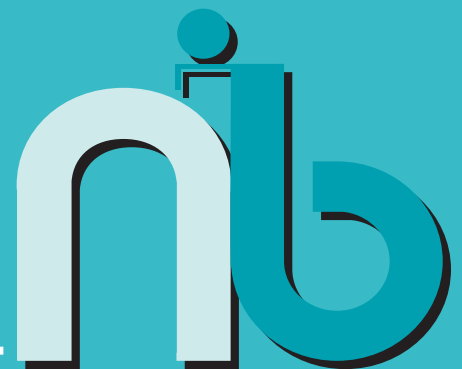


The National Insurance Board
of Trinidad and Tobago
2010 ANNUAL REPORT



Extending
Our Care



Extending

Our Care

More Than Just a Pension Provider



www.nibtt.net Hotline: 663-4NIS

Our Mission

"To deliver meaningful social security products and services to our customers"

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.

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 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.

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BENEFIT INFORMATION

National Insurance Contributors and their dependants can access 23 Benefits.

CATEGORIES

- Sickness
- Maternity
- Invalidity
- Employment Injury
- Retirement
- Funeral Grant
- Survivor's

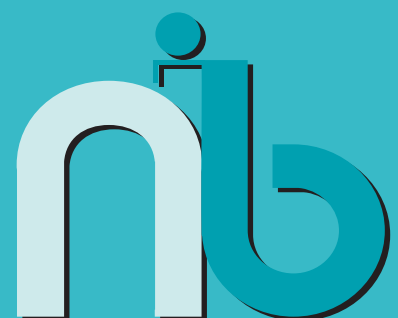
NIS BENEFITS

- Sickness Benefit
- Maternity Allowance
- Maternity Grant
- Special Maternity Grant
- Employment Injury Allowance
- Employment Injury Medical Expenses
- Employment Injury Disablement Pension
- Employment Injury Disablement Grant
- Employment Injury Death Benefit-Widow
- Employment Injury Death Benefit-Widower
- Employment Injury Remarriage Grant
- Employment Injury Death Benefit-Child
- Employment Injury Death Benefit-Dependent Parent
- Invalidity Benefit
- Retirement Pension
- Retirement Grant
- Survivor's Benefit-Widow
- Survivor's Benefit-Widower
- Survivor's Benefit-Child
- Survivor's Benefit-Orphan Allowance
- Survivor's Benefit-Dependent Parent Allowance
- Survivor's Benefit-Remarriage Grant
- Funeral Grant





Corporate Governance Structure



CORPORATE GOVERNANCE STRUCTURE



Calder Hart
Chairman



Ruben Mc Sween
Deputy Chairman – Business



Joan John
Government



Alva Allen
Labour



Walton Hilton-Clarke
Business



Jeffery McFarlane
Executive Director

The National Insurance Board of Trinidad and Tobago (NIBTT) is a body corporate established by Section 13 (1) of the National Insurance Act, Chapter 32:01.

THE BOARD OF DIRECTORS

The Board comprises eleven (11) members, appointed by the Minister of Finance with equal representation from Government (3 representatives); Business (3 representatives); Labour (3 representatives); an independent Chairman and the Executive Director of the NIBTT as an ex-officio member of the Board.

Appointments to the office of a Director of the NIBTT shall be for a period of two (2) years from the date of appointment. The tenure of Directors expired on October 12, 2010.

CHANGES TO THE BOARD OF DIRECTORS

- Mr. Jeffrey McFarlane [Executive Director] – Retired on December 31, 2009
- Ms Lorna Charles was appointed to act as Executive Director from January 01, 2010
- Mr. Calder Hart [Chairman] – Resigned on March 06, 2010
- Mr. Rudranath Indarsingh [Director] – Resigned on May 27, 2010.



Henry Sealy
Government



Rudranath Indarsingh
Labour



Michael Annisette
Labour



Inez Sinanan
Government



Seeram K Maharaj
Business



Lorna Charles
Executive Director (Ag)

CORPORATE GOVERNANCE STRUCTURE (cont'd)

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 guide the development of specific functions and make recommendations to the Board. Notable Committees at the NIBTT include the Investment Committee, the Audit Committee, the Tenders Committee and the Human Resources Committee.

BOARD COMMITTEES

Investment Committee

Calder Hart – Chairman
Joan John – Member
Ruben Mc Sween – Member
Peter Clarke – Member
Michael Annisette – Member
Robert Guisseppi – Member
Emmanuel Noel – Member
Executive Director – Member
Executive Manager, Investments – ex-officio member

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

- Three (3) 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;
- 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 and the term of this Committee expired on October 12, 2010.

All other Committees are appointed by the Board.

Finance Committee

Calder Hart – Chairman
Michael Annisette – Member
Seeram K Maharaj – Member
Joan John – Member
Executive Director – Member
Executive Manager, Finance and Business – ex-officio member

Tenders Committee

Seeram K Maharaj – Chairperson
Henry Sealy – Member
Alva Allen – Member
Executive Director – Member
Executive Manager, Finance and Business – ex-officio member



CORPORATE GOVERNANCE STRUCTURE (cont'd)

Audit Committee

Inez Sinanan – Chairperson
Walton Hilton-Clarke – Member
Rudranath Indarsingh – Member
Executive Director – Member
Internal Auditor – ex-officio member

Human Resources Committee

Alva Allen – Chairperson
Henry Sealy – Member
Walton Hilton-Clarke – Member
Executive Director – Member
Executive Manager, Human Resources – ex-officio member

Computer Projects Implementation Committee

Ruben Mc Sween – Chairperson
Joan John – Member
Rudranath Indarsingh – Member
Executive Director – Member
Executive Manager, Planning and Technology – ex-officio member

Pension Plan Committee

Henry Sealy – Chairperson
Lorna Charles – Board Representative
Cherrie Ann Crichlow-Cockburn – Management Representative
Emrice Henry – Members' Representative
Sherwin Williams – Members' Representative

Land Development Committee

Joan John – Chairperson
Seeram K Maharaj – Member
Rudranath Indarsingh – Member
Executive Director – Member
Executive Manager, Finance and Business – ex-officio member

Actuarial Review/National Health Insurance System Committee

Calder Hart – Chairman
Walton Hilton-Clarke – Member
Alva Allen – Member
Joan John – Member
Executive Director – Member
Executive Manager, Planning and Technology – ex-officio member



CORPORATE GOVERNANCE STRUCTURE (cont'd)

FINANCIAL YEAR

The financial year of the NIBTT is the twelve (12) month period ending June 30.

RELATED BODIES

The National Insurance Appeals Tribunal

The National Insurance Appeals Tribunal (NIAT) is an independent body comprising eleven (11) members appointed by the President of the Republic of Trinidad and Tobago in accordance with Section 60 of the National Insurance Act. This body functions as a tribunal of fact for persons aggrieved by decisions of the Board with respect to their claims.

Subsidiaries of the NIBTT

| | |
|---|-------------|
| National Insurance Property Development Company Limited (NIPDEC) | 100% |
|---|-------------|

NIPDEC is a fully owned subsidiary of the NIBTT. Its mission is to develop, manage and sell property, goods and services in partnership with the NIBTT and other organisations in Trinidad and Tobago utilising a project management approach to bring value to their shareholders and stakeholders.

| | |
|---------------------------------|--------------|
| Home Mortgage Bank (HMB) | 51.3% |
|---------------------------------|--------------|

HMB is a subsidiary of the NIBTT. Its purpose is to develop and maintain a mortgage market in Trinidad and Tobago, contribute to the mobilisation of long-term savings for investment in housing, support the development of a system of real property and housing finance, provide leadership in the home finance industry and promote growth of the capital market.

| | |
|--|------------|
| Trinidad & Tobago Mortgage Finance Company Limited (TTFM) | 51% |
|--|------------|

TTFM is a subsidiary of the NIBTT. Its mission is to provide mortgage financing for the purchase of residential properties.

A NOTE FROM THE CHAIRMAN



The NIBTT is an exceptional organisation defined by people of integrity and character, who are proud of their past and passionate about their future. I am inspired by the mandate of the NIBTT and excited and energised about what we can achieve for the people of Trinidad and Tobago.

Upon the appointment of the Board of Directors in December 2010, we began to put measures in place to systematically complete all matters awaiting approval by the Board of Directors including the audit of the Financial Statements for the year ended June 30, 2010.

We now focus on working together to find solutions to build a strong and more secure future. Through the combined strengths of the recently appointed Board of Directors and the Management and Staff of the NIBTT, we will create a strategically focussed vision for the National Insurance Board of Trinidad and Tobago and the National Insurance System [NIS].

A handwritten signature in black ink, reading "Ravi Ramoutar".

Ravi Ramoutar
Chairman
March 20, 2012



EXECUTIVE DIRECTOR'S REPORT



“Taking care of business is synonymous with taking care of our customers”

LORNA CHARLES
Executive Director (Ag)

I am pleased to report that the National Insurance Board of Trinidad and Tobago (NIBTT) completed another year of outstanding service to the people of Trinidad and Tobago.

Our experienced and dedicated team remained focussed on our vision **“Excellence in the provision of social security”**. We provided efficient and courteous service to 600,622 National Insurance (NI) customers including 147,342 NI benefit recipients who received benefits totalling \$2.18 Billion (Bn) during the period July 01, 2009 through June 30, 2010 (FY 2010).

Notwithstanding the challenging macro-economic environment and the inability of the Board of Directors to operate (due to the resignation of the Chairman) in the last quarter of the Financial Year, the National Insurance System (NIS) continued to provide valuable social protection to workers and their families throughout FY 2010.

EXECUTIVE DIRECTOR'S REPORT (cont'd)

Our Major Achievements Include:

- Payment of \$2.18Bn in NIS benefits, representing a 6% increase when compared with \$2.06Bn paid in 2009;
- Provision of NIS benefits to 147,342 persons, an increase of 0.8% over the FY 2009 figure of 146,203;
- Service to 116,889 long-term beneficiaries of Retirement Pension, Survivor's and Invalidity Benefits representing a 4% increase over the FY 2009 long-term beneficiaries (112,131);
- Collection of \$2.65Bn in contribution income which represents a 3.9% increase over the \$2.55Bn received in FY 2009;
- Increase in total assets to \$18.6Bn, reflecting an increase of 5.38% over the FY 2009 figure of \$17.6Bn;
- Growth in total investment income to \$997Mn – a substantial improvement over the \$202Mn loss in FY 2009;
- Achievement of a 6.19% net investment yield (at cost) despite widespread declines in the financial markets;
- Update of over 9 million contribution records and provision of 56,000 insured persons with contribution statements;
- Verification and cheque printing of a monthly average of 117,000 Social Welfare payments (Senior Citizens Pensions, Public Assistance and Disablement benefits) on behalf of the Ministry of the People and Social Development.

| Key Indicators | |
|---|------------------|
| Claims | FY 2010 |
| Beneficiaries | 147,342 |
| Long-Term Beneficiaries | 116,889 |
| Benefit Expenditure | \$2.18Bn |
| New Claims Paid | 40,782 |
| Compliance | |
| Customer Base | 600,622 |
| Contributors | 482,839 |
| Employers Surveyed | 7,987 |
| Income and Yield | |
| Contribution Income | \$2.65Bn |
| Investment Income | \$997Mn |
| Admin Expenses | \$126Mn |
| Admin Expenses as a % of Contribution Income | 4.8% |
| Admin Cost as a % of Total Income | 3.6% |
| Net Yield of Portfolio (realised income) | 5.66% |
| Net Yield of Portfolio (realised & unrealised income) | 6.19% |
| Total Funds and Reserves | \$18.51Bn |
| Total Assets | \$18.58Bn |

Table 1: Key Performance Indicators

All these achievements were attained whilst containing non-discretionary administrative expenses to \$105Mn and overall administrative expenses to \$126Mn. The ratio of administrative expenses to contribution income in FY 2010 was 4.8%, which is well within the target of 7%.



EXECUTIVE DIRECTOR'S REPORT (cont'd)

CUSTOMER SERVICE DELIVERY

The NIBTT remains committed to providing our customers with excellent service. We maintained our reputation of quality customer service delivery by providing efficient, timely and cost-effective service to 600,622 customers including 464,420 employed persons, 18,419 employers and 894 mortgagors. The NIBTT surpassed FY 2010 performance targets and FY 2009 performance in most areas of customer service delivery as illustrated in Table 2.

The conduct of biannual customer satisfaction surveys was one of the mechanisms used to obtain feedback on a number of critical areas.

Notwithstanding our 95% customer satisfaction rating, we remain concerned that some of our customers feel compelled to seek assistance from external parties. Mindful of this fact, we intend to place special focus on ensuring that their needs are met through the implementation of new operating systems, processes and strategies in the new financial year.

| Key Performance Indicators | FY 2010 Actual (days) | FY 2010 Target (days) | FY 2009 Actual (days) |
|---|-----------------------|-----------------------|-----------------------|
| Average turnaround time for payment of new Short-Term Claims | 11 | 14 | 15 |
| Average turnaround time for payment of new Long-Term Claims | 30 | 38 | 40 |
| Average turnaround time for payment of new Employment Injury Benefit Claims | 42 | 42 | 46 |
| % of registration documents issued within 7 days: - Employer Certificate - Employee Registration Card | 99% 98% | 98% 98% | 98.5% 98% |

Table 2: Customer Service Delivery Indicators

CUSTOMER OUTREACH

Throughout the year, NI seminars were conducted in Trinidad, and Community Outreach programmes across Trinidad and Tobago to provide information principally on employees' benefits and employers' obligations. Participation in a number of public symposia, in partnership with various Ministries and private sector organisations, allowed us to interact with and obtain direct feedback from members of the public on various social security issues.

Our new and enhanced corporate website - www.nibtt.net - which features greater and easier access to a wide range of information was officially launched in July 2010. Features include online access to all benefit application forms, regularly updated information pages and a media information page. The new website has created a complementary medium for the NIBTT to speak to and obtain feedback from our customers.

Our annual Customer Appreciation Day hosted at each of our 14 Service Centres during the period April to June, 2010 continued to be a much anticipated event in each community. Here, groups and individuals partnered with the NIBTT in honouring outstanding members of the respective communities.

| Key Performance Indicators | FY 2010 Actual | FY 2010 Target | FY 2009 Actual |
|------------------------------|----------------|----------------|----------------|
| Customer Satisfaction Rating | 95% | 85% | 88.3% |

Table 3: Customer Satisfaction Indicators

BENEFIT ADMINISTRATION

We remain committed to our mandate to deliver meaningful social security products and services to our customers. Our objective remains to ensure that the right benefit gets to the right person in a timely manner.

EXECUTIVE DIRECTOR'S REPORT (cont'd)

Indicative of our success in addressing the needs of our customers was the growth in the number of beneficiaries from 146,203 in FY 2009 to 147,342 by the end of FY 2010 and increased benefit payments from \$2.06Bn to \$2.18Bn.

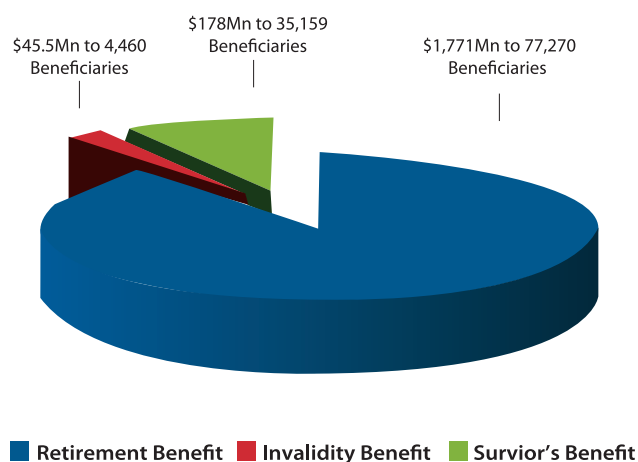
Long-Term Benefits

Long-Term Benefits amounting to \$1.994Bn were paid to 116,889 persons or 79% of total beneficiaries.

Notably, the number of Long-Term beneficiaries increased by 4% or 4,758 from 112,131 in FY 2009 to 116,889 at the end of FY 2010, with the retirement pensioners reflecting the largest increase.

This significant increase in Long-Term beneficiaries is expected to continue as the NI System matures.

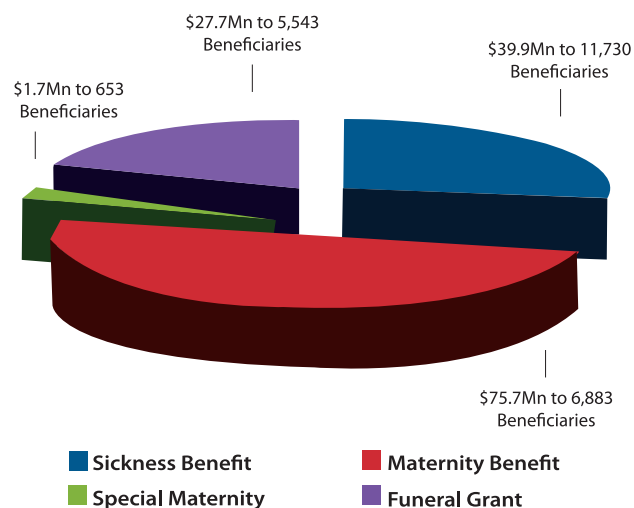
Long-Term Benefits



Short-Term Benefits

Short-Term Benefits amounting to \$0.15Bn were paid to 24,809 persons or 17% of total beneficiaries. Short-Term beneficiaries decreased by 0.7% from 24,989 in FY 2009 to 24,809 in FY 2010 following the reduction in the employment levels over the period.

Short-Term Benefits

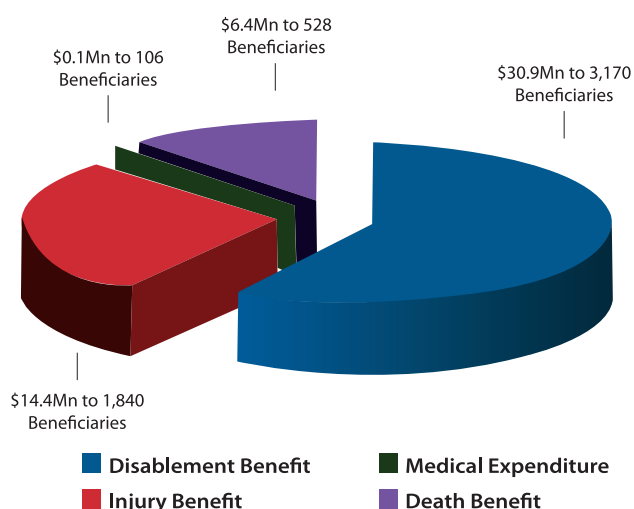


Employment Injury Benefits

Employment Injury Benefits amounting to \$0.05Bn were paid to 5,644 persons or 4% of total beneficiaries.

The number of Employment Injury beneficiaries decreased by 2% from 5,756 in FY 2009 to 5,644 in FY 2010, which may also be reflective of greater health and safety awareness and compliance.

Employment Injury Benefits



EXECUTIVE DIRECTOR'S REPORT (cont'd)

Appeals

In accordance with Section 62 of the NI Act, customers maintained the right to refer decisions of the NIBTT over which they were aggrieved to the National Insurance Appeals Tribunal. The number of appeals decreased from 232 in FY 2009 to 177 in FY 2010 representing approximately 0.4% of the 41,632 new claims processed. Two (2) sittings of the Appeals Tribunal were held and 23 matters heard.

The NIBTT applauds the many employers who continue to recognise and honour their responsibilities under the NI Act.

CONTRIBUTION INCOME

Contribution income for FY 2010 increased to \$2.65Bn or 4% over the \$2.55Bn collected in FY 2009. In this regard, contributions were paid by 18,419 employers, an increase of 1,186 employers over FY 2009.

The growth in contribution income is in part attributable to the 0.3% increase in contribution rates, which came into effect from January 04, 2010. This increase was the second of three rate increases implemented to sustain the 25% to 100% increase in benefit payment rates that took effect from January 2008. The third and final contribution rate increase will be implemented in January 2012.

A number of mechanisms were adopted to ensure efficient collection of contribution income due. These included the conduct of 7,987 employer surveys and the initiation of recoveries and legal action against defaulting employers. This resulted in the collection of approximately \$74Mn in outstanding contributions, interest and penalties.

| Key Performance Indicators | FY 2010 Actual | FY 2010 Target | FY 2009 Actual |
|---|----------------|----------------|----------------|
| Contribution Income | \$2.65Bn | \$2.45Bn | \$2.55Bn |
| Ratio of total administrative expenses to Contribution Income | 4.8% | 7% | 4.9% |

Table 4: Contribution Income Indicators

BENEFIT FRAUD

The NIBTT continues to monitor its external and internal environment to protect the NI Fund against benefit fraud. Such instances of benefit fraud range from the assertion of false employer/employee relationships, the payment of contributions in the lowest class to obtain the minimum pension and the production of false employment and medical records.

Seven hundred (700) matters were reviewed in FY 2010 to determine if possible fraudulent issues existed. These matters were selected based on trends from the previous years.

We continued the prosecution of fifteen (15) fraud matters brought before the Courts in previous financial years. Of these, two (2) matters were completed in FY 2010 which resulted in one (1) person being ordered to pay a fine of \$800.00 and to compensate the NIBTT in the sum of \$27,000.00.

No new charges for fraud were instituted in the Magistrate's Court for the FY 2010. However, the NIBTT continued to improve its strategies to deal with fraud awareness, prevention and detection.

INVESTMENT PORTFOLIO

The driving force behind the continued growth of the NI Fund continues to be our prudent placement of investments, as guided by our investment policy. This policy clearly establishes the asset mix and the conditions under which investments can be made to generate the rates of return required to ensure the long-term sustainability of the NI Fund.

EXECUTIVE DIRECTOR'S REPORT (cont'd)

A Challenging Environment

The Central Bank (Annual Economic Survey 2009) reported a 4.5% contraction in real GDP for the first quarter of FY 2010. Economic activity was reduced by 14.2% in the distribution sector, 8.6% in the manufacturing sector, and 2.1% in the construction sector, and is likely to have influenced changes in the insured population and contribution income.

There was an overall decrease in paid employment by 2.3% from the first quarter through the third quarter of FY 2010 (Central Statistical Office). The private sector saw a decrease of approximately 25,000 workers while public sector employment in fact increased by approximately 15,000 workers.

The local stock market levelled off in the first two quarters of FY 2010 following the 'bearish' runs which began in 2008 and persisted into the first half of 2009.

However, unlike the recovery seen in developed markets, domestic indices reflected relatively flat trading. More generally, a global low interest rate environment augured poorly for investment income.

The NIBTT continues to be extremely concerned about our exposure with Clico Investment Bank and are taking the necessary steps to vigorously pursue all our options in this regard.

Income and Yield

The NIBTT's realised investment income was \$0.95Bn. This represented a shortfall of \$160Mn from the budgeted \$1.1Bn for FY 2010 and \$43Mn less than FY 2009. The low interest rate environment which prevailed over FY 2010 could account for this lower realised investment income. Unrealised income was \$52Mn, such that total investment income, i.e. both realised and unrealised income, was approximately \$1Bn. This was below the FY 2010 target of \$1.5Bn but was a substantial improvement over the \$202Mn loss in FY 2009.

Overall, NIBTT achieved a 6.31% return. Realised investment income, which yielded 6.17%, was the primary contributor.

| Key Performance Indicators | FY 2010 Actual | | FY 2010 Target | | FY 2009 Actual | |
|---|----------------|-------|----------------|-------|----------------|---------|
| Realised Investment Income | \$945Mn | 5.66% | \$1,105Mn | 7.13% | \$988Mn | 6.87% |
| Total Investment Income (realised & unrealised) | \$997Mn | 6.19% | \$1,500Mn | 9.19% | (\$202Mn) | (1.31%) |

Table 5: Realised Investments Indicators

“According to actuarial projections based on current contribution and benefit rates, total assets will continue along this path of growth through the mid-2030s to approximately \$65Bn.”

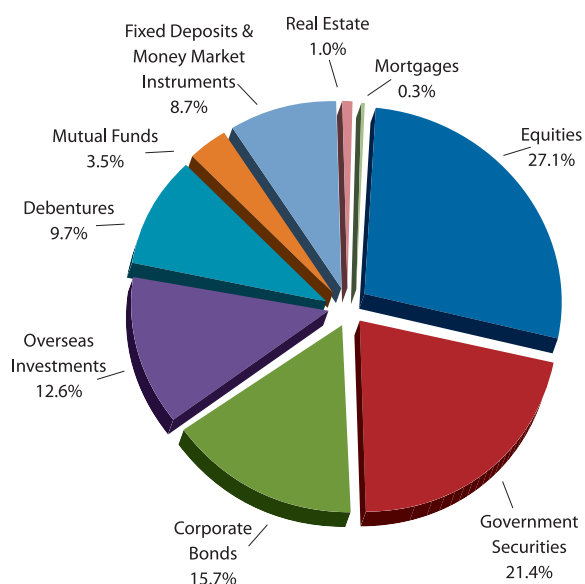


EXECUTIVE DIRECTOR'S REPORT (cont'd)

Portfolio Mix

The NIBTT maintained its prudent and non-speculative approach to investments during FY 2010. Equities accounted for the largest share (27.1%) of the investment portfolio based on market values at the end of FY 2010. This was followed by Government Securities (21.4%), Corporate Bonds (15.7%), Overseas Investments (12.6%), Debentures (9.7%), Fixed Deposits and Money Market Instruments (8.7%), Mutual Funds (3.5%), Real Estate (1.0%) and Mortgages (0.3%).

Investment Portfolio Mix



EXTENDING COVERAGE TO THE SELF-EMPLOYED

The NIBTT heightened its consultations with stakeholders in this financial year on the extension of NI coverage to self-employed persons. Presentations were made to the Ministry of Finance and a High-level Working Committee (HWC) comprised of representatives from the Ministry of Finance, Ministry of Social Development and the NIBTT was formed.

The HWC reviewed the recommendation of the NIBTT to incorporate self-employed persons into the NIS, and submitted its report to the Ministry of Finance. Additionally, the International Labour Organization (ILO) undertook a mission to Trinidad and Tobago in March 2010 to advise further on the design of the system.

A critical feature of this mission was meetings with stakeholders. Discussions were held on benefit design, earnings/contribution classes, financial reporting, inter-agency cooperation, information/marketing campaign, enforcement and other conditions for success. The discussions with Government focussed on the role of all stakeholders in the successful implementation and ongoing operations of this system.

Ultimately, the implemented system will consider the special characteristics of self-employed persons and address the particular needs of this sector.

“The NIBTT is poised for exponential growth. It is clear that there is significant work ahead of us. Our vision of excellence speaks to an organisation that must remain focussed and stable, yet adaptable, as we face the challenges of rapid growth.”

EXECUTIVE DIRECTOR'S REPORT (cont'd)

SUPPORT FOR GOVERNMENT INITIATIVES

Several meetings were held with the Ministry of Finance, two of which were chaired by the Honourable Minister of Finance, to discuss the development of a harmonised national pension system. We stand ready to work with the relevant Government Ministries and other stakeholders in the research, planning and implementation of a more inclusive harmonised social security system.

The NIBTT continued to print benefit cheques entrusted to us by the Government. An average of 117,000 benefit payments was verified and cheques printed monthly in respect of Senior Citizens Pensions and Public Assistance, Disablement and other benefits.

Our collaboration with the Ministry of Health (MOH) regarding the implementation of a National Health System and in particular, the E-Health Card also continued. Central to this has been our participation on the Joint Technical Committee established by the MOH.

THE NIBTT TEAM

Our employees and our approach to work are crucial to the achievement of organisational excellence. For the financial year under review, the NIBTT's staff complement consisted of 686 persons organised in six (6) Business Units.

The strength of our team was made evident in the fourth quarter of the financial year, as we worked together to ensure the continued efficient management of the organisation after the resignation of the Chairman on March 08, 2010, rendering the Board of Directors inoperable.

The NIBTT's Management and Staff have worked assiduously to ensure that we have the physical capacity and the professional skills to achieve our short and long-term objectives. This was reflected in changes at every level of the organisation including executive leadership. Amongst our new employees was that of an Enterprise Risk Manager who has the responsibility of developing and implementing

the NIBTT's risk management programme to ensure that all risks facing the organisation are properly identified, measured, monitored and controlled.

The continuous training and development of staff is critical to ensuring the required institutional capacity, as we move forward. Consequently, 46 internal and 29 external training programmes were completed for FY 2010. In this regard, our goal of training at least 20% of staff annually was surpassed by 7%, with training provided in a number of critical areas including customer service, NI compliance, project management, conflict resolution and health and safety.

Our planning and performance management processes are informed by the Balanced Scorecard methodology, centred on customer care, financial sustainability, product and services growth and organisational development.

The achievements of the organisation thus far reflect the strength and commitment of its staff and therefore, the NIBTT will continue to work diligently to ensure the timely conduct and completion of all negotiations.

OUR COMMITMENT TO ALL

As we confront the challenges of the future, the NIBTT will be guided by our mission of ***"Delivering meaningful social security products and services to our customers"***; our core values which include transparency and integrity and our vision of ***"Excellence in the provision of Social Security"***.

Undoubtedly, the sustained relevance of the NI system in contributing to the income security of the country's population is evidenced by the fact that the number of beneficiaries has increased steadily over the past three decades – from 62,274 for FY 1980 to 147,342 for FY 2010 – and is projected to increase by approximately 280,000 by the mid-2030s.



EXECUTIVE DIRECTOR'S REPORT (cont'd)

The maintenance of contribution rates that are affordable to both employers and employees, while ensuring the long-term viability of the NI Fund, will continue to be a key area of focus. The NIBTT's contribution rate, which now stands at 10.8% of insurable earnings, still remains amongst the lowest internationally.

Total assets have grown from \$570Mn in FY 1980 to \$18.6Bn at the end of FY 2010. According to actuarial projections based on current contribution and benefit rates, total assets will continue along this path of growth through the mid-2030s to approximately \$65Bn.

The NIBTT is poised for exponential growth. It is clear that there is significant work ahead of us. Our vision of excellence speaks to an organisation that must remain focussed and stable, yet adaptable, as we face the challenges of rapid growth.

EXTENDING OUR APPRECIATION

The NIBTT completed another successful year of service to the population of Trinidad and Tobago. Central to the organisation's achievements were the continuous improvements to our operations in response to the evolving needs and expectations of stakeholders. We believe that taking care of business is synonymous with taking care of our customers.

As we celebrate our triumphs of FY 2010, we deeply appreciate the confidence placed in us by our customers. We applaud those employers whose ongoing fulfilment of their responsibilities under the NI Act makes it easier to ensure the long-term sustainability of the National Insurance System.

We thank the Board of Directors whose combined years of experience and dedication to the NIS laid the foundation for the NIBTT's continued success through the fourth quarter of FY 2010. Through the commitment of our employees, the NIBTT was able to meet and exceed its targets for FY 2010. We recognise that our employees are indispensable to the future development of the National Insurance System in Trinidad and Tobago.

We are dedicated to serving the people of Trinidad and Tobago with transparency, integrity and mutual respect.



Lorna Charles
Executive Director (Ag)
March 22, 2012

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www.nibtt.net Hotline: 663-4NIS

EXECUTIVE AND SENIOR MANAGEMENT TEAM



LORNA CHARLES

Executive Director (Ag)

Jacqueline Castillo:
Devindra Marajh:
Patricia Villaruel:

Enterprise Risk Manager
Internal Auditor
Manager, Claims Investigation



Insurance Operations

KAREN GOPAUL

Executive Manager (Ag)

Margaret Delandro:
Emrice Henry:
Patricia George-Lezama:
Sean McMillan:

Manager, Insurance Operations
Area Manager
Area Manager
Area Manager



Human Resources

CHERRIE ANN CRICLOW-COCKBURN

Executive Manager

Elton Doyle:
Michael Gopaul:
Sherma Gidaree:

Manager, Employee and
Industrial Relations
Manager, Organisation Development
Manager, Compensation,
Development and Planning (Ag)



Investments
IAN PEMBERTON
Executive Manager

Annabelle Holder:
Ramdath Doobraj:

Senior Investment Analyst
Mortgage Manager (Ag)



Legal Services/Corporate Secretariat
NIALA PERSAD-POLIAH
Executive Manager (Ag)

Greta Stephen-Henry:

Manager, Legal Services (Ag)

Kendra Thomas-Long:

Legal Officer

Shoba Jamunar:

Legal Officer

Rena Mahadeo:

Legal Officer

Jennilynn Howe-Dopwell:

Manager, Corporate
Communication (Ag)



Planning and Technology
RAMLAKHAN SEECHARAN
Executive Manager (Ag)

Andrew Pienkos:

Manager, Research and Development
Project Manager

Susan Nelson:

Kerwyn Greaves:

Manager, Database Administration & Support

Curtis Richards:

Manager, IT Infrastructure (Ag)

Mikhail Noel:

Manager, IT Development

Adrian Fortune:

Manager, IT Security



Finance & Business
ESTHER CHARLES
Executive Manager (Ag)

Karen Davis-Holder:

Financial Accountant

Winslow Demas:

Manager, Facilities,
Services and Security

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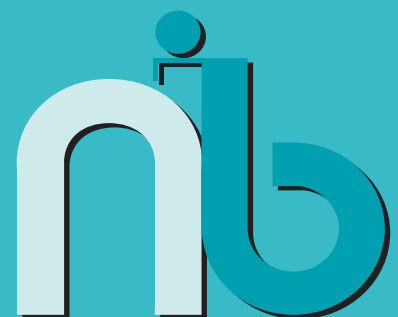
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Financial Statements



INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND 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, 2010 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 Board'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 Board as at June 30, 2010 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 to these financial statements, which describe the basis of accounting. The financial statements are prepared to assist the Board to meet the requirements of the National Insurance Act. As a result, the financial statements may not be suitable for another purpose.

INDEPENDENT AUDITORS' REPORT (continued)

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 14 of the financial statements. The Board has invested in Cllico 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 Board had not received either the principal or accrued interest that was contractually due. There is uncertainty regarding whether the investments fall under the Memorandum of Understanding (MOU) between the Ministry of Finance and C L Financial Limited. This outcome would determine whether the investment is guaranteed by the Government of the Republic of Trinidad and Tobago (GORTT) and the terms of the guarantee. Should the investment not fall under the MOU, then the solvency of CIB would determine whether the amounts are impaired. The winding up exercise of CIB has not yet been completed and the Board has objected to this application, therefore there is further uncertainty regarding the recovery of the investments from this process. 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.



Chartered Accountants

October 17, 2011

Port of Spain, Trinidad and Tobago



STATEMENT OF FINANCIAL POSITION

June 30, 2010

| | Notes | 2010 \$'000 | 2009 \$'000 | 2008 \$'000 |
|--|-------|-------------------|-------------------|-------------------|
| ASSETS | | | | |
| Property, plant and equipment | 8 | 72,688 | 103,204 | 103,612 |
| Investment properties | 9 | 160,895 | 143,951 | 143,631 |
| Employee Benefits | 10 | 325,283 | 317,908 | 292,544 |
| Investment in subsidiary companies | 11 | 166,070 | 166,070 | 32,190 |
| Investment securities | 12 | 15,531,628 | 15,156,569 | 13,155,548 |
| Mortgage advances | 13 | 51,371 | 71,788 | 83,812 |
| Inventory | | 157,181 | 138,043 | 101,782 |
| Claims receivable – matured deposits | 14 | 691,736 | 530,047 | — |
| Other assets | 15 | 582,106 | 651,952 | 539,153 |
| Cash and cash equivalents | 16 | 843,445 | 389,323 | 2,680,029 |
| Total assets | | 18,582,403 | 17,668,855 | 17,132,301 |
| FUNDS, RESERVES AND LIABILITIES | | | | |
| Long-term benefits fund | 17 | 17,667,708 | 16,656,802 | 13,741,977 |
| Short-term benefits fund | 17 | 289,394 | 274,175 | 122,644 |
| Employment injury benefits fund | 17 | 516,812 | 491,243 | 355,315 |
| Total funds | | 18,473,914 | 17,422,220 | 14,219,936 |
| Accumulated reserve | 18 | — | — | 2,786,918 |
| Revaluation reserve | 19 | 34,675 | 39,337 | 52,765 |
| Total reserves | | 34,675 | 39,337 | 2,839,683 |
| Other liabilities | 20 | 73,814 | 57,298 | 72,682 |
| Borrowings | 21 | — | 150,000 | — |
| Total liabilities | | 73,814 | 207,298 | 72,682 |
| Total funds, reserves and liabilities | | 18,582,403 | 17,668,855 | 17,132,301 |

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



Chairman



Executive Director (Ag)



Executive Manager
Finance & Business (Ag)

REVENUE AND EXPENDITURE ACCOUNTS

Year ended June 30, 2010

| | 2010 \$'000 | Restated 2009 \$'000 | | 2010 \$'000 | Restated 2009 \$'000 |
|---|-------------------|----------------------------|---|-------------------|----------------------------|
| LONG-TERM BENEFITS FUND | | | | | |
| Revenue | | | Expenditure | | |
| Fund at July 1 | 16,656,802 | 13,741,977 | Benefits incurred | 1,983,436 | 1,877,878 |
| Contribution income | 2,354,276 | 2,268,584 | Administrative expenses | 115,898 | 111,483 |
| Penalty income | 20,642 | 23,400 | Reversal of unrealised fair value gains | 270,479 | 70,316 |
| Adjustment | 2,736 | 13,428 | Unrealised fair value loss | — | 1,154,108 |
| Pension asset income | 7,160 | 24,511 | | | |
| Investment income | 821,891 | 941,400 | | | |
| Unrealised fair value gains | 109,455 | 270,479 | | | |
| Miscellaneous income | 2,262 | 2,047 | | | |
| Transfer from short-term and employment funds | 62,297 | 249,324 | | | |
| Transfer from accumulated reserve | — | 2,335,437 | Fund at June 30 | 17,667,708 | 16,656,802 |
| | <u>20,037,521</u> | <u>19,870,587</u> | | <u>20,037,521</u> | <u>19,870,587</u> |
| SHORT-TERM BENEFITS FUND | | | | | |
| Revenue | | | Expenditure | | |
| Fund at July 1 | 274,175 | 122,644 | Benefits incurred | 144,696 | 137,088 |
| Contribution income | 158,715 | 152,938 | Administrative expenses | 6,048 | 7,516 |
| Penalty income | 188 | 209 | Transfer to long-term benefits fund | — | 207,229 |
| Pension asset income | 65 | 219 | Reversal of unrealised fair value gains | 2,788 | 725 |
| Investment income | 8,473 | 8,402 | Unrealised fair value loss | — | 11,897 |
| Unrealised fair value gains | 1,310 | 2,788 | Fund at June 30 | 289,394 | 274,175 |
| Transfer from accumulated reserve | — | 351,430 | | | |
| | <u>442,926</u> | <u>638,630</u> | | <u>442,926</u> | <u>638,630</u> |
| EMPLOYMENT INJURY BENEFITS FUND | | | | | |
| Revenue | | | Expenditure | | |
| Fund at July 1 | 491,243 | 355,315 | Benefits incurred | 51,681 | 49,124 |
| Contribution income | 132,263 | 127,449 | Administrative expenses | 6,877 | 6,263 |
| Penalty income | 432 | 605 | Transfer to long-term benefits fund | 62,297 | 42,095 |
| Pension asset income | 150 | 634 | Unrealised fair value loss | — | 23,796 |
| Investment income | 16,946 | 24,341 | Reversal of unrealised fair value gains | 5,577 | 1,450 |
| Unrealised fair value gains | 2,210 | 5,577 | Fund at June 30 | 516,812 | 491,243 |
| Transfer from accumulated reserve | — | 100,050 | | | |
| | <u>643,244</u> | <u>613,971</u> | | <u>643,244</u> | <u>613,971</u> |

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



STATEMENT OF CASH FLOWS

Year ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

| | 2010 \$'000 | 2009 \$'000 |
|--|------------------|----------------|
| Contribution income | 2,645,254 | 2,548,971 |
| Investment income | 847,310 | 974,144 |
| Penalty income | 21,262 | 24,214 |
| Benefits expenditure | (2,179,813) | (2,064,090) |
| Administrative expenses (net) | (126,087) | (125,262) |
| Other income | 2,262 | 2,047 |
| Depreciation | 2,748 | 3,862 |
| Adjustment to provision for doubtful debts | (33,118) | (913) |
| Fair value adjustment to property, plant and equipment | 29,706 | (5,089) |
| Change in inventory | (19,138) | — |
| Change in amounts owed | 69,846 | (112,799) |
| Change in amounts due | 17,798 | (9,460) |
| Change in claims receivables | (161,689) | (530,047) |
| Net cash flows from operating activities | 1,116,341 | 705,578 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|------------------|--------------------|
| Purchase of property, plant and equipment | (1,938) | (2,541) |
| Purchase of investments | (3,758,763) | (4,483,120) |
| Sale/maturity of investments | 3,249,764 | 1,345,302 |
| Net cash used in investing activities | (510,937) | (3,140,359) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|------------------|----------------|
| Proceeds from borrowings | — | 150,000 |
| Repayment of borrowings | (150,000) | — |
| Net cash (used in) from financing activities | (150,000) | 150,000 |

| | | |
|---|----------------|------------------|
| Net increase (decrease) in cash and cash equivalents | 455,404 | (2,284,781) |
| Cash and cash equivalents at the beginning of the year | 388,041 | 2,672,822 |
| Cash and cash equivalents at the end of the year | 843,445 | 388,041 |

Cash and cash equivalents are comprised of:

| | | |
|--|----------------|----------------|
| Cash and bank balances (including call deposits) | 843,445 | 389,323 |
| Bank overdraft | — | (1,282) |
| | 843,445 | 388,041 |

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010

1. Incorporation and Principal Activity

The National Insurance Board of Trinidad and 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.

These financial statements were authorised for issue by the Board of Directors on September 16, 2011.

2. Actuarial Review

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

The Seventh Actuarial Review, covering the five-year period up to June 30, 2005, of the National Insurance System (NIS) was completed in June 2007 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."

The Eighth Actuarial Review covering the five-year period to June 30, 2010 is currently in progress.

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 expenditures and administrative expenses are met.

Further, the Actuary made the following recommendations in 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.
- 5 Elimination of the accumulated reserve and the application of the following coefficients to benefit expenditure to determine reserve funds by benefits branch:
 - 2 for the short-term benefits branch;
 - 10 for the employment injury benefits branch; and
 - The remaining excess of income over expenditure allocated to the long-term benefits branch.

See revenue and expenditure accounts for the allocation made to the fund balances and Note 18 for the elimination of the accumulated reserve.



NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

3. Legislative Amendments

Contributions

Employer/employee contributions were increased in January 2008 from 9.9% to 10.5% and in January 2010 to 10.8% of assumed average weekly earnings. A further increase is due in January 2012 to 11.4%.

4. Basis of Preparation

(a) Basis of measurement

These financial statements are prepared on the historical cost convention, except for the valuation of investment 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 Board'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.

(d) Changes in accounting policies

The Board has changed its accounting policy for certain assets, whereby, it has elected to fair value all of the assets which support the retirement and other benefits obligations with fair value adjustments recognised in the revenue and expenditure account.

The effect of this change in accounting policy is disclosed in Notes 17 and 27.

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 Board'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 Board 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 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 Board'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.

(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 Board 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 Board 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 Board 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.

5. Significant Accounting Policies (continued)

(e) *Loans and advances* (continued)

If there is objective evidence that an impairment loss on 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 account. 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.

(g) *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 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.

(h) *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 (TTFM) | 51% |
| Home Mortgage Bank (HMB) | 51.25% |

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

5. Significant Accounting Policies (continued)

(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 to 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.

(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 24).

(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 (3) 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 Board 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 account.

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%

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 THE FINANCIAL STATEMENTS (continued)

June 30, 2010

5. Significant Accounting Policies (continued)

(l) Provisions

Provisions are recognised when the Board 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:

| | 2010 % | 2009 % |
|---------------------------------|-----------|-----------|
| Long-term benefits fund | 89 | 89 |
| Short-term benefits fund | 6 | 6 |
| Employment injury benefits fund | 5 | 5 |
| | <hr/> | <hr/> |
| | 100 | 100 |

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 Board 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 Board's liability to beneficiaries at June 30, 2010.

iv) Accumulated reserve

The Board has also decided to remove this Reserve based on the advice of the Actuary.

(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.

5. Significant Accounting Policies (continued)

(n) *Revenue recognition* (continued)

(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 Board 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 Board contributes to a defined benefit staff pension plan which covers all qualifying employees. Members contribute 5% (2009: 5%) of their pensionable salaries to the Plan whilst the Board currently contributes 5% (2009: 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.

6. Determination of Fair Values

A number of the Board'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 Board's investment property portfolio every three-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.



6. Determination of Fair Values (continued)

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 14.

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.

7. Significant Accounting Judgements and Estimates

In the process of applying the Board'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 Board 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

7. Significant Accounting Judgements and Estimates (continued)

Impairment losses on loans and advances

The Board 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 Board 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.

8. Property, Plant and Equipment

| | Land Freehold/ Leasehold Buildings \$'000 | Machinery Equipment/ Furniture and Fittings \$'000 | Art and Motor Vehicles \$'000 | Total 2010 \$'000 | Total 2009 \$'000 |
|---|---|--|--|-------------------------|-------------------------|
| Cost/valuation at beginning of year | 97,466 | 46,662 | 2,802 | 146,930 | 164,589 |
| Additions | 953 | 358 | 627 | 1,938 | 2,541 |
| Disposal/adjustments | (31,635) | 88 | (321) | (31,868) | (20,200) |
| At the end of year | 66,784 | 47,108 | 3,108 | 117,000 | 146,930 |
| Accumulated depreciation at beginning of year | 3,486 | 38,540 | 1,700 | 43,726 | 60,977 |
| Current year | 509 | 2,156 | 83 | 2,748 | 3,862 |
| Disposal/adjustments | (1,831) | 2 | (333) | (2,162) | (21,113) |
| At the end of year | 2,164 | 40,698 | 1,450 | 44,312 | 43,726 |
| Net book value | 64,620 | 6,410 | 1,658 | 72,688 | 103,204 |

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 Board were undertaken in June 2010 and put the market value at \$60.9 million (June 2007: \$87.4 million).



NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

9. Investment Properties

| | 2010 \$'000 | 2009 \$'000 |
|----------------------|----------------|----------------|
| Scarborough Mall | 9,668 | 11,891 |
| Huggins Building | 14,000 | 15,000 |
| Nipdec House | 32,000 | 36,000 |
| Queen's Park East | 73,059 | 66,060 |
| Mulchan Seuchan Road | 18,868 | — |
| Palmiste Property | <u>13,300</u> | <u>15,000</u> |
| | <u>160,895</u> | <u>143,951</u> |

Rental income from investment properties during the year amounted to \$7 million (2009: \$7 million). Direct operating expenses incurred on investment properties during the year amounted to \$1.554 million (2009: \$1.864 million).

10. Employee Benefits

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

| | 2010 \$'000 | 2009 \$'000 |
|------------------------------|------------------|------------------|
| Defined benefit obligation | 545,320 | 478,018 |
| Fair value of assets | <u>(737,205)</u> | <u>(691,511)</u> |
| Benefit surplus | (191,885) | (213,493) |
| Unrecognised actuarial gains | <u>(133,398)</u> | <u>(104,415)</u> |
| Defined benefit asset | <u>(325,283)</u> | <u>(317,908)</u> |

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

| | 2010 \$'000 | 2009 \$'000 |
|--|-----------------|-----------------|
| Current service cost | 11,775 | 9,652 |
| Interest on defined benefit obligation | 35,179 | 35,165 |
| Amortised net loss | 3,206 | — |
| Expected return on plan assets | <u>(54,809)</u> | <u>(67,506)</u> |
| Net pension income | <u>(4,649)</u> | <u>(22,689)</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

10. Employee Benefits (continued)

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

| | 2010 \$'000 | 2009 \$'000 |
|---|------------------|------------------|
| Net asset at July 1 | (317,908) | (292,544) |
| Net income recognised in the revenue and expenditure accounts | (4,649) | (22,689) |
| Contributions | (2,726) | (2,675) |
| Net asset at June 30 | <u>(325,283)</u> | <u>(317,908)</u> |

Actual return on pension plan assets:

| | | |
|--|---------------|-----------------|
| Expected return on pension plan assets | 54,809 | 67,506 |
| Actuarial gain on pension plan assets | <u>3,943</u> | <u>(73,061)</u> |
| Actual return on pension plan assets | <u>58,752</u> | <u>(5,555)</u> |

Experience history

| | 2010 \$'000 | 2009 \$'000 | 2008 \$'000 | 2007 \$'000 | 2006 \$'000 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Defined benefit obligation | 545,320 | 478,018 | 410,242 | 333,902 | 334,903 |
| Fair value of plan assets | <u>(737,205)</u> | <u>(691,511)</u> | <u>(709,047)</u> | <u>(604,417)</u> | <u>(594,041)</u> |
| Surplus | <u>(191,885)</u> | <u>(213,493)</u> | <u>(298,805)</u> | <u>(270,515)</u> | <u>(259,138)</u> |
| Experience gain (loss) on obligation | <u>18,562</u> | <u>18,340</u> | <u>(56,042)</u> | <u>4,858</u> | <u>(26,358)</u> |
| Experience gain (loss) on assets | <u>3,943</u> | <u>(73,061)</u> | <u>58,361</u> | <u>(39,152)</u> | <u>(166,673)</u> |

Principal actuarial assumptions at the reporting date:

| | 2010 % | 2009 % |
|---|-----------|-----------|
| Discount rate | 6.50 | 7.50 |
| Expected return on pension plan assets (net of investment expenses) | 7.25 | 8.00 |
| Rate of salary increases | 6.00 | 8.00 |
| Pension increases | 3.00 | 3.00 |



NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

11. Investment in Subsidiary Companies

The investments in subsidiary companies comprise:

| | 2010 \$'000 | 2009 \$'000 |
|--------|----------------|----------------|
| NIPDEC | 25,000 | 25,000 |
| TTMF | 7,190 | 7,190 |
| HMB | <u>133,880</u> | <u>133,880</u> |
| | <u>166,070</u> | <u>166,070</u> |

12. Investment Securities

Investments comprise:

| | | |
|-------------------------------|-------------------|-------------------|
| State and corporate bonds (a) | 8,847,222 | 8,885,433 |
| Equities (b) | 6,243,548 | 5,879,615 |
| Other | <u>440,858</u> | <u>391,521</u> |
| | <u>15,531,628</u> | <u>15,156,569</u> |

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

(a) State and corporate bonds

| | | |
|--|------------------|------------------|
| Government and public sector investments | 3,586,788 | 3,673,679 |
| Corporate securities | <u>5,260,434</u> | <u>4,932,910</u> |
| | 8,847,222 | 8,606,589 |
| Fair value adjustments (Note 27) | <u>—</u> | <u>278,844</u> |
| | <u>8,847,222</u> | <u>8,885,433</u> |

(b) Equities

| | | |
|----------|------------------|------------------|
| Quoted | 6,153,765 | 5,729,978 |
| Unquoted | <u>89,783</u> | <u>149,637</u> |
| | <u>6,243,548</u> | <u>5,879,615</u> |

State and corporate bonds earn interest at rates varying between 4.75% and 12.25% (2009: 5.0% and 12.59%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

13. Mortgage Advances

| | 2010 \$'000 | 2009 \$'000 |
|---------------------------------------|----------------|----------------|
| Gross Mortgage Advances | 114,265 | 167,800 |
| Provision for non-performing advances | (62,894) | (96,012) |
| | <u>51,371</u> | <u>71,788</u> |

Mortgage advances earn interest at an average effective rate of 8.00 % (2009: 8.00%).

14. Claim Receivable – Matured Deposits

Over the period July 1, 2008 to June 30, 2009, the NIBTT invested a total of US\$99,652,121.29 and TT\$45,200,876.71 in secured short-term deposits (Investments Note Certificates) with Clico Investment Bank (CIB).

As at the reporting date, all such deposits had matured and the NIBTT had not received principal and accrued interest that were contractually due.

On November 26, 2009, legal action was initiated by the NIBTT against CIB for the aforementioned sums together with interest and costs. This matter came up for hearing in the High Court in July 2011 and a Judgement in this matter is expected to be delivered in September, 2011.

In the interim, the petition of CIB to be wound up under the provisions of the Companies Act on the ground that it is insolvent and unable to pay its debts is expected to be heard in the High Court in October, 2011. The NIBTT is aggressively objecting to this application.

In light of the foregoing, it is management's opinion at this time that full disclosure rather than impairment recognition is sufficient and appropriate at this time. Consequently, the entire principal and accrued interest on the matured deposits have been treated as a receivable due on demand.

15. Other Assets

| | 2010 \$'000 | 2009 \$'000 |
|------------------------------|----------------|----------------|
| Investment income receivable | 183,813 | 228,330 |
| Sundry debtors | 28,479 | 58,538 |
| Prepayments | 161,007 | 152,086 |
| Contributions receivable | 208,807 | 212,998 |
| | <u>582,106</u> | <u>651,952</u> |

16. Cash and Cash Equivalents

| | 2010 \$'000 | 2009 \$'000 |
|-------------------------------------|----------------|----------------|
| Cash and Bank | 736,207 | 67,040 |
| TT\$ denominated money market funds | 859 | 196,687 |
| US\$ denominated money market funds | 106,379 | 125,596 |
| | <u>843,445</u> | <u>389,323</u> |



NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

17. Benefits Fund

The benefits fund 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 Board's liability to beneficiaries but instead reflects allocations based on the application of certain ratios as advised by the Board's Actuary.

The NIBTT's liability to beneficiaries as determined by the Actuary was \$10,572 million at June 30, 2005. The value of the reserves at June 30, 2005 was \$8,718 million.

As more fully described in the analysis below and in Note 27, the funds balances were adjusted as a result of the change in accounting policy. The effect of the change in the policy on the balances at June 30, 2009 and the analysis of the movement of the funds in the period ended June 30, 2010 are as follows:

| | Long-term \$'000 | Short-term \$'000 | Employment injury \$'000 | Totals \$'000 |
|--|---------------------|----------------------|--------------------------------|------------------|
| 2009 | | | | |
| Balance at June 30, 2009, as previously stated | 15,916,173 | 274,175 | 491,243 | 16,681,591 |
| Adjustments: | | | | |
| Inter-fund transfers | 249,324 | (207,229) | (42,095) | — |
| Unrealised fair value gains | 270,479 | 2,788 | 5,577 | 278,844 |
| Unrealised fair value loss | (1,154,108) | (11,897) | (23,796) | (1,189,801) |
| Reversal of unrealised fair value gains | (70,316) | (725) | (1,450) | (72,491) |
| Additional transfer from accumulated reserve | 1,445,250 | 217,063 | 61,764 | 1,724,077 |
| Balance at June 30, 2009, as restated | 16,656,802 | 274,175 | 491,243 | 17,422,220 |
| 2010 | | | | |
| Balance at June 30, 2009, as restated | 16,656,802 | 274,175 | 491,243 | 17,422,220 |
| Net surplus of revenue over expenditure for the period ended June 30, 2010 | 1,010,906 | 15,219 | 25,569 | 1,051,694 |
| Balance at June 30, 2010 | 17,667,708 | 289,394 | 516,812 | 18,473,914 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

18. Accumulated Reserve

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Balance of reserve at July 1 | — | 2,786,918 |
| Transfer to long-term benefits fund | — | (2,335,437) |
| Transfer to short-term benefits fund | — | (351,430) |
| Transfer to employment injury benefits fund | — | (100,050) |
| | <u>—</u> | <u>—</u> |
| Balance of reserve at June 30 | <u>—</u> | <u>—</u> |

19. Revaluation Reserve

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

| | 2010 \$'000 | 2009 \$'000 |
|-----------------------|----------------|-----------------|
| Balance as at July 1 | 39,337 | 52,765 |
| Movement for the year | <u>(4,662)</u> | <u>(13,428)</u> |
| Balance as at June 30 | <u>34,675</u> | <u>39,337</u> |

20. Other Liabilities

| | | |
|-------------------------------|---------------|---------------|
| Bank overdraft | — | 1,282 |
| Sundry creditors and accruals | 62,934 | 29,999 |
| Unallocated Mortgage Payments | 1,077 | 1,038 |
| Provision for claims | — | 15,207 |
| Provision for other payables | <u>9,803</u> | <u>9,772</u> |
| | <u>73,814</u> | <u>57,298</u> |

21. Borrowings

| | | |
|--------------------|----------|----------------|
| Secured borrowings | <u>—</u> | <u>150,000</u> |
|--------------------|----------|----------------|



NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

22. Administration and Investment Expenses

Included therein are the following charges:

| | 2010 \$'000 | 2009 \$'000 |
|-------------------------------------|----------------|----------------|
| Salaries and other related expenses | 79,209 | 79,423 |
| Depreciation | 2,748 | 3,862 |

In 2010 administrative expenses amounted to 4.91% (2009: 4.92%) of contribution income and this did not exceed the limit established by the Board of 7.5%.

23. Contingent Liabilities

(a) Pending litigation and outstanding appeals

As at June 30, 2010 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

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, 2010 amounted to \$.9 million (2009: \$0.9 million).

24. 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 Board for the relevant financial year/period:

(i) Transactions with related parties

During the years ended June 30, 2009 and 2010, the Board carried out the following significant transactions with related parties during the course of normal operations:

| | 2010 \$'000 | 2009 \$'000 |
|--|----------------|----------------|
| Bonds and debentures of subsidiary companies | 100,000 | 325,000 |
| Interest receivable | 114,548 | 104,500 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

24. Related Party Transactions and Balances (continued)

(ii) Balances due from related parties

The amounts due from related companies comprise the following:

Payment on Bonds and Debentures
Agency management fees

| 2010 \$'000 | 2009 \$'000 |
|----------------|----------------|
| 1,508,221 | 1,544,571 |
| (15) | (31) |

(iii) Transactions with key management personnel

In addition to their salaries, the Board 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:

Short-term employee benefits
Post employment benefits

| 2010 \$'000 | 2009 \$'000 |
|----------------|----------------|
| 2,094 | 2,497 |
| 787 | 2,701 |

25. Financial Risk Management

Overview

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

- Credit Risk
- Liquidity Risk
- Market Risk
 - Interest rate
 - Foreign exchange risk.

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 Board'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).



25. Financial Risk Management (continued)

The Investment Committee

The role of the IC is to review the results of the due diligence exercises conducted by the Investment Management Unit (IMU). Decisions/recommendations are submitted to the Board of Directors for ratification.

Investment decisions are made in the context of Schedule 1 of the National Insurance (NI) Act and the Board's Investment policy.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Board is mainly exposed to credit risk with respect to its Mortgage portfolio and deposits.

The Board limits its exposure with respect to its bond portfolio by investing in only bonds issued by the Government of the Republic of Trinidad and Tobago (GORTT) or institutions with high creditworthiness. The Board 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 borrowers' 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 Board will encounter difficulty in meeting obligations from its financial liabilities.

The daily liquidity position for both operational 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 are taken up by the Investments Unit who 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 Board 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 Board is exposed to currency risk with respect to its investments in cash and cash equivalents denominated in United States dollars.

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

25. Financial Risk Management (continued)

Market Risk (continued)

Currency risk (continued)

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.

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:

| | Loans and Advances | |
|--------------------------------------|--------------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| Mortgages | | |
| Gross amount | 114,265 | 167,800 |
| Collectively Impaired | | |
| Gross amount | 42,596 | 91,669 |
| Allowance for impairment | (42,596) | (91,669) |
| Carrying amount | — | — |
| Past due but not impaired | | |
| Gross amount | 51,360 | 51,101 |
| Past due comprises | | |
| 30-60 days | 23,413 | 29,095 |
| 61-90 days | 4,170 | 4,359 |
| 91-180 days | 3,961 | 4,819 |
| Over 180 days | 19,816 | 12,828 |
| Allowance | (20,298) | (4,343) |
| Carrying amount | 31,062 | 46,758 |
| Neither past due nor impaired | | |
| Gross amount | 20,309 | 25,030 |

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

25. Financial Risk Management (continued)

Credit Risk (continued)

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

| | 2010 \$'000 | 2009 \$'000 |
|--------------------------|----------------|----------------|
| Mortgages: | | |
| Provisions as at July 1 | 96,012 | 101,102 |
| Movement for the year | (33,118) | (5,090) |
| Provisions as at June 30 | <u>62,894</u> | <u>96,012</u> |

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

There exists 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:

| | 2010 \$'000,000 | 2009 \$'000,000 |
|--------------------------------|--------------------|--------------------|
| Concentration by sector | | |
| Corporate | 5,254 | 5,007 |
| Foreign Investment | 2,025 | 1,740 |
| Sovereign | 3,587 | 3,879 |
| Equity | <u>4,666</u> | <u>4,530</u> |
| | <u>15,532</u> | <u>15,156</u> |

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

| | 2010 \$'000,000 | 2009 \$'000,000 |
|----------------------------------|--------------------|--------------------|
| Concentration by location | | |
| Trinidad | 13,514 | 13,424 |
| Regional | 58 | 56 |
| International | <u>1,960</u> | <u>1,676</u> |
| | <u>15,532</u> | <u>15,156</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

25. Financial Risk Management (continued)

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, 2010 | | | | |
| Other liabilities | 73,814 | — | — | 73,814 |
| As at June 30, 2009 | | | | |
| Other liabilities | 57,298 | — | — | 57,298 |
| Borrowings | 150,000 | — | — | 150,000 |
| | <u>207,298</u> | <u>—</u> | <u>—</u> | <u>207,298</u> |

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

Market Risk

Interest rate

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

| | 2010 \$'000 | 2009 \$'000 |
|----------------------------------|------------------|------------------|
| <i>Fixed rate instruments</i> | | |
| Financial asset | 8,070,262 | 8,640,218 |
| Financial liability | <u>—</u> | <u>(150,000)</u> |
| | <u>8,070,262</u> | <u>8,490,218</u> |
| <i>Variable rate instruments</i> | | |
| Financial asset | <u>829,092</u> | <u>207,695</u> |



NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

25. Financial Risk Management (continued)

Market Risk (continued)

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 2009:

| Effect in TT\$'000 | 100 bp Increase | 100 bp Decrease |
|--------------------|--------------------|--------------------|
| June 30, 2010 | 89,024 | (89,024) |
| June 30, 2009 | 38,932 | (38,932) |

Currency risk

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

| | TT \$'000 | US \$'000 | Total \$'000 |
|----------------------------|-------------------|------------------|-------------------|
| As at June 30, 2010 | | | |
| ASSETS | | | |
| Cash and cash equivalents | 824,461 | 18,984 | 843,445 |
| Investment securities | | | |
| Equities | 4,808,189 | 1,435,358 | 6,243,548 |
| Other | — | 440,858 | 440,858 |
| State and corporate bonds | 7,430,230 | 1,416,993 | 8,847,222 |
| TOTAL ASSETS | 13,062,880 | 3,312,193 | 16,375,073 |
| As at June 30, 2009 | | | |
| ASSETS | | | |
| Cash and cash equivalents | 263,727 | 125,596 | 389,323 |
| Investment securities | | | |
| Equities | 4,515,802 | 1,363,813 | 5,879,615 |
| Other | — | 391,521 | 391,521 |
| State and corporate bonds | 7,342,972 | 1,542,461 | 8,885,433 |
| TOTAL ASSETS | 12,122,501 | 3,423,391 | 15,545,892 |

The following significant exchange rates were applied during the year:

| | Average Rate | | Reporting Date Spot Rate | |
|-----|-----------------|--------|-----------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| USD | 6.3628 | 6.2947 | 6.3628 | 6.3021 |

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

25. Financial Risk Management (continued)

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 2009:

| Effect in TT\$'000 | Long-term Benefits Fund | |
|--------------------|-------------------------|-----------------|
| | 2010 | 2009 |
| TTD | <u>18,207</u> | <u>(43,863)</u> |

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.

| USD | | |
|-----|----------------|----------------|
| | 2010 | 2009 |
| | <u>(2,861)</u> | <u>(6,960)</u> |

26. Staff Complement

The staff complement as at June 30, 2010 was 692 (2009: 662).

27. Effect from the Change in Accounting Policy

| | June 30, 2008 | | | June 30, 2009 | | |
|--------------------------------------|--------------------------------------|-----------------------|--------------------------|--------------------------------------|-----------------------|--------------------------|
| | As Previously Stated \$'000 | Adjustments \$'000 | As Restated \$'000 | As Previously Stated \$'000 | Adjustments \$'000 | As Restated \$'000 |
| Net Assets | | | | | | |
| Property, plant and equipment | 103,612 | — | 103,612 | 103,204 | — | 103,204 |
| Investment properties | 143,631 | — | 143,631 | 143,951 | — | 143,951 |
| Employee Benefits | 292,544 | — | 292,544 | 317,908 | — | 317,908 |
| Investment in subsidiary companies | 32,190 | — | 32,190 | 166,070 | — | 166,070 |
| State and corporate bonds | 6,914,692 | 72,491 | 6,987,183 | 8,606,589 | 278,844 | 8,885,433 |
| Mortgage advances | 83,812 | — | 83,812 | 71,788 | — | 71,788 |
| Equities | 5,687,628 | — | 5,687,628 | 5,879,615 | — | 5,879,615 |
| Other | 480,737 | — | 480,737 | 391,521 | — | 391,521 |
| Inventory | 101,782 | — | 101,782 | 138,043 | — | 138,043 |
| Claims receivable – matured deposits | — | — | — | 530,047 | — | 530,047 |
| Other assets | 539,153 | — | 539,153 | 651,952 | — | 651,952 |
| Cash and cash equivalents | <u>2,680,029</u> | <u>—</u> | <u>2,680,029</u> | <u>389,323</u> | <u>—</u> | <u>389,323</u> |
| Total assets | <u>17,059,810</u> | <u>72,491</u> | <u>17,132,301</u> | <u>17,390,011</u> | <u>278,844</u> | <u>17,668,855</u> |
| Other liabilities | 72,682 | — | 72,682 | 57,298 | — | 57,298 |
| Borrowings | — | — | — | 150,000 | — | 150,000 |
| Total liabilities | <u>72,682</u> | <u>—</u> | <u>72,682</u> | <u>207,298</u> | <u>—</u> | <u>207,298</u> |
| Net assets | <u>16,987,128</u> | <u>72,491</u> | <u>17,059,619</u> | <u>17,182,713</u> | <u>278,844</u> | <u>17,461,557</u> |



NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2010

27. Effect from the Change in Accounting Policy (continued)

| | June 30, 2008 | | | June 30, 2009 | | |
|---------------------------------|--------------------------------------|-----------------------|--------------------------|--------------------------------------|-----------------------|--------------------------|
| | As Previously Stated \$'000 | Adjustments \$'000 | As Restated \$'000 | As Previously Stated \$'000 | Adjustments \$'000 | As Restated \$'000 |
| Funds and Reserves | | | | | | |
| Long-term benefits fund | 13,741,977 | — | 13,741,977 | 15,916,173 | 740,629 | 16,656,802 |
| Short-term benefits fund | 122,644 | — | 122,644 | 274,175 | — | 274,175 |
| Employment injury benefits fund | 355,315 | — | 355,315 | 491,243 | — | 491,243 |
| Total funds | <u>14,219,936</u> | <u>—</u> | <u>14,219,936</u> | <u>16,681,591</u> | <u>740,629</u> | <u>17,422,220</u> |
| Accumulated reserve | 1,062,840 | 1,724,078 | 2,786,918 | — | — | — |
| Revaluation reserve | 1,704,352 | (1,651,587) | 52,765 | 501,122 | (461,785) | 39,337 |
| Total reserves | <u>2,767,192</u> | <u>72,491</u> | <u>2,839,683</u> | <u>501,122</u> | <u>(461,785)</u> | <u>39,337</u> |
| Total funds and reserves | <u>16,987,128</u> | <u>72,491</u> | <u>17,059,619</u> | <u>17,182,713</u> | <u>278,844</u> | <u>17,461,557</u> |

Under previous Generally Accepted Accounting Policies (GAAP) the Board accounted for its state and corporate bonds at cost and amortised cost. In addition, equities were accounted for at fair value with adjustments to fair value recognised in the revaluation reserve.

As a result of the change in accounting policy, whereby assets held in support of the retirement and other benefits obligations are stated at fair value and with fair value adjustments recognised in the revenue and expenditure account, the revaluation reserve has been adjusted.



Year in Review



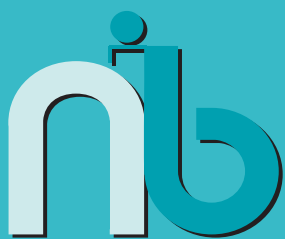
YEAR IN REVIEW



Community Outreach on the Brian Lara Promenade



Community Outreach in Tobago



Walk for Cancer

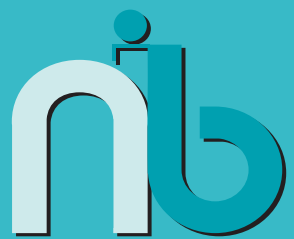
YEAR IN REVIEW



Retirement Appreciation Function



Children of the NIBTT



The CSSG Games

CORPORATE INFORMATION

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.

ATTORNEYS

M.G. Daly and Partners
115a Abercromby Street
Port of Spain
Trinidad and Tobago, W.I.

Girwar and Deonarine
Harris Court
17-19 Court Street
San Fernando
Trinidad and Tobago, W.I.

CONTACT INFORMATION

HEAD OFFICE

NIB House
2A Cipriani Boulevard
Port of Spain
Tel: 625-2171 - 8
Fax: 627-1787
Email: info@nibtt.net
Website: www.nibtt.net

Human Resources
86 Duke Street
Port of Spain
Tel: 625-2171 - 8
Fax: 624-8595

NIBTT HOTLINE

663-4NIS (4647)

SERVICE CENTRES

Arima

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

Barataria

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

Chaguanas

Elenor Street
Tel: 665-5848/5188
Fax: 665-5188

Couva

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

Point Fortin

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

North Regional

85 Abercromby Street
Port of Spain
Tel: 625-8302/8303/1034/2143/0445
Fax: 625-8338

Princes Town

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

Rio Claro

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

Sangre Grande

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

Siparia

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

South Regional

27 Harris Promenade
San Fernando
Tel: 652-4247/2649
Fax: 653-3033

St. James

76 Western Main Road
Tel: 622-4013/1438
Fax: 628-8340

Tunapuna

Eastern Main Road
Tel: 662-4444/2514
Fax: 662-5671

Tobago

NIB Mall
Scarborough
Tel: 639-3842/3843/2155
Fax: 639-3843





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