NATIONAL INSURANCE CORPORATION
For the benefit of us all!

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NATIONAL INSURANCE CORPORATION
For the benefit of us all!

"Social Protection for All"

NATIONAL INSURANCE CORPORATION

ANNUAL REPORT

JULY 2007 - JUNE 2008

"Everyone, as a member of society, has the right to social security"

Article 22, Universal Declaration of Human Rights, 1948

NATIONAL INSURANCE CORPORATION

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ANNUAL REPORT

JULY 2007 - JUNE 2008

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NATIONAL
INSURANCE
CORPORATION
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Mission

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

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.

PRIME MINISTER'S STATEMENT

The mobilization of savings for investment is a critical element in the growth and development of any country, particularly small island resource-constrained States. Whether the savings are generated internally from resident individuals and institutions of the country, or are derived from external sources in the form of capital inflow, they must be channeled into viable investment enterprises that will generate wealth for the country and yield satisfactory returns. The channeling of resources into viable investment opportunities is a pre-requisite for growth and development.

In Saint Lucia, the role of the National Insurance Corporation in mobilizing savings and contributing to the fulfillment of the investment needs of the country has been nothing short of outstanding. Over the years, the NIC has invested in a range of projects including the construction of police and fire stations island-wide through its subsidiary, NIPRO. It has also responded to the social needs of the country by investing in housing through it subsidiary, the St. Lucia Mortgage and Finance Company. In addition, the NIC has a range of portfolio investments with various enterprises in Saint Lucia, playing an important role in financing growth in key areas.

The NIC has also played a vital role over the years in partnering with the Government to strengthen social safety net programmes, particularly during this period of economic downturn. The impact of the global financial and economic crises on Saint Luica's economy is evident by increases in the level of unemployment and the economic and social dislocation associated with the decline in economic activity. The social support mechanism are not only confined to the NIC's contributors, but also apply to the wider community through the support provided by the various initiatives of the National Community Foundation in providing for the needs of the less fortunate among us.

The Government is currently reviewing its social safety net programmes with a view to strengthening them, in order that their impact on vulnerable groups and on the economy as a whole can be maximized. The Government will be partnering with the NIC in exploring ways and means of broadening the range of those programmes available to the citizens of Saint Lucia.

The NIC will continue to play a positive role in meeting the social and economic challenges of our time, and I am confident that the programmes generated by the partnership between the NIC and the Government will have a significant impact on our country. We look forward to a closer collaboration as development partners in devising the appropriate strategies and formulating the necessary policy responses to meet the challenges that lie ahead.

Stephenson King
Prime Minister

CHAIRMAN'S REPORT

The National Insurance Corporation approached the year under review with three key objectives guiding its strategic direction, namely:

- To achieve service excellence and customer satisfaction
- To enhance the security of the National Insurance fund
- To assist in the overall development of the country by investing in certain key areas

Those objectives underpinned the deliberations of the Board, not just on short-term financial considerations but on providing a service that is enduring and meets the high standards that our contributors demand and deserve. Our efforts earned the Corporation an 89% rating in Customer Surveys conducted during the period.

During the period, the Board, faced with a potential threat to the sustainability of the National Insurance Corporation, lodged an appeal with the Privy Council to reverse a decision of the Court of Appeal, which if allowed to stand would have deprived the Corporation of a privilege which it is afforded by law. This privilege places contributions owed to the Corporation on the same level as state taxes in the event of a receivership or liquidation of a company.

In this the 38th year since the manifestation of the vision of the late Right Honourable Sir John Compton for a social protection program for the workers of Saint Lucia, we have ensured that the Corporation continued to remain true to its mandate – the collection of contributions and the payment of benefits.

I am pleased to report that as in the first year of the stewardship of this Board, the National Insurance Corporation has exhibited strong growth in its income, assets, and reserves during the year ended 30th June 2008.

FINANCIAL HIGHLIGHTS

BENEFITS

- **Total Benefits** paid in 2008 were $43.3 million. This represents an increase of 11.6% over the $38.8 million paid in 2007. Of the $43.3 million paid during the period under review, pension's payments accounted for 79.4 % ($34.5 million) with Short Term Benefits constituting 20.3 % ($8.8 million).

- **Expenditure** in respect of pensions continues to be dominated by Retirement Pensions which compose 80 % of pensions and 61% of total benefits paid. The trend in Retirement Pensions as well as Total Benefits continues to steepen as illustrated in Figure 1 on the next page.

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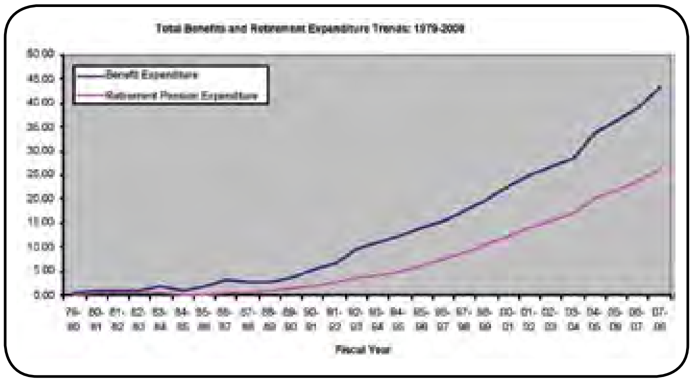

Figure 1

In respect of benefits governed by reciprocal agreements, four transactions were processed under the Agreement between Saint Lucia and Canada and six under the CARICOM Agreement on Social Security. As at 30th June 2008, there were seven pensions in payment under these agreements.

INCOME

- **Total Income** was $194.3 million in 2008 compared to $189.3 million in 2007. This reflects an increase of $5.0 million (2.6%) with increases in income from Contributions ($5 million) and Investments ($5.4 million) being offset by $5.3 million reduction in the surplus arising on the annual revaluation of Investment Properties.

- **Contribution Income** grew by 6.6% to $82.3 million from $77.2 million in 2007. The Corporation recorded increased contributions from all sector with the exception of the Construction and Public Administration sectors. Notable gains were realized from the following sectors:

  o Agriculture ………........…..……...…….... 24%
  o Manufacturing …………………………..... 20%
  o Social Services …………………………….... 18%
  o Transport, Storage & Communication ...…. 11%
  o Wholesale and Retail Trade ………........ 12%
  o Restaurants and Hotels ………………..…. 8%

  However, Contribution Income from the Construction sector contracted by 10% and that from the Public Administration sector declined by 2%.

  For the period under review, Benefits paid consumed a slightly increased proportion of Contribution Income, 52.7% in 2008 compared to 50.4% in 2007 consistent with the continuing maturity of the program.

- **Investment Income** recorded an 8.0% increase over 2007, with net income of $72.7 million in 2008 compared to $67.3 million in 2007. In spite of the continued decrease in interest rates and the dearth of suitable investment opportunities, the Corporation was still able to record a 7.5 % average return on investments up from 7.2% as at 30th June 2007. This was attributable mainly to the return on equity which reflected a 19% increase over 2007 (17.4% vs. 14.6%).

EXPENSES

General and Administrative Expenses in 2008 was less than in 2007 ($8.46 million vs. $8.74 million), forming 10.3% of Contribution Income in 2008 compared to 11.3% in the preceding year. The improvement reflects the Board's focus in ensuring that the Corporation continues to meet its mandate in an efficient and cost effective manner.

During the period under review the Corporation expensed $4.8 million representing the balance of an investment in Mathematics Software made in 2005 and donated to the Ministry of Education in 2008.

ASSETS

- Total assets grew by $134 million to $1.26 Billion from $1.12 Billion as at 30th June 2007, an increase of 11.9%. This was reflected mainly in Investments which moved from $1.11 billion in 2007 to $1.21 billion in 2008.

- The Reserves of the Corporation increased to $1.25 Billion from $1.12 Billion as at 30th June 2007, reflecting an 11.6% increase. The growth in Reserves is

CHAIRMAN'S REPORT

depicted in Figure 2 below

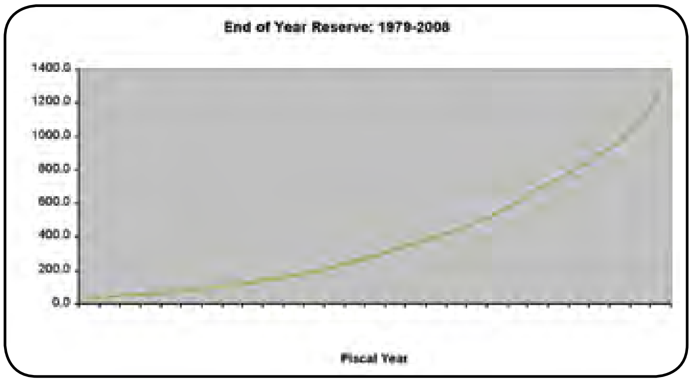

Figure 2

Investment Portfolio

Contributions received by the National Insurance Corporation must be available to honor the various benefit claims as they arise in the future. In light of the escalating inflation rate and the expected decline in the ratio of active contributors per pensioner, it is imperative that contributions received are invested to ensure an increase in the level of benefits in payments to offset inflation and to supplement contributions to meet future pension obligations.

For the period ended 30th June 2008, the National Insurance Corporation undertook the following investments:

- Purchased EC$ 23.1 million of 7.5% Government of Saint. Lucia 10 year Bonds maturing in 2017.
- Invested EC$ 29.9 million through CMMB in Notes, Bonds and Money Market Accounts at the rates ranging from 4.5% to 6%.
- Placed EC$ 13.5 million in new term deposits within the Commercial Banks in Saint. Lucia at rates ranging from 4.5% to 6%.
- Disbursed EC$ 7.3 million to Saint. Lucia Mortgage and Finance Company Ltd on loans of ECD$ 18 million approved for on lending for middle income residential accommodation.
- Disbursed EC$ 2.7 million to the National Insurance Property Development and Management Company Ltd (NIPRO) on loans approved to finance the constructions of three Police and one Fire station under a BOLT arrangement with the Government of Saint. Lucia.
- Purchased 11,840 square feet of land at Vide Bouteille for EC$ 828,800.

Information Technology Systems

Given the reliance of the Corporation's operations on its Information Technology infrastructure, emphasis was placed on enhancing the security of the system and by extension, the wider fund. Accordingly, the physical computer infrastructure was upgraded to provide additional backup facility to reduce incidence of system down time. The Board also agreed to undertake a second comprehensive audit and documentation of the IT System.

Human Resource

The Board focused considerable attention on this area, cognizant of the critical role which the Human Resource function plays in the development of staff and the success of the Corporation. The sagacity of the Board's insistence on succession planning was borne out as the Corporation was able to appoint a new Director from its existing staff to replace the former Director who demitted office on 30th June 2007. This ensured a seamless assumption of leadership for the operations of the Corporation. The position of Corporate Secretary was also filled during the period.

Staff levels remained the same during the year, the movement being summarized below:

Number of employees as at 30th June 2007	107
Employed during the year	8
Retired, Resignations, Terminations	8
Number of employees as at 30th June 2008	107

CHAIRMAN'S REPORT

The following activities were undertaken during the period under review:

Training
Considerable emphasis was placed on training. The Department focused its efforts on ensuring that standard operating procedures are adhered to and that uniformity existed in service delivery with the objective of attaining a high level of customer satisfaction. As a result, all staff received training on the Corporation's procedures manual as well as inter alia, leadership, effective management, energy efficiency and energy conservation, use of presentation software, conflict resolution and customer service.

At the Board and Management Level:

- One Board Member attended the Director's Education and Accreditation Program held in Antigua.
- Audit Committee Members attended training on the Role of Audit Committees and Enterprise Risk Management held in Saint Lucia by the Caribbean Association of Audit Committee Members Inc.

Staff Development
The Corporation continued to support its in-house Toastmasters Club during the period. The Toastmasters Club has as its objective, the development of its members' communications and leadership skills which would foster self-confidence and personal growth. This was complemented by the participation of six of the staff in the annual Dale Carnegie course hosted by the Chamber of Commerce. The Dale Carnegie courses are designed to help participants gain self confidence, enhance their people skills, lessen work related stress and become better speakers.

The Corporation welcomed the return of one of its employees, Ms Verlina Joseph, who had successfully completed a Bachelors of Science degree in Business Management with the University of the West Indies, St Augustine Campus with financial assistance from the Corporation.

Employee Assistance Programme
One more staff member benefitted from the staff scholarship program administered by the Corporation. The scholarship is awarded annually to the child of a staff member who attains the highest score in the Common Entrance Examinations. This brings to six the number of children of staff who are currently in receipt of scholarships from the Corporation.

Summer Employment Programme
The corporation continued providing financial assistance as well as exposure to the work environment to students from the secondary schools, the Sir Arthur Lewis Community College, and regional and international universities by engaging them in summer employment and job training programmes. These programmes provide the students an opportunity to relate the knowledge and skills learnt in the class room to the work environment.

During the period under review, the Corporation accommodated seven students.

Policies
The Corporation continued in its efforts to formalize and document its policies to ensure consistency of application over time. During the period, the HR Department finalized (and the Board approved) a Sickness and Absence Policy, Training Policy, Sexual Harassment Policy, and commenced work on a Code of Conduct and a Uniform and Dress Code Policy

Reward System
The Corporation is cognizant that an appropriate reward system is key to the productivity of its staff. Accordingly, work started towards the implementation of a Performance Based Incentive Plan. One of the critical components of this plan is the measurement of individual performance, making it necessary that the previous performance appraisal instrument be redesigned. A new performance appraisal system was introduced during the period under review.

Public Relations
In the period under review, we concentrated on the provision of information about the National Insurance Corporation and its programs to the general public.

- The Corporation embarked on a number of interactive radio programs geared to provide the public with information about the various benefits offered.

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- A number of employee workshops were conducted in Castries, Vieux Fort and Soufriere aimed at providing employees from the Human Resource departments of employers with information to address queries on National Insurance matters arising from their respective workforces.
- We continued the distribution of statements to every contributor informing them of their contribution history with the National Insurance. The exercise also provided us with information to update and enhance the accuracy of our contributors' records.
- Our Communications Department personnel continued to address numerous employers at their respective workplaces on National Insurance issues.
- Two booklets on national insurance matters - the Employee Guide, and the Employers Guide - were revised and circulated, as well as a separate publication for legal practitioners with information on national insurance requirements for new businesses for transmission to their clients.

Revision of NIC Act

Work commenced on the revision of the NIC Act to review critical provisions and maintain relevance with the passage of time and the changing dynamics of the program.

Subsidiaries

The Corporation has four subsidiaries, viz.:

- National Insurance Property Development and Management Company Limited (NIPRO).
- St. Lucia Mortgage Finance Company Limited (SMFC).
- Castries Car Park Facility Limited (CCFL).
- Blue Coral Limited (BCL).

The profile of the group is summarized below:

Company	% Holding By NIC	Business	Date Incorporated	Total Assets	Net Assets
NIC	-	Provision of social security services	April 1978	$1.257 billion	$1.251 billion
NIPRO	100%	Provides property development, management, & maintenance services	April 1999	$28.4 million	$8.2 million
SMFC	75%	Providing loans for the purchase, construction, extension, or completion of dwelling houses and the purchase of developed plots	January 1968	$ 41.7 million	$ 8.1 million
BCL	66.67%	Rental of space for office & commercial use	April 2003	$ 45.1 million	$ 14.9 million
CCFL	100%	Provision of car parking facilities & rental of space for office and commercial use	January 1998	$ 26.4 million	$ 11.0 million

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NATIONAL INSURANCE PROPERTY DEVELOPMENT AND MANAGEMENT COMPANY LIMITED (NIPRO)

During the year under review, NIPRO refocused on its delivery of an enhanced and concentrated drive towards the planned maintenance system for BOLT projects and the facilities of the NIC. Consistent with this thrust, the company maintained a persistent effort at the collection of receivables. This contributed greatly to the collective success of the Company in the implementation of its respective obligations.

Bolt Projects
Following the completion of the Micoud Police and Fire Stations (which were completed within budget), construction work started at the Richfond and Dennery Police Stations. The significant rise in material prices, notably in cement and steel impacted negatively on the projects. Notwithstanding, the stations have attained practical completion and as at the end of the period were being outfitted prior to handing over to the Government of St Lucia through the Royal St. Lucia Police Force.

Management Services
NIPRO continued to provide project coordination/ management services to the Emerald Development Housing Project in tandem with other consultants. The project involved the development of 29.2 acres of land into 117 fully serviced lots. Works continued following months of delays due to inter alia site specific constraints and a number of changes and redesigns of various components of the development. The project is now scheduled to be completed mid 2009, twenty four months after the initial scheduled date.

NIPRO also continued providing management services to the Castries Car Park Facility Limited.

Planned Maintenance Service
In an effort to improve its maintenance delivery services, NIPRO conducted systematic reviews of the maintenance regime for all facilities under its responsibility along with reviews of its Planned Maintenance Computerized System, and the meticulous tracking of maintenance requests from all tenants. A customer "Do It Yourself" manual (which solicits the cooperation of tenants in the implementation of preventative measures and housekeeping practices aimed at reducing major maintenance demands) was also produced to complement the Service Charter released in the previous year.

Financial Review
For the period under Review, NIPRO recorded a third consecutive year of positive growth. Net Income improved from $433,314.00 in 2006 to $950,941.00 in 2007, to $981,966 in 2008. This performance can be attributed to the completion of two BOLT Projects during the period which increased the Total Assets of the company from $27.5 million in 2007 to $28.4 million in 2008.

ST. LUCIA MORTGAGE FINANCE COMPANY LTD. (SMFC)

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

SMFC has not been affected directly by the International 'credit melt-down' but during the period under review, job losses and reduced disposable incomes presented additional challenges. Directors authorized the implementation of risk-based pricing of new loans to compensate for potential loan losses. Competition for quality mortgage business remained intense. However, effective demand for the company's loan products was high.

Over the twelve month period, SMFC disbursed the sum of **$8,765,022** (2007 - $6,695,407) bringing cumulative disbursements from inception to **$143,135,649.** It is encouraging that this level of disbursements was achieved without any significant housing estate development.

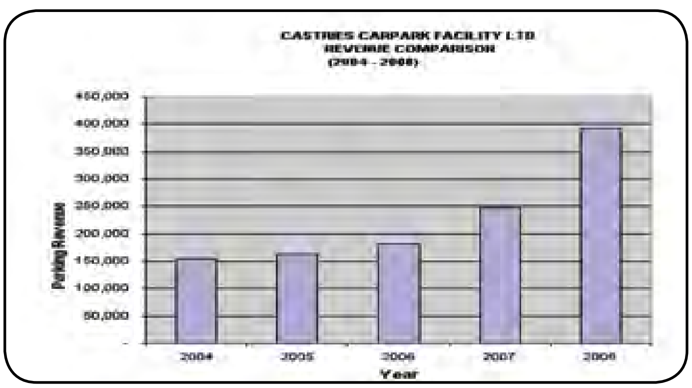
SMFC declared and paid a dividend of 4% (2007 – 4%)

CHAIRMAN'S REPORT

to its shareholders. It is becoming apparent that with the increase in effective demand, the Company will have to look outside its "traditional" sources to fund its continued growth.

CASTRIES CAR PARK FACILITY LIMITED (CCFL)

Castries Car Park Facility financial performance for the year to 30th June 2008 reflected a marked improvement over the corresponding period to 30th June 2007. Net profit before tax in 2008 was **$922,233,** a 68.75% improvement when compared to net income of **$546,518** for the preceding year. Total Operating Income increased by 10.13% from $2,607,858 in 2006/2007 to $2,872,022 in 2008. Additionally, the Company's marketing efforts resulted in an upsurge in occupancy from an average of 31% in 2007 to 50% in 2008. This manifested itself in increased Parking Revenue from $247,320 in 2007 to $391,282 in 2008, an increase of $143,962 or 58.21%.



For the year under review, General and Administrative Expenses decreased by 6.64% to **$782,368** from **$834,310** in 2006/2007, a testament to management's efforts at keeping a tight rein on expenses.

BLUE CORAL LIMITED

Construction continued on the Blue Coral Building during the period under review. By the end of the period, sub contractors had been identified to complete various aspects of the building. There was emphasis on the completion of the ground and first floors.

The identification of appropriate tenants continued in earnest and by the end of the period a number of the units on the ground and first floors had been confirmed to offer a variety of products and services. These included clothing and accessories, shoes and luggage, beauty products, photographic items, telecommunications, fast food and travel services. It is envisaged that during the next financial year, the products and services offered would include children's items, jewellery and china, local art work, computer and electronic items.

The completion of the second and third floors is set for the second quarter of the next financial year. The second floor comprises an exhibition and bar/lounge areas as well as a cinema/theatre, a conference room as well as a board room. A high end restaurant located on the third floor will provide an ambience unmatched by any other eating establishment in the City

The marketing of the Blue Coral Mall was a priority during this period and the entity sought and gained the status of Associate Member of the Florida Caribbean Cruise Association for 2008. The target markets for Blue Coral mall include cruise and land -based visitors as well as the local population.

The Blue Coral mall will revitalize the City of Castries with its offer of evening and Sunday shopping as well as live entertainment. It is expected that the Mall will be opened to the public by Christmas of 2008.

Appreciation

The Board is cognizant of the turbulent economic climate and the uncertain financial currents that lie ahead. We are already being buffeted by the credit squeeze and the worrying transformation of the capital market infrastructure internationally. This will undoubtedly impact the financial environment in Saint Lucia and will have implications for the investments which remain

CHAIRMAN'S REPORT

critical to the financial viability of the Corporation.

The monetary deposits of the Corporation form 16% of the money supply in Saint Lucia. This places additional responsibility on the Board to ensure that the actions of the Corporation do not compromise the liquidity position of the financial sector as it navigates the upcoming year. Additionally the Board is already increasing its vigilance of financial institutions for early warning signals to ensure the safety and value of the Corporation's investments

On behalf of the Board, Management and staff of the Corporation, I thank our contributors – employers and employees – for affording us the opportunity to serve you and facilitating our work with your patience, understanding and feedback. I thank my fellow Board Members for their advice and support during the year and the management and staff for guiding the operations of the Corporation through another year of growth. I also take this opportunity to thank the Hon. Prime Minister, Minister of Finance and Social Security for the support afforded the Board during the year and the prudent manner in which you executed the duties of your office with respect to the Corporation.

As I look back over the life of this organization, I feel a sense of immense pride that this organization which was given birth by a small loan of $30,000 in 1970 has metamorphosed into this indispensible financial linchpin of the Saint Lucian financial landscape, boasting assets in excess of $1.2billion and paying more that $43 million in pensions and other benefits, a figure which increases significantly every year. I am awash with a comforting satisfaction that I have been privileged to be actively involved in most of this venerable institution's thirty eight year life, from effecting its formation in 1970 to serving as Chairman today. This is a privilege which leaves me humbled and for which I express sincere gratitude to the late Sir John Compton, our first Prime Minister who introduced Social Security in St. Lucia, for placing in me the confidence to plant the roots of so pivotal an institution, and to the current Prime Minister and Minister for Social Security for entrusting me thirty seven years later with the task of charting the future for the Corporation.

As I look ahead, I feel confident that the institution is appropriately positioned to weather the turbulence of the future and fulfill the mandate entrusted to us so many years ago.

Francis Compton
Chairman, National Insurance Board

BOARD OF DIRECTORS

Mr Francis Compton
Chairman

Mr Isaac Anthony
Deputy Chairman

Mr Matthew Lincoln Mathurin
Director

Mr Andre Chastanet
Member

Mr Roderick Clarke
Member

Mr Lawrence Poyotte
Member

Ms Esther St. Marie
Member

COMMITTEES

INVESTMENT COMMITTEE

Mr. Isaac Anthony
Chairman

Mr. Nicholas John
Member

Mr. Bertram Clarke
Member

Mr Matthew Lincoln Mathurin
Member

Mrs Paula Bleasdille
Member

AUDIT COMMITTEE

Mr. Francis Compton
Chairman

Mr. Lawrence Poyotte
Member

Mr Andre Chastanet
Member

HUMAN RESOURCE COMMITTEE

Mr. Roderick Clarke
Chairman

Ms. Esther St. Marie
Member

MANAGEMENT TEAM

Mr Matthew Lincoln Mathurin
Director

Mr Augustin Louis
Marketing & Corp. Comm. Manager

Mr Desmond Dujon-Henry
Computer Systems Manager

Mr Irwin Jean
Investment Manager

Mrs Callixta Branford
Internal Auditor

Mrs Cadie St Rose-Albertini
Senior Legal Counsel / Corporate Secretry

Mrs Paula Bleasdille
Chief Accountant

Mr Albert Cenac
Statistician / Research Manager

Ms Allison Delmede
Human Resource Manager

Ms Mary Bruce
Personal Assistant to the Director

SUPERVISORS

Ms Merle Regis
Records Department

Ms Calixte Emmanuel
Compliance Department

Mr Bernard Junkie
Vieux Fort Sub Office

Mrs Relle Hippolyte
Public Relations / Events Officer

Mr Robert Innocent
Soufriere Sub Office

Mr Timothy John
Security Service

Ms Joan Leon
Customer Service

OUR VALUED STAFF

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Annual Statistics Review

July 2007 – June 2008

NATIONAL INSURANCE CORPORATION
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ANNUAL REPORT
JULY 2007 - JUNE 2008

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ANNUAL STATISTICS REVIEW

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's 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 to employers by the National Insurance on a monthly basis, contribution deduction per employee and employer's matching contributions.
PENSION IN-PAYMENT	Refers to pensions in-force 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.

LISTING OF GRAPHS AND TABLES

ANNUAL STATISTICS REVIEW

1. CONTRIBUTION INCOME

The financing of the NIC is based on a combined contribution rate of 10.0% (5% employers and 5% employees)of insurable earnings. During the fiscal year in review (2007-2008), the ceiling upon which contributions are based was not revised and thus kept at $5,000.00 per month.

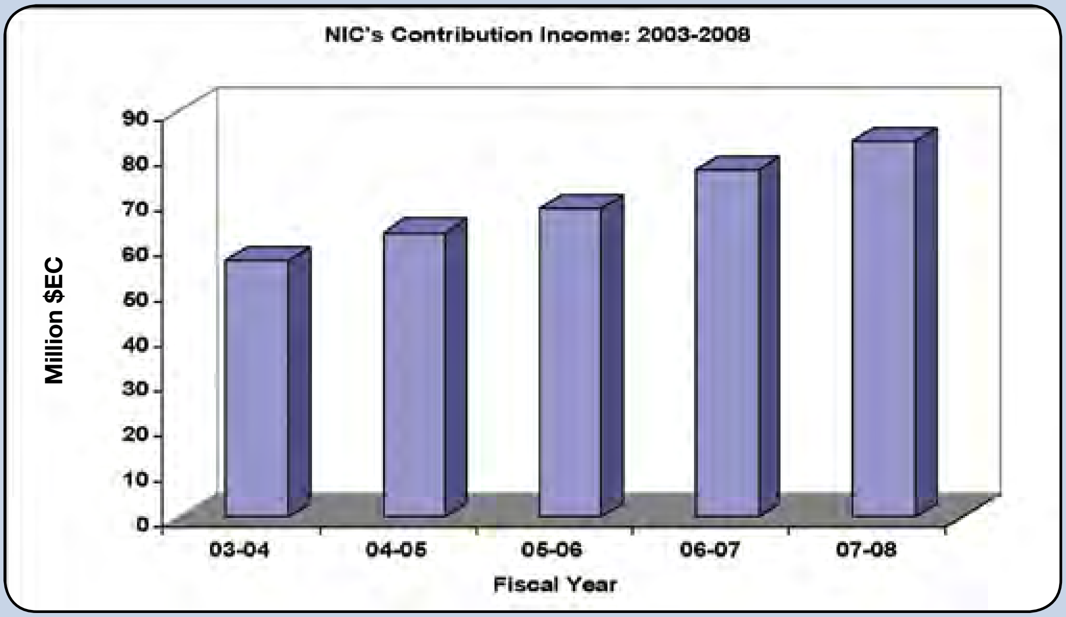
During the review period, contribution income increased by 8.18% to $83.29M; current contribution income accounted for $43.22M (51.89%) and past-due contributions collected accounted for $40.07M or 48.11%. The above contributions were collected from 3,191 employers on behalf of 47,835 formal sector employees and 1,065 self-employed/voluntary persons.

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

- Improvement in collection of both current and past-due contributions; current contribution income increased by 11% while arrears collected rose by 6.8%.
- 2.16% growth in active insured population;
- 5% increase in contributing employers;
- 298 new employers;
- 3,324 new contributors and
- Approximately 5% 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 sectors indicated considerable growth from all sectors, with the exception of the Construction and Public Administration sectors. Contribution income from the construction industry contracted by 10% or $0.51M while the public administration sector declined by 2%. These sectors also recorded corresponding declines in employment during the review period.

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

- Agriculture- 24%;
- Manufacturing- 20%;
- Community/Social services- 18%
- Wholesale/Retail- 12%;
- Transport/Communications- 11% and
- Restaurant/Hotels, Financcial Intermediations and Real-estate/Business Services- 24%.

2. INSURED POPULATION

During the financial year ended June 2008, NIC insured population (registered persons with at least one contribution credit) grew by 2% to approximately 127,835; 67,072 or 52.47% were males and 60,763 or 47.53% were females. The insured population comprised of 48,900 or 38.25% active contributors and 78,935 or 61.75% inactive contributors.

2.1 Active Insured

In the review period , active coontributors increased by 2.16% to 48,900; this subset of the insured population included 47,835 formal sector employees, 938 self-employed persons and 309 voluntary contributors. In addition, active contributors accounted for approximately 68% of the country's employed population (71,899). The above coverage level could be explained by the exclusion of approximately 6,400 civil servants and 11% coverage of self-employed persons. Regarding the latter group, a comprehensive study of self-employed persons is soon to be undertaken. The purpose of this exercise is to develop an applicable structure that is specifically designed to significantly improve the coverage level of self-employed by the NIC.

Examination of emloyment levels on the basis of economic sector for the review period revealed growths in employment in all economic sectors with the exception of Public Administration and Construction. Employment from these two sectors (Public Administration and Construction) contracted by 2.5% and 14.4% respectively. The major increases in employment were from the following economic sectors: Real-estate and Business Services- 12%, Financial Intermediation- 10% and Transport and Communications- 9%.

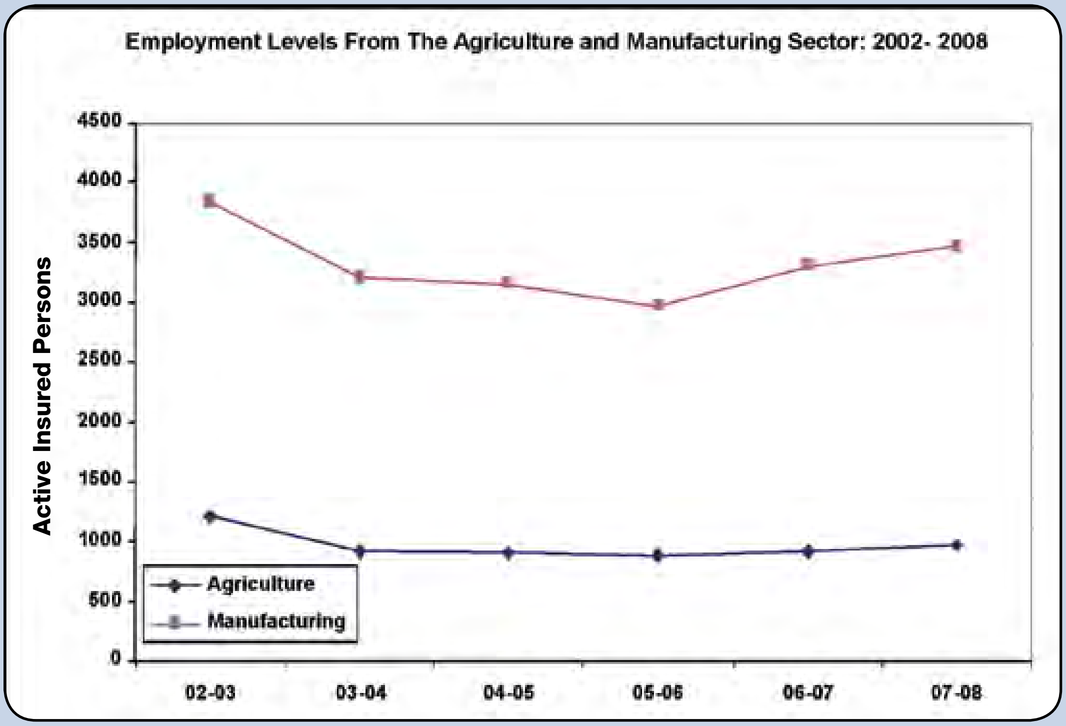
Notwithstanding, the overal rise in employment recorded during the fiscal period in review, recent growth in unemployment from 13% in 2007 to 17% in third quarter of 2008 provide strong indication of an expected decline in active contributors during the fiscal year 2008/2009. This anticipated contraction in employment is fueled by major lay-off in the hotel sector and slowing down of economic activities in the construction sector.

It is interesting to note that after experiencing consecutive declines from 2002 to 2006, the Agriculture sector has recorded a further increase in employment by 5% to 965 during the review period.

To a larger extent, the same can be said of the manufacturing sector which experienced decline in employment from 3,836 in 2001 to 2,974 in 2006 (apprpximately 23% contraction). Since then, employment from that sector for the fiscal years 2006/2007 and 2007/2008 increased by 11% and 4% respectively.

Figure 3 below shows the employment levels from the Agriculture and Manufacturing sectors from 2002-2008.

Figure 2



2.2 New Entrants/ Contributors

During the fiscal period July 2007-June 2008, after recording a 10% drop in 2005/2006, the number of persons who registered with the NIC for employment purposes also experienced additional contraction of 6%. Further analysis indicated that 92% of this decline were young persons within the ages 20-24 years.

Following a 7% increase in 2006-2007, number of first-time contributors recorded a 7.6% drop in the review period and accounted for 6.8% of the active insured population. The contraction in persons who registered for employment purposes and new contributors to some extent signal, deceleration in economic activities that are likely to impact negatively on employment and ultimately active contributors during the financial year 2008-2009.

3. EMPLOYERS' ACTIVITIES

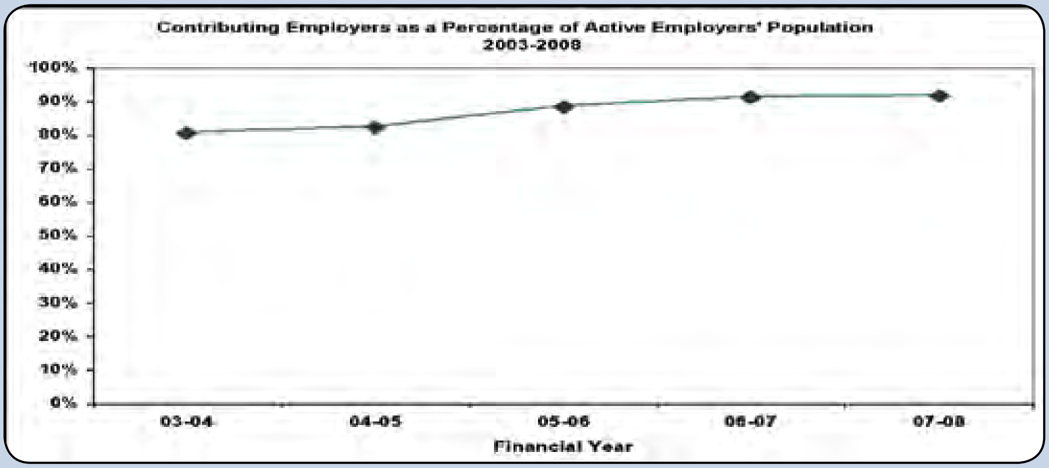
At the end of June 2008, employers registered with NIC totaled 9,362: 3,474 (27.11%) were active, 5,787 (61.81%) were recorded as closed and 101 (1.08%) were dormant.

Growth of active employers' population is primarily dependent on emergence of the new businesses and rate of closure of existing employers. Also, continuous review of employers records to determine their correct status by the Compliance Department have led to downward adjustments to the active employers' population. The net effect of these factors has resulted in a 4.67% increase in active employers at the end of June 2008.

3.1 Contributing Employers

A total of 3,191 employers paid contributions totalling $83.28M on behalf of 48,900 formal sector employees. When compared to the previous year (2006-2007) employers who paid contributions increased by a further 5% and accounted for approximately 92% of the active population. During the last five years (2003-2008), proportion of active employers who paid contributions increased by 11% from 81% in 2003-2004 to 92% in 2007-2008. The detailed distribution during the five years is illustrated in figure 7 below.

Figure 3



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 growths in employment. Similarly, a slowdown in the number of new employers may signal probable decelaration in econmic activities.

In the review period, 298 new employers were registered with the NIC. When compared to the previous financial year (2006-2007), the above represented a further drop by approximately 18%. Examination of new employers in the review period on the basis of economic activities, indicated that the contraction were mainly from the following sectors:

- Construction- 53%;
- Wholesale and retail- 18%;
- Hotels and Restaurants- 22%;
- Transport storage and communication- 60% and
- Real-estate, renting and business services- 27%.

4. BENEFITS EXPENDITURE

The NIC offer its contributors a benefit basket within two main branches, namely: short-term and long-term benefits. Short-term benefit branch include the following benefits: Employment Injury, Sickness Allowance, Maternity Allowance, Maternity Grant, Funeral Grant , Medical Expenses and Hospitalisation. Long-term benefit branch comprise of the following benefits: Pensions- Retirement, Survivors, Invalidity and Disablement; Grants- Retirement, Survivors, Invalidity and Disablement.

During the financial year ended June 2008, 15,647 claims were paid at cost of $43.29M. When compared to the previous financial year, benefits expenditure increased by 11.66% whilst total claims paid recorded an 11.25% growth. The expansion recorded in benefits expenditure was mainly due to increases in active pensions (pensions in-payment) and short-term benefits claims of 6.0% and 5.09%, respectively.

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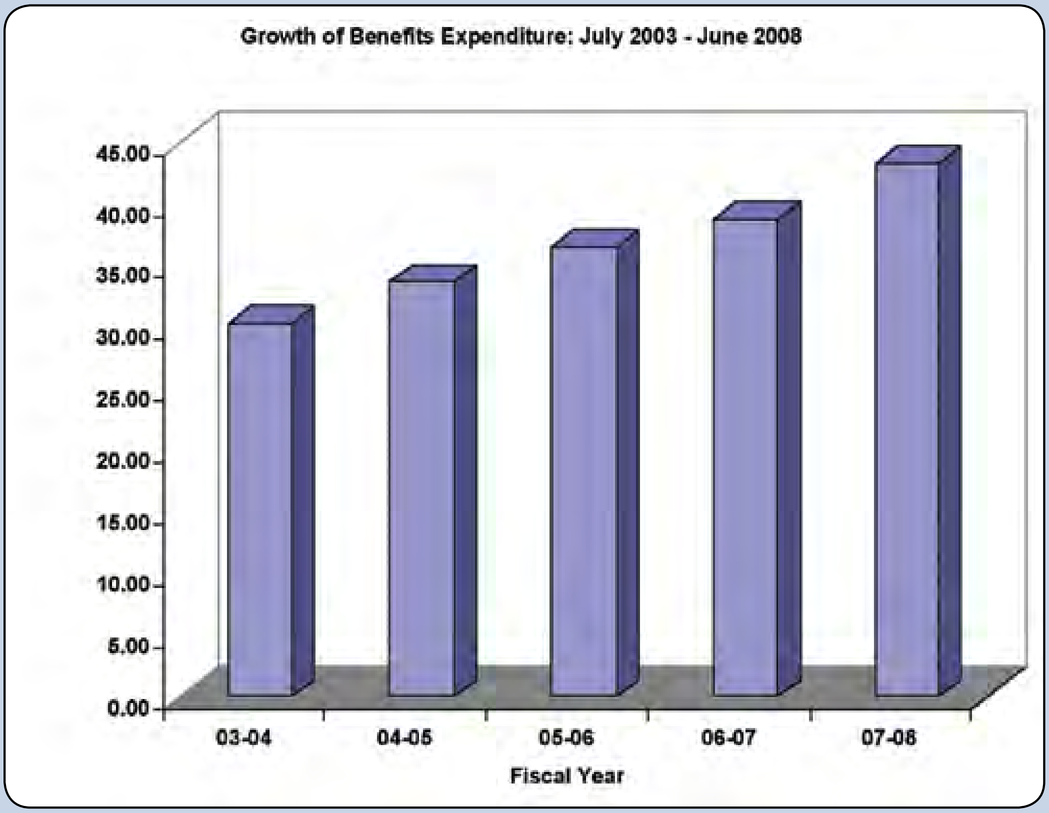
As illustrated in Figure 4 below trend of benefits expenditure during the last five years was marked by gradual expension. This gradual increasing trend should continue until the Fund has attained maturity.

Figure 4



4.1 Short-term Benefits

In the review period, claims paid increased by 11.25% to 10,318 claims whilst cost of claims rose by 5.11% to $8.85M. The above growths were mainly due to corresponding increases in the cost of sickness allowances, maternity allowances, funeral grants and to a lesser extent maternity grants.

4.1.1 Employment Injury

After recording considerable growth during the period 2004-2007 in both number and cost, employment injury claims paid during the financial year in review declined by 16.4% to 122. The cost of claims paid also contracted by 20.50%.

Considering that the hotels/restaurants and construction sectors account for approximately 40% of employment injury claims, further drop in the number of claims is expected due to likely decline in employment levels from these sectors.

Whilst the average cost of employment injury claims declined marginally, the average duration of claims rose by 3.2%.

4.1.2 Sickness Allowance

In the review period, sickness claims paid increased by 21.7% to 8,322 at a total cost of $2.75M. Cost of claims paid also grew by 20.50%. Examination of claims paid on the basis of economic sector showed significant increases from some sectors such as wholesale/retail- 26% and hotels- 17%. Of greater concern was the high incidence rate of sickness amoungst contributors from these sectors. The rates of sickness claims from the hotels and wholesale/retail sectors were approximately 25% and 23% respectively, of active insured.

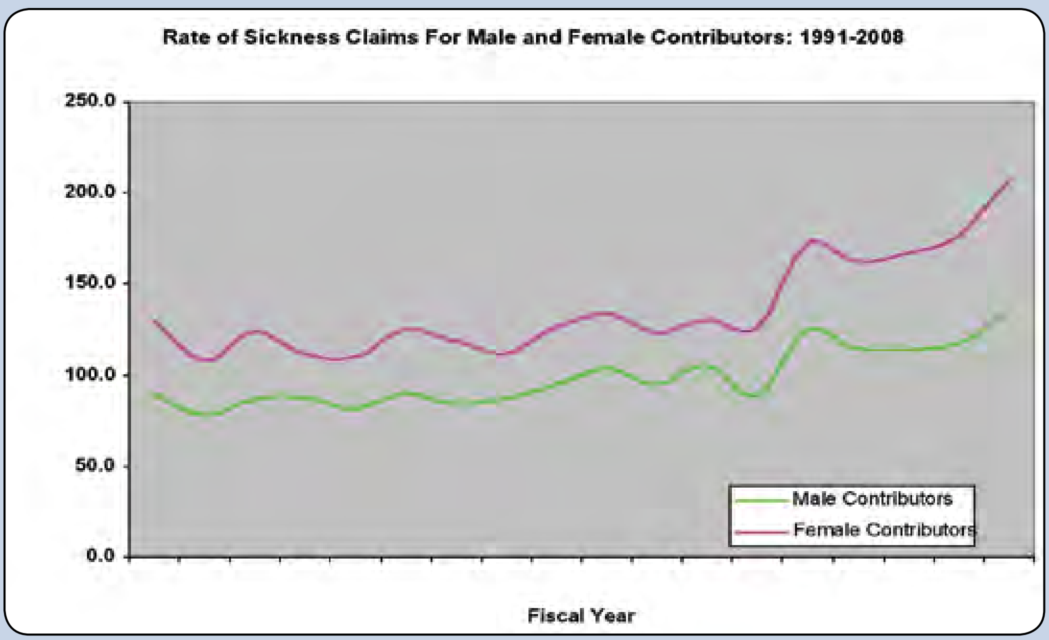
The sharp increase in sickness expenditure could also be explained by unsual vertical rise in claims from some sub-sectors. These sub-sectors are highlighted below with related increases in claims paid:

- Security Activities- claims rose from 149 to 309, an increase of 107%;
- Distribution of Water (WASCO)- claims rose from 72 to 126, an increase of 75%;
- Banking- claims rose from 185 to 245, an increase of 32% and
- Telecommunications- rose from 306 to 404, an increase of 33%.

Analysis of sickness claims paid in the review period on the basis of gender indicated that claims from male contributors grew by 15% whilst related cost rose by 3%. In contrast, claims from female contributors increased by 17% and cost of claims rose by 22%.

Figure 2 show the trend and comparison of the rate of sickness claims from male and female contributors. Although both genders indicate increasing trends over time, the females have higher rates and the variance between gender is gradually expanding.

Figure 5



4.1.3 Maternity Allowance

During the last three years (2005-2008), rate of maternity allowances per hundred active insured females has remained relatively fixed at 3.10. The significance of the above is that any increase in cost could only be explained by corresponding expansion of female contributors, increase in average duration of claims and growth of average insured earnings.

In the review period, average duration of maternity allowances were relatively constant at 70 days whilst average cost of claims grew by approximately 1% to $2,741. Further, as outlined in section 3, active female contributors recorded a 6.18% growth.

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The overall impact of those variables on maternity allowances during the financial year ended June 2008 are summarised below:

- Claims paid grew by 4.34% to 769 and
- Cost of claims paid increased by 5.50% to $2.11M.

4.1.4 Maternity Grant

Unlike maternity allowance, cost of maternity grant is dependant on a single variable, namely, the active insured male and female population. Examination of the rate of maternity allowances per hundred active insured persons during the three years (2005-2008), revealed a relatively consistent rate of 1.7 claims.

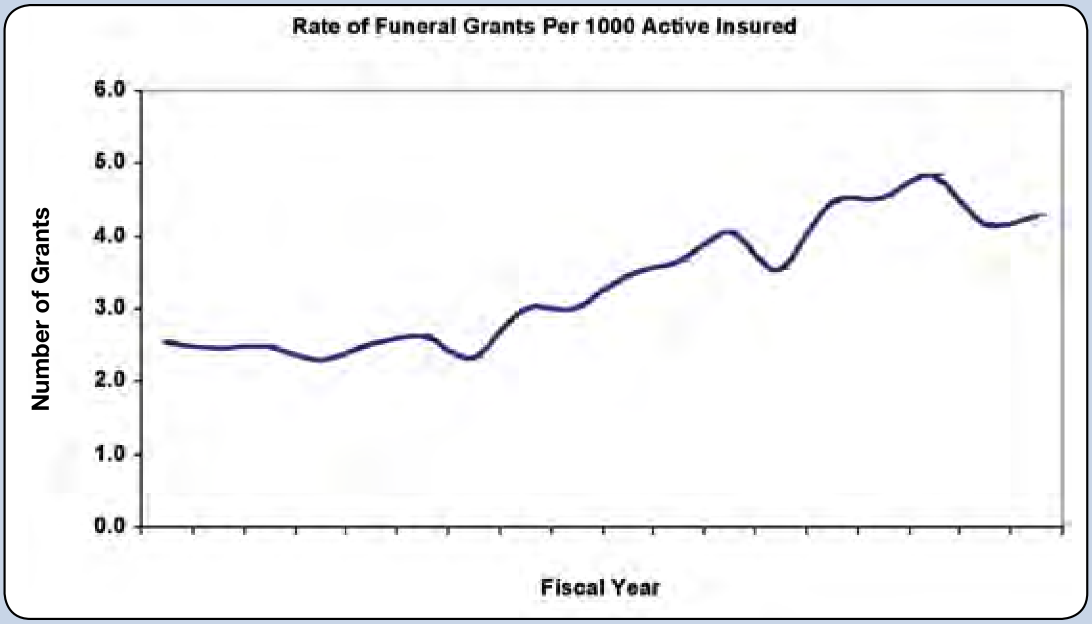
Consequently, the 4.5% growth of the active insured population resulted in a 3.5% increase in maternity grants paid. As expected, cost of maternity grants rose by approximately 2% to $0.50M.

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 dependent on their age distribution. It means that as retirement pensioners approaches life expectancy, the overal rate of funeral grant is expected to rise sharply. The trend of funeral grants over the last 20 years (as shown in figure 3) is typified by a gradual increase.

During the financial year under review, 208 grants were awarded at a cost of $0.36M. When compared to the previoud year, grants awarded rose by 7.22% and cost of grants increased by approximately 6%.

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, 76 claims were paid at a cost of $12,500.

4.2 Long-term Benefits

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

During the financial year ended June 2008, a total of 5,448 long-term claims were paid at a cost of $34.44M. When compared to the previous year, total pensions and grants paid rose by 4.53% and total expenditure increased by 12.93%. The above expension in long-term benefits expenditure could be explained by the following factors:

- Growth of new retirement pensions;
- Decline in the number of retirement pensions terminated and
- Increase in the average cost of retirement grants.

Cost of long-term benefits as a percentage total benefits expenditure over the last ten years indicated a gradual expansion from 68% in 1998-1999 to 80% in 2007-2008 (see figure 4 for illustration). As outlined earlier, this trend will continue as the NIC evolves into mainly a pension scheme.

4.2.1 Pensions

A total of 5,035 pensions were paid during the period under review at a cost of $32.96M; cost of pensions represented an increase of 12.32%. During the last five years (2003-2008), cost of pensions grew at an average rate of 11%. The growth of pensions expenditure is fueled mainly by the corresponding rapid expansion in the cost of retirement pensions. This trend will continue as the number of new pensions (in particular retirement) increase gradually over time. Figure 5 on page 23 shows growth of pensions' expenditure during the period July 2003 – June 2008.

Figure 7

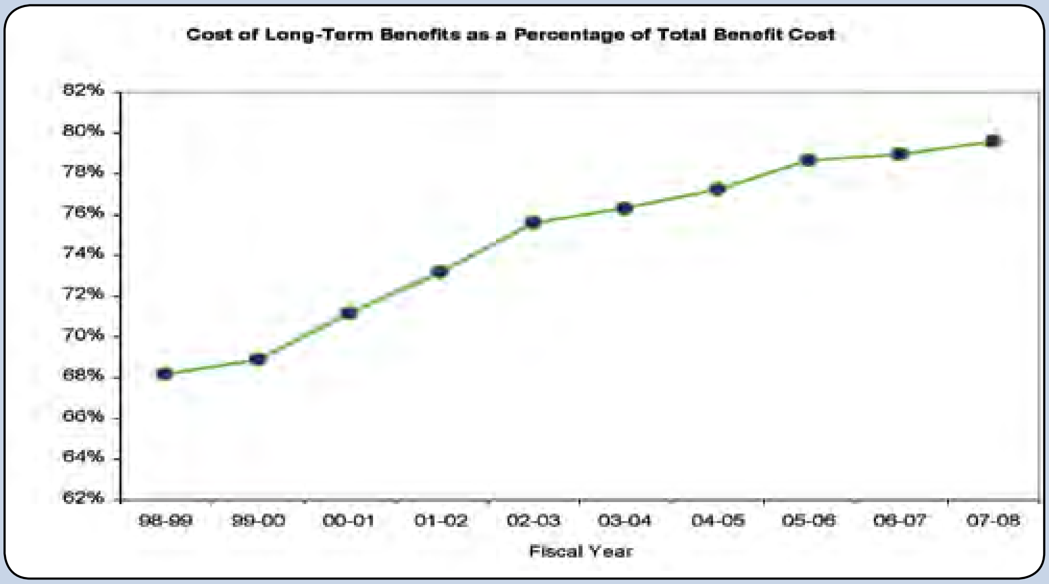


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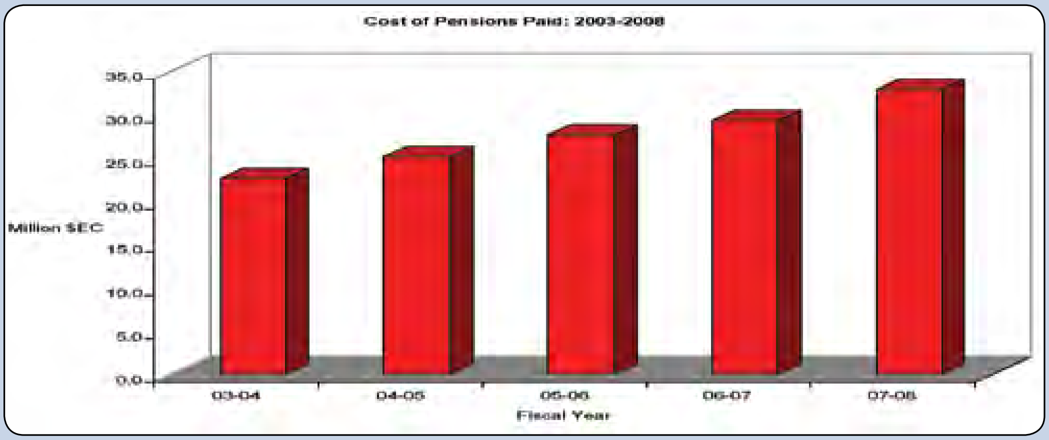
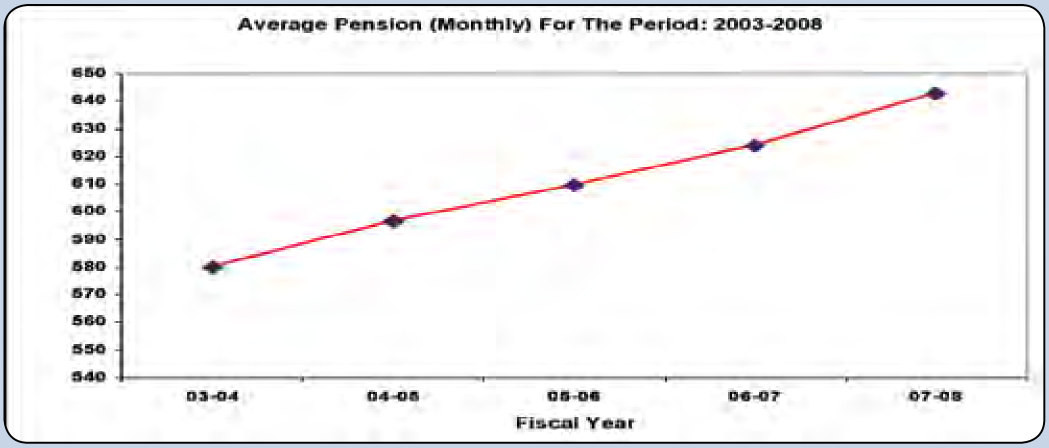
Figure 8



Collectively, pensions awarded during the fiscal year in review increased by 10.34%; average monthly cost of pensions awarded also rose by 11.23% to $685. For the same period, a total of 198 pensions were terminated which represented a 16% drop from the previous financial year. At the end of June 2008, active pensions totaled 4,470; average cost of active pensions increased by 3% to $643. Figure 6 illustrates growth of average pension for the five year period 2003-2008.

Figure 9



4.2.2 Retirement Pension

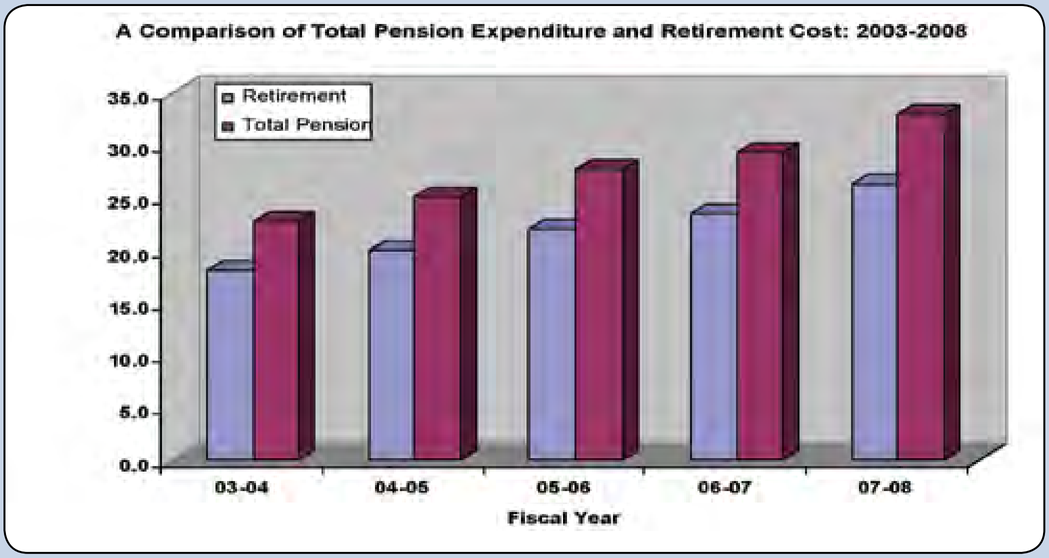
As expected retirement pension is the most costly of the benefits offered by NIC and other social security schemes. This characteristic will remain constant with a sharper rate of growth as a significant proportion of the current active insured population attain retirement age. Consequently, it is of great importance to review applicable parameters (design/financial) and entitlement provisions to ensure pensions are not only relevant but offerdable.

Subsequent to a 7% rise in the previous year, cost of retirement pensions increased by 12% to $26.34M. The above growth in expenditure were mainly due to the following:

- 16 % rise in the number of new pensions and
- The number of retirement pensions terminated in the review period dropped by approximately 24%. Rate of termination per hundred active retirement pensioner contracted from 3.39 to 2.47.

At the end of June 2008, retirement pensions in-payment (active) totaled 3,320 at an estimated annual cost of $25.62M. Figure 6 below compares the cost of retirement pensions to total pensions expenditure for the last five years ended June 2008.

Figure 10



4.2.3 Survivors Pension

The growth of survivors pension is basically dependant upon mortality rate and average number of eligible depandents of insured population. During the five year period 2003-2008, survivorship pensions awarded annually averaged 131. In 2006-2007 and 2007-2008, pensions awarded were constant at 111. In addition, approximately 8% of active pensions terminated during the review period.

At the end of June 2008, 872 survivors pension were in-payment with an average pension of $508.
In the review period, cost of survivors pension increased by 3.1% to approximately $4.14M.

4.2.4 Invalidity Pension

Of the pensions offered by the NIC, cost of invalidity has recorded the lowest levels of vatiation and growth. During the last three years, cost of invalidity pensions grew at an average rate of 0.20%. The following factors accounted for this performance:

- The number of invalidity pensions awarded per 1000 active insured has been relatively stable at 1;
- On average, approximately 13% of active pensions are terminated (primarily due to death of pensioner) annually;
- The impact of those factors is a likely contraction in active pensions.

During the fiscal year 2007-2009, cost of invalidity pensions rose by 3.1% to $2.42M. At the end of June 2008, 268 invalidity pensions were recorded as active/in-payment with an average pension of $757.

4.2.5 Grants

A total of 413 long-term grants were paid and costed $1.48M. Cost of long-term grants is extensively impacted upon by the dynamics of retirement grants, as it accounts for over 82% of total cost. The 28% increase in cost of grants was due to a corresponding 32% rise in the average cost of retirement grants from $2,686 to $3,541. During the last five years average cost of retirement grants increased by approximately 23% per year.

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TABLE 1

NATIONAL INSURANCE CONTRIBUTION INCOME (July 2003 - June 2008)

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	49.82%	31.39	50.18%	62.56	100.00%
July 2005 - June 2006	32.80	47.81%	35.80	52.19%	68.60	100.00%
July 2006 - June 2007	38.94	50.94%	37.51	49.06%	76.45	100.00%
July 2007 - June 2008	43.22	55.89%	40.07	48.11%	83.29	100.00%

TABLE 2

CONTRIBUTION INCOME BY ECONOMIC SECTOR

Economic Sector	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Agriculture, Hunting, Forestry and Fishing	1,021,627	1,148,321	1,054,447	1,108,715	1,376,102
Mining and Quarrying	123,911	176,074	220,053	294,446	517,125
Manufacturing	3,943,022	4,153,284	4,136,296	4,799,180	5,741,247
Electricity, Gas and Water supply	2,367,818	2,375,384	2,382,528	3,058,126	3,214,886
Construction	2,293,577	3,251,056	4,391,877	5,095,242	4,586,904
Wholesale and Retail Trade	7,629,967	8,899,472	9,395,886	10,250,712	11,445,788
Restaurants and Hotels	12,182,250	12,782,289	14,676,219	15,416,856	16,569,671
Transport, Storage and Communication	4,165,622	4,644,799	5,213,370	5,622,278	6,214,984
Financial Intermediations	4,950,685	5,578,208	5,822,190	6,299,023	6,797,980
Real-estate/ Renting /Business Services	4,088,865	4,852,013	5,321,347	5,911,021	6,387,725
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	8,889,062	11,003,648	11,614,913	13,960,253	13,657,785
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	3,321,951	3,613,779	3,687,733	4,310,879	5,100,942
Self-employed	592,477	415,506	429,081	483,601	522,667
Voluntary Contributors	104,319	96335	67201	58313	56,127
Activities not adequately defined	1,280,673	96,815	177,182	324,525	1,099,306
Total	56,955,827	63,086,984	68,590,322	76,993,170	83,289,239

Table: 3

ACTIVE INSURED POPULATION BY INDUSTRIAL CLASSIFICATION

Economic Sector	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Agriculture, Hunting, Forestry and Fishing	925	905	884	919	965
Mining and Quarrying	92	102	133	265	333
Manufacturing	3212	3,152	2974	3306	3452
Electricity, Gas and Water supply	734	716	754	757	815
Construction	1804	2,463	3056	3995	3419
Wholesale and Retail Trade	7023	7,211	7278	8035	8240
Restaurants and Hotels	7091	7,852	8467	9446	9684
Transport, Storage and Communication	2536	2,835	2827	3116	3393
Financial Intermediations	2435	2,572	2593	2583	2852
Real-estate/ Renting /Business Services	2550	2,492	2746	3021	3383
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	6108	6,484	7410	7676	7484
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2577	2,880	3247	3425	3506
Self-employed	999	980	938	957	938
Voluntary Contributors	310	271	181	138	127
Activities not adequately defined	959	469	279	229	309
Total	39,357	41,384	43,767	47,868	48,900

Table: 4

New Entrants Who Registered For Employment
(July 2003 - June 2008)

Age group	Financial Year				
	03-04	04-05	05-06	06-07	07-08
16-19	1669	1569	1848	1670	1,664
20-24	257	261	270	240	128
25-29	61	75	89	72	72
30-34	46	65	69	65	62
35-39	41	52	64	39	35
40-44	27	42	37	41	48
45-49	13	24	21	29	21
50-54	10	15	16	18	16
55-59	8	11	8	5	11
60-64	2	2	6	3	4
GE 65	3	4	0	1	-
Unstated	3	16	0	0	-
Total	2,140	2,136	2,428	2,183	2,061

Table: 5

Registered Employers By Industrial Classification And Status As At 30th June 2008

Economic Sector	Status			
	Active	Closed	Dormant	Total
Agriculture, Hunting, Forestry and Fishing	148	339	2	489
Mining and Quarrying	7	14	0	21
Manufacturing	252	418	4	674
Electricity, Gas and Water supply	18	22	0	40
Construction	192	481	22	695
Wholesale and Retail Trade	607	954	16	1,577
Restaurants and Hotels	340	573	10	923
Transport, Storage and Communication	157	176	6	339
Financial Intermediations	118	100	1	219
Real-Estates, Renting and Buisness Services	365	530	9	904
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	240	242	4	486
Community, Social and Personal Services, Household with employed persons and Extra-				
Territorial Organization and Bodies	852	1,675	23	2,550
Activities not adequately defined	178	263	4	445
Total	3,474	5,787	101	9,362

Table: 6

Active Employers By Industrial Classification (June 2004 - June 2008)

Economic Sector	June '04	June '05	June '06	June '07	June '08
Agriculture, Hunting, Forestry and Fishing	177	174	141	142	148
Mining and Quarrying	8	7	7	7	7
Manufacturing	237	253	242	241	252
Electricity, Gas and Water supply	15	15	15	17	18
Construction	115	126	148	175	192
Wholesale and Retail Trade	571	596	618	610	607
Restaurants and Hotels	317	321	328	335	340
Transport, Storage and Communication	150	158	146	156	157
Financial Intermediations	101	115	118	110	118
Real-Estates, Renting and Buisness Services	296	326	322	377	365
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	220	241	269	224	240
Community, Social and Personal Services, Household withemployed persons and Extra-Territorial Organization and Bodies	760	794	802	816	852
Activities not adequately defined	272	181	103	109	178
Total	3239	3307	3259	3319	3474

Table: 7

Contributing Employers By Industrial Classification (July 2003 - June 2008)

Economic Sector	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Agriculture, Hunting, Forestry and Fishing	131	128	134	125	129
Mining and Quarrying	5	6	8	6	7
Manufacturing	183	197	202	198	218
Electricity, Gas and Water supply	15	17	17	17	19
Construction	85	90	109	130	137
Wholesale and Retail Trade	469	496	560	564	571
Restaurants and Hotels	227	243	260	280	307
Transport, Storage and Communication	117	122	124	138	141
Financial Intermediations	97	112	109	110	108
Real-Estates, Renting and Buisness Services	241	266	287	304	328
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	209	223	237	241	235
Community, Social and Personal Services, Household withemployed persons and Extra-Territorial Organization and Bodies	680	747	799	820	865
Activities not adequately defined	154	85	45	102	126
Total	2613	2732	2891	3035	3191

Table: 8

Newly Registered Employers By Industrial Classification (July 2003 - June 2008)

Economic Sector	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Agriculture, Hunting, Forestry and Fishing	14	27	12	9	8
Mining and Quarrying	2	1	0	0	1
Manufacturing	22	40	35	16	15
Electricity, Gas and Water supply	0	4	1	1	0
Construction	19	30	28	47	22
Wholesale and Retail Trade	63	60	96	50	41
Restaurants and Hotels	36	53	45	45	35
Transport, Storage and Communication	10	26	16	20	8
Financial Intermediations	5	10	1	6	
Real-Estates, Renting and Buisness Services	23	26	38	41	30
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	12	17	20	11	15
Community, Social and Personal Services, Household withemployed persons and Extra-Territorial Organization and Bodies	91	137	129	110	99
Activities not adequately defined	26	6	36	10	18
Total	318	432	466	361	298

Table: 9

Short-Term Benefits Paid By Type (July 2002 - June 2007)

Short-term benefits	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Employment Injury	81	100	138	146	122
Sickness Allowance	5,995	5,853	6,251	6,837	8,322
Maternity Allowance	735	775	693	737	769
Maternity Grant	799	806	753	793	821
Funeral Grant	179	191	215	194	208
Medical Expenses*	41	60	55	62	76
Total	7,830	7,785	8,105	8,769	10,318

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

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Table: 10

Short-Term Benefits Expenditure By Type (July 2002 - June 2007)

Short-term benefits	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Employment Injury	70,188	85,114	118,418	154,371	122,714
Sickness Allowance	1,812,974	2,029,691	2,155,558	2,414,574	2,745,559
Maternity Allowance	1,511,264	1,694,820	1,670,889	2,000,174	2,107,396
Maternity Grant	487,050	488,800	454,200	486,000	497,400
Funeral Grant	308,800	330,821	371,313	336,800	359,740
Medical Expenses*	3,013,713	3,039,687	3,012,218	3,024,887	3,012,535
Total	7,203,989	7,668,933	7,782,595	8,416,806	8,845,344

Table: 11

Long-Term Benefits Paid By Type (July 2003 - June 2008)

Short-term benefits	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Retirement Pension	2,761	3,000	3,182	3,316	3,513
Survivors Pension	931	1,028	1,117	1,168	1,195
Invalidity Pension	299	324	319	325	315
Disablement Pension	4	6	9	10	12
Retirement Grant	225	317	278	348	344
Survivors Grant	34	46	46	39	49
Invalidity Grant	2	11	29	27	15
Disablement Grant	-	4	1	4	5
Total	4,256	4,736	4,981	5,237	5,44

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Table: 12

Long-Term Benefits Expenditure By Type (July 2003 - June 2008)

Short-term benefits	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Retirement Pension	18,131,185	19,985,856	22,053,857	23,517,040	26,338,724
Survivors Pension	2,439,232	2,818,463	3,299,600	3,415,066	4,141,038
Invalidity Pension	2,098,643	2,290,714	2,321,090	2,365,623	2,415,100
Disablement Pension	22,547	36,917	47,697	50,980	69,780
Retirement Grant	364,322	756,915	801,159	934,693	1,218,035
Survivors Grant	85,498	101,924	89,252	117,243	160,806
Invalidity Grant	4,181	34,630	83,201	75,415	70,566
Disablement Grant	-	17,353	5,033	22,956	27,272
Total	23,145,608	26,042,771	28,700,888	30,499,016	34,441,321

Table: 13

Pensions Paid By Type (July 2002 - June 2007)

Short-term benefits	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Retirement Pension	2,761	3,000	3,182	3,316	3,513
Survivors Pension	931	1,028	1,117	1,168	1,195
Invalidity Pension	299	324	319	325	315
Disablement Pension	4	6	9	10	12
Total	3,995	4,358	4,627	4,819	5,035

Table: 14

Cost Of Pensions By Type (July 2003 - June 2008)

Pension	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Retirement Pension	18,131,185	19,985,856	22,053,857	23,517,040	26,338,724
Survivors Pension	2,439,232	2,818,463	3,299,600	3,415,066	4,141,038
Invalidity Pension	2,098,643	2,290,714	2,321,090	2,365,623	2,415,100
Disablement Pension	22,547	36,917	47,697	50,980	69,780
Total	22,691,606	25,131,950	27,722,243	29,348,709	32,964,642

Table: 15

Pensions Awarded By Type (July 2003 - June 2008)

Long-term benefits	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Retirement Pension	229	327	285	255	296
Survivors Pension	131	143	160	111	111
Invalidity Pension	20	41	43	39	39
Disablement Pension	-	2	2	1	2
Total	380	513	490	406	448

Table 16

Average Cost of Pensions Awarded By Type (July 2003 - June 2008)

Pension	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Retirement Pension	696	685	736	649	783
Survivors Pension	305	297	424	420	425
Invalidity Pension	574	697	810	959	679
Disablement Pension	-	599	677	421	683
Total	555	577	640	616	685

Table 17

Pensions terminated By Type (July 2003 - June 2008)

Long-term benefits	Financial Year				
	03-04	04-05	05-06	06-07	07-08
Retirement Pension	52	96	103	106	82
Survivors Pension	46	71	60	84	74
Invalidity Pension	14	48	32	47	42
Disablement Pension -		-	-	-	-
Total	112	215	195	237	198

ANNUAL STATISTICS REVIEW

Table 18

Pensions Awarded By Type (July 2003 - June 2008)

Long-term benefits	Financial Year				
	June 2004	June 2005	June 2006	June 2007	June 2008
Retirement Pension	2,682	2,843	2,919	3,126	3,320
Survivors Pension	708	765	846	837	872
Invalidity Pension	286	281	286	261	268
Disablement Pension	4	6	8	9	10
Total	3,680	3,895	4,059	4,233	4,470

Table 19

Average Cost of Pensions Awarded By Type (July 2003 - June 2008)

Long-term benefits	Financial Year				
	June 2004	June 2005	June 2006	June 2007	June 2008
Retirement Pension	619	639	650	658	670
Survivors Pension	412	416	432	461	506
Invalidity Pension	627	660	720	737	757
Disablement Pension	470	570	520	531	558
Total	580	597	609	624	643

ANNUAL STATISTICS REVIEW

Table 20

Benefits Expenditure By Branch (July 2002 - June 2007)

Benefit Branch	Financial Year				
	03-04	04-05	05-06	06-07	07-08
LONG-TERM					
Retirement	18,495,507	20,742,771	22,855,016	24,451,733	27,556,759
Survivorship	2,524,730	2,920,386	3,388,852	3,388,852	4,301,844
Incapacitation	2,125,371	2,379,614	2,457,021	2,514,974	2,582,718
Sub-total	23,145,608	26,042,771	28,700,888	30,355,559	34,441,321
SHORT-TERM					
Employment Injury	70,188	85,114	118,418	154,371	122,714
Sickness	1,812,974	2,029,691	2,155,558	2,414,574	2,745,559
Maternity	1,998,314	2,183,620	2,125,089	2,486,174	2,604,796
Funeral	308,800	330,821	371,313	336,800	359,740
Medical Expenses*	3,013,713	3,039,687	3,012,218	3,024,887	3,012,535
Sub-total	7,203,989	7,668,933	7,782,595	8,416,806	8,845,344
Grand-total	30,349,596	33,711,703	36,483,484	38,772,365	43,286,665

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

Table 21

Benefits Paid By Branch (July 2001- June 2006)

Benefit Branch	Financial Year				
	03-04	04-05	05-06	06-07	07-08
LONG-TERM					
Retirement	2,986	3,317	3,460	3,664	3,857
Survivorship	965	1,114	1,273	1,266	1,244
Incapacitation	305	345	358	366	347
Sub-total	4,256	4,776	5,091	5,296	5,448
SHORT-TERM					
Employment Injury	81	100	138	146	122
Sickness	5,995	5,853	6,251	6,837	8,322
Maternity	1,534	1,581	1,446	1,530	1,590
Funeral	179	191	215	194	208
Medical Expenses*	41	60	55	62	76
Sub-total	7,830	7,785	8,105	8,769	10,318
Grand-total	12,086	12,561	13,196	14,065	15,76

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

NATIONAL INSURANCE CORPORATION

For the benefit of us all!

Non-consolidated Financial Statements

June 30, 2008

(expressed in Eastern Caribbean dollars)

Pages 46 to 87 contain the Non-consolidated Financial Statements of the National Insurance Corporation.

The Corportation has prepared Consolidated Financial Statments, copies of which are available on request.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Pointe Seraphine
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Castries
St. Lucia, West Indies
Telephone (758) 456-2600
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September 23, 2009

Independent Auditor's 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, 2008 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.

Auditor's 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 auditor's 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 non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2008 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

NON-CONSOLIDATED BALANCE SHEET

As at June 30, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $ (as restated)
Assets		
Cash and cash equivalents (Note 5)	**43,632,867**	13,763,115
Financial assets (Note 6)	**981,695,697**	892,427,706
Investments in subsidiaries (Note 8)	**29,281,949**	28,281,949
Intangible asset (Note 9)	**–**	4,707,519
Investment properties (Note 10)	**201,693,692**	182,900,486
Property, plant and equipment (Note 11)	**1,113,540**	1,290,212
Total assets	**1,257,417,745**	1,123,370,987
Liabilities		
Trade and other payables (Note 12)	**5,424,952**	5,036,018
Reserves		
Short-term benefits (Note 13)	**39,561,157**	33,327,926
Long-term benefits (Note 13)	**1,212,431,636**	1,085,007,043
Total reserves	**1,251,992,793**	1,118,334,969
Total liabilities and reserves	**1,257,417,745**	1,123,370,987

Approved by the Board of Directors on September 23, 2009

______________ **Deputy Chairman** ______________ **Director**

NON-CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

For the year ended June 30, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $ (as restated)
Contribution income	**82,246,889**	77,210,560
Benefits paid		
Short-term benefits	**(5,842,818)**	(5,483,227)
Long-term benefits	**(34,489,886)**	(30,392,757)
Medical health programme	**(3,000,000)**	(3,000,000)
	(43,332,704)	(38,875,984)
Surplus of contribution over benefits	**38,914,185**	38,334,576
General and administrative expenses (Note 15)	**(8,455,589)**	(8,737,179)
Amortisation and impairment loss of intangible asset (Note 9)	**(4,829,920)**	–
	25,628,676	29,597,397
Other income		
Investment income - net (Note 14)	**72,661,207**	67,274,900
Increase in fair value of investment properties (Note 10)	**33,303,907**	38,569,326
Others	**2,064,034**	2,025,935
	108,029,148	107,870,161
Excess of income over expenditure	**133,657,824**	137,467,558

NON-CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended June 30, 2008

(expressed in Eastern Caribbean dollars)

	Short-term Benefits $	Long-term Benefits $	Total $
Balances at June 30, 2006	25,286,774	924,477,587	949,764,361
Increase in fair value of investment properties (Note 20)	585,954	23,001,439	23,587,393
Change in accounting policy – contributions (Note 20)	1,277,662	6,237,995	7,515,657
Balance at June 30, 2006 as restated	27,150,390	953,717,021	980,867,411
Excess of income over expenditure for the year as previously reported	5,001,226	93,018,003	98,019,229
Increase in fair value of investment properties (Note 20)	1,026,880	37,542,446	38,569,326
Change in accounting policy – contributions (Note 20)	149,430	729,573	879,003
Excess of income over expenditure for the year - restated	6,177,536	131,290,022	137,467,558
Balances at June 30, 2007 as restated	33,327,926	1,085,007,043	1,118,334,969
Excess of income over expenditure for the year	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

NON-CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2008

(expressed in Eastern Caribbean dollars)

	2008 $	2007 $ (as restated)
Cash flows from operating activities		
Excess of income over expenditure	**133,657,824**	137,467,558
Adjustments for:		
Interest income	**(45,497,053)**	(42,778,985)
Appreciation in financial assets at fair value through income	**(22,255,360)**	(9,041,180)
Increase in fair value of investment properties	**(33,303,907)**	(38,569,326)
Provision for loan impairment	**1,360,367**	6,260,367
Amortization and impairment loss of intangible asset	**4,829,920**	–
Dividend income	**(6,916,031)**	(5,553,531)
Depreciation	**514,041**	514,664
Impairment loss recovered	**–**	(4,900,000)
Operating income before working capital changes	**32,389,801**	43,399,567
Increase in loans and receivables	**(22,426,880)**	(9,059,442)
Increase in held-to-maturity financial assets	**(42,246,941)**	(38,772,659)
Decrease/(increase) in financial assets at fair value through income	**540,956**	(40,352,177)
Increase/(decrease) in trade and other payables	**388,934**	(2,398,414)
Cash used in operations	**(31,354,130)**	(47,183,125)
Interest received	**42,704,797**	42,615,375
Dividends received	**5,468,154**	6,775,765
Net cash generated from operating activities	**16,818,821**	2,208,015
Cash flows from investing activities		
Additions to intangible asset	**(122,401)**	(521,445)
Improvements to investment properties	**(7,489,299)**	(5,106,789)
Disposal of investment properties	**22,000,000**	–
Purchase of property, plant and equipment	**(337,369)**	(655,758)
Additions to investment in subsidiary	**(1,000,000)**	–
Net cash generated from/(used in) investing activities	**13,050,931**	(6,283,992)
Net increase/(decrease) in cash and cash equivalents	**29,869,752**	(4,075,977)
Cash and cash equivalents, beginning of year	**13,763,115**	17,839,092
Cash and cash equivalents, end of year (Note 5)	**43,632,867**	13,763,115

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.

Standard effective in the 2008 financial year

- IFRS 7, '*Financial Instruments: Disclosures, and the Complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures*', introduces new disclosures relating to financial instruments (see Note 3) and does not have any impact on the classification and valuation of the Corporation's financial instruments.

Interpretation to existing standards effective in the 2008 financial year that are not relevant to the Corporation's operations

- IFRIC 7, '*Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary economies*';
- IFRIC 10, '*Interim financial reporting and impairment*'; and
- IFRIC 11, '*IFRS 2 - Group and Treasury Share Transactions*'.

Amendment and interpretations to existing standards in the 2008 financial year that are not yet effective and have not been early adopted by the Corporation

- IAS 1, '*Presentation of Financial Statements (revised)*', *(effective for annual periods beginning January 1, 2009)* replaces the income statement by a statement of comprehensive income which will include all non-owner changes in equity, such as the revaluation of available for sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. Management expects the revised standard to affect the presentation of the Corporation's financial statements but to have no impact on the recognition or measurement of any of its transactions or balances;

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

Amendment and interpretations to existing standards in the 2008 financial year that are not yet effective and have not been early adopted by the Corporation *... continued*

- IAS 23 (Amendment), 'Borrowing Costs' (effective for annual periods beginning January 1, 2009) requires the entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The revised standard applies prospectively to borrowing costs, relating to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009. Management does not expect the revised standard to have any material impact on the Corporation.

Amendment and interpretations to existing standards that are not yet effective and not relevant to the Corporation's operations
- IFRS 8, '*Operating Segments*', (effective for annual periods beginning January 1, 2009);
- IFRIC 12, '*Service Concession Arrangements*', (effective for annual periods beginning January 1, 2008);
- IFRIC 13, '*Customer Loyalty Programmes*', (effective for annual periods beginning July 1, 2008);
- IFRIC 14, '*IAS-19 The Limit on A Defined Benefit Asset, Minimum Funding Requirements and their Interaction*', (effective for annual periods beginning January 1, 2008);
- IFRIC 15, '*Agreements for the Construction of Real Estate*', (effective for annual periods beginning January 1, 2009); and
- IFRIC 16, '*Hedges of a Net investment in a Foreign Operation*', (effective for annual periods beginning October 1, 2008).

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 and held-to-maturity financial assets.

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 and re-evaluates this at every reporting date.

(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 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).

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

(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 debt securities held-to-maturity 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.

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 available-for-sale securities calculated using the effective interest method is recognised in the statement of income

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

(d) Available-for-sale financial assets … continued

and expenditure. Dividends on available-for-sale 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.

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 held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

(a) Financial assets carried at amortised cost ... continued

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).

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

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

Intangible Asset *... continued*

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.

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

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 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 14) 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.

(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:

	2008	2007
Short-term benefit fund	**17%**	17%
Long-term benefit fund	**83%**	83%
	100%	100%

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

(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.

(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

3 Management of financial risk *... continued*

Financial Risk *... continued*

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.

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, there 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 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.

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.

3 Management of financial risk *... continued*

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

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) or Caricris 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.

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;

3 Management of financial risk ... *continued*

Impairment and provisioning policies ... *continued*

- 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.

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	
	2008	**2007**
	$	**$**
Cash at banks	**15,516,822**	9,372,456
Short term deposits	**28,116,045**	4,390,659
Loans and receivables		
- Loans to Government of Saint Lucia and statutory bodies	**60,081,510**	60,996,780
- Loans to subsidiaries	**81,630,226**	74,622,279
- Other loans	**34,760,817**	41,527,998
- Other advances and receivables from Government of Saint Lucia	**36,542,805**	12,204,593
- Receivables from subsidiaries	**14,673**	398,350
- Other receivables	**8,471,609**	7,660,389
Held-to-maturity		
- Debt securities	**560,107,762**	516,645,426
Fair value through income		
- Debt securities	**67,728,137**	32,944,755
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial Guarantees		
Loan commitments and other credit related liabilities	**6,530,000**	13,890,113
At June 30	**899,500,406**	774,653,798

The above table represents a worse case scenario of credit risk exposure to the Corporation at June 30, 2008 and 2007, 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, 25% of the total maximum exposure is derived from loans and advances (2007 – 27%);
70% represents investments in debt securities (2007 – 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 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;
- 84% of the loans and advances portfolio are considered to be neither past due nor impaired (2007 - 83%); and
- The Corporation continues to grant loans and advances in accordance with its lending policies and guidelines.

Loans and receivables
Loans and receivables are summarised as follows:

	2008 $	2007 $
Loans and receivables		
Neither past due nor impaired	**171,564,133**	150,873,080
Past due but not impaired	**34,842,509**	31,442,311
Impaired	**38,286,011**	36,925,643
Gross	**244, 692,653**	219,241,034
Less: Allowance for impairment (Notes 7)	**(23,191,013)**	(21,830,645)
Net	**221,501,640**	197,410,389

The total impairment provision for loans and receivables is $1,360,368 (2007 – $6,260,367). 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.

	Loans			Other advances and receivables		
	Statutory bodies $	Subsidiaries $	Other $	Government of St. Lucia $	Other $	Total $
June 30, 2008						
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*

(a) Loans and receivables neither past due or impaired … continued

	Loans			Other advances and receivables		
	Statutory bodies $	Subsidiaries $	Other $	Government of St. Lucia $	Other $	Total $
June 30, 2007						
Customers with no history of default	45,000,000	60,342,118	41,528,000	830	4,002,132	150,873,080

(b) Loans and receivables past due but not impaired

Loans and receivables less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. 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, 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*

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

	Loans			
	Statutory bodies $	Subsidiaries $	Other $	Total $
June 30, 2007				
Past due up to 30 days	915,269	–	–	915,269
Past due 31-60 days	–	14,280,160	–	14,280,160
Past due 61-90 days	–	–	–	–
Past due over 90 days	–	–	–	–
Total	**915,269**	**14,280,160**	**–**	**15,195,429**

	Other advances and receivables			
	Government of St. Lucia $	Subsidiaries $	Other $	Total $
June 30, 2007				
Past due up to 30 days	1,452,670	100,421	1,533,777	3,086,868
Past due 31-60 days	133,214	297,929	528,815	959,958
Past due 61-90 days	435,298	–	291,717	727,015
Past due over 90 days	10,182,583	–	1,290,458	1,473,041
Total	**12,203,765**	**398,350**	**3,644,767**	**16,246,882**

Other advances and receivables are unsecured.

(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, 2008			
Over 150 days	38,171,129	114,882	38,286,011

3 Management of financial risk ... *continued*

(c) Loans and receivables individually impaired ... continued

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, 2007			
Over 150 days	36,810,761	114,882	36,925,643

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, 2008, based on Standard & Poor's ratings, Caricris or their equivalent:

	Treasury bills	Debt securities	Total
	$	$	$
A- to A+	–	19,829,136	19,829,136
Lower than A-	17,649,377	54,977,808	72,627,185
Unrated	–	535,379,578	535,379,578
Total	**17,649,377**	**610,186,522**	**627,835,899**

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	43,632,867	–	–	43,632,867
Financial assets:				
Held-to-maturity	466,841,264	93,266,498	–	560,107,762
Available-for-sale	375,000	188,400	–	563,400
Fair value through income	110,236,200	–	89,286,695	199,522,895
Loans and receivables	221,501,640	–	–	221,501,640
As at June 30, 2008	842,586,971	93,454,898	89,286,695	1,025,328,564
Cash and cash equivalents	13,763,115	–	–	13,763,115
Financial assets:				
Held-to-maturity	436,143,454	80,501,972	–	516,645,426
Available-for-sale	375,000	188,400	–	563,400
Fair value through income	87,980,839	–	89,827,652	177,808,491
Loans and receivables	197,410,389	–	–	197,410,389
As at June 30, 2007	735,672,797	80,690,372	89,827,652	906,190,821

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

	Financial institutions $	Utilities $	Government & statutory bodies (Local) $	Government (Regional) $	Construction $	Aviation $	Other industries $	Total $
Cash and cash equivalents	43,632,867	–	–	–	–	–	–	43,632,867
Financial assets:								
Held-to-maturity	377,548,960	10,430,348	152,202,542	9,101,032	5,488,580	5,336,300	–	560,107,762
Available-for-sale	563,400	–	–	–	–	–	–	563,400
Fair value through income	152,513,895	47,009,000	–	–	–	–	–	199,522,895
Loans and receivables	61,657,130	6,461,523	70,163,902	–	76,180,681	–	7,038,404	221,501,640
As at June 30, 2008	635,916,252	63,900,871	222,366,444	9,101,032	81,669,261	5,336,300	7,038,404	1,025,328,564
As at June 30, 2007	562,673,398	58,663,092	182,410,272	9,390,825	80,018,928	4,975,571	8,058,735	906,190,821

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, 2008.

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, 2008			
Assets			
Cash and cash equivalents	40,439,344	3,193,523	43,632,867
Financial assets:			
Held-to-maturity	491,140,587	68,967,175	560,107,762
Available-for-sale	563,400	–	563,400
Fair value through income	110,236,200	89,286,695	199,522,895
Loans and receivables	221,501,640	–	221,501,640
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

3 Management of financial risk *... continued*

Market risk *... continued*

(a) Currency risk ... continued

	EC $	US $	Total $
As at June 30, 2007			
Assets			
Cash and cash equivalents	10,752,033	3,011,082	13,763,115
Financial assets:			
Held-to-maturity	476,920,874	39,724,552	516,645,426
Available-for-sale	563,400	–	563,400
Fair value through income	87,980,839	89,827,652	177,808,491
Loans and receivables	197,410,389	–	197,410,389
Total financial assets	773,627,535	132,563,286	906,190,821
Liabilities			
Trade and other payables	5,036,018	–	5,036,018
Net on balance sheet financial position	768,591,517	132,563,286	901,154,803
Credit commitments	13,890,113	–	13,890,113

(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 December 31, 2008 if equity securities prices had been 2% higher/lower with all variable held constant reserves for the year would have been $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. The Corporation takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks

3 Management of financial risk ... *continued*

Market risk ... *continued*

(c) 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 $	1-3months $	3-12 months $	1-5 years $	Over 5 years $	Non-interest bearing $	Total $
As at June 30, 2008							
Assets							
Cash and cash equivalents	15,516,822	28,116,045	–	–	–	–	43,632,867
Financial assets:							
Held-to-maturity	55,653,443	97,832,394	236,598,734	153,464,350	16,558,841	–	560,107,762
Available-for-sale	–	–	–	–	563,400	–	563,400
Fair value through income	–	–	67,728,137	–	–	131,794,758	199,522,895
Loans and receivables	–	1,403,850	16,011,235	46,255,445	113,197,698	44,633,412	221,501,640
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
Liabilities							
Trade and other payables	–	–	–	–	–	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		
As at June 30, 2007							
Total financial assets	45,450,162	78,528,806	453,982,450	110,416,315	198,049,824	19,763,264	906,190,821
Total financial liabilities	–	–	–	–	–	5,036,018	5,036,018
Total interest repricing gap	45,450,162	78,528,806	453,982,450	110,416,315	198,049,824		

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 December 31, 2008 if market interest rates had been 100 basis points higher/lower with all variables held constant, reserves for the year would have been $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.

Maturities liabilities

	1 year $	1 - 5 years $	Over 5 years $	Total $
At June 30, 2008				
Trade and other payables	5,424,952	–	–	5,424,952
At June 30, 2007				
Trade and other payables20	5,036,018	–	–	5,036,018

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.

Fair value risk

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. Estimated fair values are assumed to approximate their carrying values.

Capital risk management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for pensioners and benefits for other stakeholders and maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of contributions required by the employee and the employer.

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.

Impairment of intangible asset
The assessment of impairment of intangible asset involves the determination of the intangible's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible's value in use, estimates are required of future cash flows generated as a result of holding the asset.

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.

5 Cash and cash equivalents

	2008 $	2007 $
Cash at bank and in hand	**15,516,822**	9,372,456
Short-term deposit	**28,116,045**	4,390,659
Total cash and cash equivalents	**43,632,867**	13,763,115

The effective interest rate on short-term bank deposits ranges from 2% to 6% (2007 - 2% to 6%) per annum.

6 Financial assets

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

	2008 $	2007 $ (as restated)
Held-to-maturity	**560,107,762**	516,645,426
Available-for-sale	**563,400**	563,400
Fair value through income	**199,522,895**	177,808,491
Loans and receivables (Note 7)	**221,501,640**	197,410,389
Total financial assets	**981,695,697**	892,427,706

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

	2008 $	2007 $
Held-to-maturity financial assets at amortised cost		
Debt securities - fixed interest rate:		
- Listed	**149,104,862**	133,850,324
- Unlisted	**411,002,900**	382,795,102
	560,107,762	516,645,426

	2008 $	2007 $
Current portion	**390,084,570**	366,764,553
Non-current portion	**170,023,192**	149,880,873
	560,107,762	516,645,426

Interest rates range from 4% to 9% (2007 - 4.5% to 11%).

At the reporting date, there were no held-to-maturity assets that were overdue but not impaired.

	2008 $	2007 $
Available-for-sale financial assets		
Equity securities:		
- Unlisted	**563,400**	563,400

6 Financial assets *... continued*

At the reporting date, there were no available-for-sale financial assets that were considered impaired.

	2008 $	2007 $
Financial assets at fair value through income		
Equity securities:		
- Listed	**131,794,758**	144,863,736
Debt securities:		
- Listed	**67,728,137**	32,944,755
	199,522,895	177,808,491

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.

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

	Held-to-maturity $	Available -for-sale $	Fair Value through income $	Loans and receivables $ (as restated)	Total $
At the beginning of 2007	475,943,680	563,400	128,415,134	190,242,911	795,165,125
Net additions	108,635,565	–	32,790,444	8,527,845	149,953,854
Disposals (redemption)	(67,933,819)	–	–	–	(67,933,819)
Net increase in provisions for impairment	–	–	–	(1,360,367)	(1,360,367)
Fair value gains on debt securities	–	–	7,561,733	–	7,561,733
Fair value gains on equity securities	–	–	9,041,180	–	9,041,180
At the end of 2007	516,645,426	563,400	177,808,491	197,410,389	892,427,706
At the beginning of 2008	516,645,426	563,400	177,808,491	197,410,389	892,427,706
Net additions	82,861,565	–	3,635,216	25,451,619	111,948,400
Disposals (redemption)	(39,399,229)	–	–	–	(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	**560,107,762**	**563,400**	**199,522,895**	**221,501,640**	**981,695,697**

7 Loans and receivables

	2008 $	2007 $ (as restated)
Loans and receivables:		
Loans to Government of Saint Lucia and statutory bodies	**83,171,127**	82,726,029
Less provision for impairment on loans	**(23,089,617)**	(21,729,249)
	60,081,510	60,996,780
Loans to subsidiaries (Note 17)	**81,630,226**	74,622,279
Other loans	**34,760,817**	41,527,998
	116,391,043	116,150,277
	176,472,553	177,147,057
Other advances and receivables:		
Due from Government of Saint Lucia		
Other receivables	**33,533,768**	10,380,308
Contributions receivable	**3,009,037**	1,824,285
	36,542,805	12,204,593
Receivables from subsidiaries (Note 17)	**14,673**	398,350
Contributions receivable	**6,173,787**	6,570,375
Other receivables	**2,399,218**	1,191,410
Less provision for impairment on other advances and receivables	**(101,396)**	(101,396)
	45,029,087	20,263,332
Total loans and receivables	**221,501,640**	197,410,389

	2008 $	2007 $ (as restated)
Current portion	**39,354,555**	18,159,341
Non-current portion	**182,147,085**	179,251,048
	221,501,640	197,410,389

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 3.0% to 8.5% (2007 - 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 advances and receivables $	Total $
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**
Balance at July 1, 2006	**20,368,882**	**101,396**	**20,470,278**
Provision for loan impairment	6,260,367	–	6,260,367
Amounts recovered during the year	(4,900,000)	–	(4,900,000)
At June 30, 2007	**21,729,249**	**101,396**	**21,830,645**

The Corporation has recognised a loss of $1,360,368 (2007 - $6,260,367) for the impairment of its loans to the statutory bodies during the year ended June 30, 2008. The loss has been included under expenses attributable to investment income in the statement of income and expenditure.

8 Investments in subsidiaries

	2008 $	2007 $
Beginning of year	**28,281,949**	28,281,949
Additions	**1,000,000**	–
End of year	**29,281,949**	28,281,949

8 Investments in subsidiaries *... continued*

	Interest owned	Interest owned	2008 $	2007 $
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 (2007 - 7,904,395)	100.00	85.00	**8,904,395**	7,904,395
Blue Coral Limited 933,333 ordinary shares	66.66	66.66	**9,333,334**	9,333,334
Total investments in subsidiaries			**29,281,949**	28,281,949

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 a Mathematics Education Software. This is 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 is funded by the Corporation and will be managed by the Ministry of Education. The Corporation in return will 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.

	2008 $	2007 $
Beginning of year	**4,707,519**	4,186,074
Additions	**122,401**	521,445
Amortization and impairment loss	**(4,829,920)**	–
End of year	**–**	4,707,519

10 Investment properties

	2008 $	2007 $ (as restated)
Beginning of year	**182,900,486**	139,224,371
Additions	**7,489,299**	5,106,789
Disposals	**(22,000,000)**	–
Increase in fair value (Note 20)	**33,303,907**	38,569,326
End of year	**201,693,692**	182,900,486

The Corporation's investment properties are carried at fair value. Fair values of investment properties are based on valuations performed by independent, professionally qualified valuers as at June 30, 2007 and June 30, 2008. Fair value adjustments were applied retroactively (Note 20).

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 (2007 - $761,928).

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

	2008 $	2007 $
Rental income	**6,233,630**	6,598,907
Direct operating expenses arising from investment properties that generate rental income	**1,858,893**	1,990,174

11 Property, plant and equipment

	Motor Vehicles $	Furniture & Equipment $	Computer Hardware $	Computer Software $	Generators $	Total $
At June 30, 2006						
Cost	342,458	3,345,207	1,525,588	636,021	325,430	6,174,704
Accumulated depreciation	(178,045)	(2,658,573)	(1,328,325)	(535,213)	(325,430)	(5,025,586)
	164,413	686,634	197,263	100,808	–	1,149,118
Year ended June 30, 2007						
Opening net book amount	164,413	686,634	197,263	100,808	–	1,149,118
Additions	–	371,892	279,098	4,768	–	655,758
Depreciation charge	(54,905)	(281,325)	(150,290)	(28,144)	–	(514,664)
	109,508	777,201	326,071	77,432	–	1,290,212
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

12 Trade and other payables

	2008 $	2007 $
Trade payables	**311,067**	540,322
Benefit payables	**1,162,593**	767,912
Due to related party (Note 17)	**286,190**	19,046
Other liabilities	**3,665,102**	3,708,738
	5,424,952	5,036,018

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 Investment income - net

	2008 $	2007 $
Fair value through income:		
- Dividend income	**6,916,031**	5,553,531
- Fair value gains on equity securities	**22,255,360**	9,041,180
- Fair value (losses)/gains on debt securities	**(4,176,172)**	7,561,733
Held-to-maturity interest income	**30,873,355**	29,108,891
Loans and receivables interest income	**12,734,743**	12,700,461
Cash and cash equivalents interest income	**1,888,955**	969,633
Rental income	**6,233,631**	6,598,907
	76,725,903	71,534,336
Expenses attributable to investment income (Note 15)	**(4,064,696)**	(4,259,436)
	72,661,207	67,274,900

15 Expenses by nature

	2008 $	2007 $
Administrative and general expenses		
Employee benefits	**5,236,452**	5,347,000
Rent	**761,928**	761,928
Depreciation	**486,589**	487,212
Contribution to National Community Foundation	**353,200**	509,600
Stationery and printing	**252,966**	249,193
Repairs and maintenance	**234,370**	257,536
Electricity, water and sewerage	**189,024**	164,501
Professional and legal fees	**179,503**	74,931
Public relations	**161,998**	363,064
Postage and telephone	**152,023**	156,621
Subscriptions	**96,388**	66,189
Office and general expenses	**73,510**	57,751
Audit fees	**54,750**	41,543
Overseas meetings and conferences	**53,448**	70,161
Board expenses	**47,753**	25,326
Bank charges	**45,666**	25,189
Insurance	**27,454**	21,570
Motor vehicle expenses	**19,862**	20,968
Scholarships and quiz sponsorships	**15,613**	15,435
Books and periodicals	**8,897**	1,063
Medical board fees	**4,095**	9,935
Donations	**100**	10,463
Total	**8,455,589**	8,737,179
Expenses attributable to investment income		
Provision for loan impairment	**1,360,368**	1,360,367
Repairs and maintenance	**1,044,749**	1,091,706
Insurance	**435,025**	430,479
Employee benefits	**426,340**	600,365
Electricity, water and sewerage	**337,812**	303,015
Security services	**150,348**	164,975
Board expenses	**62,437**	33,967
Audit fees	**54,750**	41,542
Overseas meetings and conferences	**53,449**	69,254
Professional and legal fees	**50,707**	48,000
Foreign exchange loss	**42,807**	67,526
Depreciation	**27,453**	27,453
Motor vehicle expenses	**18,451**	20,787
Total	**4,064,696**	4,259,436
Total administrative and general expenses and expenses attributable to investment income	**12,520,285**	12,996,615

15 Expenses by nature *. . . continued*

	2008 $	2007 $
Administrative and general expenses and expenses attributable to investment income		
Employee benefits (Note 16)	**5,662,792**	5,947,365
Provision for loan impairment	**1,360,368**	1,360,367
Repairs and maintenance	**1,170,079**	1,349,242
Rent	**761,928**	761,928
Electricity, water and sewerage	**526,834**	467,516
Depreciation	**514,041**	514,664
Insurance	**462,479**	452,049
Contribution to National Community Foundation	**353,200**	509,600
Stationery and printing	**252,966**	249,193
Professional and legal fees	**230,212**	122,931
Overseas meetings and conferences	**215,939**	139,415
Public relations	**161,998**	363,064
Postage and telephone	**152,023**	156,621
Security services	**150,348**	164,975
Board expenses	**110,190**	59,293
Audit fees	**109,500**	83,085
Subscriptions	**96,388**	66,189
Office and general expenses	**73,510**	57,751
Bank charges	**45,666**	25,189
Foreign exchange loss	**42,807**	67,526
Motor vehicle expenses	**38,312**	41,755
Scholarships and quiz sponsorships	**15,613**	15,436
Books and periodicals	**8,897**	1,063
Medical board fees	**4,095**	9,935
Donations	**100**	10,463
	12,520,285	12,996,615

16 Employee benefit expense

	2008 $	2007 $
Salaries	**4,709,414**	4,939,053
Gratuities	**280,284**	277,162
Other staff cost	**673,094**	731,150
	5,662,792	5,947,365

17 Related party transactions

The following transactions were carried out with related parties:

	2008 $	2007 $
Interest income	**4,967,715**	4,598,732
Management fees	**444,703**	16,000
Maintenance fees	**261,846**	306,433
Dividend income	**165,600**	165,600
Rental income	**147,880**	211,752
Security	**120,000**	120,000
Legal fees	**15,000**	15,000

Key management compensation is as follows:

	2008 $	2007 $
Salaries and wages	**844,681**	988,045
Other benefits	**200,256**	197,243
	1,044,937	1,185,288

Year-end balances with related parties are as follows:

	2008 $	2007 $ (as restated)
Loans to Government of Saint Lucia and statutory bodies	**83,171,127**	82,726,029
Loans to subsidiaries: (Note 7)		
St. Lucia Mortgage Finance Company Limited	**31,909,961**	28,367,462
NIPRO	**18,539,584**	18,554,006
Blue Coral Limited	**17,773,289**	13,420,651
Castries Car Park Facility Limited	**13,407,392**	14,280,160
	81,630,226	74,622,279
Due from Government of Saint Lucia	**36,542,805**	12,204,593
Receivables from subsidiaries: (Note 7)		
NIPRO	**10,243**	100,421
Castries Car Park Facility Limited	**4,352**	171,760
Blue Coral Limited	**78**	126,169
	14,673	398,350
Due to a subsidiary: (Note 12)		
NIPRO	**286,190**	19,046

18 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 eighth actuarial review of the National Insurance Fund as at June 30, 2003, conducted by an actuary of the International Labour Organization, concluded that among the regional social security systems, the Saint Lucia National Insurance Fund is one of the best funded and best prepared to meet the increasing costs of an ageing population and maturing pension system.

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 158,000 in 2001 to just over 210,000 by 2063.
(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 11.0 in 2003 to only 2.2 in 2063.
(c) Contribution income is expected to be sufficient to meet total expenditure through 2023.
(d) Reserves are expected to begin decreasing in 2048 when total expenditure will exceed total income for the first time. In 2062, 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 6.9% in 2003 to 22.2% in 2063.
(f) Beginning 2003, 13.1% is the constant contribution rate that will make the present value of contributions equal to the present value of expenditure through 2063.

The ninth actuarial review as at June 30, 2007 has been revised to include the results of the year ended June 30, 2008.

19 Commitments

As at the end of year, loans and receivables approved by the Corporation but not yet disbursed amounted to approximately $6,530,000 (2007 - $13,890,113).

20 Prior period adjustments

During 2008, the Corporation changed its accounting policy for the recognition of contribution income. Previously, the Corporation recognised contribution income when received. It is now 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. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2007 have been restated.

As at June 30, 2007, the carrying amount of investment properties had not been adjusted to fair value, as the basis on which the independent valuation reports were prepared was not sufficiently appropriate to determine whether any further adjustments to the carrying amount were necessary. During 2008, management was able to determine the fair value of investment properties as at June 30, 2007 and June 30, 2006. The financial statements of 2007 have been restated to reflect the fair value of investment properties. The adjustment has been applied retrospectively.

20 Prior period adjustments *...continued*

The reconciliation of the increasing effects of prior period adjustments as they apply to periods prior to 2007 and to 2007 reserves and excess of income over expenditure follows:

Effect on periods prior to 2007

	$
Reserves	
As previously reported	949,764,361
Change in accounting policy - contributions	7,515,657
Increase in fair value of investment properties not previously adjusted	23,587,393
As restated	980,867,411

Effect on 2007

	2007 **$**
Reserves	
As previously reported	1,047,783,590
Change in accounting policy - contributions	8,394,660
Increase in fair value of investment properties not previously adjusted	62,156,719
As restated	1,118,334,969
Excess of income over expenditure for the year	
As previously reported	98,019,229
Change in accounting policy - contributions	879,003
Increase in fair value of investment properties not previously adjusted	38,569,326
As restated	137,467,558

The effect on the balance sheet is as follows:

	2007 **$**
Total assets	
As previously reported	1,052,819,608
Adjustment to loans and receivables	8,394,660
Adjustment to investment properties	62,156,719
As restated	1,123,370,987

21 Detailed statement of income and expenditure

	Short-term Benefits		Long-term Benefits		Total	
	2008	2007 (as restated)	2008	2007 (as restated)	2008	2007 (as restated)
Contribution income	**13,981,971**	13,125,796	**68,264,918**	64,084,764	**82,246,889**	77,210,560
Benefits paid						
Short-term benefits	**(5,842,818)**	(5,483,227)	–	–	**(5,842,818)**	(5,483,227)
Long-term benefits	–	–	**(34,489,886)**	(30,392,757)	**(34,489,886)**	(30,392,757)
Medical health programme	**(3,000,000)**	(3,000,000)	–	–	**(3,000,000)**	(3,000,000)
	(8,842,818)	(8,483,227)	**(34,489,886)**	(30,392,757)	**(43,332,704)**	(38,875,984)
Surplus of contributions over benefits	**5,139,153**	4,642,569	**33,775,032**	33,692,007	**38,914,185**	38,334,576
General and administrative expenses	**(1,536,850)**	(1,627,465)	**(6,918,739)**	(7,109,714)	**(8,455,589)**	(8,737,179)
Amortisation and impairment loss of intangible asset	**(877,865)**	–	**(3,952,055)**	–	**(4,829,920)**	–
Income from operations	**2,724,438**	3,015,104	**22,904,238**	26,582,293	**25,628,676**	29,597,397
Other income						
Investment income – net	**2,165,404**	1,791,144	**70,495,803**	65,483,756	**72,661,207**	67,274,900
Increase in fair value of investment properties	**992,502**	1,026,880	**32,311,405**	37,542,446	**33,303,907**	38,569,326
Other income	**350,887**	344,408	**1,713,147**	1,681,527	**2,064,034**	2,025,935
	3,508,793	3,162,432	**104,520,355**	104,707,729	**108,029,148**	107,870,161
Excess of income over expenditure	**6,233,231**	6,177,536	**127,424,593**	131,290,022	**133,657,824**	137,467,558

22 Benefits paid

	Short-term Benefits		Long-term Benefits		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Maternity	**2,583,018**	2,501,005	–	–	**2,583,018**	2,501,005
Sickness	**2,759,313**	2,464,480	–	–	**2,759,313**	2,464,480
Invalidity	–	–	**2,478,901**	2,400,616	**2,478,901**	2,400,616
Retirement	–	–	**27,578,486**	24,370,268	**27,578,486**	24,370,268
Survivorship	–	–	**4,287,942**	3,505,907	**4,287,942**	3,505,907
Funeral	**357,990**	345,599	–	–	**357,990**	345,599
Employment injury	**123,232**	149,896	–	–	**123,232**	149,896
Disablement	–	–	**90,569**	73,936	**90,569**	73,936
Death	–	–	**53,988**	42,030	**53,988**	42,030
Confinement fees and medical expenses	**19,265**	22,247	–	–	**19,265**	22,247
Total	**5,842,818**	**5,483,227**	**34,489,886**	**30,392,757**	**40,332,704**	**35,875,984**