



The National Insurance Board
of Trinidad and Tobago

2012 ANNUAL REPORT

40 YEARS OF SERVICE EXCELLENCE

2012

ANNUAL REPORT

40 YEARS OF SERVICE EXCELLENCE

Every touch leaves an impression, and for over 40 years, the National Insurance Board of Trinidad and Tobago (NIBTT) has left an indelible mark upon the lives of our 600,000 plus valued customers. We are a dynamic organisation born out of the need to safeguard the financial future of our people against the economic and social distress caused by loss of earnings arising out of retirement, work-related injuries and other contingencies.

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OUR MISSION

“TO DELIVER MEANINGFUL SOCIAL SECURITY PRODUCTS AND SERVICES TO OUR CUSTOMERS”

**IN THAT REGARD, WE ARE COMMITTED TO
PROFESSIONAL AND PRUDENT MANAGEMENT
OF THE NIBTT’S RESOURCES TO ENSURE:**

- access to an array of benefit products relevant to the needs of benefit recipients;
- benefit levels that are meaningful in terms of real purchasing power and poverty alleviation;
- affordable contribution rates for employers, employees and the self-employed;
- support for national social initiatives.

OUR VISION

“EXCELLENCE IN THE PROVISION OF SOCIAL SECURITY”

**IN STRIVING FOR EXCELLENCE,
WE COMMIT OURSELVES TO:**

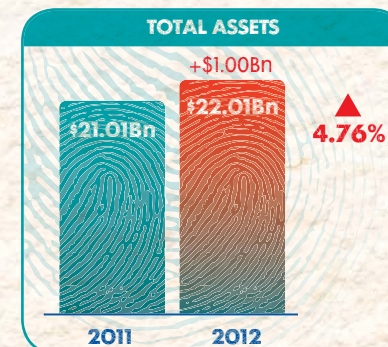
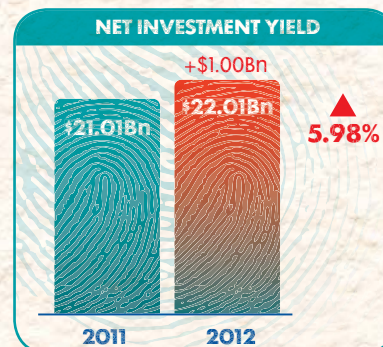
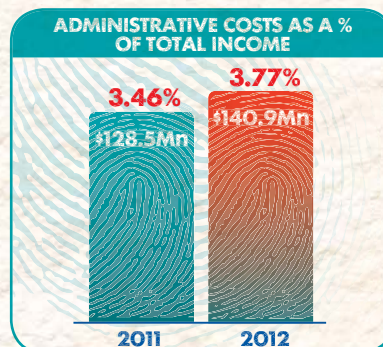
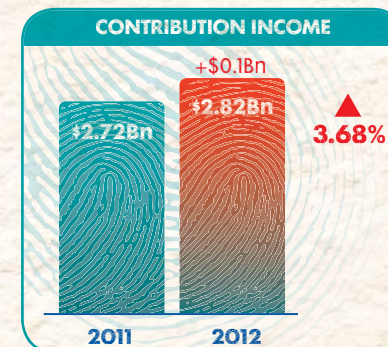
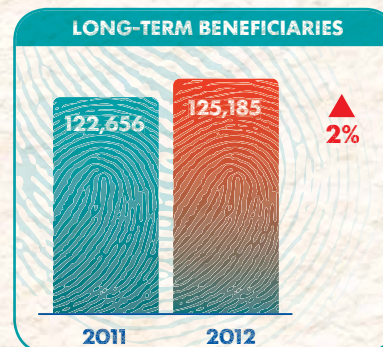
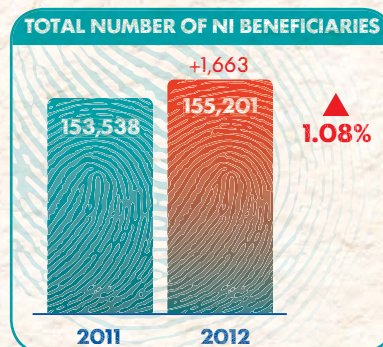
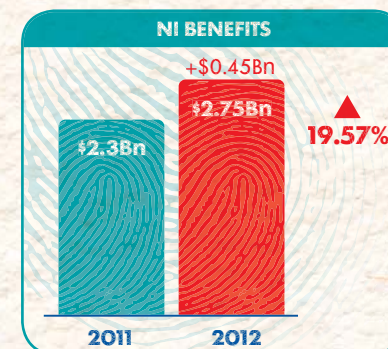
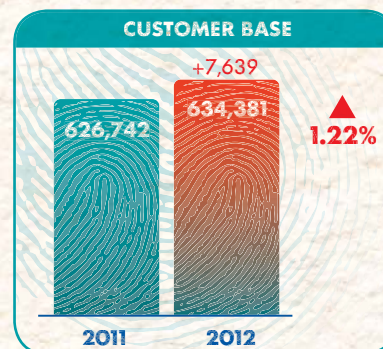
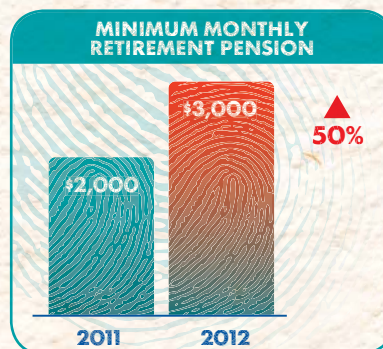
- providing caring and courteous service to customers in safe, pleasant and convenient surroundings;
- efficient, effective and timely delivery systems;
- expanding coverage and the range of social security products we offer;
- ensuring financial sustainability through effective contribution income collection and prudent investment strategies that grow the National Insurance Fund;
- creating an atmosphere of optimism, teamwork, resourcefulness and well-being for our employees.



OUR CORE VALUES

- **CUSTOMERS AND OTHER STAKEHOLDERS**
We recognise that meeting and exceeding the expectations of our stakeholders must guide our decision making and behaviour.
- **EMPLOYEE DEVELOPMENT AND RECOGNITION**
We are a performance driven organisation committed to facilitating the continuous development of all employees to their fullest potential.
- **MUTUAL RESPECT**
We value and respect each other as persons, professionals and team members subscribing to the same mission, vision and values.
- **TRANSPARENCY**
We are honest, open, clear and timely in communicating and conducting our business affairs with each other, our customers and business associates.
- **INTEGRITY**
We are committed to high standards of personal and professional integrity and ethical behaviour.
- **FAIRNESS**
We strive to be fair and equitable in our treatment of all stakeholders.
- **LOYALTY**
We are committed to protecting the assets and ensuring the best interests of the NIBTT and will avoid doing anything to tarnish its reputation and corporate image.
- **TEAMWORK**
We promote collaborative development as we work, learn and strive for excellence together.

HIGHLIGHTS OF FY2012



PERFORMANCE INDICATORS FY2012

CLAIMS	2010	2011	2012	INCREASE/ DECREASE 2010-2012%	INCREASE/ DECREASE 2011-2012%
Beneficiaries	147,342	153,538	155,201	5.33	1.08
Long-Term Beneficiaries	116,889	122,656	125,185	7.1	2.06
New Claims Paid	40,782	40,514	33,821	(17.07)	(16.52)
COMPLIANCE					
Customer Base	600,622	626,742	634,381	5.62	1.22
Contributors	482,839	484,979	489,553	1.39	0.94
Employers	18,820	19,107	19,643	4.37	2.81
Employers Surveyed	7,987	7,409	5,281	(33.88)	(28.72)
INCOME AND YIELD					
Income	\$2.65Bn	\$2.72Bn	\$2.82Bn	6.42	3.68
Realised Investment Income	\$847.3Mn	\$977.8Mn	\$852.5Mn	0.61	(12.81)
Other Income	\$23.52Mn	\$18.41Mn	\$66.59Mn	183.12	261.71
Benefit Payments	\$2.18Bn	\$2.30Bn	\$2.75Bn	26.15	19.57
Administrative Costs	\$126.1Mn	\$128.5Mn	\$140.9Mn	11.74	9.65
Administrative Cost as a % of Contribution Income	4.76%	4.72%	5.00%	0.24%	0.28%
Administrative Cost as a % of Total Income	3.58%	3.46%	3.77%	0.19%	0.31%
Net Yield of Portfolio (Realised Income)	5.66%	6.67%	5.98%	0.33	(0.68)
Net Yield of Portfolio (Realised Income and Unrealised)	6.19%	12.06%	6.58%	0.26	(5.61)
Total Funds and Reserves	\$18.51Bn	\$20.90Bn	\$21.89Bn	18.26	4.74
TOTAL ASSETS	\$18.58Bn	\$21.01Bn	\$22.01Bn	18.46	4.76

CORPORATE INFORMATION

HEAD OFFICE

NIB House
2A Cipriani Boulevard
Port of Spain
Trinidad and Tobago, W.I.
Tel: (868) 625-2171-8
Fax: (868) 627-1787
NIBTT Hotline: 663-4NIS (4647)
Email: info@nibtt.net
seminars@nibtt.net
pr@nibtt.net
claims@nibtt.net

Website: www.nibtt.net



Find us on Facebook



[@nibttsocial.com](https://twitter.com/nibttsocial)

BANKERS

First Citizens
9 Queen's Park West
Port of Spain
Trinidad and Tobago, W.I.

Republic Bank Limited
9-17 Park Street
Port of Spain
Trinidad and Tobago, W.I.

AUDITORS

KPMG
Scotia Centre
56-58 Richmond Street
Port of Spain
Trinidad and Tobago, W.I.

SERVICE CENTRES

Cor. Woodford &
Sorzano Streets
ARIMA
Tel: 667-2231-3
Fax: 664-0844

35-36 Fifth Street
BARATARIA
Tel: 638-3522, 638-5008
Fax: 674-6497

Corner Market &
Ramsaran Streets
CHAGUANAS
Tel: 665-5848
Tel/Fax: 665-5188

2 Captain Watson Street
Exchange Lots
COUVA
Tel: 636-2347
Fax: 636-0820

85 Abercromby Street
PORT OF SPAIN
Tel: 625-8302/3, 1034, 2143,
623-0445
Fax: 625-8338

7A Techier Main Road
POINT FORTIN
Tel/Fax: 648-3128

Marlson's Building
Charlotte & High Streets
PRINCES TOWN
Tel/Fax: 655-2226

Lalla's Building
Naparima/Mayaro Road
RIO CLARO
Tel/Fax: 644-2253

Henderson Street
SANGRE GRANDE
Tel: 668-4120
Fax: 668-2719

Grell Street
SIPARIA
Tel: 649-2212
Fax: 649-2778

27 Harris Promenade
SAN FERNANDO
Tel: 652-4247, 2649
Fax: 653-3033

Corner Wrightson Road
& Luis Street
WOODBROOK
Tel: 622-4013, 1438
Fax: 628-8340

Eastern Main Road
TUNAPUNA
Tel: 662-4444, 2514
Fax: 662-5671

Rapid Response Building
Mount Marie Road
Scarborough
TOBAGO
Tel: 639-3842-3, 2135

CHAIRMAN'S REVIEW 2012

June 30, 2012 marked the first full year of operations for the new Board of Directors. During the year, the Board steered the NIBTT through several stages of benefit expansion, organisational restructuring and legislative amendments to ensure that the organisation was properly poised to continue to deliver on its promise of social insurance protection to our customers.

The organisation's successes must be recognised. The financial year was challenging in more ways than one due to the continued economic slowdown and protracted staff negotiations that sometimes proved disruptive; but we remained focussed on the enhancement of stakeholder value.

Over the past year, the Board of Directors worked diligently in reviewing our capital structure, reducing fixed costs and expanding our service deliverables. Our continued focus on providing quality service to a diverse and an increasingly global customer base requires that we stay abreast of the changing national and international landscape in order to understand the evolving needs of our customers, particularly as they relate to the provision of social insurance coverage. In this regard, the NIBTT has been making deliberate efforts to improve, adapt and implement new systems.

TRANSFORMATION AND DELIVERY

The NIBTT must continually strengthen its business processes and rejuvenate its intellectual capital. We placed our focus on attaining higher levels of efficiency and on achieving an environment that rewards meritocracy and performance.

The Board began putting measures in place to systematically approach all matters which required attention. The Board and Management also began to work together toward a strategically focussed vision for the NIBTT. In so doing, we refocussed on strategies to address the financial uncertainties,

evolving demographic trends and social ills.

The Board also took active steps to review a range of developments affecting the National Insurance System. In keeping with its strategies, the Board commenced and completed the 8th Actuarial Review; increased the minimum monthly retirement pension from \$2,000.00 to \$3,000.00 and increased the maternity payment to fourteen weeks. The Board also made significant progress with the extension of coverage to the self-employed in Trinidad and Tobago, infrastructural improvements to the NIBTT's offices, organisational restructuring, and the development of the NIBTT's FY 2013 operations plan.

INVESTMENT REFORM

Without a doubt, it is our investment portfolio that fortifies what I believe is an important commitment to our stakeholders and which underpins the NIBTT's ability to pay claims and provide social insurance protection when our customers need it. We continue to review our investments to ensure that they best represent the interests of the National Insurance Fund and all of our stakeholders.

We primarily invest for the long-term and our strong cash flows give us the ability to pursue this objective. The continuing investment climate requires that we constantly examine our approach to investing to determine the best strategies that would allow us to fulfill long-term obligations. Over the period under review, the services of an independent consultant were engaged with the aim of effectively restructuring the Investment Unit, policies and processes.

In this regard, the Investment Unit concentrated on the development and subsequent approval of a new investment policy statement during the year. The Board also tabled a number of options which, if carefully implemented, have the potential



to realise enhanced returns in a secure and sustainable manner over the medium term.

The development of a new investment policy and the restructuring of the Investment Unit are key accomplishments, which I trust will be instrumental in delivering the objective of preserving capital while sustainably earning the level of returns necessary to give the organisation its best chance of meeting or exceeding its long-term obligations.

FOCUS ON OUR CUSTOMERS

We recognised that improvements to service standards are required in both the short and long term to make the organisation more socially focussed on excellence. We also recognised that a commitment to ethics and integrity is at the heart of how the NIBTT operates. It is a fundamental expectation of our employees and defines the way that we conduct business.

Through the diligent efforts of the Board of Directors, the necessary legislation was enacted to waive the penalty and interest on National Insurance due prior to September 5, 2011 and paid by June 30, 2012. This resulted in the collection of over \$36 Mn in outstanding contributions.

The Board of Directors also approved the commencement of the 8th Actuarial Review of the National Insurance System of Trinidad and Tobago and played a direct role in its conduct. This review and the accelerated Special Actuarial Review, resulted in the implementation of the \$1,000 monthly increase in the minimum Retirement Pension from February 2012. The recommendations of the 8th Actuarial Review also support the enhancement of other National Insurance benefits in the medium term.

At the inception of the National Insurance System in 1972, provisions were made for the

coverage of self-employed persons. During the financial year, the Board reviewed management proposals and made recommendations for implementation of this coverage.

FOCUS ON OUR EMPLOYEES

Investment in our Human Resource capital is important to the development of the NIBTT. By committing to cultivating talent and leadership throughout the organisation, we are ensuring the success of the National Insurance System for decades to come. During the year, we continued to hone our skills as a Board and we committed considerable time to Management and the Board's succession planning, enhancements to knowledge management and changes to the organisation's human resource capacity. We will use the organisation's inner strengths and competences as we endeavour to rejuvenate the NIBTT in the near future.

Notwithstanding the best efforts of the Chairman and the Board of Directors, we were still unable to secure the requisite approval to offer the appropriate level of compensation necessary to attract the quality of experience needed to augment and complement the very talented team of professionals at the NIBTT in order to challenge and fundamentally improve upon the otherwise predictable future.

LOOKING TO THE FUTURE

As we move forward, strategy execution is paramount and wholly dependent upon the talent and effort of nearly 700 NIBTT employees. I am confident that we will strive toward maximising our stakeholders' expectations while providing enhanced customer satisfaction.

Our direction requires us to embrace collaboration and diversity. It requires that we understand where

our skills are deep and strong, where we need to work harder to develop capabilities and talents among our current employees and where we need to seek fresh ideas. We believe that the NIBTT is capable of delivering even more value to our customers, our stakeholders and to our employees.

As I pass the baton to the new Chairman and his team, I have every confidence in their ability to build upon the solid foundation laid over the past two years and to continue leading the NIBTT on a path towards a secure and sustainable future.

APPRECIATION

I thank both Honorable Ministers of Finance and the Economy for their full and continued support during the financial year. On behalf of the Board of Directors, I extend sincere thanks to the Management Team and Staff for their hard work, dedication and vision. The achievements during the year would not have been possible without the active involvement of our stakeholders, including the business and labour sectors. We extend our thanks to them for their continued support of the National Insurance System of Trinidad and Tobago.



Ravi Ramoutar

RAVI RAMOUTAR
Chairman
September 28, 2012

CORPORATE GOVERNANCE STRUCTURE

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BOARD OF DIRECTORS

The NIBTT is governed by a tripartite Board of Directors consisting of members nominated by Government, Business and Labour and the Executive Director as an Ex-officio member. The Board is led by a Chairman, who, in the opinion of the Minister of Finance and the Economy, is independent of Government, Business and Labour.





CHAIRMAN

- ① RAVI RAMOUTAR

GOVERNMENT NOMINEES

- ② SYLVESTER RAMQUAR (DEPUTY CHAIRMAN)
③ HARRY HOSPEDALES
④ ALBERT VINCENT

BUSINESS NOMINEES

- ⑤ WALTON HILTON-CLARKE
⑥ RUBEN MCSWEEN
⑦ SEERAM K. MAHARAJ

LABOUR NOMINEES

- ⑧ JOHN BOISSELLE
⑨ ANN CHAN CHOW
⑩ ERMINE DE BIQUE-MEADE

EXECUTIVE DIRECTOR

- ⑪ LORNA CHARLES (EX-OFFICIO)

BOARD COMMITTEES

The Board is responsible for the development of an appropriate framework to govern the operations of the NIBTT through a number of measures, including the establishment of Board Committees. These Committees undertake the development of specific functions and make recommendations to the Board.

INVESTMENT COMMITTEE

Ravi Ramoutar
Chairman
Albert Vincent
Member
Ian Saleem Narine
Member (External Government)
Ruben McSween
Member
Peter Clarke
Member (External Business)
Ermine De Bique-Meade
Member
Lorna Charles
Executive Director,
Member
Chief Financial Officer
Ex-Officio Member,
(vacant)
Manager, Investments
(present by invitation)

FINANCE COMMITTEE

Ravi Ramoutar
Chairman
Seeram K. Maharaj
Member
Albert Vincent
Member
Ann Chan Chow
Member
Lorna Charles
Executive Director,
Member
Esther Charles
Executive Manager,
Finance & Business (Ag)
Ex-officio Member

TENDERS COMMITTEE

Sylvester Ramquar
Chairperson
Seeram K. Maharaj
Member
Ermine De Bique-Meade
Member
Lorna Charles
Executive Director,
Member
Esther Charles
Executive Manager,
Finance & Business (Ag.)
Ex-officio Member

AUDIT COMMITTEE

Harry Hospedales
Chairperson
Walton Hilton-Clarke
Member
Ann Chan Chow
Member
Lorna Charles
Executive Director,
Member
Davindra Maharajh
Internal Auditor,
Ex-officio Member

HUMAN RESOURCES COMMITTEE

John Boisselle
Chairperson
Sylvester Ramquar
Member
Walton Hilton-Clarke
Member
Lorna Charles
Executive Director,
Member
Cherrie-Ann
Crichlow-Cockburn
Executive Manager,
Human Resources
Ex-officio Member

COMPUTER PROJECTS IMPLEMENTATION COMMITTEE

Ruben McSween
Chairperson
Albert Vincent
Member
John Boisselle
Member
Lorna Charles
Executive Director,
Member
Ramlakhan Seecharan
Executive Manager,
Planning & Technology (Ag)
Ex-officio Member

PENSION PLAN COMMITTEE

Sylvester Ramquar
Chairperson
Esther Charles
Management Representative
Karen Gopaul
Management Representative
Kellon Wallace
Management Representative
Sherwin Williams
Management Representative

HEALTH AND SAFETY COMMITTEE

Seeram K. Maharaj
Chairperson
Sylvester Ramquar
Member
Ann Chan Chow
Member
Cherrie Ann
Crichlow-Cockburn
Executive Manager,
Human Resources
Ex-officio Member

ACCOMMODATION AND LAND COMMITTEE

Harry Hospedales
Chairperson
Sylvester Ramquar
Member
Seeram K. Maharaj
Member
Ann Chan Chow
Member
Walton Hilton-Clarke
Member
Executive Director
Member
Esther Charles
Executive Manager,
Finance and Business (Ag)
Ex-officio Member

ACTUARIAL REVIEW COMMITTEE

Ravi Ramoutar
Chairperson
Seeram K. Maharaj
Member
Albert Vincent
Member
Ann Chan Chow
Member
Lorna Charles
Executive Director,
Member
Ramlakhan Seecharan
Executive Manager,
Planning and Technology (Ag)
Ex-officio Member

RIVERWOODS COMMITTEE

Seeram K. Maharaj
Chairperson
Sylvester Ramquar
Member
Ermine De Bique-Meade
Member
Harry Hospedales
Member
Albert Vincent
Member
Lorna Charles
Executive Director,
Ex-officio Member

LEGAL GOVERNANCE COMMITTEE

Seeram K. Maharaj
Chairperson
Harry Hospedales
Member
Sylvester Ramquar
Member
Ermine De Bique-Meade
Member
Executive Director
Member
Niala Persad-Poliah
Executive Manager
Legal Services (Ag)
Ex-officio Member

NOMINATIONS COMMITTEE

Ravi Ramoutar (Chairman)
Chairperson
Ruben Mc Sween
Member (Business)
Sylvester Peter Ramquar
Member (Government)
Ann Chan Chow
Member (Labour)
Lorna Charles
Executive Director
Member

INVESTMENT COMMITTEE

The Investment Committee comprises nine (9) persons, being:

- Three (3) members of the Board – one (1) nominated by Minister of Finance and Economy, one (1) nominated by representatives of Business, one (1) nominated by representatives of Labour;
- Three (3) other persons not members of the existing Board – one (1) nominated by the Minister of Finance, one (1) nominated by representatives of Business, one (1) nominated by representatives of Labour;
- The Chairman of the NIBTT;
- The Executive Director of the NIBTT; and
- The Chief Financial Officer of the NIBTT as an ex-officio member. Members of this Committee hold office for a similar period of two (2) years from the date of appointment.

All other Committees are appointed by the Board.





- ① RAVI RAMOUTAR - CHAIRMAN
- ② LORNA CHARLES - EXECUTIVE DIRECTOR
- ③ RUBEN MCSWEEN - BUSINESS
- ④ PETER CLARKE - BUSINESS
- ⑤ ERMINE DE BIQUE-MEADE - LABOUR
- ⑥ IAN NARINE - GOVERNMENT
- ⑦ ALBERT VINCENT - GOVERNMENT

NOTE: Both the positions of Chief Financial Officer and the external Labour Representative on the Investment Committee were vacant for the 2011/2012 financial year.

EXECUTIVE MANAGEMENT

The Executive Director is the Chief Executive Officer of the NIBTT and is responsible for implementing the decisions of the Board of Directors. The Executive Director leads a team of Executive Managers who oversee the operations of the NIBTT.





EXECUTIVE DIRECTOR

① LORNA CHARLES

EXECUTIVE MANAGER, INSURANCE OPERATIONS (AG)

② KAREN GOPAUL

EXECUTIVE MANAGER, HUMAN RESOURCES

③ CHERRIE ANN CRICHLow-COCKBURN

EXECUTIVE MANAGER, FINANCE AND BUSINESS (AG)

④ ESTHER CHARLES

EXECUTIVE MANAGER, LEGAL SERVICES (AG)

⑤ NIALA PERSAD-POLIAH

EXECUTIVE MANAGER, PLANNING AND TECHNOLOGY (AG)

⑥ RAMLAKHAN SEECHARAN

SENIOR MANAGEMENT TEAM

OFFICE OF THE EXECUTIVE DIRECTOR

Jacqueline Castillo
Enterprise Risk Manager
Davindra Maharajh
Internal Auditor
Hilarie Hoyte
Manager,
Claims Investigations (Ag.)
Kendra Thomas-Long
Corporate Secretary

LEGAL SERVICES BUSINESS UNIT

Greta Stephen-Henry
Manager,
Legal Services (Ag.)
Ashook Balroop
Legal Officer
Sarah Baboolal
Legal Officer
Mandy Livan
Legal Officer
Jennilynn Howe-Dopwell
Manager,
Corporate Communication (Ag.)

HUMAN RESOURCES BUSINESS UNIT

Elton Doyle
Manager,
Employee Relations
Sherma Gidaree
Manager, Compensation,
Development and Planning
Michael Gopaul
Manager,
Organisational Development

INSURANCE OPERATIONS BUSINESS UNIT

Margaret De Landro
Manager,
Insurance Operations
Emrice Henry
Area Operations Manager
Sean McMillan
Area Operations Manager
Patricia George-Lezama
Area Operations Manager

FINANCE AND BUSINESS UNIT

Karen Davis-Holder
Financial Accountant
Jennifer Creese
Manager,
Business Services (Ag.)
Winslow Demas
Manager,
Facilities, Services and Security

INVESTMENTS

Tracey Weekes
Manager,
Investments
Annabelle Holder
Senior Investment Analyst
Cheryl Moreno-Archer
Manager,
Mortgages (Ag.)

PLANNING AND TECHNOLOGY BUSINESS UNIT

Susan Nelson
Project Manager
Curtis Richards
Manager,
IT Infrastructure (Ag.)
Mikhail Noel
Manager,
IT Development
Adrian Fortune
Manager,
IT Security
Kerwyn Greaves
Manager,
IT Administration
Bernard Smith
Manager,
Research and Development (Ag.)



EXECUTIVE DIRECTOR'S REPORT

FINANCIAL YEAR 2012

The NIBTT celebrated its 40th anniversary during the Financial Year 2012 (FY2012). Throughout our 40 years, our greatest strengths continue to be our ongoing commitment to deliver attractive social insurance products and to provide excellent service to our customers. We also remain dedicated to zealously guarding and positively growing the National Insurance (NI) Fund.

Our results this year show that the NIBTT continues to be strong, stable and relevant, providing valuable social insurance protection to our beneficiaries. Our continued ability to address the social insurance needs of workers and their dependants is also reflected in the increase in our customer base to 634,381 by the end of FY2012 and the payment of \$2.75Bn in NI benefits during the financial year. We are pleased to report that we closed the year with an asset base of \$22.01Bn.

2012 AND BEYOND

The NIBTT's corporate vision directs our efforts toward (a) enhancing the products and services provided under the NI System; (b) providing excellent service to all those who must do business with the NIBTT; and (c) expanding NIS coverage into new markets. Our aim has always been to exceed the expectations of our stakeholders. To this end, we remain committed to providing benefits that are meaningful and relevant. Our approach is based on the premise that the NIBTT can collaborate with Government, the Business Sector, Labour and the citizenry to realise the fullest potential of the nation's social insurance system, for the benefit of all. Thus, during FY2012, we began work in assessing the feasibility of introducing new products and services, thereby ensuring that the NI System continues to provide excellent value.

EIGHTH ACTUARIAL REVIEW

In FY2012, significant work was completed on the Eighth Actuarial Review of the National Insurance System as at June 30, 2010. The objective of the Review is two-fold: to (1) determine whether the NI System continues to operate on a sound financial basis and (2) to recommend modifications that may render the NI System a more effective and efficient mechanism for providing social insurance protection. The long-term aim of the review is to ensure the solvency of the NI System while maintaining an adequate level of insurance protection to insured workers and their dependants. The Review takes into account the viability and sustainability of new product initiatives proposed by the NIBTT. This is a key undertaking in our efforts to rejuvenate the NI System and ensure that social security coverage continues to adequately meet the needs of the country's working population.

INCREASE IN THE MINIMUM RETIREMENT PENSION TO \$3,000.00

A Special Actuarial Review was conducted to assess the feasibility of an increase in the minimum monthly retirement pension. I am pleased to report that, arising out of this Review, legislation was passed in Parliament to amend the National Insurance Act to increase the minimum monthly retirement pension from \$2,000 to \$3,000 with effect from February 1, 2012.

EXTENDING NI COVERAGE TO THE SELF-EMPLOYED

It has been the goal of the NIBTT, since its inception, to provide universal coverage to all workers of Trinidad and Tobago. This includes extending NI coverage to the self-employed. We have engaged numerous associations of self-employed persons in round table discussions on the proposed NI coverage. The feedback from these discussions has been positive and encouraging. The NIBTT is currently implementing strategies to facilitate the incorporation of the self-employed into the NI System.

COLLABORATION WITH GOVERNMENT

During FY2012, we continued to strengthen our relationships with Government Ministries such as the Ministry of the People and Social Development, Ministry of Labour and Small and Micro Enterprise Development and the Ministry of Trade and Industry in an effort to improve collaboration between the entities and to integrate the services provided to customers. We hope that this collaborative effort will lead to more prompt and convenient services. The amendment to the Maternity Protection Act to increase paid maternity leave is an example of our ongoing collaboration with Government Ministries for the good of our insured population.

INCREASE IN MATERNITY PAYMENT TO FOURTEEN WEEKS

The Maternity Protection Act has been amended to increase maternity leave. Prior to the amendment, a female worker continuously employed for a period of not less than 12 months was guaranteed a period of 13 weeks' maternity leave with pay – one (1) month with full pay and two (2) months at ½ pay from the employer, with her NI benefits representing an additional entitlement. Today, a female worker is entitled to 14 weeks' maternity leave in keeping with the standards suggested by the International Labour Organisation. Thus, working mothers now get more time to bond with their newborns. The NI Regulations are presently being amended in support of this change to the Maternity Protection Act.

INFRASTRUCTURE IMPROVEMENT

During FY2012, an assessment of the NIBTT's physical infrastructure was undertaken. As a result of this, several offices have been earmarked for refurbishment. These include Service Centres located in Tunapuna and Arima, as well as the NIBTT's Head Office. The Tobago Service Centre was relocated and a new, modern building will be furnished for the Chaguanas Service Centre. The NIBTT is in the process of outfitting these properties. The NIBTT has purchased prime properties located at Western Main Road, St. James and Luis Street, Woodbrook, which will house the St. James Service Centre and other offices.

TECHNOLOGY UPGRADE

The NIBTT has also embarked on technology upgrade initiatives that are intended to ensure that an ICT infrastructure of appropriate capacity, performance, resilience and security, is implemented to support corporate strategies. In this regard, two (2) new servers

have been acquired and are in the process of being implemented to replace the main corporate database servers. Approximately 500 personal computers are earmarked to be replaced and tenders have been received and evaluated. Our IP Telephony system is in the process of being expanded to all NIBTT locations. This venture also includes the full requirements for modernising the Corporate Call Centre, as well as the system's audio and video conferencing capabilities. Upgrades are also being implemented to our ICT security infrastructure. Our corporate application suites are being upgraded to full web-enabled functionality to increase the span and efficiency of the NIS systems interface.

It is our hope that these upgrades to our IT systems will strengthen the organisational capacity of the NIBTT and improve the institutional framework, allowing our customers to access NI services from the comfort of their homes.

DEVELOPMENT OF A STRATEGIC PLAN

Successful organisations develop strategies to gain and sustain growth over time. Transforming the organisation to achieve excellence in all quadrants of our operations – that is (a) to expand the role of the NIBTT in the provision of social security products and services; (b) to provide premier levels of customer service; (c) to grow the NI fund; and (d) to ensure appropriate institutional capacity – remains one of our goals. To this end, we began the process of implementing an Enterprise Risk Management (ERM) framework, which will facilitate the development of risk management capabilities that lead to a more structured and coordinated system of risk management and reporting in the NIBTT.

During FY2012, with input from stakeholders

and the Board, we commenced the development of a strategic plan that is clearly defined, effective and was prepared to guide the organisation through 2013-2015 as we continue the process of rejuvenation.

We are confident that we have laid the foundation for the continued transformation of the NIBTT through the implementation of our strategic plan. Looking to 2013 and beyond, we remain committed to providing benefits that are meaningful in terms of real purchasing power, while implementing measures to ensure the sustainability of the NI Fund. Hence, we are eager to implement the recommendations arising out of the Eighth Actuarial Review for the benefit of our stakeholders.

FINANCING THE NI SYSTEM

The NI System is financed primarily by contribution income received from employers and employees and investment income.

CONTRIBUTION INCOME

Employers' compliance with the requirements of the NI Act was commendable during the year under review. A total of \$2.82Bn in contribution income was received from 19,643 employers on behalf of their workers when compared to the \$2.72Bn collected in FY2011. This 3.68% increase in contribution income received was largely due to the 0.6% increase in the contribution rate from 10.8% to 11.4% that took effect in January 2012. This increase was the final increment to the contribution rate arising out of the amendments to the NI System following the conduct of the Seventh Actuarial Review. Recovery action against default employers also netted the NIBTT approximately \$124Mn in contribution income, penalty and interest.

On February 29, 2012, legislation was enacted to

waive penalty and interest on NI contributions due prior to September 5, 2011 and paid by June 30, 2012. A total of 2,310 employers took the opportunity to make outstanding payments, amounting to \$36.8Mn in respect of the period for which penalty and interest was waived.

INVESTMENT INCOME

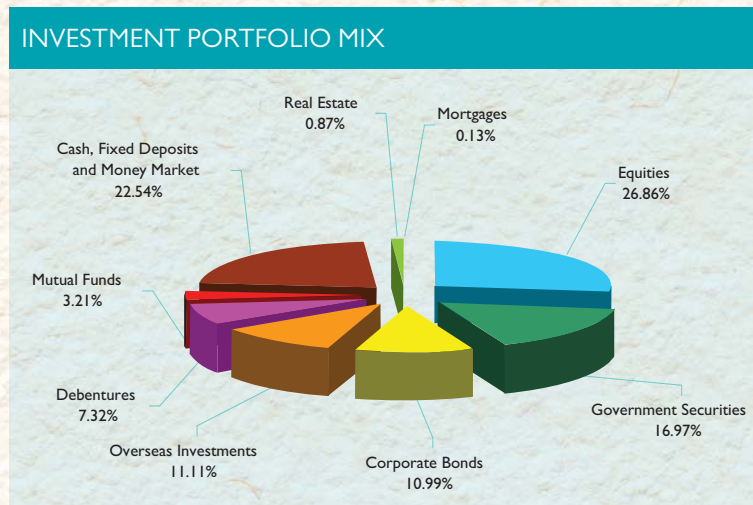
During FY2012, the financial and economic environment continued to pose a significant challenge for organisations across the globe. Nevertheless, the NIBTT remains committed to the utilisation of a prudent investment strategy that allows us to maximise return on viable investment opportunities that will ultimately grow the NI Fund. We continued these strategies within the framework of our new investment policy in order to achieve commendable results in the face of a challenging economic climate.

Our net realised investment yield of 5.98% represents a net realised investment income of \$0.85Bn for the financial year – a decrease of 13% (\$0.13Bn) from the \$0.98Bn figure recorded in FY2011. This was 17.48% or \$0.18Bn less than the budgeted figure of \$1.03Bn. The lower than expected income levels were attributable to lower than anticipated dividends on foreign equity holdings, as well as reduced levels of investment than initially budgeted in Government Bonds and Corporate Bonds.

Our net total investment yield of 6.58% represents a net total investment income of \$1.06Bn – that is, 44.5% or \$0.8Bn less than the \$1.91Bn achieved last financial year.

PORTFOLIO MIX

The NIBTT has once again maintained its prudent and non-speculative approach to investment during FY2012. Equities accounted for the largest share of 26.86% of the investment portfolio based on market values at the end of FY2012. This was followed by Cash, Fixed Deposits and Money Market Instruments (22.54%), Government Securities (16.97%), Corporate Bonds (10.99%), Overseas Investments (11.11%), Debentures (7.32%), Mutual Funds (3.21%), Real Estate (0.87%) and Mortgages (0.13%).



CUSTOMER CARE

The NIBTT takes pride in being a customer oriented and service driven organisation. We continue to focus on improving efficiency and creating new opportunities for serving our 634,381 customers. In June 2012, a Customer Satisfaction Survey was administered to customers who visited our service centres. The result of the survey showed that 84.7% of the visitors were satisfied with the quality of services provided by the NIBTT.

CUSTOMER OUTREACH

By listening to our customers, we gain critical insights that inform product and service development and drive innovation. In the financial year under review, we sought new media through which we can reach our customers. In an effort to promote awareness of the NI System, the NIBTT conducted 101 interactive training sessions with corporate customers and stakeholders on a range of NI-related matters, including employer obligations, compliance, benefit qualification and the completion of benefit claim forms. The NIBTT also participated in indoor and outdoor symposiums across Trinidad and Tobago in association with various Government Ministries and corporate associations.

Though we experienced heightened industrial relations challenges during the period, we bolstered the management of our customers' relations through our Corporate Contact Centre, which facilitated customer queries primarily via telephone. The centre was able to resolve 13,972 or 96% of the 14,540 queries received.

REGISTRATION

The number of new employers registered in FY2012 was 2,348. This represented a marginal decline of 1.01% or 24 employers. Similarly, the number of new employee registered decreased by 2.4% or 607 from 25,261 in FY2011 to 24,654 in FY2012.

NI BENEFITS

The primary business of the NIBTT is the delivery of meaningful benefits in a timely manner. A total of 1,663 additional beneficiaries received NI benefits during FY2012. This represents a 1.08% increase in beneficiaries from 153,538 in FY2011 to 155,201 in FY2012. In all a total of \$2.75Bn was paid in benefits as compared to \$2.30Bn in FY2011. The substantial increase of 19.57% in benefit expenditure is mainly attributable to the 50% increase in the minimum retirement pension as of February 2012, from \$2,000.00 to \$3,000.00. This resulted in an additional monthly payout of \$77Mn.

LONG-TERM BENEFITS

Long-Term Benefits include Retirement Benefit, Invalidity Benefit and Survivor's Benefits. In FY2012, long-term benefits accounted for 93% of total benefit expenditure. A total of \$2.56Bn was paid to 125,185 long-term beneficiaries. This represents a 22% increase in long-term benefit expenditure and a 2.06% increase in long-term beneficiaries when compared to FY2011.

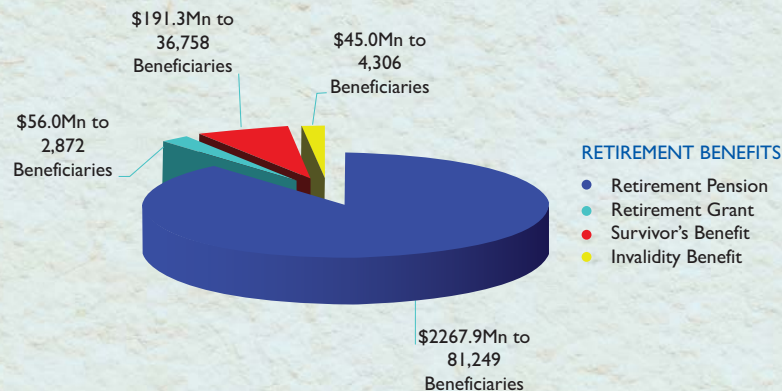
SHORT-TERM BENEFITS

Short-Term Benefits comprise Funeral Grant, Sickness Benefit, Maternity Benefit and Special Maternity Benefit. For the financial year under review, short-term benefit expenditure accounted for 5% of total benefit expenditure. The sum of \$142.57Mn was paid to 24,686 short-term beneficiaries in FY2012. Payments in respect of Maternity and Special Maternity benefits accounted for 55% of short-term benefit payments.

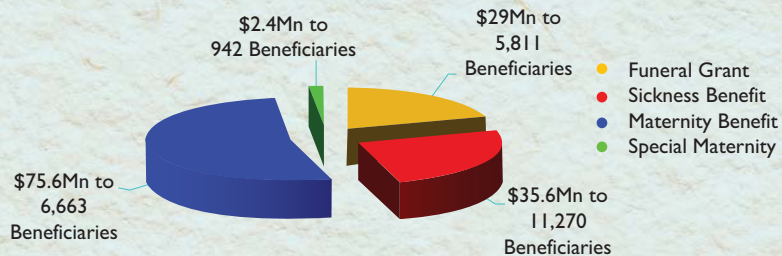
Overall, there was a 1.66% decrease in short-term benefit payments in FY2012 and a 2.73% decrease in short-term beneficiaries from 25,361 in FY2011 to 24,686 in FY2012.

The Employment Injury Benefit umbrella of

LONG-TERM BENEFICIARIES



SHORT-TERM BENEFICIARIES



benefits includes Injury Benefit, Disablement Benefit, Death Benefit and Medical Expenses.

In FY2012, Employment Injury Benefit accounted for 2% of total benefit expenditure. Employment Injury Benefits amounting to \$50.87Mn was paid to 5,330 beneficiaries. This represents a 0.78% decrease in Employment Injury benefit payments and a 3% decrease in beneficiaries when compared to FY2012. The steady decline of Employment Injury beneficiaries over the past three (3) years (from 5,644 in FY2010 to 5,521 in FY2011 to 5,330 in FY2012) suggests an increasing health and safety awareness at our nation's workplaces.

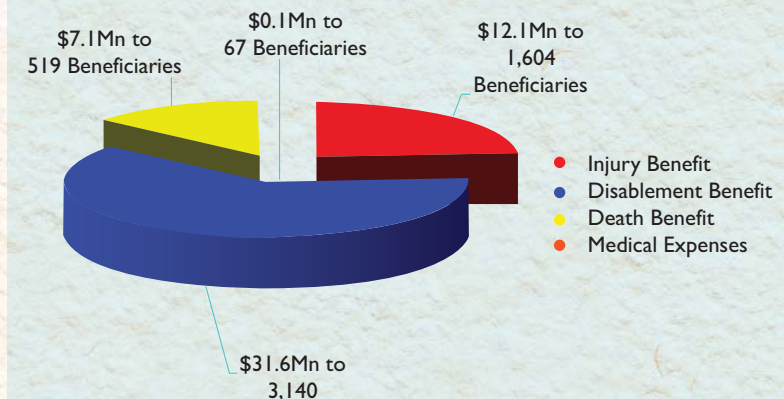
APPEALS

A total of 177 new appeals were filed in FY2012, pursuant to Section 62 of the NI Act. This represents 0.45% of the total 39,368 new claims processed for the financial year. The National Insurance Appeals Tribunal heard 96 appeals. Of these, which included appeals from previous financial years, a total of 48 were adjourned.

BENEFIT FRAUD

One hundred and forty-seven (147) new matters were reviewed by the Claims Investigation Unit for determination. Twelve (12) of these matters are currently before the courts.

EMPLOYMENT INJURY BENEFICIARIES



EMPLOYEE GROWTH & DEVELOPMENT

The most important resource of any organisation is its human resource. At the end of FY2012, the NIBTT was staffed by a complement of 694 employees across six (6) Business Units and three (3) Departments. We work together to ensure the sustainability of the NI System and the delivery of effective customer service. We also continue to focus on staff development, ensuring that the best possible human resource is available with the requisite skills to serve our customers and stakeholders.

Accordingly, financial support is given to staff pursuing various programmes that are aligned with organisational objectives and will advance their professional and technical development. A total of 43 training programmes were conducted. In FY2012, the range of programmes for which educational assistance was provided was increased to include four (4) new fields – Facilities Management, Records Management, Health and Safety, and Risk and Fraud Management.

We continued to operate without a Deputy Executive Director and an Executive Manager, Investments. Hence, five (5) business unit heads and five (5) department heads reported directly to the Executive Director. The Board of Directors recognised the need to strengthen the Executive Management structure, which began to show signs of stress under the weight of the rapidly expanding organisation. To this end, a revised organisational structure, which caters for the growth of the number of Deputy Executive Directors, was increased to three (3) and was approved in September 2011. The Board is actively working on filling these vacancies.

NEGOTIATIONS (2008 – 2010)

FY2012 was marked by a heightened industrial relations climate due to ongoing negotiations between the NIBTT and the Public Services Association for the period 2008 to 2010. An agreement on the terms for employees in the bargaining units has so far been unresolved. It is our position that compensation for our hard-working, dedicated and professional staff must be current and employees must be fairly compensated. Thus, the NIBTT is striving for an amicable resolution that will benefit all parties involved.

APPRECIATION

I thank the Chairman, the Board of Directors and the Board Committees for your invaluable support, co-operation and dedication to the NI system.

My appreciation also extends to all agencies and government stakeholders, such as the Ministry of Finance and the Economy, the Ministry of Labour and Small and Micro Enterprise Development, the Ministry of the People and Social Development, the International Labour Organisation and all other corporate entities that supported the NIBTT in the realisation of its goals.

To our customers, I thank you for your continued confidence, and I promise that at the NIBTT, we will continue to focus on serving you. We are proud of our accomplishments, and as we commence FY2013, we renew our commitment to providing quality products and services to all stakeholders.

Sincere thanks to my management team for your support, as we continue to focus on

financial discipline and operational excellence. On behalf of the Board of Directors and the management team, I extend heartfelt appreciation to our capable and committed employees. You remain our most invaluable asset and I thank you for your dedication and commitment to the work of the NIBTT.

We are committed to ensuring that the NIBTT continues to make a positive difference in the lives of the 634,381 and counting customers, and indeed to all our stakeholders.



A handwritten signature in dark ink, appearing to read 'Lorna Charles', written over a light blue, textured background.

LORNA CHARLES
Executive Director
September 28, 2012

FINANCIAL STATEMENTS

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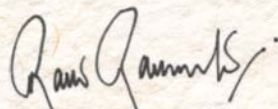
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Statement of Financial Position June 30, 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Property, plant and equipment	8	82,233	70,260
Investment properties	9	174,340	160,895
Employee benefits	10	318,085	328,174
Investment in subsidiary companies	11	166,070	166,070
Investment securities	12	16,148,924	15,237,878
Mortgage advances	13	26,648	38,307
Inventory	14	123,060	164,941
Claims receivable – matured deposits	15	691,736	706,313
Other assets	16	627,023	615,383
Cash and cash equivalents	17	3,652,352	3,520,353
TOTAL ASSETS		22,010,471	21,008,574
FUNDS, RESERVES AND LIABILITIES			
Long-term benefits fund	18	21,063,406	20,056,685
Short-term benefits fund	18	285,101	289,957
Employment injury benefits fund	18	508,660	513,387
TOTAL FUNDS		21,857,167	20,860,029
Revaluation reserve	19	34,675	34,675
Other liabilities	20	118,629	113,870
TOTAL FUNDS, RESERVES AND LIABILITIES		22,010,471	21,008,574

The accompanying notes form an integral part of these financial statements.



Chairman



Executive Director



Executive Manager – Finance & Business (Ag)

Independent Auditors' Report to the Directors of The National Insurance Board of Trinidad & Tobago

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The National Insurance Board of Trinidad and Tobago ("NIBTT"), which comprise the statement of financial position as at June 30, 2012 and the revenue and expenditure accounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provision of the National Insurance Act and the accounting framework as described in Notes 4 and 5 of these financial statements, 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.

The NIBTT's statutory responsibility is to prepare financial statements to be laid ultimately before Parliament as required by the National Insurance Act.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to

obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the NIBTT as at June 30, 2012 and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of the National Insurance Act and the accounting policies as set out in Notes 4 and 5 of these financial statements.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 5 of these financial statements, which describes the basis of accounting. The financial statements are prepared to assist the NIBTT to

meet the requirements of the National Insurance Act. As a result, the financial statements may not be suitable for another purpose.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 14 of the financial statements. The NIBTT has invested in CLICO Investment Bank Limited (CIB) Investment Note Certificates, some of which had matured by June 30, 2009 and a further amount which matured on June 30, 2010. However, the NIBTT had not received either the principal or accrued interest that was contractually due. Based on the judgement, the investments fall under the Memorandum of Understanding (MOU) between the Ministry of Finance and CL Financial Limited. As such, the investment would be guaranteed by the Government of the Republic of Trinidad and Tobago; however, the repayment terms are not yet finalised. An amendment to the Central Bank Act was enacted, which may impact the NIBTT's ability to enforce the judgement. The ultimate outcome of these matters cannot presently be determined and, accordingly, no impairment provision has been made in the financial statements for any effects that may arise from the non-recovery of the principal and/or interest.

K Pmg

Chartered Accountants
September 25, 2012
Port of Spain
Trinidad and Tobago

Revenue and Expenditure Accounts Year ended June 30, 2012

	2012 \$'000	2011 \$'000		2012 \$'000	2011 \$'000
LONG-TERM BENEFITS FUND					
REVENUE					
Fund at July 1	20,056,685	17,667,708			
Contribution income	2,511,256	2,423,553			
Penalty income	63,682	16,617			
Net pension income	-	2,808			
Investment income	829,092	949,378			
Unrealised fair value gains	200,287	1,166,120			
Miscellaneous income	1,107	1,297			
Transfer from short-term and employment funds	141,588	152,658			
	<u>23,803,697</u>	<u>22,380,139</u>			
EXPENDITURE					
			Benefits incurred	2,560,077	2,099,664
			Administrative expenses	125,402	114,335
			Reversal of unrealised fair value gains	-	109,455
			Net pension expense	9,812	-
			Unrealised losses on property development	45,000	-
			Fund at June 30	<u>21,063,406</u>	<u>20,056,685</u>
				<u>23,803,697</u>	<u>22,380,139</u>
SHORT-TERM BENEFITS FUND					
REVENUE					
Fund at July 1	289,957	289,394			
Contribution income	169,298	163,386			
Penalty income	550	151			
Net pension income	-	25			
Investment income	7,156	8,657			
Unrealised fair value gains	1,729	10,946			
	<u>468,690</u>	<u>472,559</u>			
EXPENDITURE					
			Benefits incurred	142,551	144,978
			Administrative expenses	8,454	7,707
			Transfer to long-term benefits fund	32,499	28,607
			Net pension expense	85	-
			Reversal of unrealised fair value gains	-	1,310
			Fund at June 30	<u>285,101</u>	<u>289,957</u>
				<u>468,690</u>	<u>472,559</u>

Revenue and Expenditure Accounts Year ended June 30, 2012

	2012 \$'000	2011 \$'000
EMPLOYMENT INJURY BENEFITS FUND		
REVENUE		
Fund at July 1	513,387	516,812
Contribution income	141,082	136,155
Penalty income	1,246	346
Net pension income	-	58
Investment income	16,218	19,789
Unrealised fair value gains	3,918	24,249
	<u>675,851</u>	<u>697,409</u>

	2012 \$'000	2011 \$'000
EXPENDITURE		
Benefits incurred	50,866	51,338
Administrative expenses	7,044	6,423
Transfer to long-term benefits fund	109,089	124,051
Net pension expense	192	-
Reversal of unrealised fair value gains	-	2,210
Fund at June 30	<u>508,660</u>	<u>513,387</u>
	<u>675,851</u>	<u>697,409</u>

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows Year ended June 30, 2012

	2012 \$'000	2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Contribution income	2,821,636	2,723,094
Investment income	852,466	977,824
Penalty income	65,478	17,114
Benefits expenditure	(2,753,494)	(2,295,980)
Administrative expenses (net)	(185,900)	(128,465)
Other income	1,107	1,297
Depreciation	2,964	2,342
Provision for doubtful debts	(1,268)	(821)
Adjustment to property, plant and equipment	1,205	798
Change in inventory	41,881	(7,760)
Change in amounts owed	(11,640)	(33,277)
Change in amounts due	30,984	13,831
Change in claims receivables	14,577	(14,577)
NET CASH FLOWS FROM OPERATING ACTIVITIES	879,996	1,255,420
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,142)	(712)
Purchase of investments	(2,421,037)	(2,931,889)
Sale/maturity of investments	1,715,407	4,327,864
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(721,772)	1,395,263
Net increase in cash and cash equivalents	158,224	2,650,683
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,494,128	843,445
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3,652,352	3,494,128
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash and bank balances (including call deposits)	3,652,352	3,520,353
Bank overdraft	-	(26,225)
	3,652,352	3,494,128

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements June 30, 2012

1. INCORPORATION AND PRINCIPAL ACTIVITY

The National Insurance Board of Trinidad and Tobago (NIBTT) was incorporated under Act No. 35 of 1971 (The National Insurance Act), was subsequently amended, and commenced operations in 1972. The principal activity of NIBTT is to carry out the requirements of the National Insurance Act in providing social security benefits to the insurable population of Trinidad and Tobago. The registered office is located at 2A Cipriani Boulevard, Port of Spain, Trinidad and Tobago.

These financial statements were authorised for issue by the Board of Directors (The Board) on September 25, 2012.

2. ACTUARIAL REVIEW

Section 70 (1) of the Trinidad and Tobago National Insurance Act 35 of 1971 requires an actuarial review of the National Insurance System (NIS) at intervals not exceeding five (5) years. The present actuarial review covers the five-year period up to 30 June 2010. The main objectives of this review were to assess the long-term financial condition of the National Insurance Fund and study possible ways to improve contribution and benefit provisions.

In general, contribution payments and benefit calculations are based on a system of wage classes. The contribution amount is paid by the employer and the employee in a proportion of two-thirds/one-third. Benefits are grouped into three (3) funds: long-term benefits, short-term benefits and employment injury benefits. Each fund is credited with contribution income and investment income from which benefit expenditures and administrative expenses are met.

The following recommendations were implemented from the Seventh Actuarial Review:

1. The ratio of the contributions paid by employee to those paid by employer (1:2) should be maintained.
2. Contribution income be distributed between the funds in the following ratio: long-term 89%; short-term 6%; employment injury 5%.
3. Benefit levels ought to be revised upwards.
4. Administrative Expenses are to be allocated to the funds in the same proportion as Contribution Income and Benefit Expenditure in equal proportions.
5. Elimination of the accumulated reserve and the application of the following coefficients to Benefit Expenditure to determine reserve funds by benefits branch:
 - Short-Term – 2 times the annual benefit expenditure;
 - Employment Injury – 10 times the annual benefit expenditure; and
 - Long-Term – the remaining excess of income over expenditure.

Notes to Financial Statements June 30, 2012

3. LEGISLATIVE AMENDMENTS**Contributions**

Employer/employee contributions were increased in January 2012 to 11.4%. It is further recommended that the contribution rate be increased gradually to 12% for the period 2013 - 2014.

4. BASIS OF PREPARATION**(a) Basis of measurement**

These financial statements are prepared on the historical cost convention, except for the valuation of investments securities, claims receivable – matured deposits, investment properties, artwork and freehold and leasehold properties. They have been prepared in accordance with the accounting policies described below and no account is taken of the effect of inflation.

(b) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Trinidad and Tobago dollars, which is the NIBTT’s functional and presentation currency, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 7.

Notes to Financial Statements June 30, 2012

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Foreign currency

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the reporting date. All differences arising are taken to the revenue and expenditure accounts. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(b) Financial instruments

The NIBTT's financial assets and financial liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the right to receive the cash flows from the asset has expired or where the NIBTT has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All "regular way" purchases and sales are recognised at settlement date.

(c) Cash and cash equivalents

Cash and cash equivalents, for the purpose of the statement of cash flows, represent cash and bank balances and highly liquid investments with a maturity period of three months or less.

(d) Impairment

The carrying amounts of the NIBTT's assets that are not carried at fair value are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the revenue and expenditure accounts.

Notes to Financial Statements June 30, 2012

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Loans and advances

Loans and advances are financial assets with fixed or determinable payments and are not quoted in an active market created by the NIBTT providing money to a debtor other than those created with the intention of short-term profit sharing. Such assets are stated at amortised cost, net of any advances for credit losses using the effective interest method.

Loans and advances include mortgage advances. Mortgage advances are measured net of provisions for impairment. A mortgage advance is classified as impaired (non-performing) when there is objective evidence that the NIBTT will not be able to collect all amounts due according to the original contractual terms of the loan. Objective evidence of impairment includes observable data that comes to the attention of the NIBTT such as:

- Significant financial difficulties of the borrower
- Actual delinquencies
- Adverse change in the payment status of a borrower
- Bankruptcy or reorganisation by the borrower

If there is objective evidence that an impairment loss on a mortgage advance has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the revenue and expenditure accounts. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

(f) Investment securities

Investment securities are stated at fair value. Trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices at the reporting date. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions.

All related realised and unrealised gains and losses are included in the revenue and expenditure accounts. Interest earned whilst holding trading securities is reported as interest income.

Any investment security that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost less impairment losses.

Notes to Financial Statements June 30, 2012

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties

Investment properties are properties held by the NIBTT to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value based on valuations conducted by an independent professional valuator. Gains and losses arising from the change in fair value are included in the revenue and expenditure accounts.

The valutors have adopted the investment method of valuation and assumed good title, vacant possession and no unduly restrictive covenants or onerous or unusual outgoings running with the land.

(h) Investment in subsidiary companies

Subsidiary companies are companies where the NIBTT holds in excess of 50% of the share capital. These are as follows:

Companies	Percentage ownership
National Insurance Property Development Company Limited (NIPDEC)	100%
Trinidad and Tobago Mortgage Finance Company Limited (TTMF)	51%
Home Mortgage Bank (HMB)	51.25%

In the financial statements of the NIBTT, these investments are accounted for at cost.

(i) Inventory

Inventory is stated at cost and comprises of amounts transferred from investment properties due to the commencement of development, with a view to sale. Upon transfer from investment properties, the deemed cost of the inventory was taken as the fair value of the investment property at the date of change in use. The sale of a unit is recorded in the accounts by crediting the purchaser's account and debiting the bank account.

(j) Related parties

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates (see Note 23).

Notes to Financial Statements June 30, 2012

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses except for artwork and freehold and leasehold properties, which are stated at valuations conducted by independent professional valuers every three years. Freehold and leasehold properties were professionally valued in June 2010 using the investment method. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the NIBTT and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the revenue and expenditure accounts during the financial period in which they are incurred.

If an asset's carrying value is increased as a result of a revaluation, the increase is credited directly to equity under the heading revaluation reserve. If an asset's carrying value is decreased as a result of a revaluation, the decrease is debited directly to equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any decrease in excess of this amount is recognised in the revenue and expenditure accounts.

Depreciation is provided on a straight-line basis at varying rates sufficient to write-off the cost/market value respectively of the assets over their estimated useful lives. The rates used are as follows:

Freehold and leasehold properties	-	2% on buildings
Improvements to premises:		
Owned	-	Equal annual instalments over a period of ten years
Leased	-	Equal annual instalments over the period of the lease
Rented	-	Where a monthly tenancy applies, in equal annual instalments over three years
Furniture and fixtures/machinery and equipment	-	7.5% - 25%
Motor vehicles/artwork	-	25%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are recognised in the revenue and expenditure accounts.

Notes to Financial Statements June 30, 2012

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

Provisions are recognised when the NIBTT has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(m) Basis of allocation

Contribution income and other income have been allocated to the various fund accounts on the basis set out in the Seventh Actuarial Review.

i) Contribution income

Contribution income is allocated as follows:

	2012 %	2011 %
Long-term benefits fund	89	89
Short-term benefits fund	6	6
Employment injury benefits fund	5	5
	<u>100</u>	<u>100</u>

ii) Other income

Other income comprising investment income less expenses, penalty income and pension asset income is allocated to the benefits funds in the ratio of their opening fund balances. Investment expenses comprise direct staff costs and overhead expenses of the investments department and other direct expenses including mortgage management fees and provisions for diminution in value of investments.

iii) Fund ratios

Based on the recommendations of the Seventh Actuarial Review, the NIBTT implemented the following: short-term benefits fund and employment injury benefits fund balances will be maintained at 2.0 times and 10 times the respective benefits incurred during the current year, the remaining excess of Income over Expenditure is to be allocated to the long-term benefits fund.

These fund allocations are based solely on the ratios recommended by the Independent Actuary, and do not represent the NIBTT's liability to beneficiaries at June 30, 2012.

Notes to Financial Statements June 30, 2012

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition

i) Contribution and benefits

Contribution income is accounted for on the accrual basis to take account of all collections subsequent to June 30 that relate to the current year, and to recognise all known significant receivables.

A provision for benefits is made based on the estimated cost of all benefits approved though not paid at the reporting date.

ii) Investment income

Income from investments is accounted for on the accrual basis. Interest from commercial loans and debentures is not accrued where instalments are in arrears for more than twelve months.

(o) Employee benefits

i) Short-term

Employee benefits are all forms of consideration given by the NIBTT in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave and non-monetary benefits such as medical care and loans; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. Post-employment benefits are accounted for as described below.

ii) Post-employment

The NIBTT contributes to a defined benefits staff pension plan which covers all qualifying employees. Members contribute 5% (2011: 5%) of their pensionable salaries to the Plan whilst the NIBTT currently contributes 5% (2011: 5%). All permanent employees are eligible for membership and temporary employees under certain conditions.

The pension accounting cost for the pension plan is assessed using the projected unit cost method. Under this method, the cost of providing pensions is charged to the revenue and expenditure accounts so as to spread the regular cost over the service lives of the employees in accordance with the advice of a qualified actuary who carries out a full valuation of the plan every three years.

Notes to Financial Statements June 30, 2012

6. DETERMINATION OF FAIR VALUES

A number of the NIBTT's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Investment properties

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the NIBTT's investment property portfolio every three to five years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

ii) Investment securities

As stated in Note 5 (f), investment securities are measured at their fair values based on quoted market prices. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis.

iii) Claims receivable – matured deposits

Matured deposits are due on demand and as such, the fair value is assumed to equal the carrying value. Refer to Note 15.

iv) Other

The carrying amounts of financial assets and liabilities, included under other assets, cash and cash equivalents and other liabilities, approximate their fair values because of the short-term maturities on these instruments. The carrying values of fixed deposits are assumed to approximate fair value due to their term to maturity not exceeding one year.

Notes to Financial Statements June 30, 2012

7. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the NIBTT's accounting policies, management has used its judgements, estimates and assumptions in determining the amounts recognised in the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Employee benefits

The cost of the defined benefit staff pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on pension plan assets and future salary increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. See Note 10 for the assumptions used.

Property, plant and equipment

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the NIBTT to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

Contributions

Management exercises judgement in determining contributions receivable. In determining the receivable, management makes certain assumptions regarding the likelihood of recovery.

Impairment losses on loans and advances

The NIBTT reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the NIBTT also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Notes to Financial Statements June 30, 2012

8. PROPERTY, PLANT AND EQUIPMENT

	Land Freehold/ Leasehold Building	Machinery Equipment/ Furniture and Fittings	Art and Motor Vehicles	Total 2012	Total 2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost/Valuation at beginning of year	65,513	46,832	3,187	115,532	117,000
Additions	14,192	1,804	146	16,142	712
Disposal/Adjustments	(1,250)	-	(665)	(1,915)	(2,180)
At the end of year	78,455	48,636	2,668	129,759	115,532
Accumulated depreciation at beginning of year	1,444	41,999	1,829	45,272	44,312
Current year	800	1,700	464	2,964	2,342
Disposal/Adjustments	-	-	(710)	(710)	(1,382)
At the end of year	2,244	43,699	1,583	47,526	45,272
Net book value	76,211	4,937	1,085	82,233	70,260

Note:

Valuation of land and freehold and leasehold buildings has been expressed by way of open market values.

Independent professional valuations of the administrative properties of the NIBTT were undertaken in June 2010 and put the market value at \$60.9 million (June 2007: \$87.4 million). The next valuation exercise is due in 2013.

Notes to Financial Statements June 30, 2012

9. INVESTMENT PROPERTIES

	2012 \$'000	2011 \$'000
Scarborough Mall	9,668	9,668
Huggins Building	14,000	14,000
Nipdec House	32,000	32,000
Queen's Park East	73,059	73,059
Mulchan Seuchan Road	18,868	18,868
Palmiste Property	13,300	13,300
Western Main Road (St. James)	13,445	-
	<u>174,340</u>	<u>160,895</u>

Rental income from investment properties during the year amounted to \$7.0 Mn (2011: \$7.0 Mn). Direct operating expenses incurred on investment properties during the year amounted to \$1.745 Mn (2011: \$1.332 Mn).

10. EMPLOYEE BENEFITS

The amounts recognised in the statement of financial position are as follows:

	2012 \$'000	2013 \$'000
Defined benefit obligation	789,163	674,735
Fair value of assets	<u>(834,785)</u>	<u>(792,125)</u>
Benefit surplus	(45,622)	(117,390)
Unrecognised actuarial gains	<u>(272,463)</u>	<u>(210,784)</u>
Defined benefit asset	<u>(318,085)</u>	<u>(328,174)</u>

Notes to Financial Statements June 30, 2012

10. EMPLOYEE BENEFITS (CONTINUED)

The amounts recognised in the revenue and expenditure accounts are as follows:

	2012 \$'000	2011 \$'000
Current service cost	12,692	12,581
Interest on defined benefit obligation	43,137	34,595
Amortised net loss	11,961	5,425
Expected return on plan assets	(54,859)	(52,689)
Net pension expense (income)	12,931	(88)

Movements in the net asset recognised in the statement of financial position are as follows:

Net asset at July 1	(328,174)	(325,283)
Net expense (income) recognised in the revenue and expenditure accounts	12,931	(88)
Contributions	(2,842)	(2,803)
Net asset at June 30	(318,085)	(328,174)

Actual return on pension plan assets:

Expected return on pension plan assets	54,859	52,689
Actuarial gain on pension plan assets	4,935	23,497
Actual return on pension plan assets	59,794	76,186

Notes to Financial Statements June 30, 2012

10. EMPLOYEE BENEFITS (CONTINUED)

Experience history

	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined benefit obligation	789,163	674,735	545,320	478,018	410,242
Fair value of plan assets	(834,785)	(792,125)	(737,205)	(691,511)	(709,047)
Surplus	(45,622)	(117,390)	(191,885)	(213,493)	(298,805)
Experience gain (loss) on obligation	4,053	(106,308)	18,562	18,340	(56,042)
Experience gain (loss) on assets	4,935	23,497	3,943	(73,061)	58,361

Principal actuarial assumptions at the reporting date:

	2012 %	2011 %
Discount rate	5.5	6.5
Expected return on pension plan assets (net of investment expenses)	6.0	7.0
Rate of salary increases	5.0	6.0
Pension increases	3.0	3.0

Should the NIBTT decide to adopt the requirements of the revised International Accounting Standards on Employee Benefits (IAS 19), as issued by the International Accounting Standards Board, which will be effective for annual periods beginning on or after January 1, 2013, the unrecognised actuarial gain of \$272 million would be derecognised at the beginning of the 2013/2014 financial year.

Notes to Financial Statements June 30, 2012

II. INVESTMENT IN SUBSIDIARY COMPANIES

The investments in subsidiary companies comprise:

	2012 \$'000	2011 \$'000
NIPDEC	25,000	25,000
TTMF	7,190	7,190
HMB	133,880	133,880
	<u>166,070</u>	<u>166,070</u>

12. INVESTMENT SECURITIES

Investments comprise:

State and corporate bonds (a)	7,985,661	7,349,568
Equities (b)	7,598,379	7,358,911
Other	564,884	529,399
	<u>16,148,924</u>	<u>15,237,878</u>

The analysis below shows the composition of the various investment categories:

	2012 \$'000	2011 \$'000
(a) State and corporate bonds		
Government and public sector investments	3,421,594	3,464,702
Corporate securities	4,564,067	3,884,866
	<u>7,985,661</u>	<u>7,349,568</u>

Notes to Financial Statements June 30, 2012

12. INVESTMENT SECURITIES (CONTINUED)

	2012 \$'000	2011 \$'000
(b) Equities		
Quoted	7,499,287	7,261,121
Unquoted	99,092	97,790
	<u>7,598,379</u>	<u>7,358,911</u>

State and corporate bonds earn interest at rates varying between to 0.45% and 12.25% (2011: 4.75% and 12.25%).

13. MORTGAGE ADVANCES

Gross mortgage advances	87,453	100,380
Provision for non-performing advances	(60,805)	(62,073)
	<u>26,648</u>	<u>38,307</u>

Mortgage advances earn interest at an average effective rate of 8.00% (2011: 8.00%).

14. INVENTORY

Inventory consists of the net realisable value of a property development project.

Notes to Financial Statements June 30, 2012

15. CLAIM RECEIVABLE – MATURED DEPOSITS

CLICO Investment Bank

On September 27, 2011, the High Court ruled in favour of the NIBTT in its action against CLICO Investment Bank Limited (CIB). The ruling centered around the definition of an Investment Note Certificate and whether such deposits were guaranteed under the Memorandum of Understanding between the Ministry of Finance and CL Financial Limited. The judgement paves the way for the NIBTT to seek to recover amounts owed to it by CIB in the amounts of US\$102,506,128 and TT\$46,493,563. In addition, the judgement also awarded the application of interest at the rate of 6% per annum from the dates of maturity of the deposits. Act 18 of 2011 of the Laws of the Republic of Trinidad and Tobago, assented to on September 20, 2011, amended the Special Emergency Powers of the Central Bank under the Central Bank Act. The amendment may have an impact on the NIBTT's ability to enforce its judgement against CIB. Notwithstanding, the NIBTT is vigorously pursuing all its options to recover on this judgement.

Discussions continue to be held between the NIBTT and the Ministry of Finance regarding the settlement of the judgement debt arising out of the successful litigation by the NIBTT in the matter, NIBTT vs. CIB.

16. OTHER ASSETS

	2012 \$'000	2011 \$'000
Investment income receivable	195,863	202,164
Sundry debtors	21,566	25,044
Prepayments	247,888	166,566
Amounts due to mortgage agency	401	-
Contributions receivable	161,305	221,609
	<u>627,023</u>	<u>615,383</u>

Notes to Financial Statements June 30, 2012

17. CASH AND CASH EQUIVALENTS

	2012 \$'000	2011 \$'000
Cash and bank	3,632,996	3,469,033
Money market fund (TT\$)	-	37,649
Money market fund (US\$)	19,356	13,671
	<hr/>	<hr/>
Bank overdraft (Note 20)	3,652,352	3,520,353
	-	(26,225)
	<hr/>	<hr/>
	<u>3,652,352</u>	<u>3,494,128</u>

18. BENEFITS FUND

The benefits funds comprise the following funds:

Long-term benefits fund, which is held to cover retirement pensions, retirement grants, invalidity and survivor's benefits in respect of qualifying persons.

Short-term benefits fund, which is held to cover sickness and maternity benefits and funeral grants in respect of qualifying persons.

Employment injury benefits fund, which is held to cover employment injury benefits to eligible insured persons.

As described in Notes 2 and 5, the benefits funds balances do not represent the NIBTT's liability to beneficiaries, but instead reflect allocations based on the application of certain ratios as advised by the NIBTT's Actuary.

The NIBTT's liability to beneficiaries as determined by the Actuary was \$24,077 million at June 30, 2010. The value of reserves at June 2010 was \$18,474 million.

Notes to Financial Statements June 30, 2012

18. BENEFITS FUND (CONTINUED)

	Long-Term	Short-Term	Employment Injury	Totals
	\$'000	\$'000	\$'000	\$'000
2012				
Balance at June 30, 2011	20,056,685	289,957	513,387	20,860,029
Net surplus of revenue over expenditure for the period ended June 30, 2012	1,006,721	(4,856)	(4,727)	997,138
Balance at June 30, 2012	<u>21,063,406</u>	<u>285,101</u>	<u>508,660</u>	<u>21,857,167</u>
2011				
Balance at June 30, 2010	17,667,708	289,394	516,812	18,473,914
Net surplus of revenue over expenditure for the period ended June 30, 2011	2,388,977	563	(3,425)	2,386,115
Balance at June 30, 2011	<u>20,056,685</u>	<u>289,957</u>	<u>513,387</u>	<u>20,860,029</u>

19. REVALUATION RESERVE

The revaluation reserve reflects gains or losses on revaluation of freehold properties.

Notes to Financial Statements June 30, 2012

20. OTHER LIABILITIES

	2012 \$'000	2011 \$'000
Bank overdraft (see Note 17)	-	26,225
Sundry creditors and accruals	108,668	76,400
Unallocated mortgage payments	-	936
Provision for other payables	9,961	10,309
	<u>118,629</u>	<u>113,870</u>

21. ADMINISTRATION AND INVESTMENT EXPENSES

Included therein are the following charges:

Salaries and other related expenses	81,352	80,076
Depreciation	2,964	2,926

In 2012, administrative expenses amounted to 4.99% (2011: 4.71%) of contribution income and this did not exceed the limit established by the Board of 7%.

22. CONTINGENT LIABILITIES

(a) Pending litigation and outstanding appeals

As at June 30, 2012, there were certain legal proceedings outstanding against the NIBTT. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

(b) Industrial relations

Preliminary discussions for the new Industrial Agreement for the period January 1, 2008 to December 31, 2010 are currently in progress.

Capital projects approved and contracted as at June 30, 2012 amounted to \$16.1 million (2011: \$0.8 million).

Notes to Financial Statements June 30, 2012

23. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. These transactions were carried out on normal terms and conditions at market rates.

The following table provides the total amount of balances and transactions, which have been entered into with related parties who have significant influence over the NIBTT for the relevant financial year/period.

(i) Balances due from related parties

During the years ended June 30, 2011 and 2012, the NIBTT carried out the following significant transactions with related parties during the course of normal operations:

	2012 \$'000	2011 \$'000
Bonds and debentures of subsidiary companies	48,112	51,130
Interest receivable	110,830	112,394

(ii) Transactions with related parties

The amounts due from related companies comprise the following:

Payment on bonds and debentures	1,552,243	1,589,198
Agency management fees	(31)	(78)

(iii) Transactions with key management personnel

In addition to their salaries, the NIBTT also provides non-cash benefits to executive officers and contributions to a post-employment defined benefit plan on their behalf. The key management personnel compensations are as follows:

	2012 \$'000	2011 \$'000
Short-term employee benefits	1,248	2,000
Post-employment benefits	2,457	163

Notes to Financial Statements June 30, 2012

24. FINANCIAL RISK MANAGEMENT

Overview

The NIBTT's principal financial instruments comprise investment securities, investment properties, mortgage advances, fixed deposits, cash and cash equivalents and borrowings. Income earned from investments, together with the excess of contributions after benefits are paid, are used to earn above average interest rate margins through the investing in high quality, high yielding assets with acceptable levels of risk.

The NIBTT has exposure to the following risks from the use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
 - Interest rate
 - Currency

The Board of Directors has overall responsibility for the establishment of a Risk Management Framework.

The following are the systems/structures put in place to ensure that the NIBTT's exposure to risk is minimised.

The Investments Unit

This unit conducts regular due diligence exercises based on published financial reports and other available data.

Detailed monthly reports are submitted to Executive Management and to the Investment Committee (IC).

The Investment Committee

The role of the Investment Committee is to review the results of the due diligence exercises conducted by the Investments Unit. Decisions/Recommendations are submitted to the Board of Directors for ratification.

Investment decisions are made in the context of Schedule I of the National Insurance Act (NI) and the NIBTT's Investment policy.

Notes to Financial Statements June 30, 2012

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 NIBTT is mainly exposed to credit risk with respect to its mortgage portfolio and deposits.

The NIBTT limits its exposure with respect to its bond portfolio by investing in only bonds issued by the Government of Trinidad and Tobago or institutions with high creditworthiness. The NIBTT, through the Investments Unit and the Investment Committee, consistently monitors the performance of these instruments.

In respect to the mortgage portfolio, constant monitoring is also employed. The necessary contact with mortgagors is maintained to ensure that payments are received in a timely manner, where necessary mortgage re-scheduling is done, which considers the borrower's new financial position. In the event where recovery may seem doubtful, provisions are set aside to cover any potential losses.

Liquidity Risk

Liquidity risk is the risk that the NIBTT will encounter difficulty in meeting obligations from its financial liabilities.

The daily liquidity position for both operational expenses and the payment of benefits is monitored daily by the Financial Accountant whose job it is to ensure that the bank accounts are adequately serviced. Transfers are done between bank accounts and the excess of contribution income over benefit payments is taken up by the Investments Unit, which will seek to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

Market Risk

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 NIBTT is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds. These are regularly monitored by the Investments Unit and communicated to the Board of Directors by the Investment Committee.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The NIBTT is exposed to currency risk with respect to its investments in cash and cash equivalents denominated in United States dollars.

The TT dollar is pegged to the US dollar and this managed float has been there for some time. The TT economy is quite strong and there appears to be no threat of devaluation or appreciation of the TT dollar against the US Dollar.

However, the balances held in US dollars are monitored on a daily basis by the Investments Unit.

Notes to Financial Statements June 30, 2012

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

The carrying amount of loans and advances, investment securities and matured deposits represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>Loans and Advances</u>	
	2012 \$'000	2011 \$'000
Mortgages		
Gross amount	87,453	100,380
Collectively Impaired		
Gross amount	53,511	53,630
Allowance for impairment	(53,511)	(53,630)
Carrying amount	-	-
Past due but not impaired		
Gross amount	18,787	27,488
Past due comprises		
30 - 60 days	12,704	19,220
61 - 90 days	2,534	1,948
91 - 180 days	1,382	2,253
Over 180 days	2,167	4,067
Allowance	(7,294)	(8,443)
Carrying amount	11,493	19,045
Neither past due nor impaired		
Gross amount	15,155	19,262

The NIBTT granted mortgages based on evaluations of the mortgagees' financial situation, and continually monitors the exposure of potential losses from mortgages.

Notes to Financial Statements June 30, 2012

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Mortgage balances are stated net of the provisions for diminution in the value of investments as follows:

	2012 \$'000	2011 \$'000
Mortgages:		
Provisions as at July 1	62,073	62,894
Movement for the year	(1,268)	(821)
Provisions as at June 30	<u>60,805</u>	<u>62,073</u>

Investment securities

The amounts in relation to investment securities are neither past due nor impaired. As such, no provisions have been made against the amounts.

The NIBTT holds collateral to cover its credit risks associated with specific investment securities considered most at risk. At the reporting date, the shortfall in the value of these securities resulted in an adjustment of Nil (2011: \$175 million).

There exist certain matured deposits which are past due but not impaired. No provisions have been made against the amounts. The basis for this treatment is described in Note 14.

The maximum exposure to credit risk for investment securities at the reporting date by sector was:

	2012 \$'000,000	2011 \$'000,000
Concentration by sector		
Corporate	4,564	3,885
Foreign Investment	2,269	2,424
Sovereign	3,422	3,465
Equity	5,894	5,464
	<u>16,149</u>	<u>15,238</u>

Notes to Financial Statements June 30, 2012

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Investment securities (continued)

The maximum exposure to credit risk for investment securities at the reporting date by location was:

	2012 \$'000,000	2011 \$'000,000
Concentration by location		
Trinidad	13,928	12,814
Regional	60	63
International	2,161	2,361
	<u>16,149</u>	<u>15,238</u>

Liquidity risk

The following are the contractual maturities of financial assets and liabilities:

	Up to One year \$'000	One to Five Years \$'000	Over Five Years \$'000	Total \$'000
As at June 30, 2012				
Other liabilities	118,629	-	-	118,629
As at June 30, 2011				
Other liabilities	113,870	-	-	113,870

By an Act of Parliament, benefit payments are derived from current month contributions.

Notes to Financial Statements June 30, 2012

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Interest rate

At the reporting date, the interest rate profile of the NIBTT's interest bearing financial instruments was:

	2012 \$'000	2011 \$'000
Fixed rate instruments	7,276,004	6,577,952
Variable rate instruments	709,657	771,616
	<u>7,985,661</u>	<u>7,349,568</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased (decreased) the long-term benefits fund by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

Effect in TT\$'000	100 bp Increase	100 bp Decrease
June 30, 2012	70,965	(70,965)
June 30, 2011	77,191	(77,191)

Notes to Financial Statements June 30, 2012

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk

The NIBTT's exposure to foreign currency risk based on notional amounts was as follows:

	TT	US	Total
	\$'000	\$'000	\$'000
As at June 30, 2012			
ASSETS			
Cash and cash equivalents	2,828,272	824,080	3,652,352
Investment securities			
- Equities	6,032,436	1,565,943	7,598,379
- Other	-	564,884	564,884
- State and corporate bonds	6,837,046	1,148,615	7,985,661
TOTAL ASSETS	15,697,754	4,103,522	19,801,276
As at June 30, 2011			
ASSETS			
Cash and cash equivalents	2,988,385	505,743	3,494,128
Investment securities			
- Equities	5,903,591	1,455,320	7,358,911
- Other	-	529,399	529,399
- State and corporate bonds	5,996,334	1,353,234	7,349,568
TOTAL ASSETS	14,888,310	3,843,696	18,732,006

Notes to Financial Statements June 30, 2012

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Currency risk (continued)

The following significant exchange rates were applied during the year:

	Average Mid Rate		Reporting Date Spot Rate	
	2012	2011	2012	2011
USD	6.4214	6.424	6.4214	6.424

Re: Central Bank of Trinidad and Tobago (CBTT) website.

Sensitivity Analysis

A 1% strengthening of TTD against USD at year end would have increased (decreased) the long-term benefits fund by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

Effect in TT\$'000	Long-Term Benefits Fund	
	2012	2011
TTD	32,313	33,379

A 1% weakening of the TTD against USD at year end would have had the equal but opposite effect to the above currencies on the amounts shown above, on the basis that all other variables remain constant.

	2012	2011
USD	(5,032)	(5,196)

Notes to Financial Statements June 30, 2012

25. STAFF COMPLEMENT

The staff complement as at June 30, 2012 was 694 (2011: 649).

26. SUBSEQUENT EVENTS

CL Financial US\$240 Mn bond

On September 3, 2012, CL Financial Limited (CLF) announced that it had entered into a 'lock up' agreement with Davide Campari – Milano SPA to dispose of CLF's 81.4% stake in Lascelles de Mercado Co. Ltd (LDM). This transaction is expected to close in the 4th quarter of 2012.

LDM was acquired by CLF in 2008 and that acquisition was financed substantially through secured debt financing (the 2008 secured debt). This debt has repeatedly gone into default and now has a final maturity date of December 31, 2012.

CLF is expected to receive proceeds of US\$537 Mn on its 2008 investment in LDM.

CLF proposes to use these proceeds to honour all its obligations by repaying 100% of all outstanding debts due to note holders both in Trinidad and Tobago and Jamaica.

In light of this information, it is anticipated that the NIBTT will recover the full amount due on the CLF US\$240 Mn notes in the sum of US\$100 Mn by December 2012.

Pension Fund

The NIBTT agreed that its contribution to the pension fund plan be increased from 5% to 10% of the member's basic salary with effect from July 1, 2012 at an estimated increased monthly cost of \$0.235 million.

YEAR IN REVIEW 2012

NIBTT CELEBRATES 40 YEARS



NIBTT CHILDREN'S CHRISTMAS PARTY



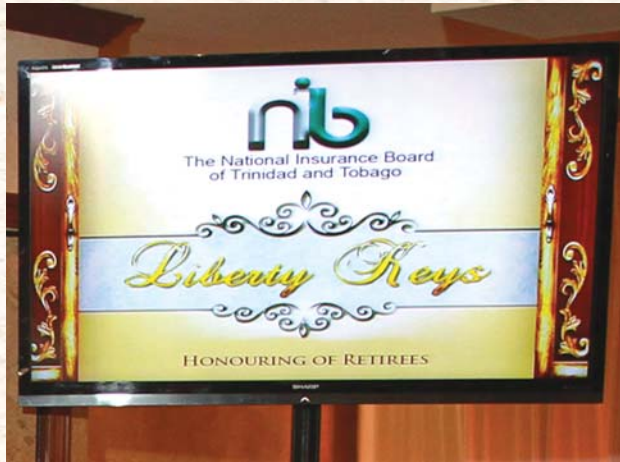
NIBTT ADMINISTRATIVE PROFESSIONAL RETREAT



NIBTT COMMUNITY OUTREACH ACTIVITIES



NIBTT RETIREMENT FUNCTION



NOTES



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