NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

A N N U A L R E P O R T 2 0 0 9

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NATIONAL INSURANCE CORPORATION • annual report 2009

Social Protection for All

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

ANNUAL REPORT 2009

JULY 2008 - JUNE 2009

NATIONAL INSURANCE CORPORATION

For the Benefit of Us All!

Annual Report 2009

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NATIONAL
INSURANCE
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Mission Statement

To ensure that every St. Lucian enjoys social and financial protection and to assist in the development of our nation through the efficient collection of contributions, payment of relevant benefits, prudent management of assets, use of cutting edge technology and a cadre of highly skilled staff.

Vision Statement

An effective, transparent and financially sound institution which is customer focused, provides social protection to the St. Lucian population and plays a leading role in national development.

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Corporate Information

HEAD OFFICE

National Insurance Corporation
Francis Compton Building
Waterfront
Castries
St. Lucia

Tel: 452-2808
Fax: 451-9882

SUB OFFICES

National Insurance Corporation
Antoine L. Theodore Building
Cnr. of Theodore and Hospital Streets
Vieux Fort
St. Lucia

Tel: 454 6758
Fax: 454 5001

National Insurance Corporation
Sir Darnley Alexander Building
Bay Street
Soufriere
St. Lucia

Tel: 459 7241
Fax: 459 5434

National Insurance Corporation
Providence Building
Rodney Bay
Gros Islet
St. Lucia.

Tel: 457 4074/75
Fax: 452 0576

Corporate Information

BANKERS

Bank of Saint Lucia Ltd.
Bridge Street
Castries
St. Lucia

AUDITORS

PricewaterhouseCoopers
Pointe Seraphine
Castries
St. Lucia

ATTORNEYS

Mrs. Cadie St. Rose Albertini LLB, LEC, LLM
Mrs. Raquel Willie Trotman BA, LLB, LEC, LLM
First Floor
Francis Compton Building
Waterfront
Castries
St. Lucia

Board Members

Mr. Isaac Anthony
DEPUTY CHAIRMAN

Mr. Matthew Lincoln Maturin
MEMBER/DIRECTOR

Mr. Roderick Clarke
MEMBER

Mr. Lawrence Poyotte
MEMBER

Mr. Geoffrey Devaux
MEMBER

Ms. Esther St. Marie
MEMBER

NATIONAL INSURANCE CORPORATION
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Committees

INVESTMENT COMMITTEE

Mr. Isaac Anthony
CHAIRMAN

Mr. Nicholas John
MEMBER

Mr. Bertram Clarke
MEMBER

Mr. Matthew Lincoln Mathurin
MEMBER

Mrs. Paula Bleasdille
MEMBER

HUMAN RESOURCE COMMITTEE

Mr. Roderick Clarke
CHAIRMAN

Ms. Esther St. Marie
MEMBER

Mr. Matthew Lincoln Mathurin
MEMBER

AUDIT COMMITTEE

Mr. Geoffrey Devaux
CHAIRMAN

Mrs. Andrea Gillard St. Rose
MEMBER

Mr. Lawrence Poyotte
MEMBER

Management Team

Mr. Matthew Lincoln Maturin
DIRECTOR

Mr. Augustin Louis
MARKETING & CORPORATE COMMUNICATIONS MANAGER

Mrs. Cadie St. Rose Albertini
SENIOR LEGAL COUNSEL/ CORPORATE SECRETARY

Mr. Desmond Dujon-Henry
SYSTEMS MANAGER

Mr. Irwin Jean
INVESTMENT MANAGER

Mrs. Paula Bleasdille
CHIEF ACCOUNTANT

Ms. Allison Delmede
HUMAN RESOURCE MANAGER

Ms. Mary Bruce
PERSONAL ASSISTANT TO THE DIRECTOR

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Supervisors and Staff

Ms. Joan Leon
CUSTOMER SERVICE DEPARTMENT

Ms. Callixta Emmanuel
COMPLIANCE DEPARTMENT

Mr. Bernard Jankie
SOUTHERN OFFICES

Mrs. Relle Hippolyte
PUBLIC RELATIONS/EVENTS OFFICER

Ms. Merle Regis
RECORDS DEPARTMENT

Mr. Paul Kallicharan
STATISTICS & RESEARCH DEPARTMENT

Mr. Timothy John
SECURITY DEPARTMENT

NATIONAL INSURANCE CORPORATION
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Prime Minister's Statement

Hon. Stephenson King
PRIME MINISTER

"The Government will continue its strategic partnership with the NIC to bring additional benefits to the citizens of Saint Lucia."

The global economy has witnessed the steepest economic downturn since the end of the Second World War and Saint Lucia has not been spared its negative effects. As a consequence of the international economic and financial crisis, Saint Lucia experienced a decline in economic activity in 2009 resulting in fewer tourist arrivals, a drop in foreign investment, a halt and/or delays in major capital projects and increases in the level of unemployment. It is against this backdrop that I wish to preview the 2008/09 report of the National Insurance Corporation.

Notwithstanding the challenging economic environment, the NIC has been able to hold its own and to perform creditably in mobilizing savings and directing them into productive investment at moderate risk, during the 2008/09 financial year. The commendable performance of the NIC in the midst of the most severe recession in recent history, bears testimony to its resilience, exemplified by its strong leadership at the Board of Directors level and supported by prudent management and the dedication of its staff.

As in the past, the NIC has played a vital role in mobilizing domestic savings and channeling its resources into various forms of investment, whether in the form of construction of office buildings and other facilities, or investing in Government securities, or in other State Enterprises. Regardless of the form of the investment, the foundation would have been created for economic growth and inclusive development that redound to growth in earnings for the NIC, but more significantly benefit a wide cross section of the population. This is an important feature of the NIC, as it was established to benefit a large proportion of the working men and women in Saint Lucia, through the provision of various benefits and other social safety nets.

Having recognized the critical role of savings and investment in growth and development, Government's policy is to continue to facilitate the channeling of savings towards productive investments in a sustainable manner. The policy is aimed at ensuring that the returns on the investments redound to the benefit of savers, particularly those covered by the NIC.

The onset of the global crisis has placed at greater risk the poor and vulnerable among us. The Government's strategic response is to place greater emphasis on protecting those at risk, by partnering with organizations such as the NIC, in strengthening social safety nets and providing greater opportunities for those in need. The policy of strengthening social safety nets has been manifested by the renewal of the Holistic Opportunity for Personal Empowerment (HOPE) projects, which are aimed at not only creating short term employment, but also improving opportunities, particularly for the youth. The policy is also manifested by the 25 percent increase in payments of public assistance, which becomes effective in October 2010.

The Government will continue its strategic partnership with the NIC to bring additional benefits to the citizens of Saint Lucia. Much has been achieved over the years, through the various projects undertaken by NIPRO, in constructing fire and police stations Island wide, to the great relief of the communities benefiting from these facilities. These partnerships are expected to continue as we seek greater use of domestic resources in propelling the growth and development of Saint Lucia. As Minister responsible for the NIC, I reaffirm the commitment of the Government of Saint Lucia to the continued success of the NIC as we seek to enhance the socio-economic condition of the people of Saint Lucia.

Hon. Stephenson King
PRIME MINISTER

Chairman's Report

I am pleased to present my report for the financial year 2008-09. As with the past years, the National Insurance Corporation (NIC) continued its efforts at enhancing the lives of its contributors. We have been able to achieve this objective despite trying economic circumstances.

The recessive economic situation that we continue to experience as a result of global trends has served to underscore the need to safeguard the interests of the most vulnerable in our society. These conditions concurred with most significant legal challenge faced by this Corporation in its recent history.

Mr. Isaac Anthony
DEPUTY CHAIRMAN

The Corporation successfully pursued an appeal to the Privy Council, against the decision of the Court of Appeal which would have had the effect of depriving the Corporation of a privilege which it is afforded by law. The Board of the National Insurance Corporation took the position that to allow the decision of the Court of Appeal to stand would result in a grave miscarriage of justice to the workers of this country, with negative consequences for the social security program. As a result of the ruling of the Privy Council, contributions owed to the Corporation shall continue to be treated in the like manner as state taxes and be paid ahead of all other creditors. This case represents a landmark victory for the people of Saint Lucia and in particular, the contributors to the NIC program.

"...the NIC recorded various significant indicators of continuing improvement and progress..."

In our quest to provide service excellence and enhanced customer satisfaction, the Corporation extended its operation by opening a Branch Office at Rodney Bay. The office provides services to 24% of employees and 21% of employers who contribute to the National Insurance Corporation.

During the financial year, the NIC recorded various significant indicators of continuing improvement and progress, depicting a corporation which continues to exhibit strong growth in its income, assets, and reserves during the year just ended.

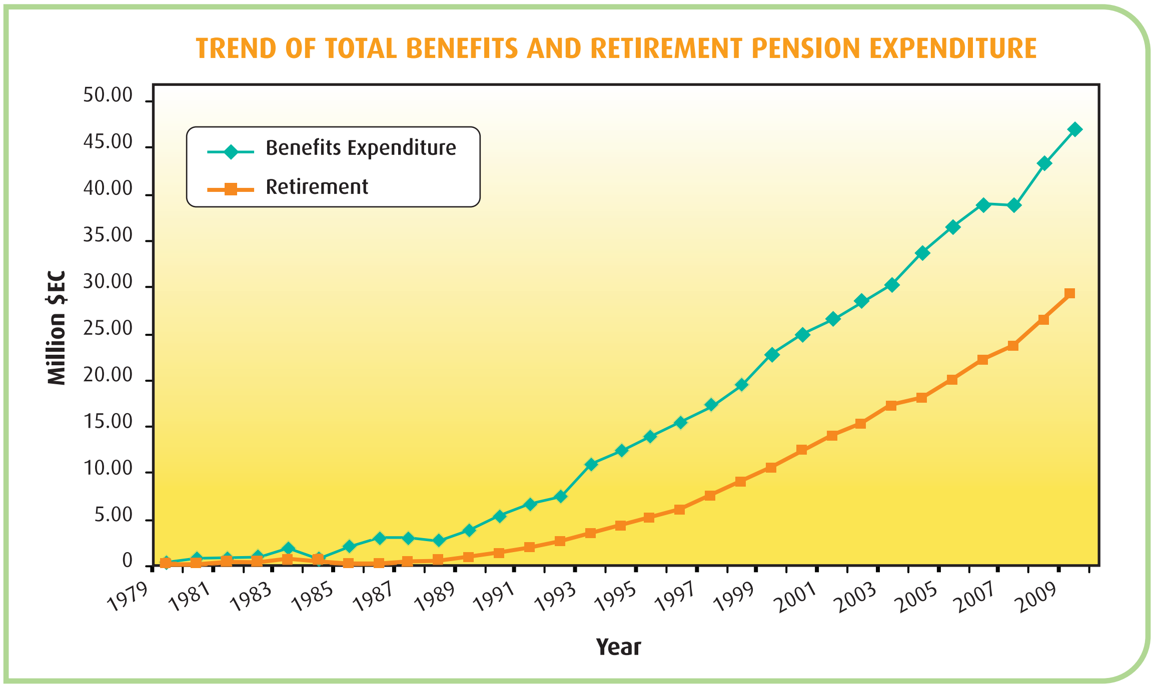
FINANCIAL HIGHLIGHTS

BENEFITS

Total benefits expenditure in 2009 was $47.0 million. This represents an increase of 8.4% over the $43.3 million paid in the previous year. Of the $47.0 million paid in the review period, pension payments accounted for 75.9% or $35.6 million, while short-term benefits including long-term grants accounted for the other 24.1% or $11.4 million.

Expenditure in respect of pensions continues to be dominated by retirement pensions which comprise 81% of pensions and 69% of total benefits paid. The trend in retirement pensions and total benefits expenditure continues to steepen steadily as illustrated in Figure 1 below.

Figure 1



When expressed as a percentage of contribution income, total benefit expenditure was 54.2%, compared to 52.7% in the previous year. This trend will continue as the pension program approaches maturity level.

In respect of benefits governed by reciprocal agreements, 12 transactions were processed under the Agreement between Saint Lucia and Canada and 13 under the CARICOM Agreement on Social Security. As at June 30th 2009, collectively, there were 7 pensions in-payment under these agreements.

INCOME

Total income was $151.1M in 2009 compared to $190.3M in 2008. This reflects a decline of $39.2M or 20.6%. Although Contribution Income increased by $4.38M, Total Income was depressed by a lower surplus on revaluation of properties being included in income ($9.3M in 2009 compared to $33.3 million in 2008), and a reduction in fair value gains on equity investments ($2.4M in 2009 compared to $22.3M in 2008).

Contribution income grew by 5.3% to $86.6M in 2009 from $82.2M in 2008. The Corporation recorded significant increases in contributions from the following economic sectors:

- Social/Personal Services- 19%;
- Manufacturing- 18%;
- Public Administration- 18%
- Utility- 13%;
- Wholesale and Retail- 11% and
- Real Estate/ Renting/Business Services- 10%.

Moderate increases were recorded in the Financial Intermediation (6%) and Agriculture sectors (5%). Contribution income from the Hotel/Restaurant and Construction sectors contracted by 5.5% and 35%, respectively.

EXPENSES

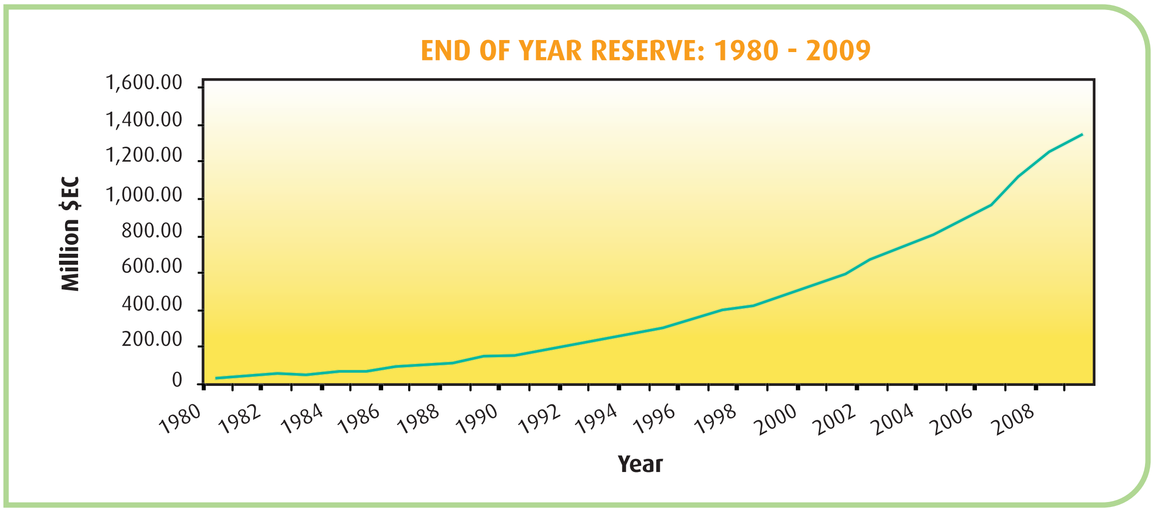
During the period under review, the Corporation donated $898,553 to the St. Jude Hospital for the purchase of much needed medical equipment. This accounted for the bulk of the increase in General and Administrative Expenses which totalled $9.67M in 2009, $1.22M higher than in 2008. When expressed as a percentage of contribution income, General and Administrative Expenses were 11.17% in 2009 (10.13% excluding the donation) compared to 10.28% in 2008. This reflects the continuing downward trend in the percentage of contributions utilized for the operations of the Corporation.

ASSETS

Total assets grew by $95.48M to $1.35 Billion reflecting a 7.59% increase over 2008. This was reflected mainly in Investments which moved from $1.21 Billion in 2008 to $1.31 Billion in 2009.

Figure 2 below illustrates the growth in the Reserves of the Corporation, depicting a reserve balance of $1.35 Billion as at 30th June 2009, $94.47M (7.55%) higher than at the preceding year end.

Figure 2



Investment Portfolio

The year to 30th June 2009 saw the full manifestation of a financial market in turmoil with equity markets losing trillions in value, economies in recession and governments scrambling to prevent a full market meltdown. Although the NIC had to restate some of its financial assets to reflect market conditions, all of the Corporations investments remained intact and continued to regain value after the downturn in the market.

The NIC continued to employ sound strategies in investing the surplus funds of the Corporation guided by its Investment Policy and Guidelines, with the objectives (in order of priority) of Preservation of Capital, Liquidity and Yield.

The following investments were undertaken during the year ended June 2009;

- Purchased EC$ 15 million of 7.5% Government of Saint Lucia 10 year Bonds maturing in 2018.
- Purchased EC$ 5 million of 7% Government of Saint Lucia 5 year Bonds maturing in 2014.
- Purchased EC$ 8.7 million of Government of Saint Lucia 91 day Treasury bill.
- Purchased USD 4 million of Government of Saint Lucia Bond at an interest rate of 7.5% per annum.
- Invested EC$ 10 million in Repurchase Agreements with CMMB at a rate of 6% per annum.
- Placed EC$ 45.8 million in new term deposits within the Commercial Banks in Saint Lucia at rates ranging from 4.0% to 6%.
- Purchased EC$ 2.5 million of Government of Grenada 365 day Treasury bill at an interest rate of 7%.
- Purchased USD 3 million of 7.25% Government of Barbados 2021 Bonds.
- Purchased USD 3 million of 6.05% Government of Aruba 2013 Bonds.
- Disbursed EC$ 4.7 million to Saint Lucia Mortgage Finance Company Ltd in the form of loans approved for on lending for middle income residential accommodation.
- Disbursed EC$ 1.2 million to the National Insurance Property Development and Management Company Ltd (NIPRO) on loans approved to finance the constructions of two Police stations under a BOLT arrangement with the Government of Saint. Lucia.
- Disbursed EC$ 4.9 million to Blue Coral Ltd on loan approved for the completion of Blue Coral Building situated on Bridge Street.

Information Technology Systems

The National Insurance Corporation is committed to the use of appropriate cutting edge technology in satisfying its mandate to provide social security services to the people of Saint Lucia having recognized technology as an indispensable tool to maximise efficiency, accuracy, productivity and organizational effectiveness. To that end, several initiatives were undertaken to enhance the NIC's Information Technology Systems and Infrastructure including inter alia:

i. ***IT Audit –***
The second comprehensive IT Audit commenced in January 2009. The review addressed personnel, security, application quality, system development life cycle, project management and internal controls.

ii. ***Software maintenance and expansion –***
Throughout the year, the I.T. department effected improvements to the NIC's custom application software by the programming and implementation of core business applications. These applications provide the platform for the efficient payment of benefits, collection of contributions, and service to our clients.

iii. ***Security –***
Security was boosted by the installation of a perimeter firewall to prevent viruses and other malware from entering the network

iv. ***Storage –***
Storage capacity was increased to several Terabytes to cater for increased data and replication requirements.

Human Resource

Our Mission Statement charges us with the responsibility of developing a cadre of highly skilled staff, which is necessary to fulfill our objective. This requirement influenced the Corporation towards expending considerable resources in staff training. In particular, the Corporation approved training assistance to allow three staff members to pursue studies to complete Masters Degree programs. One employee completed a Bachelor's degree program in Management Studies with the University of the West Indies. Additionally, members of staff were exposed to numerous other training programs including use of productivity enhancing computer application software, Information Systems Security, and programs to upgrade the technical and administrative capacity of managers as well as their leadership and communications skills through its continued support of the NIC Toastmasters Club.

The Corporation increased its annual award of Scholarships to two during the period bringing the total number of scholarship to 18. These scholarships are awarded to the children (of employees) who excelled at the Common Entrance and Caribbean Examination Council Examinations.

In seeking to contribute to the development of the country's human resources, the Corporation continued providing financial assistance as well as work life exposure to students from the Sir Arthur Lewis Community College and students attending regional and international universities by engaging them in summer employment and work – study programs at our offices. Under this program, the students are provided an opportunity to relate the knowledge and skills learnt in the class room to the work environment.

Work on formalizing and documenting the Corporation's policies continued during the period with the completion and implementation of a Code of Conduct for the Corporation's staff and a Uniform Policy.

The Corporation is cognizant of the critical role of its staff in ensuring effective and efficient delivery of its services. In order to facilitate the formulation of strategies to boost employee morale, enhance motivation and improve performance, the Corporation undertook an Employee Opinion Survey during the period to furnish it with necessary information to achieve that end.

Our staff at 30th June 2009, numbered 109, up from 107 as at 30th June 2008.

Marketing and Corporate Communications

The emphasis of the Corporation's public relations efforts focussed on the provision of information to inform the public of its rights and obligations and enforce compliance with the provisions of the National Insurance Act and Regulations. This manifested itself in inter alia, the various outreach programs involving government ministries, schools, pensioners, self employed, and private sector employees; radio programs in both English and patois; the issuance of revised publications viz. *Employees' Guide to National Insurance, Employers' Guide to National Insurance, Our Customer Service Charter,* and *An Advice to Attorneys in Private Practice.*

The Corporation also commenced work during the year on establishing a Help Desk and Hotline in its efforts to further address the concerns of its contributors.

Subsidiaries

The profile of the Corporation and its four subsidiaries are summarized below.

COMPANY	% HOLDING BY NIC	BUSINESS	DATE INCORPORATED	TOTAL ASSETS	NET ASSETS
NIC	-	Provision of social security services.	April 1979	$1.353 billion	$1.346 billion
NIPRO	100%	Provides property development, management, & maintenance services.	April 1999	$29.6 million	$9.41 million
SMFC	75%	Providing loans for the purchase, construction extension, or completion of dwelling houses and the purchase of developed plots.	January 1968	$44.4 million	$8.4 million
BCL	66.67%	Rental of space for office & commercial use. Proprietor of Blue Coral Mall Building	April 2003	$50.7 million	$13.9 million
CCFL	100%	Provision of car parking facilities & rental of space for office and commercial use.	January 1998	$26.5 million	$13.6 million

National Insurance Property Development and Management Company Ltd (NIPRO)

The 2008-2009 period was one of significant progress for NIPRO characterized mainly by the following:

- The completion of the last two projects of Phase 2 of the Build-Own-Lease-Transfer (BOLT) Program,
- Recruitment of senior level personnel who brought significant experience and expertise to the organization,
- Strengthening of the planned maintenance management program
- Provision of services to private sector organizations

In addition to the above, NIPRO carefully managed its finances by closely monitoring its costs and accounts receivables. This contributed to increased profitability. Additionally, the Company utilised international standard project management techniques, implemented revised procurement policies and paid special attention to customer service.

BOLT Projects

This period saw the completion and handing over of the Richfond and Dennery Police Stations in September and December 2008 respectively. These facilities benefited from the tremendous experience NIPRO gained in the construction and maintenance of the previous 12 facilities. As a result, the quality of construction as well as the design changes have yielded two state-of-the-art facilities that will benefit from lower maintenance costs.

Planned Preventative Maintenance

NIPRO has continued the focus on planned preventative maintenance this year with the increased utilization of EPAC, the computerized maintenance management system. Proper use of this system is expected to decrease cost and time lost due to breakdowns. To complement this system, NIPRO has implemented a zero based approach to planned maintenance by beginning with comprehensive audits, and planning maintenance and maintenance projects from the results of these audits. Increased attention has also been paid to the Help Desk. The long term strategy is to change the Help Desk to a Service Management Centre. The first phase is already at an advanced stage with the construction of a web interface where customers can log in to the NIPRO website to report their service issues in real time and receive real time responses.

New Business

In keeping with the strategy of NIPRO to diversify its services and customer base the organization piloted an extension of its services into facilities management and fleet management services to Cable and Wireless/Lime from January 2009 to the September 2009. The company has also provided Facilities Management Services to Blue Coral Limited from its opening in December 2008.

Financial Review

For the period under review, NIPRO recorded a net profit of **$1,249, 346** after tax**,** an improvement of 27.23% over the previous year's profit of **$981,966.**

Total Operating Income increased significantly by 28.53% over the previous period, from **$4,151,900** to **$5,336,450** due in a large part to the aforementioned arrangement with Cable & Wireless/ Lime. This more than offset the increase in General and Administrative Expenditure which was up by 15.93%, from **$799,650** in the previous year, to **$927,029** in 2008/2009.

Total Assets grew by 4.05% from approximately $28.4 Million in 2007/2008 to $29.6 Million in 2008/2009.

Human Resource

In furtherance of its development strategy, NIPRO appointed a new Chief Executive Officer and Manager of Technical Services during the year.

St Lucia Mortgage Finance Company Ltd. (SMFC)

The Company continued to provide residential mortgages in accordance with the terms of its Operating Agreement with the Government of Saint Lucia.

The overall lending environment continued to be of concern with insufficient supplies of affordable land and housing. Additionally, the twelve month period saw fierce competition for quality business.

SMFC disbursed the sum of **$7,467,540** (2008 - $8,765,022) bringing cumulative disbursements from inception to **$150,603,189.** Mortgage Assets (net of loss provisions) increased by **7.3%.** The company withdrew $4,700,000 in new loans but repaid **$2,777,500** of its existing debt to the NIC bringing the total indebtedness at June 30 2009 to $33,832,500 (2008 - $31,910,000). A dividend of 4% (2008 – 4%) was declared and paid to its shareholders.

Castries Car Park Facility Ltd. (CCFL)

The period witnessed increased utilization of the facility influenced by improved security of the facility, maintaining top of mind presence in the public domain by cost effective television advertisement, and targeted low cost marketing to businesses in the Castries basin. This resulted in a 28.4% increase in revenue compared to last year.

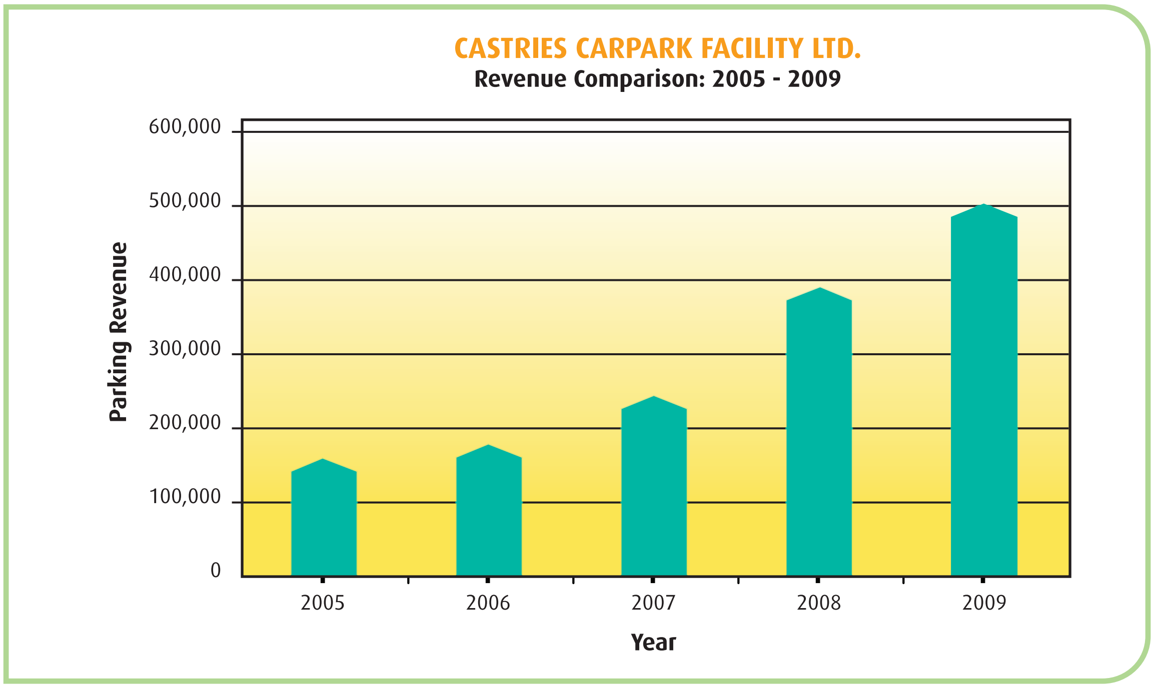
Financial Review

Castries Car Park Facility enjoyed a net profit of $860,000 for the year ended 30th June 2009. Total Operating Income increased from approximately $2.9 Million in 2007/2008 to $3 Million, an increase of $120,000 or 4.2%.

For the year under review, Parking Revenue increased from $391,282 in 2007/2008 to $502,549.00, an increase of $111,267.00 or 28.4%. (Figure 3 below)

Increase in occupancy was realized for the year under review, from an average of 50% in 2007/2008 to approximately 55% in 2008/2009.

Figure 3



Blue Coral Limited

The Blue Coral Shopping Mall opened for business on December 15th, 2008. On the first day of business eight units were operational. However by the end of the period, all thirty units on the ground and first floors had been leased. The second floor, designed to house an exhibition area, a Bar/Lounge, and a Cinema/Theatre and the third floor, to accommodate a high-end restaurant remained are available for rental.

The company results to 30th June 2009 show a loss of $1,025,721 in this first period of its operations.

APPRECIATION

I wish to thank the Minister responsible for National Insurance for his support during the period under review.

I thank the Board and Investment Committee for their efforts, for the long hours of discussion and consideration, the objectivity and harmonious collaboration and unison of mind and vision that characterize our deliberations. I applaud a similar commitment from the Management and staff whose efforts and dedication made possible the results enumerated in this report and contributed to the achievements of which we can feel justly proud.

Isaac Anthony
DEPUTY CHAIRMAN

ANNUAL STATISTICS REVIEW

July 2008 - June 2009

NATIONAL INSURANCE CORPORATION

For the Benefit of Us All!

ANNUAL STATISTICS REVIEW

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NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Explanatory Notes and Symbols

Contribution	Refers to the contribution of employers and employees.
Industrial Classification	Refers to the international standard industrial classification of all economic activities.
Insured Persons	Refers to all registered persons with at least one month's contribution.
Active Insured	Refers to all registered persons who have paid at least one month contribution in the review period.
New Entrants	Refers to a person who was registered for the first time with the National Insurance in the review period.
Benefits	Includes any benefit, grant, allowance or pension payable under National Insurance Corporation Act.
C3 Form	Refers to a form that is sent by employers to the National Insurance on a monthly basis, indicating contribution deductions per employee and employer's matching contributions.
Pension In-payment	Refers to pensions in-force (active)at the end of the period in review.
Active Employers	Refers to employers registered with the National Insurance and in operation during the review period.
Closed Employers	Refers to employers registered with the National Insurance who were not in operation at the end of the review Period.
Current Contributions	Refers to contributions collected for a given month within the required time frame (before the 8th of the following month).
Past-Due Contributions	Refers to contributions collected for a given month after the required time frame.
Contributing Employers	Refers to employers who paid contributions to the National Insurance Corporation during the review period.
Self-Employed	A person who carries on any trade or business enterprise, including professional services or any other lawful activity which generates an income, is over 16 years and is ordinarily resident in St Lucia.
Voluntary Contributor	A person who is below pensionable age, resides in St Lucia, has 60 months contributions, and is not eligible for payment of contributions in respect of insurable employment under the NIC Act.

NATIONAL INSURANCE CORPORATION
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Listing of Graphs and Tables

1. CONTRIBUTION INCOME

The financing of the NIC is based on a combined contribution rate of 10.0% (5% employer and 5% employee)of insurable earnings. During the fiscal year in review (2008-2009), the ceiling upon which contributions are based was not revised and thus kept at $5,000.00 per month.

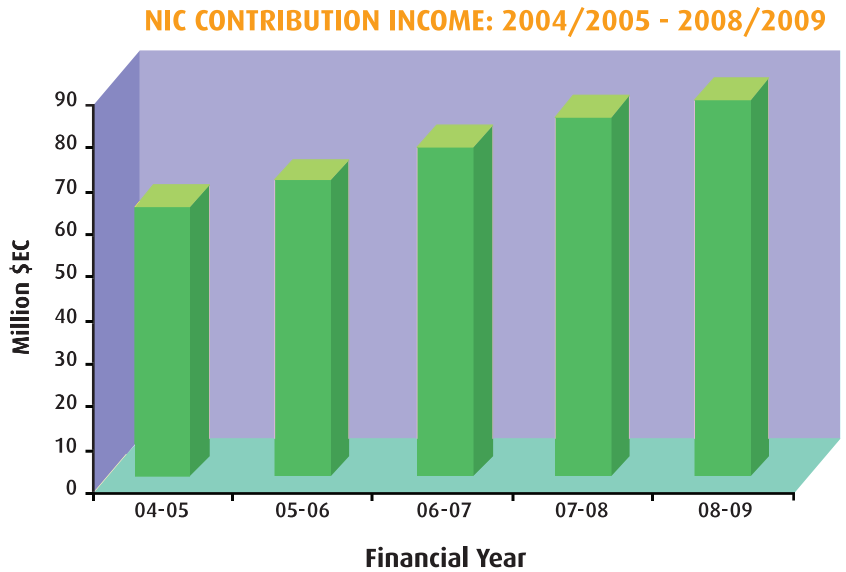
During the period in review, contribution income increased by 4.66% to $87.17M; current contribution income accounted for $39.70M (45.27%) and past-due contributions collected accounted for $47.47M or 54.73%. The above contributions were collected from 3,256 employers on behalf of 48,109 formal sector employees and 1,096 self-employed/voluntary persons.

The increase in contribution income during the review period was due to the collective impact of the following factors:

- Significant Improvement in collection of past-due contributions; while current contribution income declined by 8.14%, arrears collected rose by 18.85%;
- Active insured population were relative constant during review period;
- 2.07% increase in contributing employers;
- 418 new employers;
- 3,324 new contributors and
- 4% growth in average insurable earnings.

Figure 1 below illustrates the growth of NIC's contribution income during the last five years.

Figure 1



Distribution of contribution income on the basis of economic sector indicated moderate growth from most sectors while others recorded varying levels of contraction. Following a 10% decline in 2007-2008, the construction sector recorded further contraction of 35%. After recording steady growths during the last five years, contribution income from the Transport/storage/Communication sector dropped by 2.15% in the review period.

The Hotel and Restaurant sector can accurately be regarded as the largest contributor to contribution income and active insured population. During the last eight years, this sector accounted for 19.14% of total contribution income and approximately 17.71% of NIC's active insured population. In the review period, employment from the Hotel and Restaurant sector declined by 6.8% which has resulted in a corresponding drop in contribution income by 4.94%.

The sectors that recorded significant growth in contribution income included the following:

- Social/Personal Services - 19%;
- Manufacturing - 18%;
- Public Administration - 18%
- Utility - 13%;
- Wholesale and Retail - 11% and
- Real Estate/Renting/Business Services - 10%.

Sectors which recorded moderate increases were Financial Intermediation- 6% and Agriculture- 5%.

2. INSURED POPULATION

During the financial year ended June 2009, the NIC insured population (registered persons with at least one contribution credit) grew by 2.34% to 130,829 of which 68,961 or 52.71% were male and 61,868 or 47.29% were female. The insured population comprised of 48,669 or 37.20% active contributors and 82,160 or 62.80% inactive contributors.

2.1 Active Insured

In the review period, active contributors recorded a marginal increase of 0.10% from 49,205 in 2007-2008 to 49,256. The active insured population included 48,160 formal sector employees, 982 self-employed persons and 114 voluntary contributors. Active contributors accounted for approximately 66% of the country's employed population (73,570). This low coverage level could be explained by the exclusion of approximately 6,400 civil servants and very low coverage rate (9%) of self-employed persons. We note that a comprehensive study of self-employed persons was recently adopted by ILO (Trinidad) and Ministry of Labour as a priority project to receive assistance from the ILO in 2010.This study is expected to recommend action to improve coverage of the self-employed.

Employment levels on the basis of economic sector for the review period, recorded declines in sectors that were most responsive to the current economic downturn. These sectors included: wholesale and retail trade, hotels and restaurants, transport/storage and communication, construction and mining/ quarrying. The other sectors recorded employment growths ranging between 3 and 7 percent. Additionally, self-employed who paid contributions in the review period grew by 4.69 percent while voluntary contributors for the same period contracted by 10.24%.

In the review period, the outcome of the slowdown in economic activity in the tourism industry was a 6.76% contraction (from 9,360 to 8,623) in employment from the hotels and restaurants economic sector. Moreover, active insured from the wholesale/retail trade and transport/storage and communication sectors declined by 1.04% and 4.9% respectively. Continued decelaration in construction activities during the review period resulted in 9.93% drop in employment from the construction sector and a further 42.35% decline in employed persons from the Mining/Quarrying sector.

In the review period, active contributors from the Public Administration sector increased by 7.46% to 8,475. Employment in the manufacturing sector during the last 3 years showed an encouraging performance. After recording a average of 12% increase in 2006/2007 and 2007/2008, active insured from the manufacturing sector grew by 6.89% in the review period. Other economic sectors which recorded moderate growth in active contributors in 2008/2009 included:

- Community, Social and Personal Services, Households with Employed Persons and Extra-territorial Organisations and Bodies: 5.34%
- Financial Intermediation: 4.14%
- Real-estate, Renting and Business Services: 5.20%

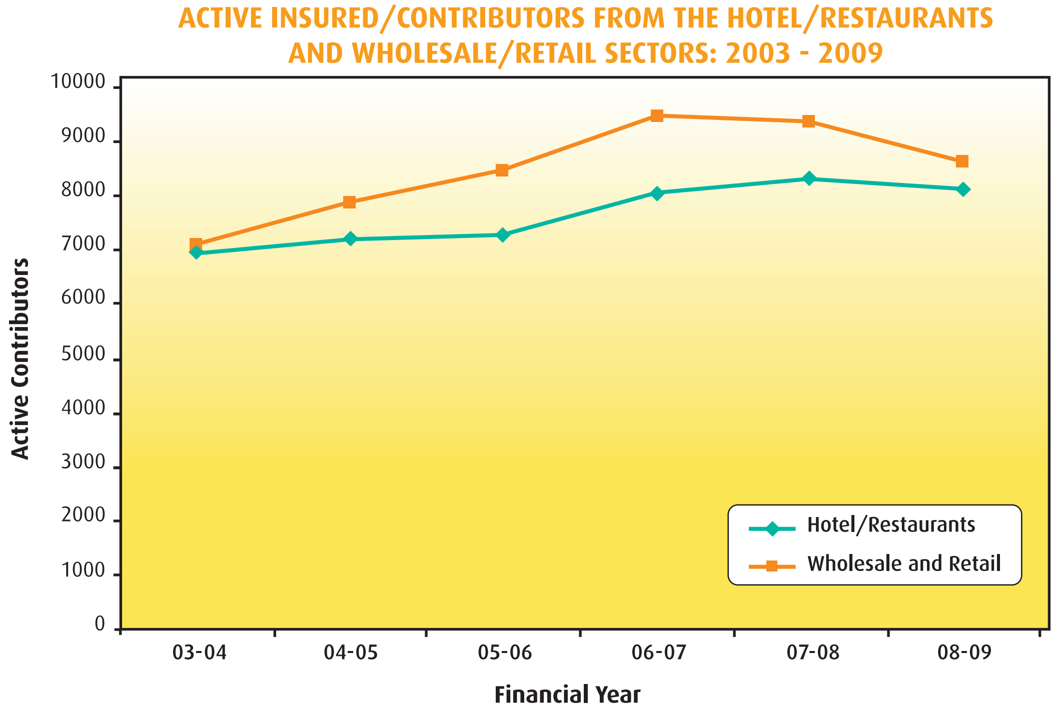
Marginal growths of 1.74% and 1.76% were also recorded by the Agriculture and Utility sectors, respectively. Figure 2 below shows the performance of active insured/contributors from the Hotels/restaurants and Wholesale/Retail Sectors for the period 2003-2009.

2.2 Newly Registered Persons

During the fiscal year ended June 2009, persons who registered with the NIC totaled 4,228. This number was 15.61% lower than the previous year and comprised of 2,022 or 47.81% males and 2,206 or 52.19% females. The decline recorded in the number of persons who registered in the review period, was mainly due to a very significant drop in the number of persons who registered for the purpose of employment.

When compared to the previous financial year, persons who registered for the purpose of employment decreased by 453 or 21.81% to 1,608. The recorded decline in employment was due to lower registration rates from males and females aged 16-19.

Figure 2



2.3 *New Entrants/Contributors*

New-entrants/contributors could be defined as persons who paid contributions to the NIC for the first time. The performance of this category of insured persons is dependant on employment levels, and is certain to impact on the overal growth of active contributor population.

During the fiscal period 2008/2009, a total of 2,959 new entrants was recorded and comprised of 51.40% females and 49.60% males. In comparison to the previous financial year (2007/2008) and given the effect of overal deceleration in employment levels in major economic sectors, new entrants declined by approximately 22.8%. Once again the contraction in new entrants was characterised by mainly young persons between ages of 16 and 20.

3 EMPLOYERS' ACTIVITIES

At the end of June 2009, employers registered with NIC totaled 9,733 of which 3,548 (36.45%) were active, 6,063 (62.29%) were recorded as closed and 122 (1.29%) were dormant.

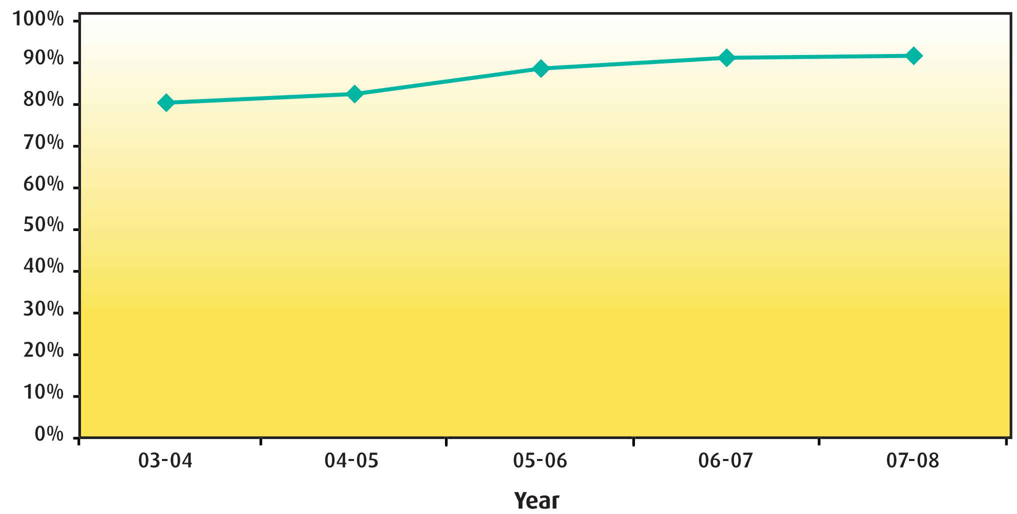
The expansion of active employers' population is primarily dependant on emergence of new businesses and rate of closure of existing employers. Continued review of employers records to determine their correct status by the Compliance Department have also led to downward adjustments to the active employers' population. The net effect of these factors was a 2.13% increase in active employers at the end of June 2009.

3.1 *Contributing Employers*

A total of 3,256 employers paid contributions totaling $86.57M on behalf of 48,160 formal sector employees. When compared to the previous year (2007-2008) employers who paid contributions increased by 2.07% and accounted for approximately 92% of total active employers. During the five year period (2004-2009), the proportion of active employers who paid contributions increased from 82.67% in 2004 to 91.77% in 2009. The detailed distribution for the five year period is illustrated in figure 3 below.

Figure 3

CONTRIBUTING EMPLOYERS AS A PERCENTAGE OF ACTIVE EMPLOYERS' POPULATION 2003 - 2008



3.2 Newly Registered Employers

An important aspect of employers activities is the registration of new employers. At the macro level, information derived from the above could provide an indication of areas of concentration of economic activities and potential employment opportunities. Slowdown in the number of new employers may signal probable decelaration in economic activities and employment levels.

In 2008 - 2009, a total of 418 employers were registered with the NIC. When compared to the previous financial year (2007-2008), the above represented a contraction of 7.11%. Analysis of new employers on the basis of economic activities, showed that declines were mainly from the following sectors:

- Construction- 38%;
- Agriculture- 45%;
- Manufacturing- 22%;

New employers from the Wholesale and Retail sector increased by 11% to 62 while the number from the Hotels/Restaurants sector were within the average (45) recorded during the last five years.

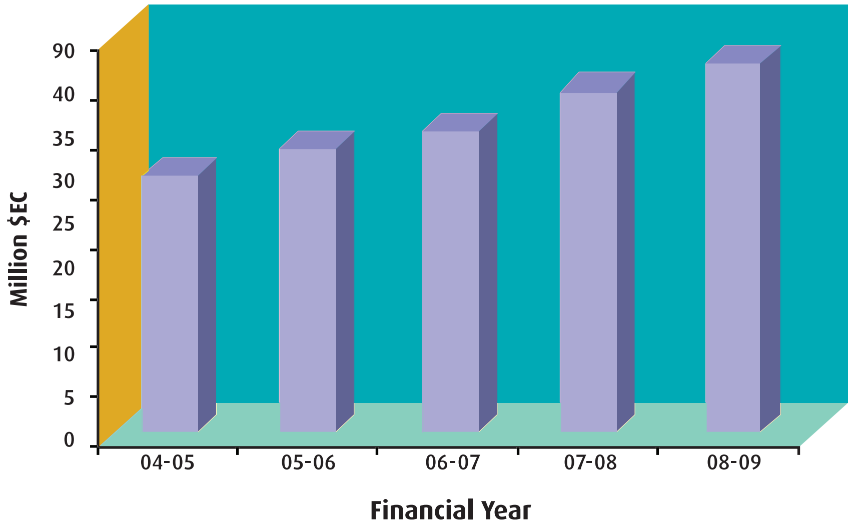
4 BENEFITS EXPENDITURE

The NIC offers its contributors a benefit basket within two main branches, namely: short-term and long-term benefits. The short-term benefits branch include the following benefits: Employment Injury, Sickness Allowance, Maternity Allowance, Maternity Grant, Funeral Grant , Medical Expenses and Hospitalisation. The long-term benefit branch comprises of the following benefits: Pensions- Retirement, Survivors, Invalidity and Disablement; Grants- Retirement, Survivors, Invalidity and Disablement. In the review period, 16,529 claims were paid at cost of $46.91M. When compared to the previous financial year, benefits expenditure increased by 8.38% while total claims paid recorded a 6.54% growth. The increase in benefits expenditure was mainly due to increases in pensions in payment and short-term benefit claims paid of 4.87% and 7.17%, respectively.

As illustrated in Figure 4 below the trend of benefits expenditure during the last five years was gradual expansion. This gradual increasing trend should continue until the Fund has attained maturity.

Figure 4

BENEFITS EXPENDITURE: JULY 2004 - JUNE 2009



4.1 Short-term Benefits

In the review period, claims paid increased by 7.17% to 11,058 claims while cost of claims rose by 10.52% to $9.78M. The above growths were mainly due to significant rise in sickness allowance, maternity and funeral grant claims paid.

4.1.1 Employment Injury

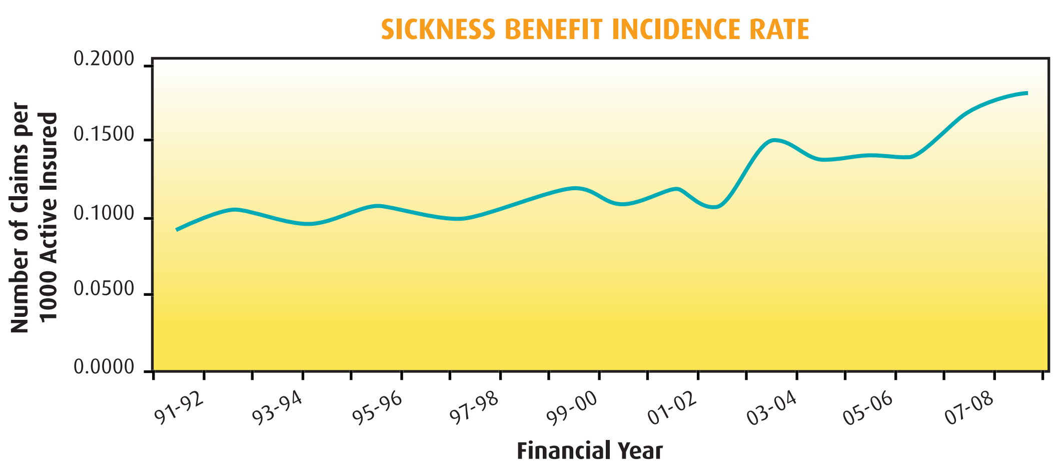
Cost of employment injury claims paid in 2008-2009 recorded a further decline of 21.22%. A total of 118 claims were paid at a cost of $96,669. The number of claims paid contracted by 3.28% while average duration of claims declined by 21.88% from 28 to 22 days.

4.1.2 Sickness Allowance

In the review period, sickness claims paid increased by 7.27% to 8,927 at a total cost of $3.27M. Cost of claims paid grew by 19.12% or $0.52M. Average duration of sickness claims dropped by 8.06% to 8 days and average cost of claims increased by 9%.

The expansion in the cost of sickness benefits were partly due to an increase in the rate of incidence from 169 claims per 1,000 active insured to 181 and the impact of a 9%increase in average insurable earnings of claimants. The graph below shows the trend of sickness rate of incidence and average cost of claims paid.

Figure 5



4.1.3 Maternity Allowance

In the review period, average duration of maternity allowances grew by approximately 1% to 71 days. Average cost of maternity allowances also increased by 5.44% to $2,889. Further examination revealed that the rate of allowances per 1,000 female contributors grew from 30 to 34. The overall impact of those variables on maternity allowances during the financial year ended June 2009 is summarised below:

- Claims paid grew by 10.53% to 850 and
- Cost of claims paid increased by 16.59% to $2.46M.

4.1.4 Maternity Grant

Unlike maternity allowance, the cost of maternity grant is dependant on a single variable, namely, the number of births per 1,000 active insured persons. Examination of the rate of maternity grants per 1,000 active insured persons in the review period points to an increase, from 167 to 179 grants.

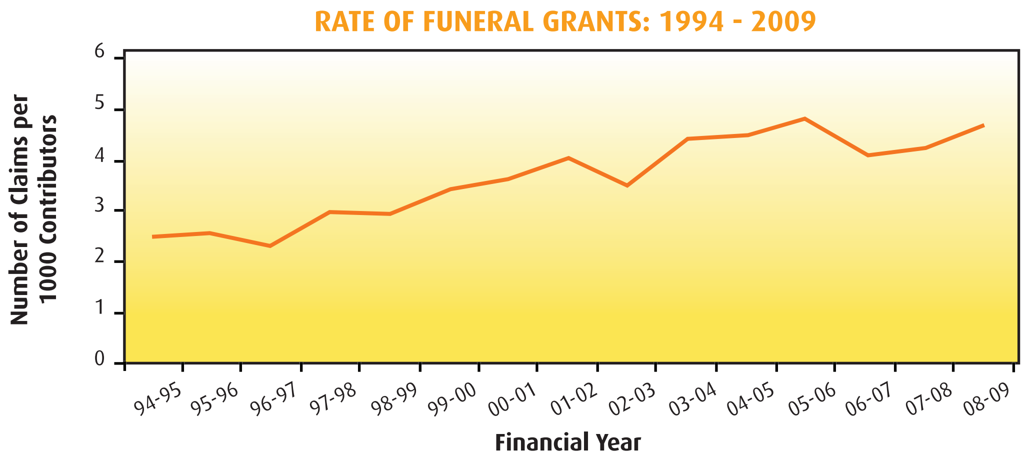
The number of maternity grants paid in the review period rose by 7.31% at a cost of $0.53M.

4.1.5 Funeral Grant

In general, the rate of funeral grants is closely linked to the country's motality/death rate. However, motality rate for retirement pensioners is largely dependant on their age distribution. It means that as retirement pensioners approach life expectancy, the overal rate of funeral grant is expected to rise at an increasing rate. The trend of funeral grants over the last 20 years (as shown in figure 6) is a gradual increase.

During the financial year under review, 230 grants were awarded at a cost of $0.40M. When compared to the previoud year, grants awarded rose by 10.58%, and cost of grants increased by approximately 10.3%.

Figure 6



4.1.6 Medical Expenses and Hospitalisation

Hospitalisation cost is a fixed amount of $3.0M paid to the Ministry of Health annually for providing medical and hospitalisation services to active insured persons.

Medical Expenses would include medical cost arising from employment injuries. Unsurprisingly, this benefit is characterised by high levels of variations in both the number of claims paid and related cost. In the review period, 53 claims were paid at a cost of $23,326.

4.2 Long-term Benefits

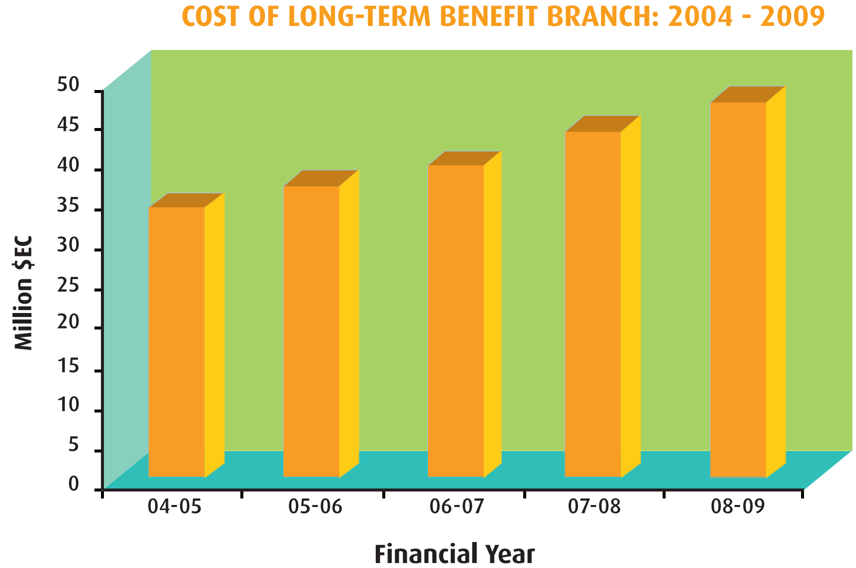
This branch of benefit comprises of pensions and long-term grants. As has been expressed in many such reports and actuarial reviews, the long-term evolution of this branch of benefit, and NIC, will be characterised principally as a pension program.

During the financial year ended June 2009, a total of 5,471 long-term claims were paid at a cost of $37.14M. When compared to the previous year, total pensions and grants paid rose by 5.27% and total expenditure increased by 7.84%. The above expansion in long-term benefits expenditure could be explained by the follow factors:

- Growth of new retirement pensions;
- Continued decline in the number of retirement pensions terminated and
- Increase in the average cost of pensions awarded.

Cost of long-term benefits for the period 2004 - 2009 is illustrated in figure 7 below.

Figure 7

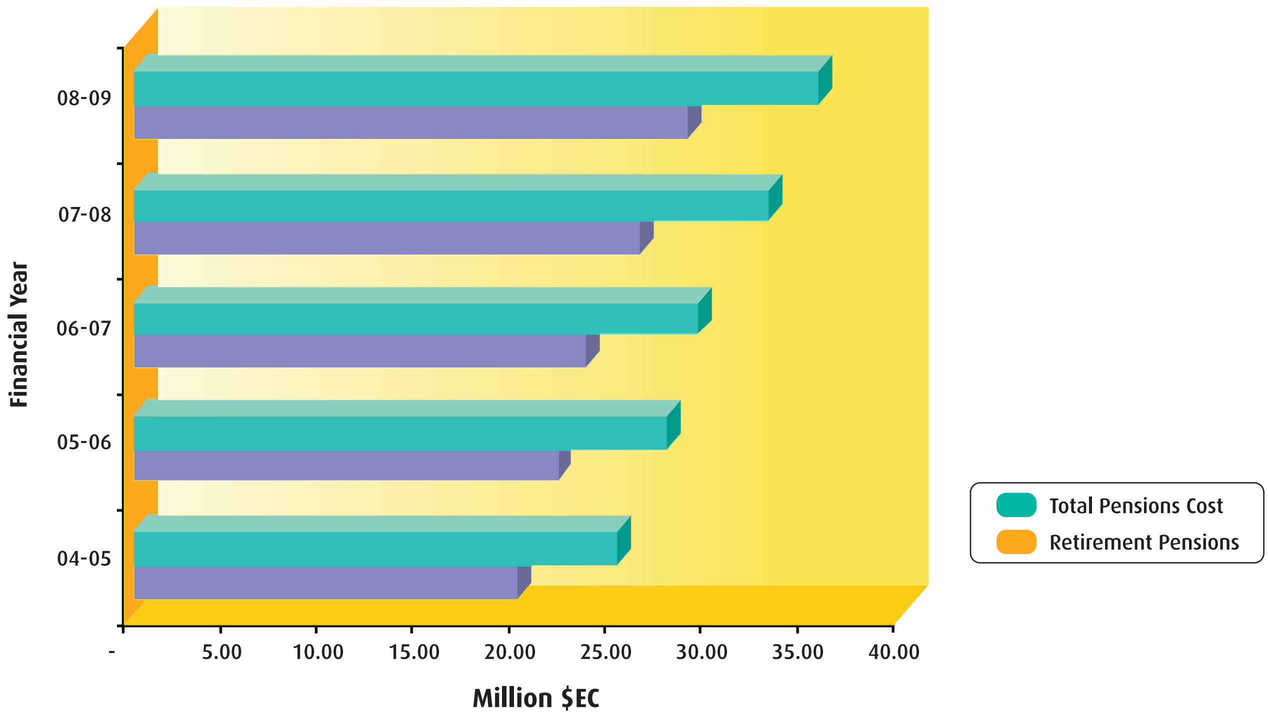


Pensions

A total of 5,058 pensions were paid during the period under review at a cost of $35.59M; the cost of pensions represented an increase of 7.97%. The growth of pensions expenditure is fueled mainly by corresponding expansion in the cost of retirement pensions. Cost of retirement pensions accounted for approximately 81% of total pensions expenditure. This trend will continue as the number and average cost of new pensions (in particular retirement) increase gradually over time. Figure 8 below shows growth of pensions' and retirement expenditure during the period July 2004 – June 2009.

Figure 8

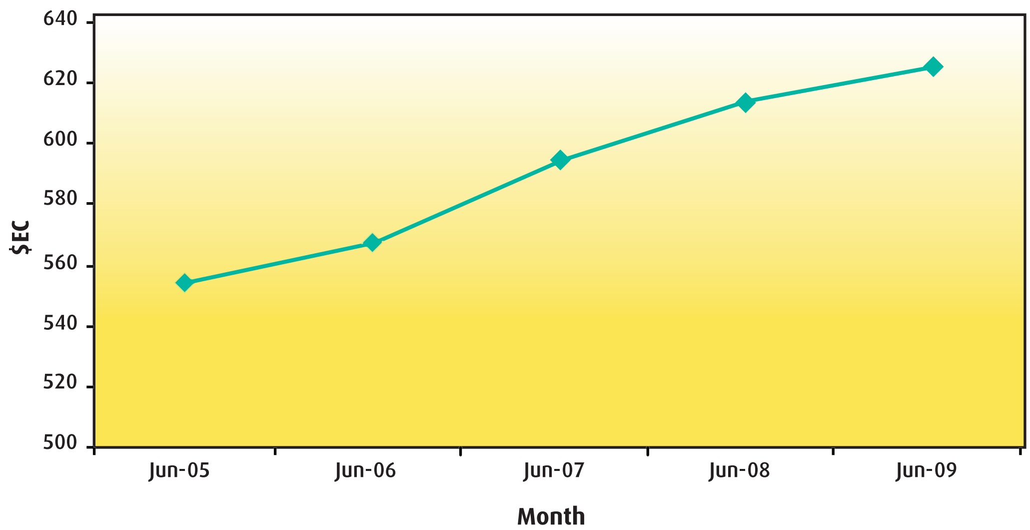
TOTAL PENSIONS EXPENDITURE AND COST OF RETIREMENT PENSIONS



Collectively, pensions awarded during the fiscal year in review increased by 8.97% to 486 at an average cost of $545.32. For the same period, a total of 192 pensions were terminated which represented a further decline of 6.80% from the previous financial year. At the end of June 2009, active pensions totaled 4,670; average cost of active pensions increased by 2.26% to $624.95. Figure 9 illustrates growth of average pension for the five year period 2004-2009.

Figure 9

AVERAGE MONTHLY PENSION: June 2005 - June 2009



4.2.1 Retirement Pension

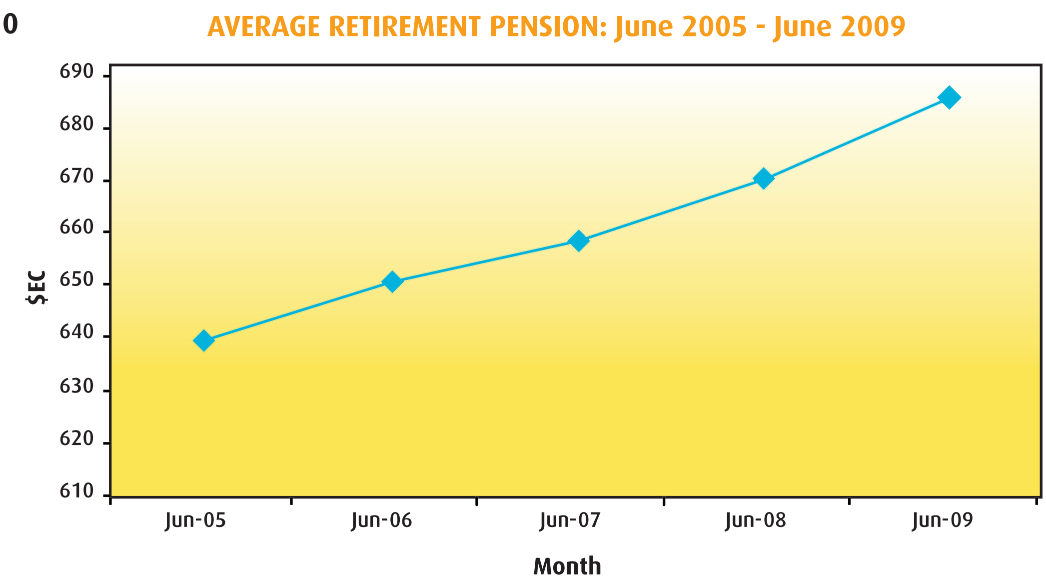
As expected, retirement pension is the most costly of the benefits offered by NIC and other social security schemes. A sharp rate of growth in cost is expected as a significant proportion of the insured population attains retirement age. Consequently, it is of great importance to review applicable parameters (design/financial) and entitlement provisions to ensure pensions are not only relevant but affordable.

In the review period, cost of retirement pensions increased by 9.26% to $28.78M. The above growth in expenditure were mainly due to the following:

- 12.54% rise in the number of new pensions and
- The number of retirement pensions terminated in the review period recorded a further decline of 7.22%. Rate of termination per hundred active retirement pensioner was 2.56.
- Average cost of pensions awarded grew by 5.48% to $745.58.

At the end of June 2009, retirement pensions in-payment (active) totaled 3,509 at an estimated annual cost of $28.86M. Figure 9 above compares the cost of retirement pensions to total pensions expenditure for the last five years ended June 2009.

Figure 10



4.2.2 Survivors Pension

Essentially, the growth of survivors pension is dependant upon mortality rate and average number of eligible dependents of insured population. In the review period, 963 pensions were paid at a cost of $4.25M. Cost of survivors pension grew by 2.65%. During the same period, 105 pensions were awarded at an average cost of $432.85; 72 were also terminated.

At the end of June 2009, 891 survivors pension were in-payment at an annual cost of $4.55M.

4.2.3 Invalidity Pension

Of the pensions offered by the NIC, cost of invalidity has recorded the lowest levels of variations in growth. During the financial year ended June 2009, 326 pensions were paid at a cost of $2.47M. Number of pensions paid grew by 3.82% while expenditure rose by 2.36%.

In the review period, 47 pensions were awarded at a rate of approximately 1 per thousand active insured.

At June 30th , 2009, 276 invalidity pensions were in-payment at an annual cost of $2.56M. On average, invalidity pensions are 13% higher than retirement pensions and 82% higher than survivors pensions.

4.2.4 Grants

During the period in review, number of long-term grants paid was unchanged at 413, while the cost of grants increased by 4.66% to $1.55M. Increase in the cost of long-term grants were mainly due to higher retirement and disablement grants. Average cost of retirement grant rose by 8% while disablement grants increased from $5,454 to $15,657.

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Annual Statistics Review

TABLE: 1

NATIONAL INSURANCE CONTRIBUTION INCOME: 2003-2009

Financial Year	Contribution Income($ million E.C)					
	Current	%	Past - Due	%	Total	%
July 2003 - June 2004	28.28	50.27%	27.98	49.73%	56.26	100.00%
July 2004 - June 2005	31.17	49.41%	31.92	50.59%	63.09	100.00%
July 2005 - June 2006	32.80	47.81%	35.80	52.19%	68.60	100.00%
July 2006 - June 2007	38.94	50.58%	38.05	49.42%	76.99	100.00%
July 2007 - June 2008	43.22	51.89%	40.07	48.11%	83.29	100.00%
July 2008 - June 2009	39.70	45.54%	47.47	54.46%	87.17	100.00%

Table 2

CONTRIBUTION INCOME BY ECONOMIC SECTOR (July 2004 - June 2009)

Economic Sector	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Agriculture, Hunting, Forestry and Fishing	1,148,321	1,054,447	1,108,715	1,176,285	1,239,195
Mining and Quarrying	176,074	220,053	294,446	403,610	249,208
Manufacturing	4,153,284	4,136,296	4,799,180	5,329,611	6,288,891
Electricity, Gas and Water supply	2,375,384	2,382,528	3,058,126	2,577,630	2,913,930
Construction	3,251,056	4,391,877	5,095,242	4,587,951	2,988,296
Wholesale and Retail Trade	8,899,472	9,395,886	10,250,712	11,263,041	12,490,418
Restaurants and Hotels	12,782,289	14,676,219	15,416,856	17,561,736	16,693,721
Transport, Storage and Communication	4,644,799	5,213,370	5,622,278	6,340,133	6,203,828
Financial Intermediations	5,578,208	5,822,190	6,299,023	6,847,043	7,272,117
Real-estate/ Renting /Business Services	4,852,013	5,321,347	5,911,021	6,268,277	6,919,359
Public Administration and Defense, Compulsory Social Security, Education, Health and Social work	11,003,648	11,614,913	13,960,253	14,583,529	17,248,893
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	3,613,779	3,687,733	4,310,879	4,883,598	5,830,845
Self-Employed	429,081	483,601	522,667	522,667	557,409
Voluntary Contributors	67201	58313	56,127	56,127	45,855
Activities not adequately defined	96,815	177,182	324,525	172,469	232,747
Total	63,086,984	68,590,322	76,993,170	83,289,239	87,174,711

Table 3

ACTIVE INSURED BY ECONOMIC SECTOR (July 2004 - June 2009)

Economic Sector	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Agriculture, Hunting, Forestry and Fishing	905	884	919	977	994
Mining and Quarrying	102	133	265	340	196
Manufacturing	3,152	2,974	3,306	3,703	3958
Electricity, Gas and Water supply	716	754	757	739	752
Construction	2,463	3,056	3,995	3,483	3137
Wholesale and Retail Trade	7,211	7,278	8,035	8,346	8259
Restaurants and Hotels	7,852	8,467	9,446	9,360	8727
Transport, Storage and Communication	2,835	2,827	3,116	3,418	3248
Financial Intermediations	2,572	2,593	2,583	2,559	2665
Real-estate/ Renting /Business Services	2,492	2,746	3,021	3,422	3600
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	6,484	7,410	7,676	7,887	8475
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2,880	3,247	3,425	3,597	3789
Self-employed	907	867	957	938	982
Voluntary Contributors	207	165	141	127	114
Activities not adequately defined	469	279	229	309	360
Total	41,247	43,680	47,871	49,205	49,256

Table 4

NEW ENTRANTS WHO REGISTERED FOR EMPLOYMENT (July 2004 - June 2009)

Age Group	Financial Year				
	04-05	05-06	06-07	07-08	08-09
16-19	1,569	1,848	1,670	1,637	1,173
20-24	261	270	240	149	148
25-29	75	89	72	71	69
30-34	65	69	65	64	75
35-39	52	64	39	38	47
40-44	42	37	41	48	40
45-49	24	21	29	22	24
50-54	15	16	18	16	20
55-59	11	8	5	12	9
60-64	2	6	3	4	2
GE 65	4	0	1	0	1
Unstated	16	0	0	0	0
Total	2,136	2,428	2,183	2,061	1,608

Table 5

NEWLY REGISTERED BY AGE GROUP (July 2004 - June 2009)

Age Group	Financial Year				
	04-05	05-06	06-07	07-08	08-09
16-19	1,528	1,451	1,701	3,843	2,936
20-24	1,387	1,434	1,458	382	532
25-29	250	346	340	171	182
30-34	147	184	181	116	139
35-39	113	147	139	80	96
40-44	71	0	112	119	91
45-49	39	66	68	92	87
50-54	26	37	33	70	67
55-59	16	23	26	61	41
60-64	3	10	18	72	55
GE 65	9	12	11	4	2
Unstated	5	7	4	0	
Total	3,594	3,717	4,091	5,010	4,228

Table 6

REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION AND STATUS AS AT 30TH JUNE 2009

Economic Sector	Financial Year			Total
	Active	Closed	Dormant	
Agriculture, Hunting, Forestry and Fishing	139	352	4	495
Mining and Quarrying	7	15	0	22
Manufacturing	248	437	2	687
Electricity, Gas and Water supply	15	25	0	40
Construction	172	502	33	707
Wholesale and Retail Trade	630	990	16	1,636
Restaurants and Hotels	359	604	10	973
Transport, Storage and Communication	159	186	6	351
Financial Intermediations	122	105	0	227
Real-Estates, Renting and Business Services	379	545	14	938
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	250	253	8	511
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	870	1,744	26	2,640
Activities not adequately defined	198	305	3	938
Total	3,548	6,063	122	9,733

Table 7

ACTIVE EMPLOYERS BY INDUSTRIAL CLASSIFICATION (July 2004 - June 2009)

Economic Sector	June 2005	June 2006	June 2007	June 2008	June 2009
Agriculture, Hunting, Forestry and Fishing	174	141	143	148	139
Mining and Quarrying	7	7	7	7	7
Manufacturing	253	242	243	252	248
Electricity, Gas and Water supply	15	15	17	18	15
Construction	126	148	168	192	172
Wholesale and Retail Trade	596	618	594	607	630
Restaurants and Hotels	321	328	320	340	359
Transport, Storage and Communication	158	146	153	157	159
Financial Intermediations	115	118	114	118	122
Real-estate, Renting and Business Services	326	322	341	365	379
Public Administration and Defence, Compulsory Social Security, Education, Health/Social work	241	269	233	240	250
Community, Social and Personal Services, Households with employed persons and Extra-territorial Organisation and Bodies	794	802	801	852	870
Activities not adequately defined	181	103	120	178	198
Total	3,307	3,259	3,254	3,474	3,548

Table 8

CONTRIBUTING EMPLOYERS BY INDUSTRIAL CLASSIFICATION (July 2004 - June 2009)

Economic Sector	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Agriculture, Hunting, Forestry and Fishing	128	134	119	129	123
Mining and Quarrying	6	8	6	7	8
Manufacturing	197	202	187	218	215
Electricity, Gas and Water supply	17	17	16	19	18
Construction	90	109	104	137	132
Wholesale and Retail Trade	496	560	497	570	589
Restaurants and Hotels	243	260	250	307	315
Transport, Storage and Communication	122	124	129	141	148
Financial Intermediations	112	109	102	108	111
Real-Estates, Renting and Business Services	266	287	281	328	342
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	223	237	214	235	252
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	747	799	694	865	876
Activities not adequately defined	85	45	107	126	127
Total	2,732	2,891	2,706	3,190	3,256

Table 9

NEWLY REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION (July 2004 - June 2009)

Economic Sector	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Agriculture, Hunting, Forestry and Fishing	27	12	9	11	6
Mining and Quarrying	1	0	0	1	1
Manufacturing	40	35	16	23	18
Electricity, Gas and Water supply	4	1	1	1	0
Construction	30	28	47	34	21
Wholesale and Retail Trade	60	96	50	56	62
Restaurants and Hotels	53	45	45	49	45
Transport, Storage and Communication	26	16	20	14	17
Financial Intermediations	5	10	1	7	10
Real-Estates, Renting and Business Services	26	38	41	44	39
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	17	20	11	17	27
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	137	129	110	112	106
Activities not adequately defined	6	36	10	81	66
Total	432	466	361	450	418

Table 10

SHORT-TERM BENEFITS PAID BY TYPE (July 2004 - June 2009)

Short-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Employment Injury	100	138	146	122	118
Sickness Allowance	5,853	6,251	6,837	8,322	8,927
Maternity Allowance	775	693	737	769	850
Maternity Grant	806	753	793	821	880
Funeral Grant	191	215	194	208	230
Medical Expenses*	60	55	62	76	53
Total	7,785	8,105	8,769	10,318	11,058

*Exclude claims relating to the $3.0M paid to the Ministry of Health for "medical health programme"

Table 11

SHORT-TERM BENEFITS EXPENDITURE BY TYPE (July 2004 - June 2009)

Short-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Employment Injury	85,114.11	118,417.63	154,371.00	122,713.80	96,669.07
Sickness Allowance	2,029,690.75	2,155,557.76	2,414,574.00	2,745,559.27	3,270,595.01
Maternity Allowance	1,694,820.15	1,670,888.79	2,000,174.00	2,107,395.71	2,457,051.17
Maternity Grant	488,800.00	454,200.00	486,000.00	497,400.00	531,000.00
Funeral Grant	330,820.80	371,313.28	336,800.00	359,740.00	396,800.00
Medical Expenses*	3,039,686.81	3,012,218.00	3,024,887.00	3,012,535.16	3,023,326.83
Total	7,668,932.62	7,782,595.46	8,416,806.00	8,845,343.94	9,775,442.08

* Include the annual amount of $3.0M paid to the Ministry of Health for "medical health programme".

Table 12

LONG-TERM BENEFITS PAID BY TYPE (July 2004 - June 2009)

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	3,000	3,182	3,316	3,510	3756
Survivors Pension	838	908	923	948	963
Invalidity Pension	324	319	325	314	326
Disablement Pension	6	9	10	12	13
Retirement Grant	317	278	348	344	341
Survivors Grant	46	46	39	49	46
Invalidity Grant	11	29	27	15	22
Disablement Grant	4	1	4	5	4
Total	4,546	4,772	4,992	5,197	5,471

Table 13

LONG-TERM BENEFITS EXPENDITURE BY TYPE (July 2004 - June 2009)

Short-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	19,985,856	22,053,857	23,517,040	26,338,724	28,776,933
Survivors Pension	2,818,463	3,299,600	3,415,066	4,141,038	4,250,638
Invalidity Pension	2,290,714	2,321,090	2,365,623	2,415,100	2,472,073
Disablement Pension	36,917	47,697	50,980	69,780	93,006
Retirement Grant	756,915	801,159	934,693	1,218,035	1,303,798
Survivors Grant	101,924	89,252	117,243	160,806	128,216
Invalidity Grant	34,630	83,201	75,415	70,566	50,875
Disablement Grant	17,353	5,033	22,956	27,272	62,630
Total	26,042,770.80	28,700,888.37	30,499,016.00	34,441,321.63	37,138,168.09

Table 14

PENSIONS PAID BY TYPE (July 2004 - June 2009)

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	3,000	3,182	3,316	3,510	3,756
Survivors Pension	838	908	923	948	963
Invalidity Pension	324	319	325	314	326
Disablement Pension	6	9	10	12	13
Total	4,168	4,418	4,574	4,784	5,058

Table 15

COST OF PENSIONS BY TYPE (July 2004 - June 2009)

Pension	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	19,985,856	22,053,857	23,517,040	26,338,724	28,776,933
Survivors Pension	2,818,463	3,299,600	3,415,066	4,141,038	4,250,638
Invalidity Pension	2,290,714	2,321,090	2,365,623	2,415,100	2,472,073
Disablement Pension	36,917	47,697	50,980	69,780	93,006
Total	25,131,950	27,722,243	29,348,709	32,964,643	35,592,650

Table 16

PENSIONS IN-PAYMENT BY TYPE (June 2005 - June 2009)

Long-term Benefits	Financial Year				
	June-05	June-06	June-07	June-08	June-09
Retirement Pension	2,843	2,919	3,126	3,320	3,509
Survivors Pension	767	848	839	874	891
Invalidity Pension	279	286	261	268	276
Disablement Pension	6	8	10	10	14
Total	3,895	4,061	4,236	4,472	4,690

Table 17

AVERAGE MONTHLY COST OF PENSIONS IN-PAYMENT BY TYPE (June 2004 - June 2009)

Long-term Benefits	Financial Year				
	June-05	June-06	June-07	June-08	June-09
Retirement Pension	639.05	650.33	658.38	670.10	685.34
Survivors Pension	338.57	345.48	387.92	404.72	425.89
Invalidity Pension	669.00	685.82	766.28	768.06	773.81
Disablement Pension	622.00	536.88	565.00	610.08	614.77

Table 18

PENSIONS AWARDED BY TYPE: 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	327	285	255	295	332
Survivors Pension	129	159	109	108	105
Invalidity Pension	41	43	39	39	47
Disablement Pension	1	2	3	4	2
Total	498	489	406	446	486

Table 19

MALE PENSIONS AWARDED BY TYPE: 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	207	165	124	153	179
Survivors Pension	39	37	18	33	26
Invalidity Pension	24	22	23	23	20
Disablement Pension	1	2	3	3	1
Total	271	226	168	212	226

Table 20

FEMALE PENSIONS AWARDED BY TYPE: 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	120	120	131	142	153
Survivors Pension	98	122	91	75	55
Invalidity Pension	17	21	16	16	27
Disablement Pension	-	-	-	1	1
Total	235	263	238	234	236

Table 21

AVERAGE COST OF PENSIONS AWARDED BY TYPE: 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	613.29	671.65	688.81	706.82	745.58
Survivors Pension	310.28	323.84	432.85	437.45	432.85
Invalidity Pension	738.20	890.43	876.39	688.81	613.72
Disablement Pension	632.90	281.19	613.67	772.33	389.11

Table 22

AVERAGE COST OF PENSIONS AWARDED BY TYPE (Male): 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	667.91	766.63	736.80	728.18	822.12
Survivors Pension	229.90	226.57	305.92	272.88	305.92
Invalidity Pension	889.72	995.66	1,052.92	884.98	770.65
Disablement Pension	-	-	-	114.00	476.00

Table 23

AVERAGE COST OF PENSIONS AWARDED BY TYPE (Female): 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	514.49	731.68	517.60	669.70	630.23
Survivors Pension	342.11	348.30	453.24	509.86	453.24
Invalidity Pension	411.29	553.79	589.53	462.44	532.39
Disablement Pension	-	-	-	113.88	476.42

Table 24

PENSIONS TERMINATED BY TYPE: 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	96	102	103	97	90
Survivors Pension	71	60	84	74	72
Invalidity Pension	49	47	31	33	29
Disablement Pension	-	1	1	2	1
Total	216	210	219	206	192

Table 25

MALE PENSIONS TERMINATED BY TYPE: 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	71	73	74	67	63
Survivors Pension	24	22	28	26	23
Invalidity Pension	34	25	18	18	13
Disablement Pension	-	1	1	2	1
Total	129	121	121	113	100

Table 26

FEMALE PENSIONS TERMINATED BY TYPE: 2004-2009

Long-term Benefits	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Retirement Pension	25	29	29	30	27
Survivors Pension	47	38	56	48	49
Invalidity Pension	15	22	13	15	16
Disablement Pension	-	-	-	-	-
Total	87	89	98	93	92

Table 27

BENEFITS EXPENDITURE BY BRANCH: 2004-2009

Benefit Branch	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Long-term					
Retirement	20,742,771	22,855,016	24,451,733	27,556,760	30,080,731
Survivorship	2,920,386	3,388,852	3,532,309	4,301,844	4,378,854
Incapacitation	2,379,614	2,457,021	2,514,974	2,582,718	2,678,584
Sub-total	26,042,771	28,700,888	30,499,016	34,441,322	37,138,168
Short-term					
Employment Injury	85,114	118,418	154,371	122,714	96,669
Sickness	2,029,691	2,155,558	2,414,574	2,745,559	3,270,595
Maternity	2,183,620	2,125,089	2,486,174	2,604,796	2,988,051
Funeral	330,821	371,313	336,800	359,740	396,800
Medical Expenses*	3,039,687	3,012,218	3,024,887	3,012,535	3,023,327
Sub-total	7,668,933	7,782,595	8,416,806	8,845,344	9,775,442
Grand-total	33,711,703	36,483,484	38,915,822	43,286,666	46,913,610

* Include the annual amount of $3.0M paid to the Ministry of Health for "medical health programme".

Table 28

BENEFITS PAID BY BRANCH: 2004-2009

Benefit Branch	Financial Year				
	04-05	05-06	06-07	07-08	08-09
Long-term					
Retirement	3,317	3,460	3,664	3,854	4,097
Survivorship	884	954	962	997	1,009
Incapacitation	345	358	366	346	365
Sub-total	4,546	4,772	4,992	5,197	5,471
Short-term					
Employment Injury	100	138	146	122	118
Sickness	5,853	6,251	6,837	8,322	8,927
Maternity	1,581	1,446	1,530	1,590	1,730
Funeral	191	215	194	208	230
Medical Expenses*	60	55	62	76	53
Sub-total	7,785	8,105	8,769	10,318	11,058
Grand-total	12,331	12,877	13,761	15,515	16,529

* Exclude claims relating to the $3.0M paid to the Ministry of Health for “medical health programme”.

National Insurance Corporation

Consolidated Financial Statements

June 30, 2009

(expressed in Eastern Caribbean dollars)

PRICEWATERHOUSECOOPERS

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November 23, 2010

Independent Auditors' Report

To the Board of Directors of
National Insurance Corporation

Report on the financial statements

We have audited the accompanying consolidated financial statements of **National Insurance Corporation** (the Corporation) and its subsidiaries (together the Group), which comprise the consolidated balance sheet as of June 30, 2009 and the consolidated statements of income and expenditure, consolidated changes in reserves and consolidated 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 consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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' 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 auditors 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 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Consolidated Balance Sheet

as of June 30, 2009

	2009 $	2008 $
Assets		
Cash and cash equivalents (Note 5)	**46,988,624**	46,165,410
Financial assets (Note 6)	**1,044,948,437**	959,200,911
Investment properties (Note 10)	**285,762,788**	270,720,886
Property, plant and equipment (Note 11)	**4,589,531**	4,503,435
Projects in progress (Note 12)	**–**	5,163,278
Deferred tax asset (Note 24)	**–**	46,892
Total assets	**1,382,289,380**	1,285,800,812
Liabilities		
Trade and other payables (Note 13)	**10,955,951**	9,619,600
Borrowings (Note 14)	**11,792,190**	11,483,006
Current income tax liability	**107,207**	13,104
Deferred tax liability (Note 24)	**11,852**	–
Total liabilities	**22,867,200**	21,115,710
Reserves		
Short-term benefits (Note 16)	**44,014,932**	38,746,991
Long-term benefits (Note 16)	**1,267,147,330**	1,183,178,712
Reserves (Note 17)	**1,578,922**	1,468,799
Retained earnings	**39,958,444**	34,303,291
	1,352,699,628	1,257,697,793
Minority interest in reserves	**6,722,552**	6,987,309
Total reserves	**1,359,422,180**	1,264,685,102
Total liabilities and reserves	**1,382,289,380**	1,285,800,812

Approved by the Board of Directors on September 14, 2010.

Chairman

Director

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Consolidated Statement of Income and Expenditure

for the year ended June 30, 2009
(expressed in Eastern Caribbean dollars)

	2009 $	2008 $
Contribution income (Note 18)	**86,627,034**	82,246,889
Benefits paid		
Short-term benefits (Note 19)	**(6,730,931)**	(5,842,818)
Long-term benefits (Note 19)	**(37,244,409)**	(34,489,886)
Medical health programme	**(3,000,000)**	(3,000,000)
	(46,975,340)	(43,332,704)
Surplus of contribution over benefits	**39,651,694**	38,914,185
General and administrative expenses (Note 20)	**(14,183,347)**	(11,500,615)
Amortisation and impairment loss of intangible asset (Note 9)	**–**	(4,829,920)
	25,468,347	22,583,650
Other income		
Investment income - net (Note 22)	**59,068,841**	75,954,564
Increase in fair value of investment properties (Note 10)	**9,305,288**	33,303,907
Negative goodwill (Note 27)	**–**	908,212
Other	**1,606,011**	3,192,289
	69,980,140	113,358,972
Excess of income over expenditure before finance costs and income tax expense	**95,448,487**	135,942,622
Finance costs	**(537,078)**	–
Excess of income over expenditure before income tax expense	**94,911,409**	135,942,622
Income tax expense (Note 24)	**(170,319)**	33,788
Excess of income over expenditure	**94,741,090**	135,976,410
Attributable to:		
Reserves	**94,963,444**	135,758,065
Minority interest	**(222,354)**	218,345
	94,741,090	135,976,410

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Consolidated Statement of Changes in Reserves

for the year ended June 30, 2009
(expressed in Eastern Caribbean dollars)

	Short-term Benefits $	Long-term Benefits $	Reserves $	Retained Earnings $	Minority Interest $	Total $
Balances at June 30, 2007	32,652,107	1,060,201,586	1,379,187	27,691,942	8,727,407	1,130,652,229
Excess of income over expenditure for the year	6,094,884	122,977,126	–	6,686,055	218,345	135,976,410
Transfer to statutory reserve (Note 17)	–	–	42,736	(42,736)	–	–
Loan fees collected (Note 17)	–	–	14,906	–	4,969	19,875
Transfer to portfolio risk reserve (Note 17)	–	–	31,970	(31,970)	–	–
Dividends paid	–	–	–	–	(55,200)	(55,200)
Acquisition of minority interest in subsidiary	–	–	–	–	(1,908,212)	(1,908,212)
Balances at June 30, 2008	38,746,991	1,183,178,712	1,468,799	34,303,291	6,987,309	1,264,685,102
Excess of income over expenditure for the year	5,267,941	83,968,618	–	5,726,885	(222,354)	94,741,090
Transfer to statutory reserve (Note 17)	–	–	71,732	(71,732)	–	–
Loan fees collected (Note 17)	–	–	38,391	–	12,797	51,188
Dividends paid	–	–	–	–	(55,200)	(55,200)
Balances at June 30, 2009	44,014,932	1,267,147,330	1,578,922	39,958,444	6,722,552	1,359,422,180

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Consolidated Statement of Cash Flows

for the year ended June 30, 2009
(expressed in Eastern Caribbean dollars)

	2009 $	2008 $
Cash flows from operating activities		
Excess of income over expenditure before taxation	**94,911,409**	135,942,622
Adjustments for:		
Interest income	**(49,657,133)**	(46,064,975)
Increase in fair value of investment properties	**(9,305,288)**	(33,303,907)
Dividend income	**(6,297,002)**	(6,750,431)
Depreciation/(appreciation) in value of financial assets at fair value through income	**3,784,922**	(22,255,360)
Provision for loan impairment	**1,402,643**	1,598,085
Depreciation	**754,187**	858,619
Finance costs	**537,078**	–
Gain on disposal of investment properties	**(167,541)**	–
Gain on disposal of property, plant and equipment	**(3,323)**	–
Amortisation and impairment of intangible asset	**–**	4,829,920
Negative goodwill	**–**	(908,212)
Operating income before working capital changes	**35,959,952**	33,946,361
Decrease/(increase) in loans and receivables	**7,809,531**	(17,654,489)
Purchase of held-to-maturity investment securities	**(36,210,029)**	(15,000,000)
Increase in loans and receivables investment securities	**(76,808,238)**	(27,242,242)
Decrease in financial assets at fair value through income	**22,919,619**	540,956
Increase/(decrease) in trade and other payables	**1,336,351**	(1,064,354)
Cash used in operations	**(44,992,814)**	(26,473,768)
Interest received	**45,700,402**	44,393,671
Dividends received	**7,744,880**	6,750,431
Finance costs paid	**(272,282)**	–
Income tax paid	**(17,472)**	(17,946)
Net cash provided by operating activities	**8,162,714**	24,652,388
Cash flows from investing activities		
Additions to intangible asset	**–**	(122,401)
Improvements to investment properties	**(6,782,217)**	(19,037,190)
Proceeds from disposal of investment properties	**1,213,144**	22,000,000
Additions to projects in progress	**(973,843)**	(3,192,217)
Purchase of property, plant and equipment	**(855,292)**	(494,602)
Proceeds from disposal of property, plant and equipment	**18,332**	–
Acquisition of minority interest in subsidiary	**–**	(1,000,000)
Net cash used in investing activities	**(7,379,876)**	(1,846,410)
Cash flows from financing activities		
Proceeds from borrowings	**–**	7,700,796
Dividends paid to minority interest	**(55,200)**	(55,200)
Loan fees collected	**51,188**	19,875
Net cash generated by financing activities	**(4,012)**	7,665,471
Net increase in cash and cash equivalent	**778,826**	30,471,449
Cash and cash equivalents, beginning of year	**46,165,410**	15,693,961
Cash, cash equivalents and bank overdraft, end of year (Note 5)	**46,944,236**	46,165,410

June 30, 2009

(expressed in Eastern Caribbean dollars)

1 General information

The National Insurance Corporation (the Corporation) is engaged in the provision of social security services. The Corporation is governed by the National Insurance Corporation Act CAP 16 01 of the revised laws of Saint Lucia 2001. Its registered office and principal place of business is Francis Compton Building, John Compton Highway, Castries, Saint Lucia.

The consolidated financial statements include the statements of National Insurance Corporation and its subsidiaries (together "the Group"), whose activities are as follows:

(a) St. Lucia Mortgage Finance Company Limited

The principal activity of the company is to operate a mortgage finance company.

(b) National Insurance Property Development and Management Company Ltd.

The company is currently engaged in the development and management of the Government of Saint Lucia Build-Own-Lease-Transfer (BOLT) and refurbishment projects.

(c) Castries Car Park Facility Limited

The company provides car parking facilities, all other matters incidental thereto and rental of office block and commercial space.

(d) Blue Coral Limited

The company provides rental of office and commercial space.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and under the historical cost convention as modified by the revaluation of financial assets classified at fair value through income and investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 Summary of significant accounting policies*...continued*

Standards and amendments that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2009 or later periods, but the Group has not early adopted them:

- **IAS 1** (Amendment), *'Presentation of financial statements'* (effective from January 1, 2009). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the IAS 1 (Amendment) from July 1, 2009. It is not expected to have an impact on the Group's consolidated financial statements.
- **IAS 1** (Revised), *'Presentation of financial statements'* (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the statement of income and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from January 1, 2009. It is likely that both the statement of income and statement of comprehensive income will be presented as performance statements.
- **IAS 27** (Revised), *'Consolidated and separate financial statements'* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests where applicable from July 1, 2009.
- **IAS 36** (Amendment), *'Impairment of assets'* (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from July 1, 2009.
- **IAS 40** (Amendment), *'Investment property'* (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Group's operations, as there are no investment properties under construction held by the Group.

2 Summary of significant accounting policies...*continued*

Standards and amendments that are not yet effective and have not been early adopted by the Group...*continued*

- Amendment to IFRS 7, 'Financial instruments: Disclosures'. The IASB published amendment to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment will result in additional disclosures but will not have an impact on the balance sheet or the income of the Group.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Corporation has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Corporation. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income and expenditure.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated statement of income and expenditure. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Cash and cash equivalents

Cash and cash equivalents comprise liquid balances with less than three months' maturity from the date of acquisition, including: cash on hand and in financial institutions and held-to-maturity financial assets. Bank overdrafts are shown within borrowings on the balance sheet.

2 Summary of significant accounting policies...*continued*

Financial assets

The Group classifies its investments into the following categories: financial assets at fair value through income, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through income

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

Financial assets designated as at fair value through income at inception are those that are:

- held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through income (see Note 6 for additional details on the Group's portfolio structure).

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Group's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debt securities held-to-maturity is established when there is objective evidence that the Group will not be able to collect all amounts due according to their original terms.

2 Summary of significant accounting policies*...continued*

Financial assets*...continued*

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular-way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through income, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through income are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of income and expenditure.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through income are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through income' category are included in the consolidated statement of income and expenditure in the period in which they arise.

Unrealised changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the consolidated statement of income and expenditure; translation differences on non-monetary securities are recognised in equity. Unrealised changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of income and expenditure as net realised gains/losses on financial assets.

Interest on debt securities calculated using the effective interest method is recognised in the consolidated statement of income and expenditure. Dividends on equity instruments are recognised in the consolidated statement of income and expenditure when the Group's right to receive payments is established. Both are included in the investment income line.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 Summary of significant accounting policies*...continued*

Impairment of assets*...continued*

(a) Financial assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence that impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

i. significant financial difficulty of the issuer or debtor;

ii. a breach of contract, such as a default or delinquency in payments;

iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

iv. the disappearance of an active market for that financial asset because of financial difficulties; or

v. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   - adverse changes in the payment status of borrowers in the group; or
   - national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income and expenditure. If the debt securities has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit characteristics (i.e., on the basis of the Group's grading process that consider asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the asset being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of income and expenditure.

2 Summary of significant accounting policies...*continued*

Impairment of assets...*continued*

(b) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the consolidated statement of income and expenditure – is removed from equity and recognised in the consolidated statement of income and expenditure. Impairment losses recognised in the consolidated statement of income and expenditure on equity instruments are not subsequently reversed. The impairment loss is reversed through the consolidated statement of income and expenditure, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income and expenditure.

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

Intangible asset

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development service provider's charges. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2 Summary of significant accounting policies*...continued*

Investment property

Property held for long-term rental yields is classified as investment property.

Investment property comprises freehold land and office buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the consolidated statement of income and expenditure.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of income and expenditure. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the consolidated statement of income and expenditure.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income and expenditure during the financial period in which they incurred.

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	–	50 years
Leasehold improvements	–	2 – 10 years
Motor vehicles	–	3 – 5 years
Furniture and equipment	–	4 – 10 years
Computer hardware	–	5 years
Computer software	–	5 years
Generators	–	5 years
Maintenance equipment	–	10 years

2 Summary of significant accounting policies...*continued*

Property, plant and equipment...*continued*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income and expenditure.

Projects in progress

Projects in progress pertain to Build-Own-Lease-Transfer (BOLT) projects. These include all costs associated with the construction and furnishing of the buildings. Direct costs of construction are recognised as expenses in the period in which they are incurred. On completion, they are accounted for as finance lease.

Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest costs on borrowings to finance the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made.

Recognition of income and expenses

(a) Contribution income and benefits

Contribution income is accounted for on an accruals basis to take account of all collections subsequent to the year-end that relate to the current year, and to recognise all known significant receivables.

(b) Dividend income

Dividend income for investment in equity securities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, including financial instruments measured at fair value through income, are recognised within 'investment income' (Note 22) in the consolidated statement of income and expenditure using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2 Summary of significant accounting policies...*continued*

Recognition of income and expenses...*continued*

(d) Other income and expenses

All other income and expenses are accounted for on the accruals basis.

Basis of allocation of income and expenditure

(a) Contribution income

Contribution income, as recommended by the ninth actuarial review, is allocated as follows:

	2009	2008
Short-term benefits fund	17%	17%
Long-term benefits fund	83%	83%
	100%	100%

(b) Investment income

Investment income and expenses is allocated to the benefit fund in the ratio of the beginning of year reserve of each fund to the total beginning of year reserves.

Investment expenses comprise all costs relating to the management of investment properties and financial assets and provision for impairment of financial assets.

(c) Changes in fair value of investment properties

Changes in fair value of investment properties are allocated to the benefit fund in the ratio of the beginning of year reserve of each fund to the total beginning of year reserves.

(d) Expenses

General and administrative expenses and amortisation and impairment of intangible assets are allocated in proportion to the sum of contributions and benefits.

(e) Other income

Other income is allocated in the same proportion as contribution income.

Income Tax

National Insurance Corporation is exempt from the payment of income tax under the Income Tax Act.

As per Cabinet conclusions, the following exemptions have been granted to the subsidiary companies:

- St. Lucia Mortgage Finance Company Limited is exempt from income tax on any income accruing to the company by way of interest on loans up to $500,000.
- National Insurance Property Development and Management Company Ltd. is exempt from income tax on the profits earned by the company, which are specific to refurbishment and BOLT projects.
- Castries Car Park Facility Limited has been granted a tax holiday for the first ten years of operation.
- Blue Coral Limited has been granted a tax holiday for the first ten years of operation.

2 Summary of significant accounting policies...*continued*

Income Tax...*continued*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Foreign currency transactions

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Eastern Caribbean dollars, which is the Group's functional and presentation currency. The functional currency of each of the Group's subsidiaries is also Eastern Caribbean dollars.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income and expenditure. Translation differences on non-monetary items, such as equities held at fair value through income, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities held as available-for-sale are included in reserves in the balance sheet.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Management of financial risk

Financial risk

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. In particular, the key financial risk is that the proceeds from its financial assets will not be sufficient to fund its obligations arising from claims. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Income earned from investments, together with the excess of contributions after benefits are paid are used to earn interest rate margins through investment in high quality, high yielding assets with acceptable level of risks.

The Board of Directors has overall responsibility for the establishment of a risk management framework. The following are the systems and structures put in place to ensure that the Group's exposure to risk is minimised:

- Investment Section, which conducts regular due diligence exercises based on published financial reports and other available data. Detailed monthly and quarterly reports are submitted to Executive Director and to the Investment Committee.
- The Investment Committee, whose role is to review the results of the due diligence exercises conducted by the Investment Manager. Decisions/ recommendations are submitted to the Board of Directors for ratification.

Investment decisions are made in the context of Section 20 of the National Insurance Act No 18 of 2000 and the Group's investment policy and guidelines.

The investment policy and guidelines establish asset categories with targeted asset allocations.

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments such as loan commitments. The credit risk management and control are centralised and reports to the Board of Directors.

Credit risk measurement

(a) Loans and advances

If customers are independently rated, their ratings are used. Otherwise, if there is no independent rating, the Investment Committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group uses the historical information about counterparty default rates to classify the customers in different groups. Clients of the Group are segmented into two rating classes, customers with no history of default and customers with history of default. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Moody's Investment Service, Standard & Poor's rating, Caricris or their equivalents are used by the Board for managing of the credit risk exposures.

3 Management of financial risk...*continued*

Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Group limits its credit risk exposure with respect to its debt securities portfolio by investing only in financial instruments with a minimum rating of BAA (Moody's Investment Service) or BBB (Standard & Poor Group) or Regional Governments or institutions with high credit worthiness. The Board through the Investment Section and the Investment Committee consistently monitors the performance of these instruments.

The Group constantly monitors its Loan portfolio and outstanding contributions. The necessary contact with debtors and employers is maintained to ensure that payments are received in a timely manner, where necessary re-scheduling of repayments 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.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to the industry segments as established by the investment policy. Such risks are monitored regularly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

It is common practice for the Group to require collateral as security for loans and advances. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Government guarantee; and
- Charges over business assets such as premises, inventory and accounts receivable.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

3 Management of financial risk...*continued*

Impairment and provisioning policies

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	2009	**2008**
	$	**$**
Cash at banks	**36,431,059**	18,049,365
Short term deposits	**10,557,565**	28,116,045
Fair value through income		
– Debt securities	**43,577,287**	67,728,137
Loans and receivables		
– Loans to Government of Saint Lucia and statutory bodies	**57,831,511**	60,081,510
– Other loans	**68,538,763**	72,635,238
– Other advances and receivables from Government of Saint Lucia	**61,379,214**	57,399,140
– Contribution receivables	**6,199,539**	6,173,787
– Other receivables	**1,831,684**	2,717,179
Debt securities investments		
– Held-to-maturity	**186,350,313**	149,104,862
– Loans and receivables	**489,435,659**	411,002,900
Credit risk exposures relating to off-balance sheet items are as follows:		
Loan commitments and other credit related liabilities	**3,728,595**	5,479,342
At June 30	**965,861,189**	878,487,505

The above table represents a worse case scenario of credit risk exposure to the Group at June 30, 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 20% of the total maximum exposure is derived from loans and receivables (2008 – 23%) while 74% represents investments in debt securities (2008 – 71%).

3 Management of financial risk...*continued*

Maximum exposure to credit risk before collateral held or other credit enhancements...*continued*

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and receivables portfolio based on the following:

- Loans to Government of Saint Lucia which represents the largest percentage of the portfolio, are backed by collateral;
- 64% of the loans and receivables portfolio are considered to be neither past due nor impaired (2008 – 69%);
- The Group continues to grant loans and advances in accordance with its lending policies and guidelines.

Loans and receivables

Loans and receivables are summarised as follows:

	2009 $	2008 $
Loans and receivables		
Neither past due nor impaired	**140,185,535**	153,666,401
Past due but not impaired	**38,716,917**	27,748,405
Impaired	**41,827,863**	41,244,673
Gross	**220,730,315**	222,659,479
Less: Allowance for impairment (Notes 7)	**(24,949,604)**	(23,652,625)
Net	**195,780,711**	199,006,854

During the year 2009, the total impairment provision for loans and receivables increased by $1,402,643 (2008 – $1,598,442). The creation and release of provision for impaired loans and receivables have been included in 'Investment income – net' in the statement of income and expenditure (Notes 20 and 22). Further information of the impairment allowance for loans and receivables is shown in Notes 7.

3 Management of financial risk...*continued*

(a) Loans and receivables neither past due or impaired

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group.

June 30, 2009	**Loans**		**Other advances and receivables**		
	Statutory bodies $	**Other $**	**Government of St. Lucia $**	**Other $**	**Total $**
Grade					
Customers with no history of default	42,750,000	62,093,952	27,836,416	7,505,167	140,185,535

June 30, 2008	**Loans**		**Other advances and receivables**		
	Statutory bodies $	**Other $**	**Government of St. Lucia $**	**Other $**	**Total $**
Grade					
Customers with no history of default	45,000,000	62,358,479	41,706,944	4,600,978	153,666,401

June 30, 2009

(expressed in Eastern Caribbean dollars)

3 Management of financial risk*...continued*

(b) Loans and receivables past due but not impaired

As of June 30, 2009, the Group has $38,716,917 loans and receivables that are past due but not impaired (2008 – $27,748,405). Gross amount of these loans and receivables by class of customers net of unearned interest are as follows:

	Loans		Other advances and receivables		
June 30, 2009	**Statutory bodies $**	**Other $**	**Government of St. Lucia $**	**Other $**	**Total $**
Past due up to 30 days	–	1,724,323	142,356	54,118	1,920,797
Past due 31-60 days	–	–	123,867	74,623	198,490
Past due 61-90 days	–	630,092	74,489	22,401	726,982
Past due over 90 days	–	2,307,133	33,323,959	239,556	35,870,648
Total	**–**	**4,661,548**	**33,664,671**	**390,698**	**38,716,917**
Fair value of collateral	**–**	**2,800,101**	**–**	**–**	**2,800,101**

	Loans		Other advances and receivables		
June 30, 2008	**Statutory bodies $**	**Other $**	**Government of St. Lucia $**	**Other $**	**Total $**
Past due up to 30 days	–	3,514,650	1,217,161	2,828,465	7,560,276
Past due 31-60 days	–	1,267,460	789,112	591,645	2,648,217
Past due 61-90 days	–	809,997	1,044,294	283,252	2,137,543
Past due over 90 days	–	2,187,604	12,737,039	477,726	15,402,369
Total	**–**	**7,779,711**	**15,787,606**	**4,181,088**	**27,748,405**
Fair value of collateral	**–**	**14,601,000**	**–**	**–**	**14,601,000**

Upon initial recognition of loans and receivables, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

3 Management of financial risk...*continued*

(c) Loans and receivables individually impaired

The table below shows the gross amount of individually impaired loans and receivables to customers by grades before taking into consideration the cash flows from collateral held.

	Loans		Other advances and receivables		
June 30, 2009	**Statutory bodies $**	**Other $**	**Government of St. Lucia $**	**Other $**	**Total $**
Over 150 days	39,531,495	2,030,488	12,612	253,268	41,827,863

The impaired loan due from Statutory bodies is secured by a Government guarantee with respect to a principal balance of $20,000,000 together with accrued interest. Fair value of collateral of other impaired loans as at June 30, 2009 totalled $1,631,100. Other advances and receivables are unsecured.

	Loans		Other advances and receivables		
June 30, 2009	**Statutory bodies $**	**Other $**	**Government of St. Lucia $**	**Other $**	**Total $**
Over 150 days	38,171,129	2,779,356	–	294,188	41,244,673

The impaired loan due from Statutory bodies is secured by a Government guarantee with respect to a principal balance of $20,000,000 together with accrued interest. Fair value of collateral of other impaired loans as at June 30, 2008 totalled $3,316,930. Other advances and receivables are unsecured.

3 Management of financial risk*…continued*

Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2009, based on Standard & Poor's ratings, Caricris or their equivalent:

	Treasury bills $	Debt securities $	Total $
A- to A+	–	71,562,819	71,562,819
Lower than A-	23,106,606	166,436,009	189,542,615
Unrated	–	458,257,825	458,257,825
Total	23,106,606	696,256,653	719,363,259

There are no past due nor impaired debt instruments as of June 30, 2009.

3 Management of financial risk...*continued*

Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the geographical sectors of our counterparties.

	Local $	Regional $	Extra Regional $	Total $
Cash and cash equivalents	46,988,624	–	–	46,988,624
Financial assets:				
Fair value through income	–	–	43,577,287	43,577,287
Loans and receivables	195,780,711	–	–	195,780,711
Investment securities				
– Held-to-maturity	180,229,423	6,120,890	–	186,350,313
– Loans and receivables	389,714,276	99,721,383	–	489,435,659
As at June 30, 2009	812,713,034	105,842,273	43,577,287	962,132,594
Credit commitments	3,728,595	–	–	3,728,595
Cash and cash equivalents	46,165,410	–	–	46,165,410
Financial assets:				
Fair value through income	–	–	67,728,137	67,728,137
Loans and receivables	199,006,854	–	–	199,006,854
Investment securities				
– Held-to-maturity	142,983,595	6,121,267	–	149,104,862
– Loans and receivables	323,857,669	87,145,231	–	411,002,900
As at June 30, 2008	712,013,528	93,266,498	67,728,137	873,008,163
Credit commitments	5,479,342	–	–	5,479,342

3 Management of financial risk...*continued*

Concentration of risks of financial assets with credit risk exposure...continued

(b) Industry sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

	Financial institutions $	Utilities $	Government and Statutory bodies (Local) $	Government (Regional) $	Construction $	Aviation $	Personal $	Other industries $	Total $
Cash and cash equivalents	46,988,624	–	–	–	–	–	–	–	46,988,624
Financial assets:									
Fair value through income	43,577,287	–	–	–	–	–	–	–	43,577,287
Loans and receivables	23,828,289	4,102,146	119,308,455	–	–	–	40,617,403	7,924,418	195,780,711
Investment securities									
– Held-to-maturity	5,113,390	–	180,229,423	1,007,500	–	–	–	–	186,350,313
– Loans and receivables	432,672,641	9,761,157	9,313,192	29,414,502	5,463,736	2,810,431	–	–	489,435,659
As at June 30, 2009	552,180,231	13,863,303	308,851,070	30,422,002	5,463,736	2,810,431	40,617,403	7,924,418	962,132,594
Credit commitments	–	–	–	–	–	–	3,728,595	–	3,728,595
As at June 30, 2008	521,189,676	16,891,871	269,784,461	9,101,032	5,488,580	5,336,300	37,874,420	7,341,823	873,008,163
Credit commitments	–	–	–	–	–	–	5,479,342	–	5,479,342

3 Management of financial risk…*continued*

Market risk

(a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from recognised assets. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollars (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976.

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's strategy of managing this risk is to limit foreign exchange exposure to Eastern Caribbean dollars and United States dollars, avoid speculation with an aim to keep a balanced portfolio and match foreign currency denominated assets with foreign currency denominated liabilities. The table below summarises the Group's exposure to foreign currency exchange rate risk at June 30, 2009.

Included in the table are the Group's financial assets and liabilities at carrying amounts, categorised by currency.

Concentration of currency risk – on - and off-balance sheet financial instruments

	EC $	US $	Total $
As at June 30, 2009			
Assets			
Cash and cash equivalents	46,988,624	–	46,988,624
Financial assets:			
Fair value through income	112,615,945	60,202,409	172,818,354
Loans and receivables	195,780,711	–	195,780,711
Investment securities			
– Held-to-maturity	175,192,043	11,158,270	186,350,313
– Loans and receivables	413,048,076	76,387,583	489,435,659
– Available-for-sale	563,400	–	563,400
Total financial assets	944,188,799	147,748,262	1,091,937,061
Liabilities			
Trade and other payables	10,955,951	–	10,955,951
Borrowings	11,792,190	–	11,792,190
Total financial liabilities	22,748,141	–	22,748,141
Net on balance sheet financial position	921,440,658	147,748,262	1,069,188,920
Credit commitments	3,728,595	–	3,728,595

3 Management of financial risk*...continued*

(a) Currency risk...continued

	EC $	US $	Total $
As at June 30, 2009			
Assets			
Cash and cash equivalents	42,971,887	3,193,523	46,165,410
Financial assets:			
Fair value through income	110,236,200	89,286,695	199,522,895
Loans and receivables	199,006,854	–	199,006,854
Investment securities			
– Held-to-maturity	149,104,862	–	149,104,862
– Loans and receivables	342,035,725	68,967,175	411,002,900
– Available-for-sale	563,400	–	563,400
Total financial assets	843,918,928	161,447,393	1,005,366,321
Liabilities			
Trade and other payables	9,619,600	–	9,619,600
Borrowings	11,483,006	–	11,483,006
Total financial liabilities	21,102,606	–	21,102,606
Net on balance sheet financial position	822,816,322	161,447,393	984,263,715
Credit commitments	5,479,342	–	5,479,342

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board of Directors.

The Group's publicly traded equity securities are included on the Eastern Caribbean Stock Exchange (ECSE). At June 30, 2009 if equity securities prices had been 2% higher/lower with all variables held constant reserves for the year would have been $2,580,821 (2008 - $2,464,410) higher/lower as a result of the increase/decrease in fair value of available for sale and fair value through income equity securities.

c) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. As the group does not hold financial instruments with variable rates, it is not exposed to cash flow interest rate risk.

3 Management of financial risk...*continued*

c) *Cash flow and fair value interest rate risk...continued*

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2009							
Assets							
Cash and cash equivalents	46,168,509	–	–	–	–	820,115	46,988,624
Financial assets:							
Fair value through income	–	–	42,816,958	–	–	130,001,396	172,818,354
Loans and receivables	–	2,107,420	65,621,509	32,845,352	49,382,916	45,823,514	195,780,711
Investment securities							
– Held-to-maturity	4,013,433	3,898,198	18,316,412	84,769,470	75,352,800	–	186,350,313
– Loans and receivables	27,994,851	77,821,651	325,565,099	37,447,308	20,606,750	–	489,435,659
– Available-for-sale	–	–	–	–	–	563,400	563,400
Total financial assets	78,176,793	83,827,269	452,319,978	155,062,130	145,342,466	177,208,425	1,091,937,061
Liabilities							
Trade and other payables	–	–	–	–	–	10,955,951	10,955,951
Borrowings	44,388	–	–	1,343,140	8,429,860	324,802	10,142,190
Preference shares	–	1,650,000	–	–	–	–	1,650,000
Total financial liabilities	44,388	1,650,000	–	1,343,140	8,429,860	11,280,753	22,748,141
Total interest repricing gap	78,132,405	82,177,269	452,319,978	153,718,990	136,912,606		
As at June 30, 2008							
Total financial assets	73,625,394	127,353,099	320,882,723	192,524,216	114,664,420	176,316,469	1,005,366,321
Total financial liabilities	–	–	–	1,343,140	10,079,860	9,679,577	21,102,577
Total interest repricing gap	73,625,394	127,353,099	320,882,723	191,181,076	104,584,560		

3 Management of financial risk...*continued*

c) *Cash flow and fair value interest rate risk...continued*

The Group's fair value interest rate risk arises from debt securities classified as fair value through income. At June 30, 2009 if market interest rates had been 100 basis points higher/lower with all variables held constant, reserves for the year would have been $435,773 (2008 - $677,281) lower/higher as a result of the decrease/increase in fair value of fair value through income debt securities.

Liquidity risk

The Group is exposed to daily calls on its available cash resources mainly from payments of short-term benefits. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management ensures that a minimum level of cash and short-term resources are available to meet its current obligations.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturities of financial liabilities

	1 year $	1 - 5 years $	Over 5 years $	Total $
At June 30, 2009				
Trade and other payables	10,955,951	–	–	10,955,951
Borrowings	1,827,027	4,704,142	13,239,872	19,771,041
Preference shares	1,650,000	–	–	1,650,000
	14,432,978	4,704,142	13,239,872	32,376,992
At June 30, 2008				
Trade and other payables	9,619,600	–	–	9,619,600
Borrowings	–	4,619,027	13,638,593	18,257,620
Preference shares	1,650,000	–	–	1,650,000
	11,269,600	4,619,027	13,638,593	29,527,220

The daily liquidity position for both operational and the payment of benefits is monitored daily by the Investment Manager, who ensures 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 Investment Manager who will seek to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

3 Management of financial risk*...continued*

Fair value estimation of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The carrying amounts and fair values of financial instruments other than financial assets through income and available for sale are as follows.

	Carrying amount		Fair value	
	2009	**2008**	**2009**	**2008**
	$	**$**	**4**	**$**
Cash and cash equivalents	**46,988,624**	46,165,410	**46,988,624**	46,165,410
Loans and receivables	**195,780,711**	199,006,854	**206,613,269**	216,203,991
Investment securities				
– Held-to-maturity	**186,350,313**	149,104,862	**179,492,486**	152,189,911
– Loans and receivables	**489,435,659**	411,002,900	**482,015,942**	427,162,543
Trade and other payables	**10,955,952**	9,619,600	**10,955,952**	9,619,600
Borrowings	**11,792,190**	10,690,182	**11,354,884**	10,026,828

The carrying value of cash and cash equivalents, other advances and receivables, and trade and other payables approximate their fair values due to the short-term maturity of these items.

The fair value of held-to-maturity and other loans and receivables financial assets for disclosure purposes are estimated by discounting the future contractual cash flows at the current market rate of 7.15% that is available to the Group in respect of similar financial instruments.

The Group is not able to reliably estimate the fair value of available-for-sale financial assets since the shares are not traded in an active market and the future cash flows relating to the investment cannot be reliably estimated.

Capital risk management

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern and to meet its statutory obligation to pensioners and contributors.

As further discussed in note 25, actuarial reviews are conducted periodically in order to ensure that the Corporation's management has all the information required to adjust the rate of contribution to ensure that the statutory requirements to pensioners and contributors are met.

4 Critical accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of loans and advances

The Group reviews its loan portfolio to assess impairment annually. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Basis of allocation of income and expenditure

The Group allocates income and expenditure to short-term and long-term benefits in accordance with the approve recommendations of the actuarial review. This allocation involves the use of estimates concerning factors such as demographic, economic and financial assumptions. Assumptions to project benefits and expenses are based on the Corporation's experience and are updated in each actuarial review.

Fair value of investment properties

The fair value of buildings included in investment properties as at June 30, 2009 is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Fair value of buildings is estimated by discounting expected rentals at market yields.

5 Cash and cash equivalents

	2009 $	2008 $
Cash at bank and in hand	**36,431,059**	18,049,365
Short-term deposits	**10,557,565**	28,116,045
Total cash and cash equivalents	**46,988,624**	46,165,410

The effective interest rate on short-term bank deposits ranges from 2% to 6% (2008 - 2% to 6%) per annum.

Cash and cash equivalents include the following for the purposes of the statement of cash flow:

	2009 $	2008 $
Cash and cash equivalents	**46,988,624**	46,165,410
Bank overdraft (Note 14)	**(44,388)**	–
Total cash, cash equivalents and bank overdraft	**46,944,236**	46,165,410

6 Financial assets

The Group's financial assets are summarised below by measurement category in the table below.

	2009 $	2008 $
Fair value through income	**172,818,354**	199,522,895
Loans and receivables (Note 7)	**195,780,711**	199,006,854
Investment securities		
– Held-to-maturity	**186,350,313**	149,104,862
– Loans and receivables	**489,435,659**	411,002,900
– Available-for-sale	**563,400**	563,400
Total financial assets	**1,044,948,437**	959,200,911

6 Financial assets*...continued*

The assets comprised in each of the categories above are detailed in the tables below.

	2009 $	2008 $
Financial assets at fair value through income		
Equity securities:		
– Listed	**129,241,067**	131,794,758
Debt securities:		
– Listed	**43,577,287**	67,728,137
	172,818,354	199,522,895

Equity and debt securities classified at fair value through income are designated in this category upon initial recognition. There are no non-derivative financial assets held for trading.

	2009 $	2008 $
Investment securities		
Debt securities at fixed interest rate:		
– Held-to-maturity - listed	**186,350,313**	149,104,862
– Loans and receivables - unlisted	**489,435,659**	411,002,900
	675,785,972	560,107,762
Available-for-sale - unlisted equity securities	**563,400**	563,400

The breakdown of debt securities at fixed interest rate into current and non-current portion are shown below.

	2009 $	2008 $
Current portion	**457,609,643**	390,084,570
Non-current portion	**218,176,329**	170,023,192
	675,785,972	560,107,762

Debt securities bear interest rates ranging from 4.5% to 7% (2008 - 4% to 9%). There were no debt securities and available-for-sale financial assets that were considered past due or impaired at the reporting date.

6 Financial assets...*continued*

Movements of the Group's financial assets are summarised as follows:

	Investment Securities					
	Held-to-maturity $	**Loans and receivables $**	**Available-for-sale $**	**Fair value through income $**	**Loans and receivables $**	**Total $**
At the beginning of 2008	133,850,323	382,795,103	563,400	177,808,491	182,499,240	877,516,557
Net additions	23,354,539	59,507,026	–	3,635,216	18,106,056	104,602,837
Disposals (redemption)	(8,100,000)	(31,299,229)	–	–	–	(39,399,229)
Net increase in provisions for impairment	–	–	–	–	(1,598,442)	(1,598,442)
Fair value losses on debt securities	–	–	–	(4,176,172)	–	(4,176,172)
Fair value gains on equity securities	–	–	–	22,255,360	–	22,255,360
At the end of 2008	149,104,862	411,002,900	563,400	199,522,895	199,006,854	959,200,911
At the beginning of 2009	149,104,862	411,002,900	563,400	199,522,895	199,006,854	959,200,911
Net additions	37,245,451	93,229,311	–	–	(1,823,500)	128,651,262
Disposals (redemption)		(14,796,552)	–	(22,919,619)	–	(37,716,171)
Net increase in provisions for impairment	–	–	–	–	(1,402,643)	(1,402,643)
Fair value losses on debt securities	–	–	–	(6,164,668)	–	(6,164,668)
Fair value gains on equity securities	–	–	–	2,379,746	–	2,379,746
At the end of 2009	186,350,313	489,435,659	563,400	172,818,354	195,780,711	1,044,948,437

7 Loans and receivables

	2009 $	2008 $
Loans to Government of Saint Lucia and statutory bodies	**82,281,495**	83,171,127
Provision for impairment	**(24,449,984)**	(23,089,617)
	57,831,511	60,081,510
Other loans	**68,754,418**	72,917,544
Provision for impairment	**(215,655)**	(282,306)
	68,538,763	72,635,238
	126,370,274	132,716,748
Other advances and receivables:		
Due from Government of Saint Lucia		
– Other receivables	**33,566,887**	35,159,678
– Contributions receivable	**3,011,769**	3,009,037
– Finance lease receivables (Note 8)	**24,800,558**	19,230,425
	61,379,214	57,399,140
Contributions receivable	**6,199,539**	6,173,787
Other receivables	**2,115,649**	2,997,881
Provision for impairment	**(283,965)**	(280,702)
	69,410,437	66,290,106
Total loans and receivables	**195,780,711**	199,006,854
Current portion	**48,175,962**	49,143,336
Non-current portion	**147,604,749**	149,863,518
	195,780,711	199,006,854

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Interest rates range from 4.00% to 9.50% (2008 – 4.00% to 8.25%).

7 Loans and receivables…*continued*

Allowance for impairment

Reconciliation of allowance account for losses on loans and receivables by class is as follows:

	Loans		Other advances and receivables	
	Statutory bodies $	Other $	Other $	Total $
Balance at July 1, 2008	**23,089,617**	**282,306**	**280,702**	**23,652,625**
Provision for/(recoveries of) loan impairment	1,360,367	(4,327)	46,603	1,402,643
Amounts written off during the year	–	(62,324)	(43,340)	(105,664)
At June 30, 2009	**24,449,984**	**215,655**	**283,965**	**24,949,604**
Balance at July 1, 2007	21,729,249	135,199	280,415	22,144,863
Provision for loan impairment	1,360,368	237,718	356	1,598,442
Amounts written off during the year	–	(90,611)	(69)	(90,680)
At June 30, 2008	**23,089,617**	**282,306**	**280,702**	**23,652,625**

The Group has recognised a loss of $1,402,643 (2008 – $1,598,442) for the impairment of its loans and receivables during the year ended June 30, 2009. The loss has been included under investment income – net in the consolidated statement of income and expenditure.

8 Finance lease receivables

	2009 $	2008 $
Due from Government of Saint Lucia:		
Finance leases	**23,341,824**	18,378,693
Unpaid charges	**1,458,734**	851,732
	24,800,558	19,230,425
Finance leases - gross receivables	**41,259,620**	32,426,230
Unearned finance income	**(17,917,796)**	(14,047,537)
	23,341,824	18,378,693
Current receivables	**1,383,850**	1,064,464
Non-current receivables	**21,957,974**	17,314,229
	23,341,824	18,378,693
Gross receivables from finance leases:		
No later than 1 year	**3,927,020**	3,098,520
Later than 1 year and not later than 5 years	**14,821,090**	11,780,010
Later than 5 years	**22,511,510**	17,547,700
	41,259,620	32,426,230
Unearned future finance income on finance leases	**(17,917,796)**	(14,047,537)
Net investment in finance leases	**23,341,824**	18,378,693
The net investment in finance leases may be analysed as follows:		
No later than 1 year	**1,383,850**	1,064,464
Later than 1 year and not later than 5 years	**6,309,262**	4,321,706
Later than 5 years	**15,648,712**	12,992,523
	23,341,824	18,378,693

9 Intangible asset

The intangible asset represents mathematics education software. This was a venture between the Corporation and the Ministry of Education to design, develop and install customized mathematics software for Saint Lucian students from Kindergarten to Grade 8. This venture was funded by the Corporation and was to be managed by the Ministry of Education. The Corporation in return was to receive royalties on the sale of the rights to use the software. As at June 30, 2008 management determined that the recoverable amount of the intangible asset was nil, and therefore the carrying value of the mathematical software was written down to zero.

	2009 $	2008 $
Beginning of year	–	4,707,519
Additions	–	122,401
Amortization and impairment loss	–	(4,829,920)
End of year	–	–

10 Investment properties

	2009 $	2008 $
Beginning of year	**270,720,886**	240,379,789
Additions	**6,782,217**	19,037,190
Disposals	**(1,045,603)**	(22,000,000)
Increase in fair value (Note 18)	**9,305,288**	33,303,907
End of year	**285,762,788**	270,720,886

The Group's investment properties are carried at fair value. Fair values of land included in investment properties are based on valuations performed by independent, professionally qualified valuers as at June 30, 2009 and 2008. Fair values of investment properties buildings are estimated by discounting expected rentals at market yields.

The following amounts have been recognised in the consolidated statement of income and expenditure:

	2009 $	2008 $
Rental income	**9,946,221**	8,566,483
Direct operating expenses arising from investment properties that generate rental income	**2,566,883**	2,277,148

11 Property, plant and equipment

	Land & Building $	Leasehold Improvements $	Motor Vehicles $	Furniture & Equipment $	Computer Hardware $	Computer Software $	Generators $	Maintenance Equipment $	Total
At June 30, 2007									
Cost	2,774,996	241,395	621,893	5,476,274	2,019,258	976,216	325,430	76,016	12,511,478
Accumulated depreciation	(104,506)	(177,225)	(429,461)	(4,015,111)	(1,664,553)	(886,355)	(325,430)	(41,385)	(7,644,026)
Net book amount	2,670,490	64,170	192,432	1,461,163	354,705	89,861	–	34,631	4,867,452
Year ended June 30, 2008									
Opening net book amount	2,670,490	64,170	192,432	1,461,163	354,705	89,861	–	34,631	4,867,452
Additions	5,526	–	88,290	167,128	145,849	81,571	–	6,238	494,602
Depreciation	(33,647)	(24,139)	(120,259)	(464,729)	(152,871)	(54,747)	–	(8,227)	(858,619)
Closing net book amount	2,642,369	40,031	160,463	1,163,562	347,683	116,685	–	32,642	4,503,435
At June 30, 2008									
Cost	2,780,522	241,395	710,183	5,228,187	1,343,719	843,522	325,430	82,254	11,555,212
Accumulated depreciation	(138,153)	(201,364)	(549,720)	(4,064,625)	(996,036)	(726,837)	(325,430)	(49,612)	(7,051,777)
Net book amount	2,642,369	40,031	160,463	1,163,562	347,683	116,685	–	32,642	4,503,435
Year ended June 30, 2009									
Opening net book amount	2,642,369	40,031	160,463	1,163,562	347,683	116,685	–	32,642	4,503,435
Additions	–	1,000	172,211	451,903	191,993	296	–	37,889	855,292
Disposals	–	–	–	(9,332)	(1,177)	–	–	(4,500)	(15,009)
Depreciation	(33,704)	(24,240)	(133,683)	(348,028)	(160,295)	(43,723)	–	(10,514)	(754,187)
Closing net book amount	2,608,665	16,791	198,991	1,258,105	378,204	73,258	–	55,517	4,589,531
At June 30, 2009									
Cost	2,780,521	242,395	882,394	5,592,347	1,510,436	843,818	325,430	105,143	12,282,484
Accumulated depreciation	(171,856)	(225,604)	(683,403)	(4,334,242)	(1,132,232)	(770,560)	(325,430)	(49,626)	(7,692,953)
Net book amount	2,608,665	16,791	198,991	1,258,105	378,204	73,258	–	55,517	4,589,531

12 Projects in progress

The construction cost of new police and fire stations will be repaid over a fifteen-year lease term, after which the stations will be vested back to the Government of Saint Lucia at a nominal fee of $10.

The cumulative construction costs for the projects in progress are as follows:

	2009 $	2008 $
Dennery Police Station	–	3,067,668
Richfond Police Station	–	2,095,610
	–	5,163,278

The construction costs of projects transferred to finance leases are as follows:

	2009 $	2008 $
Dennery Police station	**3,727,023**	–
Richmond Police Station	**2,410,098**	–
Micoud Fire Station	–	2,320,350
Micoud Police Station	–	2,168,950
	6,137,121	4,489,300

13 Trade and other payables

	2009 $	2008 $
Trade payables	**4,633,355**	4,791,905
Benefit payables	**960,045**	1,162,593
Other liabilities	**5,362,551**	3,665,102
	10,955,951	9,619,600

14 Borrowings

	2009 $	2008 $
Bank overdraft (Note 5)	**44,388**	–
Bank borrowings	**10,097,802**	9,833,006
Redeemable preference shares	**1,650,000**	1,650,000
Total borrowings	**11,792,190**	11,483,006
Current	**1,694,388**	1,650,000
Non-current	**10,097,802**	9,833,006
	11,792,190	11,483,006

Bank borrowings are secured by a registered mortgage debenture and hypothecary obligation for $9,773,000 over the Group's property on Bridge Street and assignment of insurance over the same property. The principal amount due bears interest at 7% (2008 - 7%). Borrowings are repayable in 240 monthly instalments commencing 12 months after the last drawdown on the loan until December 30, 2028.

The preference shares are redeemable after 12 years in 2020 with an earlier redemption clause at the option of the holder. Dividends are payable annually at 4% for the first two years increasing to 7% from 2010.

15 Principal subsidiary undertakings

	2009 %	2008 %
St. Lucia Mortgage Finance Company Limited	**75**	75
Castries Car Park Facility Limited	**100**	100
National Insurance Property Development and Management Company Ltd. (NIPRO)	**100**	100
Blue Coral Limited	**66 2/3**	66 2/3

All holdings are in the ordinary share capital of the undertaking concerned. The companies noted above are all incorporated and domiciled in Saint Lucia.

16 Short-term and long-term benefit funds

Short-term benefits fund is held to cover sickness benefit, maternity allowance and grant, funeral grant, employment injury benefit, hospitalization and medical benefits in respect of qualifying persons.

Long-term benefits fund is held to cover retirement pensions, retirement grants, death and disablement, invalidity and survivors' benefits in respect of qualifying persons.

17 Reserves

	Statutory Reserve $	Excess Loan Fees $	Portfolio Risk Reserve $	Total $
Balances at June 30, 2007	820,765	256,706	301,716	1,379,187
Transfer to statutory reserve	42,736	–	–	42,736
Loan fees collected	–	14,906	–	14,906
Transfer to portfolio risk reserve	–	–	31,970	31,970
Balances at June 30, 2008	863,501	271,612	333,686	1,468,799
Transfer to statutory reserve	71,732	–	–	71,732
Loan fees collected	–	38,391	–	38,391
Transfer to portfolio risk reserve	–	–	–	–
Balances at June 30, 2009	935,233	310,003	333,686	1,578,922

Statutory reserve

This reserve is maintained in accordance with Section 14(1) of the Banking Act, 1991 which requires that every licensed financial institution maintain a reserve fund and shall, out of its net profit of each year transfer to that fund a sum equal to not less than 20% of such profits whenever the amount of the fund is less than one hundred percent of the paid-up capital of the financial institution.

Excess Loan Fees

It is the policy of St. Lucia Mortgage Finance Company Limited to provide finance not exceeding 80% of the value of the asset. If finance is in excess of 80%, an additional charge of 2.5% of the loan amount is requested and kept as a reserve. These fees are recognised as income when the loans are repaid.

Portfolio Risk Reserve

This reserve represents amounts set aside for impairment losses on loans and advances to comply with the Prudential Credit Guidelines issued by the Eastern Caribbean Central Bank (ECCB) in addition to those losses that have been recognised under IAS 39. The Prudential Credit Guidelines require a provision to be made in respect of the portion of the portfolio where loans are three payments or more in arrears.

18 Detailed statement of income and expenditure

	Short-term Benefits		Long-term Benefits		Retained Earnings		Total	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Contribution income	**14,726,596**	13,981,971	**71,900,438**	68,264,918	**–**	–	**86,627,034**	82,246,889
Benefits paid								
Short-term benefits (Note 19)	**(6,730,931)**	(5,842,818)	**–**	–	**–**	–	**(6,730,931)**	(5,842,818)
Long-term benefits (Note 19)	**–**	–	**(37,244,409)**	(34,489,886)	**–**	–	**(37,244,409)**	(34,489,886)
Medical health programme	**(3,000,000)**	(3,000,000)	**–**	–	**–**	–	**(3,000,000)**	(3,000,000)
	(9,730,931)	(8,842,818)	**(37,244,409)**	(34,489,886)	**–**	–	**(46,975,340)**	(43,332,704)
Surplus of contributions over benefits	**4,995,665**	5,139,153	**34,656,029**	33,775,032	**–**	–	**39,651,694**	38,914,185
General and administrative expenses	**(1,770,859)**	(1,536,850)	**(7,902,686)**	(6,918,739)	**(4,509,802)**	(3,045,026)	**(14,183,347)**	(11,500,615)
Amortisation and impairment loss of intangible asset	**–**	(877,865)	**–**	(3,952,055)	**–**	–	**–**	(4,829,920)
Income from operations	**3,224,806**	2,724,438	**26,753,343**	22,904,238	**(4,509,802)**	(3,045,026)	**25,468,347**	22,583,650
Other income								
Investment income - net	**1,539,484**	2,029,098	**47,180,592**	66,058,295	**10,348,765**	7,867,171	**59,068,841**	75,954,564
Increase in fair value of investment properties	**294,034**	992,502	**9,011,254**	32,311,405	**–**	–	**9,305,288**	33,303,907
Negative goodwill	**–**	–	**–**	–	**–**	908,212	**–**	908,212
Others	**209,617**	348,846	**1,023,429**	1,703,188	**372,965**	1,140,255	**1,606,011**	3,192,289
	2,043,135	3,370,446	**57,215,275**	100,072,888	**10,721,730**	9,915,638	**69,980,140**	113,358,972
Excess of income over expenditure before finance costs and income tax expense	**5,267,941**	6,094,884	**83,968,618**	122,977,126	**6,211,928**	6,870,612	**95,448,487**	135,942,622

June 30, 2009
(expressed in Eastern Caribbean dollars)

18 Detailed statement of income and expenditure...*continued*

	Short-term Benefits		Long-term Benefits		Retained Earnings		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$	$	$
Excess of income over expenditure before finance costs and income tax expense	**5,267,941**	6,094,884	**83,968,618**	122,977,126	**6,211,928**	6,870,612	**95,448,487**	135,942,622
Finance costs	**–**	–	**–**	–	**(537,078)**	–	**(537,078)**	–
Excess of income over expenditure before income tax	**5,267,941**	6,094,884	**83,968,618**	122,977,126	**5,674,850**	6,870,612	**94,911,409**	135,942,622
Income tax expense	**–**	–	**–**	–	**(170,319)**	33,788	**(170,319)**	33,788
Excess of income over expenditure	**5,267,941**	6,094,884	**83,968,618**	122,977,126	**5,504,531**	6,904,400	**94,741,090**	135,976,410
Attributable to:								
Reserves	**5,267,941**	6,094,884	**83,968,618**	122,977,126	**5,726,885**	6,686,055	**94,963,444**	135,758,065
Minority interest	**–**	–	**–**	–	**(222,354)**	218,345	**(222,354)**	218,345
	5,267,941	6,094,884	**83,968,618**	122,977,126	**5,504,531**	6,904,400	**94,741,090**	135,976,410

19 Short-term and long-term benefits

	Short-term Benefits		Long-term Benefits		Total	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Retirement	–	–	**30,131,162**	27,578,486	**30,131,162**	27,578,486
Survivorship	–	–	**4,380,177**	4,287,942	**4,380,177**	4,287,942
Sickness	**3,241,433**	2,759,313	–	–	**3,241,433**	2,759,313
Maternity	**2,981,532**	2,583,018	–	–	**2,981,532**	2,583,018
Invalidity	–	–	**2,526,200**	2,478,901	**2,526,200**	2,478,901
Funeral	**393,450**	357,990	–	–	**393,450**	357,990
Disablement	–	–	**155,748**	90,569	**155,748**	90,569
Employment injury	**97,647**	123,232	–	–	**97,647**	123,232
Death	–	–	**51,122**	53,988	**51,122**	53,988
Confinement fees and medical expenses	**16,869**	19,265	–	–	**16,869**	19,265
Total	**6,730,931**	**5,842,818**	**37,244,409**	**34,489,886**	**43,975,340**	**40,332,704**

Notes to the Consolidated Financial Statements

June 30, 2009

(expressed in Eastern Caribbean dollars)

20 Expenses by nature

	2009 $	2008 $
General and administrative expenses		
Salaries, wages and other employee benefits	**6,598,548**	6,434,991
Electricity, water and sewerage	**996,291**	459,588
Grants to St. Jude's Hospital	**898,583**	–
Rent	**761,928**	771,527
Depreciation	**720,495**	812,950
Repairs and maintenance	**611,211**	472,305
Insurance	**545,293**	367,241
Professional and legal fees	**460,959**	207,934
Public relations	**373,060**	238,943
Postage and telephone	**321,343**	255,984
Contribution to National Community Foundation	**300,000**	353,200
Stationery and printing	**296,859**	292,889
Security	**231,541**	31,072
Board expenses	**153,540**	112,294
Management fees	**142,787**	–
Audit fees	**136,100**	105,850
Motor vehicle expenses	**138,330**	88,206
Subscriptions	**92,506**	107,142
Development of Port Castries	**78,348**	–
Office and general expenses	**72,496**	91,538
Bank charges	**49,651**	57,302
Overseas meetings and conferences	**32,305**	56,495
Bad debts	**–**	356
Other expenses	**171,173**	182,808
Total	**14,183,347**	11,500,615
Expenses attributable to investment income		
Salaries and wages	**1,688,170**	1,387,619
Provision for loan impairment	**1,402,643**	1,598,085
Repairs and maintenance	**714,277**	402,946
Insurance	**432,454**	435,025
Electricity, water and sewerage	**381,315**	337,811
Security services	**153,078**	150,348
Professional and legal fees	**122,319**	50,708
Foreign exchange loss	**117,652**	42,807
Audit fees	**59,000**	54,750
Board expenses	**53,383**	62,437
Depreciation	**33,692**	45,668
Overseas meetings and conferences	**32,306**	53,450
Motor vehicle expenses	**30,357**	18,451
Total	**5,220,646**	4,640,105
Total general and administrative expenses and expenses attributable to investment income	**19,403,993**	16,140,720

20 Expenses by nature…*continued*

	2009 $	2008 $
General and administrative expenses and expenses attributable to investment income		
Employee benefits (Note 21)	**8,286,718**	7,822,610
Provision for loan impairment	**1,402,643**	1,598,442
Electricity, water and sewerage	**1,377,606**	797,399
Repairs and maintenance	**1,325,488**	766,212
Insurance	**977,747**	802,266
Grants to St. Jude's Hospital	**898,583**	–
Rent	**761,928**	771,527
Depreciation	**754,187**	858,619
Professional and legal fees	**583,278**	258,642
Security services	**384,619**	181,420
Public relations	**373,060**	238,943
Postage and telephone	**321,343**	255,984
Contribution to National Community Foundation	**300,000**	353,200
Stationery and printing	**296,859**	292,889
Board expenses	**206,923**	174,731
Audit fees	**195,100**	160,600
Motor vehicle expenses	**168,688**	106,657
Management fees	**142,787**	–
Foreign exchange loss	**117,652**	42,807
Subscriptions	**92,506**	107,142
Development of Port Castries	**78,348**	–
Office and general expenses	**72,496**	91,538
Overseas meetings and conferences	**64,611**	218,984
Bank charges	**49,651**	57,302
Scholarships and quiz sponsorships	**18,322**	15,613
Donations	**13,126**	22,066
Books and periodicals	**3,936**	8,897
Medical board fees	**3,300**	4,095
Other expenses	**132,488**	132,135
Total general and administrative expenses and expenses attributable to investment income	**19,403,993**	16,140,720

June 30, 2009

(expressed in Eastern Caribbean dollars)

21 Employee benefit expense

	2009 $	2008 $
Salaries	**7,225,551**	6,769,993
Gratuities	**273,026**	310,284
Other staff cost	**788,141**	742,333
	8,286,718	7,822,610

22 Investment income - net

	2009 $	2008 $
Fair value through income:		
– Dividend income	**6,297,002**	6,750,431
– Fair value gains on equity securities	**2,379,746**	22,255,360
– Fair value losses on debt securities	**(6,164,668)**	(4,176,172)
Loans and receivables interest income	**13,319,698**	13,302,665
Investment securities interest income		
– Held-to-maturity	**11,133,554**	9,081,895
– Loans and receivables	**22,814,789**	21,791,460
Cash and cash equivalents interest income	**2,389,092**	1,888,955
Rental income	**9,946,221**	8,566,483
Maintenance fees	**1,356,000**	408,820
Parking fees	**502,549**	391,282
Development fees	**84,366**	251,379
Management fees	**231,138**	82,111
	64,289,487	80,594,669
Expenses attributable to investment income (Note 20)	**(5,220,646)**	(4,640,105)
	59,068,841	75,954,564

23 Related party balances and transactions

The following transactions were carried out with related parties:

	2009 $	2008 $
Interest income	**5,026,461**	5,085,723
Rental income	**4,276,877**	4,248,377
Finance lease interest income	**2,771,282**	2,140,076

Key management compensation is as follows:

	2009 $	2008 $
Salaries and wages	**1,489,207**	1,527,999
Other benefits	**228,995**	287,476
	1,718,202	1,815,475

Year-end balances with related parties are as follows:

	2009 $	2008 $
Government of Saint Lucia and statutory bodies:		
Held-to-maturity investment securities	**157,122,817**	125,334,218
Loans (Note 7)	**57,831,511**	60,081,510
Other advances and receivables (Note 7)	**33,566,887**	35,159,678
Contributions receivable	**3,011,769**	3,009,037
Finance lease receivables (Notes 7 and 8)	**24,800,558**	19,230,425

24 Taxation

	2009 $	2008 $
Current tax	**111,575**	13,104
Deferred tax	**58,744**	(46,892)
	170,319	(33,788)

The tax on the Group's profit before taxation for the year differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2009 $	2008 $
Excess of income over expenditure before income tax	**94,911,409**	135,942,622
Tax calculated at domestic tax rates applicable to profits of the respective companies	**28,191,606**	40,782,786
Tax effect of exempt income	**(28,149,729)**	(40,849,913)
Movement in deferred tax not recognised	**121,171**	29,520
Expenses not deductible for tax	**7,271**	3,819
	170,319	(33,788)

The weighted average applicable tax rate was 0.18% (2008 - 0.02%).

Deferred tax liability/(assets)
The Group has recognised deferred tax relating to the subsidiary company, NIPRO which is detailed below:

	2009 $	2008 $
Accelerated capital allowance/(depreciation)	**11,852**	(2,113)
Unutilised tax losses	**–**	(44,779)
	11,852	(46,892)

June 30, 2009

(expressed in Eastern Caribbean dollars)

24 Taxation...*continued*

The movement on the deferred income tax account is as follows:

	2009 $	2008 $
At beginning of year	**(46,892)**	–
Statement of income and expenditure charge/(credit)	**58,744**	(46,892)
At end of year	**11,852**	(46,892)

25 Actuarial review

Section 24 of the National Insurance Act requires an actuarial review of the National Insurance Fund to be conducted at least every five years.

The ninth actuarial review of the National Insurance Fund as at June 30, 2007 was conducted by an actuary of the International Labour Organization.

The key results of the financial and demographic projections based on the contribution and benefit provisions in place as of the valuation date are:

(a) The population will increase from 167,000 in 2006 to just over 212,000 by 2060.

(b) The ageing of the general population will have a major impact on the ratio of workers to retirees. For the Corporation, it is projected that the number of contributors for each pensioner will fall from 10.9 in 2008 to only 2.1 in 2060.

(c) Contribution income is expected to be sufficient to meet total expenditure through 2051.

(d) Reserves are expected to begin decreasing in 2037 when total expenditure will exceed total income for the first time. In 2051, projected reserves will be depleted unless relevant measures are taken to reverse the projected trend.

(e) The pay-as-you-go rate, or the contribution rate that would be required to produce just enough income to meet expenditure if there is no fund will increase gradually from 5.1% in 2008 to more than 20% in the long term. This indicates that there will be a need to eventually increase the contribution rate of the branch in order to face its long-term cost.

(f) Beginning 2008, 11% is the constant contribution rate that will make the present value of contributions equal to the present value of expenditure through 2060.

26 Commitments

Loans and advances

As at the end of year, loans and receivables approved by the Group but not yet disbursed amounted to approximately $3,728,595 (2008 - $5,479,342).

27 Business combinations

On June 30, 2008 the Group acquired an additional 15% of the shares capital of one of its subsidiaries, Castries Cark Park Facility Limited. As a result of the acquisition, the Group owns 100% of the share capital of Castries Cark Park Facility Limited.

Details of net assets acquired and goodwill are as follows:

	$
Purchase consideration	
Cash paid	1,000,000
Net asset value as at June 30, 2008	12,721,411
Carrying value of share of net assets acquired as at June 30, 2008	1,908,212
Negative goodwill	(908,212)

National Insurance Corporation

Non-Consolidated Financial Statements

June 30, 2009

(expressed in Eastern Caribbean dollars)

PRICEWATERHOUSECOOPERS

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November 23, 2010

Independent Auditors' Report

To the Board of Directors of
National Insurance Corporation

Report on the financial statements

We have audited the accompanying non-consolidated financial statements of **National Insurance Corporation** (the Corporation) which comprise the non-consolidated balance sheet as of June 30, 2009 and the non-consolidated statements of income and expenditure, changes in reserves and 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 non-consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these non-consolidated 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' 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.

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 accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Non-consolidated Balance Sheet

as of June 30, 2009

(expressed in Eastern Caribbean dollars)

	2009 $	2008 $
Assets		
Cash and cash equivalents (Note 5)	**42,729,503**	43,632,867
Financial assets (Note 6)	**1,067,430,376**	981,695,697
Investments in subsidiaries (Note 8)	**29,281,949**	29,281,949
Investment properties (Note 10)	**212,390,758**	201,693,692
Property, plant and equipment (Note 11)	**1,062,919**	1,113,540
Total assets	**1,352,895,505**	1,257,417,745
Liabilities		
Trade and other payables (Note 12)	**6,432,584**	5,424,952
Reserves		
Short-term benefits (Note 13)	**44,994,471**	39,561,157
Long-term benefits (Note 13)	**1,301,468,450**	1,212,431,636
Total reserves	**1,346,462,921**	1,251,992,793
Total liabilities and reserves	**1,352,895,505**	1,257,417,745

Approved by the Board of Directors on September 14, 2010.

Chairman

Director

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Non-consolidated Statement of Income and Expenditure

for the year ended June 30, 2009
(expressed in Eastern Caribbean dollars)

	2009 $	2008 $
Contribution income (Note 14)	**86,627,034**	82,246,889
Benefits paid		
Short-term benefits (Note 15)	**(6,730,931)**	(5,842,818)
Long-term benefits (Note 15)	**(37,244,409)**	(34,489,886)
Medical health programme (Note 14)	**(3,000,000)**	(3,000,000)
	(46,975,340)	(43,332,704)
Surplus of contribution over benefits	**39,651,694**	38,914,185
General and administrative expenses (Note 16)	**(9,673,545)**	(8,455,589)
Amortisation and impairment loss of intangible asset (Note 9)	**–**	(4,829,920)
	29,978,149	25,628,676
Other income		
Investment income - net (Note 18)	**53,953,645**	72,661,207
Increase in fair value of investment properties (Note 10)	**9,305,288**	33,303,907
Other (Note 14)	**1,233,046**	2,064,034
	64,491,979	108,029,148
Excess of income over expenditure	**94,470,128**	133,657,824

Non-consolidated Statement of Changes in Reserves

for the year ended June 30, 2009
(expressed in Eastern Caribbean dollars)

	Short-term Benefits $	Long-term Benefits $	Total $
Balances at June 30, 2007	33,327,926	1,085,007,043	1,118,334,969
Excess of income over expenditure for the year (Note 14)	6,233,231	127,424,593	133,657,824
Balances at June 30, 2008	39,561,157	1,212,431,636	1,251,992,793
Excess of income over expenditure for the year (Note 14)	5,433,314	89,036,814	94,470,128
Balances at June 30, 2009	44,994,471	1,301,468,450	1,346,462,921

NATIONAL INSURANCE CORPORATION
For the Benefit of Us All!

Non-consolidated Statement of Cash Flows

for the year ended June 30, 2009

(expressed in Eastern Caribbean dollars)

	2009 $	2008 $
Cash flows from operating activities		
Excess of income over expenditure	**94,470,128**	133,657,824
Adjustments for:		
Interest income	**(48,905,126)**	(45,497,053)
Decrease/(increase) in fair value of financial assets at fair value through income	**3,784,922**	(22,255,360)
Increase in fair value of investment properties	**(9,305,288)**	(33,303,907)
Provision for loan impairment	**1,360,367**	1,360,368
Amortisation and impairment loss of intangible asset	**–**	4,829,920
Dividend income	**(6,462,602)**	(6,916,031)
Depreciation	**377,692**	514,041
Gain on disposal of investment properties	**(167,541)**	–
Loss on disposal of property, plant and equipment	**1,177**	–
Operating income before working capital changes	**35,153,729**	32,389,802
Decrease/(increase) in loans and receivables	**2,632,699**	(22,426,881)
Purchase of held-to-maturity financial assets	**(36,210,029)**	(15,000,000)
Increase in loans and receivables investment securities	**(82,283,380)**	(27,246,941)
Decrease in financial assets at fair value through income	**22,919,619**	540,956
Increase in trade and other payables	**1,007,632**	388,934
Cash used in operations	**(56,779,730)**	(31,354,130)
Interest received	**49,518,371**	42,704,797
Dividends received	**7,910,480**	5,468,154
Net cash provided by operating activities	**649,121**	16,818,821
Cash flows from investing activities		
Additions to intangible asset	**–**	(122,401)
Improvements to investment properties	**(2,437,381)**	(7,489,299)
Proceeds from disposal of investment properties	**1,213,144**	22,000,000
Purchase of property, plant and equipment	**(328,248)**	(337,369)
Additions to investment in subsidiary	**–**	(1,000,000)
Net cash (used in)/provided by investing activities	**(1,552,485)**	13,050,931
Net (decrease)/increase in cash and cash equivalents	**(903,364)**	29,869,752
Cash and cash equivalents, beginning of year	**43,632,867**	13,763,115
Cash and cash equivalents, end of year (Note 5)	**42,729,503**	43,632,867

1 General information

The National Insurance Corporation (the Corporation) is governed by the National Insurance Corporation Act CAP 16.01 of the revised laws of Saint Lucia 2001. The principal activity of the Corporation is to provide social security services in the country of Saint Lucia.

The Corporation is exempt from the payment of income tax under the Income Tax Act.

The registered office and principal place of business of the Corporation is Francis Compton Building, John Compton Highway, Castries, Saint Lucia.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these non-consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The non-consolidated financial statements of National Insurance Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS), and under the historical cost convention as modified by the revaluation of financial assets classified at fair value through income and investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards and amendments that are not yet effective and have not been early adopted by the Corporation

The following standards and amendments to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on or after January 1, 2009 or later periods, but the Corporation has not early adopted them:

- **IAS 1** (Amendment), *'Presentation of financial statements'* (effective from January 1, 2009). The amendment is part of the International Accounting Standards Board's (IASB) annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Corporation will apply the IAS 1 (Amendment) from July 1, 2009. It is not expected to have an impact on the Corporation's non-consolidated financial statements.
- **IAS 1** (Revised), *'Presentation of financial statements'* (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the statement of income and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Corporation will apply IAS 1 (Revised) from January 1, 2009. It is likely that both the statement of income and statement of comprehensive income will be presented as performance statements.

2 Summary of significant accounting policies*…continued*

Standards and amendments that are not yet effective and have not been early adopted by the Corporation *…continued*

- **IAS 27** (Revised), *'Consolidated and separate financial statements'* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Corporation will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests where applicable from July 1, 2009.
- **IAS 36** (Amendment), *'Impairment of assets'* (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Corporation will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from July 1, 2009.
- **IAS 40** (Amendment), *'Investment property'* (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Corporation's operations, as there are no investment properties under construction held by the Corporation.
- Amendment to **IFRS 7**, *'Financial instruments: Disclosures'*. The IASB published amendment to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment will result in additional disclosures but will not have an impact on the balance sheet or the income of the Corporation.

Cash and cash equivalents

Cash and cash equivalents represent cash on hand, deposits held on call with financial institutions. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand and in financial institutions.

Financial assets

The Corporation classifies its investments into the following categories: financial assets at fair value through income, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through income

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

2 Summary of significant accounting policies...*continued*

Financial assets... *continued*

Financial assets designated as at fair value through income at inception are those that are:

- held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Corporation's key management personnel. The Corporation's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through income (see Note 6 for additional details on the Corporation's portfolio structure).

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Corporation intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to their original terms.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the Corporation's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of held-to-maturity debt securities is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to their original terms.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular-way purchases and sales of financial assets are recognised on trade date – the date on which the Corporation commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through income, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through income are initially recognised at fair value, and transaction costs are expensed in the statement of income and expenditure.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Corporation has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through income are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through income' category are included in the statement of income and expenditure in the period in which they arise.

2 Summary of significant accounting policies...*continued*

Financial assets... *continued*

Unrealised changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the statement of income and expenditure; translation differences on non-monetary securities are recognised in equity. Unrealised changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income and expenditure as net realised gains on financial assets.

Interest on debt securities calculated using the effective interest method is recognised in the statement of income and expenditure. Dividends on equity instruments are recognised in the statement of income and expenditure when the Corporation's right to receive payments is established. Both are included in the investment income line.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Corporation establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of assets

(a) Financial assets carried at amortised cost

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence that impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

i. significant financial difficulty of the issuer or debtor;

ii. a breach of contract, such as a default or delinquency in payments;

iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

iv. the disappearance of an active market for that financial asset because of financial difficulties; or

v. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: - adverse changes in the payment status of borrowers in the group; or - national or local economic conditions that correlate with defaults on the assets in the group.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2 Summary of significant accounting policies*…continued*

Impairment of assets*…continued*

(a) Financial assets carried at amortised cost…continued

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income and expenditure. If the debt securities has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit characteristics (i.e., on the basis of the Corporation's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the asset being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income and expenditure.

(b) Financial assets carried at fair value

The Corporation assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the statement of income and expenditure – is removed from equity and recognised in the statement of income and expenditure. Impairment losses recognised in the statement of income and expenditure on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of income and expenditure, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income and expenditure.

(c) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2 Summary of significant accounting policies*...continued*

Investment in subsidiaries

Subsidiaries are all entities over which the Corporation has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. The Corporation accounts for its investment in subsidiaries in the financial statements under the cost method of accounting.

The investment in subsidiaries is recorded at cost and accordingly the subsidiaries' assets, liabilities and results of operations are not reflected in these accounts. The Corporation has prepared consolidated financial statements which have been reported on separately.

Intangible Asset

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful life.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Corporation, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development service provider's charges. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Investment property

Property held for long-term rental yields is classified as investment property.

Investment property comprises freehold land and office buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the statement of income and expenditure.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of income and expenditure. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the statement of income and expenditure.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2 Summary of significant accounting policies...*continued*

Property, plant and equipment...*continued*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income and expenditure during the financial period in which they incurred.

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Motor vehicles	–	5 years
Furniture and equipment	–	10 years
Computer hardware	–	5 years
Computer software	–	5 years
Generators	–	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income and expenditure.

Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made.

Recognition of income and expenses

(a) Contributions

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

(b) Dividend income

Dividend income for investment in equity securities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, including financial instruments measured at fair value through income, are recognised within 'investment income' (Note 18) in the statement of income and expenditure using the effective interest rate method. When a receivable is impaired, the Corporation reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2 Summary of significant accounting policies...*continued*

Recognition of income and expenses...*continued*

(d) Other income and expenses

All other income and expenses are accounted for on the accrual basis.

Basis of allocation of income and expenses

(a) Contribution income

Contribution income, as recommended by the seventh actuarial review, is allocated as follows:

	2009	2008
Short-term benefits fund	17%	17%
Long-term benefits fund	83%	83%
	100%	100%

(b) Investment income and expenses

Investment income and expenses is allocated to the benefit fund in the ratio of the beginning of year reserve of each fund to the total beginning of year reserves.

Investment expenses comprise all costs relating to the management of investment properties and financial assets and provision for impairment of financial assets.

(c) Changes in fair value of investment properties

Changes in fair value of investment properties are allocated to the benefit fund in the ratio of the beginning of year reserve of each fund to the total beginning of year reserves.

(d) Expenses

General and administrative expenses and amortisation and impairment of intangible assets are allocated in proportion to the sum of contributions and benefits.

(e) Other income

Other income is allocated in the same proportion as contribution income.

Foreign currency transactions

(a) Functional and presentation currency

Items included in the 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 Eastern Caribbean dollars, which is the Corporation's functional and presentation currency.

2 Summary of significant accounting policies*...continued*

Foreign currency transactions*...continued*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and expenditure. Translation differences on non-monetary items, such as equities held at fair value through income, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities held as available-for-sale are included in reserves in the balance sheet.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3 Management of financial risk

Financial risk

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. In particular, the key financial risk is that the proceeds from its financial assets will not be sufficient to fund its obligations arising from claims. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. Income earned from investments, together with the excess of contributions after benefits are paid are used to earn interest rate margins through investment in high quality, high yielding assets with acceptable level of risks.

The Board of Directors has overall responsibility for the establishment of a risk management framework. The following are the systems and structures put in place to ensure that the Corporation's exposure to risk is minimised:

- Investment Section, which conducts regular due diligence exercises based on published financial reports and other available data. Detailed monthly and quarterly reports are submitted to Executive Director and to the Investment Committee.
- The Investment Committee, whose role is to review the results of the due diligence exercises conducted by the Investment Manager. Decisions/ recommendations are submitted to the Board of Directors for ratification.

Investment decisions are made in the context of Section 20 of the National Insurance Act No 18 of 2000 and the Corporation's Investment policy and guidelines.

The investment policy and guidelines establish asset categories with targeted asset allocations.

3 Management of financial risk...*continued*

Credit Risk

The Corporation takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Corporation by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Corporation's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Corporation's asset portfolio. There is also credit risk in off-balance sheet financial instruments such as loan commitments. The credit risk management and control are centralised and reports to the Board of Directors.

Credit risk measurement

(a) Loans and advances

If customers are independently rated, their ratings are used. Otherwise, if there is no independent rating, the Investment Committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Corporation uses the historical information about counterparty default rates to classify the customers in different groups. Clients of the Corporation are segmented into two rating classes, customers with no history of default and customers with history of default. The Corporation regularly validates the performance of the rating and their predictive power with regard to default events.

(b) Debt securities and other bills

For debt securities and other bills, external ratings such as Moody's Investment Service, Standard & Poor's rating, Caricris or their equivalents are used by the Board for managing of the credit risk exposures.

Risk limit control and mitigation policies

The Corporation manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries.

The Corporation limits its credit risk exposure with respect to its debt securities portfolio by investing only in financial instruments with a minimum rating of BAA (Moody's Investment Service) or BBB (Standard & Poor Corporation) and Regional Governments or institutions with high credit worthiness. The Board through the Investments Section and the Investment Committee consistently monitors the performance of these instruments.

The Corporation constantly monitors its Loans and advances portfolio and outstanding contributions. The necessary contact with debtors and employers is maintained to ensure that payments are received in a timely manner, where necessary re-scheduling of repayments 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.

The Corporation structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to the industry segments as established by the investment policy. Such risks are monitored regularly by the Board of Directors.

3 Management of financial risk...*continued*

Risk limit control and mitigation policies...*continued*

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Corporation implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Government guarantee; and
- Charges over business assets such as premises, inventory and accounts receivable.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss the Corporation will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

Impairment and provisioning policies

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Corporation:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Corporation's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

3 Management of financial risk...*continued*

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	2009 **$**	**2008** **$**
Cash at banks	**32,171,038**	15,516,822
Short term deposits	**10,557,565**	28,116,045
Fair value through income		
– Debt securities	**43,577,287**	67,728,137
Loans and receivables		
– Loans to Government of Saint Lucia and statutory bodies	**57,831,511**	60,081,510
– Loans to subsidiaries	**88,969,571**	81,630,226
– Other loans	**27,930,435**	34,760,817
– Other advances and receivables from Government of Saint Lucia	**36,433,366**	36,542,805
– Receivables from subsidiaries	**35,403**	14,673
– Other receivables	**7,062,364**	8,471,609
Debt security investments		
– Held-to-maturity	**186,350,313**	149,104,862
– Loans and receivables	**489,435,659**	411,002,900
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial Guarantees		
– Loan commitments and other credit related liabilities	**3,500,000**	6,530,000
At June 30	**983,854,512**	899,500,406

The above table represents a worse case scenario of credit risk exposure to the Corporation at June 30, 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 22% of the total maximum exposure is derived from loans and advances (2008 – 25%); 73% represents investments in debt securities (2008 – 70%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Corporation resulting from both its loan and advances portfolio based on the following:

- Loans to Government of Saint Lucia which represents the largest percentage of the portfolio, followed by loans to subsidiaries, are backed by collateral;
- 64% of the loans and advances portfolio are considered to be neither past due nor impaired (2008 – 70%); and
- The Corporation continues to grant loans and advances in accordance with its lending policies and guidelines.

3 Management of financial risk...*continued*

Loans and receivables

Loans and receivables are summarised as follows:

	2009 $	2008 $
Loans and receivables		
Neither past due nor impaired	**154,985,211**	171,564,133
Past due but not impaired	**48,182,442**	34,842,509
Impaired	**39,646,377**	38,286,011
Gross	**242,814,030**	244,692,653
Less: Allowance for impairment (Notes 7)	**(24,551,380)**	(23,191,013)
Net	**218,262,650**	221,501,640

The total impairment provision for loans and receivables recognised in the statement of income and expenditure is $1,360,367 (2008 - $1,360,368). Further information of the impairment allowance for loans and receivables is provided in Note 7.

(a) Loans and receivables neither past due or impaired

The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Corporation.

June 30, 2009	**Loans**			**Other advances and receivables**		
	Statutory bodies $	**Subsidiaries $**	**Other $**	**Government of St. Lucia $**	**Other $**	**Total $**
Customers with no history of default	42,750,000	76,332,085	26,206,112	3,011,769	6,685,245	154,985,211

June 30, 2008	**Loans**			**Other advances and receivables**		
	Statutory bodies $	**Subsidiaries $**	**Other $**	**Government of St. Lucia $**	**Other $**	**Total $**
Customers with no history of default	45,000,000	68,222,834	31,991,413	22,029,439	4,320,447	171,564,133

3 Management of financial risk...*continued*

Loans and receivables...*continued*

(b) Loans and receivables past due but not impaired

Gross amount of loans and receivables by class to customers net of unearned interest that were past due but not impaired were as follows:

	Loans			
	Statutory Bodies $	Subsidiaries $	Other $	Total $
June 30, 2009				
Past due up to 30 days	–	12,167,614	1,724,323	13,891,937
Past due 31-60 days	–	23,505	–	23,505
Past due 61-90 days	–	202,410	–	202,410
Past due over 90 days	–	243,955	–	243,955
Total	**–**	**12,637,484**	**1,724,323**	**14,361,807**

	Other advances and receivables			
	Government of St. Lucia $	Subsidiaries $	Other $	Total $
June 30, 2009				
Past due up to 30 days	121,159	29,276	45,043	195,478
Past due 31-60 days	105,546	6,127	74,623	186,296
Past due 61-90 days	65,854	–	22,401	88,255
Past due over 90 days	33,129,039	–	221,567	33,350,606
Total	**33,421,598**	**35,403**	**363,634**	**33,820,635**

Other advances and receivables are unsecured.

3 Management of financial risk...*continued*

(b) Loans and receivables past due but not impaired...continued

	Loans			
	Statutory Bodies $	Subsidiaries $	Other $	Total $
June 30, 2008				
Past due up to 30 days	–	–	2,769,407	2,769,407
Past due 31-60 days	–	13,407,392	–	13,407,392
Past due 61-90 days	–	–	–	–
Past due over 90 days	–	–	–	–
Total	**–**	**13,407,392**	**2,769,407**	**16,176,799**

	Other advances and receivables			
	Government of St. Lucia $	Subsidiaries $	Other $	Total $
June 30, 2008				
Past due up to 30 days	1,077,674	14,595	2,805,506	3,897,775
Past due 31-60 days	695,355	78	575,181	1,270,614
Past due 61-90 days	648,326	–	279,259	927,585
Past due over 90 days	12,092,010	–	477,726	12,569,736
Total	**14,513,365**	**14,673**	**4,137,672**	**18,665,710**

Other advances and receivables are unsecured.

3 Management of financial risk...*continued*

(c) Loans and receivables individually impaired

The table below shows the gross amount of individually impaired loans and receivables before taking into consideration the cash flows from collateral held.

	Loans	Other advances and receivables	
	Statutory bodies $	Other $	Total $
June 30, 2009			
Over 150 days	39,531,495	114,882	39,646,377

The impaired loan is secured by a Government guarantee with respect to a principal balance of $20,000,000 together with accrued interest. Other advances and receivables are unsecured.

	Loans	Other advances and receivables	
	Statutory bodies $	Other $	Total $
June 30, 2009			
Over 150 days	38,171,129	114,882	38,286,011

The impaired loan is secured by a Government guarantee with respect to a principal balance of $20,000,000 together with accrued interest. Other advances and receivables are unsecured.

Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2009, based on Standard & Poor's ratings, Caricris or their equivalent:

	Treasury bills $	Debt securities $	Total $
A- to A+	–	71,562,819	71,562,819
Lower than A-	23,106,606	166,436,014	189,542,620
Unrated	–	458,257,820	458,257,820
Total	23,106,606	696,256,653	719,363,259

3 Management of financial risk...*continued*

Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Corporation's main credit exposure at their carrying amounts, as categorised by the geographical sectors of our counterparties.

	Local	Regional	Extra Regional	Total
	$	$	$	$
Cash and cash equivalents	42,729,503	–	–	42,729,503
Financial assets:				
Fair value through income	112,615,946	–	60,202,408	172,818,354
Loans and receivables	218,262,650	–	–	218,262,650
Investment securities				
– Held-to-maturity	180,229,423	6,120,890	–	186,350,313
– Loans and receivables	389,714,276	99,721,383	–	489,435,659
As at June 30, 2009	943,551,798	105,842,273	60,202,408	1,109,596,479
Credit commitments	3,500,000	–	–	3,500,000
Cash and cash equivalents	43,632,867	–	–	43,632,867
Financial assets:				
Fair value through income	110,236,200	–	89,286,695	199,522,895
Loans and receivables	221,501,640	–	–	221,501,640
Investment securities				
– Held-to-maturity	142,983,595	6,121,267	–	149,104,862
– Loans and receivables	323,857,669	87,145,231	–	411,002,900
As at June 30, 2008	842,211,971	93,266,498	89,286,695	1,024,765,164
Credit commitments	6,530,000	–	–	6,530,000

3 Management of financial risk...*continued*

Concentration of risks of financial assets with credit risk exposure

(b) *Industry sectors*

The following table breaks down the Corporation's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

	Financial institutions $	Utilities $	Government and Statutory bodies (local) $	Government (Regional) $	Construction $	Rental $	Aviation $	Other Industries $	Total $
Cash and cash equivalents	42,729,503	–	–	–	–	–	–	–	42,729,503
Financial assets:									
Fair value through income	125,809,354	47,009,000	–	–	–		–	–	172,818,354
Loans and receivables	57,660,750	4,102,146	112,858,400	–	–	36,543,586	–	7,097,768	218,262,650
Investment securities									
– Held-to-maturity	5,113,390	–	180,229,423	1,007,500	–	–	–	–	186,350,313
– Loans and receivables	432,672,641	9,761,157	9,313,192	29,414,502	5,463,736	–	2,810,431	–	489,435,659
As at June 30, 2009	663,985,638	60,872,303	302,401,015	30,422,002	5,463,736	36,543,586	2,810,431	7,097,768	1,109,596,479
Credit commitments	3,500,000	–	–	–	–	–	–	–	3,500,000
As at June 30, 2008	635,916,252	63,900,871	222,366,444	9,101,032	50,488,580	31,180,681	5,336,300	7,038,404	1,025,328,564
Credit commitments	–	–	1,200,000	–	–	5,330,000	–	–	6,530,000

3 Management of financial risk*…continued*

Market risk

(a) Currency risk

The Corporation operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from recognised assets. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollars (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976.

The Corporation takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Corporation's strategy of managing this risk is to limit foreign exchange exposure to Eastern Caribbean dollars and United States dollars, avoid speculation with an aim to keep a balanced portfolio and match foreign currency denominated assets with foreign currency denominated liabilities. The table below summarises the Corporation's exposure to foreign currency exchange rate risk at June 30, 2009.

Included in the table are the Corporation's financial assets and liabilities at carrying amounts, categorised by currency.

Concentration of currency risk – on- and off-balance sheet financial instruments

	EC $	US $	Total $
As at June 30, 2009			
Assets			
Cash and cash equivalents	42,729,503	–	42,729,503
Financial assets:			
Fair value through income	112,615,945	60,202,409	172,818,354
Loans and receivables	218,262,650	–	218,262,650
Investment securities			
– Held-to-maturity	175,192,043	11,158,270	186,350,313
– Loans and receivables	413,048,076	76,387,583	489,435,659
– Available-for-sale	563,400	–	563,400
Total financial assets	962,411,617	147,748,262	1,110,159,879
Liabilities			
Trade and other payables	6,432,584	–	6,432,584
Net on balance sheet financial position	955,979,033	147,748,262	1,103,727,295
Credit commitments	3,500,000	–	3,500,000

3 Management of financial risk...*continued*

Market risk...*continued*

(a) Currency risk...continued

	EC $	US $	Total $
As at June 30, 2009			
Assets			
Cash and cash equivalents	40,439,344	3,193,523	43,632,867
Financial assets:			
Fair value through income	110,236,200	89,286,695	199,522,895
Loans and receivables	221,501,640	–	221,501,640
Investment securities			
– Held-to-maturity	149,104,862	–	149,104,862
– Loans and receivables	342,035,725	68,967,175	411,002,900
– Available-for-sale	563,400	–	563,400
Total financial assets	863,881,171	161,447,393	1,025,328,564
Liabilities			
Trade and other payables	5,424,952	–	5,424,952
Net on balance sheet financial position	858,456,219	161,447,393	1,019,903,612
Credit commitments	6,530,000	–	6,530,000

(b) Price risk

The Corporation is exposed to equity securities price risk because of investments held by the Corporation and classified as available-for-sale or at fair value through income. The Corporation is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Corporation diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board of Directors.

The Corporation's publicly traded equity securities are included on the Eastern Caribbean Stock Exchange (ECSE). At June 30, 2009 if equity securities prices had been 2% higher/lower with all variables held constant reserves for the year would have been $2,580,821 (2008 - $2,464,410) higher/lower as a result of the increase/decrease in fair value of available for sale and fair value through income equity securities.

c) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. As the Corporation does not hold financial instruments with variable rates, it is not exposed to cash flow interest rate risk.

3 Management of financial risk...*continued*

Market risk...*continued*

(a) Cash flow and fair value interest rate risk...continued

The table below summarises the Corporation's exposure to interest rate risks. It includes the Corporation's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Up to 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2009							
Assets							
Cash and cash equivalents	42,729,503		–	–	–	–	42,729,503
Financial assets:							
Fair value through income	–	–	42,816,958	–	–	130,001,396	172,818,354
Loans and receivables	–	2,889,906	35,719,890	52,849,745	83,517,075	43,286,034	218,262,650
Investment securities							
– Held-to-maturity	4,013,433	3,898,198	18,316,412	84,769,470	75,352,800	–	186,350,313
– Loans and receivables	27,994,851	77,821,651	325,565,099	37,447,308	20,606,750	–	489,435,659
– Available-for-sale	–	–	–	–	–	563,400	563,400
Total financial assets	74,737,787	84,609,755	422,418,359	175,066,523	179,476,625	173,850,830	1,110,159,879
Liabilities							
Trade and other payables	–	–	–	–	–	6,432,584	6,432,584
Total interest repricing gap	74,737,787	84,609,755	422,418,359	175,066,523	179,476,625		
As at June 30, 2008							
Total financial assets	71,170,265	127,352,289	320,338,106	199,719,795	130,319,939	176,428,170	1,025,328,564
Total financial liabilities	–	–	–	–	–	5,424,952	5,424,952
Total interest repricing gap	71,170,265	127,352,289	320,338,106	199,719,795	130,319,939		

3 Management of financial risk...*continued*

Market risk...*continued*

(c) Cash flow and fair value interest rate risk...continued

The Corporation's fair value interest rate risk arises from debt securities classified as fair value through income. At June 30, 2009 if market interest rates had been 100 basis points higher/lower with all variables held constant, reserves for the year would have been $435,773 (2008 – $677,281) lower/higher as a result of the decrease/increase in fair value of fair value through income debt securities.

Liquidity risk

The Corporation is exposed to daily calls on its available cash resources mainly from payments of short-term benefits. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management ensures that a minimum level of cash and short-term resources are available to meet its current obligations.

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity analysis of liabilities

	1 - 5 year $	Over years $	5 years $	Total $
At June 30, 2009				
Trade and other payables	6,432,584	–	–	6,432,584
At June 30, 2008				
Trade and other payables	5,424,952	–	–	5,424,952

The daily liquidity position for both operational and the payment of benefits is monitored daily by the Investment Manager, who ensures 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 Investment Manager who will seek to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

Capital risk management

The Corporation's objectives when managing capital is to safeguard its ability to continue as a going concern and to meet its statutory obligations to pensioners and contributors.

As further discussed in note 20, actuarial reviews are conducted periodically in order to ensure that the Corporation's management has all the information required to adjust the rate of contribution to ensure that the statutory requirements to pensioners and contributors are met.

3 Management of financial risk...*continued*

Fair value estimation of financial instruments

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The carrying amounts and fair values of financial instruments other than financial assets through income and available for sale are as follows.

	Carrying amount		Fair value	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash and cash equivalents	**42,729,503**	43,632,867	**42,729,503**	43,632,867
Loans and receivables	**218,262,650**	221,501,640	**226,454,417**	238,698,777
Investment securities				
– Held-to-maturity	**186,350,313**	149,104,862	**179,492,486**	152,189,911
– Loans and receivables	**489,435,659**	411,002,900	**482,015,942**	427,162,543
Trade and other payables	**6,432,584**	5,424,952	**6,432,584**	5,424,952

The carrying value of cash and cash equivalents, other advances and receivables, and trade and other payables approximate their fair values due to the short-term maturity of these items.

The fair value of held-to-maturity and other loans and receivables financial assets for disclosure purposes are estimated by discounting the future contractual cash flows at the current market rate of 7.15% that is available to the Corporation in respect of similar financial instruments.

The Corporation is not able to reliably estimate the fair value of available-for-sale financial assets since the shares are not traded in an active market and the future cash flows relating to the investment cannot be reliably estimated.

4 Critical accounting estimates and judgments

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of loans and advances

The Corporation reviews its loan portfolio to assess impairment annually. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held-to-maturity investments

The Corporation follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Corporation evaluates its intention and ability to hold such investments to maturity. If the Corporation fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If the entire held-to-maturity investments are tainted, the carrying value would decrease by $6,857,827 (2008 increase by $3,085,049) with a corresponding entry in the fair value reserve in reserves.

Basis of allocation of income and expenditure

The Corporation allocates income and expenditure to short-term and long-term benefits in accordance with the approved recommendations of the actuarial review. This allocation involves the use of estimates concerning factors such as demographic, economic and financial assumptions. Assumptions to project benefits and expenses are based on the Corporation's experience and are updated in each actuarial review.

Fair value of investment properties

The fair value of buildings included in investment properties as at June 30, 2009 is determined by using valuation techniques. The Corporation uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Fair value of buildings is estimated by discounting expected rentals at market yields.

5 Cash and cash equivalents

	2009 $	2008 $
Cash at bank and in hand	**32,171,938**	15,516,822
Short-term deposit	**10,557,565**	28,116,045
Total cash and cash equivalents	**42,729,503**	43,632,867

The effective interest rate on short-term bank deposits ranges from 4% to 5.25% (2008 - 2% to 6%) per annum.

6 Financial assets

The Corporation's financial assets are summarised below by measurement category in the table below.

	2009 $	2008 $
Fair value through income	**172,818,354**	199,522,895
Loans and receivables (Note 7)	**218,262,650**	221,501,640
Investment securities		
– Held-to-maturity	**186,350,313**	149,104,862
– Loans and receivables	**489,435,659**	411,002,900
– Available-for-sale	**563,400**	563,400
Total financial assets	**1,067,430,376**	981,695,697

The assets comprised in each of the categories above are detailed in the tables below.

	2009 $	2008 $
Financial assets at fair value through income		
Equity securities:		
– Listed	**129,241,067**	131,794,758
Debt securities:		
– Listed	**43,577,287**	67,728,137
	172,818,354	199,522,895

Equity securities classified at fair value through income are designated in this category upon initial recognition.

There are no non-derivative financial assets held for trading.

6 Financial assets*...continued*

	2009 $	2008 $
Investment securities		
Debt securities at fixed interest rate		
– Held-to-maturity - listed	**186,350,313**	149,104,862
– Loans and receivables - unlisted	**489,435,659**	411,002,900
	675,785,972	560,107,762
Equity securities		
– Available-for-sale - unlisted	**563,400**	563,400

The breakdown of debt securities at fixed interest rate into current and non-current portion are shown below.

	2009 $	2008 $
Current portion	**457,609,643**	390,084,570
Non-current portion	**218,176,329**	170,023,192
	675,785,972	560,107,762

Debt securities bear interest rates ranging from 4.5% to 7% (2008 - 4% to 9%). There were no debt securities and available-for-sale financial assets that were considered past due or impaired at the reporting date.

6 Financial assets...*continued*

Movements of the Corporation's financial assets are summarised as follows:

	Investment Securities					
	Held-to-maturity $	Loans and receivables $	Available-for-sale $	Fair value through income $	Loans and receivables $	Total $
At the beginning of 2008	133,850,323	382,795,103	563,400	177,808,491	197,410,389	892,427,706
Net additions	23,354,539	59,507,026	–	3,635,216	25,451,619	111,948,400
Disposals (redemption)	(8,100,000)	(31,299,229)	–	–	–	(39,399,229)
Net increase in provisions for impairment	–	–	–	–	(1,360,368)	(1,360,368)
Fair value losses on debt securities	–	–	–	(4,176,172)	–	(4,176,172)
Fair value gains on equity securities	–	–	–	22,255,360	–	22,255,360
At the end of 2008	149,104,862	411,002,900	563,400	199,522,895	221,501,640	981,695,697
At the beginning of 2009	149,104,862	411,002,900	563,400	199,522,895	221,501,640	981,695,697
Net additions	37,245,451	93,229,311	–	–	18,876,188	149,350,950
Disposals (redemption)	–	(14,796,552)	–	(22,919,619)	(20,754,811)	(58,470,982)
Net increase in provisions for impairment	–	–	–	–	(1,360,367)	(1,360,367)
Fair value losses on debt securities	–	–	–	(6,164,668)	–	(6,164,668)
Fair value gains on equity securities	–	–	–	2,379,746	–	2,379,746
At the end of 2009	186,350,313	489,435,659	563,400	172,818,354	218,262,650	1,067,430,376

7 Loans and receivables

	2009 $	2008 $
Loans and receivables:		
Loans to Government of Saint Lucia and statutory bodies	**82,281,495**	83,171,127
Provision for impairment on loans	**(24,449,984)**	(23,089,617)
	57,831,511	60,081,510
Loans to subsidiaries (Note 19)	**88,969,571**	81,630,226
Other loans	**27,930,435**	34,760,817
	116,900,006	116,391,043
	174,731,517	176,472,553
Other advances and receivables:		
Due from Government of Saint Lucia		
Other receivables	**33,421,597**	33,533,768
Contributions receivable	**3,011,769**	3,009,037
	36,433,366	36,542,805
Contributions receivable	**6,199,539**	6,173,787
Receivables from subsidiaries (Note 19)	**35,403**	14,673
Other receivables	**964,221**	2,399,218
Provision for impairment on other advances and receivables	**(101,396)**	(101,396)
	43,531,133	45,029,087
Total loans and receivables	**218,262,650**	221,501,640

	2009 $	2008 $
Current portion	**43,801,272**	39,354,555
Non-current portion	**174,461,378**	182,147,085
	218,262,650	221,501,640

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Interest rates range from 4.0% to 9.5% (2008 – 3.0% to 9.5%).

7 Loans and receivables...*continued*

Allowance for impairment

Reconciliation of allowance account for losses on loans and advances by class is as follows:

	Statutory bodies loans $	Other advance and receivables $	Total $
Balance at July 1, 2008	**23,089,617**	**101,396**	**23,191,013**
Provision for loan impairment	1,360,367	–	1,360,367
At June 30, 2009	**24,449,984**	**101,396**	**24,551,380**
Balance at July 1, 2007	**21,729,249**	**101,396**	**21,830,645**
Provision for loan impairment	1,360,368	–	1,360,368
At June 30, 2008	**23,089,617**	**101,396**	**23,191,013**

The Corporation has recognised a loss of $1,360,367 (2008 - $1,360,368) for the impairment of its loans to the statutory bodies during the year ended June 30, 2009. The loss has been included under expenses attributable to investment income in the statement of income and expenditure.

8 Investments in subsidiaries

	2009 $	2008 $
Beginning of year	**29,281,949**	28,281,949
Additions	–	1,000,000
End of year	**29,281,949**	29,281,949

	Interest owned 2009 %	Interest owned 2008 %	2009 %	2008 %
St. Lucia Mortgage Finance Company Limited 828,000 ordinary shares	**75.00**	75.00	**4,421,520**	4,421,520
National Insurance Property Development and Management Company Ltd. (NIPRO) 1,324,540 ordinary shares	**100.00**	100.00	**6,622,700**	6,622,700
Castries Car Park Facility Limited 9,299,289 ordinary shares	**100.00**	100.00	**8,904,395**	8,904,395
Blue Coral Limited 933,333 ordinary shares	**66.66**	66.66	**9,333,334**	9,333,334
Total investments in subsidiaries			**29,281,949**	29,281,949

All holdings are in the ordinary share capital of the subsidiaries concerned. The companies noted above are all incorporated and domiciled in Saint Lucia.

9 Intangible asset

The intangible asset represents mathematics education software. This was a venture between the Corporation and the Ministry of Education to design, develop and install customised Mathematics software for Saint Lucian students from Kindergarten to Grade 8. This venture was funded by the Corporation and was to be managed by the Ministry of Education. The Corporation in return was to receive royalties on the sale of the rights to use the software. As at June 30, 2008 management determined that the recoverable amount of the intangible asset was nil, and therefore the carrying value of the mathematical software was written down to zero.

	2009 $	2008 $
Beginning of year	–	4,707,519
Additions	–	122,401
Amortisation and impairment loss	–	(4,829,920)
End of year	–	–

10 Investment properties

	2009 $	2008 $
Beginning of year	**201,693,692**	182,900,486
Additions	**2,437,381**	7,489,299
Disposals	**(1,045,603)**	(22,000,000)
Increase in fair value (Note 14)	**9,305,288**	33,303,907
End of year	**212,390,758**	201,693,692

The Corporation's investment properties are carried at fair value. Fair values of land included in investment properties are based on valuations performed by independent, professionally qualified valuers as at June 30, 2009 and 2008. Fair value of investment properties buildings are estimated by discounting expected rentals at market yields.

Total rental income and rental expense, both at market rates, recognised for the portion of investment properties occupied by the Corporation amounted to $761,928 (2008 – $761,928).

10 Investment properties...*continued*

The following amounts have been recognised in the statement of income and expenditure:

	2009 $	2008 $
Rental income	**6,368,653**	6,233,631
Direct operating expenses arising from investment properties that generate rental income	**1,738,135**	1,858,893

11 Property, plant and equipment

	Motor Vehicles $	Furniture and Equipment $	Computer Hardware $	Computer Software $	Generators $	Total $
At June 30, 2007						
Cost	342,458	3,717,099	1,804,686	640,789	325,430	6,830,462
Accumulated depreciation	(232,950)	(2,939,898)	(1,478,615)	(563,357)	(325,430)	(5,540,250)
	109,508	777,201	326,071	77,432	–	1,290,212
Year ended June 30, 2008						
Opening net book amount	109,508	777,201	326,071	77,432	–	1,290,212
Additions	–	115,929	139,869	81,571	–	337,369
Depreciation charge	(54,905)	(275,665)	(140,144)	(43,327)	–	(514,041)
	54,603	617,465	325,796	115,676	–	1,113,540
At June 30, 2008						
Cost	342,458	3,633,140	1,123,167	508,095	325,430	5,932,290
Accumulated depreciation	(287,855)	(3,015,675)	(797,371)	(392,419)	(325,430)	(4,818,750)
	54,603	617,465	325,796	115,676	–	1,113,540
Year ended June 30, 2009						
Opening net book amount	54,603	617,465	325,796	115,676	–	1,113,540
Additions	–	155,804	172,148	296	–	328,248
Disposals	–	–	(1,177)	–	–	(1,177)
Depreciation charge	(46,355)	(138,556)	(149,395)	(43,386)	–	(377,692)
	8,248	634,713	347,372	72,586	–	1,062,919
At June 30, 2009						
Cost	342,458	3,788,944	1,270,039	508,391	325,430	6,235,262
Accumulated depreciation	(334,210)	(3,154,231)	(922,667)	(435,805)	(325,430)	(5,172,343)
	8,248	634,713	347,372	72,586	–	1,062,919

12 Trade and other payables

	2009 $	2008 $
Trade payables	**585,780**	311,067
Benefit payables	**960,045**	1,162,593
Due to related party (Note 19)	**338,203**	286,190
Other liabilities	**4,548,556**	3,665,102
	6,432,584	5,424,952

13 Short-term and long-term benefit funds

Short-term benefits fund is held to cover sickness benefit, maternity allowance and grant, funeral grant, employment injury benefit, hospitalization and medical benefits in respect of qualifying persons.

Long-term benefits fund is held to cover retirement pensions, retirement grants, death and disablement, invalidity and survivors' benefits in respect of qualifying persons.

14 Detailed statement of income and expenditure

	Short-term Benefits		Long-term Benefits		Total	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Contribution income	**14,726,596**	13,981,971	**71,900,438**	68,264,918	**86,627,034**	82,246,889
Benefits paid						
Short-term benefits (Note 15)	**(6,730,931)**	(5,842,818)	**–**	–	**(6,730,931)**	(5,842,818)
Long-term benefits (Note 15)	**–**	–	**(37,244,409)**	(34,489,886)	**(37,244,409)**	(34,489,886)
Medical health programme	**(3,000,000)**	(3,000,000)	**–**	–	**(3,000,000)**	(3,000,000)
	(9,730,931)	(8,842,818)	**(37,244,409)**	(34,489,886)	**(46,975,340)**	(43,332,704)
Surplus of contributions over benefits	**4,995,665**	5,139,153	**34,656,029**	33,775,032	**39,651,694**	38,914,185
General and administrative expenses (Note 16)	**(1,770,859)**	(1,536,850)	**(7,902,686)**	(6,918,739)	**(9,673,545)**	(8,455,589)
Amortisation and impairment loss of intangible asset	**–**	(877,865)	**–**	(3,952,055)	**–**	(4,829,920)
Income from operations	**3,224,806**	2,724,438	**26,753,343**	22,904,238	**29,978,149**	25,628,676
Other income						
Investment income - net (Note 18)	**1,704,857**	2,165,404	**52,248,788**	70,495,803	**53,953,645**	72,661,207
Increase in fair value of investment properties	**294,034**	992,502	**9,011,254**	32,311,405	**9,305,288**	33,303,907
Other income	**209,617**	350,887	**1,023,429**	1,713,147	**1,233,046**	2,064,034
	2,208,508	3,508,793	**62,283,471**	104,520,355	**64,491,979**	108,029,148
Excess of income over expenditure	**5,433,314**	6,233,231	**89,036,814**	127,424,593	**94,470,128**	133,657,824

15 Short-term and long-term benefits paid

	Short-term Benefits		Long-term Benefits		Total	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Retirement	–	–	**30,131,162**	27,578,486	**30,131,162**	27,578,486
Survivorship	–	–	**4,380,177**	4,287,942	**4,380,177**	4,287,942
Sickness	**3,241,433**	2,759,313	–	–	**3,241,433**	2,759,313
Maternity	**2,981,532**	2,583,018	–	–	**2,981,532**	2,583,018
Invalidity	–	–	**2,526,200**	2,478,901	**2,526,200**	2,478,901
Funeral	**393,450**	357,990	–	–	**393,450**	357,990
Disablement	–	–	**155,748**	90,569	**155,748**	90,569
Employment injury	**97,647**	123,232	–	–	**97,647**	123,232
Death	–	–	**51,122**	53,988	**51,122**	53,988
Confinement fees and medical expenses	**16,869**	19,265	–	–	**16,869**	19,265
Total	**6,730,931**	5,842,818	**37,244,409**	34,489,886	**43,975,340**	40,332,704

16 Expenses by nature

	2009 $	2008 $
Administrative and general expenses		
Employee benefits	**5,249,516**	5,236,452
Grants to St. Jude Hospital	**898,583**	–
Rent	**761,928**	761,928
Professional and legal fees	**430,195**	179,503
Depreciation	**354,515**	486,589
Repairs and maintenance	**323,154**	234,370
Contribution to National Community Foundation	**300,000**	353,200
Stationery and printing	**240,734**	252,966
Public relations	**229,311**	161,998
Postage and telephone	**218,685**	152,023
Electricity, water and sewerage	**212,800**	189,024
Subscriptions	**83,548**	96,388
Development of Port Castries	**78,348**	–
Audit fees	**59,000**	54,750
Office and general expenses	**42,348**	73,510
Board expenses	**37,209**	47,753
Bank charges	**35,834**	45,666
Motor vehicle expenses	**32,802**	19,862
Overseas meetings and conferences	**32,305**	53,448
Insurance	**27,072**	27,454
Scholarships and quiz sponsorships	**18,322**	15,613
Books and periodicals	**3,936**	8,897
Medical board fees	**3,300**	4,095
Donations	**100**	100
Total	**9,673,545**	8,455,589
Expenses attributable to investment income		
Provision for loan impairment	**1,360,367**	1,360,368
Repairs and maintenance	**811,106**	1,044,748
Insurance	**432,454**	435,025
Employee benefits	**421,299**	426,340
Electricity, water and sewerage	**381,315**	337,812
Security services	**153,078**	150,348
Professional and legal fees	**122,319**	50,708
Foreign exchange loss	**117,652**	42,807
Audit fees	**59,000**	54,750
Board expenses	**53,383**	62,437
Overseas meetings and conferences	**32,306**	53,449
Motor vehicle expenses	**30,357**	18,451
Depreciation	**23,178**	27,453
Total	**3,997,814**	4,064,696
Total administrative and general expenses and expenses attributable to investment income	**13,671,359**	12,520,285

16 Expenses by nature...*continued*

	2009 $	2008 $
Administrative and general expenses and expenses attributable to investment income		
Employee benefits (Note 17)	**5,670,815**	5,662,792
Provision for loan impairment	**1,360,367**	1,360,368
Repairs and maintenance	**1,134,260**	1,170,079
Grants to St. Jude Hospital	**898,583**	–
Rent	**761,928**	761,928
Electricity, water and sewerage	**594,115**	526,834
Professional and legal fees	**552,514**	230,212
Insurance	**459,526**	462,479
Depreciation	**377,692**	514,041
Contribution to National Community Foundation	**300,000**	353,200
Stationery and printing	**240,734**	252,966
Public relations	**229,311**	161,998
Postage and telephone	**218,685**	152,023
Security services	**153,078**	150,348
Audit fees	**118,000**	109,500
Foreign exchange loss	**117,652**	42,807
Board expenses	**90,592**	110,190
Subscriptions	**83,548**	96,388
Development of Port Castries	**78,348**	–
Overseas meetings and conferences	**64,611**	215,939
Motor vehicle expenses	**63,160**	38,312
Office and general expenses	**42,348**	73,510
Bank charges	**35,834**	45,666
Scholarships and quiz sponsorships	**18,322**	15,613
Books and periodicals	**3,936**	8,897
Medical board fees	**3,300**	4,095
Donations	**100**	100
	13,671,359	12,520,285

17 Employee benefit expense

	2009 $	2008 $
Salaries	**4,718,834**	4,709,414
Gratuities	**259,826**	280,284
Other staff cost	**692,155**	673,094
	5,670,815	5,662,792

18 Investment income - net

	2009 $	2008 $
Cash and cash equivalents interest income	**2,389,092**	1,888,955
Fair value through income:		
– Dividend income	**6,462,602**	6,916,031
– Fair value gains on equity securities	**2,379,746**	22,255,360
– Fair value losses on debt securities	**(6,164,668)**	(4,176,172)
Loans and receivables interest income	**12,567,691**	12,734,743
Investment securities interest income		
– Held-to-maturity	**11,133,554**	9,081,895
– Loans and receivables	**22,814,789**	21,791,460
Rental income	**6,368,653**	6,233,631
	57,951,459	76,725,903
Expenses attributable to investment income (Note 16)	**(3,997,814)**	(4,064,696)
	53,953,645	72,661,207

19 Related party transactions

The following transactions were carried out with related parties:

	2009 $	2008 $
Interest income	**5,302,767**	4,967,715
Maintenance fees	**561,154**	444,703
Management fees	**164,271**	261,846
Dividend income	**165,600**	165,600
Rental income	**147,888**	147,880
Security	**142,000**	120,000
Legal fees	**15,000**	15,000

Key management compensation is as follows:

	2009 $	2008 $
Salaries and wages	**864,844**	844,681
Other benefits	**228,995**	200,256
	1,093,839	1,044,937

Year-end balances with related parties are as follows:

	2009 $	2008 $
Loans to Government of Saint Lucia and statutory bodies	**82,281,495**	83,171,127
Loans to subsidiaries (Note 7)		
St. Lucia Mortgage Finance Company Limited	**33,832,461**	31,909,961
NIPRO	**18,593,522**	18,539,584
Blue Coral Limited	**12,637,486**	17,773,289
Castries Car Park Facility Limited	**23,906,102**	13,407,392
	88,969,571	81,630,226
Receivables from Government of Saint Lucia	**36,433,366**	**36,542,805**
Receivables from subsidiaries (Note 7)		
NIPRO	**7,276**	10,243
Castries Car Park Facility Limited	**22,000**	4,352
Blue Coral Limited	**6,127**	78
	35,403	14,673
Due to a subsidiary (Note 12)		
NIPRO	**338,203**	286,190

June 30, 2009

(expressed in Eastern Caribbean dollars)

19 Related party transactions...*continued*

	2009 $	2008 $
Due from Government of Saint Lucia		
Held-to-maturity investment securities	**157,122,817**	125,334,218

20 Actuarial review

Section 24 of the National Insurance Act requires an actuarial review of the National Insurance Fund to be conducted at least every five years.

The ninth actuarial review of the National Insurance Fund as at June 30, 2007 was conducted by an actuary of the International Labour Organization.

The key results of the financial and demographic projections based on the contribution and benefit provisions in place as of the valuation date are:

(a) The population will increase from 167,000 in 2006 to just over 212,000 by 2060.

(b) The ageing of the general population will have a major impact on the ratio of workers to retirees. For the Corporation, it is projected that the number of contributors for each pensioner will fall from 10.9 in 2008 to only 2.1 in 2060.

(c) Contribution income is expected to be sufficient to meet total expenditure through 2051.

(d) Reserves are expected to begin decreasing in 2037 when total expenditure will exceed total income for the first time. In 2051, projected reserves will be depleted unless relevant measures are taken to reverse the projected trend.

(e) The pay-as-you-go rate, or the contribution rate that would be required to produce just enough income to meet expenditure if there is no fund will increase gradually from 5.1% in 2008 to more than 20% in the long term. This indicates that there will be a need to eventually increase the contribution rate of the branch in order to face its long-term cost.

(f) Beginning 2008, 11% is the constant contribution rate that will make the present value of contributions equal to the present value of expenditure through 2060.

21 Commitments

As at the end of year, loans and receivables approved by the Corporation but not yet disbursed amounted to approximately $3,500,000 (2008 - $6,530,000).