

**BARBADOS  
NATIONAL INSURANCE BOARD**



**REPORT ON THE AUDIT OF THE ACCOUNTS OF  
THE NATIONAL INSURANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**REPORT ON THE AUDIT OF THE ACCOUNTS OF  
THE NATIONAL INSURANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

# NATIONAL INSURANCE FUND

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for the Year ended December 31, 2005

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## AUDITOR GENERAL'S OFFICE BARBADOS

### REPORT ON THE AUDIT OF THE ACCOUNTS OF THE NATIONAL INSURANCE FUND FOR THE YEAR ENDED DECEMBER 31, 2005

I have audited the accompanying financial statements of the National Insurance Fund which comprise of the balance sheet as at December 31, 2006, the statement of income and expenditure, statement of fund reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with specific significant accounting policies, 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.

#### **Auditors' Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 my judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Basis for Qualified Opinion**

I was unable to validate the valuation of a credit representing reimbursement for non-contributory pensions in the amount of \$14,603,640 which was applied to benefit expense. Further, I was unable to satisfactory complete procedures designed to verify the existence of a sample of pensioners to whom benefits were paid during the year. Consequently, I was unable to determine whether any adjustments to the total benefit expense of \$297,420,189 was required.

I was unable to verify the existence and valuation of equity investments held of \$70.9M due to lack of sufficient appropriate audit evidence. In addition, no impairment analysis had been conducted for the investment portfolio held. I was also unable to verify a \$3.2M receivable from the Government of Barbados and \$1.9 payable to the Training Fund.

## Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the National Insurance Fund of Barbados as at 31<sup>st</sup> December, 2005, and of its financial performance and its cash flows for the year then ended in accordance with specific significant accounting policies as disclosed in Note 3 of the financial statements.

*Leigh Trotman*  
L. E. TROTMAN  
Auditor General

2017-03-15

# NATIONAL INSURANCE FUND

## Balance Sheet

December 31, 2005  
with comparative figures for 2004

(Expressed in Barbados dollars)

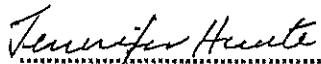
	<u>Notes</u>	<u>2005</u>	<u>2004</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	\$ 128,892,819	\$ 108,461,838
Accounts receivable	4	28,926,271	33,494,248
Short-term investments	5(a)	345,345,869	316,358,236
Prepaid expenses		<u>7,759</u>	<u>25,574</u>
<b>Total Current Assets</b>		<u>501,172,718</u>	<u>458,339,896</u>
<b>Other Assets</b>			
Long-term Investments	5(b)	1,662,030,079	1,492,545,748
Investment property	5(c)	12,788,332	12,445,997
Fixed assets	6	<u>31,807,802</u>	<u>32,745,840</u>
<b>Total Other Assets</b>		<u>1,706,626,213</u>	<u>1,537,737,585</u>
<b>Total Assets</b>		<b>\$ <u>2,207,798,931</u></b>	<b>\$ <u>1,996,077,481</u></b>
<b>Liabilities and Fund Reserves</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	7	\$ <u>11,209,411</u>	\$ <u>24,830,346</u>
<b>Total Liabilities</b>		<u>11,209,411</u>	<u>24,830,346</u>
<b>Fund Reserves</b>			
Unrealized gain on investments	8	124,122,393	106,061,770
Fund balance	9	<u>2,072,467,127</u>	<u>1,865,185,365</u>
<b>Total Fund Reserves</b>		<u>2,196,589,520</u>	<u>1,971,247,135</u>
<b>Total Liabilities and Fund Reserves</b>		<b>\$ <u>2,207,798,931</u></b>	<b>\$ <u>1,996,077,481</u></b>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Dr. Justin Robinson  
Chairman  
National Insurance Board



Jennifer Hunte  
Director (ag.)  
National Insurance Office



Janice Estwick  
Financial Controller (ag.)  
National Insurance Office

# NATIONAL INSURANCE FUND

## Statement of Fund Reserves

Year ended December 31, 2005  
with comparative figures for 2004

*(Expressed in Barbados dollars)*

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	<u>2005</u>	<u>2004</u>
Fund balance at January 1	\$ 1,865,185,365	1,674,156,378
Net income for the year	<u>207,281,762</u>	<u>191,028,987</u>
Fund balance at December 31	\$ <u>2,072,467,127</u>	<u>1,865,185,365</u>

*See accompanying notes to financial statements.*

# NATIONAL INSURANCE FUND

## Statement of Income and Expenditure

Year ended December 31, 2005  
with comparative figures for 2004

(Expressed in Barbados dollars)

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	<u>Notes</u>	<u>2005</u>	<u>2004</u>
<b>Income</b>			
Contributions	2(c)	\$ 409,474,649	\$ 366,125,557
Interest/penalties on contributions		2,213,464	678,380
Investment income	2(d)	112,345,009	103,771,400
Rental income		1,086,000	1,086,000
Miscellaneous income		2,700,684	2,966,130
Realized gain on sale of investments		5,034,484	2,203,133
Net unrealized gain on investments		9,493,898	5,501,049
Gain on disposal of fixed assets		835	40,687
<b>Total income</b>		<u>542,349,023</u>	<u>482,372,336</u>
<b>Expenditure</b>			
Benefit expense	10	297,439,554	264,410,072
Administration expenses	11	20,215,317	19,287,572
Realized loss on sale of investments		7,785,325	660,601
Depreciation	6	9,627,065	6,985,104
<b>Total expenditure</b>		<u>335,067,261</u>	<u>291,343,349</u>
<b>Net income</b>		<u>\$ 207,281,762</u>	<u>\$ 191,028,987</u>

See accompanying notes to financial statements.



# NATIONAL INSURANCE FUND

## Statement of Cash Flows

Year ended December 31, 2005  
with comparative figures for 2004

*(Expressed in Barbados dollars)*

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	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities</b>		
Net income	\$ 207,281,762	\$ 191,028,987
Items not affecting cash:		
Depreciation	9,627,065	6,985,104
Gain on sale of fixed assets	(835)	(40,687)
Unrealized gain on investments	(9,493,898)	(5,501,049)
Net changes in non-cash working capital items relating to operations:		
Decrease in accounts receivable	4,567,977	18,184,310
Decrease (increase) in prepaid expenses	17,815	(18,167)
(Decrease) increase in accounts payable	<u>(13,620,935)</u>	<u>10,746,122</u>
<b>Net cash from operating activities</b>	<u>198,378,951</u>	<u>221,384,620</u>
<b>Cash flows from investing activities</b>		
Increase in investments and investment property - net	(171,259,778)	(333,295,268)
Additions to fixed assets	(8,689,027)	(8,780,782)
Proceeds from sale of fixed assets	<u>835</u>	<u>40,687</u>
<b>Net cash used in investing activities</b>	<u>(179,947,970)</u>	<u>(342,035,363)</u>
Increase (decrease) in cash and bank balances	18,430,981	(120,650,743)
Cash and bank balances at January 1	<u>108,461,838</u>	<u>229,112,581</u>
Cash and bank balances at December 31	\$ <u>126,892,819</u>	\$ <u>108,461,838</u>

*See accompanying notes to financial statements.*

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

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## 1. Principal Activity

The National Insurance Fund ("The Fund") was established by the National Insurance and Social Security Act, Cap. 47 of the Laws of Barbados on June 5, 1967. The registered office is located at the Frank Walcott Building, Culloden Road, St. Michael.

The objective of the Fund is to effectively administer the National Insurance Social Security needs of the insured population of Barbados.

## 2. Summary of Significant Accounting Policies

### (a) Basis of accounting

These financial statements have been prepared in conformity with the significant accounting policies stated below.

### (b) Basis of preparation

The financial statements are presented in Barbados dollars, rounded to the nearest dollar. They are prepared on the historical cost basis except that equity investments are stated at their fair value. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant accounting policies adopted by the Fund are as follows:

### (c) Revenue and expense recognition

#### (i) Contributions, interest/penalties on contributions

Contributions and interest and penalties for late payment are recognised as income in the year of receipt as there is some uncertainty with respect to the collection of the arrears. The amounts when received are allocated to the various funds using the percentage allocation applicable by law in the year when the contributions were due.

#### (ii) Investment income

Investment income is recognised in the Statement of Income and Expenditure on an accrual basis using the effective interest method. In the case of dividends, income is recognised in the year of receipt.

#### (iii) Rental income

Rental income is recognised on the accrual basis.

#### (iv) Benefit expense

Benefit expenses are recognised in the year of payment.

All other revenue and expenses are recognised on the accrual basis.

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

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## 2. Summary of Significant Accounting Policies, continued

### (d) *Investments*

Investments are classified as held for trading, fair value through profit or loss, available-for-sale, or held to maturity. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of purchase.

#### (i) *Investments in debt and equity securities*

Local and regional equities are classified as available-for-sale. Available-for-sale investments are initially recorded at cost and are subsequently recorded at fair value based on published market bid prices. Unrealised gains and losses arising from changes in fair value are included within a separate component of the Fund balance until the investment is de-recognised or is determined to be impaired. On de-recognition or impairment, the cumulative unrealised gains or losses previously reported within the Fund balance are transferred to the Statement of Income and Expenditure. Realised gains and losses arising from the sale of these investments, which are determined by specific identification, are included within net realised investment gains and losses and include adjustments for declines in value that are considered other than temporary.

Available-for-sale assets are classified as long-term as the Fund has no intention of liquidation within twelve months.

Foreign equities are classified as held for trading. Unrealised gains and losses arising from changes in fair value are included in the Statement of Income and Expenditure.

#### (ii) *Other investments*

Long-term investments are stated at cost, except for those instruments that were purchased at a discount and management has the positive intent and ability to hold these investments to maturity. In the latter case, these are stated at amortised cost.

Term deposits are stated at the amount of principal outstanding and treasury bills are shown at cost.

The investments in joint ventures are stated at cost and are included under Real Estate.

Investment property, comprising office space in the E. Humphrey Walcott building at the corner of Collymore Rock and Culloden Road is shown at cost. The offices were occupied from 2004 on completion of the building. Rental income was \$1,116,231 for 2005.

### (e) *Other receivables*

Other receivables are stated at their cost less impairment losses. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Income and Expenditure.

### (f) *Provision for doubtful interest*

Provision is made on the specific identification of interest receivable that is doubtful.

### (g) *Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Barbados dollars at the foreign exchange rate ruling at that date. Foreign exchange differences are recognised in the Statement of Income and Expenditure.

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

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## 2. Summary of Significant Accounting Policies, continued

(h) *Fixed assets*

(i) *Owned assets*

Fixed assets are stated at historical cost less accumulated depreciation.

(ii) *Depreciation*

Depreciation is provided over the estimated useful life of the depreciable assets on the straight-line basis. A full year's depreciation is taken in the year of acquisition and none in the year of disposal. The following annual rates apply:

Buildings	2.5%	Plant and equipment	10.0%
Furniture and fixtures	10.0%	Motor vehicles	20.0%
Computer equipment	33.3%		

Depreciation methods, useful lives and residual values are re-assessed at the reporting date.

(i) *Cash and cash equivalents*

The Fund considers all cash in bank, deposits with financial institutions that can be withdrawn without prior notice or penalty, and short term deposits with less than ninety days maturity from the date of acquisition as equivalent to cash.

(j) *Taxation*

Pursuant to Section 55 of Cap.47 notwithstanding any other enactment, the income of the National Insurance Board is exempt from any tax, duty or other impost.

(k) *Actuarial reviews*

The National Insurance and Social Security Act, Part V, Section 34 requires the conduct of a triennial actuarial review. As at December 31, 2005 the last published review would have been the 11<sup>th</sup> actuarial review as at December 31, 2002. The review for the years 2003-2005 would be conducted in 2006. The National Insurance Fund provides for long-term benefits: old-age, invalidity and survivors, short-term benefits: sickness, maternity and funeral grants and employment injury benefits: injury, disablement, death and funeral grants.

(l) *Comparative information*

Where necessary, comparative data has been reclassified to conform to the presentation in the current year. These changes have no effect on the operating results, profit or net assets of the Fund for the previous year.

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

## 3. Statement of Cash and Bank Balances

	<u>2005</u>	<u>2004</u>
Cash at hand	\$ 3,290,993	\$ 2,080,685
Petty cash	181	354
Current accounts – Barbados National Bank	112,598,564	91,806,201
Current account – FirstCaribbean International Bank Limited	5,362,252	4,702,929
Cashiers' advances	248,163	232,494
Advance held at post office	2,477,455	2,500,586
Cash account – Merrill Lynch	640	640
Cash account – ML, Pierce, Fenner, Smith	1,748,252	1,422,510
Cash accounts – Prudential Finance	<u>1,166,319</u>	<u>5,715,439</u>
	<u>\$ 126,892,819</u>	<u>\$ 108,461,838</u>

## 4. Statement of Accounts Receivable

	<u>2005</u>	<u>2004</u>
Interest receivable	\$ 18,997,936	\$ 17,021,021
Receivable – UN Joint Venture	49,782	3,804,403
Receivable – Real Estate	900,000	1,609,157
Rent receivable	90,000	90,000
VAT receivable	41,139	45,481
Receivable from Unemployment Fund	3,227,799	6,148,064
Other receivables	<u>5,619,915</u>	<u>4,776,122</u>
	<u>\$ 28,926,271</u>	<u>\$ 33,494,248</u>

## 5. Investments

	<u>%</u>	<u>2005</u>	<u>%</u>	<u>2004</u>
<b>(a) Short term Investments:</b>				
Fixed deposits and Treasury bills	14.37	\$ 290,215,869	13.73	\$ 250,109,236
Treasury notes	0.25	5,000,000	1.31	23,900,000
Debentures	2.48	50,130,000	2.33	42,349,000
	<u>17.10</u>	<u>345,345,869</u>	<u>17.37</u>	<u>316,358,236</u>
<b>(b) Long term Investments:</b>				
Fixed deposits	0.79	\$ 16,000,000	0.88	\$ 16,000,000
Debentures	36.58	738,888,326	39.50	719,507,123
Local and regional equities	13.84	279,636,719	13.15	239,431,466
Bonds	10.58	213,831,456	10.69	194,639,476
Treasury notes	11.60	234,425,000	9.27	168,778,000
Loans	4.25	85,891,896	3.86	70,326,900
Real estate joint ventures	0.53	10,643,406	0.58	10,643,406
Foreign investments	4.09	82,713,276	4.02	73,219,377
	<u>82.27</u>	<u>\$ 1,662,030,079</u>	<u>86.27</u>	<u>\$ 1,492,545,748</u>
<b>(c) Investment property:</b>				
Investment property	0.63	12,788,332	0.68	12,445,997
	<u>0.63</u>	<u>\$ 12,788,332</u>	<u>0.68</u>	<u>\$ 12,445,997</u>
<b>Total Investments</b>	<u>100.00</u>	<u>\$ 2,020,164,280</u>	<u>100.00</u>	<u>\$ 1,821,349,981</u>

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

## 6. Fixed Assets

Fixed assets comprise:	Land & Building	Furniture & Fittings	Motor Vehicle	Plant & Equipment	Computer Equipment	SAP	Total
Cost							
Balance at January 1, 2004	\$26,863,832	\$1,822,451	\$130,761	\$723,939	\$5,708,533	\$9,678,529	\$44,928,045
Additions	1,378,822	232,226	86,210	-	1,368,909	5,714,615	8,780,782
Disposals	-	(42,567)	(70,000)	-	(48,275)	-	(160,842)
Balance at December 31, 2004	\$28,242,654	\$2,012,110	\$146,971	\$723,939	\$7,029,167	\$15,393,144	\$53,547,985
Balance at January 1, 2005	\$28,242,654	\$2,012,110	\$146,971	\$723,939	\$7,029,167	\$15,393,144	\$53,547,985
Additions	457,795	185,144	-	-	1,957,673	6,088,415	8,689,027
Disposals	-	(7,644)	-	-	(601,710)	-	(609,354)
Balance at December 31, 2005	\$28,700,449	\$2,189,610	\$146,971	\$723,939	\$8,385,130	\$21,481,559	\$61,627,658
Accumulated Depreciation							
Balance at January 1, 2004	\$7,120,105	\$1,009,743	\$82,152	\$548,449	\$5,217,434	\$-	\$13,977,883
Charge for year	889,314	134,484	29,394	28,888	771,976	5,131,048	6,985,104
Disposals	-	(42,567)	(70,000)	-	(48,275)	-	(160,842)
Balance at December 31, 2004	\$8,009,419	\$1,101,660	\$41,546	\$577,337	\$5,941,135	\$5,131,048	\$20,802,145
Balance at January 1, 2005	8,009,419	1,101,660	41,546	577,337	5,941,135	5,131,048	20,802,145
Charge for year	980,873	151,386	29,394	20,605	1,284,287	7,160,520	9,627,065
Disposals	-	(7,644)	-	-	(601,710)	-	(609,354)
Balance at December 31, 2005	\$8,990,292	\$1,245,402	\$70,940	\$597,942	\$6,623,712	\$12,291,568	\$29,819,856
Net Book Value							
Balance at December 31, 2004	\$20,233,235	\$910,450	\$105,425	\$146,602	\$1,088,032	\$10,262,096	\$32,745,840
Balance at December 31, 2005	\$19,710,157	\$944,208	\$76,031	\$125,997	\$1,761,418	\$9,189,991	\$31,807,802

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

## 7. Statement of Accounts Payable

	<u>2005</u>	<u>2004</u>
Accounts payable and accrued expenses	\$ 1,954,921	\$ 4,051,149
Rent Payable – UN Premises	298,981	3,855,690
Liability to Unemployment Fund	4,153,236	8,207,221
Liability to Severance Fund	2,002,333	4,454,466
Liability to Training Fund	1,901,243	3,401,711
Liability to Levies	984	1,012
Liability to Sugar Workers' Fund	4,749	1,872
Liability to Accountant General	<u>892,964</u>	<u>857,225</u>
	<u>\$ 11,209,411</u>	<u>\$ 24,830,346</u>

## 8. Statement of Equities

<u>2005</u>	No of Shares	Share Value at cost	Current Market Value of shares	Unrealized Capital Gain/(Loss)
Almond Resorts Inc.	1,400,000	\$ 3,025,050	\$ 3,290,000	\$ 264,950
Barbados Light & Power Holdings Ltd.	3,316,157	14,031,671	37,306,766	23,275,095
Cable & Wireless Barbados Ltd.	1,618,047	1,975,438	3,867,131	1,891,693
Banks Holdings (Barbados) Ltd.	1,715,500	4,369,318	7,102,170	2,732,852
First Caribbean International Bank	12,819,355	35,409,708	54,225,872	18,816,164
Barbados Shipping & Trading Co. Ltd.	2,803,779	12,007,688	20,047,020	8,039,332
St. Lucia Electricity Services Ltd. **	571,429	4,246,299	7,617,148	3,370,849
Barbados National Bank Inc.	9,600,000	17,280,000	62,400,000	45,120,000
Insurance Corporation of Barbados Ltd.	2,000,000	2,600,000	5,200,000	2,600,000
Grace Kennedy & Co. Ltd.	4,928,000	8,720,382	17,987,278	9,266,896
Barbados Farms Limited	500,000	324,000	835,000	511,000
RBTT Financial Holdings Limited	1,148,144	14,137,620	14,443,651	306,031
Sagikor Financial Group	5,256,105	13,442,265	22,598,994	9,156,729
Courts (Barbados) Ltd.	81,398	455,762	358,151	(97,611)
Nat'l Commercial Bank of Jamaica	1,085,291	713,796	621,722	(92,074)
Trinidad Cement Limited	95,669	196,121	323,361	127,240
Republic Bank Limited	311,337	10,144,750	8,977,997	(1,166,753)
Enterprise Growth Fund*	10,000	1,000,000	1,000,000	-
Barbados Agency for Micro Enterprise Development Ltd. *	10,000	1,000,000	1,000,000	-
Needhams Point Holdings Limited*	10,300,000	10,300,000	10,300,000	-
East Caribbean Financial Holdings	23,000	134,458	134,458	-
<b>Total Regional &amp; Local</b>		<u>\$155,514,326</u>	<u>\$279,636,719</u>	<u>\$124,122,393</u>
		\$ Mkt Value at Dec 2004	\$ Mkt Value at Dec 2005	\$ Unrealized Gains (Losses)
CMA Money Funds		43,364,020	45,892,720	2,528,700
Prudential		<u>29,855,357</u>	<u>36,820,556</u>	<u>6,965,199</u>
<b>Total</b>		<u>73,219,377</u>	<u>82,713,276</u>	<u>9,493,899</u>

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

## 8. Statement of Equities (cont'd)

<u>2004</u>	No of <u>Shares</u>	\$ Share Value <u>at cost</u>	\$ Share Value <u>at Market</u>	\$ Unrealized <u>Gains/ (Losses)</u>
Cable & Wireless Barbados Ltd.	1,618,047	1,975,438	2,669,778	694,340
Barbados Light & Power Holdings Ltd.	3,316,157	14,031,671	31,171,876	17,140,205
Banks Holdings (Barbados) Ltd.	1,715,500	4,369,318	6,690,450	2,321,132
Courts (Barbados) Ltd.	81,398	455,762	406,990	(48,772)
St. Lucia Electricity Corporation **	571,429	4,246,299	6,137,565	1,891,266
Almond Resorts Inc.	1,400,000	3,025,050	2,520,000	(505,050)
Barbados Shipping & Trading Co. Ltd.	2,148,779	7,012,265	15,686,087	8,673,822
Grace Kennedy & Co. Ltd.	4,428,000	8,720,382	15,523,200	6,802,818
Needhams Point Holdings Ltd*	10,300,000	10,300,000	10,300,000	-
Barbados National Bank Inc.	9,600,000	17,280,000	50,880,000	33,600,000
Insurance Corporation of Barbados Ltd.	2,000,000	2,600,000	7,700,000	5,100,000
Enterprise Growth Fund *	10,000	1,000,000	1,000,000	-
Barbados Agency for Micro Enterprise Development Ltd.*	10,000	1,000,000	1,000,000	-
Sagicor Financial Group	3,755,580	6,572,265	16,336,770	9,764,505
First Caribbean International Bank	12,819,355	35,409,708	54,482,259	19,072,551
RBTT Financial Holdings Limited	1,148,144	14,137,621	15,270,315	1,132,694
Barbados Farms	500,000	324,000	675,000	351,000
Trinidad Cement Limited	95,669	196,121	210,472	14,351
Nat'l Commercial Bank of J'ca	1,085,291	713,796	770,704	56,908
		<u>\$133,369,696</u>	<u>\$239,431,466</u>	<u>\$106,061,770</u>

\* Not traded on a Securities Exchange at December 31, 2005

\*\* Not traded on a Securities Exchange at December 31, 2005. Price reflects over-the-counter trades.

2004 equities are classified as follows:

	\$ Mkt Value at Dec 2003	\$ Mkt Value at Dec 2004	\$ Unrealized Gains/ (Losses)
CMA Money Funds	40,159,076	43,364,020	3,204,944
Prudential	<u>27,559,252</u>	<u>29,855,357</u>	<u>2,296,105</u>
	<u>67,718,328</u>	<u>73,219,377</u>	<u>5,501,049</u>



# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

## 9. Statement of Fund Reserves

The Fund operates on a pooled funds approach. The Fund balance therefore represents the total assets to finance all branches as follows:

	<u>2005</u>	<u>2004</u>
Short-term contingency reserve (6 months)	\$ 16,300,000	9,600,000
Employment injury branch:		
Short-term contingency reserve (6 months)	3,200,000	1,800,000
Capitalized value of pensions	40,200,000	39,600,000
Long-term branch reserve	<u>2,012,767,127</u>	<u>1,814,185,365</u>
Total reserves	<u>2,072,467,127</u>	<u>1,865,185,365</u>

## 10. Statement of Benefit Expense

	<u>2005</u>	<u>2004</u>
Old age contributory pension	\$ 183,576,419	168,608,460
Old age contributory grant	524,268	708,136
Invalidity pension	28,899,615	26,178,226
Invalidity grant	20,228	2,478
Survivors' pension	10,719,872	7,893,226
Survivors' grant	4,034	161,749
Death benefit pension – Employment injury	298,931	171,842
Disablement pension – Employment injury	3,533,269	2,065,117
Injury benefit	4,231,156	1,981,237
Traveling expenses – Employment injury	128,414	38,168
Medical expenses – Employment injury	756,850	167,147
Disablement grant	1,120,501	1,935,616
Sickness benefits	19,934,257	11,793,833
Maternity benefits	8,585,166	6,470,927
Maternity grants	319,700	156,800
Funeral grant	2,084,725	373,777
Non-contributory pension - net	<u>32,707,149</u>	<u>35,703,333</u>
	<u>297,439,554</u>	<u>264,410,072</u>

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

## 11. Statement of Administration Expenses

	<u>2005</u>	<u>2004</u>
Salaries and payroll expenses	\$ 10,524,242	9,912,050
Travelling expenses	162,396	138,839
Conferences and visits overseas	43,927	150,728
Utilities	1,489,855	1,231,691
Library subscriptions	41,086	18,088
Supplies and stationery	785,836	906,954
Maintenance of property	2,685,204	3,080,962
Operating expenses	1,264,015	1,225,406
Professional services	2,426,520	1,962,892
Rental of property	30,000	30,000
Board and tribunal expenses	51,944	43,952
Subscription to International organizations	35,988	31,469
Bank charges	674,304	554,541
	<u>\$ 20,215,317</u>	<u>19,287,572</u>

## 12. Financial Instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Fund's operations. Financial assets of the Fund include cash at bank, term deposits, accounts receivable, interest receivable and short-term and long-term investments. Financial liabilities include accounts payable and accrued expenses.

- (a) *Credit risk*  
Cash is placed with reputable institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.
- (b) *Interest rate risk*  
Interest rate risk is mitigated by diversification of the fixed income portfolio. The Fund's bond portfolio is not marked to market as the bonds are held to maturity; therefore interest rate risk is not a major factor.
- (c) *Foreign currency risk*  
The Fund incurs foreign currency risk on sales and purchases that are denominated in a currency other than Barbados dollars. The Fund ensures that the net exposure is kept at an acceptable level by buying and selling at spot rates where necessary to address short-term imbalances.

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2005

(Expressed in Barbados dollars)

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## 12. Financial Instruments (cont'd)

### (d) Fair value

The fair values of cash at bank, term deposits, accounts receivable, interest receivable, short-term investments and accounts payable and accrued expenses are not materially different from their carrying amounts.

The fair value of equities has been determined by reference to the market value at the balance sheet date.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## 13. Real estate joint ventures

The Fund has an interest in the following real estate joint ventures:

Joint Ventures	%	2005 \$	%	2004 \$
UN House Joint Venture	50.00%	1,800,000	50.00%	1,800,000
ICB Joint Venture	27.65%	5,543,406	27.65%	5,543,406
BET Building Joint Venture	33.00%	3,300,000	33.00%	3,300,000

## 14. Related party transactions

The Fund has a related party relationship with the following joint venturers (see note 13):

Sagicor  
Insurance Corporation of Barbados  
Fortress Caribbean Property Fund & Sagicor

## 15. Contingencies

As at the balance sheet date, there are no known contingencies.