



NATIONAL INSURANCE CORPORATION | ANNUAL REPORT | 2003

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

Your Anchor Bolstering the Global Tide

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.



**NATIONAL
INSURANCE
CORPORATION**

For the benefit of us all!

Corporate Data

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Prime Minister's Report

The ever turbulent waves of change in the international world continue to pose challenges to small Island States like ours and inevitably for the institutions which drive our economies.

It has become imperative as we navigate through uncertain waters that we often pause to consult our crew, check our navigational instruments, assess the condition of our vessel and chart our course forward. I have observed that the National Insurance Corporation is no stranger to this *modus operandi*.

Our crew, the people of St. Lucia are experienced seafaring men, women and youth who have exemplified fortitude and stamina in times of adversity, as well as used their initiative and ingenuity to carve a decent standard of living for themselves both at home and abroad. Many have shown an intellectual capacity equal to the best anywhere in the world. However, some among us remain unmotivated and restless and this poses internal challenges which seem to rival those of the external elements. As Captain, one of my major objectives is to harness our human will and spirit in a manner that would enable us to chart our course as a united crew.

One of the navigational tools critical to keeping any vessel on course is the social framework established for the overall well being of the crew. For us the National Insurance Corporation was established specifically to address the social needs of the populace through the collection of contributions and payment of benefits, in particular old age pension.

When one considers the number of elderly

persons who still rely on the state or the church for some form of subsistence for their livelihood, it is indeed unfortunate that such a programme did not commence much earlier. My sincere hope is that as the institution matures we will see the end of this trend.

Today, however I am indeed happy to note that the National Insurance has remained sensitive and relevant to the needs of our citizens throughout its 24 years of existence and has effected change in tandem with global trends, supported by its culture of strategic thinking and planning. The Corporation has by so doing become a major player in the social, financial and economic development of our Country. I must express deep gratitude for its pivotal role in providing assistance in the areas of education, housing and health in particular.

Intrinsic in its commitment to continuously evaluate itself, set benchmarks against international standards, its willingness and ability to embrace change, its financial strength and the stability provided to our citizens, lies the true service of ***an Anchor Bolstering the Global Tide.***

Being at the helm of this institution by virtue of my designation as Minister with responsibility for Social Security, I am encouraged by the posture of the NIC as a proactive and goal-oriented institution. I salute members of the Board and Investment Committee, Management and Staff for their integrity, commitment, dedication, and resolve to stay on course. You have been entrusted with an awesome responsibility, of guarding the funds of contributors, ensuring the continued sustainability of the Corporation while at the same time playing a leading role in National Development. May the good Lord provide you with the wisdom and

guidance for this mammoth task and may you find your stewardship fruitful and rewarding.



Dr. the Hon. Kenny D. Anthony
Prime Minister and Minister
Responsible for National Insurance



Chairman's Statement

During the financial year 2002/03 the National Insurance Corporation (NIC) recorded various significant indicators of continuing improvement and progress while carrying out its specific mandate of collection of contributions and payment of benefits.

Social Security Institutions the world over are characterized by on going debate on reform strategies as they grapple with the increasing challenges of retaining the long-term viability and relevance of their institutions.

St Lucia is no exception to this as we too continue to maintain close tabs on contribution levels and its relationship with the benefits package. The two must be so structured that the system's longevity is assured for future generations.

The National Insurance Corporation by its very relevance to the local economy recognizes that its sustainability is of direct importance to our country's social fabric and economic development. While the NIC has the largest pool of savings in the economy this does not necessarily translate to continuing sustainability, if measures are not put in place to ensure this.

Therefore, the recessive economic situation that we continue to experience as a result of global trends, due in part to our own vulnerability to and dependency on external factors, have served to underscore the need to safeguard the interests of the most vulnerable in our society.

The decisions of the Board during the year under review enumerated in this report have been driven by those realities.

ADMINISTRATION

In our efforts to optimize efficiency and effectiveness in the pursuit of arrears of contributions, the Accounts Department was restructured to include the Collections Unit, which was previously part of the Compliance Department.

The Corporation continued utilization of the automatic garnishee process, which during the review period has begun to show some success as an effective tool for collecting contributions from delinquent employers.

Information and Community System:

The Entellus consulting firm conducted an audit of our

Computer and Information System. The Consultant's Report, presented to the Board in January 2003 concluded that the system was stable in its functionality, having been tailored specifically to meet the needs of the Organisation.

However recommendations were made for the addition of various improvements to the system. The improvements are directed towards making the system better for the end user and consequently for the improvement in the service to the contributors whom we serve.

The implementation of the recommendations and improvements are on going.

NATIONAL HEALTH INSURANCE, UNEMPLOYMENT INSURANCE AND FARMERS AND FISHERS PENSION

In March 2002 Government established a Task Force, chaired by the Director of the NIC to examine the feasibility of the introduction of National Health Insurance, a Pension Plan for Farmers and Fishermen and Unemployment Insurance.

This Task Force began its work during the previous review period but the efforts reached crescendo during this current period.

The Task Force conducted its activities under the auspices of the NIC, and consequently occupied many hours of Management's time.

Two Reports have now been presented to Government one on National Health Insurance and the other on Unemployment Insurance. Cabinet has addressed the Report on NHI or Universal Health Coverage (UHC) (the preferred nomenclature), while the Unemployment Report remains to be so addressed. In the ensuing months, these issues will be taken to the public for elucidation.

INVESTMENTS

The Board recognizes that due care and diligence must be exercised in placing investments in order to minimize risk, yet achieve an acceptable rate of return on those investments.

Investment Policy

During the period under review the Board adjusted its Investment Policy to reflect the dynamics of the economy and to ascertain that the policy is sufficiently flexible to

address changing needs. In particular, the Board noted that by virtue of the declining banana industry the economy was moving increasingly towards tourism as its main focus and consequently the policy was amended to pay some attention to investment in that area but with the distinct caution necessary to ensure adequate security of the investment.

Surplus Funds

Surplus funds continue to show healthy growth and were invested in the following areas: -

- \$1.895 Million in a Fixed Rate Bond with Citicorp Merchant Bank at 8.5% for 7 years, proceeds of which were used for development projects in Turks & Caicos Islands.
- US\$3 Million was invested in Fixed Rate Notes, at 10% arranged by the Republic Bank of Trinidad and Tobago to finance the purchase of a new generating plant for EGE Haina of the Dominican Republic.
- \$1 Million was invested through Bank of St Lucia Limited in a 7.5% Bond of the St Kitts/Nevis Government.
- \$5.4 million was deposited with Citicorp Bank for investment in 10 year Government of St Lucia Bonds at 7%.
- A Loan of \$2.6 million was approved for the St Lucia National Trust to assist with the acquisition of a suitable building to carry on their activities. \$100,000 was disbursed thereon.
- NIC acquired 150,000 Ordinary shares from a conversion of Preferred shares in Bank of St Lucia. The effect of this was that the NIC now owned over 1,000,000 shares in this bank. This entitled the NIC to hold a seat as a Director on the Bank's Board.

Cul-de-Sac Industrial Zone Ltd

The National Insurance Board accepted Government's proposal of the transfer of all the land belonging to Cul-de-Sac Industrial Zone Ltd (196 acres) to NIC, in consideration of



Chairman's Statement continued

the debt of \$19,599,286 owed to NIC by the Company and guaranteed by Government, with no liability on the part of NIC following dissolution of the Company.

At the time of writing the legal transactions are in process for transfer of ownership of the said lands, for the dissolution of the Cul-de-Sac Company and for the closure of the Garbage dump on the said lands.

The NIC now faces the challenge of developing this site and awaits a feasibility study on the best possible means of developing this environmentally sensitive site.

LAND AND BUILDINGS

NDC Land in Exchange for Debt

The completion of "the land for debt" transaction has taken years to be resolved but has resulted in the NIC owning an additional 55.37 acres of land in Vieux Fort. Coupled with this was a Land purchase of 16.19 acres at Bonne Terre. This brings the NIC land bank to 365.46 acres. The other areas acquired previously are 29.42 acres in Grande Riviere, 58.07 acres in Massacre together with 196 acres in Cul De Sac.

The Corporation's total landholdings qualifies it as a significant landowner. The Board is now poised to make an impact on the provision of housing to the market. While no definite plans have been confirmed the Corporation has always intended that housing projects will cater for various economic levels. It is anticipated that the Board will finalise a programme for development of its landholdings in the ensuing year. The Board intends to synergize this development with the St. Lucia Mortgage Finance Company (SMFC) and The National Insurance Property Development & Management Company (NIPRO), two subsidiaries, in its future housing initiatives.

National Housing Corporation

This investment is a considerable bane to the NIC as it has for years grappled with finding a solution to this non-performing debt. A Committee appointed by the Prime Minister has examined the situation and made proposals to Government for liquidating the debt. The NIC now awaits the decision of the Cabinet of Ministers to bring this outstanding issue to closure.

SUBSIDIARIES

Castries Car Park Facility Ltd

The Car Park Company has continued with rental of parking spaces and while it is not fully utilized we note a small but discernable increasing trend and are encouraged that when the public becomes truly attuned to the advantages of parking in a secure sheltered environment the demand for space will exceed supply.

In the meantime the rental of 100% of office and commercial space compensates for the financial returns from car parking space not being fully realized.

NATIONAL INSURANCE PROPERTY DEVELOPMENT & MANAGEMENT COMPANY (NIPRO)

During the period under review NIPRO has continued with management of the construction and refurbishment of one fire and four police stations under Build-Own-Lease-Transfer (BOLT) Agreements.

The structure of NIPRO has also been strengthened by

BOARD OF DIRECTORS

John C Joseph
Chairman, Representing Government

Emma Hippolyte
Director

appointment of eight technical persons to provide high level technical services required by an institution of its nature. This Year saw improvement in the performance of NIPRO, a trend that is expected to continue.

ST LUCIA MORTGAGE FINANCE CO. LTD. (SMFC)

SMFC continued its focus of reviewing its products and repositioning itself in the Mortgage Market. To this end it engaged professional services to review its operations. The result is greater emphasis on marketing its products and refurbishment of its premises.

BLUE CORAL LIMITED

In April 2003 the Corporation purchased the J Q Charles Building at No 8 Bridge Street jointly with Bank of St Lucia in a two-thirds; one-third shareholding.

A six-member Board of Directors was appointed to handle the affairs of this Special Purpose Company comprising: -

- | | |
|------------------------|----------------------------|
| • Mr John C Joseph | Chairman Representing NIC |
| • Mr Paul Hippolyte | Director “ |
| • Ms Shanta King | Director “ |
| • Mrs Lorraine Sidonie | Director “ |
| • Mr Thaddeus Antoine | Director Representing BOSL |
| • Ms Esther Browne | Director “ |

This Investment quite apart from the fact that it is expected to realize a good level of returns over time was also driven by the desire of the two institutions to retain the JQ Building in St Lucian ownership, as it is representative of the history

of the City of Castries and holds a prominent location of significant size in the city. It is intended that the building will be refurbished to become a major landmark in the heart of the City.

REGIONAL COOPERATION

- The Corporation agreed to support the CARICOM Proposal to develop a Chair in Social Security Economics (Teaching and Research) at the University of the West Indies (UWI) Cave Hill Campus. Such a desk in Research and Training would serve to inform certain decisions in Social Security Organizations, Government and Labour organizations in the Caribbean.
- Also at the CARICOM level the issue of Awareness Building, Occupational Health and Safety in the Workplace and Improved Competence in Diagnosis of Occupational Diseases by Medical Practitioners is being addressed as a collaborative effort between the Social Security organizations. This initiative is supported by NIC.

ILO – ACTUARIAL PROJECT

- The Corporation, together with the five other countries of the OECS have entered into bilateral agreements with the International Labour Organization (ILO) for training in actuarial systems and procedures, which would enable those institutions to prepare a significant part of the actuarial reviews before engaging the services of a professional actuary.
- Five training sessions have thus far been undertaken by

BOARD OF DIRECTORS

Lawrence Poyotte
Representing Employees

Jean-Francois Sonson
Representing Government

Andrea St Rose
Representing Employees

Chairman's Statement continued

three officers of the NIC in capacity building which has resulted in significant improvement in the preparation, collation and analysis of data required for management and decision making as well as for the preparation of actuarial reviews.

The six (6) Social Security institutions are currently considering the formation of a Company that would serve the six territories.

CONCLUSION

This Financial Year closed with a sense of achievement and pride. The economic challenges have been handled effectively. Concerted efforts were made to scrutinize carefully all investments made during the period thus ensuring that the level of risk was minimized. While this is so the NIC has continued to play its supporting role in the social fabric of our nation.

The foregoing could not be achieved without the participation of all segments of the Institution.

I wish here to place on record yet again my appreciation to the Government and the Prime Minister as Minister responsible for Social Security for his responsible handling of issues relating to the National Insurance Corporation. Our mandate, and the legislation that guides it have always been handled responsibly and for this we are grateful.

To the Board I say thank you for your inputs and for the spirit of collaboration that facilitates the process of decision-making. I appreciate also your unstinting dedication to duty as demonstrated by the willingness to take on all challenges that had to be tackled exercising diplomacy when required but always guided by the overriding responsibility placed in our hands of safeguarding the pensions of St Lucians for the

future.

To the Management I thank you for communicating the Board's decisions clearly and for carrying out these decisions with efficiency and effectiveness. I thank the Staff of the Cooperation for ensuring that the day-to-day operations are handled correctly and are concordant with the intent of the policies of the Board.

I wish to take this opportunity to express my sincere thanks to Mrs Trim, our Corporate Secretary for her years of dedication and superior service to the Corporation. I further wish to congratulate her on her retirement and wish her good health, prosperity and God's richest blessings throughout her retirement years and that she retain fond memories of her many years with the Organization.



John C Joseph
Chairman
National Insurance Board

BOARD OF DIRECTORS

Verne Gill
Representing Employers

Roderick Clarke
Representing Employers

Director's Report

The year under review saw the Institution operating with increase vigour and energy in achieving its mission and vision.

The following highlights the consolidated financial performance of the national Insurance for the period under review:

Total assets grew by 9% from \$690.9 million to \$754.5 million, an increase of \$63.6 million. Contribution income increased by 2.0 % from \$50.4 million to \$51.6 million, an increase of \$1.2 million.

Net investment income increased by \$11.2 million or 35% from \$32.3 million to \$43.4 million.

Administrative expenditure grew by \$628,812 or 7% from \$8.9 million to \$9.6 million. The main items contributing to the increase were:

	2002	2003		
(a) National Community Foundation(NCF)*	- 0-	500,000	-	500,000
(b) Scholarship & Quiz Sponsorship*	222,884	30,049	-	(192,135)
(c) Advertising & Notices	124,732	227,592	-	102,860

In measuring our performance and efficiency we have removed the \$500,000 contribution to the NCF from administrative expenses resulting in an efficiency measure of Administrative Expenses to contribution income of 17% and an efficiency ratio of 9% (Administrative expenses to TOTAL income)

Benefit expenditure grew by 7% from \$26.6 million to \$28.5 million, an increase of \$1.9 million.

Pension Expenditure grew by \$2.0 million from \$19.0 million to \$21.1 million, an increase of 10% compared to an increase of 12% in the previous year.

Of the \$51.6 million of contribution income, \$6.4 million or 13% was spent on administration, \$28.5 million or 55% represented benefit expenditure and \$17.4 million or 34% was available for investment.

Total income increased from \$85.8 million to \$97.3 million an increase of \$11.5 million or 13%.

Of the total income of \$97.3 million, 9% was spent on administration, 62% or \$59.1 million was available for investment while \$28.5 or 29% represented benefit expenditure.

Director's Report continued

The three companies included in the consolidation are The National Insurance Property Development and Management Company, 100% ownership; The Castries Car Park Facilities Ltd, 85% ownership and The St. Lucia Mortgage Finance company Ltd, 75% ownership.

CARIBBEAN LABOUR MARKET INFORMATION SYSTEM (CLMIS) PROJECT

On 23rd January 2003 the National Insurance signed a bi-lateral agreement with the ILO to provide technical support under the Caribbean Labour Market Information System (CLMIS) Project.

The Government of St. Lucia appointed the NIC as "Lead Agency" for the project. The background to and justification for the project as well as objectives of the project follow:

The Caribbean Labour Market Information System (CLMIS) project is part of an umbrella programme of the International Labour Organisation (ILO) that will provide technical assistance and initial funding for building and enhancing the capacity for the production and use of labour market information in 13 countries of the English speaking Caribbean and Suriname. The project is funded by the United States Department of Labour (USDOL), as a means of building on increased human capacity and inter-agency cooperation.

Through this project, the participating countries will be in a position to generate more reliable, timely and internationally comparable labour market information (LMI), for use at the national, regional and international levels. This will draw employers, trade unions, education and training institutions, and policy makers more closely into the production; use and dissemination of labour market information, which is

expected to contribute to more effective labour, employment and labour market policies in the Caribbean that are responsive to the new challenges of regional and hemispheric integration and globalisation.

The objectives of the project include:

- Adoption of regional LMI standards particularly those relating to conceptual and methodological issues. This includes the use of standard classifications.
- Decision harmonization of core set of labour market indicators for the region, aiming at regional and international comparability, promote their production and create a dissemination facility to make these indicators available on a timely basis.
- Drawing employers, trade unions, education and training institutions and policy makers more closely into the production, use and dissemination of these indicators by presenting labour market analysis in areas that have direct and practical bearing on their actions, including the following indicators:
 - Productivity in key areas such as manufacturing and tourism;
 - Occupational wages;
 - Human Resource Development/Technical Vocational Educational and Training outcomes
 - Employment
 - The informal sector; and
 - Unemployment and underemployment.
- Making labour market information more current and useable by producing and publishing relevant analysis of recent labour market trends to promote the use of LMI for macro-economic policy development and strategic planning

GENERAL OFFICE



continued Director's Report

The initial assignment was a systematic evaluation of the NIC information and database system and provision of recommendations on their potential to generate statistics on formal sector employment. The recommendations included technical, organizational and cost aspects concerning:

- (i) The existing coverage of the NIC and how to improve it;
- (ii) The current administrative process (including coding) and ways to improve these from a LMI point of view;
- (iii) The current use of concepts, definitions and classifications systems, how they relate to international standards and how they can be improved; and
- (v) The current structure of the databases and changes necessary to improve these to facilitate their use to generate labour statistics.

The project is scheduled to end in September 2004 but to date has achieved the following:

- (i) It has created an overall awareness in the minds of users and producers of data, of the distinction between data generated in the general sense and data used for labour market purposes.
- (ii) The project has clearly highlighted some of the shortcomings of the data produced by the National Insurance Corporation where emphasis was placed on administrative data and not on the standardization and codification of employer and employee activities.
- (iii) The acceleration of the classification and codification of employee occupations, which is in progress as this report is released.
- (iv) The Labour Market Project has fostered closer collaboration, at the institutional level, between the National Insurance Corporation and other Ministries like Labour,

Planning and Economic Affairs and the Government Statistics Department. Efforts will be made to formalize these relationships.

- (v) The request of gross wages of all employees which will result in more accurate statistics on average monthly/ yearly earning. Such statistics have serious national importance since the National Insurance Corporation covers about sixty-seven percent of the employed population.

We thank sincerely our collaborators, employers and the ILO for their assistance and cooperation in making this crucial project a reality.

CHANGING THE FACE OF THE WATERFRONT

This year the NIC continued its task of enhancing the aesthetics of the Waterfront with the cladding of the two buildings previously called Blocks A and B, now the Sir Stanislaus James Building and the Heraldine Rock Building respectively.

The main objectives of this project were to correct water seepage into the buildings caused by poor workmanship and to contain maintenance expenditure on the envelope of the Buildings and to replace aged air condition units.

Significant expenses were incurred in replacing the window condition units in the Sir Stanislaus James Building to a central air condition unit while the old window units in the Heraldine Rock Building were replaced with new units.

Work continues on landscaping the entire Waterfront with improvement to the pavements and walkways. On completion, the buildings would be modernized and our Tenants would have a more comfortable work environment.

We are mindful of the discomfort to our tenants and

GENERAL OFFICE

Director's Report continued

patrons during the major works and thank them for their patience and cooperation.

HUMAN RESOURCE

There were several significant events affecting the Human Resources of the National Insurance in the period under review.

In July, two Officers who had been assigned to the Vieux-Fort Office were transferred back to the Castries Office. These Officers had been assigned there to boost the operations of the Sub Office as well as providing an opportunity for them to sharpen their skills. This intervention proved successful.

The Officer-in-Charge of the Soufriere Sub Office returned to his substantive post after a period of exposure at the Castries office while the former Public Relations Officer has assumed duties as supervisor of the Vieux-Fort office.

In the year under review, we also saw a veteran Social Security Officer Mrs Relle Hippolyte, assumed the position of Public Relations Officer. She was previously Supervisor of the Compliance Department, and a former Supervisor of the Vieux Fort Sub-office. She brings new insights from her years of experience, to her new position.

There was one retirement during the period – Mr Kenelm Felix, who worked with the organisation for the past twenty-four years, retired due to health reasons while we said goodbye to: Ms Eva Smith, Mr Andrew Robertson, Ms Shekera Flavien, who all left to travel overseas in search of greener pastures and better opportunities.

We also welcomed three Permanent staff to the Organisation:
Ms Minerva Charles – Vieux-Fort Office, Ms Juanita Jn

Baptise and Mr Methodius Plante – Castries office.

For the year under review, the Corporation maintained its staff complement with no changes. Temporary staff were employed to handle special projects and to assist with unusual work pressures.

Staff Welfare

The Organization in an effort to enhance the health and well being of the staff procured the services of the Hypertension and Diabetic Association to carry out several test free of charge for the staff of the organisation. The results were alarming to some persons and quite revealing to others. These tests required that some persons either sought counseling, medical attention or contemplate a change of lifestyle. The Organization will make these tests available to staff periodically.

One of the areas of concern for the staff over the years was the coverage and benefit provided under the last group medical insurance and to address this problem, a new provider was sourced through a broker and coverage is now being provided by a different company.

Computerization Of Human Resource Data

The HR Department has embarked on its most ambitious project to date; the computerization of the HR function of the Organization.

The software has been purchased and installed and most of the data has been entered; when the system is fully operational it will produce data on all the usual personnel matters as well as producing a leave schedule, record of absenteeism and lateness, and skills available at the institution.

GENERAL OFFICE

continued Director's Report

Training

Like the previous year, the Organization continues to place emphasis on training for officers at all levels. The training was both local and overseas and took the form of formal classroom training as well as attendances at conferences and workshops.

Our experience has shown that there is much to learn and share from participation of conferences and workshops that are related to our core business and we embrace the opportunities when presented. This has enabled the NIC to keep abreast with current issues on its core business of social security.

The Board has adopted a training policy that has facilitated one officer studying for her Masters Degree in Human Resource Management while another completed the Diploma in Social Security administered by the University of the West Indies.

Training with Assistance of the World Bank

During the period 9 – 13 June 2003 Senior Managers and other Officers engaged in Key positions of the Computer/Information Systems Department and the Statistics Department received training in PROST Software facilitated by World Bank. This programme will be useful in projecting and forecasting of pensions in the future.

The Organization is grateful to the World Bank for providing the software and training free of charge and for its support in this venture.

Summer Job Programme

The summer job placement programme continued in the year under review with the engagement of twelve students from the Sir Arthur Lewis Community College and University graduates of varying disciplines. We facilitated a work-study programme for students of the Leon Hess Secondary School in October 2002. This programme has been rewarding and enriching to the students and staff of the organization.

Meetings And Conferences

Officers of the Corporation participated at the following:

ISSA Conference on the ISSA Initiative titled "Strengthening the Security in Social Security" which was held in Vancouver, Canada from 10th to 12th September 2002.

ECCB 7th Annual Development Conference in St Kitts from 21st to 22nd November 2002;

PriceWaterhouseCoopers' Eastern Caribbean Directors' Forum on Corporate Governance on 22nd November 2002;

ISSA Seminar on Financial and Actuarial Bases on Pension Schemes in Santiago, Chile from 21st to 22nd November 2002;

Seminar on Social Security Strategies to Fight Poverty in Mexico, hosted by Central Institute for Studies in Social Security (CIESS) from 26th to 29th November 2002;

Caribbean Labour Market Information Systems – Seminar to Finalise national reports for the Evaluation of NIS Schemes from 9th to 10th December 2002;

2nd Meeting of the Regional Coordinating Committee on Retirement Planning at Bay Gardens St Lucia from 17th to 18th December 2002;

CAOSA (To be expanded) 9th Meeting of American Commission and Administrative Systems of the Interamerican Social Security Conference (CISS) in Miami, Florida from March 4th to 6th 2003;

Panel Discussion on "Securing a Future for the Self Employed" which formed part of the 25th Anniversary Celebrations of St Kitts " during March 2003;

14th Meeting of CARICOM Heads of Security Schemes in the English Speaking Caribbean which was held from April 2nd to 3rd.

Half-Yearly Meeting of Social Security Schemes, Development Banks and Accountants General which was held in St Kitts from 29th to 30th April 2003;

May 20th to 31st an Investment Symposium and Panel Discussion in Antigua hosted by Antigua Barbuda Social Security and Merrill Lynch Pierce, Fenner & Smith.



Director's Report continued

Meeting on Pension Reform in Barbados and hosted by Caribbean Development Bank and International Development Bank from 4th to 6th June 2003.

PUBLIC RELATIONS

Public Relations for the year concentrated to a large extent on educating the public on the change in the retirement age for the receipt of a National Insurance Pension. Despite the advance notice given for the impending change in the age, the organisation spent considerable resources meeting with the media, interest groups, employers and groups of employees explaining the rationale and effect of this change.

Despite the extensive work done, we are not able to say conclusively that there has been universal acceptance of the need for the change, but we can say with much more confidence that there is an understanding of the reasons for the change.

Regional Public Education Programme

The Organization hosted a Regional Public Education Program workshop on Retirement Planning at the Bay Gardens, December 17 – 18th, 2002. It was attended by representatives of all the OECS countries and a representative of the ECCB under whose auspices the programme falls. Presentations were made by professor Frank Allegne, of the U.W.I. Barbados and Dr Valda Henry, of WHITCO in Dominica.

There were several issues discussed at the workshop among them were:-

The extent of Social Security coverage in the labour force
The adequacy of Social Security benefit programs
How Social Security benefits are determined
Are the benefits intergenerationally fair?
The role of reciprocal agreement between Caricom Countries

The subject of Retirement Planning will remain high on the agenda of the organisation as well as the other Social Security Schemes in the years ahead. It is a very important issue that has not received the attention which it merits.

PARTICIPATION IN SOCIAL SECURITY EASTER GAMES

Our image received a major boost when our Sports Club participated in the annual Social Security games this year. The event was hosted by Social Security Board of Antigua and Barbuda and saw a record number of St. Lucians participating. The delegation included the Director and Human Resource/Public Relations Manager, who also participated in the activities.

We won the championship due to some remarkable performances from our athletes. Next year we will be hosting the games and we are determined to maintain the high standards established.

ANANSI CHALLENGE

The Anansi's Challenge was again sponsored in a great part by the National Insurance this year. The prizes which we donated comprised computers, books, medals, among others. This project continues to be supported since we believe that it is very important for the school community in particular and the nation as a whole. The NIC is working with the Producer, Helen Television Service (HTS) to improve the level of exposure which the National Insurance receives for its substantial outlay in sponsorship of the programme.

ACKNOWLEDGEMENT

As we end another successful year of operations we acknowledge the continued commitment of the Board and Committee Members, Management and staff and thank them for their sterling efforts and support.

We thank our various subsidiaries and members of civil society for their collaboration and cooperation. With God's help I am confident that we will achieve our ultimate goal of Social Inclusion and Social Justice for the benefit of us all!



Emma Hippolyte
DIRECTOR





Investment Committee

Principal Officers

Supervisors

Investment Committee

Emma Hippolyte
Director

T. Brathwaite



John Louis

L. Poyotte

C. Mitchell



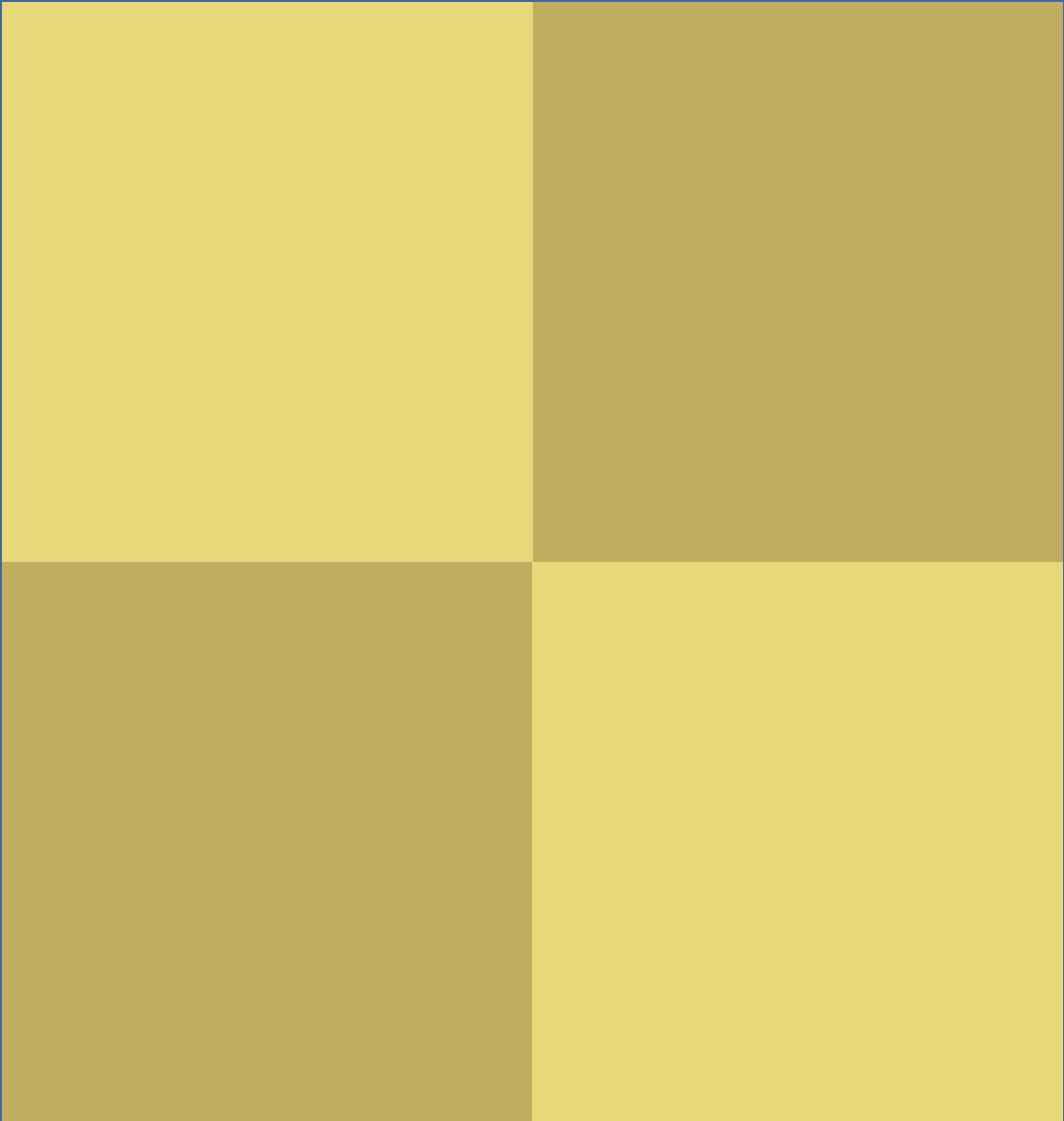
Principal Officers

Callixta Branford
Internal Auditor

Emma Hippolyte
Director

Paula Bleasdille
Accountant

Albert Cenac
Statistics/Training Manager



Yolande Trim
Board Secretary

Cadie St Rose-Bruney
Legal Counsel

Augustine Louis
Human Resource/Public Relations
Manager

Desmond Dujon-Henry
Systems Manager

Matthew Lincoln Mathurin
Deputy Director/Financial Controller/Operations Manager



Supervisors

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Year In Pictures

NATIONAL INSURANCE CORPORATION | ANNUAL REPORT | 2003

Year in Pictures





Statistical Review 2003

Statistical Review

EXPLANATORY NOTES AND SYMBOLS

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



continued

Statistical Review

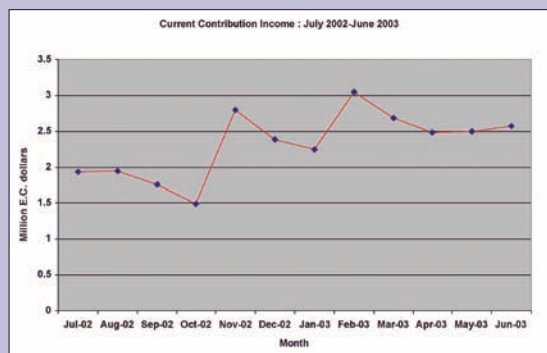
1.0 NIC CONTRIBUTION INCOME

The financing of the National Insurance Corporation has always been 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, there was no review of the ceiling upon which contributions were based thus the ceiling was kept at \$5000.00 per month.

Notwithstanding a 0.82% drop in the number of active insured, contribution income during the financial year ended June 2003 rose by 2.77 percentage points to \$51.96M; current contributions accounted for 54% or \$27.84M and past-due contributions (arrear) accounted for 46% or \$24.12M. The above increase in contribution income was the results of sustained improvements in the collection of current contributions from both the private and public sector.

During the fiscal period, July 2002-June 2003, current contribution income rose by 9.31%. Between July-October 2002, average monthly current contributions collected fell sharply from \$2.11M in the previous financial year to \$1.78M. However, early detection of such weak performance followed by intense monitoring of active employers reversed this situation dramatically. In fact, from November 2002 to June 2003 inclusive, on average current contribution income on a monthly basis had risen by 45.51% to an all time high of \$2.59M.

Figure: 1



During any period, a positive performance in current contribution income would simultaneously influence a reduction in the build-up of arrears. Analysis of past-due contribution income

on the basis of institutional sector indicated that the arrears balance for the private sector increased by \$4.68M to \$38.02M at the end of June 2003. On the other hand, whilst the arrears balance for the government sector declined by \$1.58M to 11.53M at the end of June 2003. This contraction was due to adjustments made by the Internal Audit Department of the NIC following a review of government arrears status. Although the value of past-due contributions continue to grow, the rate of growth has fallen significantly from 17.47% in June 2000 to 6.70% at the end of June 2003. Collectively, total arrears balance stood at \$49.55M.

An examination of contribution income on the basis of industry showed an overall improvement over the previous fiscal year. Although the active insured population contracted by 0.82%, moderate growths in contributions collected were recorded in all major sectors of the economy. As indicated earlier in this review, the increase in contribution income was directly related to the following:

1. Increase in insurable earnings of active insured;
2. Increase in contribution density;
3. Improvement in the collection of both current and past-due contributions.

After recording declines in the previous year, contribution income from the wholesale/retail trade, restaurants/hotels and real-estate/renting/business services sectors rose by approximately 4.0%. Payment of significant sums of arrears from the utility sector resulted in a 22.45% rise in contributions from that sector.

The impact of increase in employment levels from the financial intermediary and community/social services sectors caused contributions from those sectors to increase by 6.0%. Contributions received from the construction and public administration sectors recorded a further decline of 3%.

2.0 INSURED POPULATION**2.1. New Registrants**

Following the usual surge in registrants during a general election, persons registered with the NIC during the financial year



Statistical Review

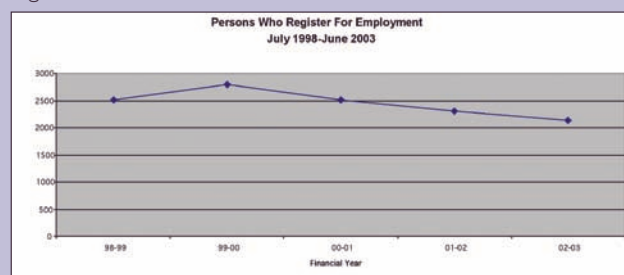
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in review dropped by 12.40% to 4138; 47% were males and 53% were females. The age distribution of new registrants was consistent with that of previous years with 86% between the ages of 16 and 29 years inclusive and the remaining 14% between age 30 and 59.

Examination of new registrants on the basis of nationality for the past decade showed on average 91% were St. Lucians, 2.50%- Guyanese and other non-nationals- 6.50%.

In the review period, persons who registered for the purpose of employment declined by 7.27% to 2,136 and also marked its third consecutive drop.

Figure 2



SOURCE: NIC STATISTICS DEPARTMENT

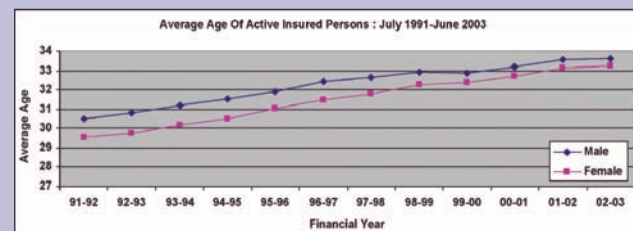
2.2 Active Insured Population

The active insured population comprised three basic groups, namely:

- Inactive insured from previous financial year;
- Active contributors from the previous financial year and
- New entrants (first-time contributors).

Total active contributors (active insured population) contracted further by 0.82% to 39,194 and recorded its third consecutive decline; males accounted for 49.10% or 19,245 and females accounted for 50.90% or 19,949. Inferences drawn from the examination of active contributors on the basis of gender indicated that, whilst both categories recorded declines, the intensity of contractions was relatively greater for females.

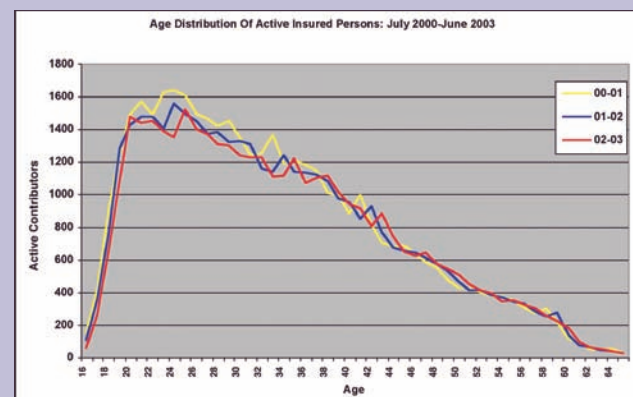
Figure: 3



Analysis of active insured persons on the basis of age for the periods July 1991-June 2003 revealed two distinct features:

- The average age of active contributors grew increasingly at an annual rate of approximately 1.0%;
- Contractions in the number of active insured during the last three fiscal years consisted of mainly male persons of ages 16 to 30 years.

Figure: 4



In the review period, employment distribution of active contributors by industry revealed moderate growths in some sectors whilst further declines were evident in most key sectors of the economy.

Although the intensity of contractions were less than that of the previous financial year, employment in the wholesale/retail and restaurants/hotels sectors decreased by 0.40% to 6,700 and 6,996, respectively.

The drops in the number of active contributors per industry are as follows: Construction-12.13%, electricity/gas/water and



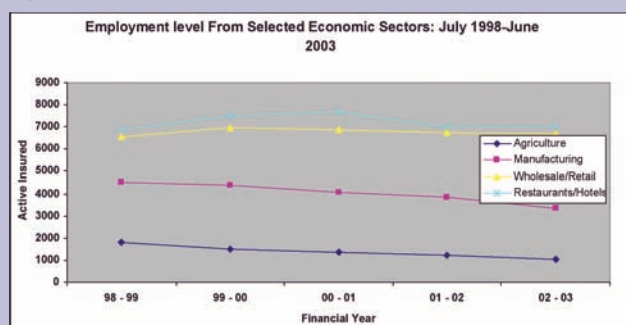
continued

Statistical Review

supply- 4.42%, mining/quarrying- 6.02% and public administration- 1.56%.

Employment in the agriculture sector continued its downward trend and recorded the lowest number of active contributors (1,046) in the last decade. When compared to the previous financial year, employment in that sector declined by 13.70%.

Figure: 5



Recent trends specific to the transport, storage/communication sector indicated a 2.89% increase over the previous financial year, with steady growth from the year 2000.

Following an 8.22% drop in 2001-2002, active contributors in the real estate /business services sector grew by 4.77%. This increase comprised exclusively males since the number of females in that industry contracted by 2.31%.

The financial intermediary sector recorded the highest employment growth of 13.11%, from 2,097 active insured in 2001-2002 to 2,372 in 2002-2003; males accounted for approximately 91% of new entrants.

3.0 EMPLOYERS' ACTIVITIES

As at 30th June 2003, the National Insurance Corporation recorded a cumulative total of 7,354 registered employers; 3,180 or 43% were active, 4,072 or 55%-closed and 102 or 2% were dormant. Of the above active employers, 2,565 (80.66%) paid contributions to the NIC in the review period totaling \$51.47M on behalf of approximately 39,145 employees.

When compared to the previous financial year, there was a net

increase of one employer to the active population, whilst 314 employers were recorded as closed during the year July 2002-June 2003, an increase of 8.36%.

A greater proportion of this number included employer that ceased operation in past years but had not informed the National Insurance Corporation.

At the end of June 2003, the number of employers who temporarily ceased operation grew by 15.91% to 102. Approximately 70% of those employers were from the following economic sectors:

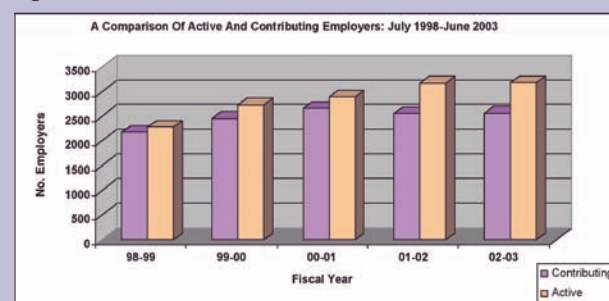
1. Construction-14 (13.73%)
2. Wholesale and retail-17 (16.67%)
3. Restaurants and Hotels-11 (10.78%)
4. Public Administration-11 (10.78%)
5. Social Services-18 (17.65%)

Following a 3.80% contraction in 2001-2002, the number of contributing employers grew marginally by 0.39%. Analysis of contributing employers on the basis of industry indicated that declines were recorded in all economic sectors except for the wholesale/retail trade and community/social services.

During the fiscal year in review, 325 employers registered with the NIC, an increase of 6.56%. Distribution of new employers by industry revealed the major contributory sectors as follows:

- a. Wholesale and Retail Trade- 18.15%
- b. Restaurants and Hotels- 9.85%
- c. Transport, Storage and Communications- 5.0%
- d. Real-estate/Business Services-6.46%
- e. Public Administration- 6.0% and
- f. Community and Social Services- 21.54%

Figure: 6



Statistical Review

continued

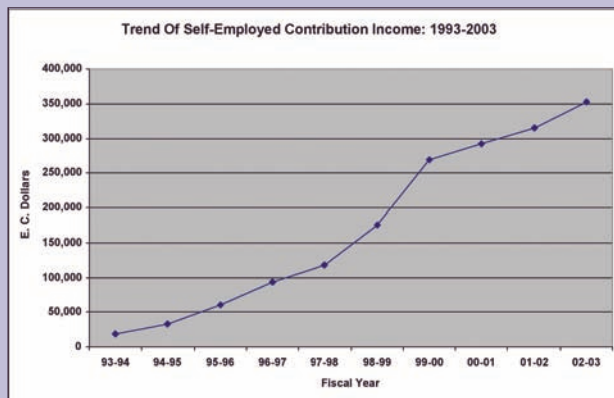
3.1 Self-Employed Persons

In the early 1990's National Insurance Corporation extended its coverage to include self-employed and voluntary contributors. Between 1992 and 1998, on average, the number of self-employed grew at an annual rate of 34%; thereafter, the rate of increase declined to about 12%.

During the last five years approximately 320 self-employed registered annually. At the end of June 2003, total registered self-employed was 2604; of this number, 1042 or 40% paid contributions totaled \$352,818 in the review period. The trend of contribution income from this group of contributors revealed an annual increase of 8.0%.

Figure: 7

3.2 Voluntary Contributors



Similar to self-employed, the number of voluntary contributors until 2002 increased rapidly at an average annual rate of approximately 40%. However, following the implementation of new legislation and regulations to administer this category of contributors, the above rate fell to 18% for the fiscal period ended June 2003.

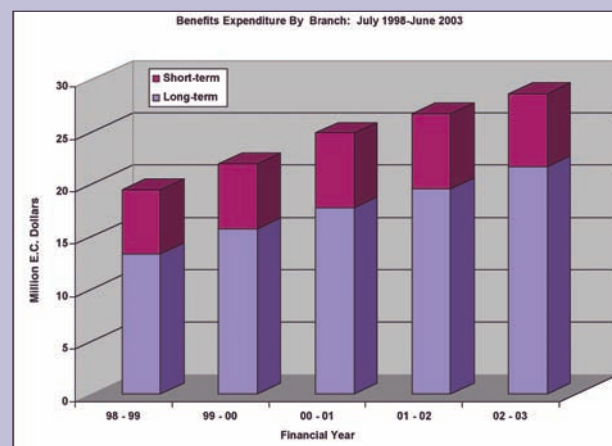
As at 30th June 2003, total voluntary contributors were 791; of this number, 326 or 41% paid contributions totaled \$92,188 in the review period.

4.0 BENEFIT EXPENDITURE

The benefits covered by the National Insurance Corporation are grouped into two main branches namely, short-term and long-term benefits.

During the fiscal year ended June 2003, 10,170 benefit claims were paid at a cost of \$28.61M. The number of claims paid declined by 2.50% whilst total benefits expenditure increased by a further 7.0% or \$1.91M.

Figure: 8



4.1 Short-term Benefits

This benefit branch includes sickness allowance, employment injury, maternity allowance, maternity grant, funeral grant and medical expenses.

In the review period, there were reductions in the number of claims paid from all short-term branches. Collectively, the corresponding effect was an 8.09% drop in total short-term claims paid (from 6,753 in 2001-2002 to 6223 in 2002-2003); total cost of short-term benefits also contracted by 2.53% to \$6.99M.

4.1.1 Employment Injury

Following a 9.85% decline in the previous financial year, employment injury claims paid reduced by 54.40% to a record



continued

Statistical Review

low of 86. Further analysis indicated that although the rate of claims per hundred active contributors was relatively consistent for ages 16-29 years, similar rate for ages 30-44 years fell by approximately 95%. Furthermore, employment contraction in the agriculture and manufacturing industries also contributed to the decline in the rate of employment injury claims paid. Average duration of employment injury claims dropped from 23.97 to 17.91 days.

Cost of employment injury claims declined by 27.73% to \$53,526.

4.1.2 Sickness Allowance

Notwithstanding a 9.63% and 10.48% growth in average cost and duration of allowances respectively, sickness benefit expenditure fell by less than half of a percentage point to \$1.51M.

This mild decline in expenditure was in part due to an overall contraction in active contributors which consisted of mainly males between the ages of 16 -30 years. The outcome was a 15% decline in male claimants between the ages of 16 -34 years.

4.1.3 Maternity Benefit

In general, the rate of maternity benefit (allowance/grant) is directly associated to local demographic factors such as, declining birth and fertility rates. These factors sufficiently explain the overall downward movement that characterised the past history of maternity benefit claims paid. The number of maternity benefits claims paid in the review period was no exception. Collectively, maternity claims paid fell by 1.18% to 1682. Consequently, the financial impact was a reduction in the cost of maternity claims by 8.12% to \$2.20M.

A total of 792 maternity allowances were paid at a cost of \$1.67M. The number of allowances grew marginally by 0.51% whilst the multiplier effect of a 2.53% drop in claimants' average insurable earnings had caused a 1.56% decrease in total cost. Average duration of maternity allowances also recorded a marginal rise of 0.48%.

4.1.4 Funeral Grant

During the financial year in review, 142 funeral grants were awarded at a cost of \$243,200. When compared to the previous year, number of grants awarded contracted by 12.35% and made up of mainly males. The cost of funeral grants decreased by 13.0%.

4.2 Long-term Benefits

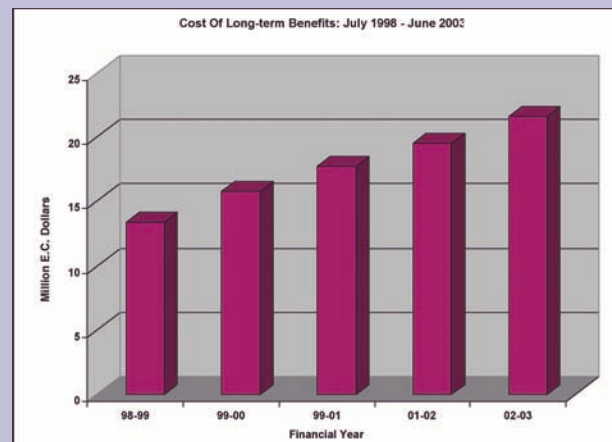
This branch of benefits includes retirement pension, survivors pension, invalidity pension, disablement pension, retirement grant, survivors grant, invalidity grant and disablement grant.

One of the most notable features of the NIC's benefit expenditure is the rapid expansion of long-term benefit branch both in terms of number and cost of pensions, specifically retirement. Accordingly, this has propelled continued revision of pensions' parameters with the objective of providing equitable benefits thereby significantly reducing cost and simultaneously enhances the long-term financial viability of the Fund.

During the financial year ended June 2003, long-term benefit claims rose by 7.78% to 3,947. The above increase were in part due to a 4% rise in grants awarded and 354 new pensions.

The result was, cost of long-term benefits grew by 10.83% to \$21.62M and accounted for 75.50% of total benefits expenditure.

Figure: 9



Statistical Review

continued

4.3 Pensions

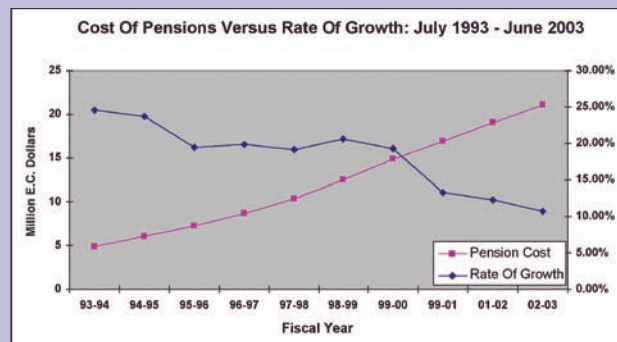
In general, the long-term cost of pensions (distinctively retirement) is a major concern to all Pay-As-You-Go (defined benefits) social security schemes. In relation to the National Insurance Corporation, overall improvement in health services, increase in life expectancy, increase in average insured earnings of new pensioners, growth in average duration of insured's career and a relatively generous pension, has collectively contributed to the steady increase in pensions' expenditure.

In the review period, 3,648 pensions (reirement-2,589, invalidity-290, survivors-765 and disablement-4) were paid at a cost of \$21.13M (retirements-\$16.93M, invalidity-\$2.01M, survivors-\$2.17M and disablement-\$0.02M). The number of pensions paid rose by 8.06% whilst total expenditure increased by 11.24%.

Inference drawn from the analysis of cost of pensions for the past ten years indicated that although cost of pension grew rapidly, significant declines in the rate of growth during the last three years were clearly visible. Between 1993 and 1999 inclusive, cost of pensions expanded at an average annual rate of 20%. On the other hand, from 2000 to 2003, uniform comparison revealed an 8% reduction in average annual growth rate. This performance was in part the impact of the following factors:

1. Increase in the number of years required for a pension from 120 months, now 144 months.
2. Increase in retirement age from 60 to 61 years in 2003 and
3. Weighting of insured earnings above \$3,000.00 per month.

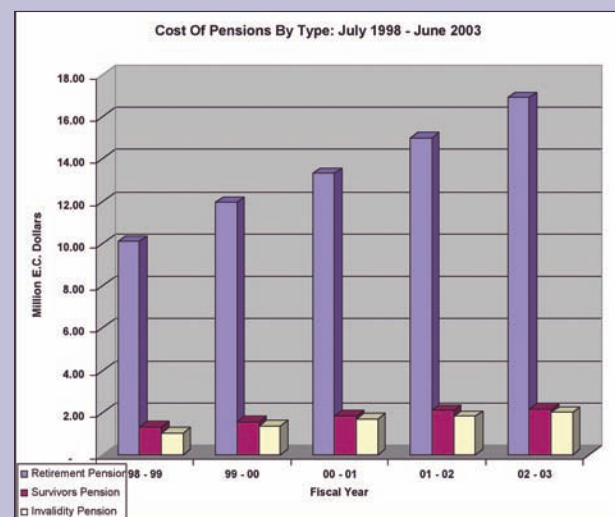
Figure: 10



Together, 354 pensions were awarded during the period under review at an annual cost of \$2.57M. Of this amount, retirement pensions accounted for approximately 76.0%. During the fiscal periods July 1998 to June 2003, average pensions awarded have been relatively consistent at 356 with insignificant levels of variations.

As at 30th June 2003, pensions in-payment rose by 8.51% to 3,549; retirement accounted for 71.60% or 2541, Invalidity-7.88% or 280, survivors- 20.40% or 724 and disablement-0.11% or 4. Active pensions at the end of the review period are likely to cost approximately \$22.08M per annum.

Figure: 11



4.4 Long-term Grants

In the review period, 299 long-term benefit grants were paid at a cost of \$0.49M. The number of grants awarded increased by 4.55% whilst a mild decline in average cost of grants resulted in a corresponding 4.0% contraction in cost.



continued

Statistical Review

TABLE: 1 NATIONAL INSURANCE CONTRIBUTION INCOME (July, 1998 - June, 2003)

Financial Year	Contribution Income(\$ million E.C)					
	Current \$	%	Past - Due \$	%	Total	%
1998 - 1999	13.41	29.71	31.73	70.29	45.14	100.00
1999 - 2000	20.72	43.00	27.47	57.00	48.19	100.00
2000 - 2001	23.51	45.62	28.03	54.38	51.54	100.00
2001 - 2002	25.47	50.38	25.09	49.62	50.56	100.00
2002 - 2003	27.84	53.58	24.12	46.42	51.96	100.00

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

TABLE: 2 CONTRIBUTION INCOME BY ECONOMIC SECTOR (July, 1998 - June, 2003)

Economic Sector	Financial Year					
		02-03	01-02	00-01	99-00	98-99
Agriculture, Hunting, Forestry and Fishing	\$	983,207	924,505	1,126,721	1,523,893	1,294,544
Mining and Quarrying	\$	126,972	113,946	101,346	129,434	122,891
Manufacturing	\$	3,673,109	3,723,001	3,769,917	3,831,764	4,021,337
Electricity, Gas and Water supply	\$	2,542,097	2,075,997	1,810,423	1,650,080	1,823,074
Construction	\$	1,917,071	1,966,922	2,030,326	3,645,561	2,101,417
Wholesale and Retail Trade	\$	7,500,882	7,163,232	7,258,628	7,211,249	6,629,222
Restaurants and Hotels	\$	11,063,479	10,608,647	12,061,960	9,444,719	8,566,617
Transport, Storage and Communication	\$	3,806,476	3,823,338	3,874,625	3,374,205	3,124,405
Financial Intermediations	\$	4,752,111	4,488,819	4,065,425	3,749,058	3,781,286
Real-estate/ Renting /Business Services	\$	4,191,537	4,022,392	4,142,866	3,709,908	3,393,898
Public Administration and Defence, Compulsory Social Security, Education, Health and Social Work	\$	7,330,720	7,614,044	7,751,182	6,801,379	7,849,684
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	\$	3,067,266	2,898,633	2,904,025	2,615,199	2,103,145
Activities not adequately defined	\$	1,006,568	1,132,145	638,270	507,085	331,672
Total	\$	51,961,494	50,555,622	51,535,714	48,193,534	45,143,192

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



Statistical Review

continued

TABLE: 3 ACTIVE INSURED POPULATION BY INDUSTRIAL CLASSIFICATION (July, 1998 - June, 2003)

Economic Sector	Financial Year				
	02-03	01-02	00-01	99-00	98-99
Agriculture, Hunting, Forestry and Fishing	1,046	1,212	1,372	1,486	1,791
Mining and Quarrying	78	83	102	90	60
Manufacturing	3,354	3,836	4,075	4,388	4,512
Electricity, Gas and Water supply	735	769	746	741	749
Construction	2,065	2,350	2,360	3,317	3,195
Wholesale and Retail Trade	6,699	6,724	6,853	6,949	6,542
Restaurants and Hotels	6,996	7,024	7,694	7,515	6,865
Transport, Storage and Communication	2,810	2,731	2,655	2,175	1,837
Financial Intermediations	2,372	2,097	1,977	1,972	1,975
Real-estate/ Renting /Business Services	2,855	2,725	2,969	3,068	2,606
Public Administration and Defence, Compulsory Social Security, Education, Health and Social Work	5,820	5,912	6,054	5,991	6,997
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2,603	2,488	2,585	2,440	2,167
Self-employed	901	899	835	782	569
Activities not adequately defined	860	667	420	251	159
Total	39,194	39,517	40,697	41,165	40,024

* Revised

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

TABLE: 4 NEW ENTRANTS BY AGE GROUP (July, 1998 - June, 2003)

Age group	Financial Year				
	02-03	01-02	00-01	99-00	98-99
16-19	2,858	3,212	3,168	3,062	2,920
20-24	533	709	695	827	767
25-29	165	188	193	194	176
30-34	117	128	148	156	154
35-39	104	139	110	163	124
40-44	103	103	72	76	74
45-49	62	58	59	55	64
50-54	57	61	51	67	52
55-59	56	52	51	53	70
60-64	42	42	20	40	44
GE 65	41	7	5	4	6
Unstated	23	51	42	43	43
Total	4,161	4,750	4,614	4,740	4,494

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



continued

Statistical Review

TABLE: 5 NEW ENTRANTS WHO REGISTERED FOR EMPLOYMENT (July, 1998 - June, 2003)

Age group	Financial Year				
	01-02	00-01	99-00	98-99	97-98
16-19	1,569	1,673	1,834	1,914	1,736
20-24	261	307	341	473	434
25-29	75	94	105	118	95
30-34	65	63	87	91	90
35-39	52	66	59	74	59
40-44	42	39	32	37	29
45-49	24	19	20	26	24
50-54	15	21	13	20	14
55-59	11	6	9	12	10
60-64	2	7	3	6	3
GE 65	4	1	-	-	-
Unstated	16	14	20	15	15
Total	2,136	2,310	2,523	2,786	2,509

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

TABLE: 6 REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION AND STATUS AS AT 30TH JUNE 2003

Economic Sector	Status			Total
	Active	Closed	Dormant	
Agriculture, Hunting, Forestry and Fishing	170	231	4	405
Mining and Quarrying	8	9	-	17
Manufacturing	237	310	6	553
Electricity, Gas and Water supply	16	14	1	31
Construction	120	411	14	545
Wholesale and Retail Trade	550	659	17	1,226
Restaurants and Hotels	310	399	11	720
Transport, Storage and Communication	149	113	6	268
Financial Intermediations	100	68	1	169
Real-Estates, Renting and Business Services	291	415	9	715
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	220	164	11	395
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	744	1,239	18	2,001
Activities not adequately defined	265	40	4	309
Total	3,180	4,072	102	7,354

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



Statistical Review

continued

TABLE: 7 ACTIVE EMPLOYERS BY INDUSTRIAL CLASSIFICATION (July, 1999 - June, 2003)

Economic Sector	June '03	June '02	June '01	June '00	June '99
Agriculture, Hunting, Forestry and Fishing	170	170	153	131	106
Mining and Quarrying	8	7	8	7	6
Manufacturing	237	243	230	239	192
Electricity, Gas and Water supply	16	15	15	18	14
Construction	120	146	135	165	132
Wholesale and Retail Trade	550	551	514	505	445
Restaurants and Hotels	310	312	279	291	226
Transport, Storage and Communication	149	150	140	128	102
Financial Intermediations	100	97	89	85	80
Real-estate/ Renting /Business Services	291	306	279	291	259
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	220	216	206	199	184
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	744	754	678	648	508
Activities not adequately defined	265	212	161	22	18
Total	3,180	3,179	2,887	2,729	2,272

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



continued

Statistical Review

TABLE: 8 CONTRIBUTING EMPLOYERS BY INDUSTRIAL CLASSIFICATION (July, 1998 - June, 2003)

Economic Sector	Financial Year				
	02-03	01-02	00-01	99-00	98-99
Agriculture, Hunting, Forestry and Fishing	126	130	147	122	97
Mining and Quarrying	5	6	7	8	5
Manufacturing	176	192	197	187	170
Electricity, Gas and Water supply	16	14	17	18	15
Construction	78	91	93	98	91
Wholesale and Retail Trade	457	432	475	452	431
Restaurants and Hotels	235	244	260	236	219
Transport, Storage and Communication	118	123	128	104	86
Financial Intermediations	93	96	95	90	89
Real-Estates, Renting and Business Services	236	237	253	242	234
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	208	206	212	188	175
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	649	639	653	622	536
Activities not adequately defined	168	145	119	91	20
Total	2,565	2,555	2,656	2,458	2,168

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



Statistical Review

continued

TABLE: 9 NEWLY REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION (July, 1998 - June, 2003)

Economic Sector	Financial Year				
	02-03	01-02	00-01	99-00	98-99
Agriculture, Hunting, Forestry and Fishing	8	16	39	27	14
Mining and Quarrying	0	0	2	1	1
Manufacturing	11	13	29	40	26
Electricity, Gas and Water supply	1	0	0	4	1
Construction	13	11	26	30	25
Wholesale and Retail Trade	59	39	67	60	56
Restaurants and Hotels	32	34	49	53	41
Transport, Storage and Communication	16	11	33	26	20
Financial Intermediations	9	8	8	5	5
Real-Estates, Renting and Business Services	21	28	28	26	18
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	18	11	23	17	16
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	70	81	110	137	107
Activities not adequately defined	67	53	69	6	13
Total	325	305	483	432	343

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



continued

Statistical Review

TABLE: 10 SHORT-TERM BENEFITS PAID BY TYPE (July, 1998 - June, 2003)

Short-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Employment Injury	120	173	132	119	86
Sickness Allowance	4,442	4,938	4,488	4,715	4,285
Maternity Allowance	757	955	909	788	792
Maternity Grant	878	1,050	1,059	914	890
Funeral Grant	121	143	150	162	142
Medical Expenses*	48	63	59	55	28
Total	6,366	7,322	6,797	6,753	6,223

*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

TABLE: 11 SHORT-TERM BENEFITS EXPENDITURE BY TYPE (July, 1998 - June, 2003)

Short-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Employment Injury	\$ 62,179	118,232	82,089	117,384	53,526
Sickness Allowance	\$ 1,172,702	1,464,661	1,428,144	1,516,990	1,511,380
Maternity Allowance	\$ 1,287,148	1,654,436	1,759,710	1,693,020	1,666,551
Maternity Grant	\$ 458,850	637,400	640,800	552,600	534,000
Funeral Grant	\$ 192,250	248,100	253,250	279,962	243,200
Medical Expenses*	\$ 3,007,159	3,007,121	3,007,159	3,013,443	3,023,921
Total	\$ 6,180,288	7,129,950	7,171,152	7,173,399	7,032,578

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

Source: Statistics, Training and Research Department



Statistical Review

continued

TABLE: 12 LONG-TERM BENEFITS PAID BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	1,852	2,084	2,252	2,388	2,589
Survivors Pension	518	568	636	727	765
Invalidity Pension	187	203	240	257	290
Disablement Pension	6	6	5	4	4
Retirement Grant	192	217	230	215	239
Survivors Grant	34	31	39	41	32
Invalidity Grant	28	34	26	26	26
Disablement Grant	6	2	4	4	2
Total	2,823	3,145	3,432	3,662	3,947

Source: Statistics, Training and Research Department

TABLE: 13 LONG-TERM BENEFITS EXPENDITURE BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	\$ 10,107,984	11,955,278	13,342,748	15,023,953	16,931,209
Survivors Pension	\$ 1,328,206	1,569,037	1,850,658	2,113,938	2,167,712
Invalidity Pension	\$ 1,051,229	1,380,837	1,703,433	1,832,939	2,007,196
Disablement Pension	\$ 19,512	21,598	25,060	22,547	22,547
Retirement Grant	\$ 523,055	526,657	571,833	346,996	359,598
Survivors Grant	\$ 104,900	102,514	103,863	70,794	78,914
Invalidity Grant	\$ 132,128	174,813	73,761	53,310	44,930
Disablement Grant	\$ 81,835	9,758	28,209	43,652	8,394
Total	\$ 13,348,849	15,740,492	17,699,565	19,508,129	21,620,500

Source: Statistics, Training and Research Department



continued

Statistical Review

TABLE: 14 PENSIONS IN-PAYMENT BY TYPE (July, 1999 - June, 2003)

Long-Term Benefits	Financial Year				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
Retirement Pension	1,818	2,033	2,141	2,330	2,541
Survivors Pension	495	526	610	691	724
Invalidity Pension	173	192	223	244	280
Disablement Pension	4	5	4	4	4
Total	2,490	2,756	2,978	3,269	3,549

TABLE: 15 MALE PENSIONS IN-PAYMENT BY TYPE (July, 1999 - June, 2003)

Long-Term Benefits	Financial Year				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
Retirement Pension	1,118	1,223	1,296	1,396	1,527
Survivors Pension	116	124	139	146	140
Invalidity Pension	110	119	134	142	161
Disablement Pension	4	5	4	4	4
Total	1,348	1,471	1,573	1,688	1,832

TABLE: 16 FEMALE PENSIONS IN-PAYMENT BY TYPE (July, 1999 - June, 2003)

Long-Term Benefits	Financial Year				
	Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
Retirement Pension	700	810	845	934	1,014
Survivors Pension	379	402	471	545	584
Invalidity Pension	63	73	89	102	119
Disablement Pension	-	-	-	-	-
Total	1,142	1,285	1,405	1,581	1,717

Source: Statistics, Training and Research Department



Statistical Review

continued

TABLE: 17 AVERAGE MONTHLY COST OF PENSIONS IN-PAYMENT BY TYPE (July, 1999 - June, 2003)

Long-Term Benefits		Financial Year				
		Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
Retirement Pension	\$	498.29	523.68	560.89	573.04	570.85
Survivors Pension	\$	272.77	273.31	273.98	270.85	297.56
Invalidity Pension	\$	599.59	630.44	652.35	689.48	618.71
Disablement Pension	\$	373.26	397.25	469.73	469.73	469.73

TABLE: 18 AVERAGE MONTHLY COST OF MALE PENSIONS IN-PAYMENT BY TYPE (July, 1999 - June, 2003)

Long-Term Benefits		Financial Year				
		Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
Retirement Pension	\$	572.82	599.37	640.88	666.81	662.92
Survivors Pension	\$	176.44	177.93	191.72	202.13	232.14
Invalidity Pension	\$	672.44	720.19	757.72	842.34	750.05
Disablement Pension	\$	373.26	397.25	469.73	469.73	469.73

TABLE: 19 AVERAGE MONTHLY COST OF FEMALE PENSIONS IN-PAYMENT BY TYPE (July, 1999 - June, 2003)

Long-Term Benefits		Financial Year				
		Jun-99	Jun-00	Jun-01	Jun-02	Jun-03
Retirement Pension	\$	379.26	409.38	438.21	432.88	432.19
Survivors Pension	\$	295.93	301.20	304.90	337.56	342.08
Invalidity Pension	\$	472.38	484.13	493.70	476.69	442.12
Disablement Pension	\$	-	-	-	-	-

Source: Statistics, Training and Research Department



continued

Statistical Review

TABLE: 20 PENSIONS TERMINATED BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	37	52	51	41	58
Survivors Pension	23	42	26	17	41
Invalidity Pension	15	12	13	15	10
Disablement Pension	-	-	1	-	-
Total	75	106	91	73	109

TABLE: 21 MALE PENSIONS TERMINATED BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	26	35	34	32	46
Survivors Pension	6	13	12	4	31
Invalidity Pension	11	8	9	9	5
Disablement Pension	-	-	1	-	-
Total	43	56	56	45	82

TABLE: 22 FEMALE PENSIONS TERMINATED BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	11	17	17	9	12
Survivors Pension	17	29	14	13	10
Invalidity Pension	4	4	4	6	5
Disablement Pension	-	-	-	-	-
Total	32	50	35	28	27

Source: Statistics, Training and Research Department



Statistical Review

continued

TABLE: 23 PENSIONS AWARDED BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	206	265	219	225	230
Survivors Pension	86	76	110	91	74
Invalidity Pension	32	31	51	35	50
Disablement Pension	1	-	-	-	-
Total	325	372	380	351	354

TABLE: 24 MALE PENSIONS AWARDED BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	106	139	134	131	158
Survivors Pension	31	24	27	17	25
Invalidity Pension	18	17	29	16	26
Disablement Pension	1	-	-	-	-
Total	156	180	190	164	209

TABLE: 25 FEMALE PENSIONS AWARDED BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	100	126	85	94	72
Survivors Pension	55	52	83	74	49
Invalidity Pension	14	14	22	19	24
Disablement Pension	-	-	-	-	-
Total	169	192	190	187	145

Source: Statistics, Training and Research Department



continued

Statistical Review

TABLE: 26 AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	\$ 576.78	517.30	654.58	612.88	695.73
Survivors Pension	\$ 257.38	279.57	317.32	288.46	351.45
Invalidity Pension	\$ 884.60	645.95	835.22	631.59	573.94
Disablement Pension	\$ 385.23	-	-	-	-

TABLE: 27 AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (MALE) (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	\$ 715.00	605.82	789.74	743.46	762.29
Survivors Pension	\$ 208.44	226.80	240.46	313.30	300.40
Invalidity Pension	\$ 899.06	1,107.37	1,020.81	874.93	722.69
Disablement Pension	\$ 385.23	-	-	-	-

TABLE: 28 AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (FEMALE) (July, 1998 - June, 2003)

Long-Term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	\$ 441.27	422.53	467.98	415.77	549.72
Survivors Pension	\$ 306.32	332.34	394.17	263.61	374.13
Invalidity Pension	\$ 866.19	584.38	512.44	350.81	412.85
Disablement Pension	\$ -	-	-	-	-

Source: Statistics, Training and Research Department



Statistical Review

continued

TABLE: 29 PENSIONS PAID BY TYPE (July, 1998 - June, 2003)

Long-term Benefits	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	1,852	2,084	2,252	2,388	2,589
Survivors Pension	518	568	636	727	765
Invalidity Pension	187	203	240	257	290
Disablement Pension	6	6	5	4	4
Total	2,563	2,861	3,133	3,376	3,648

TABLE: 30 COST OF PENSIONS BY TYPE (July, 1998 - June, 2003)

Pension	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Retirement Pension	\$ 10,107,984	11,955,278	13,342,748	15,023,953	16,931,209
Survivors Pension	\$ 1,328,206	1,569,037	1,850,658	2,113,938	2,167,712
Invalidity Pension	\$ 1,051,229	1,380,837	1,703,433	1,832,939	2,007,196
Disablement Pension	\$ 19,512	21,598	25,060	22,547	22,547
Total	\$ 12,506,931	14,926,750	16,921,899	18,993,377	21,128,664

Source: Statistics, Training and Research Department



continued

Statistical Review

TABLE: 31 BENEFITS EXPENDITURE BY BRANCH (July, 1998 - June, 2003)

Benefit Branch	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Long-term					
Retirement	\$ 10,631,039	12,481,935	13,914,581	15,370,949	17,290,807
Survivorship	\$ 1,433,106	1,671,551	1,954,521	2,184,732	2,246,626
Incapacitation	\$ 1,284,704	1,587,006	1,830,463	1,952,448	2,083,067
Sub-total	\$ 13,348,849	15,740,492	17,699,565	19,508,129	21,620,500
Short-term					
Employment Injury	\$ 62,179	118,232	82,089	117,384	53,526
Sickness	\$ 1,172,702	1,464,661	1,428,144	1,516,990	1,511,380
Maternity	\$ 1,745,998	2,291,836	2,400,510	2,245,620	2,200,551
Funeral	\$ 192,250	248,100	253,250	279,962	243,200
Medical Expenses*	\$ 3,007,159	3,007,121	3,007,159	3,013,443	3,023,921
Sub-total	\$ 6,180,288	7,129,950	7,171,152	7,173,399	7,032,578
Grand-total	\$ 19,529,137	22,870,442	24,870,717	26,681,528	28,653,078

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

Source: Statistics, Training and Research Department

TABLE: 32 NUMBER OF BENEFITS PAID BY BRANCH (July, 1998 - June, 2003)

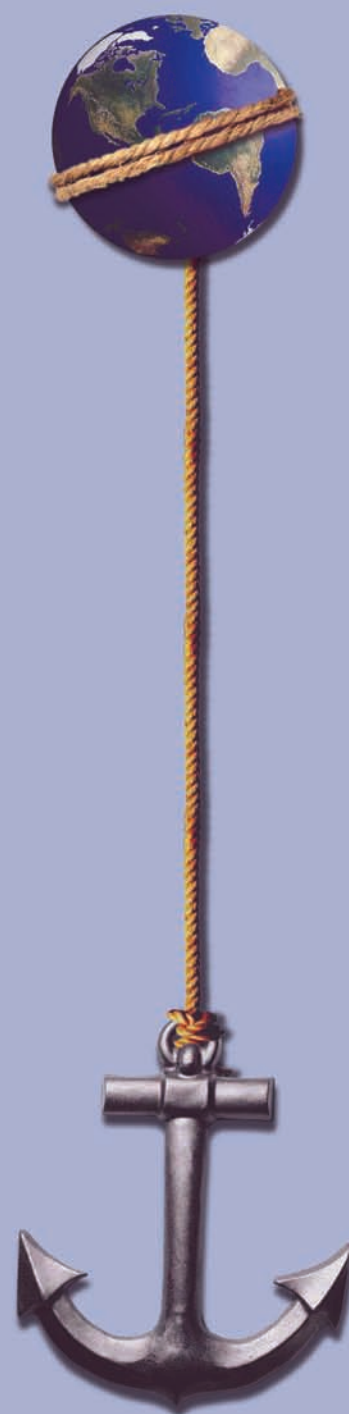
Benefit Branch	Financial Year				
	98-99	99-00	00-01	01-02	02-03
Long-term					
Retirement	2,044	2,301	2,482	2,603	2,828
Survivorship	552	599	675	768	797
Incapacitation	227	245	275	291	322
Sub-total	2,823	3,145	3,432	3,662	3,947
Short-term					
Employment Injury	120	173	132	119	86
Sickness	4,442	4,938	4,488	4,715	4,285
Maternity	1,635	2,005	1,968	1,702	1,682
Funeral	121	143	150	162	142
Medical Expenses*	48	63	59	55	28
Sub-total	6,366	7,322	6,797	6,753	6,223
Grand-total	9,189	10,467	10,229	10,415	10,170

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

Source: Statistics, Training and Research Department



Consolidated Financial Statements



Auditors' Report



To the Board of Directors of National Insurance Corporation

We have audited the consolidated balance sheet of National Insurance Corporation (the "Group") and its subsidiaries as at June 30, 2003 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 Corporation'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 Corporation and the Corporation'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, 2003;
- (ii) surcharges on contributions in arrears which have been levied but which remained uncollected as at June 30, 2003;

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, 2003, these financial statements present fairly, in all material respects, the financial position of the Group as at June 30, 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Chase, Skeete & Boland.

Chartered Accountants
Castries, St. Lucia
October 5, 2003



Consolidated Balance Sheet as at June 30, 2003

	Notes	2003 \$	2002 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	22,162,984	10,820,388
Accounts receivable	4	16,268,903	14,326,771
Prepaid expenses		533,253	517,819
Loans and advances	5	27,426,902	47,424,835
Investment securities			
- Held-to-maturity	6	221,760,234	201,873,318
- Available-for-sale	6	69,107,487	62,487,127
		357,259,763	337,450,258
Long-term Assets			
Accounts receivable	4	1,696,340	0
Loans and advances	5	132,092,569	123,758,343
Investment securities			
- Held-to-maturity	6	113,796,735	103,956,171
Investment properties	7	130,412,724	110,269,174
Property, plant and equipment	8	4,699,163	3,193,163
Projects in progress	9	14,405,873	11,963,068
Deferred asset	10	179,354	358,706
		397,282,758	353,498,625
TOTAL ASSETS		754,542,521	690,948,883
LIABILITIES AND RESERVES			
Current Liabilities			
Bank overdraft		0	116,986
Accounts payable and accrued liabilities		4,190,427	4,101,852
Current portion of long-term loan	11	234,141	213,013
		4,424,568	4,431,851
Long-term Liability			
Long-term loan	11	4,985,531	5,219,959
Reserves			
Short-term benefits		17,895,310	16,131,202
Long-term benefits		717,227,202	660,502,508
Retained earnings		2,058,186	1,455,718
		737,180,698	678,089,428
Minority interest	12	7,951,724	3,207,645
TOTAL LIABILITIES AND RESERVES		754,542,521	690,948,883

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

SIGNED ON BEHALF OF THE BOARD



Director

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Your Anchor Bolstering the Global Tide

Director

Consolidated Statement of Changes in Reserves for the Year ended June 30, 2003

	Short-term Benefits \$	Long-term Benefits \$	Retained Earnings \$	Total \$
Balance at June 30, 2001 as previously reported	9,380,372	584,014,752	1,088,494	594,483,618
Fair value adjustment on adoption of IAS 40	5,700,001	27,829,416	0	33,529,417
Restated Fund Balances	15,080,373	611,844,168	1,088,494	628,013,035
Loan fees collected	0	0	18,570	18,570
Excess of income over expenditure for the year	1,050,829	48,658,340	348,654	50,057,823
Balance at June 30, 2002	16,131,202	660,502,508	1,455,718	678,089,428
Loan fees collected	0	0	12,020	12,020
Excess of income over expenditure for the year	1,764,108	56,724,694	590,448	59,079,250
Balance at June 30, 2003	17,895,310	717,227,202	2,058,186	737,180,698

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



Consolidated Statement of Income and Expenditure For the Year ended June 30, 2003

	Short-term Benefits		Long-term Benefits		Subsidiaries		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$	\$	\$
INCOME								
Contributions	8,771,595	8,565,723	42,826,021	41,820,884	0	0	51,597,616	50,386,607
Investments	965,389	403,686	39,071,896	28,832,802	3,447,696	3,045,466	43,484,981	32,281,954
Other	380,938	526,720	1,859,875	2,571,634	11,821	316	2,252,634	3,098,670
TOTAL INCOME	10,117,922	9,496,129	83,757,792	73,225,320	3,459,517	3,045,782	97,335,231	85,767,231
EXPENDITURE								
Short-term benefits	4,001,790	4,145,207	0	0	0	0	4,001,790	4,145,207
Long-term benefits	0	0	21,517,829	19,493,182	0	0	21,517,829	19,493,182
Medical Health Programme	3,000,000	3,000,000	0	0	0	0	3,000,000	3,000,000
Administrative expenses	1,352,024	1,300,093	5,515,269	5,073,798	2,685,264	2,551,854	9,552,557	8,925,745
TOTAL EXPENDITURE	8,353,814	8,445,300	27,033,098	24,566,980	2,685,264	2,551,854	38,072,176	35,564,134
	1,764,108	1,050,829	56,724,694	48,658,340	774,253	493,928	59,263,055	50,203,097
Minority interest	0	0	0	0	(183,805)	(145,274)	(183,805)	(145,274)
EXCESS OF INCOME OVER EXPENDITURE	1,764,108	1,050,829	56,724,694	48,658,340	590,448	348,654	59,079,250	50,057,823

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



Consolidated Statement of Cash Flows for the Year ended June 30, 2003

	2003 \$	2002 \$
Cash Flows from Operating Activities		
Excess of income over expenditure for the year	59,263,055	50,203,097
Adjustments for:		
Depreciation	835,686	757,057
Amortisation of deferred infrastructure costs	179,352	179,352
Interest and dividend income	(39,998,887)	(37,553,780)
Foreign exchange loss	155,913	532,544
Loss on investment	0	3,634,885
Provision for loan losses and uncollected interest	1,997,743	7,279,962
Interest expense	551,748	566,132
Gain on disposal of property, plant and equipment	(3,094)	0
Operating income before working capital changes	22,981,516	25,599,249
(Increase)/decrease in accounts receivable	(56,392)	193,958
Increase in prepaid expenses	(15,434)	(380,416)
Increase/(decrease) in accounts payable and accrued liabilities	88,575	(46,456)
Cash generated from operating activities	22,998,265	25,366,335
Interest paid	(551,748)	(566,132)
Net cash generated from operating activities	22,446,517	24,800,203
Cash Flows from Investing Activities		
Acquisition of subsidiary	(9,333,333)	0
Purchase of property, plant and equipment	(2,377,917)	(692,185)
Proceeds on disposal of property, plant and equipment	39,325	0
Increase in investment securities and loans and advances	(26,230,198)	(47,157,928)
Increase in investment properties	(6,143,550)	(2,004,487)
Increase in project expenditure	(3,436,724)	(7,784,772)
Finance lease repayments	24,899	0
Interest and dividend income received	36,778,236	33,345,125
Net cash used in investing activities	(10,679,262)	(24,294,247)
Cash Flows from Financing Activities		
Repayments on long-term loans	(213,300)	(195,297)
Loan fees collected	16,027	24,760
Dividends paid	(110,400)	(138,000)
Net cash used in financing activities	(307,673)	(308,537)
Increase in Net Cash	11,459,582	197,419
Net Cash - Beginning of Year	10,703,402	10,505,983
Net Cash - End of Year	22,162,984	10,703,402
Cash	22,162,984	10,820,388
Bank overdraft	0	(116,986)
Net Cash - End of Year	22,162,984	10,703,402

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



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

I. 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).

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 principal activity of the company is to rent office block and commercial space.

The financial statements are prepared in Eastern Caribbean Dollars and rounded to the nearest dollar.

2. Significant Accounting Policies

(a) Overall Policy

The principal accounting policies adopted are stated in order to assist in a general understanding of the financial statements.

These consolidated financial statements are prepared in accordance with International Accounting Standards and under the historical cost convention except for valuation of securities, bonds and investment properties.

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

There has been no change in accounting policy from the previous year.

(b) Basis of Consolidation

Investments in subsidiaries are accounted for using the purchase method of accounting. Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated.

The associate company has not been accounted for under the equity method as the investment was acquired and held exclusively with a view to its subsequent disposal in the near future. The investment has been subsequently disposed of and disclosed in note 16.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

2. Significant Accounting Policies (Cont'd)

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 Accounting 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, 2003.

(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, 2003.

(f) Basis of Allocation of Income

Contribution Income

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

	2003	2002
Short-term benefit fund	17%	17%
Long-term benefit fund	83%	83%
	100%	100%

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 of 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 on an accrual basis using effective interest rates. Interest income on doubtful loans is provided for in accordance with International Accounting Standard 39.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

2. Significant Accounting Policies (Cont'd)

(h) 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.

(i) Management Fees

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

(j) 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 cash on hand, deposits held on call with banks and bank overdrafts.

(k) Accounts Receivable

Accounts receivable and other receivables represent the principal amounts due at the balance sheet date plus accrued interest less, where applicable, any unearned income and provisions for doubtful accounts.

(l) Finance lease

The asset held as a finance lease is recognized 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.

(m) Loans and Advances

All loans are recognized when cash is advanced to borrowers.

A credit risk provision for loan losses is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount.

The provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. With regard to mortgage loans, a provision of 10% of the loan balances that are 90 days in arrears is made.

A general provision of 2% is made on the National Insurance Corporation loan portfolio, subsequent to specific provisions.

Additions to the provision are charged to operations. As loans and advances become uncollectible, they are written off against the related provision. Subsequent recoveries are credited to the provision for loan losses in the Statement of Income and Expenditure.

(n) Investment Securities

The Group classified its investments into two categories; held-to-maturity and available-for-sale.

Investments with fixed maturity where management has both the intent and ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest, exchange rate or equity prices are classified as available-for-sale.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

2. Significant Accounting Policies (Cont'd)

Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially measured at cost (which includes transaction costs).

Held-to-maturity investments are carried at amortized cost using interest rates in effect less any provision for losses.

Available-for-sale financial assets are subsequently stated at fair value. Equity securities for which fair value cannot be measured reliably are recognised at cost less any provision for losses.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

(o) 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 Accounting Standard 40.

(p) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less 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

(q) Projects in Progress

Build-Own-Lease-Transfer (BOLT) Projects

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 will be accounted for as finance leases.

(r) Deferred Infra-Structure Costs

Deferred infrastructure costs are being written off on the straight-line basis over fifteen years.

(s) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent the principal amounts outstanding at the balance sheet date plus, where applicable, any accrued interest.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

2. Significant Accounting Policies (Cont'd)

(t) Interest Receivable

This represents interest receivable on fixed deposits, notes and bonds.

(u) 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.

(v) Foreign Exchange

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

(w) Comparative Figures

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



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

3. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:-

	2003 \$	2002 \$
Cash on hand	1,300	2,000
Deposits held at call with banks	22,161,684	10,818,388
	22,162,984	10,820,388

Interest rates on the deposits range between 3% and 5% (2002 – 3% and 5%) per annum.

4. Accounts Receivable

	2003 \$	2002 \$
Current		
Due from Government of St. Lucia		
- National Health Insurance	243,776	0
- Finance lease	53,906	0
- Refurbishments	38,940	0
Due from National Community Foundation	52,782	0
Utility charges receivable	1,994,631	1,746,090
Rental charges receivable	956,489	1,347,469
Staff loans and advances	612,060	762,995
Mobilization fees	199,147	308,790
Maintenance fees	43,691	43,691
Other receivables	127,477	57,472
	4,322,899	4,266,507
Interest receivable	11,946,004	10,060,264
	16,268,903	14,326,771
Amounts recoverable after twelve months		
Receivable in respect of finance lease	1,696,340	0



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

4. Accounts Receivable (Cont'd)

Finance Leases

Finance leases relate to the Marchand Police Station under the BOLT agreement as disclosed in note 2 (q).

	2003 \$
Total gross investment	3,456,800
Unearned income	(1,706,554)
Present value of minimum lease payments	<u>1,750,246</u>
Current receivable	53,906
Non-current receivable	<u>1,696,340</u>
	<u>1,750,246</u>
Total gross investment receivable:-	
Not later than one year	238,400
Later than one year and not later than five years	953,600
Later than five years	<u>2,264,800</u>
	<u>3,456,800</u>
Present value of minimum lease payments receivable:-	
Not later than one year	53,906
Later than one year and not later than five years	282,434
Later than five years	<u>1,413,906</u>
	<u>1,750,246</u>



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

5. Loans and Advances

	2003 \$	2002 \$
Mortgage and other loans	169,143,288	178,822,863
Provision for loan losses and uncollected interest	(9,623,817)	(7,639,685)
	159,519,471	171,183,178
Less: Current portion	27,426,902	47,424,835
Long-term portion	132,092,569	123,758,343
The loans mature as follows:-		
Due within 1 year	27,426,902	47,424,835
Due after 1 year within 5 years	68,572,044	63,071,400
Due after 5 years within 10 years	38,083,732	39,719,769
Due after 10 years within 15 years	18,935,501	14,036,983
Due after 15 years	6,501,292	6,930,191
	159,519,471	171,183,178
Provision for Loan Losses		
(a) Uncollected Interest Provision		
Balance - beginning of year	3,878,531	141,245
Losses sustained during the year	(13,611)	(82,652)
Provision made during the year	2,823,169	3,819,938
Balance - end of Year	6,688,089	3,878,531
(b) General Loss Provision		
Balance - beginning of year	3,760,024	300,000
Written back during the year	(864,862)	0
Provision made during the year	25,000	3,460,024
Balance - end of Year	2,920,162	3,760,024
(c) Specific Loss Provision		
Balance - beginning of year	1,130	1,130
Provision made during the year	14,436	0
Balance - end of Year	15,566	1,130
	9,623,817	7,639,685



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

6. Investment Securities

Investment Securities – Held-to-maturity

	2003 \$	2002 \$
FIXED DEPOSITS		
FirstCaribbean International Finance Corporation	0	24,604,327
St. Lucia Co-operative Bank	17,998,760	17,717,536
Bank of St. Lucia	87,232,276	69,529,355
Bank of Nova Scotia	35,909,723	28,302,112
Royal Bank of Canada	48,000	48,000
RBTT Bank Caribbean Ltd.	40,407,124	31,625,649
FirstCaribbean International Bank	15,344,897	17,224,556
Financial Investment and Consultancy Services Ltd.	1,075,000	1,000,000
British American Insurance Co. Ltd.	2,539,088	2,338,613
Colonial Life Insurance Co. Ltd.	3,067,500	2,000,000
Total Fixed Deposits	203,622,368	194,390,148
NOTES AND BONDS		
Republic Finance and Merchant Bank Ltd.	8,829,237	8,678,871
Bank of St. Lucia	11,500,000	11,500,000
Government of St. Lucia	23,600,000	18,600,000
Eastern Caribbean Home Mortgage Bank	5,000,000	5,000,000
RBTT Merchant Bank Ltd.	30,338,846	22,531,913
CIBC Trust and Merchant Bank	3,423,401	3,423,401
Citicorp Merchant Bank Ltd.	7,162,961	0
	89,854,445	69,734,185
TREASURY BILLS	41,705,156	41,705,156
EQUITY INVESTMENT FUND	375,000	0
TOTAL INVESTMENT SECURITIES-HELD-TO-MATURITY	335,556,969	305,829,489
Less: Current portion	221,760,234	201,873,318
Long-term portion	113,796,735	103,956,171

Fixed Deposits

Interest rates range between 4.5% and 9% (2002 – 5% and 9%) per annum with maximum maturity of two years.

Notes and Bonds

Interest rates range between 6% and 10.5% (2002 – 6% and 10.5%) per annum with maturity ranging from a year to ten years.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

6. Investment Securities (Cont'd)

Treasury Bills

Interest rates range between 6.5% and 8.5% (2002 – 6.5% and 8.5%) per annum for terms of six months to one year.

Equity Investment Fund

Investments in the Fund mature within twelve years with accumulated dividends as declared by the Fund.

Investment Securities – Available-for-sale

	2003 \$	2002 \$
INVESTMENTS IN SHARES		
St. Lucia Electricity Services Ltd. 1,401,496 ordinary shares	14,014,960	14,014,960
Eastern Caribbean Home Mortgage Bank 1,884 class B shares at \$100 each	188,400	188,400
Eastern Caribbean Securities Exchange 20,000 (2002- 20,000 partly paid) class B shares at \$10 each	200,000	100,000
Jalousie - (1996) Limited Shares held on trust by the St. Lucia Government	2,716,970	2,716,970
East Caribbean Financial Holdings 2,580,000 (2002 - 2,730,000) preference shares 1,308,480 (2002 -987,810) ordinary shares	20,933,168	19,823,813
Barbados National Bank 2,000,000 ordinary shares	4,740,000	0
Total Investment in Shares	42,793,498	36,844,143
MANAGED ACCOUNTS - SALOMON, SMITH BARNEY	26,313,989	25,642,984
INVESTMENT IN ASSOCIATE COMPANY		
Cul-de-Sac Industrial Zone Ltd. Provision for loss on investment	881,000 (881,000)	881,000 (881,000)
	0	0
TOTAL INVESTMENT SECURITIES - AVAILABLE-FOR-SALE	69,107,487	62,487,127



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

7. Investment Properties

	2003 \$	2002 \$
Opening balance	110,269,174	74,735,270
Additions	20,143,550	2,004,487
Fair value adjustment on adoption of IAS 40	0	33,529,417
Closing balance	130,412,724	110,269,174

The Corporation's investment properties were revalued by quantity surveyors Mr. Neville L. Trim, FRICS, ACI ARB and Mr. Andrew N. King M.S.Q.V.S., in September 2003. There have been no changes in the market values since the last revaluation done in October 2002.

8. Property, Plant and Equipment

	Land & Building \$	Leasehold Improvements \$	Motor Vehicles \$	Furniture and Equipment \$	Computer Hardware \$	Computer Software \$	Generators \$	Maintenance Equipment \$	Total \$
Cost									
Balance - beginning of year	0	277,992	548,312	4,139,495	1,177,609	777,803	325,430	56,282	7,302,923
Additions	1,887,450	6,445	63,200	202,864	210,517	7,441	0	0	2,377,917
Disposals	0	(42,042)	(67,725)	(41,239)	0	0	0	0	(151,006)
Balance - end of year	1,887,450	242,395	543,787	4,301,120	1,388,126	785,244	325,430	56,282	9,529,834
Accumulated Depreciation									
Balance - beginning of year	0	101,220	411,873	1,825,890	891,105	552,086	317,830	9,756	4,109,760
Depreciation charge for year	14,520	23,990	86,986	450,875	169,573	80,314	3,800	5,628	835,686
Eliminated on disposal	0	(42,042)	(40,635)	(32,098)	0	0	0	0	(114,775)
Balance - end of year	14,520	83,168	458,224	2,244,667	1,060,678	632,400	321,630	15,384	4,830,671
Net Book Value - End of Year	1,872,930	159,227	85,563	2,056,453	327,448	152,844	3,800	40,898	4,699,163
Net Book Value - Beginning of Year	0	176,772	136,439	2,313,605	286,504	225,717	7,600	46,526	3,193,163



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

9. Projects in Progress

	2003 \$	2002 \$
Direct expenditure	12,163,333	10,282,581
Management fees	486,936	414,282
Development fees	486,936	414,282
	13,137,205	11,111,145
Interest receivable	1,268,668	851,923
	14,405,873	11,963,068
BOLT projects	14,405,873	9,193,956
Refurbishment projects	0	2,769,112
	14,405,873	11,963,068

10. Deferred Asset

	2003 \$	2002 \$
Deferred infrastructure costs	179,354	358,706

Deferred infrastructure costs relate to expenditure incurred for the development of the infrastructure immediately surrounding the National Insurance Corporation properties at Sans Soucis.

11. Long-term Loan

	2003 \$	2002 \$
<u>Bank of Saint Lucia</u> 9.5% bank loan repayable in monthly instalments of \$60,146.25 until October 2015	5,219,672	5,432,972
Less: Amount due within twelve months and shown under current liabilities	234,141	213,013
Long-term portion	4,985,531	5,219,959

The loan was taken to partly fund the construction of Castries Car Park Facility Building. The security offered is a guarantee by the Corporation.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

11. Long-term Loan (Cont'd)

Principal repayments on the company's existing long-term loan is expected as follows:-

	\$
Year ending June 30, 2004	234,141
Year ending June 30, 2005	257,379
Year ending June 30, 2006	282,923
Year ending June 30, 2007	311,003
Due thereafter	4,134,226
	5,219,672

12. Minority Interest

	2003 \$	2002 \$
Opening balance	3,207,645	3,194,181
Interest in share capital acquired	4,666,667	0
Share of net profit of subsidiaries	183,805	145,273
Share of loan fees collected	4,007	6,191
Dividends paid	(110,400)	(138,000)
Closing balance	7,951,724	3,207,645

13. 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.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

13. Subsidiary Companies (Cont'd)

On April 2, 2003 the Group acquired 66 2/3% of the share capital of Blue Coral Ltd., a property rental company.

Effects of acquisition of subsidiary company

On financial position:-

	2003 \$
Increase in total assets	14,401,471
Increase in total liabilities	326,070
Increase in net assets	<u>14,075,401</u>

On net income:-

	2003 \$
Increase in excess of income over expenditure before minority interest	75,400
Minority interest	(25,133)
Increase in excess of income over expenditure	<u>50,267</u>

Acquisition of Blue Coral Ltd.

The asset arising from acquisition is as follows:-

Building	<u>\$9,333,333</u>
Percentage of voting shares acquired:-	66 2/3%
Cost of acquisition:	
Paid by cash	<u>\$9,333,333</u>

14. 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, conducted by an actuary of the International Labour Organisation, concluded that the Fund was financially sound.

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.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

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.

Some of the Actuary's recommendations were addressed in the Revised National Insurance Regulations passed in February 2003 but effected January 1, 2001.

The next actuarial review is due in June 2005.

15. Financial Instruments

In accordance with the provisions of International Accounting Standard No. 32, disclosure is required regarding credit risks, interest rate risk and fair value 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 allowance for loan losses. 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 allowance for doubtful receivables and the expected loss on investments respectively.

Accordingly, the Group has no significant concentrations of credit risk.

(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 Value

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

16. Subsequent Event

On October 2, 2003, land valued at \$14,000,000 was transferred by Cul de Sac Industrial Zone Limited to the Corporation in exchange for the full settlement of their debt and to liquidate the said company, in accordance with Cabinet Conclusion number 1065 of 2002. A provision has been made for the expected loss on outstanding interest of \$4,643,209 and investment in shares of \$881,000.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

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:-

Income Year	Losses \$	Expiry Date
2001	318,535	June 30, 2007
2002	40,910	June 30, 2008
2003	26,610	June 30, 2009
	386,055	

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.

18. Commitments

Loans and Advances

As at the year-end loans and advances approved by the Group but not yet disbursed amount to approximately \$4,023,174 (2002 - \$5,345,562).

Capital Commitments

Capital expenditure contracted for at the balance sheet date but not recognized in the financial statements amounted to \$12,262,557 (2002 - \$16,206,034).

19. Deferred Taxes

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

	2003		2002	
	Full Potential Asset/(Liability) \$	Provision Made \$	Full Potential Asset/(Liability) \$	Provision Made \$
Losses available for carry forward	127,398	0	121,710	0
Accelerated capital allowance	(58,166)	0	(70,246)	0
	69,232	0	51,464	0

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.



Notes to the Consolidated Financial Statements for the Year ended June 30, 2003

20. Staff Costs

	2003 \$	2002 \$
Salaries	5,453,277	5,085,879
Other staff costs	377,360	374,102
	5,803,637	5,459,981

The average number of employees in 2003 was 129 persons (2002 - 128 persons).





Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet as at June 30, 2003

	Notes	2003 \$	2002 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	21,134,823	8,122,081
Accounts receivable	4	14,837,471	13,288,588
Prepaid expenses		449,382	449,133
Due from subsidiary companies	5	486,981	542,285
Loans and advances	6	29,159,960	50,849,589
Investment securities			
- Held-to-maturity	7	221,760,234	201,875,318
- Available -for-sale	7	69,107,487	62,487,127
		356,936,338	337,614,121
Long-term Assets			
Loans and advances	6	147,611,496	135,165,702
Investment securities			
- Held-to-maturity	7	113,796,735	103,956,171
Investments in subsidiary companies	8	28,281,949	16,738,330
Investment properties	9	90,354,531	84,557,125
Property, plant and equipment	10	1,759,723	1,964,304
Deferred asset	11	179,354	358,706
		381,983,788	342,740,338
TOTAL ASSETS		738,920,126	680,354,459
LIABILITIES AND RESERVES			
Current Liabilities			
Bank overdraft		0	116,986
Accounts payable and accrued liabilities		1,914,701	2,015,161
Due to subsidiary companies	12	284,993	329,882
		2,199,694	2,462,029
Reserves			
Short-term benefits		18,117,142	16,344,844
Long-term benefits		718,603,290	661,545,586
		736,720,432	677,890,430
TOTAL LIABILITIES AND RESERVES		738,920,126	680,352,459

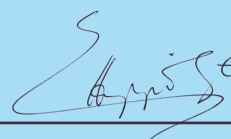
The accompanying notes form an integral part of these financial statements.

SIGNED ON BEHALF OF THE BOARD

Director



Director




Non-Consolidated Statement of Changes in Reserves for the Year ended June 30, 2003

	Short-term Benefits \$	Long-term Benefits \$	Total \$
Balance at June 30, 2001	15,198,611	612,421,450	627,620,061
Excess of income over expenditure for the year	1,146,233	49,124,136	50,270,369
Balance at June 30, 2002	16,344,844	661,545,586	677,890,430
Excess of income over expenditure for the year	1,772,298	57,057,704	58,830,002
Balance at June 30, 2003	18,117,142	718,603,290	736,720,432

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



Non-Consolidated Statement of Income and Expenditure for the Year ended June 30, 2003

	Short-term Benefits		Long-term Benefits		Total	
	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$
INCOME						
Contributions	8,771,595	8,565,723	42,826,021	41,820,884	51,597,616	50,386,607
Investments	973,579	474,066	39,404,906	29,176,422	40,378,485	29,650,488
Other	380,938	551,744	1,859,875	2,693,810	2,240,813	3,245,554
TOTAL INCOME	10,126,112	9,591,533	84,090,802	73,691,116	94,216,914	83,282,649
EXPENDITURE						
Short-term benefits	4,001,790	4,145,207	0	0	4,001,790	4,145,207
Long-term benefits	0	0	21,517,829	19,493,182	21,517,829	19,493,182
Medical Health Programme	3,000,000	3,000,000	0	0	3,000,000	3,000,000
Administrative expenses	1,352,024	1,300,093	5,515,269	5,073,798	6,867,293	6,373,891
TOTAL EXPENDITURE	8,353,814	8,445,300	27,033,098	24,566,980	35,386,912	33,012,280
EXCESS OF INCOME OVER EXPENDITURE	1,772,298	1,146,233	57,057,704	49,124,136	58,830,002	50,270,369

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



Non-Consolidated Statement of Cash Flows for the Year ended June 30, 2003

	2003 \$	2002 \$
Cash Flows from Operating Activities		
Excess of income over expenditure for the year	58,830,002	50,270,369
Adjustments for:		
Depreciation	503,134	493,220
Amortisation of deferred infrastructure costs	179,352	179,352
Interest and dividend income	(39,440,480)	(37,330,624)
Foreign exchange loss	155,913	532,544
Loss on investment	0	3,634,885
Provision for loan losses and uncollected interest	1,922,706	7,203,409
Loss on disposal of property, plant and equipment	4,566	0
Operating income before working capital changes	22,155,193	24,983,155
Decrease in accounts receivable	144,914	13,591
Increase in prepaid expenses	(249)	(443,664)
Decrease/(increase) in due from subsidiary companies	55,304	(457,885)
Decrease in accounts payable and accrued liabilities	(100,460)	(453,983)
Decrease in due to subsidiary companies	(44,889)	(106,312)
Net cash generated from operating activities	22,209,813	23,534,902
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(307,694)	(167,646)
Proceeds on sale of property, plant and equipment	4,575	0
Increase in investment securities and loans and advances	(27,813,419)	(53,003,301)
Deposit on shares in subsidiary companies	(11,543,619)	(2,745,059)
Improvements to investment properties	(5,797,406)	(1,880,486)
Interest and dividend income received	36,377,478	33,117,415
Net cash used in investing activities	(9,080,085)	(24,679,077)
Increase/(Decrease) in Net Cash	13,129,728	(1,144,175)
Net Cash - Beginning of Year	8,005,095	9,149,270
Net Cash - End of Year	21,134,823	8,005,095
Cash	21,134,823	8,122,081
Bank overdraft	0	(116,986)
Net Cash - End of Year	21,134,823	8,005,095

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



NOTES

