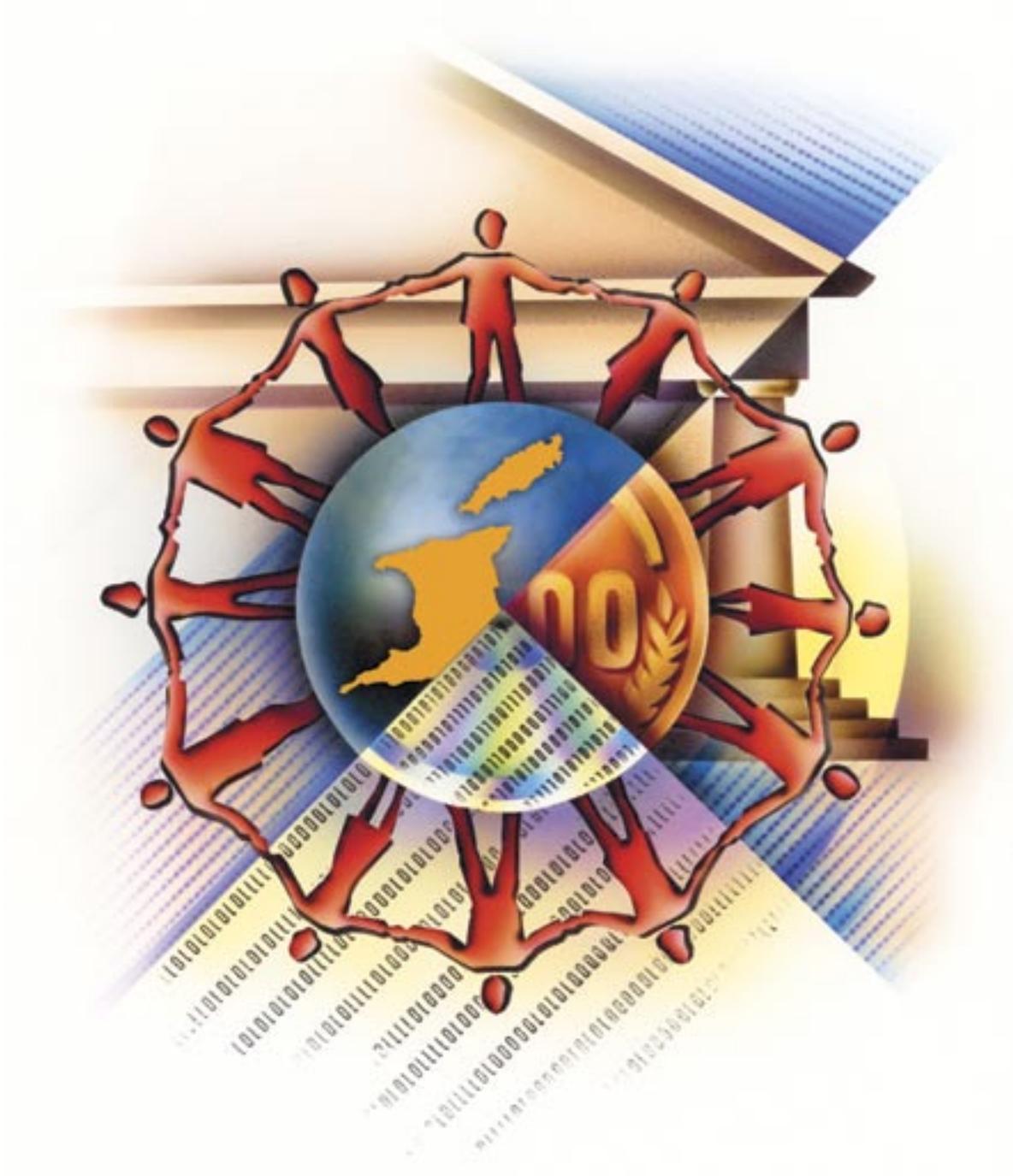


Annual Report 2005



We are stronger together

We Are Stronger Together



MISSION

To effectively and efficiently deliver social insurance products and services that satisfy the needs of the population

VISION

To become the leading provider of Social Insurance within the Caribbean region

Table of Contents

Chairman's Review	5
Board of Directors	8
Executive Director's Report	11
Executive Management Team	17
Investment Committee	18
The Year in Review	20
Board Committees	22
Auditors' Report	23
Balance Sheet	24
Revenue and Expenditure Accounts	25
Statement of Cash Flows	26
Notes to the Financial Statements	27
Corporate Information	37
6th Annual CARICOM Social Security Games	38
NIB Locations	40



National Insurance Board of
Trinidad and Tobago

Annual Report

July 2004 - June 2005



We are stronger together



Mr Calder Hart
Chairman, NIBTT

We Are Stronger Together

Financial year 2004/2005 was an excellent year. We were able to pay a greater number of persons improved benefits in fulfilment of our commitment to deliver social insurance products and services that satisfy the needs of the population.

We at the NIBTT have long recognised that in a world where people are increasingly exposed to international economic risk, social insurance is a critical ingredient in counteracting the effects of globalisation.

In February 2005, the Board adopted a new strategic plan, Vision 2007, which charts the way forward to providing coverage for all of the working population of Trinidad and Tobago, including the self-employed. This is in keeping with our vision of becoming *the leading provider of Social Insurance within the Caribbean region.*

Such a vision can only be realised by working together with our stakeholders, customers, suppliers, staff and regional partners to consolidate our gains whilst achieving improved standards of performance.

Benefits and Beneficiaries

In the last financial year we paid 121,498 persons \$943.8M in benefits, our employer population grew to 15,442, and coverage was extended to 400,202 active insured persons.

Integral to our strategic focus is the need to ensure that inflation does not erode the value of our benefits. It is significant that in 2004/2005 the purchasing power of our benefits remained relevant to our customers' needs though the inflation rate remained 4% during the year.

“**Our overarching goal is to provide our contributors and their dependents with superior products and service in the most cost-efficient manner possible**”

Financial Achievements

Upon review, the NIBTT has enjoyed a very strong year, given the fact that the prevailing investment climate was characterised by high liquidity conditions and soft interest rates. A net investment yield (realised income only) of 7.26% was achieved, while the net total return on the investment portfolio (realised income plus unrealised gains/losses) was 9.24%.

Total funds under management amounted to \$12.8B, reflecting an increase of \$1.3B or 11.3% over the previous year's balance. More impressive is the fact that we were able to keep our administrative cost at 7.1% of the contribution income of \$1.2B and a mere 4.4% of total income of \$1.9B. This attests to the prudent management of administrative costs by the NIBTT.

Looking Ahead

We actively pursue initiatives that will allow us to improve the timeliness and quality of service to our clients. Our overarching goal is to provide our contributors and their dependents with superior products and service in the most cost-efficient manner possible.

The biggest challenge facing the NIBTT is to obtain complete, accurate contribution data in a timely manner. To enhance our data collection capabilities, the NIBTT will aggressively promote the use of electronic facilities by employers in the management of our customers' records. This will be complemented by the routine mailing of Annual Contribution Statements to the insured.

Vision 2007

Over the past year, the NIBTT benchmarked its performance against its counterparts both regionally and internationally. As a result, we have adopted strategies that will allow us to become not only the leading provider of social insurance in the region, but also a model organisation that will be recognised as such worldwide.

Our outstanding track record positions us to be a leading player in the pension and the financial market.

In the new financial year the NIBTT will continue to marshal its resources towards the expansion of social insurance coverage and the realisation of our vision of being “the leading provider of social insurance within the Caribbean region”.

To realise our corporate objectives the NIBTT will also focus on pursuing new sources of income, maximising the collection of contribution income and strengthening strategic alliances.

Seventh Actuarial Review

Substantial progress has been achieved with respect to the preparatory work for undertaking the Seventh Actuarial Review. The Review is structured in three phases and is aimed at ensuring the long term financial and economic viability of the National Insurance Fund. This Review will make recommendations that will render the NIS more effective and efficient and maintain the relevance and value of benefits paid.



Chairman's Review

A priority objective of the Seventh Actuarial Review is the extension of Social Security Insurance coverage to the self-employed, who form a major component of the economic landscape of Trinidad and Tobago.

To determine the needs of this sector a preliminary survey was conducted early in this calendar year. This information will be used to develop an appropriate National Insurance package that can be extended to this sector.

Other Initiatives

In keeping with Government's 2020 vision of strengthening the social security fabric of Trinidad and Tobago, NIBTT has become involved in a number of initiatives.

NIBTT is a member of the Government-appointed Steering Committee to oversee the development of a National Health Insurance System (NHIS) for Trinidad and Tobago. The committee has as its mandate to design an appropriate model of NHI for the country and to develop the implementation plan.

In addition, our organisation remains committed to Government's pension reform initiatives and its policy to integrate the nation's social services, thereby providing increased social protection.

Regional Relations

In keeping with our promise to strengthen relations among the CARICOM social security community, NIBTT hosted the Sixth Annual CARICOM Social Security Games 2005 over the Easter weekend.

The weekend of events included a number of social and cultural activities culminating in the fun games on Easter Sunday. The games served to reinforce the already good relations that exist within the CARICOM Social Security community.

Looking ahead, the NIBTT will be actively involved in the upcoming review of the operations of the CARICOM Reciprocal Agreement on Social Security.

Appreciation and Commitment

During the period under review the term of office of Mr Kenneth Henry, Chairman of the Board of Directors, expired. On behalf of the Board of Directors, I take this

I pledge our continued commitment to fulfil our obligation to you through the provision of relevant benefits that are delivered in a timely, efficient and effective manner

opportunity to place on record our sincere appreciation to Mr Kenneth Henry for his dedication to the achievement of the goals of the NIBTT.

To my colleagues on the Board of Directors, I convey my appreciation for your invaluable contribution to the improvement of NIBTT's performance over the past year.

I wish to publicly commend the Executive Director, members of Executive and Senior Management and the staff of NIBTT for their continued dedication and service to the organisation and the people of Trinidad and Tobago.

And to you, our stakeholders, we express our thanks for your active participation in the improvement of the National Insurance System. I pledge our continued commitment to fulfil our obligation to you through the provision of relevant benefits that are delivered in a timely, efficient and effective manner.

In this regard, I wish to assure you that the NIBTT will continue to be guided by your needs and expectations in the continued development of the National Insurance System of Trinidad and Tobago.



Calder Hart
Chairman



We are stronger together



Board of Directors

(from left)

Henry Sealy
Government

Inez Sinanan
Government

Ruben Mc Sween
Business

Walton Hilton-Clarke
Deputy Chairman
Business

Michael Annissette
Labour

Seeram K. Maharaj
Business

Calder Hart
Chairman

Alva Allen
Labour

Jeffrey McFarlane
Executive Director (Ex-officio)

Not in picture:

Ronald Le Hunte Government

Jai Ramkissoon Labour

List of Alternates:

Linda Besson
(Walton Hilton-Clarke)

Kenneth Dalip
(Seeram K. Maharaj)

Clarence Rambharat
(Ruben Mc Sween)

Christopher Abraham
(Alva Allen)

Robert Guiseppi
(Michael Annissette)

Wendy Joy Whyte
(Jai Ramkissoon)





Mr Jeffrey McFarlane
Executive Director, NIBTT

Executive Director's Report

We Are Stronger Together

The NIBTT experienced another excellent year, with growth and improved performance in all of our major operational areas.

Management and staff committed themselves to providing excellent professional and courteous service to all of our varied customers.

Our achievements were many. The number of persons receiving benefits from the system grew by 11% from 109,564 to 121,498 whilst benefit payments increased from \$752M to \$943.8M or by 26% over the last year. In addition, the number of employed persons receiving coverage under the system rose by 41,015 or 11% to reach a record high of 400,202 persons insured under the National Insurance System (NIS).

We also experienced growth in the active employer population, which now stands at 15,442, an increase of 1,350 registered employers or 10%. Contribution income crossed the billion-dollar mark, reaching \$1.2B, thereby exceeding last year's income by \$231.4M or 24.5%.

These achievements mirror the growth in the economy and reflect the growing awareness of employed persons and employers of the value of the NIS as part of the social and economic infrastructure of the country and their acceptance of its role in the society. Increased and more focused compliance activities as well as our educational outreach programmes have both helped to build this awareness.

On the investment side, NIBTT's total assets grew by 10.8% from \$11.8B to \$13.1B whilst total funds under management grew by approximately \$1.3B or 11.3% from \$11.5B to \$12.8B.

The growth and stability of the fund are important for maintaining confidence and for sustaining the NIS at reasonable cost to employers and employed persons in the medium to long term.

It is noteworthy that this growth was achieved in an environment of low interest rates, high liquidity and limited investment options.

The inside cover of this year's report paints an excellent picture of what the NIBTT means to the people of Trinidad and Tobago: wage earners, their employers, the Government, our Board of Directors and staff, linked as joint stakeholders operating a comprehensive and efficient NIS for the common good.

It speaks of solidarity, pooling of risk and redistribution of income to persons who have a present need. All of these stakeholders have contributed to the NIBTT's achievements in 2005.

Service Delivery

Benefits and Beneficiaries

Our focus on continuous development and self-improvement continued in 2005. We have reviewed several operational procedures to improve efficiency. This has resulted in significant improvements in our service delivery benchmarks.

The number of persons receiving benefits in 2005 increased by 11% from 109,564 to 121,498. The value of these disbursements reached a record \$943.8M, representing an increase of \$191.8M or 25.5% over the 2004 amount. This increase resulted from the changes made following completion of the Sixth Actuarial Review process and demonstrates the NIBTT's commitment to ensuring that our benefits package provides real value to contributors and their dependents.

Out of a total of 38,621 new claims for processing, 35,509 or 92% were paid.

As is customary, 99% of our funeral grants were paid on the same day of receipt. A more important achievement was our ability to deliver payment on 76% of our short term claims within 15 days where medical advice was not required – a 58% performance improvement over last

Key Performance Indicators

	2004	2005	% Change
Benefit Recipients	109,564	121,498	10.9%
Benefit Payments	\$752.0M	\$943.8M	25.5%
New Claims for Processing	44,361	38,621	(12.9%)
New Claims Processed and Authorised	42,421	36,727	(13.4%)
New Claims Paid	41,650	35,509	(14.7%)
No. of Pensioners	79,652	94,126	18.2%
Active Insured Persons	359,187	400,202	11.4%
Active Employer Population	14,092	15,442	9.6%
Number of Employers surveyed	4,835	5,844	20.9%
Contribution Income	\$941.3M	\$1,172.7M	24.6%
Net Investment Income	\$751.8M	\$696.3M	(7.4%)
Administrative Costs	\$86.3M	\$83.4M	(3.4%)
Total Funds Under Management	\$11.5B	\$12.8B	11.3%
Administrative Costs as % of Contribution Income	9.2%	7.1%	(2.1%)
Administrative Costs as % of Total Income	4.9%	4.4%	(0.5%)
Net Yield on Portfolio (Income Only)	8.8%	7.3%	(1.5%)
Net Yield on Portfolio (Realised and Unrealised Income)	21.8%	9.3%	(12.57%)
Growth in Fund	24.2%	10.9%	(13.3%)
Total Assets	\$11.8B	\$13.1B	11.0%



Executive Director's Report

year. Upgrading of the operating processes on our long term claims which began in this financial year is expected to result in similar productivity improvements to the long term Branch.

Our pension clientele grew by 18.2% over the previous year from 79,652 to 94,126 pensioners. Of this number, retirement benefit recipients accounted for 59,691 as at June 30, 2005, while recipients of invalidity, disability and survivors' benefits amounted to 34,435.

In the past financial year 442 Retirees recipients received pensions that were in excess of the \$1,000 minimum. The majority of these persons were paid in Earnings Class VI with the highest value of pension paid being \$1,112.28.

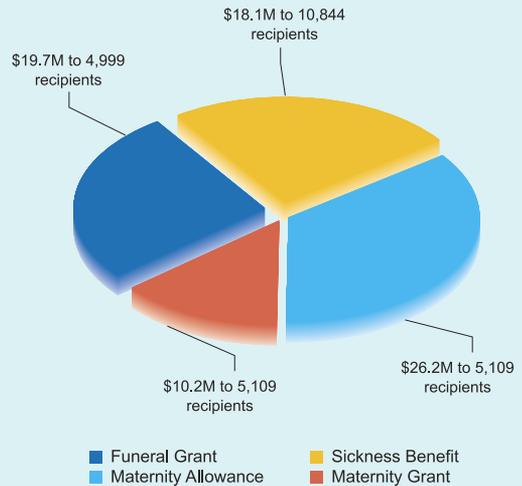
The most significant change in this area was the increasing number of persons who became eligible to receive survivors' benefits. This trend was expected because of modifications made, which were based on recommendations from the Sixth Actuarial Review. Recipients of widows' and widowers' pensions now receive benefits for life or until remarriage based on the contributions of the deceased spouse and without regard to the age, health or gender of the surviving spouse.

Our service delivery targets were supported by our recruitment and promotion policies, significant investment in the development of our human capital, and a reliable physical and technological environment.

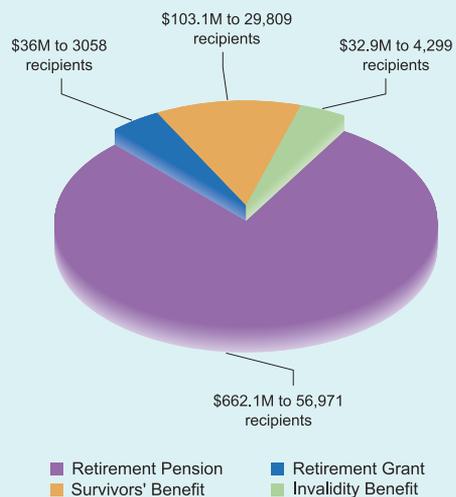
Benefit by Type

Benefit Type	No. of Recipients	% of Total Recipients	Benefit Expenditure TT\$M
Long Term	94,126	77%	834.1
Short Term	20,952	18%	74.2
Employment Injury	6,420	5%	35.5
Total	121,498	100%	943.8

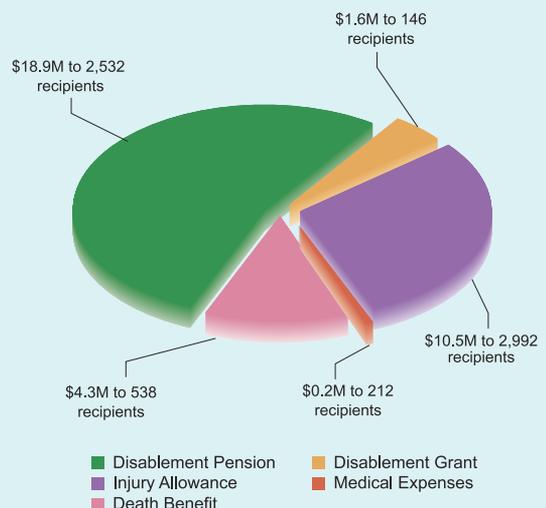
Short Term Benefit Expenditure for year 2004/2005 (TT\$M)



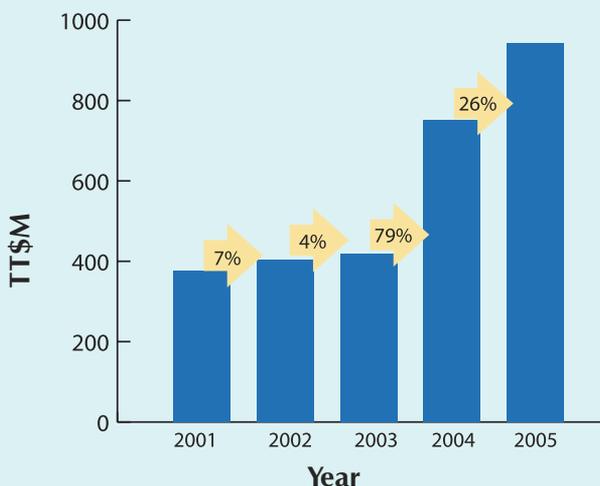
Long Term Benefit Expenditure for year 2004/2005 (TT\$M)



Employment Injury Benefit Expenditure for year 2004/2005 (TT\$M)



Benefit Expenditure for year 2001-2005 (TT\$M)



Executive Director's Report

Employee and Employer Registration

Employee Registration

The number of active registered employees as at June 30, 2005 was 400,202, an increase of 11% over last year's active registered employees of 359,187.

Of the 63,311 employee applications for registration received for processing in 2004/2005, 99% were completed. Of these, 34% were in respect of persons who were previously registered.

Employee registration numbers were provided to employers and employees within seven days of application for 90% of the new registrants – a 3% improvement over the previous financial year.

Employer Registration

During this financial year, 2,280 employers submitted applications for registration, an increase of 219 or 11% when compared to 2,062 received in 2004. Ninety-seven per cent (97%) of these employers received their registration certificates within one day.

By the end of the year the active employer population stood at 15,442, an increase of 1,350 or 10% over last year's figure of 14,092. Nine hundred and thirty (930) employers ceased operations during this financial year.

Employers' Compliance (Enforcement)

We commend employers for their continued willingness to comply with the requirements of the National Insurance Act.

During the year, the ratio of contribution arrears to budgeted contribution income was kept to 3%. This achievement was due to voluntary compliance by the majority of employers and to our utilisation of a mix of technological resources, compliance auditing, educational outreach programmes and enforcement action.

Compliance audits are now more focused and timely. During the year, 5,844 employer surveys were completed, an increase of 1,009 or 21% when compared with the number completed in 2004.

Recovery action was initiated against 54 employers by seizing records for computation of indebtedness, and legal action is being instituted against 34 employers with a total debt of \$3.04M.

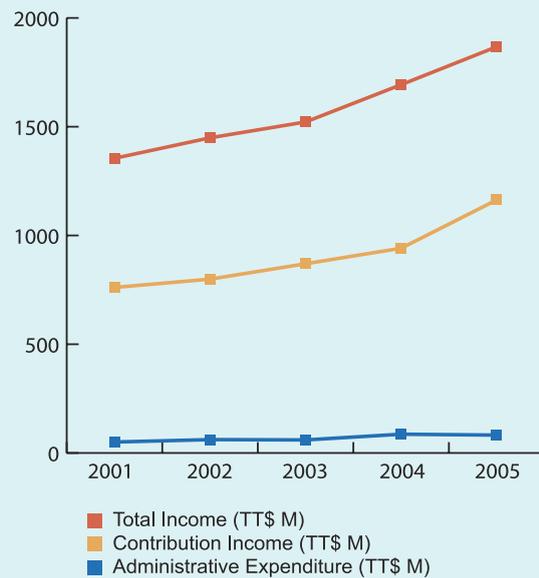
The Board has also instituted garnishee action against one employer, and is preparing to take legal action against the Directors of another company for their failure to comply with the requirements for registration of the company and its employees under the NI Act.

Our compliance and education efforts have positively impacted upon our employer population. Penalty income has been reduced by 43% to \$9.2M from \$16.1M in 2004. Employers are generally paying correctly and on time.

Cost Improvements

In the 2005 Financial Year, administrative expenses represented 7.1% of contribution income, as compared to the 9.2% of the previous year. When expressed as a percentage of total income, administrative costs fell from 4.9% in 2004 to a mere 4.4% in 2005. These ratios position NIBTT as one of the most cost-efficient social security organisations in the region.

Administrative Expenses/Contribution Income and Total Income June 2001 - June 2005



Vision 2007

Our new Corporate Strategic Plan, Vision 2007, was approved by the Board of Directors in February 2005. This strategic vision sets the organisation on the path of becoming "the leading provider of social insurance within the Caribbean region" and outlines a road map for the organisation to achieve its mission "to effectively and efficiently deliver social insurance products and services that satisfy the needs of the population".

Vision 2007 charts the way forward over the financial period 2005 – 2007. It addresses the needs and expectations of all of our stakeholders while taking into account those issues that have gained increasing prominence in the current social insurance debate. It focuses on social insurance expansion and is set within a framework of continued positive overall performance of the economy of Trinidad and Tobago as well as the development of the Caribbean Single Market and Economy.



Executive Director's Report

Consequently, Vision 2007 includes the extension of coverage to the self-employed and the continued development of our internal capabilities to ensure that we can effectively respond to the increasing expectations of our clientele.

The plan expressly recognises the core values of the organisation – customer focus, mutual respect, transparency, integrity, fairness, recognising and rewarding excellence, competence, loyalty and teamwork – incorporating them in the organisation's goals to 2007. These include:

- Organisational learning and knowledge sharing
- Development of a culture of performance excellence
- More efficient contribution data collection
- Effective use of information technology
- Improved physical facilities

The Seventh Actuarial Review

The NI Act requires the NIBTT to undertake an Actuarial Review of the NIS over five-year intervals. The Board has therefore commenced the process for the Seventh Review of the NIS as required by the National Insurance Act to assess the balance between the rates of contributions and the rates of benefits and to set the upper limit on administration costs.

These Reviews and the action taken on their recommendations seek to ensure the long-term financial and economic viability of the NIS.

The Seventh Review will accordingly draw conclusions as to whether the NIS is based on a sound financial platform and recommend measures needed to protect the value of benefits paid and promote the fund's long-term sustainability at reasonable cost.

A priority objective of the Review is the extension of coverage to the self-employed. At the end of the first quarter in 2005 there were some 111,400 persons or 17.9% of the workforce who were classified as self-employed and who do not enjoy the coverage available via the NIS. This sector is currently growing at a rate of 0.9% per annum since 2000.

This new initiative is consistent with NIBTT's overall goal of providing universal coverage and protection for all workers, through the timely provision of short and long term benefits financed via a system of contributions.

“The National Insurance Board benefited directly from the robust economic growth in the domestic economy over the reporting period. Real GDP increased by 6.2%”

Background research on existing programmes for this sector, both regionally and internationally, began in December 2004. In particular, a preliminary survey was commissioned to assess the various segments of the self-employed sector – its demographic profile, attitude to participation in the National Insurance System, and insurance needs. Information from this survey will assist in developing an appropriate National Insurance package for the self-employed. The preliminary report of these findings was completed in June 2005. It is expected that implementation of this coverage will be effected in 2008.

Financial Performance

Economic Climate

The National Insurance Board benefited directly from the robust economic growth in the domestic economy over the reporting period. Real GDP increased by 6.2% and although economic growth continued to be led by the energy sector, there was modest growth of the non-energy sector. Overall, the economy promoted a strong increase in employment and a concomitant reduction in the unemployment rate.

These activities impacted directly on the level of contributions collected during the year, which for the first time surpassed the billion-dollar mark.

Income and Yield

The prevailing investment climate, however, was characterised by low interest rates, excess liquidity, and limited investment opportunities, which impacted directly on the yields achieved on our investment portfolio. Based on realised income only, aggregate gross yield was 7.39% and net yield at cost was 7.26%. Average net yield (realised basis only) over the past five years was 9.01%. This rate is in excess of the actuarial recommendation of an 8% average long-term rate of return (realised basis). Net yield at market value realised and unrealised gains was 9.4%.

For the year ended June 2005, realised gross investment income (\$708.9M) was \$49.9M lower than that for the corresponding period last year (\$758.3M). This performance is directly attributable to lower than anticipated interest rates on Government Securities and Bonds, as well as lower than anticipated income from Mutual Funds and Equity investments.

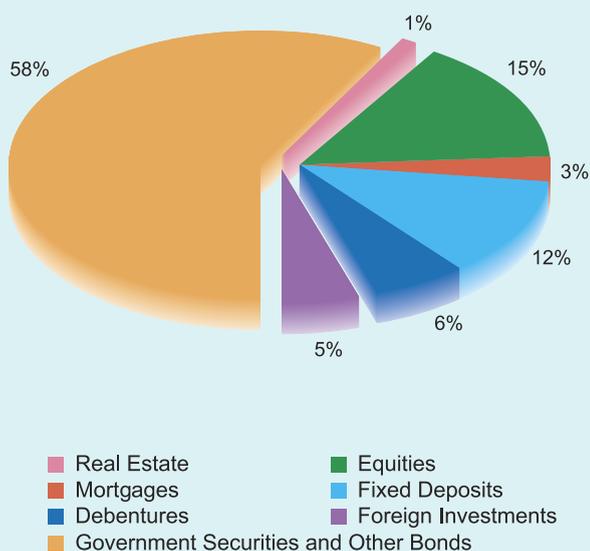
There was a significant downward adjustment in the value of locally traded equities, especially during the last quarter of our 2005 financial year.

In the financial year 2004/05, capital appreciation on the Board's equity portfolio was 9.45% (\$340.4M) as against 57.37% (\$1,347.4M) for the previous financial year when the Trinidad and Tobago Securities and Exchange (TTSE) Composite Index increased by 47.01%. In comparison, for financial year 2004/05, the TTSE Composite Index increased by only 25.59%.

Prime stocks on the TTSE, e.g. Guardian Holdings Limited, Republic Bank Limited and RBTT, were the worst hit by this general downward price adjustment, which is expected to continue until at least the end of the 3rd Quarter 2005. These stocks comprise a significant portion of the NIBTT's equity holdings. However, we expect the market to rebound in the short to medium term.

Executive Director's Report

Investment Portfolio Mix



Investment Portfolio Mix

Overall total funds under management appreciated to \$12.8B, an increase of \$1.3B or 11.3% over the previous year, with the investment portfolio contributing \$1.104B or 80% of the increase in total funds.

The main contributors to this performance were Debentures, Corporate Bonds, Equities, Government Bonds and Government Project Financing Securities due to their better-than-overall budgeted yield and substantial weights in the overall portfolio.

Human Resources

During the 2004/2005 period we continued to ensure that the best possible human resources were available at the right time with requisite skills and aptitudes to serve our customers.

Our investment in staff development increased as we focused on anticipating, developing and acquiring the new skills and competencies required for the achievement of corporate objectives outlined in the Vision 2007 strategic plan. Emphasis was also placed on heightening safety awareness and on wellness initiatives.

One hundred and five appointments were made as work continued on the implementation of the new organisational structure whilst 391 members of staff were exposed to a mix of internal, external and overseas training opportunities.

This year, one scholarship was awarded for the Henley Diploma in Project Management to Ms. Susan Nelson, Manager II - Insurance Operations.

Additionally, 24 of our managers graduated from an Advanced Diploma in Business Management programme from the University of the West Indies, Institute of Business – training specifically tailored to the developmental needs of the NIBTT.

The Board continues to financially support staff who pursue various programmes of training for their own professional or technical development by way of its recently revised Education Assistance Programme.

Phase 1 of our job evaluation exercise was completed this year. There was some delay with respect to commencement of the second phase of the Job Evaluation Exercise. However, after discussions, the PSA formally agreed to participate in the exercise, which is now expected to commence during the second quarter of the new financial year.

Negotiations (2002 - 2004)

Negotiations for the period January 1, 2002 to December 31, 2004 were referred to the Ministry of Labour and Micro Enterprise Development in June 2005. The negotiations have reached a critical stage with cost items like wages, COLA, commuted travelling allowance and motor vehicle loan to travelling officers continuing to engage the attention of the PSA and NIBTT.

It is the Board's position that compensation for its hard-working, dedicated and professional staff must be current and market relevant. Hence it has positioned itself to complete these negotiations and begin discussions for the new period 2005 – 2007 within the next financial year.

Corporate Events

First Annual Corporate Family Day

As a new initiative to develop camaraderie between the staff of NIBTT and those in its subsidiaries NIPDEC and TTMF, the First Corporate Family Fun Day, initiated by NIBTT, was held at the Ato Boldon Stadium.

The event came off as scheduled on Republic Day with an average of 60% attendance by staff of the three companies who brought along their families for a day of fun and entertainment.

Annual Dinner and Dance

Our Annual Dinner and Dance was held on December 4, 2004, at the Cascadia Hotel and Conference Centre with well over 500 staff and their guests in attendance, whilst the Annual Christmas Party for children and grandchildren of staff was held at our Corporate Head Office on December 11, 2004.



Executive Director's Report

In recognition of our 33rd Anniversary, customer appreciation days were hosted at our 15 service locations. We applaud the efforts of all the schools, community groups and residents in the various communities who chipped in to entertain our customers and specially invited guests who attended these activities.

International Relations

CARICOM Easter Games

The Sixth Annual CARICOM Social Security Easter Games 2005 were held in Trinidad and Tobago over the period March 24 to 28 and included a number of activities that were designed to expose our visiting Caribbean Social Security neighbours to Trinidad and Tobago. The games serve to reinforce the already good relations that exist among the CARICOM Social Security family.

All of the events were hosted successfully with the full participation of visitors and enthusiastic support of staff. The weekend of events culminated with the Easter Sunday Games, which were attended by well over 2,000 persons. Team NIBTT emerged overall winner of the games, which were marked by keenly contested novelty events.

The general sentiment expressed by all our visitors was that the weekend of events was well conceptualised and implemented, setting a new standard for the hosting of the CARICOM Social Security Games.

Reciprocal Agreement

The National Insurance Board of Trinidad and Tobago continues to provide social insurance support to its clients within the CARICOM region and Canada through its reciprocal agreements with these countries.

During the year under review, 59 new requests were received under the Canada/Trinidad and Tobago Agreement, an increase of 9 over last year.

This year, only three enquiries were received for benefits within CARICOM. The NIBTT continues to process these applications with due despatch.

“My very special thanks to all our staff: you are indeed our most treasured and valuable resource. Through you the image of NIBTT has been elevated in the eyes of our customers”

Appreciation

Given the Board's commitment to consulting with stakeholders and our preparation for the Seventh Review of the NIS, I sincerely thank all the persons, groups and organisations in Trinidad and Tobago who responded to our requests for comments on the improvements that can be made to the NIS. Your feedback will be duly evaluated for reform of the system and improvement of our service to you.

The employer population has co-partnered effectively with us to ensure that the working population of Trinidad and Tobago is well protected in times of need. Your increased commitment to the NIS is well appreciated and we at the NIBTT applaud you.

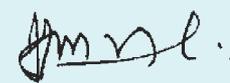
Particular tribute must be paid to both of NIBTT's Chairmen during this financial year: Mr Kenneth Henry and Mr Calder Hart. Together with the Board of Directors and other Committee Members, they have demonstrated strong commitment to the social security philosophy and have worked effectively to improve the performance of the NIS. Your invaluable advice and support for our day-to-day operations is greatly appreciated.

I take this opportunity to thank the Executive and Senior Management Team for astutely managing the affairs of the NIBTT during the year. Your leadership has been exemplary and there is no doubt about your commitment to the successful achievement of our organisation's strategic goals.

I wish to recognise the untiring efforts of the Executive of the National Insurance Sports and Cultural Club. Your willingness to work towards all of our developmental efforts for staff is appreciated.

My very special thanks to all our staff: you are indeed our most treasured and valuable resource. Through you the image of NIBTT has been elevated in the eyes of our customers. Your commitment to the spirit of social security is unquestioned and your performance continues to establish new benchmarks.

May Almighty God bless you, the NIS and Trinidad and Tobago.



Jeffrey McFarlane
Executive Director

Executive Management Team



(from left)

Lorna Charles: Executive Manager – Insurance Operations

Karen Gopaul: Executive Manager – Planning and Technology

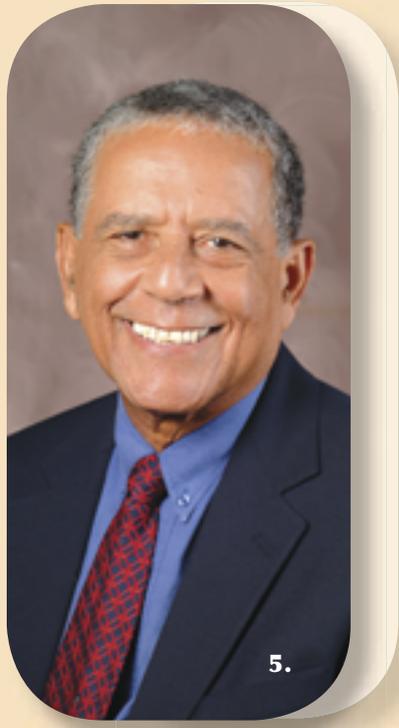
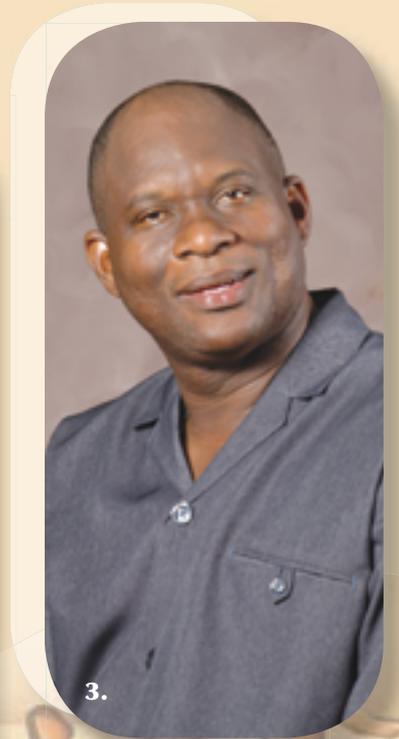
Wendy Ali: Executive Manager – Legal Services/Corporate Secretary

Ian Pemberton: Executive Manager – Investments, Finance and Business

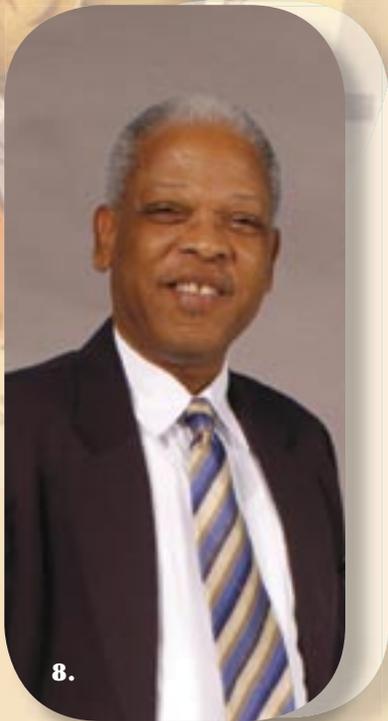
Jeffrey McFarlane: Executive Director

Cherry-Ann Critchlow-Cockburn: Executive Manager – Human Resources





Investment Committee



- 1. Calder Hart**
Chairman, NIBTT
- 2. Robert Giuseppe**
Member, Labour
- 3. Michael Annissette**
Member, Labour
- 4. Henry Sealy**
Member, Government
- 5. Victor Herde**
Member, Business
- 6. Joan John**
Member, Government
- 7. Ruben Mc Sween**
Member, Business
- 8. Jeffrey McFarlane**
Executive Director, NIBTT
Member
- 9. Ian Pemberton**
Executive Manager, NIBTT
Investment, Finance and Business
Ex-officio Member



The Year in Review



Spreading the message to CEPEP



Community Outreach Exhibition at Mid Centre Mall



Eastern Outreach



Appreciating our administrative support



Santa and the kids have fun at the annual Children's Christmas Party



The Data Management Committee - The Team working on getting the data right

The Year in Review: Corporate Family Day



NIPDEC's Bed Rock cafe



Southern Rockers



Eastern Massive



Northern Region



TTFM Bed Rock



Head Office/Tobago Victoria's Secret



Board Committees

Human Resources Committee

Michael Annisette, Chairman
Henry Sealy, Member
Walton Hilton-Clarke, Member
Executive Director, Member
Executive Manager, Human Resources, Ex-officio Member

Audit Committee

Inez Sinanan, Chairman
Walton Hilton-Clarke, Member
Jairam Ramkissoon, Member
Executive Director, Member
Internal Auditor, Ex-officio Member

Tenders Committee

Ronald Le Hunte, Chairman
Seeram K. Maharaj, Member
Alva Allen, Member
Executive Director, Member
Executive Manager, Investments, Finance and Business, Ex-officio Member

Computer Projects Implementation Committee

Ronald Le Hunte, Chairman
Jairam Ramkissoon, Member
Seeram K. Maharaj, Member
Executive Director, Member
Executive Manager, Planning and Technology, Ex-officio Member

Finance Committee

Calder Hart, Chairman
Michael Annisette, Member
Seeram K. Maharaj, Member
Inez Sinanan, Member
Executive Director, Member
Executive Manager, Investments, Finance and Business, Ex-officio Member

Pension Plan Committee

Henry Sealy, Chairman

Investment Committee

Calder Hart, Chairman
Henry Sealy, Member
Joan John, Member
Ruben Mc Sween, Member
Victor Herde, Member
Michael Annisette, Member
Robert Guiseppi, Member
Executive Director, Member
Executive Manager, Investments, Finance and Business, Ex-officio Member

Auditors' Report

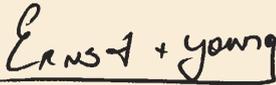
REPORT OF THE AUDITORS TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

We have audited the non-consolidated balance sheet of The National Insurance Board of Trinidad and Tobago ("the Board") as of June 30, 2005 and the non-consolidated revenue and expenditure accounts and statement of cash flows for the year then ended as set out on pages 24 to 36. These financial statements are the responsibility of the Board's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Board's statutory responsibility is to prepare financial statements to be ultimately laid before Parliament as required by the National Insurance Act. These accounts have been prepared under the accounting framework as described in note 4 of these financial statements.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2005 and the non-consolidated results of its operations and cash flows for the year then ended in accordance with the accounting policies as set out in note 4.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten font.

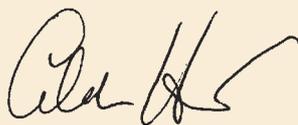
Port of Spain,
TRINIDAD:
September 23, 2005



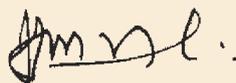
Balance Sheet

As at June 30, 2005

	Notes	2005 \$'000	2004 \$'000
Assets			
Fixed assets	5	85,538	91,970
Investment properties	6	125,028	87,432
Pension asset	7	199,710	171,869
Investment in subsidiary companies	8	32,190	32,190
Investments held-to-maturity	9	2,798,808	2,992,301
Originated loans	10	2,999,967	2,938,317
Investments available-for-sale	11	4,661,444	3,622,587
Land held for sale	12	26,210	26,210
Investments held-for-trading		403,686	286,481
Fixed deposits		557,099	536,479
Other assets	13	337,992	336,923
Cash and cash equivalents	14	884,207	706,291
Total assets		13,111,879	11,829,050
Funds, reserves and liabilities			
Long term benefits fund	15	8,341,065	6,699,913
Short term benefits fund	16	92,812	67,494
Employment injury benefit fund	17	283,638	224,312
Survivors' benefit fund	18	—	41,000
Total funds		8,717,515	7,032,719
Accumulated reserve	19	1,707,679	2,512,909
Revaluation reserve	20	2,650,565	2,242,133
Total funds and reserves		13,075,759	11,787,761
Other liabilities	21	36,120	41,289
Total funds, reserves and liabilities		13,111,879	11,829,050



Chairman



Executive Director



Executive Manager
Investments, Finance and Business

The accompanying notes on pages 27 to 36 form an integral part of these financial statements.

Revenue and Expenditure Accounts

For the year ended June 30, 2005

LONG TERM BENEFITS FUND

	2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
Revenue			Expenditure		
Fund at July 1	6,699,913	3,543,313	Benefits incurred	834,106	669,991
Contribution income	996,796	800,140	Administrative expenses	79,951	80,429
Penalty income	8,769	15,028	Fund at June 30	8,341,065	6,699,913
Pension asset income	26,679	38,381			
Investment income	667,264	700,178			
Transfer from accumulated reserve	855,701	2,353,293			
	<u>9,255,122</u>	<u>7,450,333</u>		<u>9,255,122</u>	<u>7,450,333</u>

SHORT TERM BENEFITS FUND

	2005	2004		2005	2004
Revenue			Expenditure		
Fund at July 1	67,494	48,207	Benefits incurred	74,249	53,995
Contribution income	105,543	84,721	Administrative expenses	805	1,094
Penalty income	88	204	Transfer to accumulated reserve	12,250	20,597
Pension asset income	269	522	Fund at June 30	92,812	67,494
Investment income	6,722	9,526			
	<u>180,116</u>	<u>143,180</u>		<u>180,116</u>	<u>143,180</u>

EMPLOYMENT INJURY BENEFIT FUND

	2005	2004		2005	2004
Revenue			Expenditure		
Fund at July 1	224,312	212,855	Benefits incurred	35,455	28,039
Contribution income	70,362	56,480	Administrative expenses	2,677	4,832
Penalty income	294	903	Transfer to accumulated reserve	—	57,422
Pension asset income	893	2,306	Fund at June 30	283,638	224,312
Investment income	22,340	42,061			
Transfer from accumulated reserve	3,569	—			
	<u>321,770</u>	<u>314,605</u>		<u>321,770</u>	<u>314,605</u>

The accompanying notes on pages 27 to 36 form an integral part of these financial statements.



Statement of Cash Flows

For the year ended June 30, 2005

	2005 \$'000	2004 \$'000
Cash flows from operating activities		
Contribution income	1,172,702	941,341
Investment income	696,326	751,765
Penalty income	9,150	16,135
Benefits expenditure	(943,811)	(752,025)
Administrative expenses (net)	(82,643)	(83,190)
Adjustment for depreciation	7,296	6,415
Adjustment to provision for doubtful debts	(1,068)	(10,808)
Increase in amounts owed	(1,069)	(57,716)
Decrease in amounts due	(395)	(2,838)
Net cash flows from operating activities	856,488	809,079
Cash flows from investing activities		
Purchase of fixed assets	(5,564)	(4,372)
Purchase of investments available-for-sale	(368,337)	(723,242)
Purchase of investments held-for-trading	(2,841,841)	(281,780)
Purchase of other investments	(4,455,893)	(4,585,358)
Sale/maturity of investments	6,997,837	4,719,159
Net cash used in investing activities	(673,798)	(875,593)
Net increase/(decrease) in cash and cash equivalents	182,690	(66,514)
Cash and cash equivalents at the beginning of the year	700,977	767,491
Cash and cash equivalents at the end of the year	883,667	700,977
Cash and cash equivalents comprise:		
Cash and bank balances (including call deposits)	884,207	706,291
Bank overdraft	(540)	(5,314)
	883,667	700,977

The accompanying notes on pages 27 to 36 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended June 30, 2005

1. Incorporation and principal activity

The National Insurance Board of Trinidad & Tobago (the Board) was incorporated under Act No. 35 of 1971 (The National Insurance Act), as subsequently amended, and commenced operations in 1972. The principal activity of the Board 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.

The financial statements of the Board for the year ended June 30, 2005 were authorised for issue by Management on September 23, 2005.

2. Actuarial review

Section 70 (1) of the Act requires an actuarial review of the National Insurance System at five-yearly intervals.

The Sixth Actuarial Review of the National Insurance System was completed by an independent actuary who concluded, "The current position of the NIS is very favourable." It was also indicated that "the NIS is in a good position to put in place strategies to deal with the future demographic bulge."

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 funds: long term benefits, short term benefits and employment injury benefits. Each fund is credited with contribution income and investment income, from which benefit expenditure and administrative expenses are met.

Allocation of the total funds was modified in 1991 with the creation of a fourth reserve fund that is the accumulated reserve. Any excess or shortage in any of the three funds – long term benefits fund, short term benefits fund and employment injury benefit fund – is transferred to or from the accumulated reserve. Any administrative expense in excess of the ceiling (refer to Note 22) is charged against the accumulated reserve.

Further, the Actuary made the following recommendations in the Sixth 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 85%; short term 9%; employment injury 6%.
3. Benefit levels ought to be revised upwards.

The Actuaries have disclosed several main findings, which assumed no changes to the existing contribution and benefit rates, including:

- As at June 30, 2000, there was a significant balance in the NIS funds and the contribution income exceeded the expenditure by a considerable amount. The average fund (i.e. the total of all funds and reserves) for the fiscal year 2000 stood at 14.3 times the actual expenditure.
- With the current contribution rate of 8.4%, the ratio of the average fund to annual expenditure is estimated to peak at 24.9 in 2010-11 and then fall to less than 1 (i.e. 0.7) by 2044-45. This means that the NIS can continue to operate at the current contribution rate for the next 40 years. However, by 2043-44 a large increase in the contribution rate will be required to sustain the NIS fund thereafter.
- The current contribution rate of 8.4% is twice the contribution rate required on a strict Pay-As-You-Go (PAYG) basis to meet current expenditure under the NIS.
- The Fund as at July 1, 2000 was 76% of the fund that is required if accrued benefits were fully funded and the deficit in the Fund (on a fully-funded basis) was \$1,996 million.

These findings were reported based upon the premise of a series of "Base Scenario" assumptions including:

- No changes to existing contribution or benefit rates;
- Full indexation of contribution and benefit rates to inflation;
- A 6% average annual investment rate of return;
- A 4% average increase in prices and earnings.

The Seventh Actuarial Review is at the preliminary stage and is projected to begin in December 2005.



Notes to the Financial Statements

For the year ended June 30, 2005

3. Legislative amendments

Benefits

The basic benefit rate was increased by 24% effective March 1, 2004 on the following benefits: sickness, maternity, invalidity, employment injury, survivors and retirement pension. In addition, a minimum retirement pension of \$1,000 was paid effective October 1, 2003 and the funeral grant was increased to \$4,000.

Contributions

Employer/employee contributions increased in January 2005. Further increases are carded for January 2006.

4. Statement of accounting policies

(a) Basis of accounting

These non-consolidated financial statements are prepared on the historical cost convention, except for the valuation of available-for-sale and held-for-trading investments, 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. These accounting policies are consistent with International Financial Reporting Standards, except that consolidated financial statements have not been prepared.

The preparation of the financial statements, in conformity with the accounting policies described below, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(b) Fixed assets

Fixed assets are stated at historical cost except for artwork and freehold and leasehold properties which are stated at valuations conducted by independent professional valuers. Freehold and leasehold properties were professionally valued in May 2004 using the investment method. 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 10 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%



Notes to the Financial Statements

For the year ended June 30, 2005

4. Statement of accounting policies (continued)

(c) Basis of allocation, etc.

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

i. Contribution income

Contribution income is allocated as follows:

	2005	2004
	%	%
Long term benefits fund	85	85
Short term benefits fund	9	9
Employment injury benefit fund	6	6
	<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 benefit 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 Sixth Actuarial Review, the Board implemented the following: short term benefit fund and employment injury benefit fund balances will be maintained at 1.25 times and 8 times the respective benefits incurred during the current year, while the long term benefit fund balance represents 10 times the long term benefits incurred during the year.

These fund allocations are based solely on the ratios recommended by the Independent Actuary, and do not represent the Board's liability to beneficiaries at June 30, 2005.

iv. Accumulated reserve

The Board has also decided that surpluses or deficits arising from the operation of the Funds as described above, together with any excess of administrative expenses and significant prior year adjustments, may be transferred to or from the accumulated reserve which will be held as a reserve for future contingencies.

(d) Investment properties

Investment properties are properties held by the Board 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 loss arising on revaluation amounted to \$3.2 million for the year ended June 30, 2005.

The valuers 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.

Rental income from investment properties during the year amounted to \$5.5 million (2004: \$6.1 million). Direct operating expenses incurred on investment properties during the year amounted to \$3.3 million (2004: \$9.8 million).



Notes to the Financial Statements

For the year ended June 30, 2005

4. Statement of accounting policies (continued)

(e) Originated loans, investments available-for-sale, held-to-maturity, held-for-trading

Management at the time of purchase determines investment classification into one of these four categories:

i. Originated loans

Where the Board has created financial assets by providing money directly to a debtor, these assets are classified as originated loans and are measured at amortised cost less provisions for impairment. For delinquent mortgages, specific provisions are established based on the extent of delinquency of the mortgages. The provision is calculated based on a percentage of the outstanding principal balance for delinquent mortgages.

ii. Available-for-sale investments

Available-for-sale investments comprise securities which are intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity, changes in interest rates or equity prices. Investments classified as available-for-sale are initially recognised at cost. After initial recognition, all available-for-sale investments are measured at their fair values with gains and losses on re-measurement recognised directly in the revaluation reserve until sold, collected or otherwise disposed of.

Investments in unquoted equities, which do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are inappropriate, are carried at cost.

All "regular way" purchases and sales are recognised at settlement date.

iii. Held-to-maturity investments

Investments classified as held-to-maturity are measured at amortised cost less any impairment losses. The fair value of investments held-to-maturity is \$2.9 billion (2004: \$3.0 billion).

iv. Held-for-trading investments

Investments acquired for the purpose of trading and generating a profit in the short term are classified as held-for-trading.

Investments held for trading are initially recognised at cost and subsequently re-measured to fair value. Any gains or losses arising on re-measurement are recognised in the revenue and expenditure accounts.

All "regular way" purchases and sales are recognised at settlement date.

(f) Investment in subsidiary companies

Subsidiary companies are companies where the Board 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%

In these separate parent financial statements of the Board, these investments are accounted for at cost.

(g) Land held for sale

Land held for sale is accounted for at the lower of cost and net realisable value.

(h) 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 balance sheet date.

(i) 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 12 months.

Notes to the Financial Statements

For the year ended June 30, 2005

4. Statement of accounting policies (continued)

(j) Foreign currencies

These financial statements are expressed in Trinidad and Tobago dollars. Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the Central Bank of Trinidad and Tobago mid-rate of exchange (average of buying and selling rate) determined at the balance sheet date.

Exchange differences on transactions are recognised through the revenue and expenditure accounts.

(k) Employee benefits

The Board contributes to a defined benefit staff pension plan which covers all qualifying employees. Members contribute 5% (2004: 5%) of their pensionable salaries to the Plan whilst the Board currently contributes 5% (2004: 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 credit 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.

(l) Cash and cash equivalents

Cash and cash equivalents represent cash and bank balances and highly liquid investments with a maturity period of three months or less.

(m) Comparative figures

Certain changes in presentation have been made in these financial statements. These changes were limited to reclassifications of certain balance sheet items and full retrospective application of the change in accounting policy for investments in subsidiaries from the equity method to cost. This resulted in reduction of the prior year's accumulated reserve of \$181.2 million.

5. Fixed assets

	Land freehold/ leasehold buildings \$'000	Machinery equipment/ furniture and fittings \$'000	Art and motor vehicles \$'000	Total 2005 \$'000	Total 2004 \$'000
Cost/valuation at beginning of year	79,182	53,238	1,998	134,418	102,087
Additions	8	5,556	—	5,564	4,372
Disposal/adjustments	(4,700)	—	—	(4,700)	27,959
At the end of year	74,490	58,794	1,998	135,282	134,418
Accumulated depreciation at beginning of year	1,519	40,104	825	42,448	38,296
Current year	1,130	5,675	491	7,296	6,415
Disposal/adjustments	—	—	—	—	(2,263)
At the end of year	2,649	45,779	1,316	49,744	42,448
Net book value	71,841	13,015	682	85,538	91,970

Note:

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

Independent professional valuations of the properties of the Board were undertaken in May 2004, and put the market value at \$77.4 million.



Notes to the Financial Statements

For the year ended June 30, 2005

	2005 \$'000	2004 \$'000
6. Investment properties		
Scarborough Mall	11,011	11,011
Huggins Building	13,500	13,500
Nipdec House	39,500	39,500
Riverwoods Housing (Eastol Lands)	8,267	720
Queen's Park East	52,750	22,701
	<u>125,028</u>	<u>87,432</u>

7. Employee benefits

The amounts recognised in the balance sheet are as follows:

	2005 \$'000	2004 \$'000
Defined benefit obligation	334,984	317,171
Fair value of assets	<u>(708,015)</u>	<u>(595,024)</u>
Benefit surplus	(373,031)	(277,853)
Unrecognised actuarial gains	<u>173,321</u>	<u>105,984</u>
Defined benefit asset	<u>(199,710)</u>	<u>(171,869)</u>

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

	2005 \$'000	2004 \$'000
Current service cost	6,328	4,850
Interest on defined benefit obligation	20,272	18,882
Expected return on plan assets	(49,071)	(35,892)
Amortised net gain	(3,804)	(31,904)
Past service cost	-	57,645
Movement in un-utilisable assets	-	(52,783)
Net pension income	<u>(26,275)</u>	<u>(39,202)</u>

Movements in the net asset recognised in the balance sheet are as follows:

Net asset at July 1	(171,869)	(130,660)
Net income recognised in the revenue and expenditure accounts	(26,275)	(39,202)
Contributions	<u>(1,566)</u>	<u>(2,007)</u>
Net asset at June 30	<u>(199,710)</u>	<u>(171,869)</u>

Actual return on pension plan assets:

Expected return on pension plan assets	49,071	35,892
Actuarial gain on pension plan assets	<u>71,687</u>	<u>114,677</u>
Actual return on pension plan assets	<u>120,758</u>	<u>150,569</u>

Principal actuarial assumptions at the balance sheet date:

Discount rate	6.5	6.5
Expected return on pension plan assets (net of investment expenses)	8.3	8.3
Rate of salary increases	5.0	5.0

Notes to the Financial Statements

For the year ended June 30, 2005

8. Investment in subsidiary companies

The investments in NIPDEC and TTMF are carried at cost as at June 30, 2005.

	2005 \$'000	2004 \$'000
NIPDEC	25,000	25,000
TTMF	7,190	7,190
	<u>32,190</u>	<u>32,190</u>

9. Investments held-to-maturity

Government and public sector investments	2,365,493	2,787,399
Corporate securities	433,315	204,902
	<u>2,798,808</u>	<u>2,992,301</u>

10. Originated loans

Government and public sector investments	1,321,579	1,537,438
Corporate and commercial investments (including mortgages)	1,678,388	1,400,879
	<u>2,999,967</u>	<u>2,938,317</u>

These loans earn interest at rates ranging from 1.75% to 12% and have maturity dates ranging from 2005 to 2023.

Loans to subsidiary companies amounted to \$711.2 million as at June 30, 2005 (2004: \$633.8 million). The loans are secured by debenture, repayable between 2005 and 2023, and earn interest at rates ranging from 1.75% to 12.00%.

11. Investments available-for-sale

	2005 \$'000	2004 \$'000
Equities:		
— Quoted	4,592,023	3,556,472
— Unquoted	69,421	66,115
	<u>4,661,444</u>	<u>3,622,587</u>

12. Land held for sale

	<u>26,210</u>	26,210
--	---------------	--------

This property has been earmarked for sale or disposal. Negotiations are currently under way regarding the disposal of this land.

13. Other assets

	2005 \$'000	2004 \$'000
Investment income receivable	164,157	167,291
Sundry debtors	13,946	18,835
Prepayments	55,910	56,213
Contributions receivable	103,979	94,584
	<u>337,992</u>	<u>336,923</u>



Notes to the Financial Statements

For the year ended June 30, 2005

	2005 \$'000	2004 \$'000
14. Cash and cash equivalents		
Cash and Bank	115,736	109,933
Cash equivalents (TT)	591,551	562,203
Cash equivalents (US)	176,920	34,155
	<u>884,207</u>	<u>706,291</u>

15. Long term benefits fund

This Fund is held to cover retirement pensions, retirement grants, invalidity and survivors' benefits in respect of qualifying persons.

16. Short term benefits fund

This Fund is held to cover sickness and maternity benefits and funeral grants in respect of qualifying persons.

17. Employment injury benefit fund

This Fund is held to cover employment injury benefits to eligible insured persons.

18. Survivors' benefit fund

This fund was set up to cover potential back liability on survivors' benefits as a result of an amendment to the National Insurance Act in August, 1980.

No such claims have arisen to date and, as a result, the Board has taken a decision to transfer this Fund back to the accumulated reserve.

	2005 \$'000	2004 \$'000
19. Accumulated reserve		
Balance of reserve at July 1	2,512,909	4,966,249
— Adjustment for change in method of accounting for investments in subsidiaries from equity to cost	—	(154,264)
Restated balance	2,512,909	4,811,985
Transfer to long term benefits fund	(855,701)	(2,353,293)
Transfer from short term benefits fund	12,250	20,597
Transfer (to)/from employment injury benefit fund	(3,569)	57,422
Transfer from survivors' benefit fund	41,000	—
Reversal of current year subsidiary revaluation	—	(26,967)
Other	790	3,165
Balance of reserve at June 30	<u>1,707,679</u>	<u>2,512,909</u>

20. Revaluation reserve

The revaluation reserve reflects gains or losses on revaluation of freehold properties, and available-for-sale investments as follows:

	Properties \$'000	Available- for-sale \$'000	Total 2005 \$'000	Total 2004 \$'000
Balance as at July 1	56,578	2,185,555	2,242,133	828,450
Movement for the year	—	408,432	408,432	1,413,683
Balance as at June 30	<u>56,578</u>	<u>2,593,987</u>	<u>2,650,565</u>	<u>2,242,133</u>

Notes to the Financial Statements

For the year ended June 30, 2005

	2005 \$'000	2004 \$'000
21. Other liabilities		
Bank overdraft	540	5,314
Sundry creditors and accruals	21,217	24,255
Provision for claims	9,139	6,255
Provision for other payables	5,224	5,465
	36,120	41,289

	2005 \$'000	2004 \$'000
22. Administration and investment expenses		
Included therein are the following charges:		
Salaries and other related expenses	50,504	59,320
Depreciation	7,296	6,415
Mortgage management fees	3,096	3,452

Note:

In 2005 administrative expenses amounted to 7.1% (2004: 9.2%) of contribution income and this did not exceed the limit established by the Board of 9.5%. The cumulative expenditure in excess of the limit is \$449.2 million (2004: \$477.1 million).

23. Contingent liabilities

(a) Pending litigation and outstanding appeals

As at June 30, 2005 there were certain legal proceedings outstanding against the Board. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

(b) Industrial relations

Negotiations for the new Industrial Agreement for the period January 1, 2002 to December 31, 2004 are currently in progress. Negotiations for subsequent periods have not yet commenced.

24. Capital commitments

Capital projects approved and contracted as at June 30, 2005 amounted to \$1.5 million (2004: \$1.1 million).

25. Related party transactions

Included in these financial statements are the following transactions with subsidiary companies:

	2005 \$'000	2004 \$'000
Interest on bonds and debentures	36,065	22,949
Dividends	5,754	6,577
Agency management fees	(179)	(162)
Interest receivable	14,384	5,734

26. Financial instruments

(a) Price risk

i. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board is exposed to currency risk with respect to its investments denominated in foreign currencies. These investments are primarily denominated in United States dollars. As at June 30, 2005 the Board had investments denominated in foreign currencies amounting to \$1,044 million (2004: \$726 million).



Notes to the Financial Statements

For the year ended June 30, 2005

26. Financial instruments (continued)

(a) Price risk (continued)

ii. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Board is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds. As at June 30, 2005 the Board's investments in fixed rate debentures, government securities and bonds amounted to \$4,760 million (2004: \$4,934 million).

iii. Market risk

Market risk is the risk that a financial instrument will fluctuate as a result of changes in market prices. The Board is mainly exposed to market risk with respect to its investments in quoted equities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Board is mainly exposed to credit risk with respect to its mortgage and bond portfolios. The Board granted mortgages based on evaluations of the mortgagees' financial situation, and continually monitors the exposure of potential losses from mortgages.

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

	Mortgages \$'000	Other bonds \$'000	Total 2005 \$'000	Total 2004 \$'000
Provisions as at July 1	132,045	2,276	134,321	145,183
Movement for the year	(1,068)	—	(1,068)	(10,862)
Provisions as at June 30	130,977	2,276	133,253	134,321

The outstanding principal balances for delinquent mortgages amounted to \$137 million (2004: \$180 million).

The outstanding balance for impaired bonds amounted to \$2.3 million (2004: \$2.3 million).

(c) Fair value

The estimated fair values of certain financial instruments have been determined using available market information, and accordingly, the estimates presented here are not necessarily indicative of the amounts that the Board could realise in a current market exchange.

The carrying amounts of financial assets and liabilities, included under current assets and current liabilities, approximate their fair values because of the short-term maturities of these instruments.

As stated in Note 4 (e), available-for-sale investments are stated at fair value.

Originated loans are carried at amortised cost. Due to the short term nature of fixed deposits, the carrying values are assumed to approximate fair value.

Mortgages have interest rates that vary between 8% and 10.5% and terms which vary between 15 and 25 years. Government securities and other bonds have interest rates that vary between 1.75% and 12%, and maturity dates which vary between years 2005 and 2023.

27. Staff complement

The staff complement as at June 30, 2005 was 553 (2004: 540).

Corporate Information

Head Office

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Email: nib@nibtt.co.tt
Website: www.nibtt.co.tt

Bankers

First Citizens Bank Limited

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Port of Spain
Trinidad and Tobago, W.I.

Republic Bank Limited

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Trinidad and Tobago, W.I.

Auditors

Ernst and Young

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Trinidad and Tobago, W.I.

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M.G. Daly and Partners

115a Abercromby Street
Port of Spain
Trinidad and Tobago, W.I.



6th Annual CARICOM Social Security Games



Grenada saying thanks for all the regional support after Hurricane Ivan



Mr Calder Hart, Chairman NIBTT, delivering the feature address



"Limbo, Limbo like me"



Finance and Legal enjoy the festivities



Welcome to Trinidad and Tobago - The Gathering



6th Annual CARICOM Social Security Games



The Local Co-ordinating Committee



Maurice Cooper, President NISCC, addressing the opening



And the winners were - Team TNT



Off to La Vega



Having a good time at La Vega



NIB Locations

Head Office

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Fax: 665-5188

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Fax: 657-3538

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Tunapuna

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Roxborough Service Centre

Inland Revenue Office
Roxborough

