034,277
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>7,733,327</u>	<u>7,081,493</u>
NET CURRENT ASSETS		<u>66,380,881</u>	<u>61,050,649</u>
TOTAL NET ASSETS		<u>\$1,359,563,436</u>	<u>\$1,332,969,588</u>

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

Approved by the Board of Directors on 10 December 2015.

Maritza Bowry
Maritza Bowry - Chairperson

Sephlin Lawrence
Sephlin Lawrence - Director



ST KITTS-NEVIS SOCIAL SECURITY BOARD

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014
(Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----	National Provident Fund	Total	Total
	Long Term	Short Term	Injury	2014
				2013
INCOME (Note 14)				
Contributions	59,996,544	14,998,407	7,499,203	82,494,154
Investment Income	48,178,025	5,710,767	8,686,755	63,823,416
Other Income	<u>246,718</u>	<u>115,766</u>	<u>93,940</u>	<u>456,424</u>
	<u>108,421,287</u>	<u>20,824,940</u>	<u>16,279,898</u>	<u>146,773,994</u>
				74,668,386
				67,024,177
				<u>712,750</u>
				<u>142,405,313</u>
EXPENDITURE (Note 14)				
Benefits (Schedule I - Page 31)	47,817,284	10,445,704	1,312,664	59,575,652
Administration (Schedule II - Page 32)	11,965,965	2,823,975	978,005	15,780,947
Provision for loss on Investments (Notes 9 & 11)	<u>34,220,393</u>	<u>8,076,028</u>	<u>2,796,910</u>	<u>45,093,331</u>
	<u>94,003,642</u>	<u>21,345,707</u>	<u>5,087,579</u>	<u>120,449,930</u>
	<u>\$14,417,645</u>	<u>\$(520,767)</u>	<u>\$11,192,319</u>	<u>\$26,324,064</u>
NET SURPLUS FOR THE YEAR (Note 13 - Page 51)				<u>\$74,698,369</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 2014

(Expressed in Eastern Caribbean Dollars)

	<u>2014</u>	<u>2013</u>
Net Surplus for the Year (Page 26) (Note 13)	26,324,064	74,698,369
Other Comprehensive Income:		
Unrealised Holding Gain (Note 2 (e)(i) & 5)	(390,838)	(2,771,051)
Total Comprehensive Income for the Year (Page 28)	<u>\$25,933,226</u>	<u>\$71,927,318</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 2014
(Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----	Injury Benefits Fund	National Provident Fund	Revaluation Reserve	Unrealised Holding Loss	Capital Reserve	Total		
	Long Term Benefits Fund	Short Term Benefits Fund	Members' Account	Reserve Fund					
Balance as at 31 December 2012	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 27)	<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 25)	989,562,679	117,297,500	178,423,438	10,329,341	14,174,218	6,108,232	(2,262,329)	10,200,705	1,323,833,717
Excess in NPF Members Account Transferred to Reserve	-	-	-	(6,843,662)	6,843,662	-	-	-	-
Refund to NPF Members (Note 3)	-	-	-	(56,897)	-	-	-	-	(56,897)
Total Comprehensive Income (Page 27)	<u>14,417,645</u>	<u>(520,767)</u>	<u>11,192,319</u>	<u>85,474</u>	<u>1,149,393</u>	<u>-----</u>	<u>(390,838)</u>	<u>-----</u>	<u>25,933,226</u>
Balance at 31 December 2014 (Page 25)	<u>\$1,003,980,324</u>	<u>\$116,776,733</u>	<u>\$189,615,757</u>	<u>\$3,514,256</u>	<u>\$22,167,273</u>	<u>\$6,108,232</u>	<u>\$(2,653,167)</u>	<u>\$10,200,705</u>	<u>\$1,349,710,113</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 2014
(Expressed in Eastern Caribbean Dollars)

	<u>2014</u>	<u>2013</u>
INCOME		
Contributions	604,712	584,107
Investment Income	<u>356,574</u>	<u>329,505</u>
	<u>961,286</u>	<u>913,612</u>
EXPENDITURE		
Benefits (Schedule I - Page 31)	241,367	682
Administration (Schedule II - Page 32)	<u>2,400</u>	<u>2,400</u>
	<u>243,767</u>	<u>3,082</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 41)	<u>\$717,519</u>	<u>\$910,530</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 2014
(Expressed in Eastern Caribbean Dollars)

	<u>2014</u>	<u>2013</u>
Cash provided by operating activities:		
Net surplus for the year		
- SSF and NPF (Page 26)	26,324,064	74,698,369
- SSBF (Page 29)	717,519	910,530
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	1,253,608	1,219,065
Gain on disposal of property, plant and equipment	<u>(94,967)</u>	<u>(64,550)</u>
	28,200,224	76,763,414
Non-cash working capital change		
Accrued interest receivable	13,541,444	(986,570)
Accounts receivable and prepaid expenses	(26,768,428)	(922,309)
Accounts payable	26,184	(4,012)
Sundry creditors and accruals	<u>625,649</u>	<u>1,856,332</u>
Cash provided by operating activities	<u>15,625,073</u>	<u>76,706,855</u>
Cash flows from investing activities		
Net increase in investments	(12,690,897)	(64,341,189)
Purchase of property, plant and equipment	(10,104,858)	(8,115,046)
Proceeds from disposal of property, plant and equipment	138,000	99,859
Refund to NPF Members	(56,897)	-
Purchase of intangible assets	<u>(155,340)</u>	<u>(75,382)</u>
Cash used in investing activities	<u>(22,869,992)</u>	<u>(72,431,758)</u>
(Decrease)/Increase in cash for the year	(7,244,919)	4,275,097
Cash at beginning of year	<u>20,896,983</u>	<u>16,621,886</u>
Cash at end of year	<u>\$13,652,064</u>	<u>\$20,896,983</u>
Cash at bank and in hand	<u>\$13,652,064</u>	<u>\$20,896,983</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 2014
(Expressed in Eastern Caribbean Dollars)**

SCHEDULE I

	<u>2</u>	<u>0</u>	<u>1</u>	<u>4</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>3</u>
a) Social Security Fund:	Number of				Number of			
	<u>Claims</u>		<u>\$</u>		<u>Claims</u>		<u>\$</u>	
<u>Long Term Benefits</u>								
Elderly Refund	19		7,740		13		4,299	
Survivors Pension	934		3,014,530		995		2,935,417	
Invalidity	318		3,146,547		323		2,963,436	
Age Pension	2,860		39,330,693		2,622		34,245,017	
Age Grant	<u>132</u>		<u>781,779</u>		<u>144</u>		<u>1,179,332</u>	
	<u>4,263</u>		<u>46,281,289</u>		<u>4,097</u>		<u>41,327,501</u>	
Assistance Pension (Age)	352		1,077,050		363		1,076,265	
Assistance Pension (Invalidity)	<u>153</u>		<u>458,945</u>		<u>153</u>		<u>451,350</u>	
	<u>505</u>		<u>1,535,995</u>		<u>516</u>		<u>1,527,615</u>	
Sub-Total (Page 26)	<u>4,768</u>		<u>47,817,284</u>		<u>4,613</u>		<u>42,855,116</u>	
<u>Short Term Benefits</u>								
Sickness	12,111		7,648,030		9,170		6,070,513	
Funeral	269		641,206		238		568,591	
Maternity Allowance	469		1,936,418		383		1,652,182	
Maternity Grant	<u>482</u>		<u>220,050</u>		<u>402</u>		<u>183,150</u>	
Sub-Total (Page 26)	<u>13,331</u>		<u>10,445,704</u>		<u>10,193</u>		<u>8,474,436</u>	
<u>Employment Injury</u>								
Funeral Grant	2		8,000		1		4,000	
Injury	434		505,057		411		405,410	
Travelling Expenses	7		13,182		12		9,728	
Medical Care Expenses	199		89,471		220		89,609	
Death Benefits	21		169,445		21		155,934	
Constant Care	2		26,697		2		26,160	
Disablement - Pension	61		478,239		59		436,620	
Disablement - Grant	<u>2</u>		<u>22,573</u>		<u>-</u>		<u>-</u>	
Sub-Total (Page 26)	<u>728</u>		<u>1,312,664</u>		<u>726</u>		<u>1,127,461</u>	
b) <u>National Provident Fund:</u>								
Age	26		-		25		54,624	
Members' Balances repaid (Note 3)	<u>8</u>		<u>-</u>		<u>8</u>		<u>9,692</u>	
Sub-Total (Page 26)	<u>34</u>		<u>-</u>		<u>33</u>		<u>64,316</u>	
TOTAL (Page 26)	<u>18,861</u>		<u>\$59,575,652</u>		<u>15,565</u>		<u>\$52,521,329</u>	
c) Staff Supplemental Benefits:								
Refunds	4		240,709		-		-	
Pension	<u>1</u>		<u>658</u>		<u>1</u>		<u>682</u>	
Sub-Total (Page 29)	<u>5</u>		<u>241,367</u>		<u>1</u>		<u>682</u>	
GRAND TOTAL BENEFITS PAID	<u>18,866</u>		<u>\$59,817,019</u>		<u>15,566</u>		<u>\$52,522,011</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 2014**
(Expressed in Eastern Caribbean Dollars)

<u>SCHEDULE II</u>	<u>2014</u>	<u>2013</u>
Actuarial Review	12,305	15,873
Advertising and Publicity	186,669	162,649
Donations	153,684	14,173
Anniversary Expenses	9,074	28,117
Dedication of Annex	-	(181)
Audit Fees and Expenses (Current and Prior)	269,100	337,615
Bad Debts	283	6,002
Bank Charges and Interest	19,588	(12,324)
Books, Periodicals, etc	2,652	1,936
Cleaning Expenses	16,981	16,152
Commission	2,760	-
Committee Expenses	86,635	87,338
Contribution for National Projects	(300,239)	405,000
Management Fees	218,587	151,751
Depreciation and Amortisation (Note 2(c) & 2(d))	1,253,608	1,219,065
Electricity	380,271	466,304
Hospitality	98,481	97,922
Insurances	424,610	463,455
Land and House Tax	2,683	4,747
Other Professional Fees	35,023	11,521
Exploration Costs	28,983	89,556
Maintenance of Computer System	242,505	195,282
Maintenance of Premises	176,477	199,160
Medical Expenses	6,010	4,580
Members of Social Security Board - Allowance and Other Expenses	204,354	207,093
Motor Vehicle Expenses	53,836	95,183
Postages, Telephone and Telegraph	221,821	277,180
Repairs, Maintenance and Related Minor Purchases	298,913	177,401
Rental	9,550	24,950
Salaries and Allowances	7,773,949	8,159,017
Scholarships	41,924	122,225
Security Services	85,142	100,790
Social Security, Social Services, etc	654,151	636,633
Staff Pension	314,661	292,053
Stationery, Printing and Office Expenses	373,929	327,318
Subscriptions	64,523	68,622
Training Seminars, Conferences	515,371	473,800
Travelling and Subsistence	50,141	51,921
Uniforms	3,220	110,360
Wages - Other Employees	282,789	229,599
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(481,860)</u>	<u>(447,883)</u>
Plant and Equipment Written Off	109,159	-
Provision for Loss on Deposit (See Notes 12 & 23)	<u>1,881,044</u>	<u>-</u>
TOTAL ADMINISTRATION EXPENSES	<u>\$15,783,347</u>	<u>\$14,871,955</u>
Allocated as follows:		
- Long Term Benefits Fund (Page 26)	11,965,965	11,354,924
- National Provident Fund (Page 26)	13,002	13,002
- Short Term Benefits Fund (Page 26)	2,823,975	2,576,702
- Injury (Page 26)	<u>978,005</u>	<u>924,927</u>
Sub-total (Page 26)	15,780,947	14,869,555
- Staff Supplemental Benefits Reserve Fund (Page 29)	<u>2,400</u>	<u>2,400</u>
TOTAL (As Above)	<u>\$15,783,347</u>	<u>\$14,871,955</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 2014
(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	
	31/12/13	31/12/14	31/12/13	31/12/14	31/12/13	31/12/14
Freehold Properties						
- Liverpool Row Property St Kitts - Land at Valuation	796,067	796,067	-	-	-	796,067
- EST John Payne Annex Building at Cost	15,814,748	15,967,758	395,369	403,019	798,388	15,419,379
- Church Street St Kitts - Land at Valuation (Note 24)	2,598,000	-	(2,598,000)	-	-	2,598,000
- Church Street Building St Kitts	3,400,860	2,499,725	-	-	-	3,400,860
- Bay Road St Kitts - At Valuation/Cost	6,463,666	10,415,031	653,679	109,039	762,718	5,809,987
- Chapel Street Nevis - At Valuation/Cost	2,101,200	2,100,000	(1,200)	46,625	326,375	1,821,450
- Pinneys Estate Nevis - Land at Cost	886,734	886,734	-	-	-	886,734
- Pinneys Estate Nevis - Work in Progress	<u>6,644,117</u>	<u>15,640,517</u>	<u>901,135</u>	-	-	<u>6,644,117</u>
Furniture and Equipment - At Cost	38,705,392	48,305,832	1,328,798	558,683	1,887,481	37,376,594
Computer Equipment - At Cost	2,899,100	3,122,628	1,599,104	369,410	(33,279)	1,187,393
Motor Vehicles - At Cost	1,245,576	1,311,186	991,779	114,206	-	205,201
TOTAL	<u>1,044,812</u>	<u>958,592</u>	<u>405,150</u>	<u>(258,467)</u>	<u>307,965</u>	<u>639,662</u>
	\$12,814,974	\$1,203,611	\$4,324,831	\$(258,467)	\$(33,279)	\$48,461,572
	<u>\$43,894,880</u>	<u>\$(2,710,116)</u>	<u>\$53,698,238</u>	<u>\$5,236,666</u>	<u>\$5,236,666</u>	<u>\$39,570,049</u>

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 2014

(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 2013 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 2014 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 2014

(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 32 – (Amendments) Offsetting Financial Assets and Financial Liabilities

The amended standard clarifies the application of certain offsetting criteria in IAS 32, including the meaning of “currently has a legal enforceable right of off-set” and “that some gross settlement mechanisms may be equivalent to net settlement.” The amendments have been applied retrospectively, in accordance with their transitional provisions. The amendment is effective for periods commencing on or after 1 January 2014. Social Security does not present any of its financial assets and liabilities on a net basis using the provisions of IAS 32 and so these amendments have no material effect on the financial statements for any period presented.

IAS 36 (Amendments) Impairment of Assets - Recoverable Amount Disclosures for Non-financial Assets

These amendments clarify that an entity is required to disclose the recoverable amount of an asset or cash generating unit whenever an impairment loss has been recognized or reversed in the reporting period. In addition they introduce a number of new disclosures required to be made when the recoverable amount of the impaired assets is based on fair value less costs of disposal, including:

- Additional information about the fair value measurement including the applicable level of the Fair value hierarchy, and a description of any valuation technique used and key assumptions made

- Fair value measurement such as, but not limited to fair value hierarchy Information about the discount rates that have been used when the recoverable amount is based on fair value less cost of disposal using the present value technique.

This amendment is effective for annual periods beginning on or after 1 January 2014.

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

IFRS 15	Revenue from Contracts with Customers effective	1 January 2017
IAS 16	Property, Plant and Equipment (Amendment) effective	1 January 2016
IFRS 9	Financial Instruments (2009 & 2010) effective	1 January 2015



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NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

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%

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 amount 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 and Expenditure Account. Upon disposal of revalued assets, the Board has elected to transfer in full, the revaluation reserve relating to the particular asset being sold to the respective reserve accounts.

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 and expenditure account in the year the item is derecognized.

Improvement to Robert L Bradshaw Building

Renovation of the building was completed during the first quarter of 2015. The cost of the improvements was capitalized at 31 December 2014 and depreciation will commence from January 2015.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

d) Intangible Assets:

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

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

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

(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) Investment Properties:

Investment Properties are stated at cost less provision for diminution in value.

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 2014, 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.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

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.

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.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 ACCOUNTING POLICIES (cont'd)

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

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
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(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 \$56,897 to 34 members of the National Provident Fund (2013 = \$67,316 to 33 members) (see Page 28). The repayment represents members' claims against the Fund up to the date of settlement of their balances. The Members' account was adjusted at December 31, 2014 to reflect the actual balances on the individual member accounts and the NPF Reserve Fund account adjusted accordingly.

Summary of Member Account Movement 2014

	<u>Amount</u>	<u>No of Members</u>
Opening Balance 2014	10,329,341	
Redistribution to Reserve	<u>(6,843,662)</u>	
	3,485,679	4545
Accounts Paid During Year 2014:		
Age Refund	(49,720)	(26)
Other Refund	<u>(7,177)</u>	<u>(8)</u>
	<u>(56,897)</u>	
Interest Posted to Member Account	<u>85,474</u>	
Closing Balance 2014	<u>\$3,514,256</u>	<u>4,511</u>

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>2014</u>	<u>Total</u> <u>2013</u>
Balance as at 31 December 2013	6,108,232	(2,262,329)	10,200,705	14,046,608	16,817,659
Movement for the Year (Page 4 and Note 2 (c) (i))	-	<u>(390,838)</u>	-	<u>(390,838)</u>	<u>(2,771,051)</u>
Balance as at 31 December 2014	<u>\$6,108,232</u>	<u>\$(2,653,167)</u>	<u>\$10,200,705</u>	<u>\$13,655,770</u>	<u>\$14,046,608</u>

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ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

6	STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	<u>2014</u>	<u>2013</u>
	BALANCE - At Beginning of Year	9,135,804	8,225,274
	Excess of Income over Expenditure for year (Page 29)	<u>717,519</u>	<u>910,530</u>
	BALANCE - At End of Year (Page 25)	<u>\$9,853,323</u>	<u>\$9,135,804</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.

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. Actuarial valuation of the SSBP which is to be done every three years was done by independent and qualified actuarial and financial consultants, Horizonow in 2014 in respect of the fund as at 31 December 2013 using the projected Unit Credit Method.

The SSBP was valued in accordance with IAS 19. It was assumed that IAS 19 was adopted on 1st January 2012. The full value of the obligation was assumed to be established on this day. 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 was \$6,529,956 at 31 December 2014. Net assets available for benefits at 31 December 2014 was 9,853,323, (2013 = 6,529,956).

The Social Security Board has decided to move to a defined contribution plan and to have the assets of the SSBP separated from Social Security Fund and the necessary measures are being put in place to give effect to this.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(Continued)

(Expressed in Eastern Caribbean Dollars)

7 PROPERTY, PLANT AND EQUIPMENT

	<u>Land & Buildings at At Valuation (Restated)</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 (Restated)</u>	<u>Total</u>
Year Ended 31 December 2014						
Gross Carrying Amounts						
Balance at 1 January 2014	28,660,415	2,899,100	1,245,576	1,044,812	10,044,977	43,894,880
Additions	4,104,375	334,444	65,610	215,280	8,095,265	12,814,974
Disposals	-	-	-	(301,500)	-	(301,500)
Reclassification	<u>(2,599,200)</u>	<u>(110,916)</u>	-	-	-	<u>(2,710,116)</u>
Balance at 31 December 2014	<u>30,165,590</u>	<u>3,122,628</u>	<u>1,311,186</u>	<u>958,592</u>	<u>18,140,242</u>	<u>53,698,238</u>
Accumulated Depreciation						
Balance at 1 January 2014	(1,328,798)	(1,599,104)	(991,779)	(405,150)	-	(4,324,831)
Depreciation Expense	(558,683)	(369,410)	(114,206)	(161,282)	-	(1,203,581)
Disposals	-	-	-	258,467	-	258,467
Reclassification	-	<u>33,279</u>	-	-	-	<u>33,279</u>
Balance at 31 December 2014	<u>(1,887,481)</u>	<u>(1,935,235)</u>	<u>(1,105,985)</u>	<u>(307,965)</u>	-	<u>(5,236,666)</u>
Net Carrying Amounts 2014	<u>\$28,278,109</u>	<u>\$1,187,393</u>	<u>\$205,201</u>	<u>\$650,627</u>	<u>\$18,140,242</u>	<u>\$48,461,572</u>

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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>(15,814,748)</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>255,120</u>	-	<u>233,000</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>(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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NOTES TO THE FINANCIAL STATEMENTS
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(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>2014</u>	<u>Restated 2013</u>
Land and Building at valuation	\$28,278,109	\$27,330,417

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

	<u>2014</u>	<u>Restated 2013</u>
Net Carrying Amount	\$22,169,877	\$21,222,185

8 INTANGIBLE ASSETS	<u>2014</u>	<u>2013</u>
Computer Software		
Cost at Beginning of Year	1,247,742	1,172,360
Additions during the Year	<u>155,340</u>	<u>75,382</u>
Cost at End of Year	<u>1,403,082</u>	<u>1,247,742</u>
Accumulated Amortisation – Beginning of year	(1,078,482)	(995,005)
Amortisation for the Year	<u>(83,306)</u>	<u>(83,477)</u>
Accumulated Amortisation – End of Year	<u>(1,161,788)</u>	<u>(1,078,482)</u>
Net Book Value (Page 25)	<u>\$241,294</u>	<u>\$169,260</u>



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(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont'd)	<u>2014</u>	<u>2013</u>
	Sub-total brought forward	<u>849,934,042</u>	<u>782,907,698</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>6,912,413</u>
		<u>29,292,413</u>	<u>29,292,413</u>
	Debt Securities Unquoted	<u>21,161,854</u>	<u>32,786,854</u>
	Total Held to Maturity	<u>900,388,309</u>	<u>844,986,965</u>
	Loans Receivable:		
	Government	12,533,858	47,394,831
	Statutory Corporations	190,194,193	184,912,560
	Other	-	1,530,912
	Staff Loans and Advances (Less Provision for Doubtful Accounts Nil/2013=\$60,285)	<u>11,322,676</u>	<u>11,515,103</u>
	Total Loans Receivable	<u>214,050,727</u>	<u>245,353,406</u>
	Total Investments	1,303,652,715	1,247,325,846
	Provision for impairment – CL Financial Group Investments (See Note below)	(9,258,765)	(5,778,487)
	Provision for impairment – SKN Government Debts (See Note below)	<u>(49,914,261)</u>	<u>(9,367,729)</u>
	TOTAL INVESTMENTS NET OF PROVISIONS FOR IMPAIRMENT (Page 25)	<u>\$1,244,479,689</u>	<u>\$1,232,179,630</u>
	Provision for impairment – SKN Government Debts comprises:		
		<u>2014</u>	<u>2013</u>
	- Nevis Island Administration	9,367,729	9,367,729
	- St Kitts Statutory Corporations	<u>40,546,532</u>	-
	TOTAL (See above)	<u>\$49,914,261</u>	<u>\$9,367,729</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

9	INVESTMENTS (cont'd)	<u>2014</u>	<u>2013</u>
	The movement for the year is as follows:		
	Available for Sale Investments:		
	Balance at Beginning of year	156,985,475	140,571,072
	Additions	42,679,042	21,280,042
	Matured Securities	(10,060,000)	(2,094,588)
	Change in market value	<u>(390,838)</u>	<u>(2,771,051)</u>
	Balance at end of year	<u>189,213,679</u>	<u>156,985,475</u>
	Held to Maturity:		
	Balance at beginning of year	839,208,478	788,480,864
	Additions	195,362,330	111,291,226
	Retired	(139,960,985)	(60,563,612)
	Impairment Provision (C L Financial Group Investments)	<u>(3,480,279)</u>	-
	Balance at end of year (Net of Provision for impairment)	<u>891,129,544</u>	<u>839,208,478</u>
	Analysis of Provision for Impairment:		
	Balance brought forward	5,778,487	5,778,487
	Charge for the year (See Note below)	<u>3,480,278</u>	-
	TOTAL	<u>\$9,258,765</u>	<u>\$5,778,487</u>
	 Loans and Receivables		
	Balance at beginning of year	235,985,677	241,557,556
	Additions	12,444,273	4,446,439
	Repayments	(43,746,952)	(10,078,603)
	Impairment provision	<u>(40,546,532)</u>	<u>60,285</u>
	Balance at end of year (Net of Provision for impairment)	<u>\$164,136,466</u>	<u>\$235,985,677</u>
	Analysis of Provision for Impairment:		
	Balance brought forward	9,367,729	9,428,014
	Charge for the year	40,546,532	-
	Recoveries/ Write Backs	-	<u>(60,285)</u>
	TOTAL	<u>\$49,914,261</u>	<u>\$9,367,729</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

Fixed Deposits:

Interest rates range between 3.25% and 7.5% (2013 = 3.25% and 7.5%) per annum with maximum maturity of five years up to 24 August 2018.

Call Accounts:

Interest rates range between zero to 2% (2013 = zero to 2%) per annum.

Treasury Bills:

Interest rate is between 6.5% and 6.75% (2013 = between 6.5% and 7%) 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% (2013 = 7.5%) and have maturity dates ranging between 2015 and 2057.

Loans Receivable:

The loans earn interest at rates ranging from 2% to 8% (2013 = 5% to 8%) and have maturity dates ranging from 2015 to 2054.

Collateral Security:

All the loans are secured by guarantees and/or mortgages over the assets of the respective borrowers except for NHC Affordable Homes Loan and Development Bank Student Loan

CL Financial Group Investments:

As at the end of the 2014 financial year the Social Security Board held investments with the CLICO Financial Group. Details of these investments are as follows:

	Investment Amount	Provision		Maturity Date
		2014	2013	
CLICO Trinidad	3,811,270	3,811,270	1,905,635	September 27 2010
CLICO Trinidad	3,149,287	3,149,287	1,574,644	August 31 2009
British American Insurance Co Ltd (St Kitts)	1,000,000	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>	<u>1,298,208</u>	May 19 2009
	<u>\$9,258,765</u>	<u>\$9,258,765</u>	<u>\$5,778,487</u>	

During the year under review, an additional provision for impairment of \$3,480,278 was made against the C L Financial Group Investments. The principal and interest due up to 31 December 2014 on these investments have now been fully provided for (See Note 11).



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(Continued)

(Expressed in Eastern Caribbean Dollars)

9 INVESTMENTS (cont'd)

During the year ended 31 December 2013, 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

A number of Government Debts were restructured from 2012 to 2014 as follows:

- a) *St Kitts and Nevis Government Bonds* - In March 2012 a 10 year bond with interest rate of 7.5% and principal of \$28,688,000, and a 12 year \$15,000,000 bond, with interest rate of 8.5% and principal of \$12,884,610 were retired in exchange for 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 with interest payable monthly throughout the life of the bond.
- b) *Nevis Island Administration and Statutory Bodies*:- In April 2013, four loans to the Nevis Island Administration and the Nevis Land and Housing Development Corporation (NHLDC) totaling \$26.9M were restructured, resulting in a loss provision of \$9.3M.

Loss Provision Details	Provision Amount
Nevis Housing & Land Development Corporation	2,985,175
Nevis Housing & Land Development Corporation	2,032,980
Nevis Island Administration - Capital Projects	4,187,373
Nevis Island Administration - Asphalt	<u>162,201</u>
TOTAL	<u>9,367,729</u>

- c) *St Kitts Statutory Corporations - 2014* - On 15 August 2014 the Social Security Board and the Development Bank of St Kitts and Nevis signed an agreement to give effect to the restructuring of eight loans. These restructured loans including accrued interest totaled \$45.9M.

On 11 November 2014 Social Security Board and the National Housing Corporation (NHC) signed an agreement to give effect to the restructuring of five loans. These restructured loans including accrued interest totaled \$133.6M.

The loans in question were discounted, resulting in a total loan loss provision of \$40.5M. This amount shown below has been included in the surplus reported in the year ended 31 December 2014.

Loan Loss Provision Details	Provision Amount
National Housing Corporation	
National Housing Corporation-Affordable Homes	15,711,911
National Housing Corporation-Low Income Housing	5,776,998
National Housing Corporation-Starter Homes	4,094,870
National Housing Corporation-Town Houses	1,268,270
National Housing Corporation-Road Building Project	<u>689,430</u>
National Housing Corporation Provision	<u>27,541,479</u>
Development Bank	
Development Bank-Middle Mortgage	1,891,443
Development Bank-New Product	689,186
Development Bank-Student	6,915,238
Development Bank-SS Housing	793,080
Development Bank- Building Mortgage	<u>2,716,105</u>
Development Bank Provision	<u>13,005,052</u>
Total Provision	<u>\$40,546,531</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

10	CASH AT BANK AND IN HAND	<u>2014</u>	<u>2013</u>
	Cash at Bank - Current Accounts		
	Royal Bank of Canada	103,336	115,509
	SKNA National Bank Limited (Benefits)	2,425,610	1,002,508
	SKNA National Bank Limited (Social Services Levy & Protection of Employment Levy)	717,764	614,427
	SKNA National Bank Limited (Administrative)	7,290,447	4,293,681
	SKNA National Bank Limited (Beacon Heights)	<u>2,431,453</u>	<u>1,257,072</u>
		12,968,610	7,283,197
	Cash at Bank - Savings Accounts		
	Royal Bank of Canada	128,960	125,163
	SKNA National Bank Limited	437,516	3,912,252
	NCCU Savings Account	-	9,550,348
	SKNA National Bank Limited (Escrow)	2,734	2,729
	Cash in Hand	<u>114,244</u>	<u>23,294</u>
	TOTAL (Page 25)	<u>\$13,652,064</u>	<u>\$20,896,983</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>2014</u>	<u>2013</u>
	Balance At Beginning of Year	43,346,457	42,359,888
	Interest Earned during the Year	63,823,416	67,024,177
	Provision for Non-collectibility (Note 9)	(7,185,833)	(6,119,313)
	Interest Received during the Year	<u>(70,179,026)</u>	<u>(59,918,295)</u>
	Balance At End of Year (Page 25)	<u>\$29,805,014</u>	<u>\$43,346,457</u>

As at 31 December 2014, 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>
2014	<u>29,805,014</u>	<u>29,047,887</u>	<u>514,124</u>	<u>243,003</u>
2013	<u>43,346,457</u>	<u>32,612,036</u>	<u>825,818</u>	<u>9,908,603</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

11 ACCRUED INTEREST RECEIVABLE (cont'd)

Analysis of Provision for Impairment:	<u>2014</u>	<u>2013</u>
Balance brought forward	6,119,313	5,803,253
Charge for the year	1,066,520	5,712,493
Recoveries/Write backs	<u> -</u>	<u>(5,396,433)</u>
TOTAL	<u>\$7,185,833</u>	<u>\$6,119,313</u>

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

PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECEIVABLE (\$7,185,833 (2013 = \$6,119,313))

CLICO GROUP OF COMPANIES \$406,820 (2013 = \$406,820) (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 (See Note 9).

STATUTORY CORPORATIONS \$6,779,013 (2013 = \$5,712,493)

A provision is made for interest due and remaining unpaid at year end for Development Bank of St Kitts and Nevis Civil Servants Loans.

12 ACCOUNTS RECEIVABLE AND PREPAID EXPENSES	<u>2014</u>	<u>2013</u>
Accounts Receivable	1,774,548	1,716,810
Prepayments (See Note 23)	<u>28,882,582</u>	<u>2,171,892</u>
TOTAL (Page 25)	<u>\$30,657,130</u>	<u>\$3,888,702</u>

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.

Prepayments:

Included in Prepayments is an amount of \$27,615,168 (2013 = Nil) which represents deposits paid (net of provision of \$1,881,044) on the purchase of land.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

(Continued)

(Expressed in Eastern Caribbean Dollars)

13	ALLOCATION OF NET SURPLUS	<u>2014</u>	<u>2013</u>
	Social Security Fund		
	a) Long Term Benefits Fund (Page 26)	14,417,645	51,077,913
	b) Short Term Benefits Fund (Page 26)	(520,767)	8,558,054
	c) Injury Benefits Fund (Page 26)	<u>11,192,319</u>	<u>13,808,518</u>
		<u>25,089,197</u>	<u>73,444,485</u>
	National Provident Fund		
	a) Members' Account	85,474	528,568
	b) Reserve Fund	<u>1,149,393</u>	<u>725,316</u>
	Sub-Total (Page 26)	<u>1,234,867</u>	<u>1,253,884</u>
	NET SURPLUS FOR THE YEAR (Pages 26 & 27)	<u>\$26,324,064</u>	<u>\$74,698,369</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 2014

(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>2014</u>	<u>2013</u>
Sundry Payables	5,884,729	3,611,664
Accruals	908,954	2,636,844
Provisions	<u>866,243</u>	<u>785,769</u>
TOTAL (Page 25)	<u>\$7,659,926</u>	<u>\$7,034,277</u>

16 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2014, contributions and fines due from employers amounted to \$24,302,248 (2013 = \$24,900,484). Details are set out hereunder:

<u>Particulars</u>	<u>2014</u>	<u>2013</u>
Contributions due by Employers	8,730,501	8,931,289
Contribution Written off	(1,276,022)	-
Fines due by Employers	<u>16,847,769</u>	<u>15,969,195</u>
TOTAL DUE TO THE BOARD	<u>\$24,302,248</u>	<u>\$24,900,484</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 2014**

(Continued)

(Expressed in Eastern Caribbean Dollars)

17 CAPITAL COMMITMENT

At 31 December 2014, the Social Security Board of Directors approved capital expenditure for the ensuing year in the amount of \$12.8 million.(2013 = \$13.2 million).

The Board commenced construction of the Nevis office building in 2013 which was estimated to cost \$18M. This year's budget includes an additional \$10m for the building which increases the estimate to \$28m.

At 31 December 2014, a total of \$15,640,518 was expended on the project.

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
St Christopher Air and Sea Port Authority

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>2014</u>	<u>2013</u>
Balance at Beginning of year	267,903,749	268,871,136
Loans advanced during the year	9,921,370	-
Loan Repayment received	(54,828,698)	(5,327,137)
Interest Income	11,815,866	13,934,418
Interest Received	(23,225,678)	(9,574,668)
Balance at End of Year	<u>\$211,586,609</u>	<u>\$267,903,749</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>2014</u>	<u>2013</u>
Balance at Beginning of Year	782,636,603	718,899,142
Net Advances	58,789,185	65,878,841
Interest Income	43,759,709	42,649,869
Interest Received	(43,427,538)	(44,791,249)
Balance at End of Year	<u>\$841,757,959</u>	<u>\$782,636,603</u>
Beginning of Year	713,909	1,142,906
Loans advanced during the year	23,000	161,404
Loan Repayment Received	(594,346)	(589,846)
Interest Income	17,847	53,612
Interest Received	(19,481)	(54,167)
Balance at End of Year	<u>\$140,929</u>	<u>\$713,909</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

18 RELATED PARTY TRANSACTIONS (cont'd)

Loans in the amount of \$23,000 were taken by the directors. These loans were adequately secured with land, shares, bills of sale and third party guarantees and bears interest at the rate of 7% per annum. The monthly repayments range from \$404 to \$1,766 and terms from 3.5 to 5 years.

Key Management Compensation

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$673,322 (2013 = \$692,659).

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 2014 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 2014

(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 2014:

	<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	31 December 2014	140,709,686	-	-	140,709,686
Available-for-sale financial assets:					
Quoted equity shares	31 December 2014	45,079,000	45,079,000	-	-
Corporate bonds	31 December 2014	2,995,993	2,995,993	-	-
Lands and buildings	31 December 2014	28,278,109	-	-	28,278,109



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
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(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 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>
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 debt securities:					
Corporate bonds	31 December 2013	3,109,311	3,109,311	-	-
Lands and buildings	31 December 2013	24,732,417	-	-	24,732,417

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 2014

(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 2014:

	<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	13,652,064	-	-	13,652,064
Accrued Interest Receivable	29,805,014	-	-	29,805,014
Accounts Receivable and Prepaid Expenses	30,657,130	-	-	30,657,130
Investment Securities	-	<u>937,713,131</u>	<u>306,766,558</u>	<u>1,244,479,689</u>
Total Assets	<u>74,114,208</u>	<u>937,713,131</u>	<u>306,766,558</u>	<u>1,318,593,897</u>

Liabilities:

Year Ended 31 December 2014:

Accounts Payable	41,204	-	-	41,204
Other Payables	<u>7,692,123</u>	-	-	<u>7,692,123</u>
Total Liabilities	<u>7,733,327</u>	-	-	<u>7,733,327</u>
Net Liquidity Gap	<u>66,380,881</u>	<u>937,713,131</u>	<u>306,766,558</u>	<u>1,310,860,570</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Continued)

(Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

d) Liquidity Risk: (cont'd)

Assets:

Year Ended 31 December 2013:

	<u>Due within</u> <u>1 Year</u>	<u>>1 Yr to 5 Yrs</u>	<u>>5 Years</u>	<u>Total</u>
Cash at Bank and in Hand	20,896,983	-	-	20,896,983
Accrued Interest Receivable	43,346,457	-	-	43,346,457
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>68,132,142</u>	 <u>1,074,532,621</u>	 <u>157,647,009</u>	 <u>1,300,311,772</u>

Liabilities:

Year Ended 31 December 2014:

Accounts Payable	15,019	-	-	15,019
Other Payables	<u>7,066,474</u>	-	-	<u>7,066,474</u>
 Total Liabilities	 <u>7,081,493</u>	 -	 -	 <u>7,081,493</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>

20 CONTINGENT LIABILITIES

Counsel has advised that at 31 December 2014 there was a claim made against the Social Security Board by an individual for wrongful imprisonment. Settlement discussions are in progress.

In addition to the above, the Board may be liable for any costs which may arise from the matters disclosed under Note 23 below.

No provision has been made in these Financial Statements for any of the contingencies mentioned above.

21 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
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(Continued)

(Expressed in Eastern Caribbean Dollars)

22. 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.

23. SUBSEQUENT EVENT

On 23 October 2015, a claim (Claim No. SKBHCV/233) amounting to \$14,452,434 was made against The Social Security Board for loss and damage in connection with an Agreement for Sale of 116.45 acres of land belonging to the claimant.

In pursuant to this agreement, the Social Security Board paid to the claimant as a deposit on the sale, the sum of \$1,816,996.50 on 29 December 2014, being 10% of the purchase price. Surveying expense of \$64,047.50 incurred in connection with the transaction is included in the provision of \$1,881,044. The amount is included in the Statement of Financial Position under Accounts Receivable and Prepaid Expenses (See Note 12). Full provision for impairment has been made in these financial statements against this deposit (See Page 26).

24. RECLASSIFICATION

During the year under review, management made a decision to reclassify a property located on Church Street with a value of \$2,598,000 from Property, Plant and Equipment to Investment Property (See Notes 7 & 9).







St. Christopher and Nevis Social Security Board

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