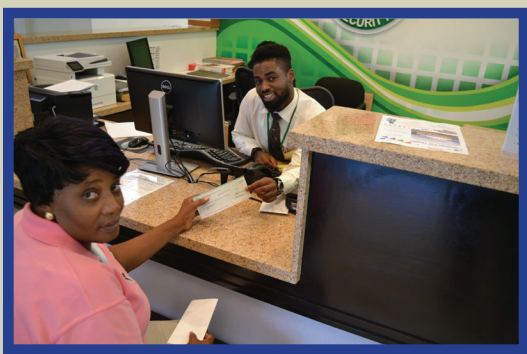


St. Christopher and Nevis Social Security Board



Striving for Social Justice



ANNUAL REPORT 2015

ST. CHRISTOPHER AND NEVIS SOCIAL SECURITY BOARD

REPORT AND ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

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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

Customer Service 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.

BOARD OF DIRECTORS

Ms. Maritza Bowry - Chairperson (right)

Mr. Oscar Walters - Deputy Chairperson (2nd row left)

Mr. Lenworth Harris (2nd row right)

Ms. Claudine Saunders (3rd row left)

Mr. Anthony Kelsick (3rd row right)

Mr. Timothy Caines (4th row left)

Ms. Dorita Lewis (4th row right)



Ms. Claudette Thompson - right

Mrs. Jacqueline Brookes-Jeffers - 2nd row left

Mr. Victor Earle -2nd row right

Mr. Gregg Herbert - 3rd row left

Mr. Leon Charles (Board Secretary) - 3rd row right

4th row:

Mrs. Saphlin Lawrence (CEO/Director) - left

Mr. C. Steve Wrensford (Deputy Director) - right



2015 Report of the Chairperson of the Board of Directors



The Social Security had a productive year ending with \$1,404,992,752 in total reserves. The result was a 3.34% increase from the comparative total reserves of \$1,359,563,436 in the previous year. All the components of the reserves increased. Total reserves net of Staff Supplemental Benefits were \$1,394,370,972. The total reserves were represented by investments of \$1.295 billion, property, plant and equipment of \$38.07 million, other non-current assets of \$6.44 million and net current assets of \$65.58 million.

The Social Security Fund continues to experience an increase in benefits expenditure and the pension payments remain the highest component. The Schedule of Benefits Expenditure showed that Long Term Benefit Fund expenditure increased by 13.8% in the year under review. The assistance pension was the only benefit expenditure that declined. Short-term benefit expenditure increased by 10.3% and Employment Injury by 3.2%. The number of long term claimants increased significantly by 353 or 7% increase. The number of short term claimants fell by 7% while those claiming Employment Injury fell by two.

Administration expenditure showed an increase of 4%. Another large item of concern is the loss in book value

of properties as the properties were revalued. The loss provision was \$25.4 million. Other provisions were made on impairment of another \$4.03 million resulting in a surplus of \$44.5 million.

Notwithstanding the surplus for the year, which exceeds the previous one by 69%, it is imperative that the Board respects the advice of the Actuary after the eleventh review recently completed and introduce pension reform measures to ensure long term sustainability of the Fund. After all, the demographic issues are clear coupled with the fact that pensioners qualify for higher pensions. One must also note that with the declining interest rates on fixed deposits, and the dearth of lucrative investment options, along with the demographic challenges there is an immediate need for reform.

We are committed to do our part to ensure that the Social Security Fund remains viable.

Maritza Bowry
Maritza Bowry

Chairperson - St. Christopher & Nevis Social Security Board

REPORT OF THE DIRECTOR FOR THE YEAR ENDED DECEMBER 31, 2015



results.

According to the information published by the Eastern Caribbean Central Bank, the Federation of St. Kitts and Nevis experienced strong economic performance in the year ended December 31, 2015, outperforming the other economies in the Eastern Caribbean Currency Union (ECCU). The Gross Domestic Product (GDP) grew by 5%, and inflation was -2.9%. According to the IMF, economic growth was underpinned by growth in the construction and tourism sectors.

As the Director of this esteemed and valuable organization, it is with pleasure that I provide a brief account of the operations of the Social Security Fund of St. Kitts and Nevis for the year ended December 31, 2015. As we continued the thrust documented in our strategic plan, during the year, we prioritized the financial soundness of our Fund, the provision of world-class customer service, ardently pursued viable and cost effective technological solutions and we optimized the contribution of our human capital to achieve good

The year was not devoid of many challenges that impacted the financial outcome for 2015. This included declining interest rates, changing demographics and other socioeconomic factors. Despite all the challenges and setbacks, the Fund grew by 3% to \$1.4 billion at the end of the year under review.

The net surplus was negatively impacted by the revaluation of all the properties of the Board, and positively by the recovery of moneys from the Judgment Debt of the defunct Bank of Commerce.

The net surplus realized in the year was \$44.5 million. Total Income increased by 6% to \$155.726 million. In accordance with expectation, the highest component of income was contribution income which increased by 10% reaching \$90.644 million by the end of the year. Investment income declined by 10% mainly as a result of the decline in interest rates while other income rose. Total administration expenditure increased in 2015 compared to 2014. The expenditure ratio continues to climb as is expected of a maturing Social Security System.

FUND GROWTH

At the end of December 2015, the St. Kitts and Nevis Social Security Fund stood at \$1.4 billion, and was 57% of the GDP of \$2.5 billion. The Fund grew by 3% from \$1.36 billion at 31 December 2014. Figure 1 shows the fund values for the last five years, while Figure 2 shows the growth experienced in the last nine years. In 2013 and 2014 the Fund was adversely affected by the restructuring of Government Debts and in 2015 by a loss on revaluation of properties.

FUND VALUE FOR LAST FIVE YEARS

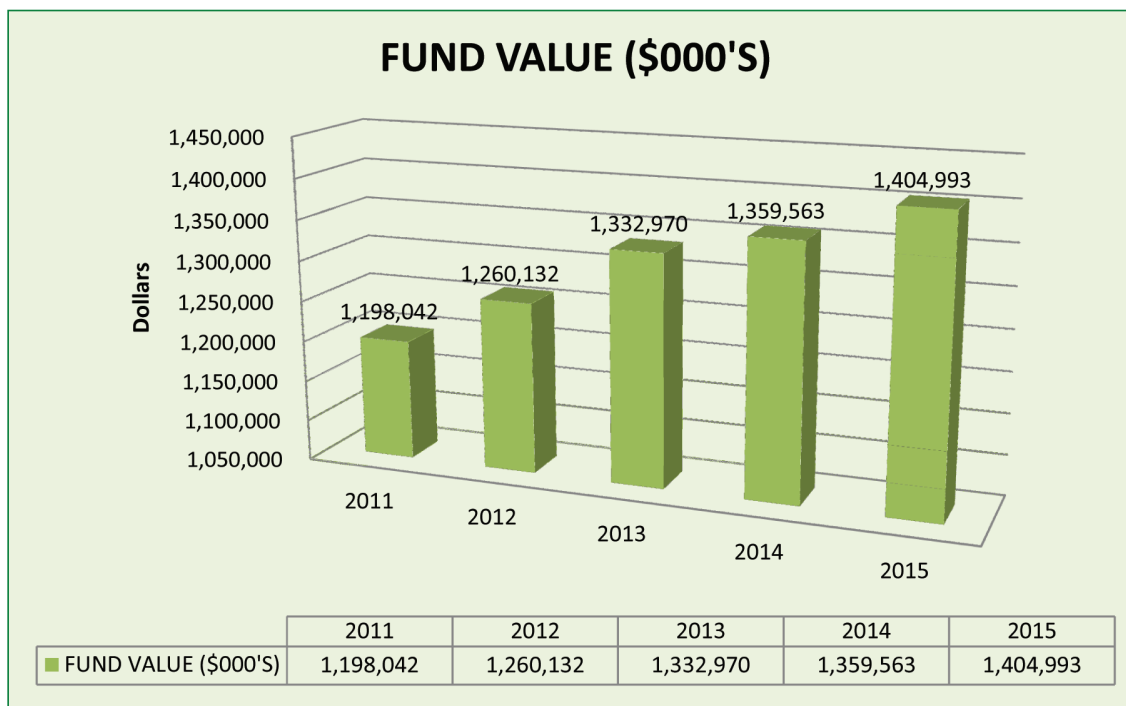


Figure 1

FUND GROWTH 2007 TO 2015

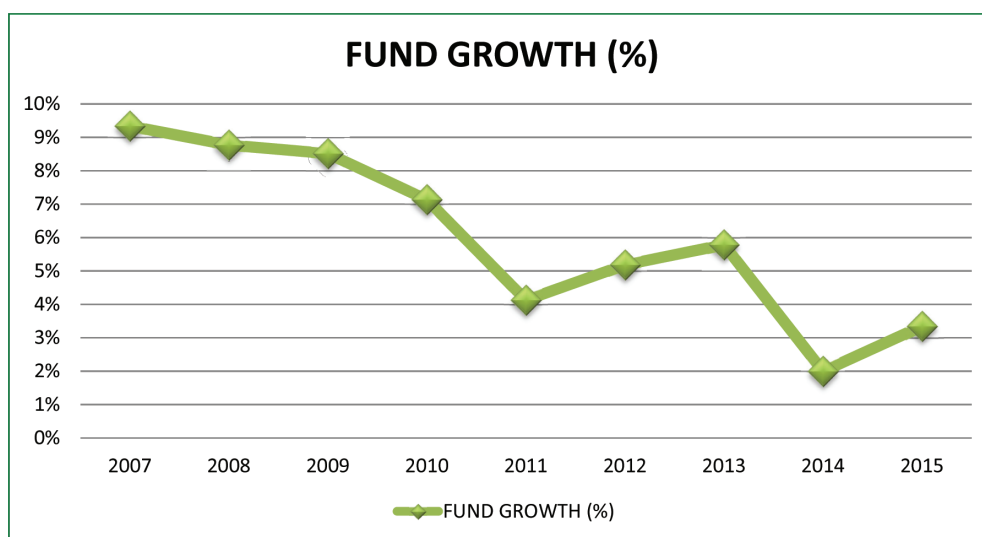


Figure 2

KEY PERFORMANCE INDICATORS 2011-2015

PERFORMANCE INDICATORS					
	2015	2014	2013	2012	2011
FINANCIAL	\$000,000's	\$000,000's	\$000,000's	\$000,000's	\$000,000's
Total Net Assets	1,404.99	1,359.56	1,332.97	1,260.13	1,198.04
Investments	1,294.88	1,244.48	1,232.18	1,170.61	1,124.07
Net Surplus	24.90	26.32	74.70	66.02	46.80
Contribution Income	90.64	82.49	74.64	69.74	69.91
Investment Income	57.74	63.82	67.02	66.13	66.54
Other Income	7.34	0.46	0.71	0.46	0.39
Benefits Expenditure	67.28	59.58	52.52	47.41	44.55
Loss Provisions	29.49	46.97	0.32	10.76	33.19
Total Administration Expenses	14.45	13.90	13.82	12.14	12.29
RATIOS					
<i>Fund Growth</i>	<i>3%</i>	<i>2%</i>	<i>6%</i>	<i>5%</i>	<i>4%</i>
<i>Benefit expenditure as percentage of Contribution Income</i>	<i>74%</i>	<i>72%</i>	<i>70%</i>	<i>68%</i>	<i>64%</i>
<i>Administration Expenses as percentage of Contribution Income</i>	<i>16%</i>	<i>17%</i>	<i>19%</i>	<i>17%</i>	<i>18%</i>
<i>Net Surplus as a % of Total Income</i>	<i>16%</i>	<i>18%</i>	<i>52%</i>	<i>48%</i>	<i>34%</i>
<i>Average Return on Investment</i>	<i>4.5%</i>	<i>5.2%</i>	<i>5.6%</i>	<i>5.8%</i>	<i>6.0%</i>
STATISTICS					
Number of Employees/Staff*	135	126	128	131	136
Number of Claims/Benefits Paid	18,467	18,832	15,565	14,365	15,256
Number of Pensioners	5,036	4,699	4,536	4,307	4,032
Active Employers	1,855	1,785	1,830	1,810	1,860
Employed Persons	23,387	23,405	27,387	24,503	24,823

Table 1

PERFORMANCE HIGHLIGHTS OVER FIVE YEARS

Table 1 provides a summary of the Fund's performance over the last five years. The following are noteworthy:

- ✓ The Fund increased by 17% or \$206M.
- ✓ Benefits Expenditure increased by 51% and as a percentage of Contribution Income it climbed from 64% in 2011 to 74% in 2015.
- ✓ Total expenditure as a percentage of contribution income was 81% five years ago and was 90% in 2015.
- ✓ Administration Expenses increased by 4% in the year, with the highest increase attributable to emoluments with the final installment of a tiered salary increase.
- ✓ Claims paid and the number of pensioners continued to increase. However, 2015 saw a slight decrease in the number of claims paid.
- ✓ The number of active employers increased, and the number of insured persons increased.
- ✓ The average return on the Investment Portfolio has declined over the last five years from 6% to 4.5%.

The comparative Statement of Financial Position (Table 2) shows that the distribution of Funds remained the same in 2015 as in 2014 (see Figure 3). The National Provident Reserve increased by 12% in 2015 due to the funds recovered from the Bank of Commerce Judgment Debt. Property, Plant and Equipment declined by 21% as a result of the revaluation of the properties.

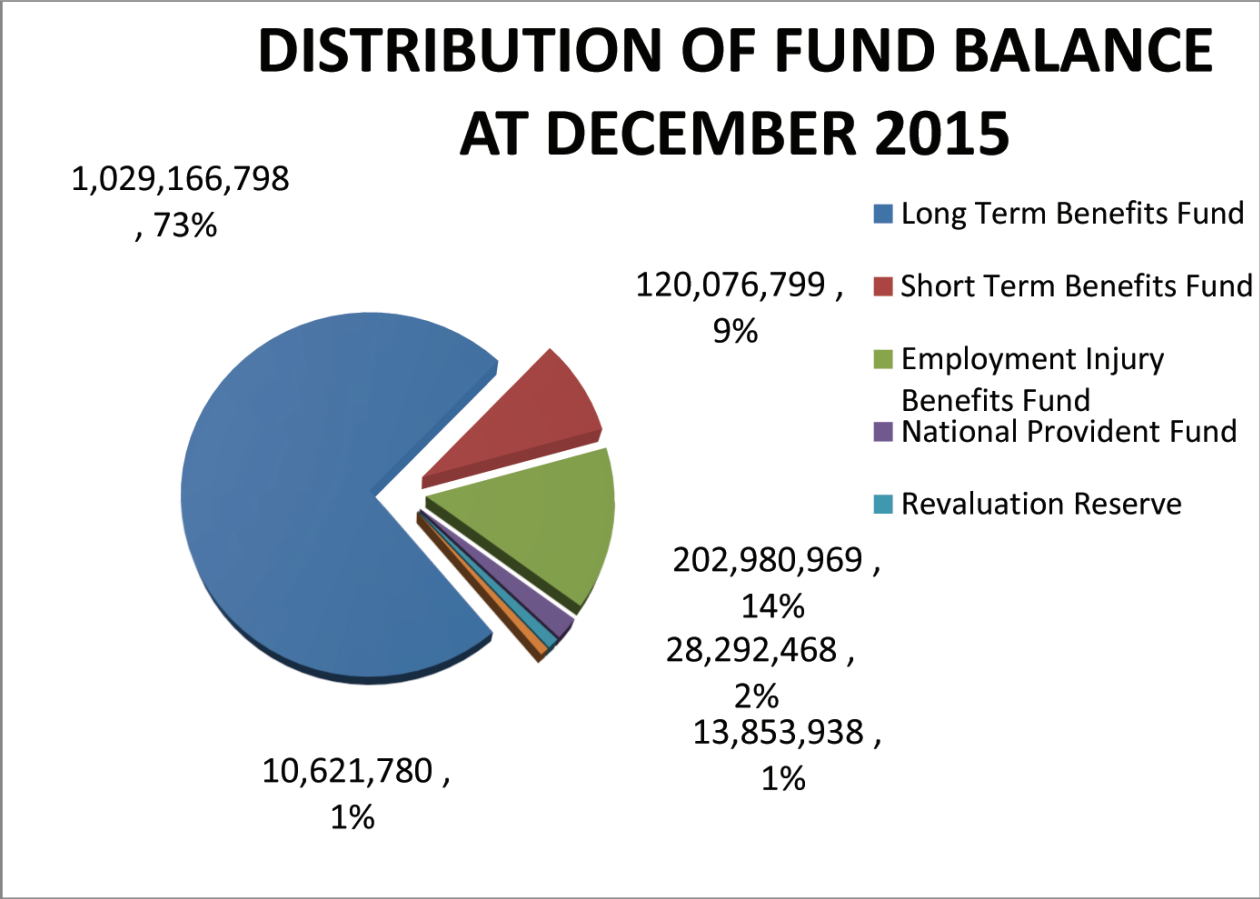


Figure 3



COMPARATIVE STATEMENT OF FINANCIAL POSITION					
AT 31 DECEMBER, 2015					
	2015		2014		% Change
FUNDS EMPLOYED					
Social Security Fund					
- Long Term Benefits Fund	1,029,166,798	73%	1,003,980,324	74%	3%
- Short Term Benefits Fund	120,076,799	9%	116,776,733	9%	3%
- Employment Injury Benefits Fund	202,980,969	14%	189,615,757	14%	7%
National Provident Fund					
- NPF Members' Account	3,549,558	0%	3,514,256	0%	1%
- NPF Reserve Fund	24,742,910	2%	22,167,273	2%	12%
Revaluation Reserve	13,853,938	1%	13,655,770	1%	1%
RESERVE FUNDS	1,394,370,972	99%	1,349,710,113	99%	3%
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	10,621,780	1%	9,853,323	1%	8%
TOTAL FUNDS	\$ 1,404,992,752	100%	\$ 1,359,563,436	100%	3%
REPRESENTED BY:					
NON-CURRENT ASSETS					
Property, Plant and Equipment	38,074,634	3%	48,461,572	4%	-21%
Intangible Assets	305,826	0%	241,294	0%	27%
Investments	1,294,882,746	92%	1,244,479,689	92%	4%
Non-Current Receivables and Prepayments	6,149,761	0%	-	0%	
TOTAL NON-CURRENT ASSETS	1,339,412,967	95%	1,293,182,555	95%	4%
CURRENT ASSETS					
Cash at Bank and in Hand	15,008,466	1%	13,652,064	1%	10%
Accrued Interest Receivable	27,914,636	2%	29,805,014	2%	-6%
Accounts Receivable and Prepayments	30,595,408	2%	30,657,130	2%	0%
TOTAL CURRENT ASSETS	73,518,510	5%	74,114,208	5%	-1%
CURRENT LIABILITIES					
Accounts Payable	32,132		41,204	0%	-22%
Sundry Creditors and Accruals	7,874,396	1%	7,659,926	1%	3%
National Provident Fund Treasury Balance	32,197		32,197	0%	0%
TOTAL CURRENT LIABILITIES	7,938,725	1%	7,733,327	1%	3%
NET CURRENT ASSETS	65,579,785	5%	66,380,881	5%	-1%
TOTAL NET ASSETS	\$ 1,404,992,752	100%	\$ 1,359,563,436	100%	3%

Table 2

INVESTMENT PERFORMANCE

The Investment portfolio grew by 4% in 2015. Table 3 shows the movement in the various asset classes. The decline in property of 16% is due mainly to revaluation of the investment properties. The distribution of the portfolio between the asset classes remained just about the same in 2015 as in 2014. Short-term deposits continued to increase even in face of limited investment options and represented 70% of the portfolio compared to 67% in the previous year. Activity in relation to the Beacon Heights Project remained minimal, with only one home completed and one other started in 2015. Expenses relating to security services, insurance and maintenance continue to be incurred. At the end of

the year, three houses remained in inventory (Nos. 75, 106 and 130) and there has been no activity in the commercial area. Two of those houses are leased. With respect to the Douglas Estate investment, the land price reduction from \$20 to \$16.50 per square foot has generated more interest and sales.

There was no new investment in domestic equities during the year. All entities with the exception of Bank of Nevis paid dividends. There have been some fluctuations in the market values of our overseas investments but based on our long-term objective we have not liquidated any investment.

INVESTMENT PORTFOLIO

ASSET CLASSES	2015	% of Total	2014	% of Total	% Change
Equity	54,692,170	4%	48,503,993	4%	13%
Government Debt Securities	20,911,854	2%	21,161,854	2%	-1%
Treasury Bills	29,712,413	2%	29,292,413	2%	1%
Fixed Deposits	900,869,926	70%	830,495,077	67%	8%
Call Accounts	9,333,222	1%	10,180,200	1%	-8%
Loans	161,586,161	12%	164,136,466	13%	-2%
Property	117,777,000	9%	140,709,686	11%	-16%
	1,294,882,746	100%	1,244,479,689	100%	4%

Table 3

INCOME AND EXPENDITURE

Table 4 shows Income and Expenditure for the year 2015 compared with 2014. Total income was \$155.7M compared to \$146.8 million in the previous year. Contribution Income increased by 10% while Investment Income declined by 10%. Other income increased significantly due mainly to the reversal or recovery of an impairment. Fines (included in other income) also increased for the year compared to 2014. Total income increased by 6% in 2015. Benefit Expenditure increased by 13% and Administration Expenses increased by 4% from \$13,899,903 to \$14,454,582. Benefits Expenditure therefore absorbed

74% of contribution income while administration expenditure was 16%.

For the year, Contribution income and Investment Income were 58% and 37% of the Total Income of \$155.7 million, while in 2014 the distribution was 56% and 43%, due to the decline in interest rates. Five million was recovered from the Bank of Commerce Judgment Debt in December 2015 and this was redistributed between the Funds based on the original distribution of the amount written off as non-recoverable in 1991.



The net surplus for 2015 was \$44.5 million compared to \$26.3 million in 2014. In 2015, a provision of \$25.5 million or 16% of total income was recorded as a result of the decline in the value of properties as determined by appraisals completed by a qualified valuator engaged by the Board. In 2014, the surplus was impacted by Provision for Loss in Investments due to the restructuring of Government loans. This provision represented 31% of Total Income. The Net Surplus increased by 69% in 2015, and was 29% of Total Income in 2015 and 18% in 2014. It is noteworthy that the investment component of total income continues to decline which is indicative of the current global investment climate.

COMPARATIVE INCOME AND EXPENDITURE ACCOUNT

	2015	% of Total	2014	% of Total	% changed
INCOME					
Contribution Income	90,643,594	58%	82,494,154	56%	10%
Investment Income	57,739,437	37%	63,823,416	43%	-10%
Bank of Commerce Judgment Debt settlement	5,044,112	3%	-	0%	
Other Income	<u>2,299,269</u>	1%	<u>456,424</u>	0%	404%
TOTAL INCOME	155,726,412	100%	146,773,994	100%	6%
EXPENDITURE					
Benefits Expenditure	67,277,943	43%	59,575,652	41%	13%
Administration Expenses	14,454,582	9%	13,899,903	9%	4%
Other Expenses:	-	0%			
Loss on Revaluation of land and Buildings	25,454,830	16%			
Provision for Impairment of Debt	176,896	0%	1,881,044	1%	-91%
Provision for Impairment of Prepayment	3,853,761	2%			
Provision for Loss on Investments	-		45,093,331	31%	-100%
TOTAL EXPENDITURE	111,218,012	71%	120,449,930	82%	-8%
NET SURPLUS FOR THE YEAR	44,508,400	29%	26,324,064	18%	69%

Table 4

On the island of St. Kitts, contribution income increased by 8% and Nevis by 15% (Table 5). There was a significant increase in contributions from Self Employed persons in St. Kitts (15%) while in Nevis it was 4%. On both islands the 2015 Contribution Budget was also met. In terms of contribution by type, Employers' Contribution increased by 10%, Self Employed by 12% and Voluntary Contribution by 241%. Contribution refunded increased significantly in 2015 compared to 2014.

CONTRIBUTION INCOME BY OFFICE AND TYPE

CONTRIBUTION BY OFFICE					
	2015	2014	% Change	2015 Budget	% age of Budget
ST. KITTS OFFICE					
Employers' Contribution	68,209,927	62,977,577	8%	63,462,000	107%
Self Employed Contribution	1,134,110	984,951	15%	980,000	116%
Voluntary Contribution	9,934	2,917	241%	3,000	331%
	69,353,970	63,965,444	8%	64,445,000	108%
NEVIS OFFICE					
Employers' Contribution	21,019,884	18,192,784	16%	19,330,000	109%
Self Employed Contribution	422,988	406,008	4%	425,000	100%
	21,442,872	18,598,792	15%	19,755,000	109%
TOTAL	90,796,842	82,564,237	10%	84,200,000	108%
COLLECTION BY CONTRIBUTION TYPE					
	2015	2014	% change	2015 Budget	% age of Budget
Employers' Contribution	89,229,811	81,170,361	10%	82,792,000	108%
Self Employed Contribution	1,557,098	1,390,959	12%	1,405,000	111%
Voluntary Contribution	9,934	2,917	241%	3,000	331%
Refund of Contribution	(153,249)	(70,082)	119%	(200,000)	77%
	90,643,594	82,494,154	10%	84,000,000	108%

Table 5

Benefits Expenditure

For each Benefit type, expenditure in 2015 increased compared to 2014 (Table 6). Long Term Benefit expenditure increased by 14%, Short Term by 10% and Employment Injury by 3%. Overall expenditure increased by 13%. The number of pensions increased while the number of Short Term and Employment Injury claims declined by 5% and 1% respectively. Overall, the number of claims paid declined by 2% compared to 2014. The increase in Age and Survivor pensions expenditure result from increase in the number of pensioners as well as increase in the value of pensions awarded.

Refunds continued to be paid to members of the National Provident Fund (NPF). In 2015, refunds in the value of \$45,709 were paid to 34 members, while \$56,867 was paid to 33 members in 2014. At the end of 2015 total member balances were \$3.5 million on account of about 4,500 members.



First time pensioner Ms. Clydella Pennyfeather receiving her cheque at the Branch Office in Nevis from Customer Service Representative Mr. Chase Lawrence.

BENEFITS EXPENDITURE 2015						
	2015		2014		% Change	% Change
	Number of Claims	Amount	Number of Claims	Amount	Number of Claims	Amount
<u>Long Term Benefits</u>						
Elderly Entrant Refund	24	11,414	19	7,740	26%	47%
Survivor Pension	1,011	3,346,047	934	3,014,530	8%	11%
Invalidity	335	3,183,683	318	3,146,547	5%	1%
Age Pension	3,131	45,307,131	2,860	39,330,693	9%	15%
Age Grant	147	1,093,312	132	781,779	11%	40%
Assistance Pension Age	325	1,001,908	352	1,077,050	-8%	-7%
Assistance Pension Invalidity	148	454,967	153	458,945	-3%	-1%
Total Long Term Benefits	5,121	54,398,462	4,768	47,817,284	7%	14%
<u>Short Term Benefits</u>						
Sickness	11,246	8,213,303	12,111	7,648,030	-7%	7%
Funeral	300	723,906	269	641,206	12%	13%
Maternity Allowance	537	2,342,172	469	1,936,418	14%	21%
Maternity Grant	541	244,800	482	220,050	12%	11%
Total Short Term Benefits	12,624	11,524,181	13,331	10,445,704	-5%	10%
<u>Employment Injury</u>						
Funeral Grant	1	4,000	2	8,000	-50%	-50%
Injury	436	486,550	434	505,057	0%	-4%
Travelling Expenses	11	8,657	7	13,182	57%	-34%
Medical Care Expenses	184	64,153	199	89,471	-8%	-28%
Death Benefits	25	203,449	21	169,445	19%	20%
Constant Care	2	27,235	2	26,697	0%	2%
Disablement Pension	61	519,606	61	478,239	0%	9%
Disablement Grant	2	41,650	2	22,573	0%	85%
Total Employment Injury Benefits	722	1,355,300	728	1,312,664	-1%	3%
Total Claims & Pensioners	18,467	67,277,943	18,827	59,575,652	-2%	13%

Table 6

Administration Expenses

A number of expenses declined in 2015. Expenses were also impacted by the cost to conduct the 11th Actuarial Review in December 2015, legal services for the court case relating to Fountain Estate, an award of a tertiary level scholarship and the biannual uniform expenditure.

INSURANCE OPERATIONS

A key element of the social security business is the tracking of members and employers. There are registrations of insured persons, self-employed and businesses. This is the first step before doing business with the organization. Below are important highlights of registrations in all categories, cessations and re-establishment of businesses.

EMPLOYEE REGISTRATIONS

During the review year ended December 31, 2015, 1,655 individuals registered (Table 7). Among the registrants were 640 (39%) females and 1,015 (61%) males. The age distribution of these registrants showed 35% (586) under the age of 20. Another 25% (421) were between the ages of 20 to 29 years while 18% (297) fell in the age range of 30 to 39 years. There were 13% (207) in the age range 40 to 49 years, 7% (117) of registrants fell in the 50 to 59 age range while 2% (27) of registrants were 60 years or older. The

new registrations increased by 180 or 12% from 2014. Female registration increased by 5 or 1% from the year 2014 and males by 175 or 21%. The registration was dominated by the construction sector with 26% or 435 registrations, wholesale/retail with 22% or 363, hotels and restaurants with 13% or 215 (Table 8). It is worthy to mention that 1207 or 73% of the registrations were done in St. Kitts consisting of 438 females and 769 males. The 448 registrations in Nevis comprised 246 males (55%) and 202 (45%) females.

Employee Registration by Sex and Age Group - St. Kitts and Nevis
January - December 2015

Age Group	Number			Distribution		
	Female	Male	Total	Female	Male	Total
Under 16	13	19	32	1%	1%	2%
16 - 19	241	313	554	15%	19%	33%
20 - 29	194	227	421	12%	14%	25%
30 - 39	100	197	297	6%	12%	18%
40 - 49	54	153	207	3%	9%	13%
50 - 59	34	83	117	2%	5%	7%
60 - 62	2	10	12	0%	1%	1%
Over 62	2	13	15	0%	1%	1%
Total	640	1,015	1,655	39%	61%	100%

Table 7

Employee Registration by Sex and Industry <i>January - December 2015</i>						
FEDERATION	Number			Distribution		
	Female	Male	Total	Female	Male	Total
Agriculture, Hunting & Forestry	5	18	23	0%	1%	1%
Fishing	0	3	3	0%	0%	0%
Mining & Quarrying	2	0	2	0%	0%	0%
Manufacturing	58	38	96	4%	2%	6%
Electricity, Gas & Water Supply	6	11	17	0%	1%	1%
Construction	45	390	435	3%	24%	26%
Wholesale & Retail Trade	149	214	363	9%	13%	22%
Hotel & Restaurant	116	99	215	7%	6%	13%
Transport, Storage & Communications	23	25	48	1%	2%	3%
Financial Intermediation	31	20	51	2%	1%	3%
Real Estate, Renting & Business Activities	47	74	121	3%	4%	7%
Public Administration & Defence	76	51	127	5%	3%	8%
Education	19	12	31	1%	1%	2%
Health & Social Work	9	5	14	1%	0%	1%
Other Community, Social & Personal Services	41	53	94	2%	3%	6%
Private Household with Employed Persons	9	2	11	1%	0%	1%
Extra-Territorial Organization & Bodies	2	0	2	0%	0%	0%
Other	2	0	2	0%	0%	0%
FEDERATION TOTAL	640	1,015	1,655	39%	61%	100%

Table 8



Hon Lindsay Grant taking follow-up action on a matter.

Employee Registration by Industry and Age Group <i>January - December 2015</i>									
	Under 16	16 - 19	20 - 29	30 - 39	40 - 49	50 - 59	60 - 62	Over 62	Total
FEDERATION									
Agriculture, Hunting & Forestry	0	2	10	5	5	1	0	0	23
Fishing	0	0	0	0	1	2	0	0	3
Mining & Quarrying	0	2	0	0	0	0	0	0	2
Manufacturing	1	41	27	15	9	3	0	0	96
Electricity, Gas & Water Supply	0	8	3	5	0	1	0	0	17
Construction	0	59	92	106	108	61	5	4	435
Wholesale & Retail Trade	24	182	91	39	19	5	0	3	363
Hotel & Restaurant	0	62	69	50	20	11	2	1	215
Transport, Storage & Communications	1	26	13	4	3	1	0	0	48
Financial Intermediation	1	24	17	7	1	1	0	0	51
Real Estate, Renting & Business Activities	0	29	29	28	18	12	3	2	121
Public Administration & Defence	1	85	25	7	6	2	1	0	127
Education	0	5	8	6	2	7	0	3	31
Health & Social Work	0	3	3	4	2	2	0	0	14
Other Community, Social & Personal Services	0	24	32	16	12	4	1	1	94
Private Household with Employed Persons	0	2	1	4	1	2	0	1	11
Extra-Territorial Organization & Bodies	0	0	0	0	0	2	0	0	2
Other	0	0	1	1	0	0	0	0	2
FEDERATION TOTAL	32	554	421	297	207	117	12	15	1,655

Table 9

Of the 1655 newly registered persons at different dates in the year, only 3% were engaged in work for over 51 weeks. 24% worked for 1-10 weeks while 22% worked 11-20 weeks and 5% between 41-50 weeks (see Table 10).

ACTIVE EMPLOYEE REGISTRANTS

January - December 2015

WEEKS WORKED	EMPLOYEES			DISTRIBUTION
	Female	Male	Total	
<i>0</i>	162	222	384	<i>23%</i>
<i>1 - 10</i>	167	238	405	<i>24%</i>
<i>11 - 20</i>	128	233	361	<i>22%</i>
<i>21 - 30</i>	70	135	205	<i>12%</i>
<i>31 - 40</i>	51	107	158	<i>10%</i>
<i>41 - 50</i>	44	47	91	<i>5%</i>
<i>51 +</i>	18	33	51	<i>3%</i>
TOTAL EMPLOYEES	640	1,015	1,655	FED TOTAL
<i>Total Active</i>	478	793	1,271	<i>77%</i>
<i>Total Inactive</i>	162	222	384	<i>23%</i>
<i>Active %</i>	<i>75%</i>	<i>78%</i>	<i>77%</i>	

Table 10

EMPLOYER REGISTRATIONS

During the year, 208 new businesses registered. This represented an increase of 7% or 14 over the registration in the previous year. As noted in Table 11 showing the registration by industry, 40 employers (19%) registered in the wholesale and retail trade and 37 employers (18%) in the construction. Hotels and Restaurants and the Other Community, Social & Personal Activities sectors accounted for 13% or 27 employer registrations. On

St. Kitts there were 145 new and in Nevis there were 63. Both represented increases over the previous year, when there were 137 in St. Kitts and 57 in Nevis that is 5.8% and 10.5% respectively. In St. Kitts, the highest number of registrations was in the wholesale and retail with 31 or 19% and in Nevis Private Households with 11 or 10%.

New Employer Registration by Industry and Island

January - December 2015

INDUSTRY	Number			Distribution		
	Nevis	St. Kitts	Total	Nevis	St. Kitts	Total
Agriculture, Hunting & Forestry	7	2	9	3%	1%	4%
Fishing	0	0	0	0%	0%	0%
Mining & Quarrying	2	0	2	1%	0%	1%
Manufacturing	1	4	5	0%	2%	2%
Electricity, Gas & Water Supply	0	1	1	0%	0%	0%
Construction	10	27	37	5%	13%	18%
Wholesale & Retail Trade	9	31	40	4%	15%	19%
Hotel & Restaurant	6	21	27	3%	10%	13%
Transport, Storage & Communications	3	4	7	1%	2%	3%
Financial Intermediation	3	4	7	1%	2%	3%
Real Estate, Renting & Business Activities	5	19	24	2%	9%	12%
Public Administration & Defence	0	1	1	0%	0%	0%
Education	0	1	1	0%	0%	0%
Health & Social Work	0	0	0	0%	0%	0%
Other Community, Social & Personal Services	6	21	27	3%	10%	13%
Private Household with Employed Persons	11	9	20	5%	4%	10%
Extra-Territorial Organization & Bodies	0	0	0	0%	0%	0%
TOTAL	63	145	208	30%	70%	100%

Table 11

EMPLOYER RE-REGISTRATIONS

The records show that there were 24 employer re-registrations or business resumptions in the year. There were 6 in St. Kitts and 18 in Nevis. In comparison, there were 51 in 2014, 6 in St. Kitts and 45 in Nevis. Therefore, the records showed that there was actually a decline in registration in Nevis but remained the same in St. Kitts. The construction sector had the highest number of re-registrations of 16 or 67%, 4 in St. Kitts and 12 in Nevis.

Employer Re-registration by Industry and Island

January - December 2015

INDUSTRY	Number			Distribution		
	Nevis	St. Kitts	Total	Nevis	St. Kitts	Total
Agriculture, Hunting & Forestry	0	0	0	0%	0%	0%
Fishing	0	0	0	0%	0%	0%
Mining & Quarrying	0	0	0	0%	0%	0%
Manufacturing	2	0	2	8%	0%	8%
Electricity, Gas & Water Supply	0	0	0	0%	0%	0%
Construction	12	4	16	50%	17%	67%
Wholesale & Retail Trade	2	0	2	8%	0%	8%
Hotel & Restaurant	0	1	1	0%	4%	4%
Transport, Storage & Communications	0	1	1	0%	4%	4%
Financial Intermediation	0	0	0	0%	0%	0%
Real Estate, Renting & Business Activities	0	0	0	0%	0%	0%
Public Administration & Defence	0	0	0	0%	0%	0%
Education	0	0	0	0%	0%	0%
Health & Social Work	0	0	0	0%	0%	0%
Other Community, Social & Personal Services	1	0	1	4%	0%	4%
Private Household with Employed Persons	1	0	1	4%	0%	4%
Extra-Territorial Organization & Bodies	0	0	0	0%	0%	0%
TOTAL	18	6	24	75%	25%	100%

Table 12



Social Security Field Officers interacting with workers at construction sites.

SELF-EMPLOYED REGISTRATIONS

There were 275 new self-employed registrants in the Federation for 2015, comprising 228 (83%) on St. Kitts and 47 (17%) on Nevis. Among these 275 registrants were 106 females and 169 males, representing a distribution by sex of 39% females and 61% males. In terms of registration figures, the top five economic sectors were construction, wholesale and retail trade, real estate, renting and transport, hotels and restaurants

and storage and communications. The tables inserted below show the details of these registrations including the gender distribution. Also worthy of note was that 88% or 242 of the new registrants selected the \$100 to \$600 wage ranges while the others fell in the \$700 to \$1500 weekly category. With respect to demographics, 31% or 84 were in the 40 to 49 age range, 27% in the 30-39 and 22% in the 50 -59 age range.

Self-employed Registration by Sex & Age Group 2015 - FEDERATION

	NUMBER			DISTRIBUTION		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
AGE GROUP						
16 - 19	0	6	6	0%	2%	2%
20 - 29	19	26	45	7%	9%	16%
30 - 39	29	47	76	11%	17%	28%
40 - 49	33	51	84	12%	19%	31%
50 - 59	23	38	61	8%	14%	22%
60 - 61	2	1	3	1%	0%	1%
TOTAL	106	169	275	39%	61%	100%

Table 13

Self-employed Registration by Industry & Age Group 2015 - FEDERATION

AGE GROUP								Grand Total
	16 - 19	20 - 29	30 - 39	40 - 49	50 - 59	60 - 61		
INDUSTRY								
Agriculture, Hunting & Forestry	1	6	4	3	8	0	22	
Fishing	0	0	2	1	0	0	3	
Mining & Quarrying	0	0	0	0	0	0	0	
Manufacturing	0	0	1	7	6	0	14	
Electricity, Gas & Water Supply	0	0	0	0	0	0	0	
Construction	3	6	17	16	9	1	52	
Wholesale & Retail Trade	2	13	9	11	14	0	49	
Hotels & Restaurants	0	1	9	13	6	1	30	
Transport, Storage & Communications	0	5	10	9	9	0	33	
Financial Intermediation	0	0	0	0	0	0	0	
Real Estate, Renting & Business Activities	0	7	13	14	4	0	38	
Public Administration & Defence	0	0	0	0	0	0	0	
Education	0	0	0	0	0	0	0	
Health & Social Work	0	0	0	0	0	1	1	
Other Community, Social & Personal Services	0	7	9	8	5	0	29	
Private Household with Employed Persons	0	0	2	2	0	0	4	
Extra-Territorial Organization & Bodies	0	0	0	0	0	0	0	
TOTAL	6	45	76	84	61	3	275	

Table 14



EMPLOYMENT

Vital for the vibrancy of our organization, is the employment of persons in the Federation. The records show that during the year under review, the number of persons employed in the Federation ranged from 21,960 (December) to 24,400 (January), with an average of 23,387 employed persons. The average number of employed persons for the same period in 2014 was 23,405. This indicates that there was a negligible 0.1% (18) decline in the average number of employed persons in 2015 relative to 2014. It is noteworthy that within that number, there are several persons who held

multiple jobs. This was highest in January when 988 persons had more than one job and lowest in September with 765 persons. This averaged 894 persons during the year. The average number of persons employed in St. Kitts was 18,052 and Nevis 5,335 compared to 18,251 in St. Kitts in 2014 and 5,154 in Nevis.

With respect to earnings and wages category, 5,299 (23%) earned in the minimum wage category while 1,530 (7%) earned average weekly wages above the maximum insured category.

ADMINISTRATION

At Social Security, we have continued to add value to the organization as our staff members continue to perform well. The organization met its goals and the departments reported many successes. Staff members were commended for excellent work, regularity and punctuality. Diego Walters was recognized for his performance and presented with the Employee of the Year Award. There are two staff members who are unwell and one decided to retire from the organization. We extend to this staff member, Georgina Mc Call, our best wishes. One officer, James Bradshaw retired in the year, but was reengaged on a contractual basis. Both Mr. Bradshaw and Mrs. Mc Call have offered sterling service and have given the organization the prime of their youth. Sadly, one officer, a young promising staff member, Mr. Shane Scott, who was very vibrant and excited about living and contributing, was lost by death. May his soul rest in peace. By the end of the year, the staff complement was 116 comprising of 103 full time and the others being temporary and ancillary staff.



Mrs Georgina McCall

As customary, we continue to place high priority on development of staff to support high efficiency of service to the



Mr Diego Walters receiving Employee of the Year Award from Social Security Chairperson Ms Maritza Bowry.

insured persons, their employers and families. Overseas and local training were therefore undertaken based on needs of staff. Some of the overseas and local training from which staff benefitted included the following:



Mr James Bradshaw

- o National Consultation for Strengthening Labour Market Monitoring and Performance in the Caribbean.
- o Anti-Money Laundering and Counter Financing of Terrorism Seminar
- o IT Certified Course
- o Financial Services Regulatory Commission
- o Risk Management of Investment Portfolios
- o Advanced Supervisory Management
- o Ninth Annual General Meeting & Conference of Caribbean Internal Auditors
- o International Social Security Association Academy Workshop on Investment of Social Security Funds
- o Society of Corporate Secretaries & Governance Professionals Meeting
- o OECS Training Seminar in the Labour Administration System
- o Regional Meeting for Presentation of the Labour Market Information System
- o 26th CARICOM Heads of Social Security Meeting
- o 10th Annual Economic & Financial Development Conference
- o Human Resources Professional Conference
- o Twelfth Regional Law Conference
- o 2015 Public Funds Forum
- o 2015 Learning & Leadership Development Conference



Mr. Shane Scott (right), who was very vibrant and excited about living and contributing, was lost by death. He is seen, in happier days, receiving an award from Mr. Lyndon Hodge, Assistant Director, MIS & Records.

- o ISSA International Conference of Social Security Actuaries & Statisticians
- o Customer Service Excellence Conference
- o 2015 Information Technology Conference
- o Training in communication, report writing and time management for the Administrative Staff.
- o Internally arranged lectures on Nutrition, Parenting, Men's and Women's Health



A customer service training session with Hensley Daniel of HST Consulting Services.

MISCELLANEOUS MATTERS

1. The 11th Actuarial Review of the Fund was conducted in the final quarter of the year. According to the report, the Fund remains financially strong but reform is imperative if it is to continue to be fiscally sound. Contribution income continues to exceed total expenditure. However, this is projected to change around 2017, when expenditure is expected to begin exceeding contribution income. Around 2023 and 2027, total expenditure will exceed total income. Unless pension reform is conducted of the Fund, it will be depleted between 2037 and 2041. A diversification of the investment portfolio is also recommended despite the domestic challenges for good investment opportunities.
2. A new board of directors was engaged from May 1, 2015 and the new Chairperson is Ms Maritza Bowry. The members of the new Board of Directors are members of the reconstituted board committees and by the end of the year the Audit, Property, Scholarship and Donations board committees were reactivated. Regular Board Committee meetings are held and reports of activities, discussions and recommendations are submitted for the approval of the Board of Directors.
3. The Pinneys Building in Nevis was substantially completed and will be occupied early in 2016.
4. During the year the Occupational Health and Safety Committee (OHS) held a meeting with various stakeholders and will continue the thrust to raise alertness to the issue of OHS.
5. The Scholarship Committee inducted seven new students in our generous and coveted Secondary School Scholarship Program. New and additional mentors were engaged and farewell bade to the stalwarts Ms. Susanna Lee and Ms. Lornette Manners.
6. Plans are in progress to implement the revised Statement of Wages and Contributions (C3) but the initial publicity show that there will be some resistance from employers, given the increased responsibilities to be assigned to them.
7. The Nineteenth Anniversary of the Self-Employed was recognized with a news release and increased effort to encourage delinquents to pay.



New scholarship awardees, Fifth Form Graduates, parents, and Social Security officials pose for a group picture. Seated are, from left: Ms Susanna Lee, Ms Claudine Saunders, the Hon Vance Amory, Ms Maritza Bowry, and Mrs Sephlin Lawrence.

CONCLUSION

During the year, the organization had many successes even as it coped with the challenges. Two of the successes worth highlighting are the attainment of the budgeted contribution income and the continued delivery of excellent customer service.

Although the general and administrative expenditure increased by 4%, attributable to compensation costs, mainly a cost of living increase, the ratio to contribution income declined to 15.9% from 16.8% in the previous year. This reduction in ratio is welcome as we continue to make efforts to reduce administrative costs. Staff members continued to work assiduously as they achieve the established goals of divisions and the institution as a whole. The members of the new Board are now more familiar with the expectation for new Board Committees and are already demonstrating commitment and interest.

As we close another year, we lament the delay to consider and implement pension reform as this is

vital to guarantee financial sustainability for the next generations.

The International Labour Organization deems age pension a human right and most individuals are committed to safeguard this right.

I use this opportunity to express sincere gratitude to the management team and all staff members for their admirable work and superb support over the year. Thanks are extended to the previous Board of Directors who retired in February 2015 and were committed to the ideals of Social Security. I commend the new Board for the enthusiasm shown as they contribute to advance the goals of our esteemed organization. Finally, I record my thanks to God for his continued providence, grace and love to all of us.



Sephlin Lawrence - Director

St. Christopher and Nevis Social Security Board





ST KITTS-NEVIS SOCIAL SECURITY BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

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 2015, 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 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

Chartered Accountants

BASSETERRE - ST. KITTS

8 December 2016

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF FINANCIAL POSITION

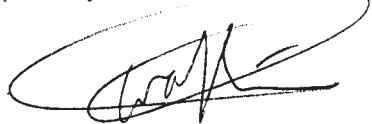
AT 31 DECEMBER 2015

(Expressed in Eastern Caribbean Dollars)

	Notes	2015	2014
FUNDS EMPLOYED			
Social Security Fund			
- Long Term Benefits Fund		1,029,166,798	1,003,980,324
- Short Term Benefits Fund		120,076,799	116,776,733
- Employment Injury Benefits Fund		202,980,969	189,615,757
National Provident Fund			
- Members' Account	3	3,549,558	3,514,256
- Reserve Fund	4	24,742,910	22,167,273
Revaluation Reserve	5	<u>13,853,938</u>	<u>13,655,770</u>
RESERVE FUNDS (Page 32)		1,394,370,972	1,349,710,113
STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	6	<u>10,621,780</u>	<u>9,853,323</u>
TOTAL FUNDS		<u>\$1,404,992,752</u>	<u>\$1,359,563,436</u>
REPRESENTED BY:			
NON – CURRENT ASSETS			
Property, Plant and Equipment (Schedule III - Page 37)	7	38,074,634	48,461,572
Intangible Assets	8	305,826	241,294
Investments	9	1,294,882,746	1,244,479,689
Non- Current Receivable and Prepayments	12	<u>6,149,761</u>	-
TOTAL NON- CURRENT ASSETS		<u>1,339,412,967</u>	<u>1,293,182,555</u>
CURRENT ASSETS			
Cash at Bank and in Hand	10	15,008,466	13,652,064
Accrued Interest Receivable	11	27,914,636	29,805,014
Accounts Receivable and Prepaid Expenses	12	<u>30,595,408</u>	<u>30,657,130</u>
TOTAL CURRENT ASSETS		<u>73,518,510</u>	<u>74,114,208</u>
LESS: CURRENT LIABILITIES			
Accounts Payable		32,132	41,204
Sundry Creditors and Accruals	15	7,874,396	7,659,926
National Provident Fund Treasury Balance		<u>32,197</u>	<u>32,197</u>
		<u>7,938,725</u>	<u>7,733,327</u>
NET CURRENT ASSETS		<u>65,579,785</u>	<u>66,380,881</u>
TOTAL NET ASSETS		<u>\$1,404,992,752</u>	<u>\$1,359,563,436</u>

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

Approved by the Board of Directors on 8 December 2016.



Oscar Walters - Chairman



Sephlin Lawrence - Director



ST KITTS-NEVIS SOCIAL SECURITY BOARD
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015
(Expressed in Eastern Caribbean Dollars)

	-----Social Security Fund -----			National Provident Fund	Total 2015	Total 2014
	Long Term	Short Term	Injury			
INCOME (Note 14)						
Contributions	65,925,323	16,478,848	8,239,423	-	90,643,594	82,494,154
Investment	43,378,262	5,040,033	8,211,290	1,109,852	57,739,437	63,823,416
Bank of Commerce Debt Recovery	2,865,875	360,756	257,683	1,559,798	5,044,112	-
Other	887,901	719,701	691,667	-	2,299,269	456,424
TOTAL INCOME	<u>113,057,361</u>	<u>22,599,338</u>	<u>17,400,063</u>	<u>2,669,650</u>	<u>155,726,412</u>	<u>146,773,994</u>
EXPENDITURE (Note 14)						
Benefits (Schedule I - Page 38)	<u>54,398,462</u>	<u>11,524,181</u>	<u>1,355,300</u>	-	<u>67,277,943</u>	<u>59,575,652</u>
Administration Expenses	11,004,484	2,556,160	880,936	13,002	14,454,582	13,899,903
Loss on Revaluation of Land and Buildings (Note 7 – Pages 48 & 49)	19,396,580	4,505,505	1,552,745	-	25,454,830	-
Provision for Impairment of Debt (Note 12)	134,795	31,310	10,791	-	176,896	1,881,044
Provision for loss on Deposit (See Note 12)	2,936,566	682,116	235,079	-	3,853,761	-
Provision for loss on Investments (Notes 9 & 11)	-	-	-	-	-	45,093,331
Total Administration and Other Expenses (Schedule II Page 36)	<u>33,472,425</u>	<u>7,775,091</u>	<u>2,679,551</u>	<u>13,002</u>	<u>43,940,069</u>	<u>60,874,278</u>
TOTAL EXPENDITURE	<u>87,870,887</u>	<u>19,299,272</u>	<u>4,034,851</u>	<u>13,002</u>	<u>111,218,012</u>	<u>120,449,930</u>
NET SURPLUS FOR THE YEAR (Note 13 - Page 58)	<u>\$25,186,474</u>	<u>\$3,300,066</u>	<u>\$13,365,212</u>	<u>\$2,656,648</u>	<u>\$44,508,400</u>	<u>\$26,324,064</u>

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

ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(Expressed in Eastern Caribbean Dollars)

	<u>2015</u>	<u>2014</u>
Net Surplus for the Year (Page 30) (Notes 14)	44,508,400	26,324,064
Other Comprehensive Income:		
Losses on Revaluation of Lands and Buildings	(4,963,898)	-
Revaluation Surplus of Lands and Buildings	1,236,768	-
Unrealised Holding Gain/(Loss) – Investments (Notes 2 (e)(i) & 5)	<u>3,925,298</u>	<u>(390,838)</u>
Total Comprehensive Income for the Year (Page 32)	<u>\$44,706,568</u>	<u>\$25,933,226</u>

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

STATEMENT OF CHANGES IN RESERVE FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Eastern Caribbean Dollars)

	-----Social	Security	Fund	-----	National Provident Fund						
	Long Term	Short Term	Benefits	Injury	Members'	Reserve	Revaluation	Unrealised	Capital		Total
	Benefits	Benefits	Fund	Fund	Account	Fund	Reserve	Holding	Reserve		
	Fund	Fund						Gain/(Loss)			
Balance as at 31 December 2013	989,562,679	117,297,500	178,423,438		10,329,341	14,174,218	6,108,232	(2,262,329)	10,200,705	1,323,833,784	
Excess in NPF Members Account Transferred to Reserve	-	-	-	-	(6,843,662)	6,843,662	-	-	-	-	-
Refund to NPF Members	-	-	-	-	(56,897)	-	-	-	-	(56,897)	-
Total Comprehensive Income (Page 31)	14,417,645	(520,767)	11,192,319		85,474	1,149,393	-	(390,838)	-	25,933,226	
Balance at 31 December 2014 (Page 29)	1,003,980,324	116,776,733	189,615,757		3,514,256	22,167,273	6,108,232	(2,653,167)	10,200,705	1,349,710,113	
Excess in NPF Members Account Transferred to Reserve	-	-	-	-	(5,563)	5,563	-	-	-	-	-
Refund to NPF Members (Note 3)	-	-	-	-	(45,709)	-	-	-	-	(45,709)	-
Total Comprehensive Income (Page 31)	25,186,474	3,300,066	13,365,212		86,574	2,570,074	(3,727,130)	3,925,298	-	44,706,568	
Balance at 31 December 2015 (Page 29)	\$1,029,166,798	\$120,076,799	\$202,980,969		\$3,549,558	\$24,742,910	\$2,381,102	\$1,272,131	\$10,200,705	\$1,394,370,972	

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 2015
(Expressed in Eastern Caribbean Dollars)

	<u>2015</u>	<u>2014</u>
INCOME		
Contributions	637,508	604,712
Investment	<u>394,772</u>	<u>356,574</u>
	<u>1,032,280</u>	<u>961,286</u>
EXPENDITURE		
Benefits (Schedule I - Page 35)	261,423	241,367
Administration (Schedule II - Page 36)	<u>2,400</u>	<u>2,400</u>
	<u>263,823</u>	<u>243,767</u>
NET SURPLUS FOR THE YEAR (Note 6 - Page 56)	<u>\$768,457</u>	<u>\$717,519</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 2015
(Expressed in Eastern Caribbean Dollars)

	<u>2015</u>	<u>2014</u>
Cash provided by operating activities:		
Net surplus for the year		
- SSF and NPF (Page 30)	44,508,400	26,324,064
- SSBF (Page 33)	768,457	717,519
Add non-cash items		
Depreciation and Amortisation (Notes 7 & 8)	1,407,704	1,253,608
Loss/(Gain) on disposal of property, plant and equipment	49,925	(94,967)
Loss on Revaluation of Lands and Buildings (Note 7)	<u>25,454,830</u>	<u>-</u>
	72,189,316	28,200,224
Non-cash working capital change		
Accrued interest receivable	1,890,378	13,541,444
Accounts receivable and prepaid expenses	(6,088,039)	(26,768,428)
Accounts payable	(9,072)	26,184
Sundry creditors and accruals	<u>214,470</u>	<u>625,649</u>
Cash provided by operating activities	<u>68,197,053</u>	<u>15,625,073</u>
Cash flows from investing activities		
Net increase in investments	(57,480,558)	(12,690,897)
Purchase of property, plant and equipment	(9,234,562)	(10,104,858)
Proceeds from disposal of property, plant and equipment	65,877	138,000
Refund to NPF Members	(45,709)	(56,897)
Purchase of intangible assets	<u>(145,699)</u>	<u>(155,340)</u>
Cash used in investing activities	<u>(66,840,651)</u>	<u>(22,869,992)</u>
Increase/(Decrease) in cash for the year	1,356,402	(7,244,919)
Cash at beginning of year	<u>13,652,064</u>	<u>20,896,983</u>
Cash at end of year	<u>\$15,008,466</u>	<u>\$13,652,064</u>
Cash at bank and in hand	<u>\$15,008,466</u>	<u>\$13,652,064</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 2015
(Expressed in Eastern Caribbean Dollars)**

SCHEDULE I

	2015		2014	
	Number of		Number of	
	Claims	\$	Claims	\$
a) Social Security Fund:				
<u>Long Term Benefits</u>				
Elderly Entrant Refund	24	11,414	19	7,740
Survivors Pension	1,011	3,346,047	934	3,014,530
Invalidity	335	3,183,683	318	3,146,547
Age Pension	3,131	45,307,131	2,860	39,330,693
Age Grant	<u>147</u>	<u>1,093,312</u>	<u>132</u>	<u>781,779</u>
	<u>4,648</u>	<u>52,941,587</u>	<u>4,263</u>	<u>46,281,289</u>
Assistance Pension (Age)	325	1,001,908	352	1,077,050
Assistance Pension (Invalidity)	<u>148</u>	<u>454,967</u>	<u>153</u>	<u>458,945</u>
	<u>473</u>	<u>1,456,875</u>	<u>505</u>	<u>1,535,995</u>
Sub-Total (Page 30)	<u>5,121</u>	<u>54,398,462</u>	<u>4,768</u>	<u>47,817,284</u>
<u>Short Term Benefits</u>				
Sickness	11,246	8,213,303	12,111	7,648,030
Funeral	300	723,906	269	641,206
Maternity Allowance	537	2,342,172	469	1,936,418
Maternity Grant	<u>541</u>	<u>244,800</u>	<u>482</u>	<u>220,050</u>
Sub-Total (Page 30)	<u>12,624</u>	<u>11,524,181</u>	<u>13,331</u>	<u>10,445,704</u>
<u>Employment Injury</u>				
Funeral Grant	1	4,000	2	8,000
Injury	436	486,550	434	505,057
Travelling Expenses	11	8,657	7	13,182
Medical Care Expenses	184	64,153	199	89,471
Death Benefits	25	203,449	21	169,445
Constant Care	2	27,235	2	26,697
Disablement - Pension	61	519,606	61	478,239
Disablement - Grant	<u>2</u>	<u>41,650</u>	<u>2</u>	<u>22,573</u>
Sub-Total (Page 30)	<u>722</u>	<u>1,355,300</u>	<u>728</u>	<u>1,312,664</u>
TOTAL (Page 30)	<u>18,467</u>	<u>\$67,277,943</u>	<u>18,827</u>	<u>\$59,575,652</u>
b) Staff Supplemental Benefits:				
Refunds	2	260,745	4	240,709
Pension	<u>1</u>	<u>678</u>	<u>1</u>	<u>658</u>
Sub-Total (Page 33)	<u>3</u>	<u>261,423</u>	<u>5</u>	<u>241,367</u>
GRAND TOTAL BENEFITS PAID	<u>18,470</u>	<u>\$67,539,366</u>	<u>18,832</u>	<u>\$59,817,019</u>

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

ADMINISTRATION AND OTHER EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Eastern Caribbean Dollars)

SCHEDULE II

	<u>2015</u>	<u>2014</u> (Restated)
<u>ADMINISTRATION EXPENSES</u>		
Actuarial Review	122,354	12,305
Advertising and Publicity	116,179	186,669
Donations	37,903	153,684
Anniversary Expenses	7,920	9,074
Audit Fees and Expenses	293,094	269,100
Bank Charges and Interest	21,591	19,588
Books, Periodicals, etc	881	2,652
Cleaning Expenses	14,670	16,981
Commission	3,000	2,760
Committee Expenses	25,626	86,635
Contribution for National Projects	27,992	(300,239)
Management Fees	-	218,587
Depreciation and Amortisation (Notes 2(c) & 2(d))	1,407,704	1,253,608
Electricity	369,462	380,271
Hospitality	104,170	98,481
Insurances	468,443	424,610
Land and House Tax	4,871	2,683
Other Professional Fees	489,310	35,023
Exploration Costs	-	28,983
Maintenance of Computer System	255,919	242,505
Maintenance of Premises	141,428	176,477
Medical Expenses	8,686	6,010
Members of Social Security Board - Allowance and Other Expenses	281,122	204,354
Motor Vehicle Expenses	65,995	53,836
Postages, Telephone and Telegraph	267,017	221,821
Repairs, Maintenance and Related Minor Purchases	167,268	298,913
Rental	1,600	9,550
Salaries and Allowances	8,041,512	7,773,949
Scholarships	106,667	41,924
Security Services	57,525	85,142
Social Security, Social Services, etc	681,157	654,151
Staff Pension	318,754	314,661
Stationery, Printing and Office Expenses	275,784	373,929
Subscriptions	51,017	64,523
Training Seminars and Conferences	267,976	515,371
Travelling and Subsistence	31,360	50,141
Uniforms	84,018	3,220
Wages - Other Employees	323,429	282,789
<u>Less: Recovery from Comptroller of Inland Revenue, Labour Commissioner and Treasurer Nevis Island Administration</u>	<u>(570,103)</u>	<u>(481,860)</u>
Plant and Equipment Written Off	<u>83,681</u>	<u>109,159</u>
TOTAL ADMINISTRATION EXPENSES	<u>14,456,982</u>	<u>13,902,020</u>
<u>OTHER EXPENSES</u>		
Loss on Revaluation of lands and buildings (Note 7)	25,454,830	-
Provision for Impairment of Debt (Note 12)	3,853,761	283
Provision for loss on Deposit (See Note 12)	176,896	1,881,044
Provision for loss on Investments	-	<u>45,093,331</u>
TOTAL OTHER EXPENSES	<u>29,485,487</u>	<u>46,974,658</u>
TOTAL ADMINISTRATION AND OTHER EXPENSES	<u>\$43,942,469</u>	<u>\$60,876,678</u>
Allocated as follows:		
- Long Term Benefits Fund (Page 30)	33,472,425	46,193,708
- Short Term Benefits Fund (Page 30)	7,775,091	10,894,168
- Injury (Page 30)	2,679,551	3,773,400
- National Provident Fund (Page 30)	<u>13,002</u>	<u>13,002</u>
Sub-total (Page 30)	43,940,069	60,874,278
- Staff Supplemental Benefits Reserve Fund (Page 33)	<u>2,400</u>	<u>2,400</u>
TOTAL (As Above)	<u>\$43,942,469</u>	<u>\$60,876,678</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 2015
(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		
	31/12/14	Additions/ (Disposals)	Reclassification	Increase/ (Decrease) on Revaluation	31/12/15	31/12/14	Charge (Disposals)	Reclassification	Revaluation Write-off	31/12/15	31/12/14
Freehold Properties											
- Liverpool Row Property St Kitts - Land at Valuation	796,067	-	-	(296,067)	500,000	-	-	-	-	500,000	796,067
- E St. John Payne Annex Building – At Valuation	15,967,758	-	-	(8,217,758)	7,750,000	798,388	399,194	-	(1,197,582)	7,750,000	15,169,370
- Church Street Building St Kitts-Work in Progress	2,499,725	-	-	(2,499,725)	-	-	-	-	-	-	2,499,725
- Bay Road St Kitts - At Valuation	10,415,031	316,010	-	(4,311,041)	6,420,000	762,718	215,285	-	(978,003)	6,420,000	9,652,313
- Chapel Street Nevis - At Valuation	2,100,000	-	-	(110,000)	1,990,000	326,375	46,625	-	(373,000)	1,990,000	1,773,625
- Pinneys Estate Nevis - Land at Valuation	886,734	-	-	1,050,126	1,936,860	-	-	-	-	1,936,860	886,734
- Pinneys Estate Nevis - Building	<u>15,640,517</u>	<u>8,065,904</u>	<u>-</u>	<u>(6,343,281)</u>	<u>17,363,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,363,140</u>	<u>15,640,517</u>
	48,305,832	8,381,914	-	(20,727,746)	35,960,000	1,887,481	661,104	-	(2,548,585)	35,960,000	46,418,351
Furniture and Equipment - At Cost	3,122,628	638,862 (626,976)	(6,052)	-	3,128,462	1,935,235	423,200 (589,062)	(6,052)	-	1,763,321	1,365,141
Computer Equipment - At Cost	1,311,186	113,018 (395,784)	-	-	1,028,420	1,105,985	90,065 (374,118)	-	-	821,932	205,201
Motor Vehicles - At Cost	<u>958,592</u>	<u>106,820</u> <u>(146,667)</u>	<u>-</u>	<u>-</u>	<u>918,745</u>	<u>307,965</u>	<u>158,220</u> <u>(90,445)</u>	<u>-</u>	<u>-</u>	<u>375,740</u>	<u>650,627</u>
TOTAL	<u>\$53,698,238</u>	<u>\$9,240,614</u> <u>\$(1,169,427)</u>	<u>\$(6,052)</u>	<u>\$(20,727,746)</u>	<u>\$41,035,627</u>	<u>\$5,236,666</u>	<u>\$1,332,589</u> <u>\$(1,053,625)</u>	<u>\$(6,052)</u>	<u>\$(2,548,585)</u>	<u>\$2,960,993</u>	<u>\$38,074,634</u> <u>(Page 29 and note 7)</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 2015

(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 ("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 eleventh actuarial review of the Social Security Board was carried out in December 2015 by the actuarial firm, Morneau Shepell, who was privately engaged to conduct the review for the period 2012 to 2014. The report which was submitted in 2016 stated that the Fund 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 2015

(Expressed in Eastern Caribbean Dollars)

(Continued)

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

Annual Improvements 2010-2012 Cycle

- Makes amendments to the following standards:

IFRS 2 – Amends the definitions of ‘vesting condition’ and ‘market condition’ and adds definitions for ‘performance condition’ and ‘service condition’;

IFRS 3 – Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date;

IFRS 8 – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly;

IFRS 13 – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);

IAS 16 and IAS 38 – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount;

IAS 24 – Clarify how payments to entities providing management services are to be disclosed.

Applicable to annual periods beginning on or after 1 July 2014

Adoption of these standards and interpretations did not have any effect on the performance of the Board.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

a) Basis of Accounting (cont'd):

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

IFRS 9 Financial Instruments (2014) - effective 1 January 2018

IFRS 15 Revenue from Contracts with Customers - effective 1 January 2018

IFRS 16 Leases - effective 1 January 2019

IAS 16 Property, Plant and Equipment (Amendment) - effective 1 January 2016

IAS 7 Statement of Cash Flows – effective 1 January 2017

Assessment is being made of the potential impact of these new standards and amendments.

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. A gain on revaluation is first credited to profit and loss to the extent that the gain reverses a loss on the asset that was previously recognized as an expense in income and expenditure. Any revaluation surplus is credited to the asset revaluation reserve included in the Reserve Funds 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.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

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

Revaluation

The Board revalued all its land and buildings as at 13 June 2016. As there were no significant improvements to the buildings or properties from the end of the financial year to the date of valuation with the exception of Pinneys Building, the Board of Directors has decided to adopt these values at 31 December 2015. Accumulated Depreciation has therefore been credited to the Revaluation Reserves as at 31 December 2015. Depreciation of the properties will commence in the ensuing year at the rate of 2.5%.

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: Classification, Recognition, Subsequent Measurements and Derecognition:

Investments are classified in the following four categories: Available-for-Sale, Held-to-maturity, Loans Receivable and Investment Property. The classification depends on the purpose for which the assets were acquired and the Board determines the classification at initial recognition.

(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 except for staff loans which are reported at cost. For delinquent mortgages, specific provisions are established based on the extent of delinquency of the mortgages.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Eastern Caribbean Dollars)
(Continued)

2 ACCOUNTING POLICIES (cont'd)

e) Investments: Classification, Recognition, Subsequent Measurements and Derecognition: (cont'd)

(iv) Investment Properties:

Investment properties include lands and land developments which are held to earn rental and other income, for capital appreciation or for both.

Investment properties are measured at fair value.

Investments are primarily derecognised when:

- the rights to receive cash flows from the assets have expired;
- the Board has transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the cash flows in full without material delay to a third party.

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. Due to their short-term nature, the carrying value of accounts receivable, net of provision for impairment, approximates their fair value.

g) Accrued Interest Receivable:

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2015, 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 which are accounted for on a cash basis.

As of 2015, Investment Income on the overseas Investment Portfolio is shown net of Management Fees which is charged against the Investment Income earned on the Portfolio.

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.

A financial liability is derecognised when the obligation is discharged, cancelled or has expired.

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

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:

i) 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.

ii) 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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(Expressed in Eastern Caribbean Dollars)

(Continued)

2 ACCOUNTING POLICIES (cont'd)

m) Current versus Non-Current Distinction

The Board presents assets and liabilities in the statement of financial position based on current/non-current classifications. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after reporting periods; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting periods.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Board classifies all other liabilities as non-current.

3 NATIONAL PROVIDENT FUND - MEMBERS' ACCOUNT

During the year under review, the Social Security Fund repaid a total amount of \$45,709 to 34 members of the National Provident Fund (2014 = \$56,867 to 33 members) (see Page 35). 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, 2015 to reflect the actual balances on the individual member accounts and the NPF Reserve Fund account adjusted accordingly.

Summary of Member Account Movement 2015

	<u>Amount</u>	<u>No of Members</u>
Opening Balance 2015	3,514,256	4,511
Redistribution to Reserve	<u>(5,563)</u>	<u>(1)</u>
	3,508,693	4,510
Amounts Paid During 2015:		
Age Refund	(37,604)	(26)
Other Refund	<u>(8,105)</u>	<u>(8)</u>
	(45,709)	(34)
Interest Posted to Members' Account	<u>86,574</u>	—
Closing Balance 2015	<u>\$3,549,558</u>	<u>4,476</u>

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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".

During the year the Bank of Commerce Judgement Debt was settled. The amount of the settlement net of legal expenses was allocated to the various Funds based on the amount previously written off as non-recoverable. The amount allocated to the National Provident Reserve Fund is \$1,559,798.

	<u>Amount</u>
Opening Balance, January 2015	22,167,273
Redistribution to Reserve	<u>5,563</u>
	22,172,836
Investment Income	1,109,852
Interest distributed to members' account	(86,574)
Administration Expense	(13,002)
Income recovered – Judgement Debt	<u>1,559,798</u>
Closing Balance, December 2015	<u>\$24,742,910</u>

5 REVALUATION RESERVE

The revaluation reserve reflects gains 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>2015</u>	<u>Total</u> <u>2014</u>
Balance as at 01 January 2015	6,108,232	(2,653,167)	10,200,705	13,655,770	14,046,608
Unrealised Holding Gain	-	3,925,298	-	3,925,298	(390,838)
Additions to Revaluation Reserve	1,236,768	-	-	1,236,768	-
Reversal of Revaluation Surplus from previous years	(4,699,634)	-	-	(4,699,634)	-
Revaluation Surplus from previous years written off to Income and Expenditure	<u>(264,264)</u>	<u>-</u>	<u>-</u>	<u>(264,264)</u>	<u>-</u>
Balance as at 31 December 2015	<u>\$2,381,102</u>	<u>\$1,272,131</u>	<u>\$10,200,705</u>	<u>\$13,853,938</u>	<u>\$13,655,770</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

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6	STAFF SUPPLEMENTAL BENEFITS RESERVE FUND	<u>2015</u>	<u>2014</u>
	BALANCE - At Beginning of Year	9,853,323	9,135,804
	Excess of Income over Expenditure for year (Page 33)	<u>768,457</u>	<u>717,519</u>
	BALANCE - At End of Year (Page 29)	<u>\$10,621,780</u>	<u>\$9,853,323</u>

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 2013. Net assets available for benefits at 31 December 2015 was \$10,621,780 (2014 = \$9,853,323).

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.

7 **PROPERTY, PLANT AND EQUIPMENT**

	<u>Land & Buildings at At Fair Value</u>	<u>Furniture & Equipment At Cost</u>	<u>Computer Equipment At Cost</u>	<u>Motor Vehicles At Cost</u>	<u>Capital Work In progress At Cost</u>	<u>Total</u>
Year Ended 31 December 2015						
Gross Carrying Amounts						
Balance at 1 January 2015	32,665,315	3,122,628	1,311,186	958,592	15,640,517	53,698,238
Additions	316,010	638,862	113,018	106,820	8,065,904	9,240,614
Disposals	-	(626,976)	(395,784)	(146,667)	-	(1,169,427)
Revaluation Loss	(15,434,591)	-	-	-	(6,343,281)	(21,777,872)
Revaluation Surplus	1,050,126	-	-	-	-	1,050,126
Reclassification	<u>17,363,140</u>	<u>(6,052)</u>	-	-	<u>(17,363,140)</u>	<u>(6,052)</u>
Balance at 31 December 2015	<u>35,960,000</u>	<u>3,128,462</u>	<u>1,028,420</u>	<u>918,745</u>	-	<u>41,035,627</u>
Accumulated Depreciation						
Balance at 1 January 2015	(1,887,481)	(1,935,235)	(1,105,985)	(307,965)	-	(5,236,666)
Additions	(661,104)	(423,200)	(90,065)	(158,220)	-	(1,332,589)
Disposals	-	589,062	374,118	90,445	-	1,053,625
Revaluation	2,548,585	-	-	-	-	2,548,585
Reclassification	-	<u>6,052</u>	-	-	-	<u>6,052</u>
Balance at 31 December 2015	-	<u>(1,763,321)</u>	<u>(821,932)</u>	<u>(375,740)</u>	-	<u>(2,960,993)</u>
Net Carrying Amounts 2015	<u>\$35,960,000</u>	<u>\$1,365,141</u>	<u>\$206,488</u>	<u>\$543,005</u>	-	<u>\$38,074,634</u>
						(Pages 29 & 37)



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**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

7 **PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	Land & Buildings at At Fair Value (Restated)	Furniture & Equipment At Cost	Computer Equipment At Cost	Motor Vehicles At Cost	Capital Work In Progress At Cost (Restated)	Total
Year Ended 31 December 2014						
Gross Carrying Amounts						
Balance at 1 January 2014	32,061,275	2,899,100	1,245,576	1,044,812	6,644,117	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	(3,500,335)	(110,916)	-	-	901,135	(2,710,116)
Balance at 31 December 2014	<u>32,665,315</u>	<u>3,122,628</u>	<u>1,311,186</u>	<u>958,592</u>	<u>15,640,517</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)
Additions	(558,683)	(369,410)	(114,206)	(161,282)	-	(1,203,581)
Disposals	-	-	-	258,467	-	258,467
Reclassification	-	33,279	-	-	-	33,279
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>-</u>	<u>(5,236,666)</u>
Net Carrying Amounts 2014	<u>\$30,777,834</u>	<u>\$1,187,393</u>	<u>\$205,201</u>	<u>\$650,627</u>	<u>\$15,640,517</u>	<u>\$48,461,572</u>

(Pages 29 & 37)

Fair Value of Land and Buildings

Fair value of the Board's land and buildings was determined based on appraisals performed by an independent, professionally-qualified valuer, to determine the value of the land and buildings as at 31 December 2015. The valuation reports were completed as at 13 June 2016. There were no significant improvements to the buildings or properties from the end of the financial year to the date of valuation with the exception of Pinneys Building which had additional works in the value of \$1.6 million.

The valuation was carried out using a market based approach which reflects the selling prices for similar properties and incorporates adjustments for factors specific to the properties in question including location, current condition and use, and the square footage. In some cases different approaches were used and comparison made between the results in arriving at the final value. The valuation processes and the fair value changes were reviewed by the Board of Directors who have decided to adopt these values as at 31 December 2015. This valuation placed these assets in level 2 within the financial hierarchy (see note 19 (c)).



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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 (Expressed in Eastern Caribbean Dollars)
 (Continued)

7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	<u>2015</u>	<u>2014</u> (Restated)
Land and Building at valuation	\$35,960,000	\$30,777,834

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

	<u>2015</u>	<u>2014</u> (Restated)
Net Carrying Amount	\$33,578,900	\$22,169,877

The effect of the revaluation of lands and buildings on the Reserve Accounts including the surplus and deficit from the revaluation which have been charged to Capital Revaluation Reserve and the Statement of Income and Expenditure account is as follows:

Property	Capital Revaluation Reserve at 1 <u>January 2016</u>	Net Surplus/ (Deficit) on <u>Revaluation</u>	Adjustment to Capital Revaluation <u>Reserve</u>	Deficit on Valuation Charged to Income & <u>Expenditure</u>	Reversal of Loss on Previous Revaluation Recognised in Income & <u>Expenditure</u>	Capital Revaluation Reserve at 31 December <u>2015</u>	Capital Reserves written off to P & L - derecog- nition of <u>Building</u>
Bay Road- St Kitts	4,477,371	(3,333,037)	(3,333,037)	-	-	1,144,334	-
Liverpool Row							
- St Kitts	264,264	(7,316,243)	(264,264)	(7,316,243)	-	-	264,264
Chapel Street – Nevis	-	263,000	186,642	-	76,358	186,642	-
Pinney's Estate – Nevis	-	(5,293,156)	1,050,126	(6,343,281)	-	1,050,126	-
Land, Church Street							
- St Kitts	<u>1,366,596</u>	<u>(2,499,724)</u>	<u>(1,366,596)</u>	<u>(1,133,128)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$6,108,231</u>	<u>\$(18,179,160)</u>	<u>\$(3,727,130)</u>	<u>\$(14,792,652)</u> (See Page 49)	<u>\$76,358</u>	<u>\$2,381,102</u> (Note 5)	<u>\$264,264</u>

The Pinney's Estate building was substantially completed by 31 December 2015 and is shown at fair value at this date. The cost of the project (Work in Progress) at this date was transferred to Pinney's Estate Building.

Improvements to R L B 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 commenced from January 2015. Subsequently at 31 December 2015, this building was revalued and is stated in these Financial Statements at fair value.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

(Continued)

7 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Impairment Losses

Impairment loss of \$25,454,830 relate to the revaluation of the non-financial assets and was charged to the Income and Expenditure account as follows:

Impairment Loss on owner – occupied Land and Building (See Page 48)	(14,792,652)
Reversal of Loss on previous revaluation	76,358
Impairment Loss on Investment Property:	
Revaluation Gain	9,281,022
Revaluation Deficit	<u>(20,283,822)</u>
Net Impairment on Investment Property	(11,002,800)
Revaluation Surplus from previous years written off	<u>264,264</u>
Total Impairment Loss (Page 30 and Page 36 – Schedule II)	<u>\$(25,454,830)</u>

8 INTANGIBLE ASSETS	<u>2015</u>	<u>2014</u>
Computer Software and Development		
Cost at Beginning of Year	1,403,082	1,247,742
Additions during the Year	139,647	155,340
Disposal	(63,749)	-
Reclassification	<u>6,052</u>	<u>-</u>
Cost at End of Year	<u>1,485,032</u>	<u>1,403,082</u>
Accumulated Amortisation – Beginning of year	(1,161,788)	(1,078,482)
Amortisation for the Year	(75,115)	(83,306)
Disposal	63,749	-
Reclassification	<u>(6,052)</u>	<u>-</u>
Accumulated Amortisation – End of Year	<u>(1,179,206)</u>	<u>(1,161,788)</u>
Net Book Value (Page 29)	<u>\$305,826</u>	<u>\$241,294</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

9	INVESTMENTS	<u>2015</u>	<u>2014</u>
	Butlers – Nevis	76,000	37,850
	Franklands – St Kitts	11,100,000	6,969,941
	Fountain Estate – St Kitts	640,000	1,206,707
	Saddle Hill – Nevis	230,000	250,444
	Scotch Bonnet SE Peninsular – St Kitts	1,905,000	1,032,570
	Douglas Estate – St Kitts	10,558,000	12,266,461
	Land – Pelican Resort – St Kitts	25,560,000	24,523,374
	Winter Forest Estate – Nevis	4,780,000	1,576,243
	Land – Church Street	1,920,000	2,598,000
	Beacon Heights Development	<u>61,008,000</u>	<u>90,248,096</u>
	Total Investment Properties	<u>117,777,000</u>	<u>140,709,686</u>
	Available-for-Sale:		
	Debt Securities: quoted at market value	3,452,710	2,995,993
	Equities:		
	Quoted at market value	50,810,460	45,079,000
	Unquoted	<u>429,000</u>	<u>429,000</u>
	Total Available-for-Sale	<u>54,692,170</u>	<u>48,503,993</u>
	Held to Maturity:		
	Fixed Deposits:		
	CLICO (Trinidad) Limited }	6,960,558	6,960,558
	British American Insurance (Anguilla) } See Note below	1,298,208	1,298,208
	British American Insurance (St Kitts) }	1,000,000	1,000,000
	SKNA National Bank Limited	821,217,188	750,842,339
	TDC Finance Company Limited	8,321,764	8,321,764
	Bank of Nevis Limited	38,014,889	38,014,889
	St. Kitts Credit Union	2,297,553	2,297,553
	Nevis Credit Union	10,516,249	10,516,249
	Development Bank of St Kitts	<u>20,502,282</u>	<u>20,502,282</u>
		<u>910,128,691</u>	<u>839,753,842</u>
	Call Accounts:		
	R B C Dominion Securities	761,825	982,653
	Crown Agents	47,067	492,327
	SKNA National Bank Limited	8,127,922	8,318,000
	Bank of Nova Scotia	396,408	377,685
	RBC Dominion Canada (Aiello – CIMA)	<u>-</u>	<u>9,535</u>
		<u>9,333,222</u>	<u>10,180,200</u>
	Sub-total carried forward	<u>919,461,913</u>	<u>849,934,042</u>



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NOTES TO THE FINANCIAL STATEMENTS
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 (Continued)

9	INVESTMENTS (cont'd)	<u>2015</u>	<u>2014</u>
	Sub-total brought forward	<u>919,461,913</u>	<u>849,934,042</u>
	Held to Maturity (cont'd)		
	Treasury Bills - St Kitts	22,800,000	22,380,000
	Treasury Bills - Nevis	<u>6,912,413</u>	<u>6,912,413</u>
		<u>29,712,413</u>	<u>29,292,413</u>
	Debt Securities Unquoted	<u>20,911,854</u>	<u>21,161,854</u>
	Total Held to Maturity	<u>970,086,180</u>	<u>900,388,309</u>
	Loans Receivable:		
	Government	12,533,858	12,533,858
	Statutory Corporations (Note 20.2)	188,173,413	190,194,193
	Staff Loans and Advances		
	(Less Provision for Doubtful Accounts Nil/2014=\$60,285)	<u>10,793,151</u>	<u>11,322,676</u>
	Total Loans Receivable	<u>211,500,422</u>	<u>214,050,727</u>
	Total Investments	1,354,055,772	1,303,652,715
	Provision for impairment – CL Financial Group Investments (See Note below)	(9,258,765)	(9,258,765)
	Provision for impairment – SKN Government Debts (See Note below)	<u>(49,914,261)</u>	<u>(49,914,261)</u>
	TOTAL INVESTMENTS NET OF PROVISIONS FOR IMPAIRMENT (Page 29)	<u>\$1,294,882,746</u>	<u>\$1,244,479,689</u>
	Provision for impairment – SKN Government Debts comprises:		
		<u>2015</u>	<u>2014</u>
-	Nevis Island Administration	9,367,729	9,367,729
-	St Kitts Statutory Corporations	<u>40,546,532</u>	<u>40,546,532</u>
	TOTAL (See above)	<u>\$49,914,261</u>	<u>\$49,914,261</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)
(Continued)

9 INVESTMENTS (cont'd)

The movement for the year is as follows:

	<u>2015</u>	<u>2014</u>
Investment Property:		
Balance at beginning of year	140,709,686	114,131,318
Additions	1,686,545	27,121,375
Cost Transfer/Sales Adjustments	(13,616,433)	(543,007)
Increase in Market Value – Revaluation	9,281,022	-
Revaluation Loss	(20,283,820)	-
	<u>\$117,777,000</u>	<u>\$140,709,686</u>
Available for Sale Investments:		
Balance at beginning of year	48,503,994	42,854,158
Additions	34,543,596	16,100,673
Matured Securities	(32,280,718)	(10,060,000)
Change in Market Value	<u>3,925,298</u>	<u>(390,838)</u>
Balance at end of year (Net of Provision for impairment)	<u>\$54,692,170</u>	<u>\$48,503,993</u>
Held to Maturity:		
Balance at beginning of year	891,129,544	839,208,478
Additions	115,064,629	195,362,330
Retired	(45,366,758)	(139,960,985)
Impairment Provision (C L Financial Group Investments)	-	<u>(3,480,279)</u>
Balance at end of year (Net of Provision for impairment)	<u>\$960,827,415</u>	<u>\$891,129,544</u>
Analysis of Provision for Impairment:		
Balance brought forward	9,258,765	5,778,487
Charge for the year (See Note Below)	-	<u>3,480,278</u>
TOTAL	<u>\$9,258,765</u>	<u>\$9,258,765</u>

ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

(Continued)

9	INVESTMENTS (cont'd)	<u>2015</u>	<u>2014</u>
	Loans Receivable:		
	Balance at beginning of year	164,136,466	235,985,677
	Additions	4,385,135	12,444,273
	Repayments	(6,935,440)	(43,746,952)
	Impairment Provision	<u>-</u>	<u>(40,546,532)</u>
	Balance at end of year (Net of Provision for impairment)	<u>\$161,586,161</u>	<u>\$164,136,466</u>
	Analysis of Provision for Impairment:		
	Balance brought forward	49,914,261	9,367,729
	Charge for the year (See Note Below)	<u>-</u>	<u>40,546,532</u>
	TOTAL	<u>\$49,914,261</u>	<u>\$49,914,261</u>

Fixed Deposits:

Interest rates range between 3.25% and 7.5% (2014 = 3% and 7.5%) per annum with maximum maturity of five years up to 24 August 2018.

Call Accounts:

Interest rates range between zero to 0.1% (2014 = zero to 2%) per annum.

Treasury Bills:

Interest rate is between 5% and 6.5% (2014 = between 6.5% and 6.75%) per annum with a term between 91 days and 365 days.

Debt Securities Unquoted:

These securities earn interest at varying rates up to 7.5% (2014 = 7.5%) and have maturity dates ranging between 2015 and 2057.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

(Continued)

9 INVESTMENTS (cont'd)

Loans Receivable:

The loans earn interest at rates ranging from 2% to 7% (2014 = 2% 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 2015 financial year the Social Security Board held investments with the CLICO Financial Group. Details of these investments are as follows:

	<u>Investment Amount</u>	<u>Provision 2015</u>	<u>2014</u>	<u>Maturity Date</u>
CLICO Trinidad	3,811,270	3,811,270	3,811,270	September 27 2010
CLICO Trinidad	3,149,287	3,149,287	3,149,287	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>\$9,258,765</u>	

The principal and interest due up to 31 December 2015 on these investments have been fully provided for. (See note 11). Subsequent to the year end the Board received full settlement for the Investment in CLICO (Trinidad) Limited. The principle and outstanding interest which had been fully provided for and legal costs relating to the case were recovered (See Note 23).

Revaluation of Investment Properties:

Investment properties which were revalued on 13 June 2016 are stated at fair value. 'Fair Value' is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. These values are based on appraisals performed by an independent, professionally qualified valuer with recent experience in the location and the property valued.

The market based approach was used which involved the use of observable market data concerning the selling prices or rental income for similar properties and incorporates adjustments for factors specific to the properties in question including location, current condition and use, and the square footage. The valuation processes and the fair value changes were reviewed by the Board of Directors who have decided to adopt these values as at 31 December 2015. The use of observable market data resulted in the movement of the investment properties from level 3 to level 2 (Note 19 (c)).

There were no activities on the properties during the year. The estimated fair market value of the Board's investment property at 31 December 2015 is \$117,777,000. The movement in the investment property is mainly from the revaluation which resulted in a net impairment loss of \$11,002,800 (see note 7).

There was no rental income from the investment property, but rental income of \$194,167 (2014 - \$105,548) was earned from owner-occupied property.

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.



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

(Continued)

9 INVESTMENTS (cont'd)

- 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 totalled \$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 totalled \$133.6M.

The loans in question were discounted, resulting in a total loan loss provision of \$40.5M. This amount shown below had 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	6,915,239
Development Bank-SS Housing	793,080
Development Bank- Building Mortgage	<u>2,716,105</u>
Development Bank Provision	<u>13,005,053</u>
Total Provision	<u>\$40,546,532</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

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(Continued)

10	CASH AT BANK AND IN HAND	<u>2015</u>	<u>2014</u>
	Cash at Bank - Current Accounts		
	Royal Bank of Canada	57,656	103,336
	SKNA National Bank Limited (Benefits)	1,879,474	2,425,610
	SKNA National Bank Limited (Social Services Levy & Protection of Employment Levy)	1,650,750	717,764
	SKNA National Bank Limited (Administrative)	8,147,627	7,290,447
	SKNA National Bank Limited (Beacon Heights)	<u>2,333,099</u>	<u>2,431,453</u>
		14,068,606	12,968,610
	Cash at Bank - Savings Accounts		
	Royal Bank of Canada	132,209	128,960
	SKNA National Bank Limited	793,295	437,516
	SKNA National Bank Limited (Escrow)	2,735	2,734
	Cash in Hand	<u>11,621</u>	<u>114,244</u>
	TOTAL (Page 29)	<u>\$15,008,466</u>	<u>\$13,652,064</u>

During the year under review, the savings accounts earned interest at the rates of 0.1% and 2% per annum.

11	ACCRUED INTEREST RECEIVABLE	<u>2015</u>	<u>2014</u>
	Balance At Beginning of Year	29,805,014	43,346,457
	Interest Earned during the Year	59,972,029	63,823,416
	Provision for Non-collectibility (See Note 9)	(5,691,020)	(7,185,833)
	Interest Received during the Year	<u>(56,171,387)</u>	<u>(70,179,026)</u>
	Balance At End of Year (Page 29)	<u>\$27,914,636</u>	<u>\$29,805,014</u>

As at 31 December 2015, 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>
2015	<u>\$27,914,636</u>	<u>\$27,914,636</u>	<u>-</u>	<u>-</u>
2014	<u>\$29,805,014</u>	<u>\$29,047,887</u>	<u>\$514,124</u>	<u>\$243,003</u>
Analysis of Provision for Impairment:			<u>2015</u>	<u>2014</u>
Balance brought forward			7,185,833	6,119,313
Charge for the year			-	1,066,520
Recoveries/Write backs			<u>(1,494,813)</u>	<u>-</u>
TOTAL			<u>\$5,691,020</u>	<u>\$7,185,833</u>

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

**NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

(Expressed in Eastern Caribbean Dollars)

11 ACCRUED INTEREST RECEIVABLE (cont'd)

PROVISION FOR NON-COLLECTIBILITY OF INTEREST RECEIVABLE \$5,691,020 (2014 = \$7,185,833)

CLICO GROUP OF COMPANIES \$406,820 (2014 = \$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).

Subsequent to the year end the Board received full settlement for the investment in CLICO (Trinidad) Limited. The principal and outstanding interest which had been fully provided for and legal cost relating to the case were recovered (See note 23).

STATUTORY CORPORATIONS \$5,284,200 (2014 = \$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 PREPAYMENTS

	<u>2015</u>	<u>2014</u>
Non-Current:		
Accounts Receivable and Prepayment	9,817,355	-
Provision for Impairment (See Note Below)	<u>(3,667,594)</u>	<u>-</u>
TOTAL (Page 29)	<u>\$6,149,761</u>	<u>-</u>
Current:		
Accounts Receivable	1,855,783	1,774,548
Prepayment	28,925,792	28,882,582
Provision for Impairment	<u>(186,167)</u>	<u>-</u>
TOTAL (Page 29)	<u>\$30,595,408</u>	<u>\$30,657,130</u>

Analysis of Provision of Impairment

Balance brought forward	-	-
Charge for the year	<u>3,853,761</u>	<u>-</u>
TOTAL	<u>\$3,853,761</u>	<u>-</u>

Bank of Commerce (St Kitts & Nevis) Savings and Trust Association (In Liquidation):

Included in Accounts Receivable and Prepayments in 2014 was an amount of \$6,744,247 which comprised 8.5% 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 fully provided for.

In December 2015 the sum of \$5,196,198 was received from the liquidators in settlement of the principal amount of debt, \$2,963,506 and interest, \$2,232,592. Legal fees relating to the recovery of \$151,986 was off-set against settlement of the Judgement Debt with the net amount of \$5,044,112 disclosed in the Income and Expenditure Account (Page 30).



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(Expressed in Eastern Caribbean Dollars)

(Continued)

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS (cont'd)

Prepayments:

Deposits and Related Expenses on Land Purchase:

Included in Prepayments is an amount of \$27,828,917 (2014 = \$27,852,413) which represents deposits and related expenses paid (net of provision of \$1,914,444 (2014 = \$1,881,044)) on the purchase of land.

Advance Payments to Contractor:

Included in Receivables is an amount of \$6,252,339 (Net of Provision for impairment of \$ 3,853,761) being advance payment to a contractor in relation to the Beacon Heights Project. The recoverability and further impairment, if any, of this receivable will be subject to annual review by Management of the Social Security Board. The composition of this balance is shown hereunder:

	<u>2015</u>
Current Portion	288,746
Non- Current Portion	<u>9,817,354</u>
	10,106,100
Less Provision for Impairment	<u>(3,853,761)</u>
Net Amount Receivable	<u>\$6,252,339</u>

During the year under review, the balance of \$10,106,100 was transferred from investments to prepayments.

13 ALLOCATION OF NET SURPLUS	<u>2015</u>	<u>2014</u>
Social Security Fund		
a) Long Term Benefits Fund (Page 30)	25,186,474	14,417,645
b) Short Term Benefits Fund (Page 30)	3,300,066	(520,767)
c) Injury Benefits Fund (Page 30)	<u>13,365,212</u>	<u>11,192,319</u>
	<u>41,851,752</u>	<u>25,089,197</u>
National Provident Fund		
a) Members' Account	86,574	85,474
b) Reserve Fund	<u>2,570,074</u>	<u>1,149,393</u>
Sub-Total (Page 30)	<u>2,656,648</u>	<u>1,234,867</u>
NET SURPLUS FOR THE YEAR (Page 30)	<u>\$44,508,400</u>	<u>\$26,324,064</u>

14 DISTRIBUTION OF INCOME AND EXPENDITURE

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

1) Social Security Fund - Contribution Income:

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

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

2) Staff Supplemental Benefits - Contribution Income:

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

(Continued)

14 DISTRIBUTION OF INCOME AND EXPENDITURE (cont'd)

3) Investment Income:

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

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

4) Other Income:

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

5) Distribution of Expenditure:

a) Benefits and Assistance:

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

b) Administration Expenditure:

The administration expenditure of the Board shall be 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>2015</u>	<u>2014</u>
Sundry Payables	6,377,070	5,884,729
Accruals	643,071	908,954
Provisions	<u>854,255</u>	<u>866,243</u>
TOTAL (Page 29)	<u>\$7,874,396</u>	<u>\$7,659,926</u>



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)
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16 CONTRIBUTIONS AND FINES RECEIVABLE

At 31 December 2015, contributions and fines due from employers amounted to \$32,741,489 (2014 = \$24,302,248). An adjustment of \$525,649 for contribution relating to Social Services Levy (SSL) and Protection of Employment (PE) which was included in the Social Security Contribution was written off in 2014. Details are set out hereunder:

<u>Particulars</u>	<u>2015</u>	<u>2014</u>
Contributions due by Employers	9,329,218	8,730,501
Contributions Written off/(Adjustments)	525,649	(1,276,022)
Fines due by Employers	<u>22,886,622</u>	<u>16,847,769</u>
TOTAL DUE TO THE BOARD	<u>\$32,741,489</u>	<u>\$24,302,248</u>

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

17 CAPITAL COMMITMENT

At 31 December 2015, the Social Security Board of Directors approved capital expenditure for the ensuing year in the amount of \$2.8 million (2014 = \$12.8 million).

The Board commenced construction of the Nevis office building in 2013. The building was completed in January of 2016.

18 RELATED PARTY TRANSACTIONS

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

National Housing Corporation
Development Bank of St Kitts and Nevis

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

Loans to Government and Statutory Corporations	<u>2015</u>	<u>2014</u>
Balance at Beginning of year	211,586,609	267,903,749
Loans advanced during the year	1,570,857	9,921,370
Loan Repayment received	(2,283,245)	(54,828,698)
Interest Income	6,598,196	11,815,866
Interest Received	<u>(9,362,273)</u>	<u>(23,225,678)</u>
Balance at End of Year	<u>\$208,110,144</u>	<u>\$211,586,609</u>

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



ST KITTS-NEVIS SOCIAL SECURITY BOARD

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

(Continued)

18 RELATED PARTY TRANSACTIONS (cont'd)

Fixed Deposits, Bank Accounts and Treasury Bills with Related Parties	<u>2015</u>	<u>2014</u>
Balance at Beginning of Year	841,757,959	782,636,603
Net Advances	71,363,433	58,789,185
Interest Income	41,945,173	43,759,709
Interest Received	(42,586,548)	(43,427,538)
Balance at End of Year	<u>\$912,480,017</u>	<u>\$841,757,959</u>
Amount Owing By Directors		
Beginning of Year	140,929	713,909
Loans advanced during the year	-	23,000
Loan Repayment Received	(79,299)	(594,346)
Interest Income	5,781	17,847
Interest Received	(5,824)	(19,481)
Transfer (no longer directors)	(61,587)	-
Balance at End of Year	<u>-</u>	<u>\$140,929</u>

No loan advances were taken by the directors during the period under review. The individuals from whom the amounts were due are no longer members of the Board of Directors of St Kitts – Nevis Social Security Board.

Key Management Compensation

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$690,364 (2014 = \$673,322).

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.



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(Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

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 2015 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.

Fair value measurements:

Fair value measurement hierarchy for assets at 31 December 2015:

	<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 at Fair Value:					
Investment properties	31 December 2015	117,777,000	-	117,777,000	-
Available-for-sale financial assets:					
Quoted equity shares	31 December 2015	50,510,460	50,510,460	-	-
Quoted debt securities:					
Corporate bonds	31 December 2015	3,452,710	3,452,710	-	-
Lands and buildings	31 December 2015	35,960,000	-	35,960,000	-

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> Restated
Assets 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	30,777,834	-	-	30,777,834

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(Continued)

(Expressed in Eastern Caribbean Dollars)

19 FINANCIAL INSTRUMENTS (cont'd)

c) Fair Value (cont'd):

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 fair value. 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.

As stated in Note 9 the valuer adopted a market based approach which involved the use of observable market data concerning the selling prices or rental income for similar properties and incorporates adjustments for factors specific to the properties in question including location, current condition and use, and the square footage. The valuation processes and the fair value changes were reviewed by the Board of Directors who has decided to adopt these values as at 31 December 2015. The use of observable market data resulted in the movement of the investment properties and Lands and Building from level 3 to level 2.

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 2015:

	<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	15,008,466	-	-	15,008,466
Accrued Interest Receivable	27,914,636	-	-	27,914,636
Accounts Receivable and Prepaid Expenses	30,595,408	-	6,149,761	36,745,169
Investment Securities	-	<u>994,925,233</u>	<u>299,957,513</u>	<u>1,294,882,746</u>
Total Assets	<u>73,518,510</u>	<u>994,925,233</u>	<u>306,107,274</u>	<u>1,374,551,017</u>

Liabilities:

Year Ended 31 December 2015:

Accounts Payable	32,132	-	-	32,132
Other Payables	<u>7,906,593</u>	-	-	<u>7,906,593</u>
Total Liabilities	<u>7,938,725</u>	-	-	<u>7,938,725</u>
Net Liquidity Gap	<u>\$65,579,785</u>	<u>\$994,925,233</u>	<u>\$306,107,274</u>	<u>\$1,366,612,292</u>



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NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Eastern Caribbean Dollars)

(Continued)

19 FINANCIAL INSTRUMENTS (cont'd)

d) Liquidity Risk: (cont'd)

Assets:

Year Ended 31 December 2014:

	Due within <u>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>

20 CONTINGENCIES

1. Civil Claims

Civil Appeal Claim No. SKBHCVP2012/0029 is a claim against the Social Security Board for wrongful imprisonment of the appellant in default of payment of contributions, instead of levying on the Company's goods. Settlement discussions are still in progress with an offer sent to the Claimant's Counsel. To date the Attorney General's Office has not received any response.

Civil Claim No. SKBHCVP2015/0233 is claim for Specific Performance where the claimant wants the Social Security Board to conclude a Sale and Purchase Agreement which has been rescinded by the Board. This matter has not been settled to date.

Claim No. SKBHCVP/233 against the Social Security Board for loss and damage in connection with an Agreement for sale of 116.45 acres remains unsettled. A provision of \$1,881,044 for the impairment was made in 2014 financial statements, additional expenses related to the transaction were included in 2015 bringing the full provision at 31 December 2015 to \$1,914,444.

2. Development Bank Loans - \$7,701,784 (See Note 9)

Included in Loans Receivable –Statutory Corporations at 31 December 2015 is an amount of \$73,391,508 owing to the Social Security Board by the Development Bank of St Kitts and Nevis. Development Bank however, confirmed the balance of \$65,689,724 being owed to Social Security Board resulting in a difference of \$7,701,784. Negotiations are currently on-going between the Social Security Board and Management of the Development Bank to resolve this difference. The outcome of these negotiations cannot be determined at this stage. No provision has been made in these financial statements for this contingency.

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 (i) (p) and 5 (i) (q).



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FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Eastern Caribbean Dollars)

(Continued)

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

In 2016, the Board received full settlement for the investment in CLICO (Trinidad) Limited. The principal and outstanding interest which had been fully provided for and legal costs relating to the case were recovered. There were no adjustments made to these Financial Statements with regards to this settlement.

24. RECLASSIFICATION – ADMINISTRATION AND OTHER EXPENSES

During the year under review, certain expenses previously classified as Administration Expenses have been reclassified to Other Expenses. The previous year's figures have been reclassified to be consistent with this year's presentation.

This reclassification has no impact on the net surplus reported.





St. Christopher and Nevis Social Security Board

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