



ST. KITTS-NEVIS SOCIAL
SECURITY BOARD

Financial Statements

December 31, 2020

(Expressed in Eastern Caribbean Dollars)

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BOARD INFORMATION

REGISTERED OFFICE
Bay Road, Basseterre
St. Kitts

DIRECTORS
Ernest Pistana
Victor Earle
Dorita Rowland
Oscar Walters
Chesil Hamilton
Trevoy Liburd
Lennox Liburd
Candice Caines-Dickenson
Frank Farrell
Jenifer Williams
Faron Lawrence
Carl Claxton

AUDITOR
BDO LLC
Chartered Accountants
17 Fairplay Complex
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of St. Kitts-Nevis Social Security Board.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of St. Kitts-Nevis Social Security Board. (the "Board"), which comprise:

- the statement of financial position as at December 31, 2020;
- the related statements of activities and changes in net assets and statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in St. Kitts-Nevis, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.



INDEPENDENT AUDITOR'S REPORT *(continued)*

To the Board of Directors of St. Kitts-Nevis Social Security Board.

Report on the Audit of the Financial Statements *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT *(continued)*

To the Board of Directors of St. Kitts-Nevis Social Security Board.

Report on the Audit of the Financial Statements *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

BDO LLC

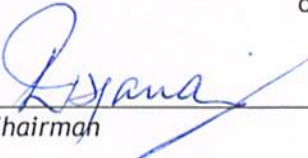
Chartered Accountants
The Valley, Anguilla
20th of January 2022

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Statement of Financial Position
As at December 31, 2020

(Expressed in Eastern Caribbean Dollars [XCS])

	Notes	2020	2019 (As restated) Note 21	1 January 2019 (As restated) Note 21
FUNDS EMPLOYED				
SOCIAL Security Fund				
- Long Term Benefits Fund		1,228,997,378	1,194,789,238	1,179,506,482
- Short Term Benefits Fund		174,772,035	160,893,584	153,694,288
- Employment Injury Benefits Fund		283,814,337	266,364,080	251,293,879
National Provident Fund				
- NPF Members' Account	3	3,768,782	3,724,684	3,692,936
- NPF Reserve Fund	4	5,112,554	27,986,518	27,207,268
Revaluation Reserve	5	17,034,077	12,335,039	12,335,039
EQUITY				
STAFF SUPPLEMENTAL BENEFITS PLAN FUND	6	1,713,499,163	1,666,093,143	1,627,729,892
		9,484,489	9,591,389	10,370,567
TOTAL FUNDS		1,722,983,652	1,675,684,532	1,638,100,459
REPRESENTED BY				
NON-CURRENT ASSETS				
Property Plant & Equipment (Page 14)	7	23,330,921	14,760,090	15,031,525
Intangible Assets	8	39,092	89,436	168,021
Investment Properties	9	206,363,500	161,189,577	163,149,983
Loans Receivable and Advances	11	382,393,818	351,236,566	250,002,745
Other Investments	9	1,012,370,517	1,024,599,332	1,114,657,315
TOTAL NON-CURRENT ASSETS		1,624,497,848	1,551,875,001	1,543,009,589
CURRENT ASSETS				
Cash and Cash Equivalents	10	18,480,614	43,814,786	25,496,686
Accrued Interest Receivable	11	26,081,765	19,346,001	24,352,368
Contribution, Accounts Receivable and Prepayments	12, 16	4,291,886	2,167,833	1,073,097
Prospective Property	12	59,710,000	67,306,952	51,392,508
TOTAL CURRENT ASSETS		108,564,265	132,635,572	102,314,659
CURRENT LIABILITIES				
Accounts Payable		3,953,201	2,076,339	1,121,391
Sundry Creditors and Accruals	15	6,125,260	6,749,702	6,102,398
TOTAL CURRENT LIABILITIES		10,078,461	8,826,041	7,223,789
NET CURRENT ASSETS		98,485,804	123,809,531	95,090,870
TOTAL NET ASSETS		1,722,983,652	1,675,684,532	1,638,100,459

The financial statements on pages 5 to 14 were approved and authorized for issue by the Board of Directors on January 20th, 2022 and were signed on its behalf by:


Chairman


Director

The notes on pages 15 to 61 are integral part of these financial statements

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Income and Expenditure Account
For the year ended 31 December 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

	----- Social Security Fund -----			National Provident Fund	TOTAL 2020	TOTAL 2019 (As restated) Note 21
	Long Term	Short Term	Injury			
INCOME (Note 14)						
Contribution Income	66,244,862	16,559,272	8,279,636	-	91,083,770	101,812,383
Investment Income	40,887,514	5,506,024	9,115,386	679,792	56,188,716	50,672,689
Other Income	294,722	157,704	134,868	-	587,294	847,526
TOTAL INCOME	107,427,098	22,223,000	17,529,890	679,792	147,859,780	153,332,598
EXPENDITURE (Note 14)						
Benefits (Schedule 1- Page 11)	97,722,705	12,720,142	1,548,353		111,991,200	101,440,891
Administration Expenses (Schedule II- Page 12)	10,608,649	1,894,369	635,868	13,002	13,151,888	14,336,353
Other Expenses:						
Covid Relief Payments	-	-	-	23,466,914	23,466,914	-
Reversal of Impairment Losses -Revaluation of Properties	(35,849,099)	(6,401,514)	(2,148,745)	-	(44,399,358)	-
Provision for Impairment of Debt (Net of Recovery)	(337,047)	(60,186)	(20,202)	-	(417,435)	(405,763)
Provision for Impairment - Expected Credit Losses	1,073,750	191,738	64,359		1,329,847	(443,144)
Total Administration and Other Expenses	(24,503,747)	(4,375,593)	(1,468,720)	23,479,916	(6,868,144)	13,487,446
TOTAL EXPENDITURE	73,218,958	8,344,549	79,633	23,479,916	105,123,056	114,928,337
NET SURPLUS FOR THE YEAR	34,210,140	13,878,451	17,450,257	(22,800,124)	42,736,724	38,404,261

The notes on pages 15 to 61 are integral part of these financial statements

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Statement of Comprehensive Income
For the year ended 31 December 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

	2020	2019
Net Surplus for the Year (Page 6) (Note 13)	42,736,724	38,404,261
Other Comprehensive Income		
Revaluation Surplus (Note 7)	4,699,038	-
Total Comprehensive Income for the Year	47,435,762	38,404,261

The notes on pages 15 to 61 are integral part of these financial statements

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Statement of Changes in Reserves Funds
For the year ended 31 December 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

	Social Security Fund			National Provident Fund		Reserves		Total
	Long Term Benefit Fund	Short Term Benefit Fund	Injury Benefit Fund	Members' Account	Reserve Fund	Revaluation Reserve	Capital Reserve	
Balance at 31 December 2018	1,179,506,482	153,694,287	251,293,879	3,692,936	27,207,268	1,144,334	11,190,705	1,627,729,891
Net Refund to NPF Member	-	-	-	(41,009)	-	-	-	(41,009)
Total Comprehensive Income	15,282,756	7,199,297	15,070,201	72,757	779,250	-	-	38,404,261
Balance at 31 December 2019	1,194,789,238	160,893,584	266,364,080	3,724,684	27,986,518	1,144,334	11,190,705	1,666,093,143
Balance at 31 December 2019	1,194,789,238	160,893,584	266,364,080	3,724,684	27,986,518	1,144,334	11,190,705	1,666,093,143
Surplus on Revaluation	-	-	-	-	-	4,699,038	-	4,699,038
Net Refund to NPF Members	-	-	-	(29,742)	-	-	-	(29,742)
Total Comprehensive Income	34,208,140	13,878,451	17,450,257	73,840	(22,873,964)	-	-	42,736,724
Balance at 31 December 2020	1,228,997,378	174,772,035	283,814,337	3,768,782	5,112,554	5,843,372	11,190,705	1,713,499,163

The notes on pages 15 to 61 are 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 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

	2020	2019
INCOME		
Contributions	613,360	598,264
Investment	141,370	141,370
	<u>754,730</u>	<u>739,634</u>
EXPENDITURE		
Benefits (Schedule Ib - Page 11)	851,130	1,508,312
Administration Expense:		
Actual	-	-
Allocated (Schedule II - Page 12)	10,500	10,500
Total Expenditure	<u>861,630</u>	<u>1,518,812</u>
NET DEFICIT FOR THE YEAR (Note 6)	<u>(106,900)</u>	<u>(779,178)</u>

The notes on pages 15 to 61 are integral part of these financial statements

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Statement of Cash Flows
For the year ended 31 December 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

	2020	2019
Cash provided by operating activities		
Net surplus for the year		
-SSF and NPF (Page 6)	42,736,724	38,404,261
-SSBF (Page 9)	(106,900)	(779,178)
Adjustments for:		
Depreciation and Amortization (Less Reclassification) (Notes 7 & 8)	938,123	961,443
Gain on disposal of property, plant and equipment	(92,000)	(22,878)
Net Gain on Revaluation of Properties	(44,399,358)	-
Operating income before working capital changes	(923,411)	38,563,648
(Increase)/decrease in:		
Accrued interest receivable	(6,735,764)	5,006,367
Accounts receivable and prepaid expenses	(2,124,053)	(17,009,182)
Prospective Property	15,914,444	-
Increase/(decrease) in:		
Accounts payable	1,876,862	954,948
Sundry creditors and accruals	(624,442)	647,304
Cash provided by operating activities	7,383,636	28,163,085
Cash flows from investing activities		
Net increase in Investments	(32,324,245)	(9,215,431)
Purchase of property, plant and equipment	(462,633)	(623,545)
Proceeds from disposal of fixed assets	112,000	35,000
Refund to NPF Members	(29,742)	(41,009)
Additions to Intangible Assets	(13,188)	-
Cash used in investing activities	(32,717,808)	(9,844,985)
Decrease in cash for the year	(25,334,172)	18,318,100
Cash at beginning of year	43,814,786	25,496,686
Cash at end of year	18,480,614	43,814,786

The notes on pages 15 to 61 are integral part of these financial statements

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Benefits Paid
For the year ended 31 December 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

	2020		2019	
	Number of Claims	Amount	Number of Claims	Amount
SCHEDULE I				
a) Social Security Fund				
<u>Long Term Benefits</u>				
Elderly Entrant Refund	14	5,746	15	12,699
Survivor Pension	1,206	4,404,358	1,180	4,187,873
Invalidity	364	4,416,655	343	4,129,796
Age Pension	5,053	86,474,954	4,653	74,707,479
Age Grant	216	1,388,588	230	1,492,212
	6,853	96,690,301	6,421	84,530,059
Assistance Pension Age	211	653,706	242	781,310
Assistance Pension Invalidity	129	378,698	125	420,113
	340	1,032,404	367	1,201,423
Sub-Total	7,193	97,722,705	6,788	85,731,482
<u>Short Term Benefits</u>				
Sickness	11,017	9,207,350	13,021	10,694,036
Funeral	306	751,830	297	729,993
Maternity Allowance	494	2,530,562	496	2,523,224
Maternity Grant	507	230,400	510	233,550
Sub-Total	12,324	12,720,142	14,324	14,180,803
<u>Employment Injury</u>				
Employment Injury	418	610,121	507	596,262
Travelling Expenses	3	1,790	5	18,904
Medical Care Expenses	189	111,448	153	112,092
Death Benefits	20	158,881	20	151,692
Constant Care	2	28,597	2	27,235
Disablement Pension	74	627,792	67	583,006
Burial Grant	-	-	1	4,000
Disablement Grant	1	9,724	4	35,415
Sub-Total	707	1,548,353	759	1,528,606
	20,224	111,991,200	21,871	101,440,891
b) Staff Supplemental Benefits				
Refunds	24	619,335	5	1,507,615
Survivors Refund	1	231,152	-	-
Pension	1	643	1	697
Sub-Total	26	851,130	6	1,508,312
GRAND TOTAL BENEFITS PAID	20,250	112,842,330	21,877	102,949,203

The notes on pages 15 to 61 are integral part of these financial statements

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Administration Expense
For the year ended 31 December 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

	2020	2019
<u>Schedule II</u>		
Actuarial Review	-	174
Advertising and Publicity	157,414	181,291
Donations	5,441	45,743
Anniversary Expenses	16,777	8,127
Audit Fees and Expenses	312,403	257,394
Bank Charges and Interest	34,480	27,714
Books, Periodicals, etc	5,754	-
Cleaning Expenses	24,000	18,772
Commission	1,000	-
Committee Expenses	77,401	69,120
Contribution for National Projects	82,473	456,905
Depreciation and Amortisation	938,123	961,443
Electricity	429,027	505,910
Hospitality	130,483	157,412
Insurances	679,926	638,716
Other Professional Fees	181,453	139,176
Maintenance of Computer System	299,414	288,533
Maintenance of Premises	292,619	255,334
Medical Expenses	16,496	16,730
Members of Social Security Board - Allowance and Other Expenses	591,762	344,487
Motor Vehicle Expenses	42,411	48,475
Pension Reform	5,607	-
Postages, Telephone and Telegraph	289,995	282,970
Repairs, Maintenance and Related Minor Purchases	62,099	130,457
Rental	1,450	800
Salaries and Allowances	7,156,803	7,713,174
Scholarships	44,645	95,796
Security Services	52,716	26,780
Social Security, Social Services, etc	656,439	660,357
Staff Pension	306,680	299,132
Stationery, Printing and Office Expenses	345,593	290,216
Subscriptions	29,674	74,815
Training Seminars, Conferences	44,890	417,043
Travelling and Subsistence	23,898	25,152
Uniforms	4,466	82,764
Wages - Other Employees	321,098	427,076
Less: Recovery from CIR, LC and NIA	(502,522)	(601,135)
TOTAL ADMINISTRATION EXPENSES	13,162,388	14,346,853

The notes on pages 15 to 61 are integral part of these financial statements

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Administration Expense *(continued)*
For the year ended 31 December 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

	2020	2019
Schedule II <i>(continued)</i>		
OTHER EXPENSES		
Losses reversed - Revaluation of lands and buildings (Note 7)	(44,399,358)	-
Provision for impairment of Debt (Note 12)	(417,435)	(405,763)
Provision for Impairment ECL	1,329,847	(443,144)
TOTAL OTHER EXPENSES	(43,486,946)	(848,907)
TOTAL ADMINISTRATION AND OTHER EXPENSES	(30,324,558)	13,497,946
Allocated as follows:		
Long Term Benefits Fund	(24,503,747)	10,592,291
Short Term Benefits Fund	(4,375,593)	2,167,244
Injury Benefits	(1,468,720)	714,909
National Provident Fund	13,002	13,002
Sub-Total	(30,335,058)	13,487,446
Staff Supplemental Benefits Reserve Fund	10,500	10,500
Total (As Above)	(30,324,558)	13,497,946

The notes on pages 15 to 61 are integral part of these financial statements

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Schedule of Property, Plant and Equipment
For the year ended 31 December 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

Schedule III

	GROSS CARRYING AMOUNTS				DEPRECIATION			NET CARRYING AMOUNTS	
	31/12/2019	Additions/ (Disposals)	Increase/ (Decrease) on Revaluation	Fair Value/ Cost 31/12/2020	31/12/2019	Charge/ Disposals	Revaluation Write Off	31/12/2020	31/12/2019
Freehold Properties									
E St John Payne Annex - Land	500,000	-	202,000	702,000	-	-	-	-	500,000
E St John Payne Annex - Building	7,750,000	-	3,133,000	10,883,000	775,000	193,750	(968,750)	-	6,975,000
Bay Road St Kitts - Land	1,427,637	-	872,363	2,300,000	-	-	-	-	1,427,637
Bay Road St Kitts - Building	5,014,593	-	3,200,407	8,215,000	500,904	125,365	(626,269)	-	4,513,689
	14,692,230	-	7,407,770	22,100,000	1,275,904	319,115	(1,595,019)	-	13,416,326
Furniture and Equipment	3,393,670	118,251	-	3,511,921	2,723,791	283,395	-	3,007,186	669,879
Computer Equipment	2,135,684	213,382	-	2,349,066	1,697,102	205,605	-	1,902,707	438,582
Motor Vehicles	776,655	(294,060)	-	482,595	541,352	(338,584)	-	202,768	235,303
Total	20,998,239	462,633	7,407,770	28,443,582	6,238,149	874,591	(1,595,019)	5,112,661	14,760,090

The notes on pages 15 to 61 are integral part of these financial statements

(Expressed in Eastern Caribbean Dollars [XC\$])

1. ESTABLISHMENT OF FUND

Social Security Act 1977

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

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

Transfer of National Provident Fund Assets and Liabilities

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

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

Actuarial Review of the Fund

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

The thirteenth actuarial review of the Social Security Board was carried out in August 2021 by the actuarial firm LifeWorks (*formerly Morneau Shepell*) which was engaged to conduct the review for the period 2018 to 2020. The report, which was submitted in 2021 stated that the Fund was financially and actuarially sound. A net surplus was recorded in each year of operation due to accounting adjustments and increase in property values.

2. ACCOUNTING POLICIES

(a) Basis of Accounting

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared under the historical cost basis of accounting except for the revaluation of certain property, plant and equipment and investment securities and in accordance with the going concern assumption.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(b) Changes in Accounting Policies

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 standards, interpretations and amendments effective from 1 January 2020

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).

Definition of a Business (Amendments to IFRS 3)

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Board has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Board to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business.

Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2021.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) There are no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

None of the amendments to Standards and interpretations that are effective from that date had a significant effect on the Board's financial statements. There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Board has decided not to adopt early, or these are not relevant to its operation.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(b) Changes in Accounting Policies *(cont'd)*

New standards, amendments to standards and interpretations not yet effective and not yet adopted:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Board has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

(c) Foreign Currencies

All amounts are stated in Eastern Caribbean Dollars, which is the Board's functional and presentation 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.

(d) Property, Plant and Equipment and Depreciation

Property, plant, and equipment are stated at cost and fair value. 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 (Nonresidential real estate)	2.5% to 3.34%
Buildings (Rental Property)	3.34%
Furniture	15%
Computer System and Equipment	20%
Motor Vehicles	20%

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(d) Property, Plant and Equipment and Depreciation *(cont'd)*

Freehold Property

Land and Buildings are measured at fair value less depreciation. Following initial recognition at cost, land and building are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses. Subsequent additions are at cost. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable and willing seller in an arm's length transaction at valuation date. A gain on revaluation is first credited to The Income and Expenditure Account to the extent that the gain reverses a loss on the asset that was previously recognized as an expense in the Income and Expenditure Account. Any revaluation surplus is credited to the asset revaluation reserve included in the Reserve Funds 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.

Revaluation

The Board revalued all its land and buildings as at 22 February 2021. As there was no significant improvement to the buildings or properties from 31 December 2020 to the date of valuation, the Board of Directors decided to adopt these values at 31 December 2020. Depreciation was charged in the current year at the rate of 2.5%.

(e) Intangible Assets

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

Costs associated with maintaining computer software program are recognized as expenses when incurred.

(f) Financial Assets and Liabilities

Amortised Cost and Effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method for any difference between that initial amount and for financial assets, adjusted for any loss allowance.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(f) Financial Assets and Liabilities *(cont'd)*

Amortised Cost and Effective interest rate (cont'd)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and included the transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit impaired (POCI) financial assets, assets that are credit impaired at initial recognition - the Board calculates the asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cashflows.

When the Board revises the estimates of future cash flows, the carrying amount of the respective financial assets and liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit and loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- a) POCI financial assets for which the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset.
- b) Financial assets that are not POCI but have subsequently become credit impaired (or stage 3) for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognized on trade -date, the date on which the Board commits to purchase or sell the asset.

At initial recognition, the Board measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit and loss are expensed in profit or loss. Immediately after the initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI which results in an accounting loss being recognized in profit and loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset and liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(f) Financial Assets and Liabilities *(cont'd)*

Initial recognition and measurement (cont'd)

- b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Financial assets

i) Classification and subsequent measurement

The Board in its application of IFRS 9, classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those that meet the definition of financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on

- i) The Board's business model for managing the asset; and
- ii) The cash flow characteristics of the asset.

Based on these factors, the Board classifies its debts instruments into one of the following three measurement categories:

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principle and interest (SPPI) and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 2(I)(i) Interest income from these financial assets is included in interest and similar income using the effective interest rate method.
- *Fair value through other comprehensive income (FVOCI)*: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instruments amortised cost which are recognized in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in Net Investment Income. Interest income from these financial assets is included in Interest Income using the effective interest rate method.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(f) Financial Assets and Liabilities *(cont'd)*

Financial assets *(cont'd)*

i. Classification and subsequent measurement *(cont'd)*

Debt instruments (cont'd)

- *Fair value through profit and loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized through profit or loss and presented in the profit or loss statement within Net Trading Income in the period in which it arises unless it arises from debt instruments that were designated at fair value, or which are not held for trading in which case they are presented separately in Net Investment Income. Interest income from these financial assets is included in Interest Income using the effective interest rate method.

Business Model

The business model reflects how the Board manages the assets to generate cash flows. That is, whether the Board's objective is solely to collect the contractual cash flows from the assets or is to collect both contractual cash flow and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financials assets are held for trading purposes) then the financial assets are classified as part of other business model and measured at FVPL. Factors considered by the Board in determining the business for a group of assets include experience on how the cash flows for the assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and to sell, The Board assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Board considers whether the contractual cash flows are consistent with the basic lending arrangement i.e., interest includes only the consideration for the time value of money, credit risk, other basic lending arrangement i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin is consistent with a basic lending agreement. Where the contractual terms introduce exposures to risk or volatility that are inconsistent with a basic lending agreement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Board reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(f) Financial Assets and Liabilities *(cont'd)*

Financial assets *(cont'd)*

i. Classification and subsequent measurement *(cont'd)*

Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective: that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Example of equity instruments include basic ordinary shares.

The Board subsequently measures all equity investments at fair value through profit or loss, except where the Board's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Board's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When the election is used, fair value gains and losses are recognized in OCI and are not reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Board's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement of the profit or loss.

(ii) Impairment of financial assets

The Board assessed on a forward-looking basis, the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Board recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost of effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 2 (m)(i) provides more detail of how the expected credit loss allowance is measured.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(f) Financial Assets and Liabilities *(cont'd)*

Financial assets *(cont'd)*

(iii) Modification of loans

The Board sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this happens, the Board assesses whether the new terms are substantially different to the original terms. The Board does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual flows to amounts the borrower is expected to be able to pay.
- Whether substantial new terms are introduced, such as profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extensions of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with loan.

If the terms are substantially different, the Board derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of the renegotiation is consequently considered to be the date of the initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Board also assesses whether the new financial assets recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Board recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Board substantially transfers all the risks and rewards of ownership, or (ii) the Board neither transfers nor retains substantially all the risks and rewards of ownership and the Board has not retained control

The Board enters into transactions where it retains the contractual rights to receive cash flows from assets by assuming a contractual obligation to pay those cash flows to other entities and transfers substantially all the risks and rewards. These transactions are accounted for as 'pass through' transfers that results in derecognition if the Board:

- (i) Has no obligation to make payments unless it collects equivalent amounts from assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(f) Financial Assets and Liabilities *(cont'd)*

Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are de-recognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled, or expires).

The exchange between the Board and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debts instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Board has no guarantees and loan commitments.

(g) Accounts Receivable

Accounts Receivable are recognized and carried at original invoice amounts less an allowance for any uncollectible amounts. Provisions are made specifically for any debts considered to be doubtful, also 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.

(h) Accrued Interest Receivable

Interest on interest-bearing investments is accrued from the date of the last payment on the investments to 31 December 2020 at the rates quoted for the period of the investments.

(i) Revenue and Expenses

Contributions are accounted on the date that the employers and employee's obligation to contribute becomes due and the Board's right to receive payment is established. The Board's approach is to record contribution income based on actual collections during the year and accrue collections made in the subsequent year for contributions pertaining to the previous year. The Board also accrues contribution income due from delinquent members and recognize allowance for impairment on these accruals. 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.

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

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(j) 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 shared equally between the Board and Staff Members.

(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) Leases

The Board as a lessor

Leases where the Board does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term.

(m) Critical accounting estimates and judgement

Use of Estimates

The preparation of these financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgement is included in the related notes together with the information about the basis of calculation for each affected line item in the financial statements:

i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.
- The determination of the probabilities of default utilized in the assessment of 12 month and lifetime credit losses.

Detailed information about the judgements and estimates made by the Board in the above areas are set out in Note 20 (d).

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(m) Critical accounting estimates and judgement *(cont'd)*

Use of Estimates (cont'd)

ii) Business models and SPPI as significant judgments

As well as ECL, determining the appropriate business models and assessing the SPPI requirements for financial assets may require significant accounting judgement and have a significant impact on the financial statements.

In determining the classification of financial assets under IFRS 9, the Board assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing the time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial assets is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is variable interest rate that represents time value of money and credit risk) does not meet the amortised cost criteria.

Detailed information about the judgements and estimates made by the Board in the above areas are set out in Note 20 (d).

iii) Evaluation of business model applied in managing financial instruments

Upon adoption of IFRS 9, the Board developed business models which reflect how it manages its portfolio of financial instruments. The Board's business models need to be assessed at entity level or as a whole but shall be applied to the level of a portfolio of financial instruments. (i.e., group of financial instruments that are managed together by the Board) and not on an instrument-by-instrument basis. i.e., not based on intention or specific characteristics of individual financial instrument.

In determining the classification of a financial instrument under IFRS 9, the Board evaluates in which business model a financial instrument of a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Board (e.g., Held for trading, generating accrual income, direct matching to a specific liability) as those relate to the Board's investment and trading strategies.

iv) Impairment of financial assets

Financial Assets are considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. In addition, qualitative and quantitative factors as outlined in note 2 (f) (ii) are considered.

Equity Instruments are considered impaired when there is a significant or prolonged decline in the fair value below cost. Determination of what is significant or prolonged requires judgment which includes consideration of volatility of the fair value, and the financial condition and viability of the investee. Prior to 1 January 2018, these investments were carried at cost less provision for impairment when there was no active market.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(m) Critical accounting estimates and judgement *(cont'd)*

Use of Estimates (cont'd)

v) 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 are 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 financial assets

vi) Depreciation of property, plant, and equipment:

The Board estimates the useful lives and residual values of property, plant and equipment based on the intended use of these assets, the periodic review of actual assets and the resulting depreciation determined thereon.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(n) Investment Properties

Investment Properties include lands and land developments which are held to earn rental and other income, for capital appreciation or for both. A property that is both rented and owner-occupied but cannot be sold or rented separately under a financial lease is classified as investment property if an insignificant portion of the property is exclusively used to conduct the business of the Board. All the Investment properties are measured at fair value.

(Expressed in Eastern Caribbean Dollars [XC\$])

2. ACCOUNTING POLICIES *(cont'd)*

(o) Current versus non-current distinction

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

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading
- Expected to be realised 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 period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in 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 reporting period.

The Board classifies all other liabilities as non-current.

(p) Offsetting Financial Instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3. NATIONAL PROVIDENT FUND - MEMBERS' ACCOUNT

During the year the Social Security Fund repaid a total amount of \$29,742 to 23 members of the National Provident (2019: \$41,009 to 29 members). The repayment represents members' claims against the Fund up to the date of the settlement of their balances.

	Amount	No. of Members
Opening Balance 2019	3,724,684	4,362
Amounts paid during 2020:		
Age Refunds	(29,742)	(23)
Overpaid Amount recovered	-	-
Interest posted to Members' Account	73,840	-
	<u>3,768,782</u>	<u>4,339</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

4. NATIONAL PROVIDENT FUND - 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 authorized to be so paid under this Act or any Regulations made thereunder".

	2020	2019
Opening Balance	27,986,518	27,207,268
Redistribution to Reserve	-	-
	<u>27,986,518</u>	<u>27,207,268</u>
Investment Income	679,792	865,009
Covid Relief Payment	(23,466,914)	-
Interest distributed to members' account	(73,840)	(72,757)
Administration Expense	(13,002)	(13,002)
Closing Balance	<u><u>5,112,554</u></u>	<u><u>27,986,518</u></u>

5. REVALUATION RESERVE

The Revaluation Reserve reflects gains on revaluation of freehold properties and financial instruments as follows:

	Freehold Properties	Bonus Shares	Total 2020	Total 2019
Balance as at 1 January	1,144,334	11,190,705	12,335,039	12,335,039
Revaluation Surplus - Owner Occupied Properties	4,699,038	-	4,699,038	-
Balance as at 31 December	<u><u>5,843,372</u></u>	<u><u>11,190,705</u></u>	<u><u>17,034,077</u></u>	<u><u>12,335,039</u></u>

6. STAFF SUPPLEMENTAL BENEFITS RESERVE FUND

	2020	2019
Balance at Beginning of year	9,591,389	10,370,567
Excess of Expenditure over Income for 2020 (Page 9)	(106,900)	(779,178)
Balance at End of year (Page 5)	<u><u>9,484,489</u></u>	<u><u>9,591,389</u></u>

(Expressed in Eastern Caribbean Dollars [XC\$])

6. STAFF SUPPLEMENTAL BENEFITS RESERVE FUND *(cont'd)*

The Social Security Board operates a defined benefits plan. The effective date of the Staff Supplemental Benefit Plan (SSBP) which provided 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. Any temporary insufficiency in the Fund to meet the liabilities of the Fund under the Act shall be met from money provided by the Legislature. Any moneys provided by the Legislature under Section 42 subsection (1) shall be repaid by the Fund by payment out of the Fund into the Consolidated Fund as soon as may be practicable.

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 actuarial valuation in respect of the funds as at 31 December 2020 is in progress and has not been finalised.

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 2020 was \$9,484,489 (2019: \$9,591,389).

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

	Land & Buildings at Fair Value	Furniture & Equipment at Cost	Computer Equipment at Cost	Motor Vehicles at Cost	Total
Year Ended 31 December 2020					
Gross Carrying Amounts					
Balance at 1 January 2020	14,692,230	3,393,670	2,135,684	776,655	20,998,239
Additions	-	118,251	213,382	131,000	462,633
Revaluation Surplus	7,407,770	-	-	-	7,407,770
Disposals	-	-	-	(425,060)	(425,060)
Balance at 31 December 2020	22,100,000	3,511,921	2,349,066	482,595	28,443,582
Accumulated Depreciation					
Balance at 1 January 2020	(1,275,904)	(2,723,791)	(1,697,102)	(541,352)	(6,238,149)
Additions	(319,115)	(283,395)	(205,605)	(66,476)	(874,591)
Revaluation Surplus	1,595,019	-	-	-	1,595,019
Disposals	-	-	-	405,060	405,060
Balance at 31 December 2020	-	(3,007,186)	(1,902,707)	(202,768)	(5,112,661)
Net Carrying Amounts 2020	22,100,000	504,735	446,359	279,827	23,330,921

(Expressed in Eastern Caribbean Dollars [XC\$])

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

	Land & Buildings at Fair Value	Furniture & Equipment at Cost	Computer Equipment at Cost	Motor Vehicles at Cost	Total
Year Ended 31 December 2019					
Gross Carrying Amounts					
Balance at 1 January 2019	14,692,230	3,246,898	1,972,899	744,645	20,656,672
Additions	-	249,309	228,736	145,500	623,545
Disposals	-	(102,537)	(65,951)	(113,490)	(281,978)
Reclassification	-	-	-	-	-
Balance at 31 December 2019	14,692,230	3,393,670	2,135,684	776,655	20,998,239
Accumulated Depreciation					
Balance at 1 January 2019	(956,789)	(2,490,941)	(1,591,163)	(586,254)	(5,625,147)
Additions	(319,115)	(328,265)	(171,890)	(63,588)	(882,858)
Disposals	-	95,415	65,951	108,490	269,856
Reclassification	-	-	-	-	-
Balance at 31 December 2019	(1,275,904)	(2,723,791)	(1,697,102)	(541,352)	(6,238,149)
Net Carrying Amounts 2019	13,416,326	669,879	438,582	235,303	14,760,090

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 2020. The valuation reports were completed as at 22 February 2021. There were no improvements to the buildings or properties or properties from the end of the financial year to the date of valuation.

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 decided to adopt these values as at 31 December 2020. This valuation then placed these assets in level 2 within the financial hierarchy (see note 20b)

	2020	2019
Land and Building at valuation	22,100,000	14,692,230

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

	2020	2019
Net Carrying Amount	5,337,282	5,656,397

(Expressed in Eastern Caribbean Dollars [XC\$])

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

The effect on 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 Income and Expenditure account is as follows:

Property	Capital Revaluation 1 January 2020	Net Surplus/ Deficit on Revaluation	Reversal of Losses previously recognised in Income and Expenditure	Capital Revaluation Reserve at 31 December 2020
Bay Road St Kitts	1,144,334	4,699,038	-	5,843,372
Liverpool Row - St Kitts	-	4,303,750	(4,303,750)	-
	<u>1,144,334</u>	<u>9,002,788</u>	<u>(4,303,750)</u>	<u>5,843,372</u>

Impairment Losses reversed and net surplus on revaluation of \$ 44,399,359 relate to the revaluation of non-financial assets and was charged to Income and Expenditure account as follows:

Reversal of Loss on Previous revaluation			4,303,750
Revaluation Movement on Investment Property			
Revaluation Gain		80,852,553	
Revaluation Deficit		<u>(33,159,992)</u>	
			47,692,561
Impairment Losses - recognized on Prospective Property/ Land paid for but title not finalized			
Revaluation Gain		5,135,556	
Revaluation Deficit		<u>(12,732,508)</u>	
			<u>(7,596,952)</u>
Net Revaluation Surplus charged to Income and Expenditure			<u><u>44,399,359</u></u>

8. INTANGIBLE ASSETS

	2020	2019
Computer Software and Development		
Cost at Beginning of Year	1,664,787	1,664,787
Additions during the Year	<u>13,188</u>	<u>-</u>
Cost at End of Year	<u>1,677,975</u>	<u>1,664,787</u>
Accumulated Amortisation - Beginning of year	(1,575,351)	(1,496,766)
Amortisation for the Year	<u>(63,532)</u>	<u>(78,585)</u>
Accumulated Amortisation - End of Year	<u>(1,638,883)</u>	<u>(1,575,351)</u>
Net Book Value	<u><u>39,092</u></u>	<u><u>89,436</u></u>

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Notes to the Financial Statements
December 31, 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

9. INVESTMENTS

<i>Other Investments</i>	2020	2019
Fair Value Through Profit and Loss		
Debt Securities: Quoted at Market Value	21,106,420	9,214,547
Debt Securities: Unquoted	54,800,410	55,050,410
Treasury Bills - St. Kitts	23,040,000	23,040,000
Treasury Bills - Nevis	6,912,413	6,912,413
Provision for Impairment ECL	(44,939)	(43,585)
Equities - Quoted at market value	84,466,005	78,540,932
Unquoted	429,000	429,000
Total Fair Value through Profit and Loss	<u>190,709,309</u>	<u>173,143,717</u>
Amortised Cost		
<i>Fixed Deposits</i>		
British American Insurance (Anguilla) - See Note 11	1,096,781	1,096,781
British American Insurance (St Kitts) - See Note 11	846,089	846,089
Provision for impairment - CL & British American Insurance	(1,942,870)	(1,942,870)
SKNA National Bank Limited	707,340,645	775,135,160
SKN Finance Company Limited	8,321,764	8,321,764
Bank of Nevis Limited	69,764,997	44,764,889
St. Kitts Credit Union	2,297,553	2,297,553
Nevis Credit Union	20,936,249	20,936,249
First Federal Cooperative Credit Union	3,000,000	-
Development Bank of St. Kitts and Nevis	10,000,000	-
Total Financial Instruments measured at Amortised	<u>821,661,208</u>	<u>851,455,615</u>
TOTAL INVESTMENTS	<u><u>1,012,370,517</u></u>	<u><u>1,024,599,332</u></u>

ST. KITTS-NEVIS SOCIAL SECURITY BOARD
Notes to the Financial Statements
December 31, 2020

(Expressed in Eastern Caribbean Dollars [XC\$])

9. INVESTMENTS (cont'd)

<i>Investment Properties</i>	2020	2019
Butlers - Nevis	86,500	76,000
Franklands - St Kitts	8,070,000	11,100,000
Fountain Estate - St. Kitts	1,070,000	640,000
Saddle Hill - Nevis	258,000	230,000
Scotch Bonnet SE Peninsular - St. Kitts	1,741,000	1,095,000
Douglas Estate - St. Kitts	15,617,000	9,584,870
Land - Pelican Resort - St. Kitts	62,726,000	25,560,000
Land - Brighton Estate	16,345,000	26,241,992
Winter Forest Estate - Nevis	5,080,000	4,780,000
Land - Church Street	3,815,000	1,920,000
Chapel Street Property	-	1,918,578
Pinney's Estate Property	29,060,000	19,300,000
Premises - Beacon Heights Development	62,495,000	58,743,137
	<u>206,363,500</u>	<u>161,189,577</u>

The movement for the year on investments is as follows:

Investment Property	2020	2019
Balance at beginning of year	161,189,576	163,149,984
Additions	15,914,444	72,527
Cost Transfers/Sales Adjustments	(2,518,636)	(2,032,935)
Revaluation of Property	31,778,116	-
Balance at end of year	<u>206,363,500</u>	<u>161,189,576</u>

Financial Instruments at Fair Value through Profit and Loss

Balance at beginning of year	173,143,717	168,447,037
Additions	40,803,389	8,816,004
Retired	(24,893,995)	(8,662,471)
Change in Market Value	1,657,552	4,542,771
Impairments	(1,354)	376
Balance at end of year (net of provision for impairment)	<u>190,709,309</u>	<u>173,143,717</u>

Financial Instruments at Amortised Cost

Balance at beginning of year	851,455,615	946,210,278
Additions	137,041,313	28,629,884
Retired or Re-paid	(166,835,720)	(123,384,547)
Balance at end of year (net of provision for impairment)	<u>821,661,208</u>	<u>851,455,615</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

9. INVESTMENTS (cont'd)

	2020	2019
Analysis of Provision for Impairment:		
Balance brought forward	1,942,870	2,044,395
Reversal for the year	-	(101,525)
Total	<u>1,942,870</u>	<u>1,942,870</u>

Analysis of Provision for Impairment:		
Balance brought forward	43,585	43,961
Impairment reversed re IFRS 9	1,354	(376)
Total	<u>44,939</u>	<u>43,585</u>

Fixed Deposits

Interest rates range between 3.0% and 4.0% (2019: 3.0% and 6.5%) per annum with a maximum maturity of three years up to 2022.

Treasury Bills

Interest rate is between 4.0% and 6.5% (2019: range of 4% and 6.5%) 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% (2019: up to 7.5%) per annum and have maturity dates ranging between 2021 and 2057.

CL Financial Group Investments

During 2016, the Social Security Board received full settlement for its investments in the CLICO (Trinidad). The principal and outstanding interest which had been fully provided for and legal costs relating to the case were recovered (see Note 11). During 2017, an amount of \$253,812 was also received in respect of the Board's investment in British American Insurance Ltd (St Kitts) and British American Insurance Ltd (Anguilla).

As at the end of the financial year, the following C.L Financial Group Investments remain unrecovered:

	Investment Amount	Amount Recovered	Provision	
			2020	2019
British American Insurance Ltd (St. Kitts)	1,000,000	153,911	846,089	846,089
British American Insurance Ltd (Anguilla)	1,298,208	201,427	1,096,781	1,096,781
	<u>2,298,208</u>	<u>355,338</u>	<u>1,942,870</u>	<u>1,942,870</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

9. INVESTMENTS *(cont'd)*

Revaluation of Investment Properties

Investment properties which were revalued on 22 February 2021 by an independent valuer 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 properties valued.

The market-based approach which involved the use of observable market data concerning the selling prices or rental income for similar properties and incorporated adjustments for factors specific to the properties in question including location, current condition and use, and the square footage was used. The valuation processes and the fair value changes were reviewed by the Board of Directors who decided to adopt these values as at 31 December 2020. The use of observable market data resulted in the movement of the investment properties to level 2 during the year ended 31 December 2020 (Note 20b).

The estimated fair market value of the Board's investment properties at 31 December 2020 is \$206,363,500 (2019: \$161,189,577).

Rental income from owner-occupied property was \$186,876 (2019: \$211,488). Rental Income from Investment properties was earned as follows in 2020:

	2020	2019
Rental Income from Investment Properties	403,154	711,240
Rental Expense	(32,242)	(31,305)
Net Rental Income	<u>370,912</u>	<u>679,935</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

10. CASH AND CASH EQUIVALENTS

Cash at Bank - Current Accounts	2020	2019
Royal Bank of Canada	40,240	42,053
SKNA National Bank Limited (Benefits)	3,575,794	1,298,540
SKNA National Bank Limited (Administrative)	5,588,944	14,129,400
SKNA National Bank Limited (Levy & PE)	125,903	1,458,272
SKNA National Bank Limited (Beacon Heights)	796,665	141,578
	<u>10,127,546</u>	<u>17,069,843</u>
 Cash at Bank - Savings Account		
Royal Bank of Canada	144,364	141,860
SKNA National Bank Limited	1,367,153	856,042
NCCU	55	53
SKNA National Bank Limited (Escrow)	2,743	2,742
Cash in transit and on hand	3,014	22,065,312
	<u>1,517,329</u>	<u>23,066,009</u>
 Call Accounts		
R B C Dominion Securities	1,538,682	1,353,814
Morgan Stanley Wealth Management	392,493	15,796
Crown Agents	179,247	47,718
SKNA National Bank Limited	2,087,714	1,172,953
Bank of Nova Scotia	2,637,603	1,088,653
Total (Page 5)	<u>18,480,614</u>	<u>43,814,786</u>

During the year under review, the savings account earned interest at the rate of 1% and 2% per annum while call accounts earned interest rates ranging between 0% to 0.1% per annum.

11. RECEIVABLES AND ADVANCES

<i>Loans and Advances</i>	2020	2019
Government Loans	30,698,875	23,074,750
Statutory Corporations Loans	358,342,907	332,021,195
Staff Loans and Advances	2,241,676	5,191,735
Provision for Impairment ECL	(8,889,640)	(9,051,114)
Total Receivable and Advances	<u>382,393,818</u>	<u>351,236,566</u>

Analysis of Provision for Impairment:

Balance brought forward	9,051,114	9,276,838
Impairment reversed re IFRS 9	(161,474)	(225,724)
Total	<u>8,889,640</u>	<u>9,051,114</u>

Provision for Impairment - SKN Government Debts comprises:

	2020	2019
Government and Statutory Corporation	<u>8,829,634</u>	<u>8,802,260</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

11. RECEIVABLES AND ADVANCES (cont'd)

<i>Loans and Advances</i>	2020	2019
Balance at beginning of year	351,236,566	250,002,745
Additions	40,103,202	173,906,758
Retired or Re-paid	(9,107,424)	(72,898,661)
ECL Adjustment	161,474	225,724
Balance at end of year (net of provision for impairment)	<u>382,393,818</u>	<u>351,236,566</u>
<i>Accrued Interest Receivable</i>	2020	2019
Investments	20,462,431	16,533,126
Loans and Advances	5,619,334	2,812,875
	<u>26,081,765</u>	<u>19,346,001</u>
Balance at Beginning of Year	19,346,001	24,352,368
Interest Earned during the Year	49,246,318	53,656,798
Interest Received during the Year	(42,510,554)	(58,663,165)
Balance at End of Year (Page 5)	<u>26,081,765</u>	<u>19,346,001</u>

As at December 31 2020, the aging analysis of accrued interest is as follows

	Total	Neither past Due nor Impaired	Past Due but not Impaired	
			30 to 90 days	over 90 days
2020	<u>26,081,765</u>	<u>21,514,234</u>	<u>1,838,384</u>	<u>2,729,147</u>
2019	<u>19,346,001</u>	<u>19,346,001</u>	-	-

Interest earned during the year is explained under notes 9 and 10.

CLICO Group of Companies (see note 9 above)

During the year ended December 31, 2010, CLICO (Trinidad) Limited, CLICO (Barbados) Limited, British American Insurance Company (Anguilla) and British American Insurance Company Limited (St. Kitts) reported that these investee entities (all member of CL Financial Limited Group) experienced liquidity problems which created a negative impact in their day-to-day operations and also resulted in their inability to satisfy their investors' expectations. (See note 9). Full settlement for the investment in CLICO (Trinidad) Limited was received in 2016. The principal and outstanding interest which had been fully provided for and legal costs relating to the case were recovered.

Loans Receivable

The loans earn interest at rates ranging from 2% to 7% and have maturity dates ranging from 2020 to 2054.

Collateral Security

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

St. Kitts and Nevis Statutory Bodies and Government Debt

During 2019, the Board approved the consolidation of Development Bank loans and fixed deposits. In addition, an amount of 30 million was also advanced as a part of the consolidation. The new consolidated loan incurs interest at a rate of 3.5% per annum and is repayable over a period of 25 years.

(Expressed in Eastern Caribbean Dollars [XC\$])

11. RECEIVABLES AND ADVANCES (cont'd)

St. Kitts and Nevis Statutory Bodies and Government Debt

A new loan in the amount of 7.486 million was also advanced to Nevis Electricity Limited (NEVLEC) in 2019 to acquire critical equipment to make significant upgrade to the feeders. This loan is repayable over a period of 10 years at an interest rate of 4% per annum.

During 2019, the Board also approved a 20-million-dollar loan for Nevis Island Administration for funding development projects. This loan is repayable over 20 years at an interest rate of 3.5% per annum.

In addition, a loan was approved in 2019 for \$81,000,000 for St Christopher Air and Sea Ports Authority to resurface the landing strips at the Robert Llewellyn Bradshaw International Airport. The loan is to be repaid over 20 years at a rate of 4.5% per annum. At yearend, a total drawdown of \$22,918,548 (2019: \$10,000,000) was made.

12. CONTRIBUTIONS, ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2020	2019 (As restated)	1 January 2019
Non-Current:			
Accounts Receivable and Pre-payment	9,258,000	9,294,000	9,330,000
Provision for Doubtful Debt	(9,258,000)	(9,294,000)	(9,330,000)
TOTAL	-	-	-
Current:			
Contribution Receivable (Note 16)	4,863,983	2,773,232	559,400
Accounts Receivable	2,228,182	2,386,190	2,223,827
Provision for Doubtful Debt	(4,474,338)	(3,365,810)	(2,038,170)
	2,617,827	1,793,612	745,057
Prepayments:			
Prepaid Expenses	403,392	256,591	239,440
Plant and Equipment in Transit	1,270,667	117,630	88,600
	1,674,059	374,221	328,040
TOTAL	4,291,886	2,167,833	1,073,097
Analysis of Provision for Impairment			
	2020	2019	1 Jan 2019
Balance brought forward	12,659,810	11,368,170	11,523,876
Recoveries/ Writebacks	(343,964)	(102,000)	(379,597)
Charge for the Year	1,416,492	1,393,640	223,891
TOTAL	13,732,338	12,659,810	11,368,170

Advance Payment to Contractor

Included in Receivables is an amount of \$9,258,000 (\$2019: \$9,294,000) being advance payment to contractor in relation to the Beacon Heights Project. Management of the Social Security Board carried out a critical and objective review of the recoverability of this account during 2016 and decided to make a full provision for impairment. An amount of \$36,000 was recovered during the year under review.

(Expressed in Eastern Caribbean Dollars [XC\$])

12. CONTRIBUTIONS, ACCOUNTS RECEIVABLE AND PREPAYMENTS *(cont'd)*

Charge for the year

During the year, provision was made for SSMC (\$22,148), Contribution Receivable (\$1,329,847) and Other Receivables (\$64,501) which are considered uncollectible.

Prospective Property - Deposits and Related Expenses on Land Purchase

Deposits and Related Expenses on Land Purchases is an amount of \$59,710,000 (2019: \$67,306,952) which represents deposit and related expenses paid on the purchase of Dale lands and Fountain Estate. The transfer of titles was not finalized at the end of the financial year.

	2020	2019 <i>(As restated)</i>	1 January 2019
Balance Brought Forward	67,306,952	67,306,952	53,306,952
Net Revaluation Surplus	<u>(7,596,952)</u>	-	<u>(1,914,444)</u>
Total Deposits and Related Expenses on Land Purchase	<u>59,710,000</u>	<u>67,306,952</u>	<u>51,392,508</u>

13. ALLOCATION OF NET SURPLUS

	2020	2019 <i>(As restated)</i>
Social Security Fund		
a) Long Term Benefits Fund (Page 6)	34,208,140	15,282,756
b) Short Term Benefits Fund (Page 6)	13,878,451	7,199,297
c) Injury Benefits Fund (Page 6)	<u>17,450,257</u>	<u>15,070,201</u>
	<u>65,536,848</u>	<u>37,552,254</u>
National Provident Fund		
a) Members' Account	73,840	72,757
b) Reserve Fund	<u>(22,873,964)</u>	<u>779,250</u>
Subtotal (Page 6)	<u>(22,800,124)</u>	<u>852,007</u>
NET SURPLUS FOR THE YEAR (Page 6 & 7)	<u>\$ 42,736,724</u>	<u>\$ 38,404,261</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

(Expressed in Eastern Caribbean Dollars [XC\$])

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 Benefit Branches in equal shares.

5) *Distribution of Expenditure*

a) *Benefits and Assistance:*

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

b) *Administrative Expenditure:*

The administrative expenditure of the Board shall be 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

	2020	2019
Sundry Creditors	5,212,983	5,852,305
Accruals	588,386	552,140
Provisions	323,891	345,257
Total (Page 5)	<u>6,125,260</u>	<u>6,749,702</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

16. CONTRIBUTIONS AND FINES RECEIVABLE

At December 31, 2020, the Board decided to incorporate its Contribution Receivables into the Financial Statements in accordance with IFRS 15. This resulted in a prior year adjustment to income in the amount of 2,773,232.

The analysis of the receivables and the ageing are laid out hereunder:

	2020	2019
Current	500	289,769
31 to 60 Days	85,268	360,623
61 to 120 Days	102,394	383,277
121 to 360 Days	1,978,081	1,296,172
More than 360 Days	2,697,740	443,391
Total	<u>4,863,983</u>	<u>2,773,232</u>

17. CAPITAL COMMITMENT

At December 31, 2020, the Social Security Board of Directors approved capital expenditure for the ensuing year in the amount of \$7 million (2019: \$7 million).

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 Government of St. Kitts-Nevis with responsibility for Social Security. The Government of St. Kitts and 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 and Nevis are therefore considered to be related parties of the Social Security Board.

Loans to Government and Statutory Corporations

The balances owed by some of the Statutory Corporations have been guaranteed by the Government of St. Kitts and Nevis. During 2020, a decision was made to write back any provisions made in respect of Development Bank and to reverse all amounts receivable based on the conclusion of the sale of the building to the Bank. An amount of \$307,963 was written back to Income.

	2020	2019
Balance at Beginning of Year	311,167,631	228,519,200
Loans advanced during the year	25,541,159	151,248,612
Loan repayment received	(3,080,324)	(69,456,375)
Interest Income	11,294,547	7,306,424
Interest Received	(9,434,833)	(6,450,230)
Balance at End of Year	<u>335,488,180</u>	<u>311,167,631</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

18. RELATED PARTY TRANSACTIONS *(cont'd)*

Fixed Deposits, Bank Accounts and Treasury Bills with related parties

	2020	2019
Balance at Beginning of Year	831,923,690	929,323,294
Net Advances	(63,309,098)	(96,478,854)
Interest Income	29,057,126	26,101,157
Interest Received	(25,948,892)	(27,021,907)
Balance at End of Year	<u>771,722,826</u>	<u>831,923,690</u>

	2020	2019
Amount Owing by Directors		
Balance at Beginning of Year	46,601	65,481
Loans Advanced during the year	10,000	23,208
Loan Repayment Received	(19,121)	(42,072)
Interest Income	2,327	3,767
Interest Received	(2,047)	(3,783)
Balance at End of Year	<u>37,760</u>	<u>46,601</u>

KEY MANAGEMENT COMPENSATION

The salaries and benefits paid to key management personnel of the Board during the year amounted to \$527,169 (2019: \$613,096).

19. LEASES

The Board as a Lessor

The Board entered into lease agreements with third parties and related parties on its investment properties portfolio, consisting of rental spaces. These leases have terms ranging from one (1) to two (2) years. The agreements require a security deposit equivalent to one month rental rate. These are refundable upon the termination of the contracts after applying against unpaid utility bills and costs to restore the premises to its former condition.

Total rental income earned by the Board from these leases with third and related parties amounted to 0.4 million and 0.7 million in 2020 and 2019, respectively

Future minimum rentals receivable under leases are as follows:

	2020	2019
Within one year	477,660	681,060
After one year but not more than five years	251,025	681,060
	<u>728,685</u>	<u>1,362,120</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

19. LEASES (*cont'd*)

Low-value assets

Rent expense account pertains to payments classified as leases of low-value assets amounting to 1,450 and 800 in 2020 and 2019, respectively.

20. FINANCIAL INSTRUMENTS

a) *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. The Board's policies and procedures in relation to the management of all aspects of market risk is consistent with that of prior year. Market risk comprises the following:

(i) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. Substantially all the Board's transactions and assets and liabilities are denominated in Eastern Caribbean Dollars or United States Dollars. The exchange rate of the Eastern Caribbean dollar to the United States dollar has been formally pegged at EC \$2.70 = \$US \$1.00 since July 1976. 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 government debentures, securities and bonds. To manage interest rate risk, the Board negotiates the best rates possible.

(iii) *Price risk*

The Board is exposed to equity securities price risk because of equity instruments held. The Board's portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange and its exposure to equity securities price risk is not material because the total of these securities is insignificant based on the overall portfolio and there is limited volatility in this market. The Board's investment in overseas equities are also quoted but is considered immaterial in relation to the overall portfolio.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS (cont'd)

b) *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 hierarchy for assets at December 31, 2020 and 2019:

	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant Observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Assets At Fair Value:					
Investment Properties	31-Dec-20	206,363,500	-	206,363,500	-
	31-Dec-19	161,189,577	-	161,189,577	-
Available-for-sale financial assets:					
Quoted equity shares	31-Dec-20	84,466,005	84,466,005	-	-
	31-Dec-19	78,540,932	78,540,932	-	-
Quoted Debt Securities:					
Corporate bonds	31-Dec-20	21,106,420	21,106,420	-	-
	31-Dec-19	9,214,547	9,214,547	-	-
Lands and Buildings					
	31-Dec-20	22,100,000	-	22,100,000	-
	31-Dec-19	13,416,326	-	13,416,326	-

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS *(cont'd)*

b) *Fair Value (cont'd)*

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

Unquoted debt securities are carried at cost less provision for diminution in value. Held-to-maturity investments and loans receivable are carried at fair 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 approximates the stated carrying values based on the appraisal done by the professional evaluators and the Board of Directors in consultation with the Investment Committee.

As stated in Note 9, the evaluator adopted a market-based approach which involved the use of observable market data concerning the selling prices or the rental income for similar properties and incorporated 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 had decided to adopt these values as at December 31, 2020. The use of observable market data resulted in the movement of the investment properties and Lands and Building from level 3 to level 2 during the year ended 31 December 2020.

c) *Liquidity Risk*

Liquidity risk is the risk that the Board is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to meet statutory monthly pension payments.

In order to manage liquidity risk management seeks to maintain sufficient levels on cash and cash equivalents to finance its operations and ongoing projects through:

- i) Regular monitoring of the Board's liquidity position to ensure that requirements can be met including replenishment of funds;
- ii) Maintenance of a portfolio of marketable assets that can be easily liquidated as protection against unforeseen liquidity problems
- iii) Monitoring the liquidity ratios

The Board's policies and procedures in managing liquidity risk is consistent with that of prior year.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS (cont'd)

c) Liquidity Risk (cont'd)

The Following table summarizes the maturity profile of the Board's financial assets and liabilities analyzed into groupings based on the remaining periods from the Statement of Financial Position date to contractual maturity dates.

Assets: Year Ended December 31, 2020

	Due within 1			Total
	Year	> 1 Yr to 5 Yrs	> 5 Years	
Cash and Cash Equivalents	18,480,614	-	-	18,480,614
Accrued Interest Receivable	26,081,765	-	-	26,081,765
Contribution, Accounts Receivable and Prepaid Expenses	4,291,886	-	-	4,291,886
Prospective Property	59,710,000	-	-	59,710,000
Loans and Advances	-	(233,017)	382,626,835	382,393,818
Investment Securities	821,661,208	77,797,220	319,275,589	1,218,734,017
Total Assets	930,225,473	77,564,203	701,902,424	1,709,692,100

Liabilities: Year Ended December 31, 2020

Accounts Payable	3,953,201	-	-	3,953,201
Other payables	6,125,260	-	-	6,125,260
Total Liabilities	10,078,461	-	-	10,078,461
Net Liquidity Gap	920,147,012	77,564,203	701,902,424	1,699,613,639

Assets: Year Ended December 31, 2019

	Due within 1			Total
	Year	> 1 Yr to 5 Yrs	> 5 Years	
Cash and Cash Equivalents	43,814,786	-	-	43,814,786
Accrued Interest Receivable	19,346,001	-	-	19,346,001
Contribution, Accounts Receivable and Prepaid Expenses	2,167,833	-	-	2,167,833
Prospective Property	67,306,952	-	-	67,306,952
Loans and Advances	-	(1,646,508)	352,883,074	351,236,566
Investment Securities	851,455,615	73,342,523	260,990,771	1,185,788,909
Total Assets	984,091,187	71,696,015	613,873,845	1,669,661,047

Liabilities: Year Ended December 31, 2019

Accounts Payable	2,076,339	-	-	2,076,339
Other payables	6,749,702	-	-	6,749,702
Total Liabilities	8,826,041	-	-	8,826,041
Net Liquidity Gap	975,265,146	71,696,015	613,873,845	1,660,835,006

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS *(cont'd)*

d) 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 December 31, 2020 is adequate.

Credit risk management

The following sections discusses the Board's credit risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the Board uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9 measurement purposes. This is discussed separately in note 20 (e) on sensitivity analysis.

Credit risk in respect of cash balances and deposits with banks are managed through diversification of bank deposits and banking with reputable banks.

The board monitors the credit quality of borrowers and investees by reviewing their financial reports. It is the policy of the Board to deal with credit worthy counterparties.

Loans and advances (incl. loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Board measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 which are further outlined later in this note.

Credit risk grading

The Board uses internal credit risk grading that reflects its assessment of the probability of default individual counterparties. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model.

In addition, the models enable expert judgement from management to be fed into the final internal rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS (cont'd)

d) Credit risk (cont'd)

Credit risk grading (cont'd)

The Board's rating scale and mapping of external ratings are set out below:

	Moodys	RATING CODE	CATEGORY
Category 1 Investment Grade	Aaa	1	CATEGORY 1
	Aa1	2	CATEGORY 1
	Aa2	3	CATEGORY 1
	Aa3	4	CATEGORY 1
	A1	5	CATEGORY 1
	A2	6	CATEGORY 1
	A3	7	CATEGORY 1
	Baa1	8	CATEGORY 1
	Baa2	9	CATEGORY 1
	Baa3	10	CATEGORY 1
Category 2 Non-Investment	Ba1	11	CATEGORY 2
	Ba2	12	CATEGORY 2
	Ba3	13	CATEGORY 2
Category 3 Medium Risk	B1	14	CATEGORY 3
	B2	15	CATEGORY 3
	B3	16	CATEGORY 3
Category 4 High Risk	Caa1	17	CATEGORY 4
	Caa2	18	CATEGORY 4
	Caa3	19	CATEGORY 4
	Ca	20	CATEGORY 4
	Ca	21	CATEGORY 4

The PDs from Moodys are issued by rating category. Therefore, the instrument's rating is essential to the calculation.

As most of the instruments are investment grade, their ratings were available on the Moodys website.

However, St Kitts and St Lucia are not rated by international agencies and thus a surrogate rating had to be derived for the model. In arriving at this, the Board considered relationships between three macroeconomic variables (GDP, Debt/GDP and Inflation) and bond ratings for similar territories in the region and derived a rating through a combined process of regression and interpolation.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS *(cont'd)*

d) *Credit risk (cont'd)*

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Board.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired (see below).
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3' (see note 2 (f)(ii))
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis (see note 2 (f) (ii) & 20 (d) (page 55).
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage	Type	Impact on P&L
Stage 1	Initial recognition (Performing assets)	<ul style="list-style-type: none"> • 12-month expected credit losses • Interest on gross carrying amount
Stage 2	Assets with significant increase in credit risk (SICR) since initial recognition (Underperforming assets)	<ul style="list-style-type: none"> • Lifetime expected credit losses • Interest on gross carrying amount
Stage 3	Credit-impaired assets (Non performing assets)	<ul style="list-style-type: none"> • Lifetime expected credit losses • Interest on net carrying amount (i.e. after provisioning)

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS (cont'd)

d) Credit Risk (cont'd)

Staging Assumptions

At each balance sheet date, the Board is required to determine whether there is a SICR for each instrument by comparing the relative ratings of the issuers at origination and as of the balance sheet date.

For this purpose, the Board examines the historical ratings on Moodys at or near the purchase date and compared it to the ratings at the balance sheet date and focused on whether downgrades (if any) represented a SICR.

Any movement (up or down) within the Investment Grade category was considered as not indicative of SICR. All other movements of two or more notches down were considered SICR.

The study concluded that there were no instruments with SICR.

For unrated instruments (St Kitts and St Lucia), the Board examined whether there was a growth or decline in GDP over the period 2018 to 2020 (2019: 2009 to 2019) (the historical data period used for the forward-looking assessment).

The results show a decrease in GDP in 2020 when compared to 2019 for both Saint Kitts and Nevis and St. Lucia Bonds. However, the overall ranking of the St Kitts and Nevis Bonds when compared to the other regions did not change. Therefore, it assumed that there was no SICR over the period.

	2020	2019	Growth or Decline
Saint Kitts and Nevis	-18.7	2.8	-21.5
Saint Lucia	-18.9	1.7	-20.6

Credit Risk Exposure

-Maximum Exposure to credit risk - Financial Instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of the financial assets below also represents the Board's maximum exposure to credit risk on these assets.

	Stage 1	Stage 2	Stage 3	2020	2019
Staff Loans	1,864,288	361,413	22,225	2,247,926	5,199,132
Expected Credit Loss Rate	1.20%	1.20%	100%	2.20%	4.80%
Loans to Government and Statutory Bodies	327,109,225	-	17,623,430	344,732,655	340,790,647
Expected Credit Loss Rate	0.19%	0.00%	46.70%	2.56%	2.58%
Notes and Bonds	89,370,224	248,606	-	89,618,830	88,793,529
Expected Credit Loss Rate	0.05%	0.84%	0.00%	0.05%	0.05%
Contribution Receivable	-	-	4,863,983	4,863,983	2,773,232
Expected Credit Loss Rate	0.00%	0.00%	52.97%	52.97%	44.95%
Total	418,343,737	610,019	22,509,638	441,463,394	437,556,540

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS (cont'd)

d) *Credit Risk (cont'd)*

Collateral and other credit enhancements

The Board generally employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Board has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. A valuation of the collateral obtained is carried out as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for the loans and advances are:

- Mortgages over residential properties
- Bills of sale and assignment of collateral such as motor vehicles.
- Charges over financial instruments such as liens on fixed and other deposits and Staff Supplemental Benefit Pension.

Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed and government-guaranteed securities.

There have been no significant changes in obtaining collateral and in the overall quality of the collateral held by the Board during the reporting period.

The Board monitors collateral held for financial assets considered to be credit impaired as it become likely that the Board will take possession of the collateral to mitigate credit losses.

Financial assets that are credit impaired and related collateral held in order to mitigate potential losses are shown below:

	2020			
	Gross Exposure	Impairment Allowance	Carrying Amount	Fair Value of Collateral Held
Credit Impaired Assets				
Contribution Receivable	4,863,983	(2,576,381)	2,287,602	-
Loans to Staff	22,225	(17,712)	4,513	80,000
<i>Loans to Gov't & Statutory Bodies:</i>				
<i>Mortgages</i>				
Land	5,737,565	(9,269)	5,728,296	5,567,342
Other	338,992,120	(8,830,352)	330,161,768	-
	<u>349,615,893</u>	<u>(11,433,714)</u>	<u>338,182,179</u>	<u>5,647,342</u>

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS (cont'd)

d) *Credit Risk (cont'd)*

	2019			Fair Value of Collateral Held
	Gross Exposure	Impairment Allowance	Carrying Amount	
Credit Impaired Assets				
Contribution Receivable	2,773,232	(1,246,534)	1,526,698	-
Loans to Staff	213,303	(213,303)	-	215,000
<i>Loans to Gov't & Statutory Bodies:</i>				
<i>Mortgages</i>				
Land	5,569,782	(8,998)	5,560,784	5,567,342
Other	335,221,796	(8,793,262)	326,428,534	-
	343,778,113	(10,262,097)	333,516,016	5,782,342

Write off policy

The Board writes off financial assets in whole or in part when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity (ii) where the Board's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Board may write off financial assets that are still subject to enforcement activity. However, there were no assets written off during the year under review.

The Board still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Modifications of Financial Assets

The Group sometimes modifies the terms of loans with a view to maximizing recovery. Such restructuring activities which are minimal include extended payment term arrangements. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payments will most likely continue.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Board monitors the subsequent performance of modified assets. The Board may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for twelve consecutive months or more.

The Board continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS (cont'd)

d) Credit Risk (cont'd)

Significant increase in credit risk (SICR)

The Board assesses at each balance sheet date whether there is a SICR for each instrument. A financial instrument is said to have experienced a significant increase in credit risk when one or more of the following quantitative or backstop criteria have been met. If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not deemed to be credit impaired.

Quantitative criteria

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognized, so that it exceeds the relevant threshold per table below

Moody's rating	S&P Equivalent	Corporate Range		Sovereign Range	
		From	To	From	To
Aaa	AAA	0.0000%	0.0000%	0.0000%	0.0000%
Aa1	AA+	0.0000%	0.0000%	0.0540%	0.1111%
Aa2	AA	0.0000%	0.2309%	0.0540%	0.1111%
Aa3	AA-	0.0450%	0.2569%	0.0540%	0.1111%
A1	A+	0.0680%	0.1692%	0.0340%	0.4467%
A2	A	0.0460%	0.3859%	0.0340%	0.4467%
A3	A-	0.0530%	0.4439%	0.0340%	0.4467%
Baa1	BBB+	0.1220%	0.1209%	0.1875%	0.2949%
Baa2	BBB	0.1610%	0.3787%	0.1875%	0.2949%
Baa3	BBB-	0.2370%	0.4587%	0.1875%	0.2949%
Ba1	BB+	0.4310%	0.9098%	0.5060%	0.9240%
Ba2	BB	0.7350%	0.0730%	0.5060%	0.9240%
Ba3	BB-	1.3580%	0.3526%	0.5060%	0.9240%
B1	B+	1.9910%	0.8991%	2.6190%	1.3789%
B2	B	3.0030%	0.4665%	2.6190%	1.3789%
B3	B-	4.8970%	0.1803%	2.6190%	1.3789%
Caa-1	CCC+	7.9030%	0.0000%	11.7090%	1.4787%
Caa-2	CCC	7.9030%	0.0000%	11.7090%	1.4787%
Caa-3	CCC-	7.9030%	0.0000%	11.7090%	1.4787%
Ca	CC	30.6740%	0.0000%	11.7090%	1.4787%
Ca	C	30.6740%	0.0000%	11.7090%	1.4787%

Qualitative Criteria

If the borrower meets one or more of the following criteria:

- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last twelve months
- Significant increase in credit spread
- Significant adverse changes in business, financial and economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value which is expected to increase risk of default
- Early signs of cashflow/ liquidity problems such as delay in servicing of trade creditors/loans

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS *(cont'd)*

d) *Credit Risk (cont'd)*

Significant increase in credit risk (SICR) *(cont'd)*

The assessment of significant increase in credit risk incorporates forward looking information and is performed on a quarterly basis for all financial instruments held by the Board. A watchlist is used to monitor credit risk and this assessment is performed on a periodic basis. The criteria used in the assessment are monitored by management and reviewed periodically for appropriateness.

Backstop

A backstop is applied, and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. The Board has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2020.

Definition of default and credit impaired assets

The Board defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria:

The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s) An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Board and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure of Default (EAD) and Loss given Default (LGD) throughout the Boards' expected loss calculations.

The Board has adopted the 90 days past due presumption under IFRS 9 for the loan's portfolio. This will be monitored and reviewed on an annual basis to ensure it remains appropriate. An instrument is therefore considered to no longer be in default (i.e., to have cured) when it no longer meets any of the default criteria for a consecutive period of three months.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS *(cont'd)*

d) *Credit Risk (cont'd)*

Significant increase in credit risk (SICR) *(cont'd)*

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12m) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether as asset is considered to be credit-impaired (See Note above). Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above) either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For bond instruments, PD's are calculated using the cumulative number of defaults by instrument rating over the total number of bonds in issue. These are further adjusted to arrive at independent/unconditional probabilities. Forward looking PDs were determined using three independent macroeconomic variables which were weighted using a normal distribution curve. Linear regression was therefore used to predict values to arrive at a forward multiple (Note 20).
- EAD is based on the amounts the Board expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Board includes the current drawn balance plus any further amount that is expected to be drawn to the current contractual limit by the time of default, should occur. For each bond, EAD's are the future monthly balances on the bond until maturity which essentially remains the same for non-amortizing bonds.
- Loss Given Default (LGD) represents the Board's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12 months LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not repaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting dated and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying the maturity profiles. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS *(cont'd)*

d) *Credit Risk (cont'd)*

Measuring ECL - Explanation of inputs, assumptions and estimation techniques (cont'd)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies.

For amortizing loans and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default.

For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values and recovery costs observed.

For unsecured product, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collections strategies.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 20 (e) for explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. -are monitored and reviewed on a regular basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

If the financial instrument is credit impaired, the financial instrument is moved to Stage 3. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of the lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis.

Forward-looking information incorporated in ECL models.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Board has performed historical analysis so that consideration was given to different forward looking macroeconomic scenarios. This is because there may be nonlinear relationships between different forward-looking scenarios and their associated credit losses that materially impact ECL. Judgment is required to determine the appropriate number of scenarios that will capture material non-linearities. The relationship between macroeconomic factors and default rates was therefore assessed.

For this assessment, the Board used 5 years of historical data in each scenario, identified three key macroeconomic types of data (GDP, Debt/GDP and inflation) and assessed the best predictor of default rates. Unemployment data was not available for St Kitts- Nevis.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS *(cont'd)*

d) *Credit Risk (cont'd)*

Forward-looking information incorporated in ECL models (cont'd)

Linear regression was applied to establish the relationship and to predict future data (e.g., the impact on an x% change on predicted GDP on historical default data. The baseline predictions of macroeconomic data were based on information from the IMF. In estimating the future economic data, a probability weighted approach based on two scenarios was used i.e., IMF baseline and Trend alternative case and a normal distribution curve was used to establish the probability weighted approach. This was more efficient in comparison to compiling histograms and thereafter deriving actual cumulative distributions. In most cases, the IMF baseline predictions received higher weightings.

The final multiple was based on the weighted average of R squared results. Overall, the R squared values were fairly low which suggests that there is limited relationship between macroeconomic data and default data. Having regard for the multiple scenarios used to overcome the limitations, the Board is satisfied that the results are appropriate.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Board considers these forecasts to represent its best estimate of the possible outcomes.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative, or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

Staff Loan portfolios

- i.* House price index, given significant impact it has on mortgage collateral valuations; and
- ii.* Unemployment rate, given its impact on secured and unsecured borrowers' ability to meet their contractual repayments.

External Loan

- i.* GDP, given the significant impact on companies' performance and collateral valuations; and
- ii.* Interest rate, given its impact on companies' likelihood of default.

(Expressed in Eastern Caribbean Dollars [XC\$])

20. FINANCIAL INSTRUMENTS *(cont'd)*

d) *Credit Risk (cont'd)*

Sensitivity analysis (cont'd)

Set out below are the changes to the ECL as at 31 December 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Board's economic variable assumptions.

	AVERAGE	RANK	2019	2020
GDP				
Barbados	-2.03	8	-0.1	-17.6
Bahamas	-1.39	6	1.2	-16.3
Dominican Republic	3.97	1	5.1	-6.7
Belize	0.40	2	1.8	-14.1
Jamaica	-0.84	4	1	-10.2
Trinidad and Tobago	-1.53	7	-1.2	-7.8
Saint Kitts and Nevis	-0.10	3	2.8	-18.7
Saint Lucia	-0.85	5	1.7	-18.9
DEBT/GDP				
Barbados	131.75	8	126.5	149
Bahamas	46.45	3	58.8	68.6
Dominican Republic	46.37	2	53.5	69.4
Belize	97.15	6	97.5	127.4
Jamaica	125.79	7	94.3	105.6
Trinidad and Tobago	32.19	1	46.5	59.4
Saint Kitts and Nevis	95.05	5	56.3	65.5
Saint Lucia	61.65	4	46.5	59.4
INFLATION				
Barbados	3.52	5	4.1	2.9
Bahamas	1.42	4	2.5	0
Dominican Republic	3.55	6	1.8	3.8
Belize	0.89	2	0.2	0.1
Jamaica	6.71	8	3.9	5.2
Trinidad and Tobago	4.92	7	1	0.6
Saint Kitts and Nevis	0.67	1	-0.3	-0.6
Saint Lucia	0.89	2	0.5	-1.8

The smaller the ranking number, the better the economy. The smaller the rating code, the higher the bond rating. Therefore, the line would be upward sloping to indicate a positive correlation between a good performing economy and its rating.

Grouping of instruments for losses measure on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group or homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Board will consider benchmarking internal/external supplementary data to use for modelling purposes. At the yearend instruments were not grouped for measurement of losses on a collective basis.

(Expressed in Eastern Caribbean Dollars [XC\$])

21. EFFECTS OF RESTATEMENT

The comparative figures for 2019 financial statements were restated to reflect the recognition contribution receivables that were not recorded in prior years. The effect of the restatement to the statement of financial position, income and expenditure account and statement of comprehensive income follows:

	1 January 2019 (As previously reported)	Adjustment	1 January 2019 (As restated)
<i>Statement of Financial Position</i>			
Other Investments	1,374,305,164	(259,647,849)	1,114,657,315
Loans and Advances	-	250,002,745	250,002,745
Total Noncurrent Assets	1,552,654,693	(9,645,104)	1,543,009,589
Cash and Cash Equivalents	15,851,582	9,645,104	25,496,686
Contribution, Accounts Receivable and Prepayments	51,906,205	(50,833,108)	1,073,097
Prospective Property	-	51,392,508	51,392,508
Total Current Assets	92,110,155	10,204,504	92,669,555
Social Security Fund			
Long Term Benefits Fund	1,179,099,646	406,836	1,179,506,482
Short Term Benefits Fund	153,592,578	101,710	153,694,288
Employment Injury Benefits Fund	251,243,025	50,854	251,293,879
Total Funds	1,637,541,059	559,400	1,638,100,459
<hr/>			
	2019 (As previously reported)	Adjustment	2019 (As restated)
<i>Statement of Financial Position</i>			
Other Investments	1,379,514,831	(354,915,499)	1,024,599,332
Loans and Advances	-	351,236,566	351,236,566
Total Noncurrent Assets	1,555,553,934	(3,678,933)	1,551,875,001
Cash and Cash Equivalents	40,135,853	3,678,933	43,814,786
Contribution, Accounts Receivable and Prepayments	67,948,091	(65,780,258)	2,167,833
Prospective Property	-	67,306,952	67,306,952
Total Current Assets	127,429,945	5,205,627	128,956,639
Social Security Fund			
Long Term Benefits Fund	1,193,744,627	1,044,611	1,194,789,238
Short Term Benefits Fund	160,591,187	302,397	160,893,584
Employment Injury Benefits Fund	266,184,393	179,687	266,364,080
Total Funds	1,674,157,837	1,526,695	1,675,684,532
<i>Income and Expenditure Account</i>			
Contributions	99,598,552	2,213,831	101,812,383
Provision for Impairment - ECL	(1,689,678)	1,246,534	(443,144)
Net Surplus of the Year	37,436,965	967,297	38,404,261
<i>Statement of Comprehensive Income</i>			
Total Comprehensive Income for the year	37,436,965	967,297	38,404,261

(Expressed in Eastern Caribbean Dollars [XC\$])

22. CONTINGENT LIABILITY

There were no contingent liabilities at the year end.

23. 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).

24. RESERVE FUND

The following describes the nature and purpose of each reserve within the 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, 1799;
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 the National Provident Fund Act 1968, this represents fines and penalties collected, contributions by employers or workers which may not be allocated to individual accounts and any other monies authorized to be paid into the fund;
Revaluation Reserve	Gains and Losses on revaluation of the Board's freehold properties, and realized gains/losses on available for sale investments
Staff Supplemental Benefit Reserve	Staff supplemental benefits to be paid to the Board's staff members.

25. SUBSEQUENT EVENTS

There are no subsequent events to which the Board is aware.