NATIONAL
INSURANCE
CORPORATION
For the benefit of us all!

NATIONAL INSURANCE CORPORATION

ANNUAL REPORT

JULY 2006 - JUNE 2007

'Social
Protection
FOR ALL'

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

Article 22, Universal Declation of Human Rights, 1948

NATIONAL INSURANCE CORPORATION

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MISSION

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

VISION

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

NATIONAL INSURANCE CORPORATION

For the benefit of us all!

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PRIME MINISTER'S STATEMENT

The National Insurance Corporation (NIC) of Saint Lucia has made significant progress over the years. The institution evolved from its first status as a National Provident Fund in 1970 to its current status as the National Insurance Corporation. With the change in legal status of the organization the range of benefits provided has also improved. The benefits provided have grown from the typical old age, survivors and invalidity benefit to encompass sickness benefits, maternity benefits and other benefits. With the development of the institution, the NIC has therefore progressively widened the safety net available to its contributors.

Over the years, the NIC has evolved into one of the main institutional pillars within the economy of Saint Lucia; both in terms of the level of financial resources it has mobilized and the level of social responsibility it has demonstrated. Social responsibility has been demonstrated through various initiatives such as the National Community Foundation. Further, the NIC has responded to social needs such as housing primarily through one of its long standing subsidiaries, the St Lucia Mortgage Finance Company. The NIC has also functioned as a partner to the Government of St. Lucia in the financing and implementation of key projects such as Police and Fire Stations. These initiatives have all demonstrated the commitment of the NIC to the overall development of Saint Lucia.

During the coming years, it is expected that the NIC will continue its partnership with the Government of St Lucia in an effort to implement key development initiatives. The Government of Saint Lucia sees a role for the NIC in a number of key areas including the provision of social safety nets and financing and implementation of capital projects. In the past, the NIC has partnered with the Government of Saint Lucia in the implementation of capital projects through various BOLT arrangements. I look forward to the continuation of such partnership as the Government seeks to bolster the social and economic infrastructure of our economy.

With regard to social safety nets, the Government is currently in the process of reviewing existing support programmes such as the Poverty Reduction Fund to improve the level of coverage and impact of such programmes. The development of the Farmers and Fishers Pension Scheme is also being examined by the Government of St Lucia, in collaboration with the NIC, in an effort to improve the living standards of retired persons in these sectors.

As we seek to consolidate our development efforts within the current global environment, the Government of St Lucia looks forward to a strong partnership with the NIC in the creation of strong institutional and policy responses to social, economic and other challenges which the country faces.

Stephenson King
Prime Minister

CHAIRMAN'S REPORT

In accordance with Section 23 of the National Insurance Corporation Cap. 16.01 of the Revised Laws of Saint Lucia 2001, I am pleased to present my report on the activities of the National Insurance Corporation for the year ended 30th June 2007.

The general elections of December 2006 ushered in a new government and soon after a new National Insurance Board was appointed. The members are as follows:-

Mr Francis Compton	-	Chairman
Mr Isaac Anthony	-	Deputy Chairman
Ms Emma Hippolyte	-	Director
Mr Andre Chastanet	-	Representing Employers
Mr Roderick Clarke	-	Representing Employers
Mr Lawrence Poyotte	-	Representing Employees
Mrs Esther St Marie	-	Representing Employees

The members of this Board were appointed with effect from 1st February, 2007 and had its first meeting on 13th April, 2007.

The year under review was a very successful one with strong financial performance considerably better than budget with improved service delivery. The results are consistent with our efforts aimed at fulfilling the mandate of NIC's Mission Statement which is geared towards providing quality social protection to our contributors.

FINANCIAL HIGHLIGHTS

The improvement in the following key financial variables illustrates the performance of the Corporation over the twelve months to 30th June 2007. The results are consistent with the trend in the performance of the social security institution since its introduction in Saint Lucia in 1970.

BENEFITS

Total Benefits paid in 2007 was $38.9 Million. This represents an increase of $2.5 million or 6.7% over the $36.4 million paid in 2006. Of the $38.9 million paid during the period under review, pension's payments accounted for 78.2 % ($30.4 million) with short term benefits comprising 21.8 % ($8.5 million).

Expenditure in respect of pensions continues to be dominated by retirement pensions which comprise 80 % of pensions and 68% of total benefits paid. The ever steepening trend in retirement pensions is illustrated in Figure 1 below.

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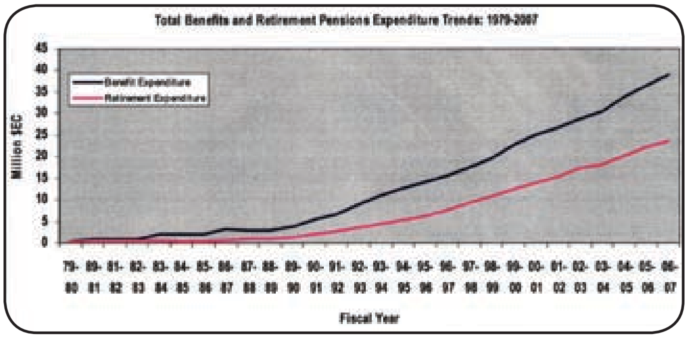
Figure 1

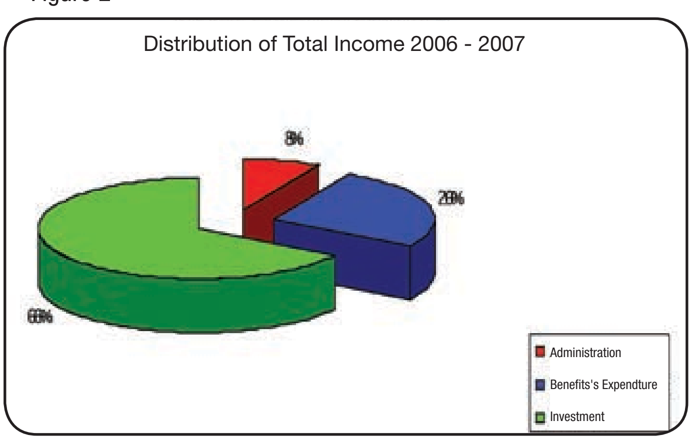


In respect of benefits governed by reciprocal agreements, five transactions were processed under the Agreement between Saint Lucia and Canada and five under the CARICOM Agreement on Social Security which included the payment of one retirement pension.

INCOME

Total Income was $149.1 Million in 2007 compared to $131.3 million in 2006, an increase of $17.8 million or 13.6% The increase is due mainly to a $10 million increase in investment income and $7.8 million increase in contributions over 2006. Of the $149.1 million realized in total income, $11.6million (7.8%) was spent on administration, $38.9 million (26.1%) was expended on benefits and $98.6 million (66.1%) was available for investment.

Figure 2



Contribution Income grew by 11.5% to $76.3 million from $$68.5 million in 2006. This statistic summarizes the experience in the various economic sectors in the year to 30th June 2007 (over 2005-06). The Corporation recorded increased contributions from every sector with notable gains from the following sectors:

- Electricity, Gas, and Water.....……28%
- Health and Social Work……….….20%
- Manufacturing……………………16%
- Construction…………………..….16%
- Wholesale and Retail Trade………9%

The contribution income is increasingly being consumed by the various components of expenditure. In 2007, benefits paid formed 51% ($38.9million) of contribution income, general and administrative expenses, 15.2% ($11.6million), leaving $25.8 million (33.94%) available for investment. The convergence of contribution income and expenditure is depicted in the following Figure 4.

Figure 3

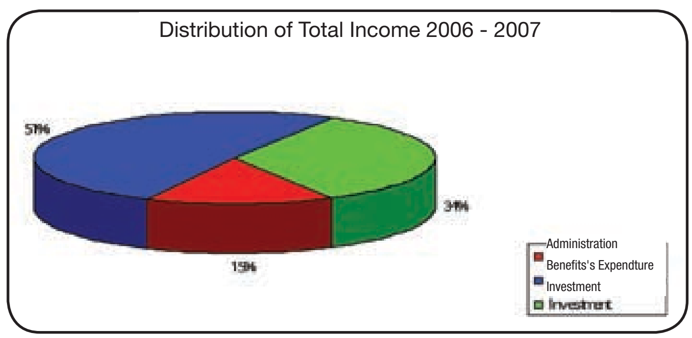
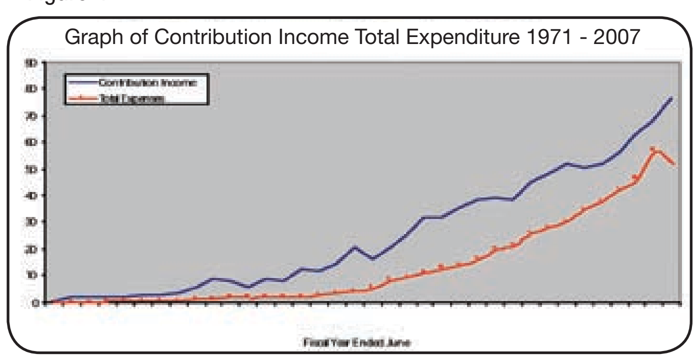


Figure 4



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Investment Income recorded a 16.11% increase over 2006, with income of $70.62 million in 2007 compared to $60.82 million in 2006. In spite of the continued decrease in interest rates the Corporation was still able to record a 7.3 % average return on investments up from 6.6% as at 30th June 2006. This was attributable mainly to the return on equity which reflected a 100% increase over 2006 (14.6% vs 7.2%). The Corporation was also able to negotiate a 10% increase in the average rate of return on its fixed deposits.

EXPENSES

General and Administrative Expenses increased moderately from $11.4 million in 2006 to $11.6 million in 2007. This 1.7% increase is considerably below the 13.6% increase in total income, a reflection of the continued attention paid to cost containment. The increase in 2006 over 2005 was 7%.

ASSETS

Total assets grew by $102.24 million to $1.08 billion from $972.78 million as at 30th June 2006, an increase of 10.51%. This was reflected mainly in investments which moved from $926 million in 2006 to $1.01 billion in 2007

The Reserves of the Corporation increased to $1.06 billion from $961 million as at 30th June 2006, reflecting a 10.3% increase.

INVESTMENT PORTFOLIO

Cognizant of the erosive effect of inflation on the purchasing power of pensions and the expected decline over time in the ratio of active contributors per pensioner, the National Insurance Corporation continues to invest its surplus funds prudently in keeping with the provisions contained in its Investment Policy and Guidelines. During the year ended 31st July 2007, the Corporation undertook the following investments:

- Disbursed $2.5 million to St.Lucia Mortgage Finance Company Limited on loans of $13 million approved for on lending for middle income residential accommodation.
- Disbursed $3.2 million to National Insurance Property Development and Management Company Limited (NIPRO) on loans approved to finance the construction of three Fire and three Police Stations under a BOLT arrangement with the Government of Saint Lucia.
- Disbursed $6 million to Saint Lucia Air and Sea Ports Authority on a loan of EC$45 million approved for the rehabilitation of the George Charles Airport and rehabilitation and modernization of the Northern Wharf.
- Disbursed $300,000 to NRDF on approved $800,000 short term (STQR) loan for on lending to small road contractors under a CDB sponsored project.
- Disbursed $4.5 million to Blue Coral Limited on a loan of $12.2 million approved for the renovation of the Blue Coral Building situated on Bridge Street.
- Placed $51 million in new term deposits within the Commercial Banks in Saint Lucia at rates ranging from 5% to 6.5%
- Invested $15.8 million through Caribbean Money Market Brokers (CMMB) in Notes, Bonds and Money Market Accounts at rates ranging from 4.75% to 6.0%
- Purchased EC$5.5 million of 7.4% Government of St.Lucia 10 year Bonds maturing in 2016
- Purchased EC$12 million in Secured Notes of varying maturities with Bank of Saint Lucia.
- Acquired 1.450 million ordinary shares in East Caribbean Financial Holding Limited through direct purchase of 1.2 million at a cost of $15 million and conversion of 250,000 preference shares.

INFORMATION TECHNOLOGY SYSTEMS

CHAIRMAN'S REPORT

Efficiency of operations necessary for the delivery of quality customer service demand the maintenance of a secure, state of the art platform and the utilization of sound computer–based systems and solutions. The year to 30th June 2007 saw several significant enhancements made to the Corporation's IT Systems and Infrastructure in the following areas:

- The main server was upgraded to accommodate in-house training. Staff members now have access to educational and training material on a wide array of subjects via the (in-house) intranet.
- New software was installed which equipts our Internal Audit Department with the tool to analyze and manage up to 10 million records. This software simplifies data analysis, and provides greater data management and reporting functionality.
- Security was boosted by the procurement of an additional (backup) server which was installed offsite. This will allow the Corporation to continue to serve the general public with minimal downtime in the event the main production server fails.
- In order to allow for greater efficiency in use of the network linking our three offices, twenty terminals were upgraded to personal computers which provided greater flexibility and functionality.
- The Corporation's website (www.stlucianic.org) was updated to allow the public to download all new forms and the NIC annual reports.
- The email server and access control services were upgraded to allow for more seamless digital communication with outside systems.
- Throughout the year, the IT Department effected improvements to the Corporation's proprietary application software. 110 formal software requests from staff had to be designed and programmed into the system.

HUMAN RESOURCE

The Board recognizes the critical role of human resource to the corporation and the need for its continued development. In light of this and in an effort to allow for greater focus, the Human Resource Department was separated from the combined portfolio of Human Resource and Public Relations Departments and provided with separated Human Resource Manager and a Training Manager.

The former Director's contract ended on 30th June, 2007.

During the year under review, a number of important initiatives were undertaken and some significant projects materialized.

STAFFING

Notwithstanding our concerns over "projects in the pipeline" we were able to continue to look at some staff and operational issues. We were able to (a) appoint a new Audit Committee with a new mandate, (b) regularize the positions and salary scales of the Senior Managers; and (c) propose the creation of a new post of Investment Manager, which is expected to be filled early in the new fiscal year.

We welcomed six new staff members while six members resigned, two to pursue further studies at U.W.I, three to pursue other endeavours, and one for medical reasons. One employee was terminated during that year.

The current staff complement stands at 108, with 15 staff members based in our office in Vieux Fort, 6 in Soufriere and 87 at our office in Castries. The numbers are consistent with the levels of the preceding year.

HOLIDAY WORKER PROGRAM

The NIC accommodated the usual annual complement of holiday workers from the various Secondary Schools and Regional and International Universities. This Holiday Worker Program is aimed at providing an opportunity for students to observe life in the world of work, as well as providing much needed funds for the continuation of their academic studies.

Working with the National Insurance Corporation has proved a very rewarding experience for the students as evidenced by

CHAIRMAN'S REPORT

the positive feedback we have received.

INDUSTRIAL RELATIONS

The Industrial Relations climate at the office was peaceful. Negotiations for a new Collective Agreement was concluded during the year and the Agreement was signed with the staff bargaining agent, the National Workers Union, in December 2006, covering the period January 2006 - December 2008.

STAFF AWARDS

In recognition of the contribution made by the staff to the overall success of the Corporation, the NIC hosted a Constellations Awards Dinner in January, 2007. At that function 24 staff members who had served the Organization for 10 years and over were recognized, together with the persons who had been selected as Employee of the Quarter was presented with plaques and other tokens of appreciation.

TRAINING

Our Mission Statement charges us with the responsibility of developing a "cadre of highly skilled staff". To satisfy this responsibility, we undertake regular staff training and re-training.

During the year, several training initiatives were undertaken:

- Workshop in Anti-Money Laundering
- Cambridge Certificate in organizing meetings and events
- Compliance Procedures and Processes, a follow up to a previous workshop held in Antigua.
- Budgeting for Non-Financial Managers and Supervisors
- Training on completing Declaration Forms for onward transmission to clients
- Effective Communication and Human Relations hosted by Dale Carnegie Institute

The in-house NIC Toastmasters Club grew stronger during the period with the admission of members from outside the Corporation. The aim of the club is to help its members develop speaking, listening and thinking skills which are critical in promoting self-actualization and enhanced communication and leadership skills. The club is a member of Toastmasters International.

Management views the Toastmasters Club as an indispensable training vehicle for the development of its staff.

CARICOM EASTER GAMES - 2007

Staff members of the NIC participated in the Seventh Annual CARICOM Social Security Easter Games 2007 which was held in Dominica. This included a number of activities aimed at strengthening the already good relations and networks that exists among the CARICOM Social Security family.

PUBLIC RELATIONS

In its efforts to broaden the services of the Public Relations function, and to allow the Corporation to benefit from synergies to be derived from extending its services to its subsidiaries, the Public Relations Department was transformed into the Corporate Communications and Marketing Department, headed by a Corporate Communications and Marketing Manager assisted by a Public Relations Officer. The planned extension of services to the subsidiaries did not materialize during the period under review.

During the year, the innovative outreach program which commenced in the previous year was continued. Our Public Relations personnel traversed the island accompanied by a folk theatre group, dramatizing the concept of the National Insurance at the various locations. The production was aimed principally at increasing the coverage of self employed persons. The increase in enquiries and registration of the self employed persons testifies to the success of the exercise.

A number of workshops on the subject "Understanding National Insurance – a key to a Successful Partnership" were held for HR personnel of employers with the objective of imparting a greater understanding of National Insurance principles and practices to persons responsible for the Human Resource function within their respective organizations. The workshops are ongoing.

Department personnel also visited and made presentations on the operations of the National Insurance to staff at numerous workplaces and to community groups. This allowed the NIC to obtain valuable feedback from persons who may

CHAIRMAN'S REPORT

not have had the opportunity to dialogue otherwise with the Organization, on improving the service it provides.

The Corporation views communication as indispensable for the effective functioning of any organization. A key organ of communication, the internal magazine- "Inside NIC", was reviewed and printed in June 2007. The magazine is to be published quarterly.

NIC 28TH ANNIVERSARY

The National Insurance Corporation observed its 28th anniversary in April, 2007 under the theme "Appreciation for our Contributors and Pensioners". A week of activities commenced with a mass at the Minor Basilica of the Immaculate Conception in Castries followed by a breakfast for staff. We took the opportunity to show appreciation to our contributors on Customer Appreciation Day. The highlight of the week was our fourth (4th) Annual Lecture which was delivered by Dr. Harvey Miller, a Professor of St. Mary's University in Canada on the topic: "Spirit, Space and Survival- St.Lucia in 2050". The week culminated with a Family Picnic for staff and their families at the Pigeon Island National Landmark.

COMPLIANCE

During the period under review the Corporation launched a major drive to bring as many of our citizens under the social security safety net. A city-wide audit and registration exercise was undertaken within Castries which involved the entire staff of our Compliance Department. This was complemented by efforts to increase compliance by employers through more structured audits and the use of improved I T systems to allow for more efficient monitoring of employers.

SUBSIDIARIES

During the year we continued to grapple with the problems associated with Blue Coral Limited and Emerald Development. Unfortunately as at year end we were not in a position to confirm the final date of completion for either of these two projects.

The Board has spent considerable time pondering on its various subsidiaries and it is expected that the clear way forward will be revealed early in the new fiscal year.

NIPRO was incorporated on April 30, 1999 to undertake Build, Own, Lease, Transfer (BOLT) projects, provide facilities management inclusive of maintenance services, project and construction management services. In pursuance of these objectives, NIPRO had as at the end of the period under review,

- Completed 10 Police Stations and 4 Fire Stations
- Contractual arrangements with the NIC to provide maintenance support to its properties in Castries, Vieux Fort and Soufriere
- Contractual arrangements with the Castries Car Park Facility Ltd to manage the facility and provide maintenance support to its property on the Waterfront.

The Company's financial performance in 2007 continued along the encouraging trend set from its first year of operations. The Company's Net Income for 2007 reflected a 120% increase over 2006. This result supports the trend in three key financial variables over the period 2001 to 2007. The trajectories of Net Profit Margin, Return on Assets and Return on Equity are depicted in the following graphs:

NATIONAL INSURANCE PROPERTY DEVELOPMENT AND MANAGEMENT COMPANY LIMITED (NIPRO)

% Holding by NIC	Business	Date Incorporated	Total Assets	Net Assets	Principal Officer
100%	Provides property development, management, and maintenance services	April 1999	$27.5 million	$7.2 million	Lancelot Arnold

Figure 6

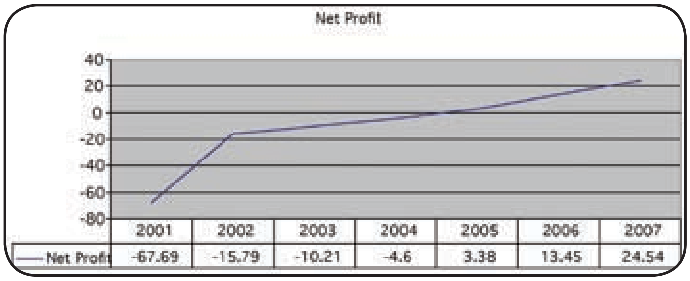


Figure 7

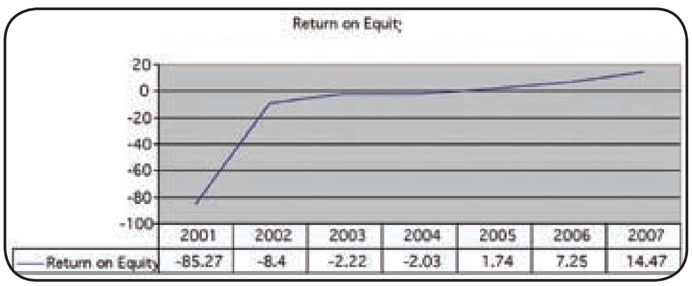
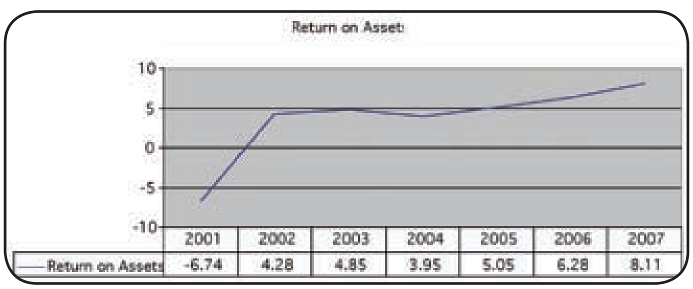


Figure 8



For each of Net Profits, Return on Equity , and Return on Assets, the company shows steady increase year after year, moving from a negative return in 2001 (as a fledgling entity) to a healthy ratio in 2007- 24.54% for Net Profit Margin, 14.47% for Return on Equity, and 8.11% for Return on Assets.

During the year, NIPRO completed the Micoud Police and Fire stations and commenced construction of the the Dennery and Richfond Police Stations. These projects are expected to be handed over by 30 June 2008.

ST. LUCIA MORTGAGE FINANCE COMPANY LTD. (SMFC)

% Holding by NIC	Business	Date Incorporated	Total Assets	Net Assets	Principal Officer
100%	Providing loans for the purchase, construction, extension, or completion of dwelling houses and the purchase of developed plots	January 1968	$ 37.8 million	$8.0 million	Orlando Martyr

The Company's activities continued its operations in conformance with the terms of an Operating Agreement with the Government of Saint Lucia. The Company was unsuccessful with its application to extend activities beyond the residential mortgage market and to entities other than individuals.

During the period under review, the residential mortgage market continued to be characterized by inadequate supply of affordable properties. Rising oil prices and the insatiable demand from the Asian economies affected not only the prices of building materials, but also the disposable incomes of existing and prospective borrowers. Competition for quality mortgage business remained intense.

Over the twelve month period, SMFC disbursed $6,695,407 bringing cumulative disbursements from inception to $135,370,627.

Total revenue for the Castries Car Park Facility Limited increased by 7% over 2006 to $2.6 million. However, the increase in profitability was considerably higher with Net Income boasting an improvement of 17% over the corresponding 2006 results, reflecting the success of the Company's cost containment measures.

The CCFL continues to register strong growth in utilization of the Car Park with ticket sales up 25% in 2007.

CASTRIES CAR PARK FACILITY LIMITED (CCFL)

% Holding by NIC	Business	Date Incorporated	Total Assets	Net Assets	Principal Officer
185%	Providing for car parking facilities and rental of space for office and developed plots commercial use	January 1998	$ 26.5 million	$11.0 million	NIPRO

CHAIRMAN'S REPORT

BLUE CORAL LIMITED

% Holding by NIC	Business	Date Incorporated	Total Assets	Net Assets	Principal Officer
66.67%	Rental of space for office and commercial use	April 2003	$ 34.3 million	$15.2 million	NIPRO

The refurbishment of the Blue Coral Building continued throughout the year to 30th June 2007. For various reasons, the project continues to fail to meet scheduled completion dates.

Applications for space far exceeded the number of rental units available and tenants have now been identified for all available units.

LEGISLATION

During the year, certain defects in the existing legislation were revealed; as a result, pension benefits for approximately twenty (20) persons were reinstated. The Board is undertaking a review of the act and regulations and it is expected that recommendations for improvements would be made as appropriate in the next financial year.

INVESTMENTS

The Board has recognized the need to spearhead some of the development plans as revealed by the Honourable Prime Minister. Strenuous efforts will be made to begin the implementation of some of those in the new year. It is expected that some of those local investments will redound to the benefit of the Corporation as well as the country as a whole.

The recent revelations concerning investments on the international markets continue to be of concern to us. We are continuing to monitor our investments overseas.

CONCLUSION

I take this opportunity to thank the Hon. Prime Minister, Minister of Finance and Social Security for the opportunity once again to serve the National Insurance Corporation.

Our appreciation is extended to our stakeholders whose invaluable contribution and support continue to guide the quality of service we provide.

The employer population has partnered effectively with us to ensure that the working population of St. Lucia is well protected in times of need. Your increased commitment to the NIC is greatly appreciated, and we at the NIC applaud you.

Particular tribute must be paid to the former members of the National Insurance Board and Investment Committee, who demonstrated strong commitment to the social security philosophy, and have worked effectively to improve the performance of the Corporation.

To my colleagues on the National Insurance Board, I would like to convey my heartfelt appreciation for your individual and collective commitment to the achievement of our corporate goals.

I also wish to thank the Director, Members of the Management Team and Staff for their unstinting dedication and service to the NIC and the people of St. Lucia. Without their input the NIC would not have achieved its operational and financial objectives.

And to you, the insured population of St. Lucia, I reiterate our unwavering commitment to channel our energies towards meeting your expectations, and to ensuring greater social protection, efficiency and accountability in the administration of the National Insurance program.

Francis Compton
Chairman,
National Insurance Board

BOARD OF DIRECTORS

Mr Francis Compton
Chairman

Mr Isaac Anthony
Deputy Chairman

Ms. Emma Hippolyte
Director

Mr Andre Chastanet
Member

Mr Roderick Clarke
Member

Mr Lawrence Poytte
Member

Ms Esther St. Marie
Member

COMMITTEES

INVESTMENT COMMITTEE

Mr. Isaac Anthony
Chairman

Mr. Nicholas Jhon
Member

Mr. Bertram Clarke
Member

Mr Matthew Lincoln Maturin
Member

Ms Emma Hippolyte
Director

AUDIT COMMITTEE

Mr. Francis Compton
Chairman

Mr. Lawrence Poyotte
Member

Mr Andre Chastanet
Member

HUMAN RESOURCE COMMITTEE

Mr. Roderick Clarke
Chairman

Ms. Esther St. Marie
Member

MANAGEMENT TEAM

Ms Emma Hippolyte
Director

Mr Matthew Lincoln Maturin
Deputy Director

Mr Augustin Louis
Marketing & Corp. Comm. Manager

Mr Desmond Dujon-Henry
Computer Systems Manager

Mrs Callixta Branford
Internal Auditor

Mrs Cadie St Rose-Albertini
Senior Legal Counsel

Mrs Paula Bleasdille
Accauntant

Mr Albert Cenac
Statistician / Research Manager

Ms Allison Delmede
Human Resource Manager

Ms Mary Bruce
Personal Assistant to the Director

SUPERVISORS

Ms Merle Regis
Records Department

Ms Calixte Emmanuel
Compliance Department

Mr Bernard Junkie
Vieux Fort Sub Office

Mrs Relle Hippolyte
Public Relations

Mr Robert Innocent
Soufriere Sub Office

Mr Timothy John
Security Service

Ms Joan Leon
Customer Service

OUR VALUED STAFF

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ANNUAL STATISTICS REVIEW

July 2006 – June 2007

NATIONAL INSURANCE CORPORATION

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JULY 2006 - JUNE 2007

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EXPLANATORY NOTES AND SYMBOLS

CONTRIBUTION	Refers to the contribution of employers and employees.
INDUSTRIAL CLASSIFICATION	Refers to the international standard industrial classification of all economic activities.
INSURED PERSONS	Refers to all registered persons with at least one month's contribution.
ACTIVE INSURED	Refers to all registered persons who have paid at least one month's contribution in the review period
NEW ENTRANTS	Refers to a person who was registered for the first time with the National Insurance in the review period.
BENEFITS	Includes any benefit, grant, allowance or pension payable under National Insurance Corporation Act.
C3 FORM	Refers to a form that is sent to employers by the National Insurance on a monthly basis, contribution deduction per employee and employer's matching contributions.
PENSION IN-PAYMENT	Refers to pensions in-force at the end of the period in review.
ACTIVE EMPLOYERS	Refers to employers registered with the National Insurance and in operation during the review period.
CLOSED EMPLOYERS	Refers to employers registered with the National Insurance who were not in operation at the end of the review Period.
CURRENT CONTRIBUTIONS	Refers to contributions collected for a given month within the required time frame (before the 8th of the following month).
PAST-DUE CONTRIBUTIONS	Refers to contributions collected for a given month after the required time frame.
CONTRIBUTING EMPLOYERS	Refers to employers who paid contributions to the National Insurance corporation during the review period.
SELF-EMPLOYED	A person who carries on any trade or business enterprise, including professional services or any other lawful activity which generates an income, is over 16 years and is ordinarily resident in St Lucia.
VOLUNTARY CONTRIBUTOR	A person who is below pensionable age, resides in St Lucia, has 60 months contributions, and is not eligible for payment of contributions in respect of insurable employment under the NIC Act.

LISTING OF GRAPHS AND TABLES

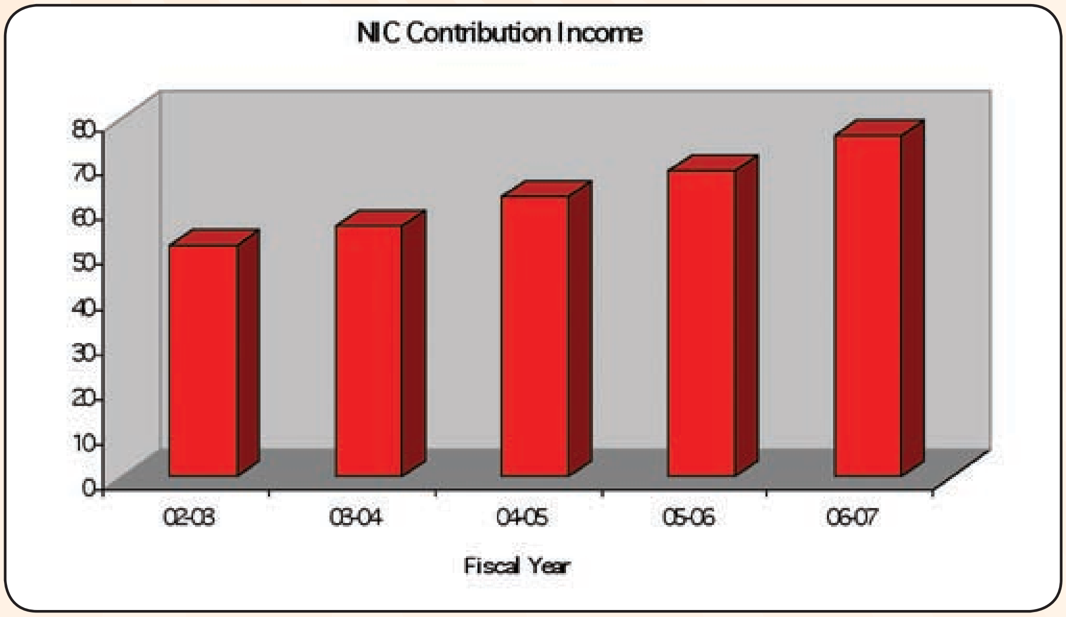
1. CONTRIBUTION INCOME

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

During the fiscal year ended June 2007, National Insurance Corporation's contribution income recorded significant increase of 11.44% to an all time high of $76.45M; current contributions accounted for 50.94% or $38.94M and arrears (past-due contributions) accounted for 49.06% or $37.51M. Contribution income in the review period was collected from 3,305 employers on behalf of approximately 47,900 active contributors. The increase in contribution income was attributable to the following:

1. 9.59% increase in the active insured population;
2. 3,599 new contributors or new entrants were recorded in the review period;
3. Continued improvement in the collection of past-due contribution income;
4. 4.98% increase in contributing employers;
5. 5.49% increase in the active contributors average insurable earnings;
6. 18.72% growth in current contribution income;
7. 4.78% growth in past-due contribution income.

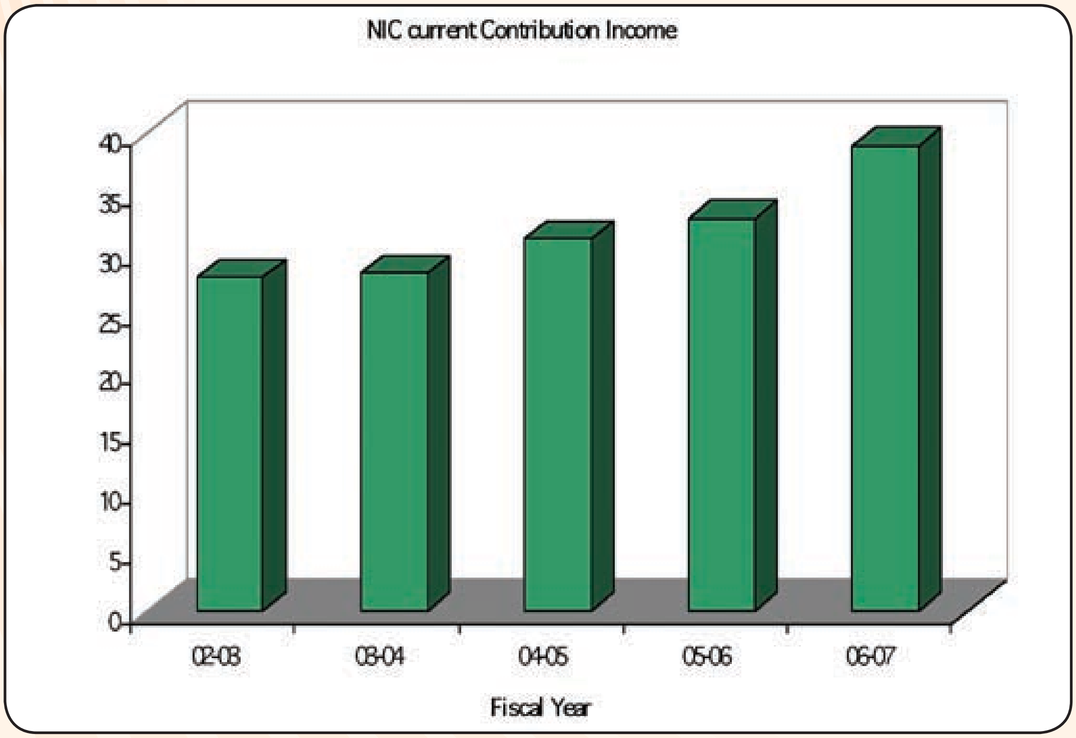
Graph 1



ANNUAL STATISTICS REVIEW

During the fiscal period in review, the NIC recorded its best performance in the collection of current contribution; current contribution income increased by $6.14M (18.72%) to $38.94M following a 14.05% increase in 2005 – 2006. Arrears collected in the review period grew by $1.71M or 4.67% to $37.51M.

Graph 2



Of the $37.51M past-due contributions collected, 9.97% were in respect of the periods prior to July 2006 and 90.03% were in respect of the period under review. Further analysis indicated that, 96.11% of expected contributions ($76.10M) were collected during the review period, July 2006 – June 2007. When compared to the previous fiscal year (July 2005 – June 2006), the above performance was an increase of 2.66%. The above also implied that, while on average 51.27% of expected monthly contributions were collected on time, only 4.89% of total expected contributions for the period July 2006-June 2007 were not collected by the NIC.

Distribution of contribution income on the basis of industrial classification showed increases in contribution income from all sectors of the economy by over 5%; this was a record performance for the NIC. Contribution income from the utility, mining/quarrying and public administration sectors recorded increases of 28.36%, 33.81% and 20.19% respectively. Other significant performances came from the construction, manufacturing and social service sectors; increases of over 16% in contribution income were recorded by each sector. Growths recorded from the other industrial sectors are outlined below:

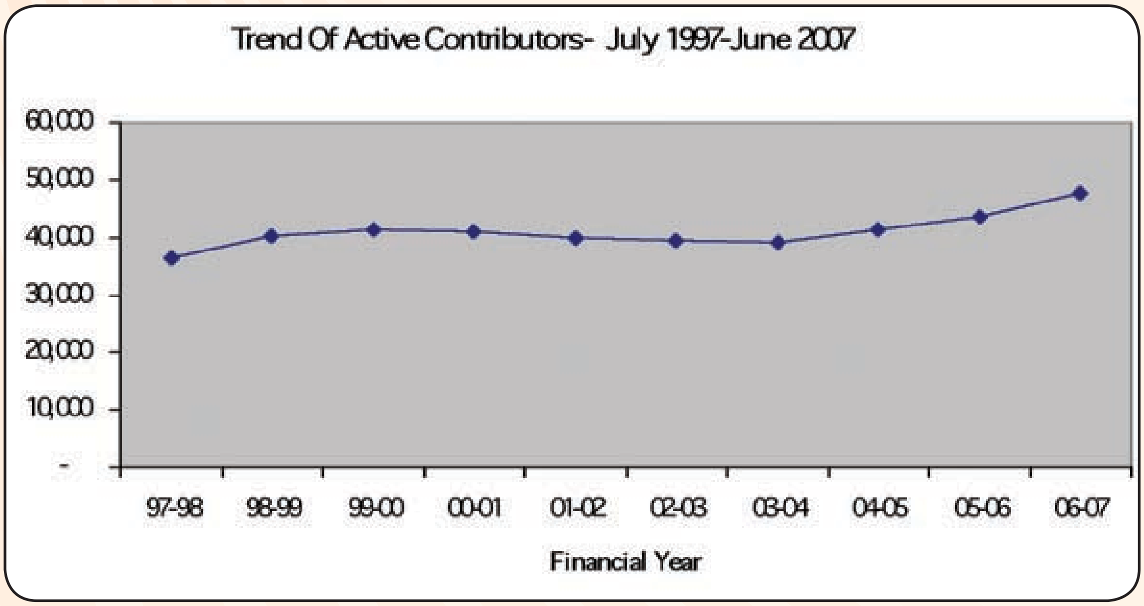
1. Real Estate, Renting and Business Services – 11.08%;
2. Wholesale and Retail – 9.10%;
3. Financial Intermediations – 8.19%;
4. Transport, Storage and Communication – 7.84%;
5. Agriculture – 5.15% and
6. Hotels and Restaurants – 5.05%

2. INSURED POPULATION

In the review period, NIC's insured population increased by 3.18% to 125,333. The insured population comprised 38.20% active contributors and 61.80% inactive contributors. Correspondingly, active contributors consisted of 47,871 formal sector (private and public) employees, 957 self-employed and 141 voluntary contributors. The active insured population grew by 9.59% to an all time high of 47,871 – 50.40% or 24,125 were females and 49.60% or 23, 746 were males.

In the review period, active insured persons accounted for 67.40% of the country's employed population (71,030), an increase of approximately 3.85 percentage points over the previous year. Notwithstanding the increase in employment level, active insured's average employment duration or contribution density, remained relatively stable at approximately 9 months. The graph below shows the trend of active contributors during the last ten years (1997-2007).

Graph 3



2.10 Formal Sector Active Insured

Active insured from the formal employment sector also recorded its highest rate of growth of 9.59% or an increase of 4,191 active employees over the previous fiscal year. This strong performance was mainly the result of corresponding employment rise in the following industrial sectors:

- The Mining and Quarrying industry grew a great deal with the employment level almost doubling in size in the review period. An increase in the number of active insured persons in this sector from 133 to 265 has led to a 99.25% increase. The Construction sector increased by 30.73% to record its highest level employment of approximately 4,000.

- Despite a decrease in the Agriculture, Hunting, Forestry and Fishing sector in the fiscal period 2005-2006, 35 more persons have led to a slender increase of 3.96% with the sum of employees now at 919.

- Consistent growth within the Wholesale and Retail Trade sector triumphs once again in this review period with further employment of 757 employees or an increase of 10.4% to 8,035. The same could be said about the Restaurants and Hotels industry which grew by 979 or 11.56% to 9,446 active insured.

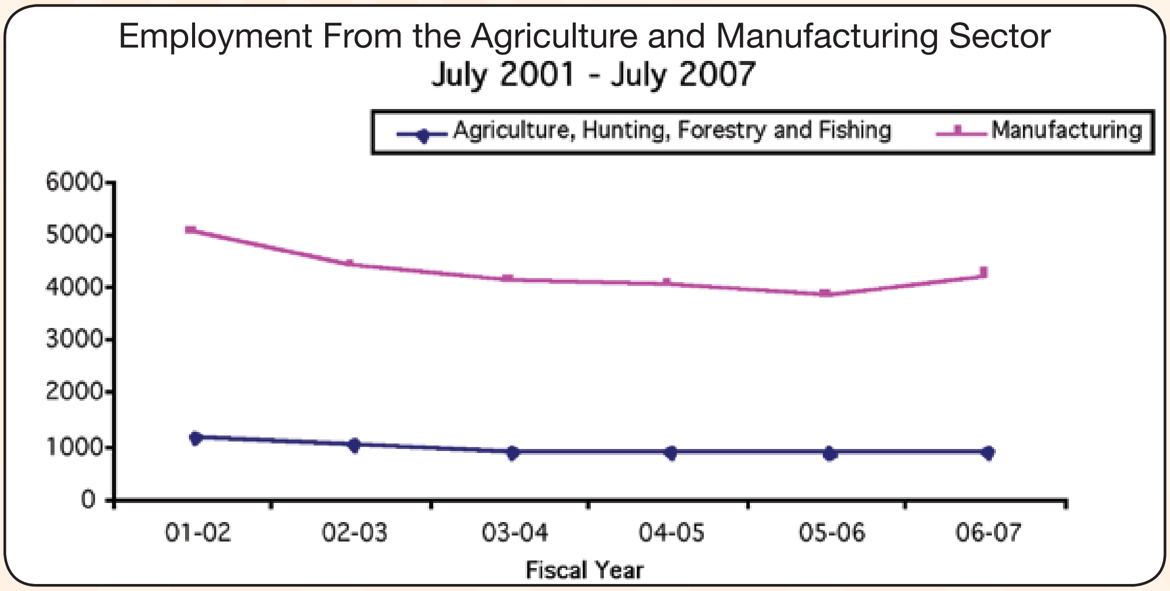
- After recording contractions in the fiscal period 2005-2006 of 5.65%, the Manufacturing sector experienced growth of 11.16% with a tally of 3,306. Employment in the Real Estate/Business Services also increased by 10.01% to 3,021.

- Active insured from the Social Services industry experienced further growth of 5.48% or 178 to an aggregate of 3,425.

- Other economic sectors which recorded increases in their employment levels include; Electricity, Gas and Water – 0.4%, Transport, Storage and Communication – 10.22%, Public Administration – 3.59% and Self-Employed – 10.38%.

In comparison to other fiscal periods which recorded consecutive contractions for both the Agriculture & Manufacturing sectors, this review period has shown quite the opposite. For the first time in the last decade, the number of active insured in those sectors experienced some growth. Employment grew in the Agriculture sector by 3.96% whilst the Manufacturing sector managed to achieve an 11.16% increase. This is indeed positive feedback for both industries. Figure 4 below shows the employment levels in these two sectors (Agriculture and Manufacturing).

Figure 4



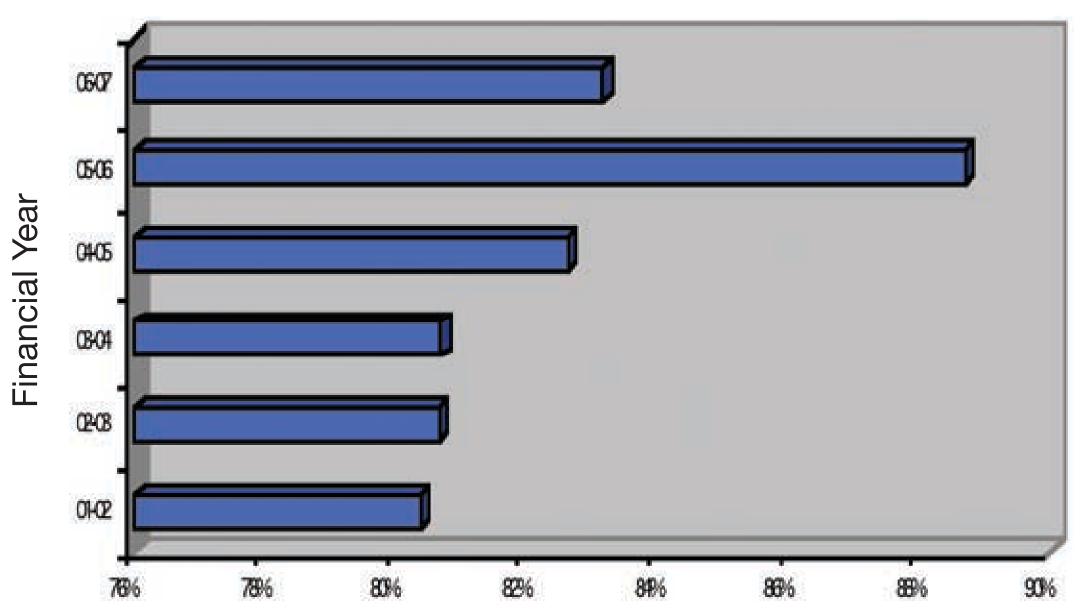
New entrants refer to persons who paid contributions to the NIC for the first time irrespective of date of registration. The growth of this category of active contributors depends inter alia on the availability of employment primarily within the formal sector (economic sectors). In the review period, 4,089 new entrants were recorded; the performance was an increase of approximately 7% compared to the previous year and accounted for 8.54% of the active insured population.

3. EMPLOYERS' ACTIVITIES

As at June 2007, the N.I.C. had 8,873 registered employers; 37.41% (3,319) of them were active, 5,338 were closed and 216 were dormant. To a very large extent, the number of active employers is dependent on appropriate conditions that would stimulate the emergence of new businesses and the rate at which employers/businesses are closed. During the period July 2006 – June 2007, 268 employers ceased operation whilst 361 new businesses were registered with the NIC. The net effect was a 1.81% increase in the number of active employers recorded at June 30th, 2007.

During the fiscal year in review, 3,035 employers paid contributions totaling $76.45M on behalf of 46,771 formal sector employees. Contributing employers grew by 4.98% and accounted for approximately 91.44% of the active employer population – an improvement of 2.44% over the previous year. Figure 5 illustrates the proportion of active employers who paid contributions during the last five years.

Figure 5

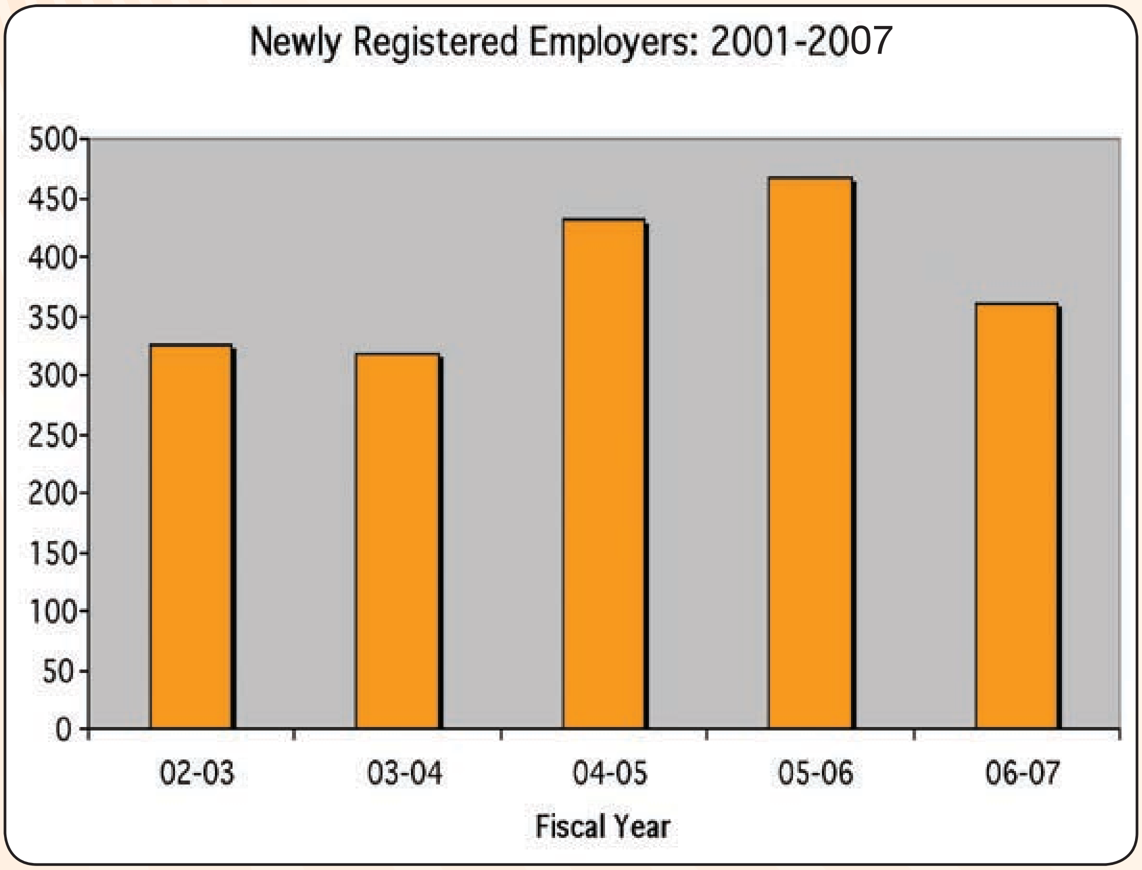


Further analysis of contributing employers on the basis of industrial classification showed that for the review period, approximately 44% of contributing employers were from the service industries (community/social/personal, real-estate/business services, financial), public administration accounted for 8%, utility/manufacturing/construction and agriculture accounted for 16%, wholesale/retail trade and transport/communication accounted for 23% and restaurants/hotels accounted for 9%.

3.1 Newly Registered Businesses/Employers

During the fiscal period under review, a total of 361 employers registered with the NIC; this number was 22.53% lower than that of the previous financial year. Distribution of new employers on the basis of industrial classifications for the period July 2006 – June 2007 showed the following: Wholesale/Retail and Community/Social/Personal Services sectors accounted for 44%, Hotels/Restaurants – 12%, Real-Estates/Business Services and Manufacturing – 11% and 4% respectively, Construction – 13%, Transport and Communication – 6% and other sectors accounted for approximately 9%. Figure 6 below illustrates the registration of new employers during the last five years.

Figure 6

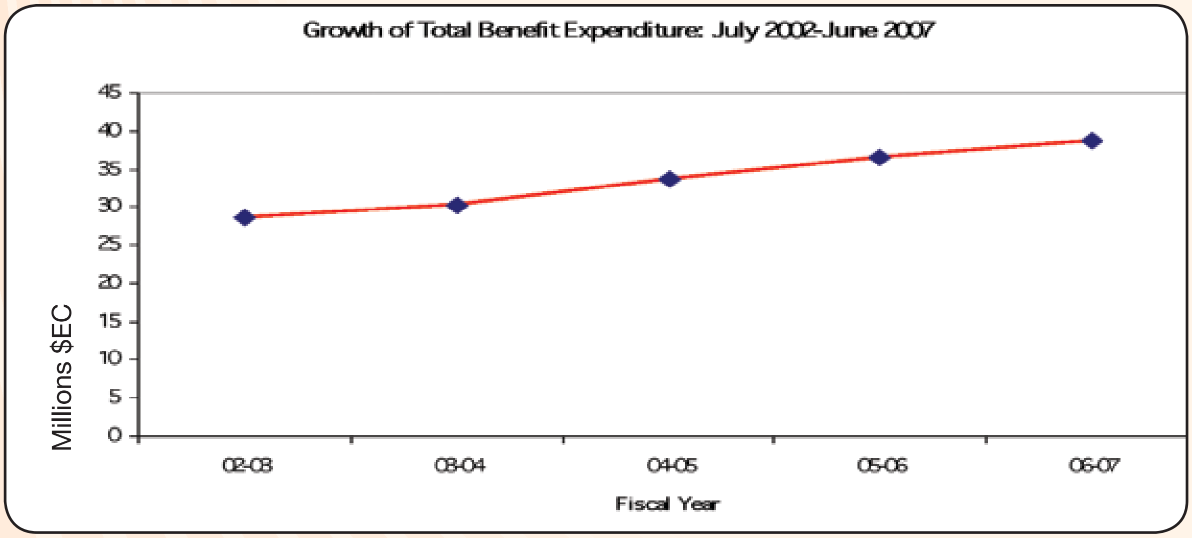


4. NIC BENEFITS EXPENDITURE

The NIC offers its contributors a benefit basket within two main branches, namely: short-term and long-term benefits.

Short-term benefits offered by the National Insurance Corporation include employment injury, funeral grant, maternity allowance, maternity grant, medical expenses and sickness allowance. The long-term benefit branch, include Disablement Pension, Invalidity Pension, Retirement Pension, Survivor's Pension, Disablement Grant, Invalidity Grant, Retirement Grant and Survivor's Grant. In the review period (July 2006 – June 2007), a total of 14,065 claims (Pensions, grants and short-term claims) were paid at a cost of $38.77M. When compared to the previous fiscal years, claims paid increased by 6.59% whilst total benefits expenditure rose by approximately $2.29M or 6.27%. The above increase in benefits expenditure was mainly due to an 8.19% rise in short-term claims and pensions awarded.

Figure 7



4.1 Short Term Benefits:

In July 2006-June 2007, 8,769 short-term claims were paid at a cost of $8.42M. The number of claims paid rose by 8.19% whilst cost of short-term benefits recorded an 8.15% increase over the previous year. The growth in short-term claims was primarily the effect of growth in sickness allowances and maternity benefits of 9.37% and 5.5% respectively.

4.2 Long Term Benefits:

During the year in review (July 2006-June 2007), a total of 5,296 long-term claims were paid at a cost of $30.50M. While the cost of long-term benefits grew by 6.27%, this growth was approximately 4 percentage points below that of the previous financial year.

The pensions offered by the National Insurance Corporation include retirement, survivors, invalidity and disablement. Collectively, during the financial year ended June 2007, 4,878 were paid at a cost of $29.35M. Cost of pensions grew by 5.87% or $1.63M whilst the number pensions paid raised by 2.98%. Distribution of total pensions' expenditure by type showed that retirement accounted for 80.13%, survivors – 11.64%, invalidity – 8.06% and disablement accounted for 0.17%.

During the period July 2006-June 2007, a total of 404 pensions were awarded: retirement accounted for 255, survivors – 109, invalidity – 39 and disability – 1. Although there is an increasing pattern for new pensions, it is not steady from year to year. In the review period, pensions awarded were 17.55% below that of the previous year. For the same period, a total of 242 pensions were terminated of which retirement accounted for 43.80%.

At the end of June 2006, 4,295 pensions were in-payment: 71.46% or 3,069 were retirement pensions, 22.58% or 970 were survivors pensions, 5.73% or 246 were invalidity pensions and 0.23% or 10 were disablement pensions.

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TABLE 1

NATIONAL INSURANCE CONTRIBUTION INCOME
(July 2002 - June 2007)

Financial Year	Current M $EC	%	Past - Due M $EC	%	Total M $EC	%
July 2002 - June 2003	27.84	53.58%	24.12	46.42%	51.96	100.00%
July 2003 – June 2004	28.28	50.27%	27.98	49.73%	56.26	100.00%
July 2004 – June 2005	31.17	49.82%	31.39	50.18%	62.56	100.00%
July 2005 – June 2006	32.80	47.81%	35.80	52.19%	68.60	100.00%
July 2006 – June 2007	38.94	50.94%	37.51	49.06%	76.45	100.00%

TABLE 2

CONTRIBUTION INCOME BY ECONOMIC SECTOR
(July 2002 - June 2007)

Economic Sector	Financial Year				
	02 - 03	03 - 04	04 - 05	05 - 06	06 - 07
Agriculture, Hunting, Forestry and Fishing	983,207	1,021,627	1,148,321	1,054,447	1,108,715
Mining and Quarrying	126,972	123,911	176,074	220,053	294,446
Manufacturing	3,673,109	3,943,022	4,153,284	4,136,296	4,799,180
Electricity, Gas and Water supply	2,542,097	2,367,818	2,375,384	2,382,528	3,058,126
Construction	1,917,071	2,293,577	3,251,056	4,391,877	5,095,242
Wholesale and Retail Trade	7,500,882	7,629,967	8,899,472	9,395,886	10,250,712
Restaurants and Hotels	11,063,479	12,182,250	12,782,289	14,676,219	15,416,856
Transport, Storage and Communication	3,806,476	4,165,622	4,644,799	5,213,370	5,622,278
Financial Intermediations	4,752,111	4,950,685	5,578,208	5,822,190	6,299,023
Real-estate/ Renting /Business Services	4,191,537	4,088,865	4,852,013	5,321,347	5,911,021
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	7,330,719	8,889,062	11,003,648	11,614,913	13,960,253
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	3,067,265	3,321,951	3,613,779	3,687,733	4,310,879
Activities not adequately defined	1,006,568	1,280,673	96,815	177,182	324,525
Total	**51,961,494**	**56,259,031**	**62,575,143**	**68,094,040**	**76,451,256**

TABLE 3

ACTIVE INSURED POPULATION BY INDUSTRIAL CLASSIFICATION

July 2002 - June 2007

Economic Sector	Financial Year				
	02 - 03	03 - 04	04 - 05	05 - 06	06 - 07
Agriculture, Hunting, Forestry and Fishing	1046	925	905	884	919
Mining and Quarrying	78	92	102	133	265
Manufacturing	3354	3212	3,152	2974	3306
Electricity, Gas and Water supply	735	734	716	754	757
Construction	2065	1804	2,463	3056	3995
Wholesale and Retail Trade	6699	7023	7,211	7278	8035
Restaurants and Hotels	6996	7091	7,852	8467	9446
Transport, Storage and Communication	2810	2536	2,835	2827	3116
Financial Intermediations	2372	2435	2,572	2593	2583
Real-estate/ Renting /Business Services	2855	2550	2,492	2746	3021
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	5820	6108	6,484	7410	7676
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2603	2577	2,880	3247	3425
Self-employed	901	955	907	867	957
Voluntary Contributors	228	242	207	165	141
Activities not adequately defined	860	959	469	279	229
Total	39,422	39,245	41,247	43,680	47,871

TABLE 4

REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION AND STATUS AS AT 30TH JUNE 2007

Economic Sector	Status			Total
	Active	Closed	Dormant	
Agriculture, Hunting, Forestry and Fishing	142	302	3	447
Mining and Quarrying	7	13	-	20
Manufacturing	241	397	12	650
Electricity, Gas and Water supply	17	18	3	38
Construction	175	470	23	668
Wholesale and Retail Trade	610	873	37	1,520
Restaurants and Hotels	335	530	21	886
Transport, Storage and Communication	156	166	8	330
Financial Intermediations	110	92	3	205
Real-Estates, Renting and Business Services	377	501	23	901
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	224	232	9	465
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	816	1,570	68	2,454
Activities not adequately defined	109	174	6	289
Total	3,319	5,338	216	8,873

TABLE 5

ACTIVE EMPLOYERS BY INDUSTRIAL CLASSIFICATION

(June 2003 - June 2007)

Economic Sector	June '03	June '04	June '05	June '06	June '07
Agriculture, Hunting, Forestry and Fishing	170	177	174	141	142
Mining and Quarrying	8	8	7	7	7
Manufacturing	237	237	253	242	241
Electricity, Gas and Water supply	16	15	15	15	17
Construction	120	115	126	148	175
Wholesale and Retail Trade	550	571	596	618	610
Restaurants and Hotels	310	317	321	328	335
Transport, Storage and Communication	149	150	158	146	156
Financial Intermediations	100	101	115	118	110
Real-Estates, Renting and Business Services	291	296	326	322	377
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	220	220	241	269	224
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	744	760	794	802	816
Activities not adequately defined	265	272	181	103	109
Total	3,180	3,239	3,307	3,259	3,319

TABLE 6

CONTRIBUTING EMPLOYERS BY INDUSTRIAL CLASSIFICATION
(June 2003 - June 2007)

Economic Sector	**Financial Year**				
	June '03	**June '04**	**June '05**	**June '06**	**June '07**
Agriculture, Hunting, Forestry and Fishing	126	131	128	134	125
Mining and Quarrying	5	5	6	8	6
Manufacturing	176	183	197	202	198
Electricity, Gas and Water supply	16	15	17	17	17
Construction	78	85	90	109	130
Wholesale and Retail Trade	457	469	496	560	564
Restaurants and Hotels	235	227	243	260	280
Transport, Storage and Communication	118	117	122	124	138
Financial Intermediations	93	97	112	109	110
Real-Estates, Renting and Business Services	236	241	266	287	304
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	208	209	223	237	241
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	649	680	747	799	820
Activities not adequately defined	168	154	85	45	102
Total	2,565	2,613	2,732	2,891	3,035

TABLE 7

NEWLY REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION
(June 2003 - June 2007)

Economic Sector	Financial Year				
	June '03	June '04	June '05	June '06	June '07
Agriculture, Hunting, Forestry and Fishing	8	14	27	12	9
Mining and Quarrying	0	2	1	0	0
Manufacturing	11	22	40	35	16
Electricity, Gas and Water supply	1	0	4	1	1
Construction	13	19	30	28	47
Wholesale and Retail Trade	59	63	60	96	50
Restaurants and Hotels	32	36	53	45	45
Transport, Storage and Communication	16	10	26	16	20
Financial Intermediations	9	-	5	10	1
Real-Estates, Renting and Business Services	21	23	26	38	41
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	18	12	17	20	11
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	70	91	137	129	110
Activities not adequately defined	67	26	6	36	10
Total	325	318	432	466	361

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TABLE 8

SHORT-TERM BENEFITS PAID BY TYPE
(June 2003 - June 2007)

Short-Term Benefits	Financial Year				
	02-03	**03-04**	**04-05**	**05-06**	**06-07**
Employment Injury	86	81	100	138	146
Sickness Allowance	4,285	5,995	5,853	6,251	6,837
Maternity Allowance	792	735	775	693	737
Maternity Grant	874	799	806	753	793
Funeral Grant	142	179	191	215	194
Medical Expenses*	28	41	60	55	62
Total	**6,207**	**7,830**	**7,785**	**8,105**	**8,769**

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

TABLE 9

SHORT-TERM BENEFITS PAID BY TYPE
(June 2003 - June 2007)

Short-Term Benefits	Financial Year				
	02-03	**03-04**	**04-05**	**05-06**	**06-07**
Employment Injury	53,526	70,188	85,114	118,418	154,371
Sickness Allowance	1,468,584	1,812,974	2,029,691	2,155,558	2,414,574
Maternity Allowance	1,666,551	1,511,264	1,694,820	1,670,889	2,000,174
Maternity Grant	534,000	487,050	488,800	454,200	486,000
Funeral Grant	243,200	308,800	330,821	371,313	336,800
Medical Expenses*	3,023,921	3,013,713	3,039,687	3,012,218	3,024,887
Total	**6,989,782**	**7,203,989**	**7,668,933**	**7,782,595**	**8,416,806**

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

TABLE 10

SHORT-TERM BENEFITS PAID BY TYPE
(June 2003 - June 2007)

Short-Term Benefits	Financial Year				
	02-03	03-04	04-05	05-06	06-07
Retirement Pension	2,589	2,761	3000	3182	3316
Survivors Pension	802	931	1068	1227	1227
Invalidity Pension	290	299	324	319	325
Disablement Pension	4	4	6	9	10
Retirement Grant	239	225	317	278	348
Survivors Grant	32	34	46	46	39
Invalidity Grant	26	2	11	29	27
Disablement Grant	2	-	4	1	4
Total	3,984	4,256	4,776	5,091	5,296

TABLE 11

SHORT-TERM BENEFITS PAID BY TYPE
(June 2003 - June 2007)

Short-Term Benefits	Financial Year				
	02-03	03-04	04-05	05-06	06-07
Retirement Pension	16,931,209	18,131,185	19,985,856	22,053,857	23,517,040
Survivors Pension	2,167,712	2,439,232	2,818,463	3,299,600	3,415,066
Invalidity Pension	2,007,196	2,098,643	2,290,714	2,321,090	2,365,623
Disablement Pension	22,547.01	22,547	36,917	47,697	50,980
Retirement Grant	359,598	364,322	756,915	801,159	934,693
Survivors Grant	78,914	85,498	101,924	89,252	117,243
Invalidity Grant	44,929.92	4,181.42	34,630	83,201	75,415
Disablement Grant	8,394.00	-	17,353	5,033	22,956
Total	21,620,500	23,145,608	26,042,771	28,700,888	30,499,016

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TABLE 12

PENSIONS IN-PAYMENT BY TYPE
(June 2003 - June 2007)

Long-Term Benefits	Financial Year				
	02-03	03-04	04-05	05-06	06-07
Retirement Pension	2,330	2,507	2,738	2,920	3,069
Survivors Pension	691	781	857	950	970
Invalidity Pension	244	250	243	254	246
Disablement Pension	4	4	6	9	10
Total	3,269	3,542	3,844	4,133	4,295

TABLE 13

MALE PENSIONS IN-PAYMENT BY TYPE
(June 2003 - June 2007)

Long-Term Benefits	Financial Year				
	02-03	03-04	04-05	05-06	06-07
Retirement Pension	1,396	1,490	1,626	1,718	1,768
Survivors Pension	146	167	195	212	199
Invalidity Pension	142	140	131	134	132
Disablement Pension	4	4	6	9	10
Total	1,688	1,801	1,958	2,073	2,109

TABLE 14

FEMALE PENSIONS IN-PAYMENT BY TYPE
(June 2003 - June 2007)

Pension	Financial Year				
	02-03	03-04	04-05	05-06	06-07
Retirement Pension	934	1,017	1,112	1,202	1,301
Survivors Pension	545	614	662	738	771
Invalidity Pension	102	110	112	120	114
Disablement Pension	-	-	-	-	-
Total	1,581	1,741	1,886	2,060	2,186

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TABLE 21

PENSIONS IN-PAYMENT BY TYPE
(June 2003 - June 2007)

Long-Term Benefits	Financial Year				
	02-03	**03-04**	**04-05**	**05-06**	**06-07**
Retirement Pension	2,589	2,761	3,000	3,182	3,316
Survivors Pension	802	931	1,068	1,227	1,227
Invalidity Pension	290	299	324	319	325
Disablement Pension	4	4	6	9	10
Total	3,685	3,995	4,398	4,737	4,878

TABLE 22

COST OF PENSIONS BY TYPE
(June 2003 - June 2007)

Pension	Financial Year				
	02-03	**03-04**	**04-05**	**05-06**	**06-07**
Retirement Pension	16,931,209	18,131,185	19,985,856	22,053,857	23,517,040
Survivors Pension	2,167,712	2,439,232	2,818,463	3,299,600	3,415,066
Invalidity Pension	2,007,196	2,098,643	2,290,714	2,321,090	2,365,623
Disablement Pension	22,547	22,547	36,917	47,697	50,980
Total	21,128,664	22,691,606	25,131,950	27,722,243	29,348,709

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TABLE 23

BENEFITS EXPENDITURE BY BRANCH
(June 2003 - June 2007)

Benefit Branch	Financial Year				
	02-03	03-04	04-05	05-06	06-07
LONG-TERM					
Retirement	17,290,807	18,495,507	20,742,771	22,855,016	24,451,733
Survivorship	2,246,626	2,524,730	2,920,386	3,388,852	3,388,852
Incapacitation	2,083,067	2,125,371	2,379,614	2,457,021	2,514,974
Sub-total	**21,620,500**	**23,145,608**	**26,042,771**	**28,700,888**	**30,355,559**
SHORT-TERM					
Employment Injury	53,526	70,188	85,114	118,418	154,371
Sickness	1,468,584	1,812,974	2,029,691	2,155,558	2,414,574
Maternity	2,200,551	1,998,314	2,183,620	2,125,089	2,486,174
Funeral	243,200	308,800	330,821	371,313	336,800
Medical Expenses*	3,023,921	3,013,713	3,039,687	3,012,218	3,024,887
Sub-total	**6,989,782**	**7,203,989**	**7,668,933**	**7,782,595**	**8,416,806**
Grand-total	**28,610,282**	**30,349,596**	**33,711,703**	**36,483,484**	**38,772,365**

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

TABLE 24

BENEFITS EXPENDITURE BY BRANCH
(June 2003 - June 2007)

Benefit Branch	Financial Year				
	02-03	03-04	04-05	05-06	06-07
LONG-TERM					
Retirement	2,828	2,986	3,317	3,460	3,664
Survivorship	834	965	1,114	1,273	1,266
Incapacitation	322	305	345	358	366
Sub-total	**3,984**	**4,256**	**4,776**	**5,091**	**5,296**
SHORT-TERM					
Employment Injury	86	81	100	138	146
Sickness	4,285	5,995	5,853	6,251	6,837
Maternity	1,666	1,534	1,581	1,446	1,530
Funeral	142	179	191	215	194
Medical Expenses*	28	41	60	55	62
Sub-total	**6,207**	**7,830**	**7,785**	**8,105**	**8,769**
Grand-total	**10,191**	**12,086**	**12,561**	**13,196**	**14,065**

NATIONAL INSURANCE CORPORATION

For the benefit of us all!

Consolidated Financial Statements

June 30, 2007

(expressed in Eastern Caribbean dollars)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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P.O. Box 1038
Basseterre
St. Kitts, W. I.
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March 11, 2008

Independent Auditor's Report

To the Board of Directors of
National Insurance Corporation

We have audited the accompanying consolidated financial statements of National Insurance Corporation (the Corporation) and its subsidiaries (together the Group) for the year ended June 30, 2007. These financial statements are the responsibility of the Group's management. 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 the audit to obtain reasonable assurance about 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Group's investment properties are carried at fair value. However, as explained in Note 10 to the consolidated financial statements, the carrying amounts of investment properties were not adjusted to fair value in the current year as the basis on which the current independent valuation reports were prepared was not sufficiently appropriate for us to determine whether any further adjustments to the carrying amounts were necessary.

In our opinion, except for he effects of the matters described in the preceding paragraph the accompanying consolidated financial statements have been prepared, in all material respects, in accordance with the basis set out in Note 2.

PricewaterhouseCoopers

Chartered Accountants

CONSOLIDATED BALANCE SHEET

As at June 30, 2007

(expressed in Eastern Caribbean dollars

	2007 $	2006 $
Assets		
Cash and cash equivalents (Note 5)	16,129,986	20,988,665
Financial assets:		
Debt securities held-to-maturity (Note 6)	516,645,426	475,943,680
Available-for-sale (Note 6)	563,400	563,400
Fair value through income (Note 6)	177,808,491	128,415,134
Loans and receivables (Notes 6, 7 & 8)	174,104,580	171,718,619
Intangible asset (Note 9)	4,707,519	4,186,074
Investment properties (Note 10)	178,223,070	163,256,409
Property, plant and equipment (Note 11)	4,867,452	4,484,018
Projects in progress (Note 12)	1,971,061	3,228,872
Total assets	1,075,020,985	972,784,871
Liabilities		
Trade and other payables (Note 13)	10,683,954	11,690,654
Borrowings (Note 14)	4,218,235	–
Current income tax liability	17,946	–
Total liabilities	14,920,135	11,690,654
Reserves		
Short-term benefits (Note 16)	29,612,180	24,738,834
Long-term benefits (Note 16)	992,690,134	904,246,928
Reserves (Note 17)	1,379,187	997,178
Retained earnings	27,691,942	22,526,664
	1,051,373,443	952,509,604
Minority interest in reserves	8,727,407	8,584,613
Total reserves	1,060,100,850	961,094,217
Total liabilities and reserves	1,075,020,985	972,784,871

Approved by the Board of Directors on March 11, 2008

________________ Chairman ________________ Director

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Contribution Income	**76,331,557**	68,449,298
Benefits paid		
Short-term benefits	**(5,483,227)**	(4,663,903)
Long-term benefits	**(30,392,757)**	(28,772,895)
Medical health programme	**(3,000,000)**	(3,000,000)
	(38,875,984)	(36,436,798)
Surplus of contribution over benefits	**37,455,573**	32,012,500
General and administrative expenses (Note 19)	**(11,579,677)**	(10,949,509)
Donations (Note 19)	**–**	(455,360)
	(11,579,677)	(11,404,869)
Income from operations	**25,875,896**	20,607,631
Other income		
Investment income - net (Note 18)	**70,622,928**	60,822,151
Others	**2,145,473**	2,007,465
	72,768,401	62,829,616
Excess of income over expenditure before taxation	**98,644,297**	83,437,247
Income tax expense (Note 22)	**(18,833)**	–
Excess of income over expenditure	**98,625,464**	83,437,247
Attributable to:		
Reserves	**98,536,562**	83,332,442
Minority interest	**88,902**	104,805
	98,625,464	83,437,247

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	Short-term Benefits $	Long-term Benefits $	Reserves $	Retained Earnings $	Minority Interest $	Total $
Balances at June 30, 2005	20,978,275	829,295,751	942,386	17,956,767	8,519,881	877,693,060
Excess of income over expenditure for the year	3,760,559	74,951,177	–	4,620,706	104,805	83,437,247
Transfer to statutory reserve (Note 17)	–	–	50,809	(50,809)	–	–
Loan fees collected (Note 17)	–	–	3,983	–	1,327	5,310
Dividends paid	–	–	–	–	(41,400)	(41,400)
Balances at June 30, 2006	24,738,834	904,246,928	997,178	22,526,664	8,584,613	961,094,217
Excess of income over expenditure for the year	4,873,346	88,443,206	–	5,220,010	88,902	98,625,464
Transfer to statutory reserve (Note 17)	–	–	54,732	(54,732)	–	–
Loan fees collected (Note 17)	–	–	25,561	–	8,520	34,081
Transfer to portfolio risk reserve (Note 17)	–	–	301,716	–	100,572	402,288
Dividends paid	–	–	–	–	(55,200)	(55,200)
Balances at June 30, 2007	29,612,180	992,690,134	1,379,187	27,691,942	8,727,407	1,060,100,850

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Cash flows from operating activities		
Excess of income over expenditure before taxation	**98,644,297**	83,437,247
Adjustments for:		
Interest income	**(43,930,886)**	(38,143,298)
Appreciation in value of financial assets at fair value through income	**(9,041,180)**	(19,165,585)
Dividend income	**(5,387,931)**	(4,663,092)
Provision for loan impairment	**1,385,336**	8,021,163
Depreciation	**832,288**	755,359
Loss/(gain) on disposal of property, plant and equipment	**2,250**	(20,679)
Operating income before working capital changes	**42,504,174**	30,221,115
Increase in loans and receivables	**(7,249,182)**	(35,923,885)
(Increase)/decrease in held-to-maturity financial assets	**(28,707,736)**	10,116,153
Decrease in available-for-sale financial assets	**–**	2,700,000
Increase in financial assets at fair value through income	**(40,352,177)**	(43,174,079)
(Decrease)/increase in trade and other payables	**(1,006,700)**	5,236,342
Cash used in operations	**(34,811,621)**	(30,824,354)
Interest received	**44,659,838**	35,609,125
Dividends received	**6,610,065**	3,440,958
Income tax paid	**(887)**	–
Net cash generated from operating activities	**16,457,395**	8,225,729
Cash flows from investing activities		
Additions to intangible asset	**(521,445)**	(1,853,545)
Improvements to investment properties	**(14,966,661)**	(6,997,239)
Decrease/(increase) in projects in progress	**1,257,811**	(232,132)
Purchase of property, plant and equipment	**(1,217,972)**	(1,352,019)
Proceeds from borrowings	**3,782,210**	–
Proceeds from disposal of property, plant and equipment	**–**	48,213
Net cash used in investing activities	**(11,666,057)**	(10,386,722)
Cash flows from financing activities		
Dividends paid to minority interest	**(55,200)**	(41,400)
Loan fees collected	**34,081**	5,310
Net cash used in financing activities	**(21,119)**	(36,090)
Net increase/(decrease) in cash and cash equivalents	**4,770,219**	(2,197,083)
Cash and cash equivalents, beginning of year	**26,049,306**	28,246,389
Cash, cash equivalents and bank overdraft, end of year (Note 5)	**30,819,525**	26,049,306

1 General information

The National Insurance Corporation (the Corporation) is engaged in the provision of social security services. The Corporation is governed by the National Insurance Corporation Act 2000 (No. 18 of 2000). Its registered office and principal place of business is Francis Compton Building, John Compton Highway, Castries, Saint Lucia.

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

(a) St. Lucia Mortgage Finance Company Limited
The principal activity of the company is to operate a mortgage finance company.

(b) National Insurance Property Development and Management Company Ltd.
The company is currently engaged in the development and management of the Government of Saint Lucia Build-Own-Lease-Transfer (BOLT) and refurbishment projects.

(c) Castries Car Park Facility Limited
The company provides car parking facilities, all other matters incidental thereto and rental of office block and commercial space.

(d) Blue Coral Limited
The company provides rental of office and commercial space.

2 Summary of significant accounting policies

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

Basis of Preparation
The consolidated financial statements are prepared in accordance with the accounting policies set out below. These policies comply with generally accepted accounting principles except for the cash basis of accounting for contributions and surcharges. The historical cost convention has been applied except that financial assets classified at fair value through income and investment properties are carried at fair value.

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

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

2 Summary of significant accounting policies…*continued*

Consolidation *...continued*

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

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

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

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

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

(a) Financial assets at fair value through income
This category has two sub-categories: financial assets held for trading and those designated at fair value through income at inception.

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

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

2 Summary of significant accounting policies…*continued*

Financial assets *...continued*
(a) Financial assets at fair value through income ...continued

- held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and

- managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through income (see Note 6 for additional details on the Group's portfolio structure).

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

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

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

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

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

Available-for-sale financial assets and financial assets at fair value through income are subsequently carried at fair value.

Financial assets *...continued*
(d) Available-for-sale financial assets ...continued

Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through income' category are included in the consolidated statement of income and expenditure in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of income and expenditure as net realised gains/losses on financial assets.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through income' category are presented in the statement of income and expenditure within investment income in the period in which they arise.

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

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

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

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

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

Impairment of Assets *...continued*

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

i. significant financial difficulty of the issuer or debtor;
ii. a breach of contract, such as a default or delinquency in payments;
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
iv. the disappearance of an active market for that financial asset because of financial difficulties; or
v. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   - adverse changes in the payment status of borrowers in the group; or
   - national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

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

(b) Financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the

Impairment of Assets *...continued*
(b) Financial assets carried at fair value ...continued

financial asset previously recognised in the consolidated statement of income and expenditure – is removed from equity and recognised in the consolidated statement of income and expenditure. Impairment losses recognised in the consolidated statement of income and expenditure on equity instruments are not subsequently reversed. The impairment loss is reversed through the consolidated statement of income and expenditure, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income and expenditure.

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

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

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

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

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

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

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

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

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

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

Investment Property *...continued*

use as investment property, or for which the market has become less active, continues to be measured at fair value.

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

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. The property is carried at fair value after initial recognition.

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

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

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

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

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

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

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

Property, plant and equipment *...continued*

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

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

Projects in progress
Projects in progress pertain to Build-Own-Lease-Transfer (BOLT) projects. These include all costs associated with the construction and furnishing of the buildings. Direct costs of construction are recognized when an interim valuation is done. On completion, they are accounted for as finance lease.

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

Recognition of income and expenses

(a) Contributions and surcharges
Contributions and surcharges reflect only amounts received from members at the balance sheet date, and do not include amounts due to the Group which had not been received.

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

(c) Interest income and expense
Interest income and expense for all interest-bearing financial instruments, including financial instruments measured at fair value through income, are recognised within 'investment income' (Note 16) in the consolidated statement of income and expenditure using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Other income and expenses
All other income and expenses are accounted for on the accrual basis.

2 Summary of significant accounting policies…*continued*

Basis of allocation

(a) Contribution income

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

	2007	2006
Short-term benefits fund	17%	17%
Long-term benefits fund	83%	83%
	100%	100%

(b) Investment income

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

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

(c) General and administrative expenses

General and administrative expenses are allocated in proportion to the sum of contributions and benefits.

(d) Other income

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

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

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

2 Summary of significant accounting policies…*continued*

Income tax *...continued*

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

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

Foreign Currency Transactions

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Comparatives

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

3 Management of financial risk

Financial risk

The Group is exposed to financial risk through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from its financial assets will not be sufficient to fund its obligations arising from claims. The important components of financial risk are currency risk, credit risk, liquidity risk, interest rate risk and fair value risk.

(a) Currency risk

The Group transacts internationally. Foreign currency transactions are primarily in United States dollars. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollars (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976.

3 Management of financial risk…*continued*

Financial risk *...continued*
(a) Currency risk ...continued

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's strategy of managing this risk is to limit foreign exchange exposure to Eastern Caribbean dollars, avoid speculation with an aim to keep a balanced portfolio and match foreign currency denominated assets with foreign currency denominated liabilities. The table below summarises the Group's exposure to foreign currency exchange rate risk at June 30, 2007.

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

	EC $	US $	Total $
As at June 30, 2007			
Assets			
Cash and cash equivalents	13,118,904	3,011,082	16,129,986
Financial assets:			
Debt securities held-to-maturity	476,920,874	39,724,552	516,645,426
Equity securities			
- Available-for-sale	563,400	–	563,400
- Fair value through income	87,980,839	89,827,652	177,808,491
Loans and receivables	174,104,580	–	174,104,580
Intangible asset	4,707,519	–	4,707,519
Investment properties	178,223,070	–	178,223,070
Property, plant and equipment	4,867,452	–	4,867,452
Projects in progress	1,971,061	–	1,971,061
Total assets	942,457,699	132,563,286	1,075,020,985
Liabilities			
Trade and other payables	10,683,954	–	10,683,954
Borrowings	4,218,235	–	4,218,235
Current income tax payable	17,946	–	17,946
	14,920,135	–	14,920,135
Net on balance sheet position	**927,537,564**	**132,563,286**	**1,060,100,850**

3 Management of financial risk ...*continued*

Financial risk *...continued*

(a) Currency risk ...continued

	EC $	US $	Total $
As at June 30, 2006			
Assets			
Cash and cash equivalents	20,988,665	–	20,988,665
Financial assets:			
Debt securities held-to-maturity	421,922,904	54,020,776	475,943,680
Equity securities			
- Available-for-sale	563,400	–	563,400
- Fair value through income	63,939,659	64,475,475	128,415,134
Loans and receivables	171,718,619	–	171,718,619
Intangible asset	4,186,074	–	4,186,074
Investment properties	163,256,409	–	163,256,409
Property, plant and equipment	4,484,018	–	4,484,018
Projects in progress	3,228,872	–	3,228,872
Total assets	854,288,620	118,496,251	972,784,871
Liabilities			
Trade and other payables	11,690,654	–	11,690,654
Net on balance sheet position	842,597,966	118,496,251	961,094,217

b) Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Group. The amount of the Group's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

Financial assets, which potentially expose the Group to concentrations of credit risk, consist primarily of investments.

Management believes that the significant credit risks that exist at June 30, 2007 are adequately managed.

(c) Liquidity risk

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

3 Management of financial risk ...*continued*

Financial risk *...continued*

(c) Liquidity risk

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	1 Year $	1-5 Years $	Over 5 Years $	Total $
As at June 30, 2007				
Assets				
Cash and cash equivalents	16,129,986	–	–	16,129,986
Financial assets:				
Debt securities held-to-maturity	358,676,706	57,977,647	99,991,073	516,645,426
Equity securities				
- Available-for-sale	563,400	–	–	563,400
- Fair value through income	177,808,491	–	–	177,808,491
Loans and receivables	10,556,387	67,710,123	95,838,070	174,104,580
Intangible asset	941,504	3,766,015	–	4,707,519
Investment properties	–	–	178,223,070	178,223,070
Property, plant and equipment	832,290	4,035,162	–	4,867,452
Projects in progress	–	–	1,971,061	1,971,061
Total assets	565,508,764	133,488,947	376,023,274	1,075,020,985
Liabilities				
Trade and other payables	10,683,954	–	–	10,683,954
Borrowings	436,025	1,037,441	2,744,769	4,218,235
Current income tax liability	17,946	–	–	17,946
Total liabilities	11,137,925	1,037,441	2,744,769	14,920,135
Net liquidity gap	**554,370,839**	**132,451,506**	**373,278,505**	**1,060,100,850**
As at June 30, 2006				
Assets				
Cash and cash equivalents	20,988,665	–	–	20,988,665
Financial assets:				
Debt securities held-to-maturity	272,676,335	–	203,267,345	475,943,680
Equity securities				
- Available-for-sale	563,400	–	–	563,400
- Fair value through income	128,415,134	–	–	128,415,134
Loans and receivables	16,583,925	66,259,658	88,875,036	171,718,619
Intangible asset	837,215	3,348,859	–	4,186,074
Investment properties	–	–	163,256,409	163,256,409
Property, plant and equipment	666,222	3,817,796	–	4,484,018
Projects in progress	–	–	3,228,872	3,228,872
Total assets	440,730,896	73,426,313	458,627,662	972,784,871
Liabilities				
Trade and other payables	11,690,654	–	–	11,690,654
Net liquidity gap	429,040,242	73,426,313	458,627,662	961,094,217

3 Management of financial risk …*continued*

Financial risk *...continued*

(d) Interest rate risk
The Group is exposed to interest rate risk primarily through its investment in held-to-maturity debt securities. Management believes that the significant interest rate risks that exist at June 30, 2007 are adequately managed.

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

4 Critical accounting estimates and judgments

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

Impairment of available-for-sale equity financial assets
The Group determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

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

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

Impairment of intangible assets
The assessment of impairment of intangible asset involves the determination of the intangible's fair value or value in use.

4 Critical accounting estimates and judgments …*continued*

Impairment of intangible assets ...continued

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

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

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5 Cash and cash equivalents

	2007 $	2006 $
Cash at bank and in hand	**11,630,978**	16,112,766
Short-term deposit	**4,499,008**	4,875,899
Total cash and cash equivalents	**16,129,986**	20,988,665

The effective interest rate on short-term bank deposits ranges from 2% to 6% (2006 - 2% to 6%) per annum.

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

	2007 $	2006 $
Cash and cash equivalents	**16,129,986**	20,988,665
Held-to-maturity financial assets (Note 6)	**15,125,564**	5,060,641
Bank overdraft (Note 14)	**(436,025)**	–
Total cash, cash equivalents and bank overdraft	**30,819,525**	26,049,306

6 Financial assets

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

	2007 $	2006 $
Held-to-maturity	**516,645,426**	475,943,680
Available-for-sale	**563,400**	563,400
Fair value through income	**177,808,491**	128,415,134
Loans and receivables (Note 7)	**174,104,580**	171,718,619
Total financial assets	**869,121,897**	776,640,833

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

	2007 $	2006 $
Held-to-maturity financial assets at amortised cost		
Debt securities - fixed interest rate:		
- Listed	**133,850,324**	133,808,567
- Unlisted	**367,669,538**	337,074,472
- Unlisted included in cash and cash equivalents (Note 5)	**15,125,564**	5,060,641
	516,645,426	475,943,680

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

Interest rates range from 4.5% to 11% (2006 - 3% to 11%).

	2007 $	2006 $
Available-for-sale financial assets		
Equity securities:		
- Unlisted	**563,400**	563,400

6 Financial assets ...*continued*

At the reporting date, there were no available-for-sale financial assets that were overdue but not impaired.

	2007 $	2006 $
Financial assets at fair value through income		
Equity securities:		
- Listed	**144,863,736**	89,887,843
Debt securities:		
- Listed	**32,944,755**	38,527,291
	177,808,491	128,415,134

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

Movements of the Group's financial assets are summarized as follow

	Held-to-Maturity $	Available-for-sale $	Fair value through income $	Loans and receivables $	Total $
At the beginning of 2006	479,698,011	3,263,400	66,075,466	141,360,775	690,397,652
Net additions	61,257,567	–	41,201,733	38,220,050	140,679,350
Disposals (sale and redemptions	(65,011,898)	(2,700,000)	–	–	(67,711,898)
Net increase in provisions for impairment	–	–	–	(7,862,206)	(7,862,206)
Net additions in managed accounts	–	–	1,972,350	–	1,972,350
Appreciation in value of equity instruments	–	–	19,165,585	–	19,165,585
At the end of 2006	475,943,680	563,400	128,415,134	171,718,619	776,640,833
At the beginning of 2007	475,943,680	563,400	128,415,134	171,718,619	776,640,833
Net additions	108,635,565	–	15,000,000	3,771,297	127,406,862
Disposals (sale and redemption)	(67,933,819)	–	–	–	
(67,933,819)					
Net increase in provisions for impairment	–	–	–	(1,385,336)	(1,385,336)
Net additions in managed accounts	–	–	25,352,177	–	25,352,177
Appreciation in value of equity instruments	–	–	9,041,180	–	9,041,180

7 Loans and receivables

	2007 $	2006 $
Loans and receivables:		
Loans to Government of Saint Lucia and statutory bodies	**82,726,029**	79,503,008
Less provision for impairment	**(21,729,249)**	(20,368,882)
	60,996,780	59,134,126
Other loans	**76,718,529**	81,513,624
Less provision for impairment	**(403,205)**	(780,527)
	76,315,324	80,733,097
	137,312,104	139,867,223
Other advances and receivables:		
Due from Government of Saint Lucia	**12,515,566**	11,414,060
Less provision for impairment	**(101,396)**	(1,153,065)
Finance lease receivables (Note 8)	**20,591,281**	16,352,110
Other receivables	**3,935,185**	5,419,539
Less provision for impairment	**(148,160)**	(181,248)
	36,792,476	31,851,396
Total loans and receivables	**174,104,580**	171,718,619
Current portion	**10,556,387**	16,583,925
Non-current portion	**163,548,193**	155,134,694

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

The Group has recognised a loss of $1,385,336 (2006 - $8,021,163) for the impairment of its loans and receivables during the year ended June 30, 2007. The loss has been included under investment income - net in the consolidated statement of income and expenditure.

Interest rates range from 4.0% to 8.25% (2006 - 4.0% to 9.0%).

8 Finance lease receivables

	2007 $	2006 $
Due from Government of Saint Lucia:		
Finance leases	19,337,057	15,655,811
Unpaid charges	1,254,224	696,299
	20,591,281	16,352,110
Finance leases - gross receivables	35,524,750	30,647,870
Unearned finance income	(16,187,693)	(14,992,059)
	19,337,057	15,655,811
Current receivables	952,721	735,221
Non-current receivables	18,384,336	14,920,590
	19,337,057	15,655,811
Gross receivables from finance leases:		
No later than 1 year	3,098,520	2,492,920
Later than 1 year and not later than 5 years	12,052,930	9,906,650
Later than 5 years	20,373,300	18,248,300
	35,524,750	30,647,870
Unearned future finance income on finance leases	(16,187,693)	(14,992,059)
Net investment in finance leases	19,337,057	15,655,811
The net investment in finance leases may be analysed as follows:		
No later than 1 year	952,721	735,221
Later than 1 year and not later than 5 years	4,533,956	3,948,955
Later than 5 years	13,850,380	10,971,635
	19,337,057	15,655,811

9 Intangible asset

The intangible asset represents a Mathematics Education Software. This is a venture between the Corporation and the Ministry of Education to design, develop and install customized Mathematics software for Saint Lucian students from Kindergarten to Grade 8. This venture is funded by the Corporation and will be managed by the Ministry of Education. The Corporation in return will receive royalties on the sale of the rights to use the software. All costs incurred towards the completion of design, development and installation of software will be accumulated and will be amortized on the basis of the expected useful life of the asset.

10 Investment properties

	2007 $	2006 $
Beginning of year	**163,256,409**	156,259,170
Additions	**14,966,661**	6,997,239
End of year	**178,223,070**	163,256,409

The Group's investment properties are carried at fair value. Valuation was not consistently performed every year and the last was conducted in September 2003.

In July 2007 a valuation was performed by independent valuers. This valuation was performed using a valuation method that is not consistent with the accepted valuation methods as considered by the International Accounting Standards Committee and issued by the International Valuation Standards Committee. Moreover, the valuation was not performed for all items of investment properties and other valuation techniques were not undertaken to determine its fair value. Therefore, adjustments to the carrying value of investment properties were not recorded during the year.

As a result of the foregoing matters, investment properties are carried either at cost or valuation based on the valuation conducted in September 2003. This is not in accordance with the accounting policy on investment properties as set out in Note 2, which requires all investment properties to be carried at fair value after initial recognition.

Total rental income and rental expense both at market rates recognized for the portion of investment properties occupied by the Group amounted to $761,928 (2006 - $761,928).

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

	2007 $	2006 $
Rental income	8,747,693	8,486,332
Direct operating expenses arising from investment properties that generate rental income	2,529,510	1,830,941

11 Property, plant and equipment

	Land & Building $	Leasehold Improvements $	Motor Vehicles $	Furniture & Equipment $	Computer Hardware $	Computer Software $	Generator $	Maintenance Equipment $	Total $
At June 30, 2005									
Cost	1,918,928	266,895	697,302	4,465,142	1,658,166	862,426	325,430	62,132	10,256,421
Accumulated depreciation	(46,200)	(131,447)	(466,111)	(3,173,920)	(1,369,149)	(801,953)	(325,430)	(27,319)	(6,341,529)
Net book amount	1,872,728	135,448	231,191	1,291,222	289,017	60,473	–	34,813	3,914,892
Year ended June 30, 2006									
Opening net book amount	1,872,728	135,448	231,191	1,291,222	289,017	60,473	–	34,813	3,914,892
Additions	799,129	–	156,506	219,901	66,627	107,338		–	2,518
1,352,019									
Disposals	–	(23,000)	–	(4,534)	–	–	–	–	(27,534)
Depreciation charge	(23,692)	(24,139)	(80,024)	(447,892)	(128,427)	(44,720)	–	(6,465)	(755,359)
Closing net book amount	2,648,165	88,309	307,673	1,058,697	227,217	123,091	–	30,866	4,484,018
At June 30, 2006									
Cost	2,718,057	243,895	853,808	4,652,012	1,724,793	969,764	325,430	64,650	11,552,409
Accumulated depreciation	(69,892)	(155,586)	(546,135)	(3,593,315)	(1,497,576)	(846,673)	(325,430)	(33,784)	(7,068,391)
Net book amount	2,648,165	88,309	307,673	1,058,697	227,217	123,091	–	30,866	4,484,018

11 Property, plant and equipment ...*continued*

	Land & Building $	Leasehold Improvements $	Motor Vehicles $	Furniture & Equipment $	Computer Hardware $	Computer Software $	Generator $	Maintenance Equipment $	Total $
At June 30, 2006									
Cost	2,718,057	243,895	853,808	4,652,012	1,724,793	969,764	325,430	64,650	11,552,409
Accumulated depreciation	(69,892)	(155,586)	(546,135)	(3,593,315)	(1,497,576)	(846,673)	(325,430)	(33,784)	(7,068,391)
Net book amount	2,648,165	88,309	307,673	1,058,697	227,217	123,091	–	30,866	4,484,018
Year ended June 30, 2007									
Opening net book amount	2,648,165	88,309	307,673	1,058,697	227,217	123,091	–	30,866	4,484,018
Additions	56,939	–	–	848,750	294,465	6,452	–	11,366	1,217,972
Disposals	–	–	–	(2,250)	–	–	–	–	(2,250)
Depreciation charge	(34,614)	(24,139)	(115,241)	(444,034)	(166,977)	(39,682)	–	(7,601)	(832,288)
Closing net book amount	2,670,490	64,170	192,432	1,461,163	354,705	89,861	–	34,631	4,867,452
At June 30, 2007									
Cost	2,774,996	241,395	621,893	5,476,274	2,019,258	976,216	325,430	76,016	12,511,478
Accumulated depreciation	(104,506)	(177,225)	(429,461)	(4,015,111)	(1,664,553)	(886,355)	(325,430)	(41,385)	(7,644,026)
Net book amount	**2,670,490**	**64,170**	**192,432**	**1,461,163**	**354,705**	**89,861**	**–**	**34,631**	**4,867,452**

12 Projects in progress

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

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

	2007 $	2006 $
Dennery police station	1,046,210	246,514
Vieux Fort multi-purpose court	924,851	114,883
Micoud fire station	–	1,497,374
Micoud police station	–	1,370,101
	1,971,061	3,228,872

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

	2007 $	2006 $
Micoud fire station	2,320,350	–
Micoud police station	2,168,950	–
Vieux Fort fire station	–	2,208,032
	4,489,300	2,208,032

13 Trade and other payables

	2007 $	2006 $
Trade payables	540,322	3,741,333
Benefit payables	767,912	581,500
Other liabilities	9,375,720	7,367,821
	10,683,954	11,690,654

14 Borrowings

	2007 $	2006 $
Bank overdraft (Note 5)	436,025	–
Bank borrowings	3,782,210	–
	4,218,235	–

The Group has the following undrawn borrowing facility:

	2007 $	2006 $
Fixed rate	2,472,433	–

Bank borrowings are secured by a registered mortgage debenture and hypothecary obligation for $7,000,000 over the Group's property on Bridge Street. The principal amount due bears interest at 8%.

15 Principal subsidiary undertakings

	2007 %	2006 %
St. Lucia Mortgage Finance Company Limited	75	75
Castries Car Park Facility Limited	85	85
National Insurance Property Development and Management Company Ltd. (NIPRO)	100	100
Blue Coral Limited	66 2/3	66 2/3

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

16 Short-term and long-term benefit funds

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

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

17 Reserves

	Statutory Reserve $	Excess Loan Fees $	Portfolio Risk Reserve $	Total $
Balances at June 30, 2005	715,224	227,162	–	942,386
Transfer to statutory reserve	50,809	–	–	50,809
Loan fees collected	–	3,983	–	3,983
Dividends paid	–	–	–	–
Balances at June 30, 2006	766,033	231,145	–	997,178
Transfer to statutory reserve	54,732	–	–	54,732
Loan fees collected	–	25,561	–	25,561
Transfer to portfolio risk reserve	–	–	301,716	301,716
Balances at June 30, 2007	**820,765**	**256,706**	**301,716**	**1,379,187**

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

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

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

18 Investment income - net

	2007 $	2006 $
Interest	**43,930,886**	38,143,298
Appreciation in value of equity instruments	**9,041,180**	19,165,585
Rental	**8,747,693**	8,486,332
Income from managed accounts	**7,561,733**	923,685
Dividend	**5,387,931**	4,663,092
Maintenance fees	**382,510**	425,528
Management fees	**225,073**	100,740
Parking fees	**249,904**	185,280
Development fees	**129,259**	100,878
	75,656,169	72,194,418
Expenses attributable to investment income (Note 19)	**5,033,241**	11,372,267
	70,622,928	60,822,151

19 Expenses by nature

	2007 $	2006 $
Employee benefits (Note 20)	8,077,175	7,731,775
Provision for loan impairment	1,385,336	8,021,163
Repairs and maintenance	1,292,355	763,009
Depreciation	832,288	755,359
Rent	774,006	797,188
Electricity, water and sewerage	747,686	671,924
Insurance	721,148	671,838
Public relations	522,606	443,337
Contribution to National Community Foundation	509,600	509,600
Stationery and printing	293,979	302,031
Postage and telephone	263,451	269,834
Security services	198,721	266,720
Overseas meetings and conferences	153,252	100,889
Professional and legal fees	147,306	191,587
Audit fees	125,685	132,626
Motor vehicle expenses	113,252	112,430
Board expenses	164,820	142,575
Subscriptions	73,801	70,494
Foreign exchange loss	67,526	211,713
Office and general expenses	62,888	52,348
Bank charges	31,739	22,344
Donations	22,371	475,374
Scholarships and quiz sponsorships	15,435	12,961
Medical board fees	9,935	6,075
Finance costs	4,719	35,141
Books and periodicals	1,482	2,675
Bad debts	356	316
Others	–	3,810
	16,612,918	22,777,136

Donations include an amount of $455,360 in 2006 relating to a donation to Victoria Hospital, to equip a three-bed recovery unit and two new operating rooms containing a six-bed intensive/cardiac care unit.

20 Employee benefit expense

	2007 $	2006 $
Salaries	6,796,103	6,499,944
Gratuities	345,662	285,254
Other staff cost	935,410	946,577
	8,077,175	7,731,775

21 Related party transactions

Key management compensation is as follows:

	2007 $	2006 $
Salaries and wages	1,672,918	1,580,957
Other benefits	284,463	207,022
	1,957,381	1,787,979

Year-end balances with related parties are as follows:

	2007 $	2006 $
Government of Saint Lucia and statutory bodies:		
Loans (Note 7)	82,726,029	79,503,008
Other advances and receivables (Note 7)	12,515,566	11,414,060
Finance lease receivables (Notes 7 and 8)	20,591,281	16,352,110

22 Taxation

	2007 $	2006 $
Current tax	18,833	–

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

	2007 $	2006 $
Excess of income over expenditure before taxation	98,644,297	83,437,247
Tax calculated at domestic tax rates applicable to profits of the respective companies	29,593,289	25,031,174
Tax effect of exempt income	(29,650,192)	(25,044,350)
Tax losses utilized	(18,833)	–
Effect of tax losses not recognised	75,868	3,524
Expenses not deductible for tax	18,701	9,652
	18,833	–

The weighted average applicable tax rate was 0.02% (2006 - 0.00%).

22 Taxation …*continued*

Deferred tax

The Group has a potential deferred tax asset relating to the subsidiary company, NIPRO which is detailed below:

	2007 $	2006 $
Accelerated capital allowances	**1,420**	(18,648)
Unutilised tax losses	**57,576**	230,881
	58,996	212,233

Subject to agreement with the Inland Revenue, the Group has unutilised tax losses from its subsidiary, NIPRO of $191,920, which may be carried forward and deducted against future taxable income within six years following the year in which the losses were incurred. The losses deducted are restricted to 50% of taxable income in any one year. The benefit of the tax losses has not been recognised as a result of the tax incentives and uncertainty of their recoverability.

The losses expire as follows:

	Losses $
2008	**39,370**
2009	**15,077**
2010	**115,903**
2011	**21,570**
	191,920

23 Actuarial review

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

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

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

23 Actuarial review …*continued*

the valuation date are:

(a) The population will increase from 158,000 in 2001 to just over 210,000 by 2063.

(b) The ageing of the general population will have a major impact on the ratio of workers to retirees. For the Corporation, it is projected that the number of contributors for each pensioner will fall from 11.0 in 2003 to only 2.2 in 2063.

(c) Contribution income is expected to be sufficient to meet total expenditure through 2023.

(d) Reserves are expected to begin decreasing in 2048 when total expenditure will exceed total income for the first time. In 2062, projected reserves will be depleted unless relevant measures are taken to reverse the projected trend.

(e) The pay-as-you-go rate, or the contribution rate that would be required to produce just enough income to meet expenditure if there is no fund will increase gradually from 6.9% in 2003 to 22.2% in 2063.

(f) Beginning 2003, 13.1% is the constant contribution rate that will make the present value of contributions equal to the present value of expenditure through 2063.

The next actuarial review will be conducted in October 2007.

24 Commitments

Loans and advances

As at the end of year, loans and receivables approved by the Group but not yet disbursed amounted to approximately $7,024,362 (2006 - $13,410,166).

Capital commitments

The Group had capital expenditure contracted at the balance sheet date but not yet incurred amounting to $1,613,355 in relation to the extension, renovation and refurbishment of the Blue Coral Building.

NATIONAL
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Additional Information to Consolidated Financial Statements

June 30, 2007

(expressed in Eastern Caribbean dollars)

PRICEWATERHOUSECOOPERS

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March 11, 2008

Additional Comments of Auditors

To the Board of Directors of
National Insurance Corporation

The accompanying consolidated schedules are presented as additional information only. In this respect, they do not form part of the consolidated financial statements of National Insurance Corporation (the Corporation) and its subsidiaries (together, the Group) for the year ended June 30, 2007 and hence are excluded from the opinion expressed in our report dated March 11, 2008 to the Board of Directors on such consolidated financial statements. The information on these schedules have been subject to audit procedures only to the extent necessary to express an opinion on the consolidated financial statements of the Group and, in our opinion, is fairly presented in all respects material to those consolidated financial statements.

PricewaterhouseCoopers

Chartered Accountants

NATIONAL INSURANCE CORPORATION

For the benefit of us all!

JULY 2006 - JUNE 2007

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	Short-term Benefits		Long-term Benefits		Retained Earnings		Total	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Contribution income	12,976,365	11,636,381	63,355,192	56,812,917	–	–	76,331,557	68,449,298
Benefits paid								
Short-term benefits	(5,483,227)	(4,663,903)	–	–	–	–	(5,483,227)	(4,663,903)
Long-term benefits	–	–	(30,392,757)	(28,772,895)	–	–	(30,392,757)	(28,772,895)
Medical health programme	(3,000,000)	(3,000,000)	–	–	–	–	(3,000,000)	(3,000,000)
	(8,483,227)	(7,663,903)	(30,392,757)	(28,772,895)	–	–	(38,875,984)	(36,436,798)
Surplus of contributions over benefits	4,493,138	3,972,478	32,962,435	28,040,022	–	–	37,455,573	32,012,500
General and administrative expenses	(1,627,465)	(1,543,960)	(7,109,714)	(6,846,587)	(2,842,498)	(2,558,962)	(11,579,677)	(10,949,509)
Donations	–	(455,360)	–	–	–	–	–	(455,360)
	(1,627,465)	(1,999,320)	(7,109,714)	(6,846,587)	(2,842,498)	(2,558,962)	(11,579,677)	(11,404,869)
Income from operations	2,865,673	1,973,158	25,852,721	21,193,435	(2,842,498)	(2,558,962)	25,875,896	20,607,631
Other income								
Investment income - net	1,666,436	1,330,216	60,924,443	52,217,172	8,032,049	7,274,763	70,622,928	
60,822,151								
Others	341,237	339,618	1,666,042	1,658,137	138,194	9,710	2,145,473	2,007,465
	2,007,673	1,669,834	62,590,485	53,875,309	8,170,243	7,284,473	72,768,401	
62,829,616								
Income tax expense	–	–	–	–	(18,833)	–	(18,833)	–
Excess of income over expenditure	4,873,346	3,642,992	88,443,206	75,068,744	5,308,912	4,725,511	98,625,464	83,437,247
Attributable to:								
Reserves	4,873,346	3,642,992	88,443,206	75,068,744	5,220,010	4,620,706	98,536,562	83,332,442
Minority interest	–	–	–	–	88,902	104,805	88,902	104,805

CONSOLIDATED SCHEDULE OF BENEFITS PAID

For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	Short-term Benefits		Long-term Benefits		Total	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Maternity	2,501,005	2,071,946	–	–	2,501,005	2,071,946
Sickness	2,464,480	2,102,756	–	–	2,464,480	2,102,756
Invalidity	–	–	2,400,616	2,430,102	2,400,616	2,430,102
Retirement	–	–	24,370,268	22,883,332	24,370,268	22,883,332
Survivorship	–	–	3,505,907	3,361,438	3,505,907	3,361,438
Funeral	345,599	355,563	–	–	345,599	355,563
Employment injury	149,896	119,876	–	–	149,896	119,876
Disablement	–	–	73,936	52,110	73,936	52,110
Death	–	–	42,030	45,913	42,030	45,913
Confinement fees & medical expenses	22,247	13,762	–	–	22,247	13,762
Total	**5,483,227**	**4,663,903**	**30,392,757**	**28,772,895**	**35,875,984**	**33,436,798**

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Salaries, wages and other employee benefits	**6,397,939**	6,134,373
Depreciation	**787,244**	711,452
Rent	**774,006**	797,188
Repairs and maintenance	**548,275**	360,234
Public relations	**522,606**	443,337
Contribution to National Community Foundation	**509,600**	509,600
Electricity, water and sewerage	**444,671**	352,264
Stationery and printing	**293,979**	302,031
Insurance	**290,669**	277,694
Postage and telephone	**263,451**	269,834
Professional and legal fees	**99,306**	93,697
Motor vehicle expenses	**92,465**	92,953
Audit fees	**84,143**	90,113
Overseas meetings and conferences	**84,000**	53,183
Board expenses	**130,853**	91,257
Subscriptions	**73,801**	70,494
Office and general expenses	**62,886**	52,348
Security	**33,746**	144,121
Bank charges	**31,739**	22,344
Donations	**22,371**	475,374
Scholarships and quiz sponsorships	**15,435**	12,961
Medical board fees	**9,935**	6,075
Finance costs	**4,719**	35,141
Books and periodicals	**1,482**	2,675
Bad debts	**356**	316
Property tax	**–**	3,810
	11,579,677	11,404,869

SCHEDULE OF INVESTMENT, INCOME AND EXPENSES

For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Income		
Interest	43,930,886	38,143,298
Appreciation in value of equity instruments	9,041,180	19,165,585
Rental	8,747,693	8,486,332
Income from managed accounts	7,561,733	923,685
Dividend	5,387,931	4,663,092
Maintenance fees	382,510	425,528
Management fees	225,073	100,740
Parking fees	249,904	185,280
Development fees	129,259	100,878
	75,656,169	72,194,418
Expenses		
Provision for loan impairment	1,385,336	8,021,163
Salaries and wages	1,679,236	1,597,402
Repairs and maintenance	744,080	402,775
Insurance	430,479	394,144
Electricity, water and sewerage	303,015	319,660
Foreign exchange loss	67,526	211,713
Security services	164,975	122,599
Professional and legal fees	48,000	97,890
Board expenses	33,967	51,318
Overseas meetings and conferences	69,254	47,706
Depreciation	45,044	43,907
Audit fees	41,542	42,513
Motor vehicle expenses	20,787	19,477
	5,033,241	11,372,267
Net investment income	70,622,928	60,822,151

CONSOLIDATED SCHEDULE OF UNPAID CONTRIBUTIONS

June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Public administration and defence, compulsory social security	**4,125,678**	6,468,512
Construction	**4,840,363**	4,457,165
Hotel and restaurant	**4,990,463**	4,353,153
Other community, social and personal service activities	**3,785,858**	3,558,262
Wholesale and retail trade	**2,462,557**	2,693,614
Transport, storage and communications	**2,951,213**	2,559,428
Manufacturing	**2,473,162**	2,338,201
Real estate, renting and business activities	**1,876,035**	1,997,759
Electricity, gas and water supply	**1,220,786**	1,936,170
Financial intermediation	**1,718,708**	1,579,114
Agriculture, hunting and forestry	**1,547,730**	1,462,263
Mining and quarrying	**208,852**	160,925
Private households with employed persons	**141,163**	136,521
Extra-territorial organization	**25,036**	30,154
Total	32,367,604	33,731,241

Total surcharges outstanding as at June 30, 2007 amount to $234,324,057 (2006 - $250,225,337). The National Insurance Corporation Board of Directors agreed to waive 90% of the surcharges outstanding as at September 30, 2000, should the arrears be settled in full. From October 1, 2000, surcharge has been accrued at 1.25% per month under the new legislation compared to the previous charge of 10% per month. Any new surcharges accrued subsequent to September 30, 2000 will be enforced by the Corporation.

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

NATIONAL
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For the benefit of us all!

Non-consolidated Financial Statements

June 30, 2007

(expressed in Eastern Caribbean dollars)

PRICEWATERHOUSECOOPERS

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March 11, 2008

Independent Auditor's Report

To the Board of Directors of
National Insurance Corporation

We have audited the accompanying non-consolidated financial statements of National Insurance Corporation (the Corporation) for the year ended June 30, 2007. These financial statements are the responsibility of the Corporation's management. 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 the audit to obtain reasonable assurance about 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Corporation's investment properties are carried at fair value. However, as explained in Note 10 to the non-consolidated financial statements, the carrying amounts of investment properties were not adjusted to fair value in the current year as the basis on which the current independent valuation reports were prepared was not sufficiently appropriate for us to determine whether any further adjustments to the carrying amounts were necessary.

In our opinion, except for he effects of the matters described in the preceding paragraph the accompanying non-consolidated financial statements have been prepared, in all material respects, in accordance with the basis set out in Note 2.

PricewaterhouseCoopers

Chartered Accountants

NON-CONSOLIDATED BALANCE SHEET

As at June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Assets		
Cash and cash equivalents (Note 5)	**13,763,115**	17,839,092
Financial assets:		
Debt securities held-to-maturity (Note 6)	**516,645,426**	475,943,680
Available-for-sale (Note 6)	**563,400**	563,400
Fair value through income (Note 6)	**177,808,491**	128,415,134
Loans and receivables (Notes 6 & 7)	**189,015,729**	185,183,368
Investments in subsidiaries (Note 8)	**28,281,949**	28,281,949
Intangible asset (Note 9)	**4,707,519**	4,186,074
Investment properties (Note 10)	**120,743,767**	115,636,978
Property, plant and equipment (Note 11)	**1,290,212**	1,149,118
Total assets	**1,052,819,608**	957,198,793
Liabilities		
Trade and other payables (Note 12)	**5,036,018**	7,434,432
Reserves		
Short-term benefits (Note 13)	**30,288,000**	25,286,774
Long-term benefits (Note 13)	**1,017,495,590**	924,477,587
Total reserves	**1,047,783,590**	949,764,361
Total liabilities and reserves	**1,052,819,608**	957,198,793

Approved by the Board of Directors on March 11, 2008

______________ Chairman ______________ Director

NON-CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Contribution income	**76,331,557**	68,449,298
Benefits paid		
Short-term benefits	**(5,483,227)**	(4,663,903)
Long-term benefits	**(30,392,757)**	(28,772,895)
Medical health programme	**(3,000,000)**	(3,000,000)
	(38,875,984)	(36,436,798)
Surplus of contribution over benefits	**37,455,573**	32,012,500
General and administrative expenses (Note 15)	**(8,737,179)**	(8,390,547)
Donations (Note 15)	**–**	(455,360)
	(8,737,179)	(8,845,907)
Income from operations	**28,718,394**	23,166,593
Other income		
Investment income - net (Note 14)	**67,274,900**	57,314,927
Others	**2,025,935**	2,033,755
	69,300,835	59,348,682
Excess of income over expenditure	**98,019,229**	82,515,275

NON-CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	Short-term Benefits $	Long-term Benefits $	Total $
Balances at June 30, 2005	21,544,069	845,705,017	867,249,086
Excess of income over expenditure for the year	3,742,705	78,772,570	82,515,275
Balances at June 30, 2006	25,286,774	924,477,587	949,764,361
Excess of income over expenditure for the year	5,001,226	93,018,003	98,019,229
Balances at June 30, 2007	30,288,000	1,017,495,590	1,047,783,590

NON-CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2007

(expressed in Eastern Caribbean dollars)

	2007 $	2006 $
Cash flows from operating activities		
Excess of income over expenditure	98,019,229	82,515,275
Adjustments for:		
Interest income	(42,778,985)	(36,734,288)
Appreciation in financial assets at fair value through income	(9,041,180)	(19,165,585)
Provision for loan impairment	6,260,367	7,855,601
Dividend income	(5,553,531)	(4,787,292)
Depreciation	514,664	511,430
Impairment loss recovered	(4,900,000)	–
Gain on disposal of property, plant and equipment	–	(20,679)
Operating income before working capital changes	42,520,564	30,174,462
Increase in loans and receivables	(8,180,439)	(42,730,497)
(Increase)/decrease in held-to-maturity financial assets	(28,707,736)	10,116,157
Decrease in available-for-sale financial assets	–	2,700,000
Increase in financial assets at fair value through income	(40,352,177)	(43,174,083)
(Decrease)/increase in trade and other payables	(2,398,414)	4,225,605
Cash used in operations	(37,118,202)	(38,688,356)
Interest received	42,615,375	33,649,121
Dividends received	6,775,765	3,565,058
Net cash generated from/(used in) operating activities	12,272,938	(1,474,177)
Cash flows from investing activities		
Additions to intangible asset	(521,445)	(1,853,545)
Improvements to investment properties	(5,106,789)	(246,592)
Purchase of property, plant and equipment	(655,758)	(260,620)
Proceeds on disposal of property, plant and equipment	–	20,679
Net cash used in investing activities	(6,283,992)	(2,340,078)
Net increase/(decrease) in cash and cash equivalents	5,988,946	(3,814,255)
Cash and cash equivalents, beginning of year (Note 5)	22,899,733	26,713,988
Cash and cash equivalents, end of year (Note 5)	28,888,679	22,899,733

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