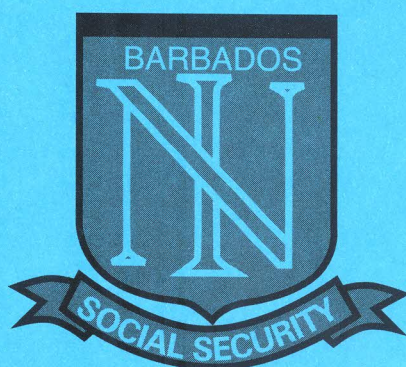


**BARBADOS  
NATIONAL INSURANCE BOARD**



**REPORT ON THE AUDIT OF THE ACCOUNTS OF  
THE NATIONAL INSURANCE FUND  
2004**

**REPORT ON THE AUDIT OF THE ACCOUNTS OF  
THE NATIONAL INSURANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

# NATIONAL INSURANCE FUND

Index to the Financial Statements

For the Year ended December 31, 2004

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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, 2004

I have audited the accompanying financial statements of the National Insurance Fund of Barbados ("the Fund" or "the NIS"), which comprise of the balance sheet as at December 31, 2004 and 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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' 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, 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 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 policies 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 obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

### **Basis for Qualified Opinion**

I was unable to validate the valuation of a credit representing reimbursable non-contributory pensions in the amount of \$11,054,409 which was applied to non-contributory pension expense. Secondly, I was unable to satisfactorily complete procedures designed to verify the existence of pensioners residing outside of Barbados to whom benefit cheques were paid during the year. Consequently, I was unable to determine whether any adjustments to the total benefit expense of \$264,410,072 was required.

**Qualified Opinion**

In my opinion, except for the possible effects of the matter described in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the National Insurance Fund of Barbados at December 31, 2004, and of its financial performance and cash flows for the year then ended in accordance with specific significant accounting policies.

*Leigh Trotman*  
**L. E. TROTMAN**  
**Auditor General**

**2015-10-05**

# NATIONAL INSURANCE FUND

## Balance Sheet

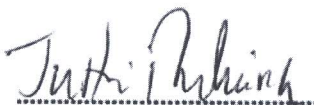
December 31, 2004  
with comparative figures for 2003

(Expressed in Barbados dollars)

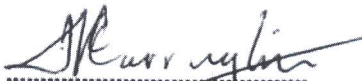
	<u>Notes</u>	<u>2004</u>	<u>Restated 2003</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	\$ 108,461,838	\$229,112,581
Accounts receivable	5	33,494,248	51,678,558
Short-term investments	6(a)	250,109,236	118,781,673
Prepaid expenses		<u>25,574</u>	<u>7,407</u>
<b>Total Current Assets</b>		<u>392,090,896</u>	<u>399,580,219</u>
<b>Other Assets</b>			
Long-term investments	6(b)	1,571,240,745	1,316,071,979
Fixed assets	7	<u>32,745,840</u>	<u>30,950,162</u>
<b>Total Other Assets</b>		<u>1,603,986,585</u>	<u>1,347,022,141</u>
<b>Total Assets</b>		<b>\$ <u>1,996,077,481</u></b>	<b>\$ <u>1,746,602,360</u></b>
<b>Liabilities and Fund Reserves</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	8	\$ <u>24,830,346</u>	\$ <u>14,084,224</u>
<b>Total Liabilities</b>		<u>24,830,346</u>	<u>14,084,224</u>
<b>Fund Reserves</b>			
Unrealized gain on investments	9	106,061,770	58,361,758
Fund balance	10	<u>1,865,185,365</u>	<u>1,674,156,378</u>
<b>Total Fund Reserves</b>		<u>1,971,247,135</u>	<u>1,732,518,136</u>
<b>Total Liabilities and Fund Reserves</b>		<b>\$ <u>1,996,077,481</u></b>	<b>\$ <u>1,746,602,360</u></b>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Dr. Justin Robinson  
Chairman  
National Insurance Board



Ian Carrington  
Director  
National Insurance Office



Janice Estwick  
Financial Controller (Ag.)  
National Insurance Office

# NATIONAL INSURANCE FUND

## Statement of Fund Reserves

Year ended December 31, 2004  
with comparative figures for 2003

*(Expressed in Barbados dollars)*

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	Fund Balance
<b>Balance as at January 1, 2002 as previously stated</b>	<b>\$1,541,362,676</b>
Prior year adjustment (Note 2)	(4,185,739)
<b>Balance as at January 1, 2002 restated</b>	<b>\$1,537,176,937</b>
Net income for the year, restated	136,979,441
<b>Balance as at December 31, 2003</b>	<b>\$1,674,156,378</b>
Net income for the year	191,028,987
<b>Total Fund Reserves</b>	<b>\$1,865,185,365</b>

*See accompanying notes to financial statements.*

# NATIONAL INSURANCE FUND

## Statement of Income and Expenditure

Year ended December 31, 2004  
with comparative figures for 2003

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2004</u>	<u>Restated 2003</u>
<b>Income</b>			
Contributions	3(c)	\$ 366,125,557	\$ 323,268,974
Interest/penalties on contributions		678,380	1,361,096
Investment income	3(d)	103,771,400	91,908,884
Rental income		1,086,000	1,386,000
Miscellaneous income		2,966,130	2,703,005
Realized gain on sale of investments		2,203,133	2,397,601
Unrealized gain on investments	9	5,501,049	6,514,710
Gain on disposal of fixed assets		<u>40,687</u>	<u>2,425</u>
<b>Total income</b>		<u>482,372,336</u>	<u>429,542,695</u>
<b>Expenditure</b>			
Benefit expense	11	264,410,072	270,586,503
Administration expenses	12	19,287,572	20,367,746
Realized loss on sale of investments		660,601	339,432
Depreciation	7	<u>6,985,104</u>	<u>1,269,573</u>
<b>Total expenditure</b>		<u>291,343,349</u>	<u>292,563,254</u>
<b>Net income</b>		<u>\$ 191,028,987</u>	<u>\$ 136,979,441</u>

See accompanying notes to financial statements.



# NATIONAL INSURANCE FUND

## Statement of Cash Flows

Year ended December 31, 2004  
with comparative figures for 2003

*(Expressed in Barbados dollars)*

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	<u>2004</u>	Restated <u>2003</u>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 191,028,987	\$ 136,979,441
Items not affecting cash:		
Depreciation	6,985,104	1,269,573
Gain on disposal of fixed assets	(40,687)	(2,425)
Unrealized gain on investments	(5,501,049)	(6,514,710)
Net changes in working capital items relating to operations:		
Decrease in accounts receivable	18,184,310	7,877,214
(Increase) decrease in prepaid expenses	(18,167)	274,125
Increase in accounts payable	<u>10,746,122</u>	<u>2,233,500</u>
<b>Net cash from operating activities</b>	<u>221,384,620</u>	<u>142,116,718</u>
<b>Cash Flows from Investing Activities</b>		
(Increase) decrease in investments - net	(333,295,268)	5,795,122
Additions to fixed assets	(8,780,782)	(10,495,683)
Proceeds from sale of fixed assets	<u>40,687</u>	<u>2,425</u>
<b>Net cash used in investing activities</b>	<u>(342,035,363)</u>	<u>(4,698,136)</u>
(Decrease) increase in cash and bank balances	(120,650,743)	137,418,582
Cash and bank balances at January 1	<u>229,112,581</u>	<u>91,693,999</u>
Cash and bank balances at December 31	\$ <u>108,461,838</u>	\$ <u>229,112,581</u>

*See accompanying notes to financial statements.*

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2004

(Expressed in Barbados dollars)

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## 1. Principal Activity

The National Insurance 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. Restatement of Comparatives for 2003

The comparatives for 2003 have been restated to reflect the correction of the overstatement of investment income with respect to the United Nations (UN) Joint Venture. The corrected income for the period November 2001 to December 2002 has been reflected in the opening fund balance for 2002 and the income due for 2003 has been included in the restated 2003 figures. The adjustments have had the following effect on the 2003 financial statements:

	<u>2003</u>
The effect on the statement of income and expenditure was as follows:	
Net income for the year as previously reported	\$140,567,217
Adjustment for:	
Investment income overstated in 2003	(3,587,776)
Net income for the year as restated	<u>\$136,979,441</u>
The effect on balance sheet was as follows:	
Total current liabilities as previously stated	\$6,310,709
Adjustments for:	
Amounts due to UN Joint Venture 2001-2002	\$4,185,739
Amounts due to UN Joint Venture 2003	\$3,587,776
Total current liabilities as restated	<u>\$14,084,224</u>
The effect on the statement of fund reserves was as follows:	
Opening fund reserves as previously stated	\$1,541,362,676
Prior year adjustment	(4,185,739)
Opening fund reserves as restated	<u>\$1,537,176,937</u>

## 3. Summary of Significant Accounting Policies

### (a) Basis of accounting

These financial statements have been prepared on a disclosed basis 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:

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2004

(Expressed in Barbados dollars)

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## 3. Summary of Significant Accounting Policies, continued

### (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 recognized in the year of payment.

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

### (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 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. Unrealized gains and losses arising from changes in fair value are included within a separate component of the Fund balance until the investment is de-recognized or is determined to be impaired. On de-recognition or impairment, the cumulative unrealized gains or losses previously reported within the Fund balance are transferred to the Statement of Income and Expenditure. Realized gains and losses arising from the sale of these investments, which are determined by specific identification, are included within net realized 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. Unrealized 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 amortized cost.

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

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2004

(Expressed in Barbados dollars)

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## 3. Summary of Significant Accounting Policies, continued

(d) *Investments, continued*

(ii) *Other investments*

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 in 2004 on completion of the building. Rental Income was \$837,173 for 2004.

(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.

(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.

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2004

*(Expressed in Barbados dollars)*

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(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, 2004 the last review conducted would have been the 11<sup>th</sup> actuarial review as at December 31, 2002. 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 grant.

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2004

(Expressed in Barbados dollars)

## 3. Summary of Significant Accounting Policies, continued

### (1) 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.

## 4. Statement of Cash and Bank Balances

	<u>2004</u>	<u>2003</u>
Cash at hand	\$ 2,080,685	\$117,736
Petty cash	354	491
Current accounts – Barbados National Bank	89,231,706	211,716,142
Current account – CIBC (Caribbean) Limited	4,702,929	2,363,740
Central Bank of Barbados	2,574,495	738,472
Cashiers' advances	232,494	161,631
Advance held at post office	2,500,586	2,500,586
Cash account – Merrill Lynch	640	640
Cash account – ML, Pierce, Fenner, Smith	1,422,510	2,517,031
Cash accounts – Prudential Finance	<u>5,715,439</u>	<u>8,996,112</u>
	\$ <u>108,461,838</u>	\$ <u>229,112,581</u>

## 5. Statement of Accounts Receivable

	<u>2004</u>	<u>2003</u>
Interest receivable	\$ 17,021,021	\$26,146,273
Less: Provision for doubtful interest (note 12)	<u>-</u>	<u>(638,352)</u>
	17,021,021	25,507,921
Receivable – UN Joint Venture	3,804,403	8,452,519
Receivable – Real Estate	1,609,157	-
Rent receivable	90,000	300,000
VAT receivable	45,481	58,924
Receivable from Unemployment Fund	6,148,064	4,097,557
Other receivables	<u>4,776,122</u>	<u>13,261,637</u>
	\$ <u>33,494,248</u>	\$ <u>51,678,558</u>

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2004

(Expressed in Barbados dollars)

6. Investments	%	<u>2004</u>	%	<u>2003</u>
<b>(a) Short term Investments:</b>				
Fixed deposits	<u>13.73</u>	<u>\$250,109,236</u>	<u>8.28</u>	<u>\$118,781,673</u>
<b>(b) Long term Investments:</b>				
Fixed deposits	0.88	16,000,000	1.11	16,000,000
Debentures	41.83	761,856,123	49.81	714,647,775
Local and regional equities	13.15	239,431,466	10.08	144,563,066
Bonds	10.69	194,639,476	9.76	140,063,057
Treasury notes	10.58	192,678,000	13.85	198,718,000
Loans	3.86	70,326,900	2.64	37,880,593
Real estate joint venture	0.58	10,643,406	0.74	10,676,331
Investment Property – Annex	0.68	12,445,997	0.76	10,849,252
Foreign investments	<u>4.02</u>	<u>73,219,377</u>	<u>2.97</u>	<u>42,673,905</u>
	<u>86.27</u>	<u>\$1,571,240,745</u>	<u>91.72</u>	<u>\$1,316,071,979</u>
<b>Total Investments</b>	<u>100.00</u>	<u>\$1,821,349,981</u>	<u>100.00</u>	<u>\$1,434,853,652</u>

# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2004

(Expressed in Barbados dollars)

7. Fixed Assets		Land & Building	Furniture & Fittings	Motor Vehicle	Plant & Equipment	Computer Equipment	SAP	Total
Fixed assets comprise:								
Cost								
Balance at January 1, 2003		\$26,973,643	\$1,626,631	\$70,000	\$597,855	\$5,187,041	\$-	\$34,455,170
Additions		-	218,628	60,761	126,084	521,492	-	10,605,494
Adjustments		(109,811)	-	-	-	-	-	(109,811)
Disposals		-	(22,808)	-	-	-	-	(22,808)
Balance at December 31, 2003		\$26,863,832	\$1,822,451	\$130,761	\$723,939	\$5,708,533	\$9,678,529	\$44,928,045
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
<b>Accumulated Depreciation</b>								
Balance at January 1, 2003		\$6,506,556	\$917,742	\$70,000	\$511,442	\$4,725,378	\$-	\$12,731,118
Charge for year		613,549	114,809	12,152	37,007	492,056	-	1,269,573
Disposals		-	(22,808)	-	-	-	-	(22,808)
Balance at December 31, 2003		\$7,120,105	\$1,009,743	\$82,152	\$548,449	\$5,217,434	\$-	\$13,977,883
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
<b>Net Book Value</b>								
Balance at December 31, 2003		\$19,743,727	\$812,708	\$48,609	\$175,490	\$491,099	\$9,678,529	\$30,950,162
Balance at December 31, 2004		\$20,233,235	\$910,450	\$105,425	\$146,602	\$1,088,032	\$10,262,096	\$32,745,840



# NATIONAL INSURANCE FUND

Notes to Financial Statements

December 31, 2004

(Expressed in Barbados dollars)

## 8. Statement of Accounts Payable

	<u>2004</u>	Restated <u>2003</u>
Accounts payable and accrued expenses	\$ 4,051,149	\$ 735,529
Rent Payable – United Nations Premises	3,855,690	7,773,515
Liability to Unemployment Fund	8,207,221	2,378,144
Liability to Severance Fund	4,454,466	672,941
Liability to Training Fund	3,401,711	1,692,270
Liability to Levies	1,012	6,947
Liability to Sugar Workers' Fund	1,872	-
Liability to Accountant General	<u>857,225</u>	<u>824,878</u>
	<u>\$ 24,830,346</u>	<u>\$ 14,084,224</u>

## 9. Statement of Equities 2004

<u>Regional &amp; Local</u>	No of Shares	Share Value at cost	Share Value at Market	Unrealized Gains/ (Losses)
Cable & Wireless Barbados Ltd.	1,618,047	1,975,438	2,669,776	694,338
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.	4,928,000	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	16,336,773	9,764,508
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	210,471	14,350
National Commercial Bank of Jamaica	1,085,291	<u>713,796</u>	<u>770,704</u>	<u>56,908</u>
<b>Total Regional &amp; Local</b>		<u>\$133,369,696</u>	<u>\$239,431,466</u>	<u>\$106,061,770</u>
		Market Value at Dec 2003 and 2004 purchases	Market Value at Dec 2004	Unrealized Gains (losses)
Prudential		\$27,559,252	\$29,855,357	\$2,296,105
Pierce, Fenner, Smith		<u>40,159,076</u>	<u>43,364,020</u>	<u>3,204,944</u>
<b>Total Foreign Equities</b>		<u>\$67,718,328</u>	<u>\$73,219,377</u>	<u>\$5,501,049</u>

# NATIONAL INSURANCE FUND

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## 9. Statement of Equities 2003

<u>Regional &amp; Local</u>	No. of Shares	Share Value at cost	Share Value at Market	Unrealized Gains/ (Losses)
Cable & Wireless Barbados Ltd.	1,618,047	1,975,438	2,427,070	451,632
Barbados Light & Power Holdings Ltd.	3,316,157	14,031,671	29,845,413	15,813,742
Banks Holdings (Barbados) Ltd.	1,715,500	4,369,318	5,060,725	691,407
Courts (Barbados) Ltd.	81,398	455,762	423,270	(32,492)
CIBC West Indies Holdings Ltd.	1,416,667	2,748,126	3,754,168	1,006,042
St. Lucia Electricity Corporation	571,429	4,246,299	5,714,289	1,467,990
Almond Resorts Inc.	1,400,000	3,025,050	1,820,000	(1,205,050)
Barbados Shipping & Trading Co. Ltd.	2,148,779	7,012,265	11,818,285	4,806,020
Grace Kennedy & Co. Ltd.	3,428,000	3,908,805	5,484,800	1,575,995
Needhams Point Holdings Ltd	6,000,000	6,000,000	6,000,000	-
Barbados National Bank Inc.	9,600,000	17,280,000	33,120,000	15,840,000
Insurance Corporation of Barbados Ltd.	2,000,000	2,600,000	8,000,000	5,400,000
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	15,585,657	9,013,392
First Caribbean International Bank	3,902,688	8,195,645	10,342,123	2,146,478
RBTT Financial Holdings Limited	287,736	1,456,664	2,762,266	1,305,602
Barbados Farms	500,000	<u>324,000</u>	<u>405,000</u>	<u>81,000</u>
<b>Total Regional &amp; Local</b>		<b><u>\$86,201,308</u></b>	<b><u>\$ 144,563,066</u></b>	<b><u>\$58,361,758</u></b>

### Foreign Equities

	Market Value at Dec 2002 and 2003 purchases	Market Value at Dec 2003	Unrealized Gains (losses)
Prudential	\$7,386,369	\$8,778,845	\$1,392,476
Pierce, Fenner, Smith	<u>28,772,827</u>	<u>33,895,060</u>	<u>5,122,233</u>
<b>Total Foreign Equities</b>	<b><u>\$36,159,196</u></b>	<b><u>\$42,673,905</u></b>	<b><u>\$6,514,709</u></b>

# NATIONAL INSURANCE FUND

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## 10. 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>2004</u>	Restated <u>2003</u>
Short-term contingency reserve (6 months)	\$ 9,600,000	\$ 15,100,000
Employment injury branch:		
Short-term contingency reserve (6 months)	1,800,000	3,600,000
Capitalized value of pensions	39,600,000	39,200,000
Long-term branch reserve	<u>1,814,185,365</u>	<u>1,616,256,378</u>
Total reserves	<u>\$1,865,185,365</u>	<u>\$1,674,156,378</u>

## 11. Statement of Benefit Expense

	<u>2004</u>	<u>2003</u>
Old age contributory pension	\$ 168,608,460	\$160,582,219
Old age contributory grant	708,136	626,484
Invalidity pension	26,178,226	24,781,565
Invalidity grant	2,478	10,891
Survivors' pension	7,893,226	8,980,791
Survivors' grant	161,749	22,169
Death benefit pension – Employment injury	171,842	204,118
Disablement pension – Employment injury	2,065,117	4,134,958
Injury benefit	1,981,237	3,912,682
Traveling expenses – Employment injury	38,168	31,591
Medical expenses – Employment injury	167,147	803,200
Disablement grant	1,935,616	1,002,467
Sickness benefits	11,793,833	17,867,501
Maternity benefits	6,470,927	8,155,784
Maternity grants	156,800	364,094
Funeral grant	373,777	1,950,293
Non-contributory pension - net	<u>35,703,333</u>	<u>37,155,696</u>
	<u>\$ 264,410,072</u>	<u>\$ 270,586,503</u>

# NATIONAL INSURANCE FUND

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## 12. Statement of Administration Expenses

	<u>2004</u>	<u>2003</u>
Salaries and payroll expenses	\$ 9,912,050	\$ 9,664,413
Travelling expenses	138,839	203,317
Conferences and visits overseas	150,728	93,444
Utilities	1,231,691	987,348
Library subscriptions	18,088	34,023
Supplies and stationery	906,954	937,460
Frank Walcott statue	-	387,880
Maintenance of property	3,080,962	2,539,930
Operating expenses	1,225,406	1,696,791
Bad debt expense	-	643,569
Professional services	1,962,892	2,229,668
Rental of property	30,000	30,000
Board and tribunal expenses	43,952	41,807
Subscription to International organizations	31,469	32,788
Bank charges	554,541	845,308
	<u>\$ 19,287,572</u>	<u>\$ 20,367,746</u>

## 13. Provision for Doubtful Interest

The provision for doubtful interest represents interest accrued on deposits held with Mutual Bank of the Caribbean Incorporated, which is unlikely to be received.

Under the agreement establishing the Bank, losses on the Bank's impaired portfolio are written off against the interest earned on the deposits held by the National Insurance Fund and other agreed institutions.

## 14. 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.

# NATIONAL INSURANCE FUND

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(Expressed in Barbados dollars)

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## 14. Financial Instruments (cont'd)

### (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.

### (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.

## 15. Real estate joint ventures

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

Joint Ventures	%	2004 \$	%	Restated 2003 \$
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

## 16. Related party transactions

The Fund has a related party relationship with the following joint venturers (see note 15):

Sagicor  
Insurance Corporation of Barbados  
Fortress Caribbean Property Fund & Sagicor

## 17. Contingencies

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

