

# NIC

annual report 2005



working together with pride to build our nation



**NATIONAL  
INSURANCE  
CORPORATION**

*For the benefit of us all!*





## mission statement

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

## corporate 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





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Working  
together with  
Pride to build  
**OUR**  
Nation

**The task we face is always lighter  
When we each contribute to our measure  
That sounds like Solidarity – Mister!  
T’is the essence of Social Security, Sister**

**Defining the task is our responsibility  
You are doing your part Sister, with great  
respectability  
Please do your part Brother, you have the ability  
NIC is playing its part with great sensitivity**

**Building our Nation is our task, Brother  
Working together is my pleasure, Sister  
Shoulder to shoulder, for we must gather  
To make fruitful the efforts of Mother and Father**

**The best prize that life offers, Daughter  
Is the reward from working hard at work worth doing  
And building our nation Brother is the most  
deserving call**

*So let’s work together with pride to build our nation  
... for the benefit of us all!*

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## corporate data

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# Prime Minister's Report

MESSAGE BY PRIME MINISTER DR. KENNY D ANTHONY TO THE ANNUAL REPORT FOR THE FINANCIAL YEAR JULY 2004 – JUNE 2005

Our societies are increasingly becoming more complex. The dynamics of an ever-changing social order is producing a new type of citizenry who are more astute and correspondingly have greater expectations in terms of the quality and quantity of services which they now demand. This development coincides with a period where it is universally accepted that there is a need to bridge the divide between the haves and have nots as a prerequisite for the maintenance of social order, social justice, social equity and social cohesion. The demands of creating a more inclusive society mandate that those who live under extreme conditions of poverty and deprivation are provided with better access to markets and institutions, health care services, educational opportunities, greater job security and access to productive assets in order to effect both a qualitative and quantitative shift in their standards of living.

The failure of any society to do so invariably renders the poor and defenseless susceptible to the shocks caused by life's cycle of changes, economic reforms and other types of events such as illness. The vulnerability of the poor to socio-economic shocks can be reduced by policies that protect their livelihoods, increase their human capital and assist them in times of crisis. Although economic growth is a critical

factor in the promotion of better standards of living, it has not been proven that economic growth is a sufficient condition to promote social development and to increase equality. Pockets of poverty can persist due to the inability of some population groups to participate in the growth process. Consequently, protection mechanisms against poverty, destitution and uncertainties are needed in order to safeguard the vulnerable segments of the population against contingencies and uncertainties.

Unquestionably poverty is a social ill which can be explosive. Therefore incidence of poverty must be reduced. It is in keeping with this broad overall objective of reducing poverty that the social policy programme has evolved. The role of social security policies is primarily to provide some form of safety net to vulnerable sectors but more importantly to provide some level of protection against increased deprivation and the promotion of better chances for individual survival. In this sense social protection policies address not only the negative outcomes of development but also promote more equal opportunities amongst all population groups, thereby reducing the likelihood of negative outcomes.

When the National Insurance Corporation was formed in 1970, the philosophy underscoring its creation was the need to provide these safety nets for the vulnerable sectors of the population. Its creation was also spurred by the realization that the society had a moral obligation to care for the least fortunate and there was a need for the

establishment of a mechanism which would enable the cost for the provision of social services to be shared by the state, its citizens and other social partners.

From its inception the Corporation has been synonymous with the provision of social security benefits and generations of Saint Lucians have benefited from the wide range of services that the Corporation has provided through the years. However, cognizant of the changing times the National Insurance Corporation has been involved in a continuous process of redefining its role and functions in order to better meet the needs of the public that it serves.

Through the years, the National Insurance Corporation has developed an unquestionable reputation among a wide cross-section of the Saint Lucian populace for the significant contribution it has made and continues to make towards the overall development of Saint Lucia. Today, the Corporation is viewed as an indispensable partner in the overall developmental framework of the island.

The National Insurance Corporation has left its imprint on many aspects of Saint Lucian life and society. It is the largest single contributor to domestic saving. In this regard it provides a pool of long-term savings that can be utilized to finance socio-economic development. Its contribution to overall liquidity has made possible investments in housing, education, tourism, the fishing industry, professional services, agriculture

and social infrastructure. Consequently, the National Insurance Corporation has functioned as a major engine of growth and development within the context of the Saint Lucian Economy.

Truly the National Insurance Corporation is a model institution. It has provided leadership and partnership in the task of nation building. It is my hope that this noble Saint Lucian institution grows from strength to strength and remains a permanent fixture in the social and economic landscape of our country.



Dr Kenny D. Anthony  
Prime Minister



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# Chairman's Statement

Our theme "***Working together with pride to build our nation***" depicts a true reflection of what took place at the National Insurance Corporation (NIC) for the period under review. For many years and in many ways the NIC has assisted in nation building and this year was no exception. The thrust for this year was placed on getting the new Surgi -theatre at the Victoria Hospital completed and operational. This new theatre was a gift to the People of St. Lucia on the occasion of the country's 25th Independence Anniversary.

The NIC also played a pivotal role in getting the much talked about Universal Health Care Program to its present stage where it has become a topic of common house hold discussions.

In addition, the NIC worked steadfastly along side the Board of Directors of Blue Coral Ltd to commence the refurbishment and remodeling of the Blue Coral Building. The final product we all expect will assist in rejuvenating the main city centre of our nation.

During the year under review we continued to remain focused on the core business of the NIC which is the collection of contributions and the payment of benefits. The Corporation placed much effort on collecting arrears of contributions. Much focus was also placed on the building of our investment portfolios.

## Investments

For the year 2004/05 the local financial institutions continued to experience high liquidity, which resulted in low interest rates. The Board & Investment Committee however, continued to employ sound strategies in investing the funds of our contributors. The Corporation was very prudent in its investments and always ensured that all investments would add value to its portfolio. The following are the investments undertaken during the period under review:-

1. Purchased \$5 million of 5-year Government of Saint Lucia Notes (yielding 5.79%) and \$29 million of 10-year Government of Saint Lucia Bonds (yielding 7%) by converting \$12 million of Government of Saint Lucia Treasury Bills and paying \$22 million.
2. Purchased \$5 million of 6-year 6% Government of Saint Lucia Notes and \$27 million of 10-year 7% Government of Saint Lucia bonds paid for by converting \$12 million of Treasury Bills in addition to paying \$20 million
3. Purchased US\$1 million of Government of Barbados Eurobonds and US\$1 million of Government of Trinidad and Tobago Eurobonds both yielding 5.15% for a 12-month holding period.

# Chairman's Statement

4. The National Insurance Board approved a loan of \$800,000 to the National Research and Development Foundation to finance small contractors engaged in various road works.
5. In February 2005, the NIC invested US\$10 million in a Tactical Bond Fund managed by UBS Global Asset Management.
6. Purchased 123,992 square feet of land adjacent to the John Compton Highway for \$6.95 million.
7. The National Insurance Board approved a loan of \$40 million to the Saint Lucia Air and Sea Ports Authority for the rehabilitation of the George F L Charles Airport and the rehabilitation and modernization of the Northern Wharf.
8. Investment in fixed deposits increased by \$9.8 million during the year ending June 2005. Deposits were placed at rates ranging from 3.5 to 7% for terms from one to three years.

## Blue Coral Ltd

The year under review could be considered a very strategic one for Blue Coral Ltd. The Board of Directors was engaged principally in charting a clear and viable path for the transformation of the Building.

The Architectural firm of Newel Lewis Broadbridge Associates W.I Ltd and Melon Designs partnered to provide the architectural design which was presented to members of the public. The concept of the remodeled building will create an unparalleled shopping experience as well as a place for spending leisure time. The concept makes provision for the following:-

Ground floor	-	Café and shop units ranging from 700 – 2300 sq ft
First floor	-	Shop units ranging from 600 – 2300 sq ft
Second floor	-	Cinema/Theatre, Bar/lounge, open space (which could be used for Fitness Centre or as required by tenant)
Third floor	-	Sky Garden Restaurant, Roof Terrance, Bamboo Garden

An animation of the model of the Building can be viewed on the website [www.bluecoralslu.com](http://www.bluecoralslu.com)

Tenders were invited and the Construction firm of Lawrence and Associates was awarded the contract for refurbishing the Building.

A number of local firms were sub-contracted for the provision of plumbing, electrical, air conditioning and elevator and escalator installations.



# Chairman's Statement

The firm of Charles Heywood & Company Ltd was contracted to provide Project Management services and NIPRO has been contracted to provide Clerk of Works Services on behalf of Blue Coral Ltd.

We have embraced an investment that will transform the heart of the City of Castries. The Board of Blue Coral Ltd pledges to do all within its power to successfully complete this initiative so that it can provide value to its Shareholders.

## National Housing Corporation (NHC)

The NHC loan balance at year end stands at \$39.3 million.

The Board continued its dialogue with Government and the Board of NHC with a view to liquidating the debt.

At the time of preparing this report the two institutions have committed to a land/debt swap for part of the debt. The exercise is ongoing.

## National Insurance Property Development and Management Company (NIPRO)

During the review period there was a change in the Management Structure at NIPRO. Dr Frederick Isaac completed his contract period

and did not seek renewal of his contract. Mr. Lancelot Arnold was appointed as CEO in February 2005. The structure of NIPRO was strengthened by the appointment of Mrs. Dorothy Phillips as Manager of Technical Services.

NIPRO has continued with Management of the construction of a number of Fire and Police Stations under the Build-Own-Lease Transfer (BOLT) arrangement. The Vieux Fort Police and Firemen moved to their new premises during the year.

The Management of the NIC and NIPRO are elated as the financial year ended with NIPRO earning its first profit.

NIPRO continued to pursue its planned maintenance activities for the NIC.

## St. Lucia Mortgage Finance (SMFC)

During the year under review SMFC signed two agreements with the National Authorizing Office for EU Operations to provide grant funds of \$910,000. The Company approved loan applications totaling \$5.9 million and disbursed the sum of \$6.9 million in respect of seventy six (76) new mortgages completed. This year, as in the previous year, SMFC paid dividends of 5% to its shareholders.

The SMFC is operating in a very dynamic market and will continue to explore mechanisms for growing its business to ensure



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# Chairman's Statement

continuing value for its Shareholders.

## Universal Health Care

The Steering Committee and Secretariat of the Universal Health Care worked earnestly during the year and is pleased to report that a pilot program is expected to commence by mid 2006.

The eight Committees set up to assist with the implementation are at various stages in meeting their mandate.

Much work has been undertaken in the following areas:-

### Public Communication

The UHC undertook a vigorous sensitization campaign in informing the public about the UHC programme. The team comprising Ms Emma Hippolyte and Dr Stephen King visited ten (10) communities namely: Laborie, Choiseul, Anse La Raye, Micoud, Soufriere, Vieux Fort, Castries, Babonneau, Gros Islet and Canaries. The discussions have been very lively and interactive and persons have shown keen interest in the programme. A number of meetings have also been held with key stakeholders viz: the Nurses Association, St. Lucia Medical and Dental Association, the Consumers Association, The Public Service Commission, Members of the Opposition Parties and the St. Lucia Chamber of Commerce.

The UHC's website has been established and the public is encouraged to visit the site and

provide comments on the programme. The address is [www.stluciauhc.org](http://www.stluciauhc.org)

In our last Annual Report it was noted that a number of Consultants had been engaged and we are pleased to report that we have received the following reports:-

1. Human Resource Consultancy which focuses on Human Resource Strategic Plan and a Training Plan for the entire health sector
2. The Risk Management and Quality Assurance Report – this report has provided the various stakeholders (the five main health providers) a status on the standard of their facilities and has made recommendations on what is required in order to qualify for international accreditation.
3. Health Information Management and Technology Consultancy – the consultants assessed the information system requirements of the health sector in St. Lucia, and have recommended the necessary systems and procedures to strengthen the system in part, one of a three part report.

Efforts are in progress to conclude on the structure of UHC and the legislative amendments required for the Governance of the public hospitals.



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# Chairman's Statement

## Conclusion

The financial year ended with a sense of achievement in several areas. Most notable are the strides that have been made with the commencement of the refurbishment of the Blue Coral Building and progress of the UHC program.

These achievements were realized by a collective team effort and I wish to place on record my appreciation to all those who assisted during the year under review. To the Government and Prime Minister as Minister responsible for Social Security for his continued support. To the Board and Members of the Investment Committee for their dedication to duty and their individual input which gave diversity of ideas and thought, and which as a team assisted in building our nation for the betterment of our pensioners.

My appreciation also to the Management and Staff of the Corporation for their commitment and efficiencies in carrying out the day-to-day activities in the realization of the goals set by the Board.

On behalf of the Board and Members of the Investment Committee I wish to pledge our unwavering support as we continue "working together with pride to build our nation" for the benefit of us all!



John C. Joseph  
Chairman



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This year, like in years past, the Corporation and its Staff have been engaged in a flurry of projects and activities. The projects ranged from capital project development to investing in the development of educational software to driving and shaping the UHC Programme.

The above activities challenged the resolve of the Board, the commitment of the Staff and tested the dexterity and stamina of the Management Team and the various members of civil society that we have co-opted to our numerous Committees and Boards.

While the Chairman expanded on the Corporation's investment activities, I will focus on the consolidated financial highlights, special projects and general operational matters.

**This year total Assets grew by 7% from \$820.8m to \$884.1m, an increase of \$63.3m. Last year's increase was 9%.**

**Contribution income increased this year by 11% from \$56.1m to \$62.8m an increase of \$6.7m. Last year's increase was 9%.**

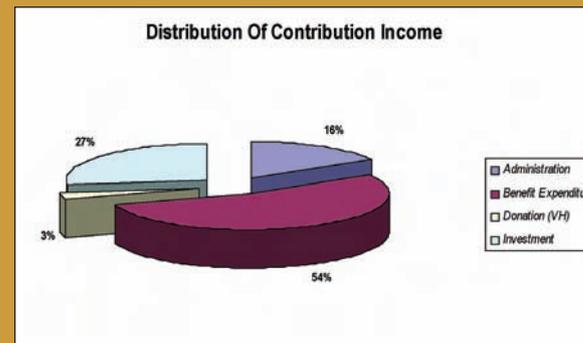
**Net Investment Income declined by \$6.0m or 13% from \$51.4m to \$45.3m. Last year's increase was 9%. This decline was occasioned by a net provision for loan impairment of \$6.6m and a regime of low interest rates in the region.**

**Administrative expenditure remained unchanged. Benefit expenditure grew by \$3.2m or 10% from \$30.4m to \$33.6m.**

**Pension expenditure grew by \$3.0m from \$23.1m to \$26.1m an increase of 13% compared to an increase of 7% in the previous year, an indication that the fund is reaching maturity.**

**Of the \$62.8m of contributions, \$10.2m or 16% was spent on administration, \$33.6m or 54% represented benefit expenditure, \$1.9m or 3% represented donation of equipment to Victoria Hospital and \$17.1m or 27% was available for investment.**

**Chart.1**

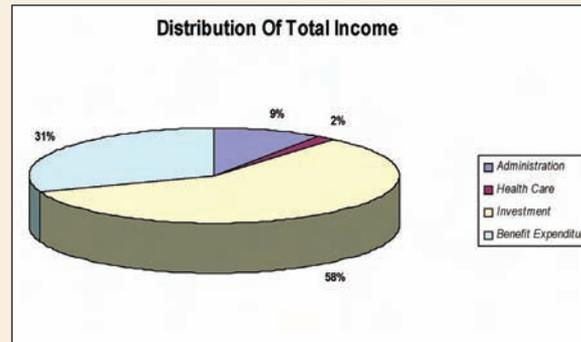


**Total income increased from \$109.3m to \$109.8m, a slight increase of \$0.5m or 0.5%.**

**Of the total income of \$109.8m, 10.3m or 9% was spent on administration, \$1.9m or 2% was donated to Health Care, 58% or \$64.0m was available for investment while \$33.6m or 30.6% represented benefit expenditure.**

# Director's Address

Chart. 2



## Eighth Actuarial Review

Subsequent to year end, the Corporation received from the ILO its Eighth Actuarial Review of the fund as of 30 June 2003.

The Executive Summary of the actuarial review is reproduced in this report for completeness. The Board and Management are in the process of reviewing the recommendations.

We thank the ILO for their support in this critical evaluation.

## OPERATIONAL MATTERS

### Human Resources

The area of Human Resources saw much activity during the year in review. The number of employees in the organization rose from 97 to 112. There were several appointments and very few resignations this year.

The Security Department was strengthened with the appointment of ten new officers in October. These Officers had previously undergone training with the Royal St. Lucia Police Force in areas such as Traffic Management, Cash Escort, Surveillance Techniques and related topics.

### Retirement

During the year, Mrs Theodosia Joseph, an Inspector in the Compliance Department retired from the organization. Mrs Joseph joined the organization in January 1978 as a clerk, and due to her diligence, tenacity and commitment she was promoted to an Inspector in 1986. She remained in this position until retirement though at different times during her employment she acted as Supervisor of the department and headed special compliance projects which the organization has implemented from time to time. Mrs Joseph's quiet but confident ways, her persistence and patience with the difficult employers, the wisdom of her years and knowledge which she imparted freely to her colleagues will be sorely missed.

### Bereavement

The Organization suffered its greatest loss when founding staff member Mrs Emelda Elivique passed away on September 9th 2004. At the time of her death, she was the supervisor of the Records Department.

We mourn Emelda because she was a firm believer in the concept of social security, a



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hard and dedicated worker, a friend to all who encountered her and had a wealth of knowledge about the National Insurance Corporation. Some of her experiences are documented in an article written by her in the NIC's 25th Anniversary magazine – Our Journey.

## Administrative Trainee Programme

In March of this year, two officers who came to the organization as Administrative Trainees successfully completed the first year of the programme. The programme is designed to build the staff capacity by bringing in persons at degree level who would be trained in all departments of the organization under a planned programme to prepare them for middle management positions. The two officers have now joined the Compliance Department as Inspectors in the Vieux Fort and Castries offices respectively.

## Secondment - Study Leave

One member of the supervisory staff was seconded to the National Insurance Board of Turks & Cacaois. One other member of staff was granted two years study leave to complete a first a degree in Management Studies at the St. Augustine Campus, Trinidad and Tobago.

## Human Resource Audit

For the year under review the organization continued its quest to improve its human capital and engaged the services of the

Consultant Firm, AB Management and Support Services with the following terms and reference:

1. To conduct manpower and performance audits to determine the level of utilization and performance of the human resources employed by the NIC, the capabilities and adequacy of skills possessed by staff in meeting NIC's objectives.
2. Develop and recommend an organizational structure that is relevant, adequate and cost-effective.
3. Make recommendations regarding the skills, knowledge and staffing requirements.
4. Identify and make recommendations

for improvement on causes of: over/under utilization, excellent/poor performance with particular emphasis on the relationship between management capabilities and performance levels.

The report has been submitted and the National Insurance is in the process of implementing some of the recommendations.

## Staffing incentive and motivation

As part of the organization's staff incentive and motivation programme, an Employee of the quarter award and a wellness programme were introduced. As a part of the wellness program a number of activities have been implemented:



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- Aerobics for staff
- Swimming lessons at the Aquatic Centre
- Lectures on various aspects of Health and Nutrition
- A fitness walk from Castries to the Rodney Bay Ramp
- Mr and Miss NIC contest.

The organization continued our blood pressure, cholesterol and sugar level tests which have been administered by the St. Lucia Diabetic and Hypertension Association.

## Public Relations

The organization kept in close contact with contributors and stakeholders during the year.

We are pleased to report that the long awaited employee statements were issued this year. Forty thousand (40,000) employees have received statements from the NIC and the exercise continues. The statement contained employee name, address, date of birth, telephone numbers and a list of all the employers with whom the employee worked since the commencement of the National Provident Fund (NPF) and later the National Insurance Scheme (NIS) and National Insurance Corporation (NIC).

These statements, we hope will form a link between us and our contributors keeping them abreast of their status with the National Insurance. The exercise also provides the organization with the opportunity to clean up the contributors' database. So far the feedback from the public has been

encouraging. These statements will be issued periodically.

## PUBLIC EDUCATION

### General Public

The National Insurance Corporation believes that public education is the organization's greatest ally. If persons understand the system, they would understand its mission and its raison d'être. Over the years, different initiatives have been implemented with varying degrees of success.

This year, the National Insurance hired a Popular Theatre Group to demonstrate the concept of Social Security in Theatre Style. This production "NIC Sa Zafe' Nous" – "NIC is our business" has been presented to various communities and has attracted very favourable comments and interest. It has proven to be a very effective vehicle for taking the Social Security message to the self employed especially in the rural communities.

### Employers

The Organization realized that some employers were unable to address queries from their employees on matters of National Insurance. These employers were also unaware of the various concepts underpinning the philosophy of social insurance. To address this, the organization has been holding a series of workshops for employers targeting managers, payroll officers and personnel managers. Those who have attended the



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workshops have found it useful having been exposed inter alia to the principles of Social Insurance, the concept of solidarity and the computation of benefits. This exercise is ongoing.

## Teachers

A one-day seminar was conducted for teachers of social studies in secondary schools in St. Lucia. The educators were given an overview of the operations of the National Insurance and a general feel and appreciation for the whole concept of social security. The objectives of two books on social security commissioned by the NIC for Primary and Secondary Schools were also explained to the participants in the hope that they would use these text books in their classroom and expose students to the concept of social security.

## Contributing to Public Enlightenment

This year, the organization embarked on a collaborative effort with the University of the West Indies, School of Continuing Education in organizing lectures on matters of national importance.

In addition the organization initiated the series of panel discussions called "Zafe Nous" – "Our business". These panel discussions provide a platform for discussion and input from the public. The first was in July and the topic "Agriculture and Tourism – Friends or Foes" was well presented by representatives from the Ministry of Agriculture, the Banana Sector and the Tourism Sector. The discussion that

ensued was of a high standard. Suggestions for addressing some of the problems affecting the sectors were ventilated.

We were honoured by the attendance of the Governor General to this first discussion.

## Training

As a service organization, the National Insurance Corporation is aware of its commitment to its customers and to the public, both internal and external. To avoid compromising the quality of service it delivers, the Corporation has to ensure that staff at all levels receive and remain exposed to relevant training, so that the viability of its operations is maintained and at the same time enhancing its image. The following are some of the training activities undertaken.

### Customer Service

The training, undertaken throughout the year, permeated the organization. Five front line staff attended a one-day workshop on Customer Service and Public Demands, organized by the St. Lucia Employers' Federation.

### Safety and Security

The Security Unit of the Corporation plays a major role in the safety of customers and property. The officers attended a presentation hosted by NIPRO on fire safety, precaution and evacuation techniques. At a separate session the officers followed a ten-week training workshop on basic security and law



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enforcement facilitated by the Royal St. Lucia Police Training School. The workshop covered a number of areas including the maintenance of pocket books, work ethics, first aid and powers of arrest.

## Mediation

Five senior officers participated in a five-day mediation workshop organized by the Judicial Educational Institute of the Eastern Caribbean Supreme Court in collaboration with the Institute for Dispute Resolution Ltd.

## Standardization of Industrial and Occupational Codes

An official from the Central Government Statistics Department assisted the Corporation in the standardization of industrial and occupational codes making the Corporation better able to make comparisons with sister organizations of statistics based on economic and occupational classification.

Some of the other training activities that took place were:

- i) A one-day seminar for secretaries on effective ways of taking minutes
- ii) Pension Reform
- iii) Mergers, buyouts and restructuring

## Special Projects

### Golden Citizen's Programme

The Golden Citizen's programme launched in

April 2004 is now entering its 2nd year of existence. The programme focuses on lightening the financial burden of pensioners. Consequently it provides discounts and special benefits from participating businesses in the private sector. To date, a total of forty four (44) businesses are in the programme providing a wide range of services from banking and commercial activities to health services.

The focus now is to get more businesses especially those in the out districts to participate in this venture.

It is gratifying to see the pride exhibited by persons accessing the programme. It is definitely achieving what it was set up to do – **“providing a secure future for St. Lucia's Golden Citizens”**

### National Community Foundation (NCF)

The Organization is in the third year of its five year \$500,000.00 commitment to the National Community Foundation. So far we are pleased with the impact of the NCF on the social landscape of the country.

This year the NIC passed on the chairmanship of the NCF to Mr Donovan William, the representative of the Poverty Reduction Fund. The NIC was happy to see the NCF engaging in dialogue with two key sectors that are of concern to the NIC viz Older Persons and Youth at Risk as well as engaging in the Virtues project which has had a positive impact



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on our young. Details of these projects follow:-

## Consultation on Older Persons and Youth at Risk

On January 26th 2005 the NCF met with individuals representing local groups and organizations working with Youth at Risk and Older Persons. Approximately forty six (46) groups and organizations were represented of which 34 were from the Youth at Risk Sector.

The Consultation provided the NCF with the perfect forum to inform the participants about its functions and operations as well as its level of commitment to Youth at Risk and Older Persons.

## 2005 Telethon

The NCF's biggest fundraising event, the 2005 NCF Telethon was held at the Pigeon Island National Landmark on Sunday 3rd April. The total amount collected from the Telethon was approximately \$112,000.00. Some individuals and companies pledged financial commitments for periods from three years to an indefinite period.

## The Virtues Project

The Brian Bernard Memorial Fund, a Donor Advised Fund administered by the National Community Foundation, was established in memory of the late Commissioner of Police.

The fund focuses on promoting and enhancing ethical behaviour, human and spiritual values.

This it does by inspiring individuals and institutions to act ethically towards one another through Education, Advocacy and Research by way of the Virtues Project.

The NCF has embarked on a programme aimed at training persons who are directly involved in educating youth in the Virtues programme. The programme is intended to provide empowering strategies that inspire the practice of virtues in everyday life, including the classroom. In light of this, the Foundation organized a five-day intensive training programme from July 11 – 15, 2005 for fifteen staff members of the George Charles Secondary School which was facilitated by Ms Lynda Brooke, a qualified facilitator from Virtues International.

The training of educators under the Virtues project continues.

We salute the individuals and Corporations that have joined hands with us in making the work of the NCF a reality.

## Conclusion

One can conclude that this year was an engaging one where much was achieved and much remains as work-in progress.

## Appreciation

I close by expressing my heartfelt thanks to the Minister for providing the environment where members were able to contribute in the interest of the Corporation. Special thanks to



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the Board, Investment Committee, Members of the Board of our subsidiary companies and members of the various Committees for their collaboration, support and commitment throughout the year. This collaboration augers well for the future of the Corporation.

To my Management Team and Staff I say thank you for your cooperation and support.

To our contributors, I say thanks for your comments and criticism; this has helped us to continuously improve the quality of service to you. For your words of encouragement, that has energized us, we say thanks again.

To our Employers your cooperation and collaboration is much appreciated.



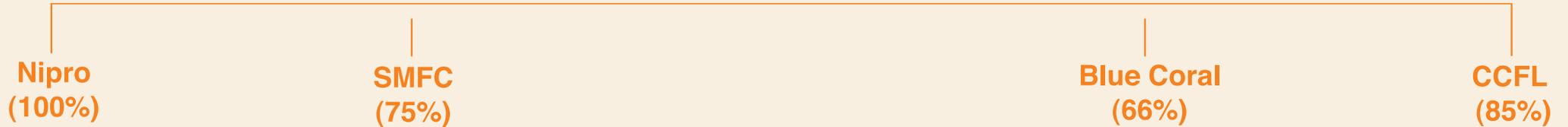
Emma Hippolyte  
Director



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# The NIC & Subsidiaries



Name of Company	Business	Date of Establishment	Capitalization 2005 EC\$M	Balance Sheet Assets 2005 EC\$M	Principal Officer
<b>NIC</b>	Provision of Social Security Services	April 1978	867.25	870.46	Emma Hippolyte
<b>NIPRO</b>	Provides property development, management & maintenance services to NIC, Castries Car Park Facility Ltd and other public and Private Sector Companies	April 1999	5.79	22.12	Lancelot Arnold
<b>SMFC</b>	Granting of loans for the purchase, construction, extension or completion of dwelling houses and the purchase of developed plots	January 1968	7.26	34.75	Orlando Martyr
<b>Blue Coral</b>	Rental of Office & Commercial Space	April 2003	15.46	16.72	John Joseph
<b>CCFL</b>	Provision of Car Parking facilities & Rental of Office and Commercial Space	January 1998	10.01	26.25	Emma Hippolyte

# Eighth Actuarial Review of the National Insurance Fund as of 30 June 2003

## Executive summary

Some of the benefits that current National Insurance contributors anticipate receiving will be paid more than fifty years from today. Therefore, to determine whether or not St. Lucia's social security system is sustainable over the long-term, actuarial reviews are conducted every three years. In these reviews an examination of the National Insurance Fund's (NIF) current and projected future financial status is made. The actuary is also expected to recommend steps that may be taken to help ensure that the scheme remains solvent for future generations, while providing meaningful benefits to current workers and pensioners.

During its first twenty-five years, the National Insurance Corporation (NIC) has experienced steady growth in contribution and investment income, benefit expenditure and reserves. However, over the past five years, the number of contributors has remained at around 40,000 while the number of pensioners has increased by almost 40 per cent from 2,600 in 1999 to 3,600 in 2003. At the end of the 2003 financial year, National Insurance reserves stood at EC\$737 million or 21 times total expenditure in 2002-2003. Relative to the economy, total reserves were 39 per cent of GDP. While this is a relatively high level of funding, total assets are less than the present value of total benefits already earned by past and present contributors, a position consistent with the design and financing method adopted for most social security pension systems.

During the past several years, several reforms aimed at enhancing the financial sustainability of the NIF have been made. These changes came out of recommendations made in the Sixth Actuarial Review and included gradual increases to the normal pension age and the qualifying number of contributions required for a Retirement pension. While the Board and Government are to be complimented for the proactive measures aimed at strengthening St. Lucia's social security system financially, emphasis on securing long-term finances appears to have resulted in a potential reduction in benefits given that some pension qualifying conditions may be considered overly restrictive.

With birth rates declining and increased longevity among the elderly, future National Insurance finances will show a different pattern from those of its first twenty-five years. While reserves are expected to continue growing for some time, the consequences of a declining contributor-pensioner ratio and a contribution rate that is below the true cost of all benefits will gradually emerge as the scheme matures. Along with a review of the NIF's financial position as of 30 June 2003, this report includes projections of income, expenditure and reserves through 2063. The following charts illustrate the projected trend for NIC reserves along with contribution and projected expenditure rates assuming that the contribution rate and benefit provisions remain unchanged.

The key results of the financial and demographic projections based on the



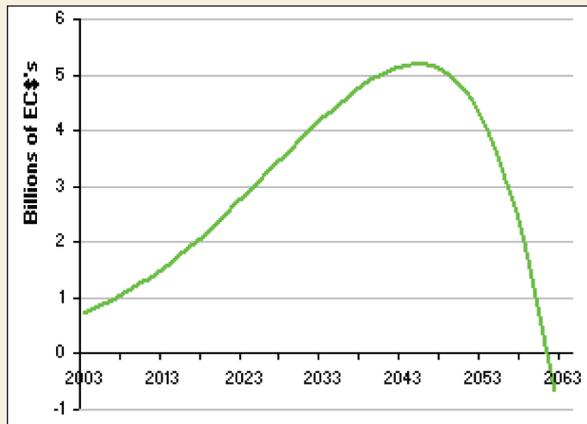
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# Summary of Actuary Report

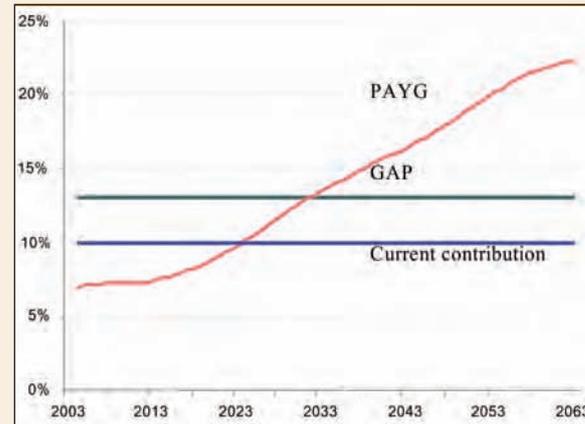
contribution and benefit provisions in place as of valuation date<sup>1</sup> are:

- The population will increase from 158,000 in 2001 to just over 210,000 by 2063.
- The ageing of the general population will have a major impact on the ratio of workers to retirees. For National Insurance, it is projected that the number of contributors for each pensioner will fall from 11.0 in 2003 to only 2.2 in 2063.
- Contribution income is expected to be sufficient to meet total expenditure through 2023.



<sup>1</sup>Provisions are still valid as of 1 July 2003.  
ILO/TF/St. Lucia/R.8 (July 2005)  
Chart ES.1.  
Projected reserves, 2003 – 2063

Chart ES.2. Contribution and expenditure rates, 2003 -2063



- 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.
  - The pay-as-you-go (PAYG) 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 per cent in 2003 to 22.2 per cent in 2063.
  - Beginning in 2003, 13.1 per cent is the constant contribution rate that will make the present value of contributions equal to the present value of expenditure through 2063.

The projection results described above show a marked improvement in long-term finances when compared with the Seventh Actuarial Review, which projected Fund depletion in 2034. The main reasons for the significant change in the year that the Fund is projected



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# Summary of Actuary Report

to be depleted are the increases being made to the normal pension age, the higher number of contributions required for Retirement pension and the reduction in the maximum pension from 65 per cent to 60 per cent of average insurable wages.

With a projection period of sixty years, there is some uncertainty that actual experience will be either better or worse than projected. There are many economic and demographic factors that will influence future income and expenditure. So too will changes to rules governing contributions and benefits also affect actual finances. However, with Fund depletion not expected for almost sixty years, variances between assumptions and actual experience that result in more or less favourable estimates of when deficits will begin and when the Fund will be depleted are not likely to have a material difference on the conclusions and recommendations made in this report.

The implications of a projected depletion of reserves and future contribution rates that could possibly be in excess of 22 per cent should not be ignored. But the primary challenges facing the NIC at this time are the relatively low coverage of the working population (due mainly to the exclusion of civil servants and low compliance rates among self-employed persons), stringent pension qualifying conditions that appear to be limiting the number of persons being awarded pensions and income replacement rates that may be giving undue privilege to those just barely meeting the minimum qualifying

conditions. No recommendation is being made to adjust the contribution rate at this time. Instead, most of the recommendations made throughout this report, and summarised below, focus primarily on ensuring adequate coverage, benefit adequacy and equity and maintaining pension relevance.

## Recommendations

- (1) Wage ceiling increases should occur annually in line with changes in average wages with the rules governing such increases placed in Regulations. To estimate changes in average national wages, a national wage index should be created by the government's Statistics Department. Until such an index is available, national insurance data may be used as a proxy. (Section 4.1)
- (2) An across-the-board increase to pensions-in-payment ranging from 2 per cent to 12 per cent, depending on the year the pension was awarded, should be granted. Lump-sum grants, maternity and funeral grants and the minimum pension rate should also be increased. Thereafter, pensions-in-payment and set benefit rates should be automatically adjusted annually in line with average inflation over the previous three years, with the rules that govern the timing and the amount of each adjustment placed in Regulations. (Section 4.1)
- (3) Review the age at which a surviving spouse may receive a pension for more



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than one year. This age was recently increased from 55 to pensionable age. (Section 4.3)

- (4) If the change that is presently being considered in the Retirement pension formula to one that uses earnings over one's career is not implemented, then pension accrual rates should be revised so that pensions accrue more gradually instead of the current higher payment rate (40 per cent) for those who meet the minimum contribution requirement (now 144 months). Also, consideration should be given to reducing the number of months required to qualify for a pension to 120 but with a 25 per cent or 30 per cent pension rate instead of 40 per cent. These latter changes will result in fewer grants and more pensions and thus enhanced security among the elderly population. (Section 4.4)
- (5) Review the formula used to determine Retirement and Invalidity grants to account for both employee and employer contributions and accrued interest. Presently, only 50% of total NIC contributions paid without interest is refunded. Based on the contribution histories of recent awards, a suitable formula could be devised. (Section 4.5)
- (6) Government should seek advice on ways of incorporating all civil servants into NIC coverage, and of coordinating the payment of pensions of the two groups. While the recent inclusion of persons who joined the

public service after January 2003 was a positive step, gaps in pension coverage still exist as some public officers may not qualify for a pension when they leave the service. (Section 4.6)

- (7) The Board should seek to significantly improve the level of participation among the self-employed by firstly making NIC self-employed coverage mandatory. In addition, efforts at increasing education on the importance of compliance among this group, creating linkages with government departments that issue permits and/or licenses to self-employed persons, and developing a simplified approach to the way self-employed persons are required to contribute should be considered. (Section 4.7)
- (8) For investments, the Board should continue to gradually place additional funds outside of St. Lucia with a medium-term target of having 20 per cent to 25 per cent of the portfolio in regional and international investments. For local investments, a prudent asset mix, as provided for in the Fund's Investment Policy, should be maintained. (Section 1.4)

Among regional social security systems, the St. 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. However, the proportion of the working population covered is lower than that of most other systems and some pension



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qualifying conditions are among the most stringent. In the coming years, therefore, in addition to increasing compliance among the self-employed, emphasis should be placed on achieving a suitable balance between strong finances and equitable and relevant benefits. For Retirement pensions, this could possibly be achieved by providing for the payment of slightly less generous Retirement pensions to more elderly insured persons. The ILO supports plans by Government to enhance the overall level of social protection offered through an unemployment benefit, a social health insurance and a pension system geared towards farmers and fishers (the subject of separate ILO studies). These additional programmes, together with socially relevant and financially sustainable national pensions, should enhance the socio-economic well-being of all St. Lucians for generations to come.



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Chairman - Representing Government

**Andrea St. Rose**  
Representing Employees

**Athanasius Dolor**  
Representing Employees

**Dr. Bernard LaCorbiniere**  
Representing Government



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# Board of Directors

**Emma Hippolyte**  
Director

**Gerard Bergasse**  
Representing Employers

**Roderick Clark**  
Representing Employers



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**Trevor Brathwaite**  
Chairman

**John Louis**

**Cadie St. Rose-Albertini**

**Costello Mitchel**

**Emma Hippolyte**



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# Management

**Emma Hippolyte**  
Director

**Callixta Brandford**  
Internal Auditor

**Desmond Dujon**  
Manager Information Systems

**Albert Cenac**  
Manager Statistics and Training



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**Cadie St. Rose-Albertini**  
Legal Counsel

**Matthew Lincoln Mathurin**  
Financial Controller

**Mr. Augustine Louis**  
Manager Public Relations and  
Human Resources

**Paula Belasdille**  
Accountant

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# Supervisors

**Helen Hugobert - Richards**  
Assistant to The Director

**Merle Regis**  
Records Department

**Callixta Emmanuel**  
Compliance Department

**Bernard Junkie**  
Vieux Fort - Sub Office

**Relle Hippolyte**  
Public Relation Officer

**Robert Innocent**  
Soufriere - Sub Office

**Timothy John**  
Security Service

**Joan Leon**  
Customer Service



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# annual statistics review

## July 2004 - June 2005

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<b>Contribution</b>	Refers to the contribution of employers and employees.
<b>Industrial Classification</b>	Refers to the international standard industrial classification of all economic activities.
<b>Insured Persons</b>	Refers to all registered persons with at least one month's contribution.
<b>Active Insured</b>	Refers to all registered person who have paid at least one month's contribution in the review period.
<b>New Entrants</b>	Refers to a person who was registered for the first time with the National Insurance in the review period.
<b>Benefits</b>	Includes any benefit, grant, allowance or pension payable under National Insurance Corporation Act.
<b>C3 Form</b>	Refers to a form that is sent to employers by the National Insurance on a monthly basis, requesting contribution deduction per employee and employer's matching contributions.
<b>Pension In-payment</b>	Refers to pensions in-force at the end of the period in review.
<b>Active Employers</b>	Refers to employers registered with the National Insurance and in operation during the review period.
<b>Closed Employers</b>	Refers to employers registered with the National Insurance who were not in operation at the end of the review Period.
<b>Current Contributions</b>	Refers to contributions collected for a given month within the required time frame (before the 8th of the following month).
<b>Past-Due Contributions</b>	Refers to contributions collected for a given month after the required time frame.
<b>Contributing Employers</b>	Refers to employers who paid contributions to the National Insurance corporation during the review period.
<b>Self-Employed</b>	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.
<b>Voluntary Contributor</b>	A person who is below pensionable age, reside in St Lucia, has 60 months Contributor contributions, and is not eligible for payment of contributions in respect of Insurable employment under the NIC Act.



# listing of graphs and tables



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## 2. CONTRIBUTION INCOME

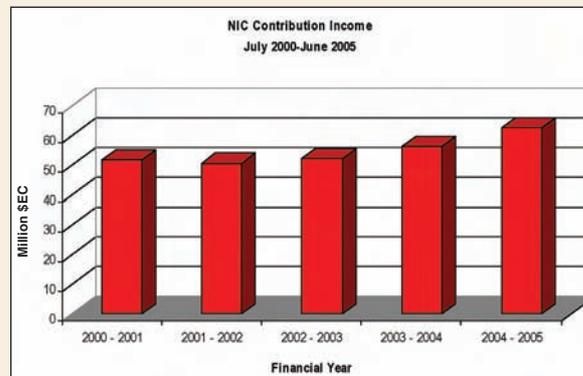
The financing of the National Insurance Corporation is based on a combined contribution rate of 10.0 percent (5.0 percent employees and 5.0 percent employers) of insurable earnings. During the review period, the ceiling upon which contributions are based was not revised and thus kept at \$5,000.00 per month.

During the fiscal year ended June 2005, National Insurance Corporation's contribution income increased by 11.23% to \$62.58M; current contributions accounted for 51.49% or \$32.22M and arrears (past-due contributions) accounted for 48.51% or \$30.36M. Contribution income in the review period was collected from 2,732 employers on behalf of approximately 41,040 active contributors. The increase in contribution income was in part the collective impact of the following performances:

1. 2.29% increase in the active insured population;
2. 3,466 new contributors or new entrants were recorded in the review period- this performance equated to growth of 9%.
3. Continued improvement in the collection of past-due contribution income;
4. 4.55% increase in contributing employers;

5. 3.54% increase in active contributors average insurable earnings;
6. Active contributors average number of months of employment during the review period increased by 2.41% to 9.36;
7. 13.93% growth in current contribution income.

**Graph: 1**



During the fiscal period in review, current contribution income increased by \$3.94M (13.93%) to \$32.22M (see graph 2). Collectively, growth in new entrants and active insured population, increase in average insurable earnings and further rise in contribution density have resulted in corresponding growth of expected contributions. Expected contributions for the financial year in review amounted to \$63.09M and were 10.86% higher than the previous year. Consequently, if related variables remain constant there would be a natural increase in



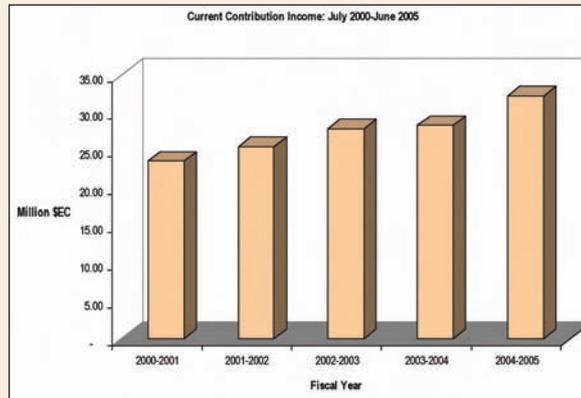
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current contribution income due to larger expected contributions. 51.06% of expected contributions were collected within the required time compared to 49.13% in the previous fiscal year; this represents an improved performance of 1.92% or \$1.21M. Further, eight months out of the twelve months period, July 2004 - June 2005, current contribution income accounted for over 50% of expected contributions.

**Graph: 2**



After recording a 16% increase in 2003-2004, past-due contribution income during the financial year in review recorded further growth of 8.51%. Whilst \$24.88M or 81.95% of arrears collected were in respect of the review period (July 2004 – June 2005), \$5.48M or 18.05% were in respect of periods prior to July 2004. Additionally, examination of related data indicated that approximately 90.51% of expected contributions were collected during the financial year in review. When compared to the previous fiscal year (July 2003 – June

2004), the above performance was a contraction of 2.04%. As at 30 June 2005, total past due contributions (arrears) stood at \$46.70M; of this amount, arrears for the financial year ended June 2005 accounted for 12.82% or approximately \$6.0M.

Whilst the performance of the National Insurance Corporation regarding collection of both current and past-due contributions surpassed that for the previous fiscal year, the need for further improvement cannot be overstated.

Distribution of contribution income on the basis of industrial classification showed increases in contributions from all sectors of the economy. Given that the contribution ceiling remained at \$5,000.00 per month, the above performance was the best in the last 13 years. As expected, contribution income from the construction and mining/quarrying sectors recorded their highest increase of 42.0%. Notwithstanding significant contractions in the agriculture sector, contribution income in the review period experienced a further increase of 12.40%. After recording a 10.11% growth in 2003-2004, contributions received from the hotel/restaurant industry grew by 4.93% and maintained its largest share (20%) of contribution income. Growths recorded from the other industrial sectors are outlined below:

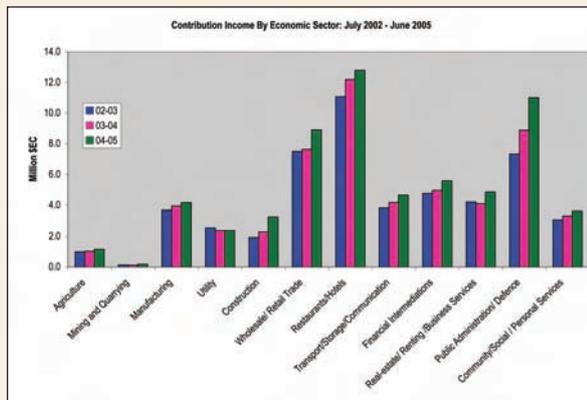
1. Manufacturing – 5.33%;
2. Electricity, Gas and Water Supply – 0.32%;
3. Wholesale and Retail – 16.64%;
4. Transport, Storage and Communication – 11.50%;



5. Financial Intermediations- 12.68%;
6. Real Estate, Renting and Business services-18.60%;
7. Public Administration and Defense, Compulsory Social Security, Education, Health and Social work- 23.79%;
8. Community, Social/Personal Services, Households with Employed Persons and Extra-territorial Organizations and Bodies-8.78%.

Figure 3 below shows contribution income from the various economic sectors for the three-year period, July 2003 – June 2005.

**Graph: 3**



## 2. INSURED POPULATION

In general, the future course of the National Insurance retirement pension program is determined to a large extent by the demographic characteristics of its insured population and national long-term economic

performance. At any given point in time the insured population would include active contributors (paid employees, self-employed and voluntary contributors) and in-active contributors (in-active insured persons).

As at June 2005, the insured population was estimated at 102,663 (53.77% were males and 46.23% were females). During the period, July 1979 – June 2004, the insured population initially grew at the rate of 4% and gradually reduced to 2% at the end of the financial year in review. An age distribution of the insured population showed that 2% are under 20 years, 71% are approximately uniformly distributed between the ages of 20 - 45 years and 27% are over 45 years. In addition, the insured population is characterized by a mean age of 39.19 years.

### 2.10 Active Insured

The active insured population comprises the following categories of contributors:

- a. New entrants (first-time contributors) and
- b. Insured persons who were employed and paid at least one-month contribution in the review period.

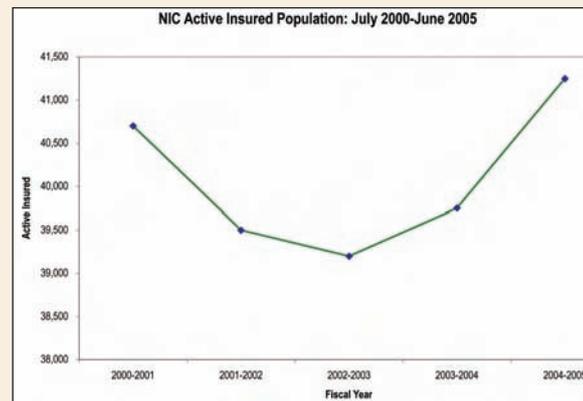
The size and composition of active insured population are directly related to economic performances. Positive economic growth is likely to stimulate employment that may result in corresponding expansion of the active insured population. Similarly, contraction in the economy is likely to impact negatively on the





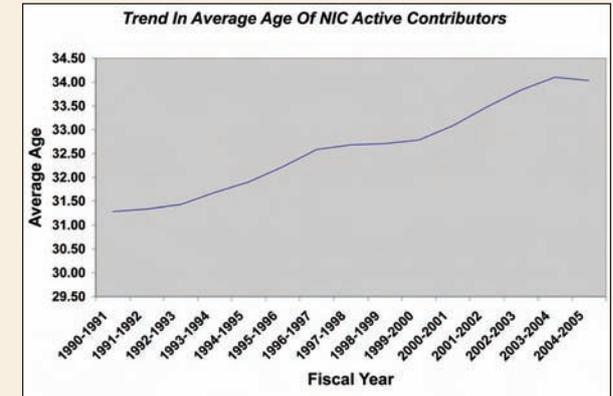
rate of employment and consequently NIC's active contributors. Following a 1.39% increase in the previous year, active contributor population in the review period grew by 3.79% to 41,247; males accounted for 49.09% or 20,274 and females accounted for 50.91% or 20,973. The trend of active contributors is shown in figure 4.

Figure 4.



Distribution of active insured persons on the basis of age, points toward a relatively young population: 25% are less than 25 years, 45% are between 25- 39 years, 20% are between 40-49 years and 10% are over 50 years. During the past 15 years (July 1990 – June 2005), the mean age of active contributors grew at an average rate of 0.67% per fiscal year, from 31.29 years in 1990-1991 to 34.03 years at the end of June 2005 (see graph 5).

Graph: 5



During the period July 2000 - June 2005, distribution of active contributors on the basis of industrial classification showed significant improvement over the previous fiscal year. In spite of further contraction of 2.04% in employment from the agriculture sector, the intensity of contraction was less pronounced when compared to an average rate of declined of 12.0% per annum experienced during the past three years.

Employment in the construction industry recorded the highest growth rate of 36.49%. Impact of this very significant performance on the mining and quarrying sector resulted in a corresponding 10.47% rise in employment. Other sectors which recorded significant growth in employment were: transport/storage/communication- 11.79%, restaurants and hotels- 10.70% and community/social services: 11.75%. Moderate increases were also realized from the following sectors: public administration- 6.16%, financial



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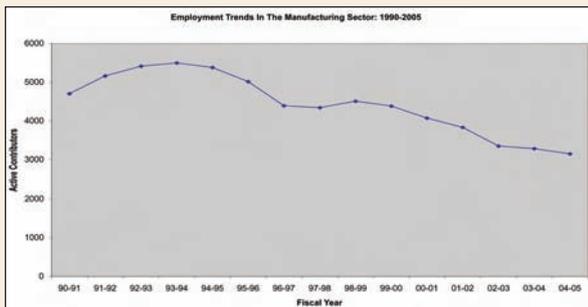
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services- 5.64% and wholesale and retail trade- 2.67%.

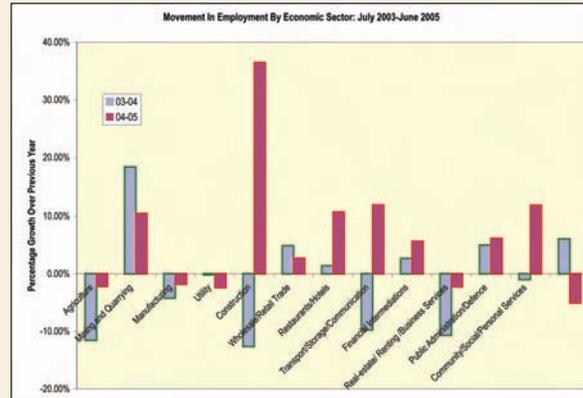
Notwithstanding the above performances, employment in the Real-estate/Renting/Business Services sector contracted by 2.28%. Declines in employment were also recorded in the Utility sector of 2.40%. The manufacturing sector has experienced its sixth consecutive decline from 4,388 in July 1999-June 2000 to 3,152 in the review period- an overall contraction of 28.17%. Employment trends in the manufacturing sector are illustrated in figure 6.

Further analysis indicated that collectively, the four economic sectors that recorded declines in active contributors of 8.73% in July 2004-June 2005 also experienced a 26.65% drop in employment during the previous financial year. The fact is, a very large reduction in the rate of contraction of employment in these sectors was recorded in the review period. The level of growth of active contributors (employment) on the basis of economic sector for the period July 2003-June 2005 is illustrated in figure 7.

**Graph: 6**



**Graph: 7**



**2.11 New entrants**

A total of 3,466 new contributors (first-time contributors) were recorded during the period July 2004- June 2005, an increase of 9% from the previous year. Of this number, 1,709 were males and 1,757 were females. Examination of new entrants on the basis of economic sector showed that the recorded increase was principally due to significant growth in the following sectors:

- Community, Social and Personal Services- 53%;
- Transport, Storage and Communication- 45%;
- Construction- 42%
- Hotels and Restaurants- 23%
- Agriculture- 10%
- Wholesale and Retail Trade- 8%

During the review period, contribution income from new entrants amounted to \$1.71M and



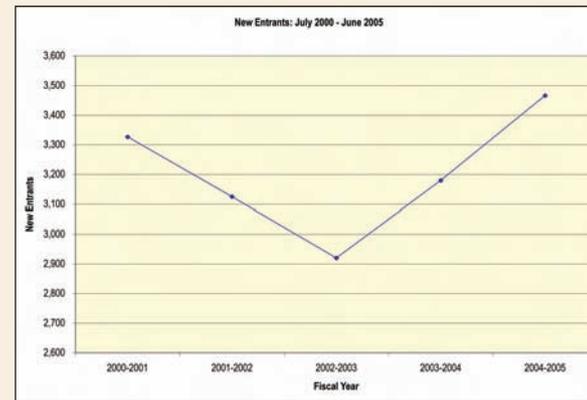
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accounted for 3.36% of total contributions collected. The major economic sectors, which accounted for employment were wholesale and retail trade- 25%, restaurants and hotels-18%, government/public service-11%, transport/storage/communication- 10% and construction/manufacturing-16%.

**Graph: 8**

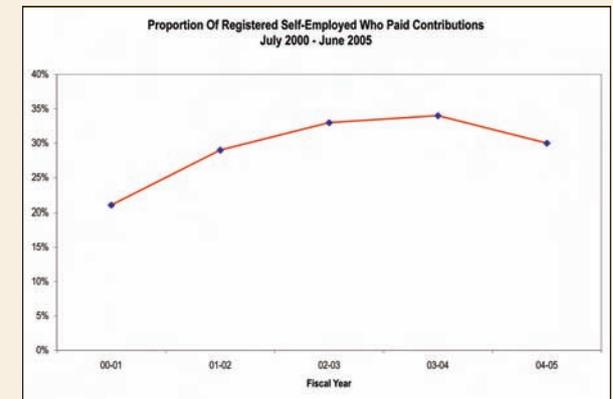


### **2.12 Self-Employed**

As at 30th June 2005, NIC's self employed population increased by 5.16% to 2,978. Of this number 907 or 30.46% were active or paid at least one-month contribution to the NIC in the review period. Figure 9 shows moderate growth in the proportion of self-employed who paid contributions during the period July 2000 – June 2004 whilst, contraction of 7.26% were recorded in July 2004-June 2005. In effect, 69.54% of self-employed do not honor their commitment to submit the relevant contributions that could eventually entitle them to a retirement pension, which is in fact

the primary objective. The level of compliance of self-employed continues to be a major concern to the NIC.

**Graph: 9**  
**2.12 Voluntary Contributors**



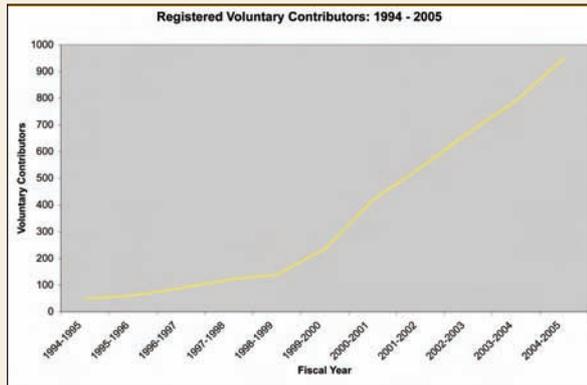
At the end of June 2005, 950 voluntary contributors were registered with the NIC. Of this number 272 or 28.63% paid contributions totaling approximately \$97,000. The above is certainly a strong indication that the level of compliance regarding payment of contributions is in immediate need of an effective monitoring mechanism. During the review period 71 voluntary contributors were registered, a decline of 19.32% when compared to the previous financial year. Graph 10 shows the growth of voluntary persons during the period 1994-2005.



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**Graph: 10**



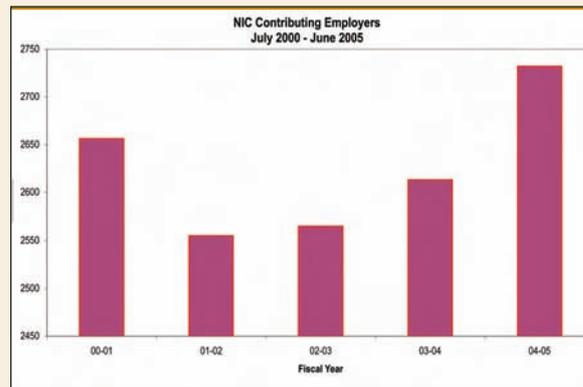
### 3. EMPLOYERS' ACTIVITIES

As at 30th June 2005, a total of 8,017 employers were registered with the National Insurance Corporation. The above number comprised of 3,307 or 41.25% active employers, 4,609 or 57.49% were closed and 101 or 1.26% were dormant. Active employers' population grew by a further 2% while 271 employers were recorded as closed during the review period. The above number of employers who ceased operation represented a 13.69% drop from the previous year.

During the financial year in review, employers who paid contributions to the NIC on behalf of active contributors increased by 4.55% to 2,732. Analysis of contributing employers for the last five years (July 2000 - June 2005) revealed mixed performances. Using July 2000-June 2001 as base year, contributing employers' recorded average annual declines of 3% during the period July 2001-June 2004.

Similar comparison for the fiscal year ended June 2005 revealed an increase of 2.89%. Figure 11 illustrate the distribution of contributing employers for the period 2000-2005.

**Graph: 11**



During the fiscal periods July 2001 – June 2004, approximately 81% of active employers paid contributions to the NIC. As indicated in the 2003-2004 NIC annual report, development of new strategies to improve compliance in the payment of contributions by employers, gradual improvement in the economy and projected positive growth would provide the basis for anticipated progress in employers' level of compliance. In the review period, active employers who paid contributions increased by approximately 2.42% to 83.42%. Table 1 illustrates the distribution of contributing employers on the basis of industrial classification for the period July 2004 – June 2005.



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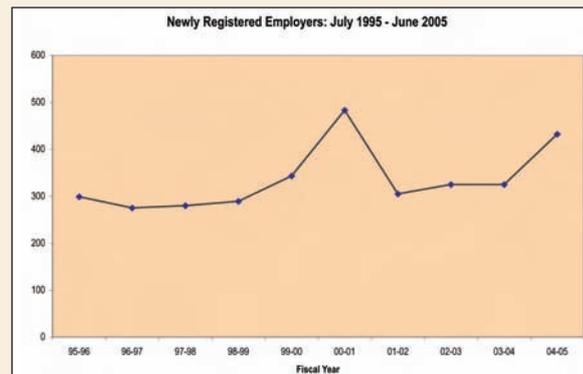


**Table 1**

Economic Sector	%
Agriculture, Hunting, Forestry and Fishing	4.69
Mining and Quarrying	0.22
Manufacturing	7.21
Electricity, Gas and Water supply	0.62
Construction	3.29
Wholesale and Retail Trade	18.16
Restaurants and Hotels	8.89
Transport, Storage and Communication	4.47
Financial Intermediations	4.1
Real-Estates, Renting and Business Services	9.74
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	8.16
Community, Social/Personal Ser., Household with employed persons/Extra-territorial Bodies	27.34
Activities not adequately defined	3.11
<b>Total</b>	<b>100.00%</b>

During the fiscal year July 2004-June 2005, distribution of contributing employers on the basis of economic sector showed considerable growth in all sectors except agriculture. Mining/quarrying, utility, financial intermediation, real-estate/business service and social service sectors recorded an average increase of over 10%. Contributing employer from the other sectors such as manufacturing, construction, wholesale/retail trade, restaurant/hotel, transport/communication and public administration also recorded moderate growth of 6.5%.

**Graph: 12**



A total of 432 employers registered with the National Insurance Corporation in the review period. When compared to the previous fiscal year, it was a 32.92% increase. Figure 12 above shows the trend of employers who registered during the last ten years (July 1995 – June 2005). Distribution of newly registered employers on the basis of economic sector revealed major increases in most sectors whilst declines were also observed in a few industries. The agriculture, manufacturing and transport/storage/communication sectors recorded increases of over 82%. The following economic sectors also experienced relatively large increase in the number of new employers:

- Community/Social/Personal Services, Households with Employed Persons, Extra-territorial Organizations and Bodies – 50.55%
- Public Administration- 41.22%
- Restaurants and Hotels – 47.22%
- Real-estate, Renting and Business Services – 13.04%
- Construction – 57.89%

## 4. NIC BENEFITS EXPENDITURE

The Corporation offers its contributors a benefit basket comprising of two main branches, namely short-term and long-term benefits.

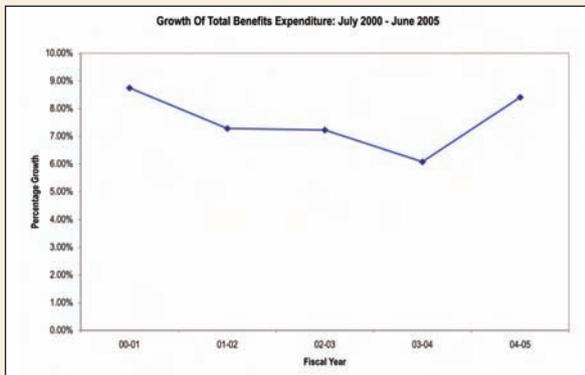


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During the periods 1999 – 2004, rate of growth of total benefits expenditure declined from 8.75% in July 1999-June 2000 to 6.08% in July 2003 – June 2004. However, in the review period (July 2004 – June 2005), a total of 12,455 claims (pensions, grants and short-term claims) were paid at a cost of \$33.69M. When compared to the previous fiscal year, claims paid increased by 3.71% whilst total benefits expenditure rose by approximately \$3.34M or 11%. The above expansion in benefits expenditure was mainly due to significant increase in the number of pensions awarded and increase in the average cost of short-term benefits claims paid.

**Graph: 13**



**4.1 Short Term Benefits:**

Short-term benefits offered by the National Insurance Corporation include employment injury, funeral grant, maternity allowance, maternity grant, medical expenses and sickness allowance.

In July 2004-June 2005, 7,785 short-term claims were paid at a cost of \$7.70M. The number of claims paid dropped marginally by 0.57% whilst cost of short-term benefits recorded a 6.45% increase over the previous year. The overall contraction in short-term claims was solely due to corresponding declines in sickness allowances; all other short-term benefit recorded moderate growths.

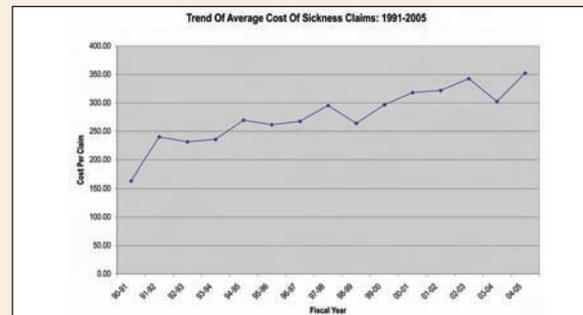
**4.11 Sickness Benefit:**

In the review period, sickness benefits claims paid declined by 2.36% to 5,853. Notwithstanding the drop in claims, cost of sickness allowances increased by 11.95% to \$2.03M. The rise in sickness allowances expenditure was the combined effect of the following:

- 3.04% increase in average duration of claims paid;
- Impact of growth in average insurable earnings on average cost per claim, which increased by 13.83% to \$352.59.

**Graph: 14**

**4.12 Employment Injury**





Employment Injury claims paid during the 2004-2005 fiscal year increased from 81 to 100- an increase of 23.46%. As has always been the case, males continue to be the predominant claimant for employment injury, accounting for 83% of claims. Cost of employment injury claims paid grew by 21% to the second highest amount in the last five years of \$85,114.

#### 4.13 Maternity Benefits

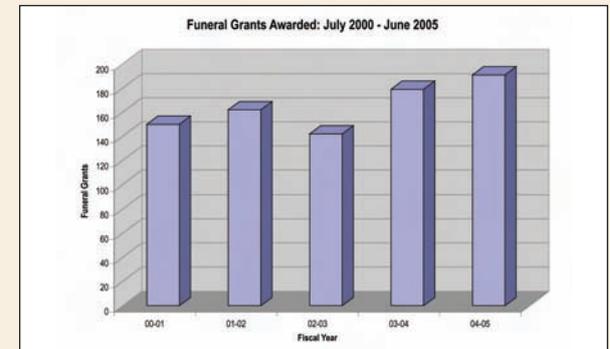
The maternity benefit covers two sub-benefits; these include the maternity allowance and maternity grant. The maternity benefit is a benefit, which is generally influenced by the NIC female insured population and demographic issue of fertility and birth rate. Over the past 10 years the number of maternity allowances as well as the associated cost have had an average decline of 6.02% during the four fiscal years ended 2004. In 2004-2005, the number of maternity allowances increased for the first time since 1999. There was an increase of 5.44% in the number of allowances with an accompanied rise of 9.27% in expenditure (\$1.69M).

In the review period, maternity grants awarded by the NIC also recorded growth; there was an increase of less than one percent (7 Claims) in the number of grants paid. This marginal growth in maternity grants awarded led to a corresponding increase of 0.88% in the cost of grant from \$479,400 to \$483,600.

#### 4.14 Funeral Grant

A total of 191 funeral grants were awarded at a cost of \$330,821. The number of funeral grants awarded increased by 6.7%. As expected in most instances, increase in funeral grants would impact on other benefits such as retirement pensions and survivors benefit/pensions. During the past four years, it was observed that the number of persons over the pensionable age who die actually accounted for increasing proportion of funeral grants. In 2001-2002, the proportion of pre-pensionable aged and post-pensionable aged deceased stood at 57:43; in 2004-2005, this proportion was 45:56. The later proportion is associated with an overall decline in children's pensions and an increase in widow/widower's pension which is also the most costly within survivors pension.

Graph: 15



#### 4.2 Long Term Benefits:

Part of the NIC's basket of benefits is the long-



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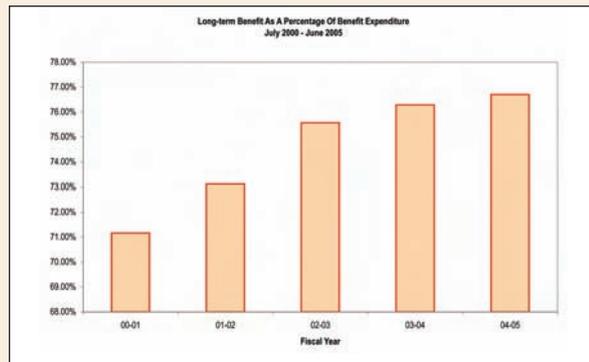
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term benefit branch, which includes Disablement Pension, Invalidity Pension, Retirement Pension, Survivor's Pension, Disablement Grant, Invalidity Grant, Retirement Grant and Survivor's Grant. These together make up the majority of the benefits expenditure.

During the year in review, a total of 4,478 long-term claims were paid at a cost of \$26.02M. Cost of long-term benefit branch continues to rise steadily. Following steady declines in the rate of growth from 18% in 1999-2000 to 7% in 2003-2004, long-term benefit expenditure grew by 12.43% in the review period. With the continued shift from a grant/allowance program to mainly a pension scheme, the proportion of long-term benefits expenditure to total benefits cost stood at 76.70%, an indication that the scheme is approaching maturity.

**Graph: 16**  
**4.21 NIC pensions**

The pensions offered by the national Insurance Corporation include retirement,



survivors, invalidity and disablement. Collectively, during the financial year ended June 2005, the number of pensions paid rose by 9.72% to 4,300; cost of pensions also increased by 10.67% or \$2.42M to \$25.11M.

Generally, there has been an overall contraction in the growth of pension cost. After recording a 7.40% increase in 2003-2004, significant growth in pensions awarded contributed towards a 10.67% increase in the review period. During the financial year July 2004-June 2005, 205 pensions were terminated; of this number, retirement pensions accounted for 46.83%. At the end of June 2005, 4,022 pensions were in-payment: 71.69% or 2,843 were retirement pensions, 22.23% or 894 were survivors pensions, 6.94% or 279 were invalidity pensions and 0.15% or 6 were disablement pensions.

**Table: 2**

Financial Year	NATIONAL INSURANCE CONTRIBUTION INCOME (July, 2000 - June, 2005)					
	Contribution Income(\$ million E.C)		Contribution Income(\$ million E.C)		Total	%
	Current	%	Past - Due	%		
July 2000 - June 2001	23.51	45.62%	28.03	54.38%	51.54	100.00%
July 2001 - June 2002	25.47	50.38%	25.09	49.62%	50.56	100.00%
July 2002 - June 2003	27.84	53.58%	24.12	46.42%	51.96	100.00%
July 2003 - June 2004	27.20	48.35%	29.06	51.65%	56.26	100.00%
July 2004 - June 2005	32.22	51.49%	30.36	48.51%	62.58	100.00%



**Table: 3**

**CONTRIBUTION INCOME BY ECONOMIC SECTOR  
July 2000-June 2005**

Economic Sector	Financial Year				
	00-01	01-02	02-03	03-04	04-05
<b>Agriculture, Hunting, Forestry and Fishing</b>	1,126,721	924,505	983,207	1,021,627	1,148,321
<b>Mining and Quarrying</b>	101,346	113,946	126,972	123,911	176,074
<b>Manufacturing</b>	3,769,917	3,723,001	3,673,109	3,943,022	4,153,284
<b>Electricity, Gas and Water supply</b>	1,810,423	2,075,997	2,542,097	2,367,818	2,375,384
<b>Construction</b>	2,030,326	1,966,922	1,917,071	2,293,577	3,251,056
<b>Wholesale and Retail Trade</b>	7,258,628	7,163,232	7,500,882	7,629,967	8,899,472
<b>Restaurants and Hotels</b>	12,061,960	10,608,647	11,063,479	2,182,250	12,782,289
<b>Transport, Storage and Communication</b>	3,874,625	3,823,338	3,806,476	4,165,622	4,644,799
<b>Financial Intermediations</b>	4,065,425	4,488,819	4,752,111	4,950,685	5,578,208
<b>Real-estate/ Renting /Business Services</b>	4,142,866	4,022,392	4,191,537.12	4,088,865	4,852,013
<b>Public Administration and Defence, Compulsory Social Security, Education, Health and Social work</b>	7,751,182	7,614,044	7,330,719.73	8,889,062	11,003,648
<b>Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies</b>	2,904,025	2,898,633	3,067,265.71	3,321,951	3,613,779.06
<b>Activities not adequately defined</b>	638,270	1,132,145	1,006,568	1,280,673	96,815
<b>Total</b>	<b>51,535,714</b>	<b>50,555,622</b>	<b>51,961,494</b>	<b>56,259,031</b>	<b>62,575,143</b>



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**Table: 4**

**New Registrants By Age Group  
(July 2000 - June 2005)**

Age group	Financial Year				
	00-01	01-02	02-03	03-04	04-05
16-19	3168	3212	2858	3031	2,977
20-24	695	709	533	584	591
25-29	193	188	165	132	168
30-34	148	128	117	85	106
35-39	110	139	104	109	93
40-44	72	103	103	86	91
45-49	59	58	62	54	60
50-54	51	61	57	39	50
55-59	51	52	56	52	36
60-64	20	42	42	46	50
GE 65	5	7	41	46	52
Unstated	42	51	23	3	
<b>Total</b>	<b>4,614</b>	<b>4,750</b>	<b>4,161</b>	<b>4,267</b>	<b>4,274</b>

**Table: 5**

**New Registrants Who Registered For Employment  
(July 2000 - June 2005)**

Age group	Financial Year				
	00-01	01-02	02-03	03-04	04-05
16-19	1834	1673	1569	1669	1,773
20-24	341	307	261	257	281
25-29	105	94	75	61	72
30-34	87	63	65	46	52
35-39	59	66	52	41	47
40-44	32	39	42	27	30
45-49	20	19	24	13	19
50-54	13	21	15	10	18
55-59	9	6	11	8	8
60-64	3	7	2	2	5
GE 65	0	1	4	3	4
Unstated	20	14	16	3	
<b>Total</b>	<b>2,523</b>	<b>2,310</b>	<b>2,136</b>	<b>2,140</b>	<b>2,309</b>



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**Table: 6**

**Registered Employers By Industrial Classification And Status As At 30th June 2005**

Economic Sector	Status			Total
	Active	Closed	Dormant	
Agriculture, Hunting, Forestry and Fishing	174	248	5	427
Mining and Quarrying	7	12	0	19
Manufacturing	253	346	2	601
Electricity, Gas and Water supply	15	17	2	34
Construction	126	448	17	591
Wholesale and Retail Trade	596	760	14	1370
Restaurants and Hotels	321	467	8	796
Transport, Storage and Communication	158	133	6	297
Financial Intermediations	115	77	0	192
Real-Estates, Renting and Business Services	326	454	11	791
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	241	192	5	438
Community, Social and Personal Services, Household with employed persons and Extra- Territorial Organization and Bodies	794	1394	25	2213
Activities not adequately defined	181	61	6	248
<b>Total</b>	<b>3307</b>	<b>4609</b>	<b>101</b>	<b>8017</b>



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**Table: 7**

**Active Employers By Industrial Classification**

<b>Economic Sector</b>	<b>June '01</b>	<b>June '02</b>	<b>June '03</b>	<b>June '04</b>	<b>June '05</b>
<b>Agriculture, Hunting, Forestry and Fishing</b>	153	170	170	177	174
<b>Mining and Quarrying</b>	8	7	8	8	7
<b>Manufacturing</b>	230	243	237	237	253
<b>Electricity, Gas and Water supply</b>	15	15	16	15	15
<b>Construction</b>	135	146	120	115	126
<b>Wholesale and Retail Trade</b>	514	551	550	571	596
<b>Restaurants and Hotels</b>	279	312	310	317	321
<b>Transport, Storage and Communication</b>	140	150	149	150	158
<b>Financial Intermediations</b>	89	97	100	101	115
<b>Real-Estates, Renting and Buisness Services</b>	279	306	291	296	326
<b>Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work</b>	206	216	220	220	241
<b>Community, Social and Personal Services, Household withemployed persons and Extra-Territorial Organization and Bodies</b>	678	754	744	760	794
<b>Activities not adequately defined</b>	161	212	265	272	181
<b>Total</b>	<b>2887</b>	<b>3179</b>	<b>3180</b>	<b>3239</b>	<b>3307</b>



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**Table: 8**

**Contributing Employers By Industrial Classification**

Economic Sector	Financial Year				
	00-01	01-02	02-03	03-04	04-05
<b>Agriculture, Hunting, Forestry and Fishing</b>	147	130	126	131	128
<b>Mining and Quarrying</b>	7	6	5	5	6
<b>Manufacturing</b>	197	192	176	183	197
<b>Electricity, Gas and Water supply</b>	17	14	16	15	17
<b>Construction</b>	93	91	78	85	90
<b>Wholesale and Retail Trade</b>	475	432	457	469	496
<b>Restaurants and Hotels</b>	260	244	235	227	243
<b>Transport, Storage and Communication</b>	128	123	118	117	122
<b>Financial Intermediations</b>	95	96	93	97	112
<b>Real-Estates, Renting and Buisness Services</b>	253	237	236	241	266
<b>Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work</b>	212	206	208	209	223
<b>Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies</b>	653	639	649	680	747
<b>Activities not adequately defined</b>	119	145	168	154	85
<b>Total</b>	<b>2656</b>	<b>2555</b>	<b>2565</b>	<b>2613</b>	<b>2732</b>



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**Table: 9**

**Newly Registered Employers By Industrial Classification**

Economic Sector	Financial Year				
	00-01	01-02	02-03	03-04	04-05
Agriculture, Hunting, Forestry and Fishing	39	16	8	14	27
Mining and Quarrying	2	0	0	2	1
Manufacturing	29	13	11	22	40
Electricity, Gas and Water supply	0	0	1	0	4
Construction	26	11	13	19	30
Wholesale and Retail Trade	67	39	59	63	60
Restaurants and Hotels	49	34	32	36	53
Transport, Storage and Communication	33	11	16	10	26
Financial Intermediations	8	8	9	7	5
Real-Estates, Renting and Buisness Services	28	28	21	23	26
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	23	11	18	12	17
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	110	81	70	91	137
Activities not adequately defined	69	53	67	26	6
<b>Total</b>	<b>483</b>	<b>305</b>	<b>325</b>	<b>325</b>	<b>432</b>



**Table: 10**

**Short-Term Benefits Paid By Type  
(July 2000 – June 2005)**

Short-term benefits	Financial Year				
	00-01	01-02	02-03	03-04	04-05
Employment Injury	132	119	86	81	100
Sickness Allowance	4,488	4,715	4,285	5,995	5,853
Maternity Allowance	909	788	792	735	775
Maternity Grant	1,059	914	874	799	806
Funeral Grant	150	162	142	179	191
Medical Expenses*	59	55	28	41	60
<b>Total</b>	<b>6,797</b>	<b>6,753</b>	<b>6,207</b>	<b>7,830</b>	<b>7,785</b>

**Table: 11**

**Short-Term Benefits Expenditure By Type  
(July 2000 – June 2005)**

Short-term benefits	Financial Year				
	00-01	01-02	02-03	03-04	04-05
Employment Injury	82,089	117,384	53,526	70,188	85,114
Sickness Allowance	1,428,144	1,516,990	1,468,584	1,812,974	2,063,683
Maternity Allowance	1,759,710	1,693,020	1,666,551	1,511,264	1,694,820
Maternity Grant	640,800	552,600	534,000	487,050	488,800
Funeral Grant	253,250	279,962	243,200	308,800	330,821
Medical Expenses*	3,007,159	3,013,443	3,023,921	3,013,713	3,039,687
<b>Total</b>	<b>7,171,152</b>	<b>7,173,399</b>	<b>6,989,782</b>	<b>7,203,989</b>	<b>7,702,925</b>

\* Include the annual amount of \$3.0M paid to the Ministry of Health for “medical health programme”



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**Table: 12**

**Long-Term Benefits Paid By Type**

Long-term benefits	Financial Year				
	00-01	01-02	02-03	03-04	04-05
Retirement Pension	2,252	2,388	2,589	2,761	3,000
Survivors Pension	636	727	725	855	972
Invalidity Pension	240	257	290	299	324
Disablement Pension	5	4	4	4	4
Retirement Grant	230	215	239	225	317
Survivors Grant	39	41	32	34	46
Invalidity Grant	26	26	26	2	11
Disablement Grant	4	4	2	-	4
<b>Total</b>	<b>3,432</b>	<b>3,662</b>	<b>3,907</b>	<b>4,180</b>	<b>4,678</b>

**Table: 13**

**Long-Term Benefits Paid By Type**

Long-term benefits	Financial Year				
	00-01	01-02	02-03	03-04	04-05
Retirement Pension	2,252	2,388	2,589	2,761	3,000
Survivors Pension	636	727	725	855	972
Invalidity Pension	240	257	290	299	324
Disablement Pension	5	4	4	4	4
Retirement Grant	230	215	239	225	317
Survivors Grant	39	41	32	34	46
Invalidity Grant	26	26	26	2	11
Disablement Grant	4	4	2	-	4
<b>Total</b>	<b>3,432</b>	<b>3,662</b>	<b>3,907</b>	<b>4,180</b>	<b>4,678</b>





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Table 14

**Benefits Expenditure By Branch  
July 2000-June 2005**

Benefit Branch	Financial Year				
	00-01	01-02	02-03	03-04	04-05
<b>Long-term</b>					
Retirement	13,914,581	15,370,949	17,290,807	18,495,507	20,742,771
Survivorship	1,954,521	2,184,732	2,246,626	2,524,730	2,920,387
Incapacitation	1,830,463	1,952,448	2,083,067	2,125,371	2,360,050
<b>Sub-total</b>	<b>17,699,565</b>	<b>19,508,129</b>	<b>21,620,500</b>	<b>23,145,608</b>	<b>26,023,208</b>
<b>Short-term</b>					
Employment Injury	82,089	117,384	53,526	70,188	85,114
Sickness	1,428,144	1,516,990	1,468,584	1,812,974	2,063,683
Maternity	2,400,510	2,245,620	2,200,551	1,998,314	2,183,620
Funeral	253,250	279,962	243,200	308,800	330,821
Medical Expenses*	3,007,159	3,013,443	3,023,921	3,013,713	3,039,687
<b>Sub-total</b>	<b>7,171,152</b>	<b>7,173,399</b>	<b>6,989,782</b>	<b>7,203,989</b>	<b>7,702,925</b>
<b>Grand-total</b>	<b>24,870,717</b>	<b>26,681,528</b>	<b>28,610,282</b>	<b>30,349,596</b>	<b>33,691,426</b>

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

Table 15

**Benefits Claims Paid By Branch  
July 2000-June 2005**

Benefit Branch	Financial Year				
	00-01	01-02	02-03	03-04	04-05
<b>Long-term</b>					
Retirement	2482	2603	2828	2986	3317
Survivorship	675	768	765	889	1018
Incapacitation	275	291	322	305	335
<b>Sub-total</b>	<b>3432</b>	<b>3662</b>	<b>3915</b>	<b>4180</b>	<b>4670</b>
<b>Short-term</b>					
Employment Injury	132	119	86	81	100
Sickness	4488	4715	4285	5995	5,853
Maternity	1968	1702	1666	1534	1,581
Funeral	150	162	142	179	191
Medical Expenses*	59	55	28	41	60
<b>Sub-total</b>	<b>6797</b>	<b>6753</b>	<b>6207</b>	<b>7830</b>	<b>7,785</b>
<b>Grand-total</b>	<b>10229</b>	<b>10415</b>	<b>10122</b>	<b>12010</b>	<b>12,455</b>

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

Source: N.I.S Statistics, Training and Research Department

# NATIONAL INSURANCE CORPORATION

## Index to the Consolidated Financial Statements

### For the Year Ended June 30, 2005

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# auditors report to the board of directors

We have audited the consolidated balance sheet of National Insurance Corporation (the "Group") and its subsidiaries as at June 30, 2005 and the consolidated statements of changes in reserves, income and expenditure and cash flows for the year then ended. Our audit work has been undertaken so that we might state to the Group's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Group and the Group's directors as a body, for our audit work, for this report, or for the opinions we have formed. These financial statements are the responsibility of the management of National Insurance Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As disclosed in Notes 2(c) and (e) these financial statements do not include:-

- (i) contributions due to National

- Insurance Corporation which had not been received as at June 30, 2005;
- (ii) surcharges on contributions in arrears which have been levied but which remained uncollected as at June 30, 2005;

In our opinion, except for the policy to record contributions and surcharges on a cash basis and omit those due but not received as at June 30, 2005, these financial statements present fairly, in all material respects, the financial position of the Group as at June 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Chase, Skeete & Boland.*

Chartered Accountants  
Castries, St. Lucia  
September 30, 2005



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**NATIONAL INSURANCE CORPORATION**  
**Consolidated Balance Sheet**  
**As at June 30, 2005**

	Notes	2005 \$	2004 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	28,246,389	30,320,052
Finance lease receivables	5	1,418,087	239,372
Accounts receivable	6	8,649,279	7,862,955
Prepayments	7	2,425,974	126,432
Loans and advances	8	17,150,895	16,139,571
Investment securities			
- Held-to-maturity	9	252,084,241	268,963,394
- Available-for-sale	9	109,707,525	77,259,379
		<u>419,682,390</u>	<u>400,911,155</u>
<b>Long-term Assets</b>			
Finance lease receivables	5	13,307,400	6,247,480
Loans and advances	8	100,741,669	116,037,437
Investment securities			
- Held-to-maturity	9	187,245,110	138,125,122
Investment properties	10	156,259,170	146,050,281
Property, plant and equipment	11	3,914,893	4,306,530
Projects in progress	12	2,996,740	9,118,813
		<u>464,464,982</u>	<u>419,885,663</u>
<b>TOTAL ASSETS</b>		<b><u>884,147,372</u></b>	<b><u>820,796,818</u></b>
<b>LIABILITIES AND RESERVES</b>			
<b>Current Liabilities</b>			
Bank overdraft	4	401,644	1,811,750
Accounts payable and accrued liabilities		6,052,668	5,214,576
		<u>6,454,312</u>	<u>7,026,326</u>
<b>Reserves</b>			
Short-term benefits		20,978,275	19,950,350
Long-term benefits		829,295,751	771,614,929
Retained earnings		18,899,153	14,080,333
		<u>869,173,179</u>	<u>805,645,612</u>
Minority interest	14	8,519,881	8,124,880
<b>TOTAL LIABILITIES AND RESERVES</b>		<b><u>884,147,372</u></b>	<b><u>820,796,818</u></b>

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

**SIGNED ON BEHALF OF THE BOARD**

\_\_\_\_\_  
  
 Director

\_\_\_\_\_  
  
 Director




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**NATIONAL INSURANCE CORPORATION**  
**Consolidated Statement of Changes in Reserves**  
**For the Year Ended June 30, 2005**

	Note	Short-term Benefits \$	Long-term Benefits \$	Retained Earnings \$	Total \$
<b>Balance at June 30, 2003</b>		17,895,310	717,227,202	2,058,186	737,180,698
Loan fees collected		-	-	13,283	13,283
Excess of income over expenditure for the year		2,265,693	65,590,795	595,143	68,451,631
<b>Balance at June 30, 2004 as previously reported</b>		20,161,003	782,817,997	2,666,612	805,645,612
Prior year restatement	24	(210,653)	(11,203,068)	11,413,721	-
<b>Balance at June 30, 2004 as restated</b>		19,950,350	771,614,929	14,080,333	805,645,612
Loan fees collected		-	-	11,398	11,398
Excess of income over expenditure for the year		1,027,925	57,680,822	4,807,422	63,516,169
<b>Balance at June 30, 2005</b>		<b>20,978,275</b>	<b>829,295,751</b>	<b>18,899,153</b>	<b>869,173,179</b>

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



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**NATIONAL INSURANCE CORPORATION**  
**Consolidated Statement of Income and Expenditure**  
**For the Year Ended June 30, 2005**

	Note	Short-term Benefits		Long-term Benefits		Subsidiaries		Total	
		2005	2004	2005	2004	2005	2004	2005	2004
		\$	\$	\$	\$	\$	\$	\$	\$
<b>INCOME</b>									
Contributions		10,676,423	9,542,827	52,126,066	46,591,450	-	-	62,802,489	56,134,277
Investments		949,257	1,090,780	36,475,276	43,259,991	7,919,518	7,099,383	45,344,051	51,450,154
Other		260,006	293,518	1,269,434	1,433,057	5,238	12,614	1,534,678	1,739,189
<b>TOTAL INCOME</b>		<b>11,885,686</b>	<b>10,927,125</b>	<b>89,870,776</b>	<b>91,284,498</b>	<b>7,924,756</b>	<b>7,111,997</b>	<b>109,681,218</b>	<b>109,323,620</b>
<b>EXPENDITURE</b>									
Short-term benefits		4,566,245	4,283,116	-	-	-	-	4,566,245	4,283,116
Long-term benefits				26,062,303	23,142,229	-	-	26,062,303	23,142,229
Medical Health Programme		3,000,000	3,000,000	-	-	-	-	3,000,000	3,000,000
Donation	18	1,861,832	-	-	-	-	-	1,861,832	-
Administrative expenses		1,429,684	1,438,515	6,127,651	5,961,254	2,657,129	2,809,147	10,214,464	10,208,916
<b>TOTAL EXPENDITURE</b>		<b>10,857,761</b>	<b>8,721,631</b>	<b>32,189,954</b>	<b>29,103,483</b>	<b>2,657,129</b>	<b>2,809,147</b>	<b>45,704,844</b>	<b>40,634,261</b>
		1,027,925	2,205,494	57,680,822	62,181,015	5,267,627	4,302,850	63,976,374	68,689,359
Minority interest		-	-	-	-	(460,205)	(237,728)	(460,205)	(237,728)
<b>EXCESS OF INCOME OVER EXPENDITURE</b>		<b>1,027,925</b>	<b>2,205,494</b>	<b>57,680,822</b>	<b>62,181,015</b>	<b>4,807,422</b>	<b>4,065,122</b>	<b>63,516,169</b>	<b>68,451,631</b>

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



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**NATIONAL INSURANCE CORPORATION**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended June 30, 2005**

	2005 \$	2004 \$
<b>Cash Flows from Operating Activities</b>		
Excess of income over expenditure for the year before minority interest	63,976,374	68,689,359
<b>Adjustments for:</b>		
Depreciation	838,885	806,388
Amortisation of deferred infrastructure costs	-	179,354
Interest income	(36,050,736)	(34,630,585)
Dividend income	(7,479,204)	(6,385,524)
Foreign exchange loss	346,635	301,383
Provision for accounts receivable impairment	5,479	1,382,604
Impairment loss recovered	(80,682)	-
Provision for loan impairment	7,852,173	410,313
Interest expense	52,050	49,947
Gain on disposal of property, plant and equipment	(20,452)	(8,500)
Gain on disposal of investment	-	(4,575,000)
Appreciation in value of equity instruments	(2,952,767)	-
<b>Operating income before working capital changes</b>	26,487,755	26,219,739
Increase in accounts receivable	(1,939,258)	(1,737,506)
(Increase)/decrease in prepayments	(2,299,542)	406,821
Decrease in loans and advances	7,190,760	22,198,309
Increase in investment securities	(61,224,238)	(71,375,121)
Increase in accounts payable and accrued liabilities	838,092	1,024,149
<b>Cash used in operating activities</b>	(30,946,431)	(23,263,609)
Interest paid	(52,050)	(49,947)
<b>Net cash used in operating activities</b>	(30,998,481)	(23,313,556)
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(447,248)	(413,755)
Proceeds on disposal of property, plant and equipment	20,452	8,500
Increase in investment properties	(10,208,889)	(15,637,557)
Increase in project expenditure	(1,717,418)	(1,431,776)
Finance lease repayments	360,674	205,256
Interest received	36,618,373	39,955,103
Dividends received	5,762,782	2,929,064
Proceeds on disposal of investment	-	9,315,000
<b>Net cash generated from investing activities</b>	30,388,726	34,929,835
<b>Cash Flows from Financing Activities</b>		
Repayments on long-term loans	-	(5,219,672)
Loan fees collected	15,198	17,711
Dividends paid	(69,000)	(69,000)
<b>Net cash used in financing activities</b>	(53,802)	(5,270,961)
<b>(Decrease)/Increase in Net Cash and Cash Equivalents</b>	(663,557)	6,345,318
<b>Net Cash and Cash Equivalents - Beginning of Year</b>	28,508,302	22,162,984
<b>Net Cash and Cash Equivalents - End of Year</b>	<b>27,844,745</b>	<b>28,508,302</b>



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

# NATIONAL INSURANCE CORPORATION

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2005

### 1. Introduction

National Insurance Corporation is engaged in the provision of social security services. The Corporation is governed by the National Insurance Corporation Act 2000 (No. 18 of 2000). Its registered office is located at 1st Floor, Francis Compton Building, John Compton Highway, Castries, St. Lucia.

The consolidated statements include the statements of National Insurance Corporation and its subsidiaries, whose activities are as follows:

#### **St. Lucia Mortgage Finance Company Ltd.**

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

#### **National Insurance Property Management and Development Company Ltd.**

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

#### **Castries Car Park Facility Ltd.**

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

#### **Blue Coral Ltd.**

The company provides rental of office and commercial space.

### 2. Adoption of revised International Financial Reporting Standards

In the current year the Group has adopted the revised Standards and Interpretations issued by the International Accounting Standard Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations. The adoption of these revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas:

- Financial Instruments: Disclosure and Presentation (IAS32)
- Financial Instruments: Recognition and Measurement (IAS39)



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## 2. Adoption of revised International Financial Reporting Standards(cont'd)

### IAS 32, Financial Instruments: Disclosure and Presentation

The impact of this standard has been to expand the disclosures provided in these financial statements in relation to the Group's financial assets.

### IAS 39, Financial Instruments: Recognition and Measurement

IAS 39 requires that financial assets are valued at fair market value. The carrying amount of the asset is reduced through the use of the provision for loan impairment. Subsequent recoveries are credited to the provision for loan impairment in the Statement of Income and Expenditure.

For 2005, the impact is a net increase to income of \$2,986,707. The change has had no material impact on amounts reported for 2004 or prior periods.

## 3. Significant Accounting Policies

### (a) Overall Policy

The Group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis, except for the revaluation of available-for-sale financial assets and investment properties. The principal accounting policies adopted are set out below.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to use accounting estimates and to exercise its' judgment in the process of applying the Group's accounting policies.

### (b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.



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### 3. Significant Accounting Policies (Cont'd)

Investments in subsidiaries are accounted for using the purchase method of accounting. Intra-group transactions, balances, income, expenses and unrealized gains are eliminated on consolidation.

Minority interest represents that part of the net results of subsidiaries attributable to interests which are not owned directly or indirectly by the parent entity, after making adjustments for unrealised profits and losses of subsidiaries and other adjustments necessary to comply with International Financial Reporting Standards.

#### (c) Contributions

Contributions reflect only amounts received from members and do not include contributions due to National Insurance Corporation, which had not been received as at June 30, 2005.

#### (d) Benefits

Benefits include amounts paid, and claims reported but not paid. Benefits are classified into two funds; long-term benefits and short-term benefits.

#### (e) Surcharges

Surcharges include amounts received from members, but exclude surcharges levied but uncollected as at June 30, 2005.

#### (f) Basis of Allocation of Income

##### Contribution Income

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

	2005	2004
Short-term benefit fund	17%	17%
Long-term benefit fund	83%	83%
	<b>100%</b>	<b>100%</b>



### 3. Significant Accounting Policies (Cont'd)

#### Investment Income

Investment income less 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 investment securities and provisions for diminution in the value investments.

#### Other Income

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

#### (g) Interest Income and Expense

Interest income and expense are recognised in the income statement for all interest bearing instruments at amortised cost using the effective interest rate method. The effective interest rate method is the method of calculating the amortised cost of a financial asset or liability and of allocating interest income or interest expense over the relevant period.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses.

Once a financial asset or group of financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

#### (h) Dividend Income

Dividends on available-for-sale equity instruments are recorded in the Statement of Income and Expenditure when the entities right to receive the payment is established.

#### (i) Development Fees

Development fees are included in the project cost and are recognized as income over the lives of the projects on a pro rata basis.



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### 3. Significant Accounting Policies (Cont'd)

#### (j) Management Fees

Management fees are recognised as income over the lives of projects on a pro rata basis.

#### (k) Cash and Cash Equivalents

Cash and cash equivalents are carried on the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise balances with a maturity of three months or less from the date of acquisition including: cash on hand, deposits held on call with banks and bank overdrafts.

#### (l) Accounts Receivable

Accounts receivable and other receivables are carried at original carrying amount less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

The amount of the provisions is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Income and Expenditure Statement.

#### (m) Finance Lease

The asset held as a finance lease is recognised as a receivable and finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

#### (n) Financial Assets

The Group classifies its financial assets into the following categories:

- Loans and Advances
- Held-to-Maturity Investments and
- Available-for-sale financial assets.



### 3. Significant Accounting Policies (Cont'd)

Management determines the classifications of its investments at initial recognition and reevaluates this designation at every reporting date.

#### Loans and Advances

All loans are recognised when cash is advanced to borrowers with fixed or determinable payments that are not quoted in an active market.

#### Held-to-Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intent and ability to hold to maturity. Were the Group to sell other than an insignificant amount of the held to maturity assets, the entire category would be tainted and reclassified as available-for-sale.

#### Available-for-Sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate, exchange rate or equity prices.

Purchases and sales of financial assets held-to-maturity and available-for-sale are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction cost. Financial assets are derecognised when rights to receive cash flows from financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale assets are subsequently carried at fair value. Loans and advances and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of available-for sale financial assets are included in the Statement of Income and Expenditure in the period in which they arise.



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### 3. Significant Accounting Policies (Cont'd)

The fair values of quoted instruments in active markets are based on current bid prices. If the market for a financial asset is not active, the Group established fair value by using valuation techniques. These include the use of arm's length transactions, discounted cash flows and other valuation techniques commonly used by market participants.

#### (o) Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence that the loss has occurred after the initial recognition of the asset and has an impact on the ability of management to reliably estimate future cash flows of the financial asset or group of assets.

The Group assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not significant.

Impairment loss is recognised if there is objective evidence that impairment loss on held-to-maturity investments carried at amortised cost has been incurred or that the Group will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the loss is measured as the difference between the carrying amount of the asset and the recoverable amount being the present value of the estimated future cash flows (excluding future credit losses which have not been incurred) discounted at the financial asset's original effective rate.

The carrying amount of the asset is reduced through the use of the provision for loan impairment. Subsequent recoveries are credited to the provision for loan impairment in the Statement of Income and Expenditure.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Group assesses at each balance sheet date whether there is objective evidence that financial assets carried at fair value is impaired. Where there is a significant or prolonged decline in the fair value of the security below its cost, management determines whether



### 3. Significant Accounting Policies (Cont'd)

the assets are impaired.

#### (p) Investment Properties

Investment properties principally comprising office buildings are held for long-term rental yields. Investment properties are treated as long-term investments and are carried at fair values, representing open market values determined annually by external valuers. Changes in fair values are recorded in the Statement of Income and Expenditure in accordance with International Financial Reporting Standards.

#### (q) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line basis, so as to write off the cost of property, plant and equipment over their estimated useful lives as follows: -

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

The asset residual value and useful lives are reviewed and adjusted if appropriate at each balance sheet date. Gains or losses arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Income and Expenditure.

#### (r) Projects in Progress

Build-Own-Lease-Transfer (BOLT) Projects



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### 3. Significant Accounting Policies (Cont'd)

These include all costs associated with the construction and furnishing of the buildings. Direct costs of construction are recognized when an interim valuation is done. On completion, they are accounted for as finance leases.

#### (s) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate.

#### (t) Income Tax

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

St. Lucia Mortgage Finance Company Limited is exempt from income tax on any income accruing to the company by way of interest on loans up to \$300,000.

National Insurance Property Development and Management Company Ltd. is exempt from income tax on the profits earned by the company, which are specific to the refurbishment and BOLT projects.

Castries Car Park Facility Ltd. has been granted a tax holiday for the first ten years of operation.

Blue Coral Ltd. has been granted a tax holiday for the first ten years of operation.

Income taxes, where applicable, are accounted for using the balance sheet liability method whereby:

- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled.



### 3. Significant Accounting Policies (Cont'd)

#### (u) Foreign Currencies

The consolidated financial statements are presented in Eastern Caribbean dollars which is the currency of the primary economic environment in which the Group operates (its functional currency).

Assets and liabilities expressed in foreign currencies are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions arising during the year involving foreign currencies are translated into the functional currency and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates as well as including differences between buying and selling rates, are included in the Consolidated Statement of Income and Expenditure.

#### (v) Comparative Figures

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



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#### 4. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:-

	2005 \$	2004 \$
Cash on hand	1,700	1,400
Deposits held at call with banks	28,244,689	30,318,652
	<b>28,246,389</b>	<b>30,320,052</b>

The effective interest rates on the deposits range between 2% and 2.75% (2004 - 2% and 3%) per annum.

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:-

	2005 \$	2004 \$
Cash	28,246,389	30,320,052
Bank overdraft	(401,644)	(1,811,750)
<b>Net Cash - End of Year</b>	<b>27,844,745</b>	<b>28,508,302</b>

#### 5. Finance Lease Receivables

	2005 \$	2004 \$
<b>Current</b>		
Due from Government of St. Lucia		
- Finance leases - current portion	618,673	199,776
- Finance lease- unpaid charges	799,414	39,596
	<b>1,418,087</b>	<b>239,372</b>
<b>Amounts recoverable after twelve months</b>		
Receivable in respect of finance leases	<b>13,307,400</b>	<b>6,247,480</b>



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## 5. Finance Lease Receivables (Cont'd)

Finance leases relate to the Marchand Police Station, Anse La Raye Police Station, Gros-Islet Fire Station, Dennery Fire Station, Vieux- Fort Police Station and Vieux- Fort Multi Purpose Court.

	2005 \$	2004 \$
Total gross investment	28,419,500	13,635,400
Unearned income	(14,493,427)	(7,188,144)
Present value of minimum lease payments	<b>13,926,073</b>	<b>6,447,256</b>
Current receivable	618,673	199,776
Non-current receivable	13,307,400	6,247,480
	<b>13,926,073</b>	<b>6,447,256</b>
<b>Total gross investment receivable:-</b>		
Not later than one year	3,424,000	996,000
Later than one year and not later than five years	8,509,200	3,984,000
Later than five years	16,486,300	8,655,400
	<b>28,419,500</b>	<b>13,635,400</b>
<b>Present value of minimum lease payments receivable:-</b>		
Not later than one year	618,673	199,776
Later than one year and not later than five years	3,480,374	1,094,050
Later than five years	9,827,026	5,153,430
	<b>13,926,073</b>	<b>6,447,256</b>



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## 6. Accounts Receivable

	2005	2004
	\$	\$
<b>Current</b>		
Due from Government of St. Lucia		
- Universal Health Coverage	866,699	288,690
- Interest receivable	2,262,433	1,833,794
- Refurbishments	70,109	21,597
- Management and development fees	830,454	861,917
- Utility charges receivable	1,718,512	1,969,223
- Rental charges receivable	1,789,830	1,782,188
- Maintenance fees	13,640	18,920
	<b>7,551,677</b>	<b>6,776,329</b>
Other receivables		
- Due from National Community Foundation	-	54,053
- Utility charges receivable	43,216	144,732
- Rental charges receivable	1,523,758	644,399
- Staff loans and advances	814,389	653,611
- Mobilization fees	-	11,573
- Other receivables	53,196	990,417
	<b>2,434,559</b>	<b>2,498,785</b>
Provision for impairment	<b>(1,336,957)</b>	<b>(1,412,159)</b>
	<b>1,097,602</b>	<b>1,086,626</b>
	<b>8,649,279</b>	<b>7,862,955</b>

## 7. Prepayments

Mathematics software  
Prepaid expenses

2005 \$	2004 \$
2,332,528	-
93,446	126,432
<b>2,425,974</b>	<b>126,432</b>

### Mathematics Software

This is a venture between the NIC and Ministry of Education to design, develop and install customized Mathematics software for St. Lucian students from Kindergarten to Grade 8. This venture is funded by NIC and will be managed by the Ministry of Education. All cost incurred towards the completion of design, development and installation of software will be accumulated, to be amortized.

The total estimated cost is \$4,850,109. The mathematics software is expected to be released to NIC in August 2006.



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## 8. Loans and Advances

	2005 \$	2004 \$
Mortgage and other loans	131,060,580	137,492,852
Provision for loan impairment	(13,168,016)	(5,315,844)
	117,892,564	132,177,008
Less: Current portion	17,150,895	16,139,571
Long-term portion	<b>100,741,669</b>	<b>116,037,437</b>
<b>The loans mature as follows:-</b>		
Due within 1 year	17,150,895	16,139,571
Due after 1 year within 5 years	63,145,302	70,911,636
Due after 5 years within 10 years	26,966,081	33,010,835
Due after 10 years within 15 years	13,456,282	8,840,073
Due after 15 years	10,342,020	8,590,737
	<b>131,060,580</b>	<b>137,492,852</b>
<b>Impairment Loss Provision</b>		
Balance - beginning of year	5,315,844	9,623,817
Losses sustained during the year	(13,170)	(4,859,929)
Provision made during the year	7,865,342	551,956
Balance - end of Year	<b>13,168,016</b>	<b>5,315,844</b>



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## 9. Investment Securities

### Investment Securities – Held-to-maturity

	2005 \$	2004 \$
<b>FIXED DEPOSITS</b>		
St. Lucia Co-operative Bank	18,892,570	18,812,840
Bank of St. Lucia	115,128,021	102,825,413
Bank of Nova Scotia	57,080,723	47,542,452
Royal Bank of Canada	49,835	49,835
RBTT Bank Caribbean Ltd.	44,583,287	54,749,121
FirstCaribbean International Bank	-	1,251,536
Financial Investment and Consultancy Services Ltd.	2,173,532	1,141,175
British American Insurance Co. Ltd.	-	2,872,174
Colonial Life Insurance Co. Ltd.	5,871,111	5,671,915
<b>Total Fixed Deposits</b>	<b>243,779,079</b>	<b>234,916,461</b>
<b>NOTES AND BONDS</b>		
Republic Finance and Merchant Bank Ltd.	15,320,019	21,949,430
Bank of St. Lucia	11,865,041	11,865,041
Government of St. Lucia	91,682,722	24,065,731
Eastern Caribbean Home Mortgage Bank	5,113,390	5,106,142
Caribbean Money Market Brokers	5,556,185	-
RBTT Merchant Bank Ltd.	35,259,332	45,014,283
CIBC Trust and Merchant Bank	4,325,619	4,034,225
Citicorp Merchant Bank Ltd.	8,780,990	8,118,629
<b>Total Notes and Bonds</b>	<b>177,903,298</b>	<b>120,153,481</b>
<b>TREASURY BILLS</b>	<b>17,646,974</b>	<b>52,018,574</b>
<b>TOTAL INVESTMENT SECURITIES-HELD-TO-MATURITY</b>	<b>439,329,351</b>	<b>407,088,516</b>
Less: Current portion	252,084,241	268,963,394
Long-term portion	<b>187,245,110</b>	<b>138,125,122</b>

### Fixed Deposits

Effective interest rates range between 2.75% and 9% (2004 - 3.5% and 9%) per annum with maximum maturity of two years.



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## 9. Investment Securities (Cont'd)

### Notes and Bonds

Effective interest rates range between 5.15% and 11% (2004-6% and 11%) per annum with maturing ranging from a year to eight years.

### Treasury Bills

Effective interest rates range between 5.85% and 8.5% (2004-5.85% and 8.5%) per annum with terms of six months to one year

### Investment Securities – Available-for-sale

	2005 \$	2004 \$
<b>INVESTMENTS IN SHARES</b>		
St. Lucia Electricity Services Ltd. 1,880,360 ordinary shares	20,958,488	20,671,170
Eastern Caribbean Home Mortgage Bank 1,884 class B shares at \$100 each	188,400	188,400
Eastern Caribbean Securities Exchange 20,000 class B shares at \$10 each	200,000	200,000
Jalousie (1996) Limited Shares held on trust by the St. Lucia Government	2,700,000	2,716,970
East Caribbean Financial Holdings 2,080,000 (2004 - 2,330,000) preference shares 1,683,479 (2004 - 1,516,813) ordinary shares	23,615,587	20,933,168
Equity Investment Fund	375,000	375,000
<b>Total Investment in Shares</b>	<b>48,037,475</b>	<b>45,084,708</b>
<b>MANAGED ACCOUNTS - SALOMON, SMITH BARNEY</b>	33,501,821	32,174,671
<b>- UBS International</b>	28,168,229	-
	61,670,050	32,174,671
<b>TOTAL INVESTMENT SECURITIES - AVAILABLE-FOR-SALE</b>	<b>109,707,525</b>	<b>77,259,379</b>

## 10. Investment Properties

	2005 \$	2004 \$
Opening balance	146,050,281	130,412,724
Additions	10,208,889	15,637,557
Closing balance	<b>156,259,170</b>	<b>146,050,281</b>

The fair value of the Group's investment property has been arrived at on the basis of a valuation by quantity surveyors Mr. Neville L. Trim, FRICS, ACI, ARB and Mr. Andrew N. King M.S.Q.V.S., in September 2003 and subsequent additions. In management's opinion, there has been no significant movement in fair value and all additions approximate to fair value.

Included in the statement of income and expenditure are the following:

	2005 \$	2004 \$
Rental income from investment properties	<b>9,676,053</b>	<b>10,612,997</b>
Direct operating expenses arising from income generating investment properties	<b>1,177,233</b>	<b>2,442,767</b>
Direct operating expenses arising from non-income generating investment properties	-	-



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11.. Property, Plant and Equipment

	Land and Building \$	Leasehold Improvements \$	Motor Vehicles \$	Furniture and Equipment \$	Computer Hardware \$	Computer Software \$	Generators \$	Maintenance Equipment \$	Total \$
<b>Cost</b>									
Balance - beginning of year	1,887,450	243,895	586,872	4,396,003	1,544,938	839,469	325,430	57,218	9,881,275
Additions	31,479	23,000	176,285	75,385	113,228	22,957	-	4,914	447,248
Disposals	-	-	(65,855)	(6,246)	-	-	-	-	(72,101)
Balance - end of year	1,918,929	266,895	697,302	4,465,142	1,658,166	862,426	325,430	62,132	10,256,422
<b>Accumulated Depreciation</b>									
Balance - beginning of year	30,360	107,308	452,475	2,707,138	1,211,408	719,520	325,430	21,106	5,574,745
Depreciation charge for year	15,840	24,139	79,491	473,028	157,741	82,433	-	6,213	838,885
Eliminated on disposal	-	-	(65,855)	(6,246)	-	-	-	-	(72,101)
Balance - end of year	46,200	131,447	466,111	3,173,920	1,369,149	801,953	325,430	27,319	6,341,529
<b>Net Book Value - End of Year</b>	<b>1,872,729</b>	<b>135,448</b>	<b>231,191</b>	<b>1,291,222</b>	<b>289,017</b>	<b>60,473</b>	<b>-</b>	<b>34,813</b>	<b>3,914,893</b>
<b>Net Book Value - Beginning of Year</b>	<b>1,857,090</b>	<b>136,587</b>	<b>134,397</b>	<b>1,688,865</b>	<b>333,530</b>	<b>119,949</b>	<b>-</b>	<b>36,112</b>	<b>4,306,530</b>

## 12. Projects in Progress

### BOLT Projects

The construction cost of new police and fire stations will be repaid over a fifteen year lease term, after which the stations will be vested back to the Government of St. Lucia.

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

	2005 \$	2004 \$
Vieux-Fort Fire Station	2,060,052	1,570,861
Micoud Fire Station	306,096	143,034
Richfond Police Station	86,584	51,627
Dennerly Police Station	211,179	211,179
Micoud Police Station	332,829	203,686
Vieux-Fort Police Station	-	5,893,387
Vieux-Fort Multi Purpose Court	-	1,045,039
	<b>2,996,740</b>	<b>9,118,813</b>

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

	2005 \$	2004 \$
Vieux-Fort Police Station	6,794,452	-
Vieux-Fort Multi Purpose Court	1,045,039	-
Gros-Islet Fire Station	-	1,908,359
Dennerly Fire Station	-	1,855,816
Anse La Raye Police Station	-	1,138,090
	<b>7,839,491</b>	<b>4,902,265</b>



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### 13. Minority Interest

	2005	2004
	\$	\$
Opening balance	8,124,880	7,951,724
Share of net profit of subsidiaries	460,205	237,728
Share of loan fees collected	3,796	4,428
Dividends paid	(69,000)	(69,000)
Closing balance	<b>8,519,881</b>	<b>8,124,880</b>

### 14. Subsidiary Companies

	Subsidiary	Interest Owned
(a)	St. Lucia Mortgage Finance Company Ltd.	75%
(b)	Castries Car Park Facility Ltd.	85%
(c)	National Insurance Property Development and Management Company Ltd.	100%
(d)	Blue Coral Ltd.	66 2/3%

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

### 15. Actuarial Review

Section 24 (1) of the Act requires an actuarial review of the National Insurance Fund at five-year intervals.

The Seventh Actuarial Review of the National Insurance Fund as at June 2000, conducted by an actuary of the International Labour Organisation, concluded that the Fund was financially sound.



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## 15. Actuarial Review (cont'd)

Contribution payments and benefit calculations are based on insurable earning levels. The contribution amount is paid by the employer and the employee in equal proportions.

Benefits are classified into two Funds; long-term benefits and short-term benefits. Each Fund is credited with contribution and investment income from which benefit expenditure and administrative expenses are met.

Following are some recommendations made by the Actuary in the Seventh Actuarial Review:-

- Change the present system of basing contribution and benefit provisions on calendar months to weeks.
- Consider the use of average earnings over one's entire career as the basis for calculating age pensions.

The Eighth Actuarial Review of the National Insurance Fund as at June 2003, is now completed at June 30, 2005.

## 16. Financial Risk Management

In accordance with the provisions of International Accounting Standard No. 32, disclosure is required regarding credit risk, interest rate risk, market risk, liquidity risk and fair value amounts of financial assets and liabilities.

### (a) Credit Risk

Credit assets which potentially subject the Group to concentrations of credit risk consist primarily of cash equivalents, mortgage and other loans, accounts receivable and investments.

Cash equivalents and fixed deposits are placed with high quality financial institutions. Mortgage and other loans are presented net of the provision for loan impairment. Credit risk with respect to mortgage loans to customers is limited due to the large number of customers comprising the customer base. Accounts receivable and investments are presented net of the provision for impairment.



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## 16. Financial Risk Management (Cont'd)

Significant concentrations of credit risk exist with respect to amounts due from the Government of St. Lucia and other statutory bodies as follows:

	2005 \$	2004 \$
<b>Accounts Receivable</b>		
Government of St. Lucia	7,551,677	6,776,329
<b>Loans and Advances</b>		
Government of St. Lucia	864,779	1,497,527
St. Lucia National Housing Corporation	34,009,187	34,009,187
St. Lucia Air and Sea Ports Authority	1,875,886	1,748,227
	<b>44,301,529</b>	<b>44,031,270</b>

### (b) Interest Rate Risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Group to interest rate risk. The Group's exposure and interest rates on its financial assets are disclosed in Note 6.

### (c) Fair Values of Financial Asset

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 evidences by a quoted market value, if one exists.

The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value, which is not significantly different from their carrying values.

The estimated fair values of loans and advances is determined by discounting contractual future cash flows over the remaining term to maturity at current interest rates. The



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## 16. Financial Risk Management (cont'd)

estimated fair values of loans and advances is not significantly different from their carrying values.

### (d) Market Risk

The Group is exposed to equity securities price risk because of investments held by the Group classified on the balance sheet as available-for-sale.

### (e) Liquidity Risk

The Group is exposed to cash call on its available cash resources from loan drawdowns. Management has established limits on the proportion of maturing and daily cash takings available to meet such calls and has also established facilities with financial institutions to meet those demands.

## 17. Tax Losses

Tax losses which are available for set off in the future against otherwise taxable income for income tax purposes are as follows:-

<u>Income Year</u>	<u>Losses</u> <u>\$</u>	<u>Expiry Date</u>
2001	527,448	June 30, 2007
2002	40,491	June 30, 2008
2003	15,077	June 30, 2009
2004	115,903	June 30, 2010
2005	19,429	June 30, 2011
	<b><u>718,348</u></b>	

The above tax losses relate to the subsidiary company, National Insurance Property Development and Management Company Ltd.

These losses are as computed by the company in its tax returns and have neither been confirmed nor disputed by the Comptroller of Inland Revenue.



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## 18. Commitments

### Loans and Advances

At the year end, loans and advances approved by the Group but not yet disbursed amount to approximately \$57,114,492 (2004 - \$3,000,000).

## 19. Donation- Surgi-Intensive Care Suite

This relates to a one off donation to Victoria Hospital, to equip a three bed recovery unit and two new operating rooms containing a six bed intensive/cardiac care unit. The total approved donation is \$2,065,955, of which 90% has been disbursed, at year end.

## 20. Deferred Taxes

The provision for deferred tax and the full potential asset are set out below:-

	2005		2004	
	Full Potential Asset/(Liability)	Provision Made	Full Potential Asset/(Liability)	Provision Made
	\$	\$	\$	\$
Losses available for carry forward	229,871	-	223,654	-
Accelerated capital allowance	(29,621)	-	(44,851)	-
	<b>200,250</b>	<b>-</b>	<b>178,803</b>	<b>-</b>

The above deferred tax asset relates to the subsidiary company, National Insurance Property Development and Management Company Ltd.

The potential asset has not been recognised through the deferred tax account due to the uncertainty of realisation.

## 21. Events after the balance sheet date

On August 10, 2005 Bank of St. Lucia Limited approved a 15 year loan of \$6,200,000 with an effective rate of interest of 8% to Blue Coral Limited.



## 21. Events after the balance sheet date (cont'd)

On September 30th 2005, Blue Coral Limited signed an agreement with Lawrence Associates valued at \$14,301,340 for the extension, renovation and refurbishment of Blue Coral Building.

## 22. Income Tax

	2005 \$	2004 \$
Accounting loss	(100,022)	(116,664)
Tax at 32% (2004 - 33%)	32,007	(37,332)
Timing difference between capital allowance and depreciation	32,059	19,278
Non taxable profits	(70,283)	(19,035)
Losses carried forward	6,217	37,089
	-	-

## 23. Staff Costs

	2005 \$	2004 \$
Salaries	6,303,571	5,542,018
Gratuities	258,610	229,503
Other staff costs	348,199	285,727
	<b>6,910,380</b>	<b>6,057,248</b>

The average number of employees in 2005 was 155 persons (2004 - 127 persons).



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## 24. Prior Year Restatement

The apportionment of investment income among the reserves in prior years has been adjusted to reallocate the elimination of interest and rental income from the subsidiary companies, to the benefits reserves.

The effect of the restatement is summarized below:

	Effect on 2004 \$
<b>Balance Sheet</b>	
Decrease in short-term benefits	210,653
Decrease in long-term benefits	11,203,068
	<u>11,413,721</u>
Increase in retained earnings	<u>11,413,721</u>

## 25. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on December 12 th, 2005.



# NATIONAL INSURANCE CORPORATION

## Additional Information to the Consolidated Financial Statements For the Year Ended June 30, 2005

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## Additional Comments of Auditors to the board of directors

The accompanying pages ninety to ninety three are presented as supplementary information only. In this respect, they do not form part of the consolidated financial statements of National Insurance Corporation (the "Group") and its subsidiaries for the year ended June 30, 2005, and hence are excluded from the opinion expressed in our report dated September 30, 2005 to the Board on such financial statements. The information in these schedules has been subject to audit procedures only to the extent necessary to express an opinion on the financial statements of the Group and, in our opinion, is fairly presented in all respects material to those financial statements.

*Chase, Skeete & Boland.*

Chartered Accountants  
Castries, St. Lucia  
September 30, 2005



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**NATIONAL INSURANCE CORPORATION**  
**Consolidated Schedule of Investment Income**  
**For the Year Ended June 30, 2005**

	2005 \$	2004 \$
Interest income	36,050,736	34,630,585
Rental income	9,446,124	10,458,212
Dividend income	4,865,825	3,213,040
Income from managed accounts	2,613,379	3,172,481
Appreciation in value of equity instruments	2,952,767	-
Management fees	71,267	77,735
Parking fees	229,929	154,785
Development fees	73,872	69,655
Maintenance fees	162,310	251,020
Gain on disposal of investment	-	4,575,000
<b>Total Investment Income</b>	<b>56,466,209</b>	<b>56,602,513</b>
Amortisation of deferred infrastructure costs	-	179,354
Audit fees	25,280	25,250
Board expenses	40,887	41,319
Depreciation		
- Computer software	38,944	38,944
- Motor vehicles	23,329	10,861
- Maintenance equipment	6,213	5,722
- Generators	-	3,800
Electricity, water and sewage	195,630	282,499
Foreign exchange loss	346,635	301,383
Insurance	364,876	263,625
Motor vehicles expenses	22,034	30,877
Overseas meetings and conferences	43,510	39,926
Professional fees	54,006	54,006
Provision for accounts receivable impairment	-	1,233,746
Provision for loan impairment	7,852,173	363,618
Repairs and maintenance	674,973	937,651
Salaries and wages	1,388,483	1,318,957
Security services	43,005	18,930
Travel and subsistence	2,180	1,891
	<b>11,122,158</b>	<b>5,152,359</b>
<b>Net Investment Income</b>	<b>45,344,051</b>	<b>51,450,154</b>



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## NATIONAL INSURANCE CORPORATION

Consolidated Schedule of Benefits  
For the Year Ended June 30, 2005

	Short-term Benefits		Long-term Benefits		Total	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
Maternity	2,122,907	2,022,224	-	-	2,122,907	2,022,224
Sickness	2,013,959	1,841,370	-	-	2,013,959	1,841,370
Invalidity	-	-	2,320,116	2,091,082	2,320,116	2,091,082
Retirement	-	-	20,725,327	18,479,788	20,725,327	18,479,788
Survivorship	-	-	2,924,690	2,512,592	2,924,690	2,512,592
Funeral	306,170	342,200	-	-	306,170	342,200
Employment injury	84,145	69,251	-	-	84,145	69,251
Confinement fees and medical expense	39,064	8,071	-	-	39,064	8,071
Death Benefit	-	-	38,026	36,220	38,026	36,220
Disablement	-	-	54,144	22,547	54,144	22,547
	<b>4,566,245</b>	<b>4,283,116</b>	<b>26,062,303</b>	<b>23,142,229</b>	<b>30,628,548</b>	<b>27,425,345</b>



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**NATIONAL INSURANCE CORPORATION**  
**Consolidated Schedule of Administrative Expenses**  
**For the Year Ended June 30, 2005**

	2005 \$	2004 \$
Audit fees	65,380	63,790
Bad debts	5,479	148,858
Bank charges	18,387	18,913
Board expenses	70,737	91,553
Books and periodicals	8,260	11,383
Cleaning expenses	3,130	8,474
Depreciation		
- Building	15,840	15,840
- Leasehold improvements	24,140	24,140
- Motor vehicles	56,163	43,695
- Furniture and equipment	473,027	464,480
- Computer hardware	157,740	150,730
- Computer software	43,489	48,176
Donations	13,854	17,035
Electricity, water and sewage	283,413	338,017
Insurance	285,406	387,534
Legal and professional	179,274	41,057
Loan interest	52,050	49,947
Management fees	9,415	-
Medical board fees	600	4,300
Miscellaneous expense	1,034	-
Motor vehicle expenses	83,448	74,712
National Community Foundation	509,600	502,400
Office expenses	52,524	41,735
Overseas meetings and conferences	43,510	39,926
Postage and telephone	217,322	349,403
Printing and stationery	245,619	238,192
Property taxes	3,810	5,611
Public relations expense	371,313	1,055,171
Rent	810,290	761,583
Repairs and maintenance	373,241	225,379
Salaries and wages	4,918,922	4,259,364
Scholarships and quiz sponsorship	25,068	8,389
Security expenses	111,818	75,777
Staff training	66,279	105,416
Staff welfare	260,749	177,881
Subscriptions	80,366	62,270
Travel and subsistence	252,596	295,355
Uniforms	21,171	2,430
	<b>10,214,464</b>	<b>10,208,916</b>



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**NATIONAL INSURANCE CORPORATION**  
**Consolidated Schedule of Arrears by Nature of Business**  
**For the Year Ended June 30, 2005**

	2005 Contributions Receivable \$	2004 Contributions Receivable \$
Agriculture, hunting and forestry	1,497,264	2,821,925
Construction	4,674,205	4,193,663
Electricity, gas and water supply	2,519,311	2,289,299
Extra-territorial organization	30,860	26,946
Financial intermediation	1,239,373	1,154,964
Hotel and restaurant	4,284,474	3,142,098
Manufacturing	2,091,107	2,076,670
Mining and quarrying	144,461	150,162
Other community, social and personal service activities	3,411,932	3,349,336
Private households with employed persons	135,427	237,468
Public administration and defense, compulsory social security	5,994,201	5,469,851
Real estate, renting and business activities	2,416,711	2,417,822
Transport, storage and communications	2,289,587	1,917,267
Wholesale and retail trade	2,174,692	2,678,479
	<b>32,903,605</b>	<b>31,925,950</b>

Total surcharges outstanding as at June 30, 2005 amount to \$249,233,041 (2004 - \$248,062,742). The National Insurance Corporation Board of Directors has agreed to waive 90% of the surcharges outstanding as at September 30, 2000, should the arrears be settled immediately. From October 1, 2000, surcharge is being accrued at 1.25% per month under the new legislation compared to the previous charge of 10% per month. Any new surcharges accrued subsequent to September 30, 2000 will be enforced by the Corporation.

The above contributions are shown for information purposes only. These figures have not been audited.



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# NATIONAL INSURANCE CORPORATION

## Non-Consolidated Financial Statements

### For the Year Ended June 30, 2005



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**NATIONAL INSURANCE CORPORATION**  
**Non-Consolidated Balance Sheet**  
**As at June 30, 2005**

	Notes	2005 \$	2004 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	26,713,988	28,831,932
Accounts receivable	5	3,604,915	3,950,676
Prepayments	6	2,343,143	6,756
Due from subsidiary companies	7	105,844	53,546
Loans and advances	8	20,660,655	15,059,972
Investment securities			
- Held-to-maturity	9	252,084,241	268,963,394
-Available -for-sale	9	109,707,525	77,259,379
		<u>415,220,311</u>	<u>394,125,655</u>
<b>Long-term Assets</b>			
Loans and advances	8	122,920,229	141,201,162
Investment securities			
- Held-to-maturity	9	187,245,110	138,125,122
Investments in subsidiary companies	10	28,281,949	28,281,949
Investment properties	11	115,390,386	105,992,088
Property, plant and equipment	12	1,399,928	1,530,382
		<u>455,237,602</u>	<u>415,130,703</u>
<b>TOTAL ASSETS</b>		<b><u>870,457,913</u></b>	<b><u>809,256,358</u></b>
<b>LIABILITIES AND RESERVES</b>			
<b>Current Liabilities</b>			
Bank overdraft		401,644	1,811,750
Accounts payable and accrued liabilities		2,774,964	2,608,401
Due to subsidiary companies	13	32,219	19,287
		<u>3,208,827</u>	<u>4,439,438</u>
<b>Reserves</b>			
Short-term benefits		21,544,069	20,416,472
Long-term benefits		845,705,017	784,400,448
		<u>867,249,086</u>	<u>804,816,920</u>
<b>TOTAL LIABILITIES AND RESERVES</b>		<b><u>870,457,913</u></b>	<b><u>809,256,358</u></b>

The accompanying notes form an integral part of these financial statements. SIGNED ON BEHALF OF THE BOARD

Director



Director




**NATIONAL INSURANCE CORPORATION**  
**Non-Consolidated Statement of Changes in Reserves**  
**For the Year Ended June 30, 2005**

	Short-term Benefits \$	Long-term Benefits \$	Total \$
<b>Balance at June 30, 2003</b>	18,117,142	718,603,290	736,720,432
Excess of income over expenditure for the year	2,299,223	65,797,265	68,096,488
<b>Balance at June 30, 2004</b>	20,416,365	784,400,555	804,816,920
Excess of income over expenditure for the year	1,127,704	61,304,462	62,432,166
<b>Balance at June 30, 2005</b>	<b>21,544,069</b>	<b>845,705,017</b>	<b>867,249,086</b>

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



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**NATIONAL INSURANCE CORPORATION**  
**Non-Consolidated Statement of Income and Expenditure**  
**For the Year Ended June 30, 2005**

	Note	Short-term Benefits		Long-term Benefits		Total	
		2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
<b>INCOME</b>							
Contributions		10,676,423	9,542,827	52,126,066	46,591,450	62,802,489	56,134,277
Investments		1,042,916	1,181,449	40,069,035	46,861,301	41,111,951	48,042,750
Other		266,126	296,578	1,299,314	1,447,997	1,565,440	1,744,575
<b>TOTAL INCOME</b>		<b>11,985,465</b>	<b>11,020,854</b>	<b>93,494,415</b>	<b>94,900,748</b>	<b>105,479,880</b>	<b>105,921,602</b>
<b>EXPENDITURE</b>							
Short-term benefits		4,566,245	4,283,116	-	-	4,566,245	4,283,116
Long-term benefits		-	-	26,062,303	23,142,229	26,062,303	23,142,229
Medical Health Programme		3,000,000	3,000,000	-	-	3,000,000	3,000,000
Donation	17	1,861,832	-	-	-	1,861,832	-
Administrative expenses		1,429,684	1,438,515	6,127,650	5,961,254	7,557,334	7,399,769
<b>TOTAL EXPENDITURE</b>		<b>10,857,761</b>	<b>8,721,631</b>	<b>32,189,953</b>	<b>29,103,483</b>	<b>43,047,714</b>	<b>37,825,114</b>
<b>EXCESS OF INCOME OVER EXPENDITURE</b>		<b>1,127,704</b>	<b>2,299,223</b>	<b>61,304,462</b>	<b>65,797,265</b>	<b>62,432,166</b>	<b>68,096,488</b>

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



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**NATIONAL INSURANCE CORPORATION**  
**Non-Consolidated Statement of Cash Flows**  
**For the Year Ended June 30, 2005**

	2005 \$	2004 \$
<b>Cash Flows from Operating Activities</b>		
Excess of income over expenditure for the year	62,432,166	68,096,488
<b>Adjustments for:</b>		
Depreciation	494,730	470,566
Amortisation of deferred infrastructure costs	-	179,354
Interest income	(34,659,659)	(33,768,035)
Dividend income	(7,686,204)	(6,592,521)
Foreign exchange loss	346,635	301,383
Provision for accounts receivable impairment	-	1,233,746
Impairment loss recovered	(80,681)	-
Provision for loan impairment	7,748,840	363,618
Gain on disposal of property, plant and equipment	(20,452)	(8,500)
Gain on disposal of investment	-	(4,575,000)
Appreciation in value of equity instruments	(2,952,767)	-
<b>Operating income before working capital changes</b>	<b>25,622,608</b>	<b>25,701,099</b>
Increase in accounts receivable	(470,515)	(1,204,055)
(Increase)/decrease in prepayments	(2,336,387)	442,628
Decrease in loans and advances	6,282,322	16,418,694
Increase in investment securities	(61,224,238)	(71,375,121)
(Increase)/decrease in due from subsidiary companies	(52,298)	433,435
Increase in accounts payable and accrued liabilities	166,563	693,700
Decrease in due to subsidiary companies	12,933	(265,706)
<b>Net cash generated from operating activities</b>	<b>(31,999,012)</b>	<b>(29,155,326)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(364,276)	(241,225)
Proceeds on sale of property, plant and equipment	20,452	8,500
Improvements to investment properties	(9,398,298)	(15,637,557)
Interest received	35,063,514	38,459,903
Dividends received	5,969,782	3,136,064
Proceeds on disposal of investment	-	9,315,000
<b>Net cash used in investing activities</b>	<b>31,291,174</b>	<b>35,040,685</b>
<b>(Decrease)/Increase in Net Cash and Cash Equivalents</b>	<b>(707,838)</b>	<b>5,885,359</b>
<b>Net Cash and Cash Equivalents - Beginning of Year</b>	<b>27,020,182</b>	<b>21,134,823</b>
<b>Net Cash and Cash Equivalents - End of Year</b>	<b>26,312,344</b>	<b>27,020,182</b>



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