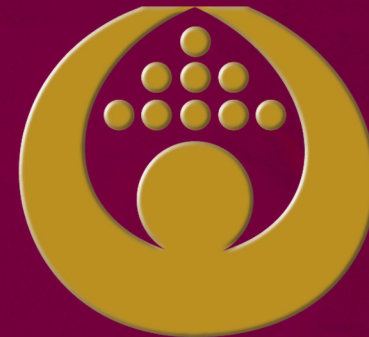




Strengthening the "Social" in Social Security



**NATIONAL
INSURANCE
CORPORATION**

For the benefit of us all!

ANNUAL REPORT 2002



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

Mission Statement

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

Never has the world changed so drastically as in the past few years - a world in crisis coupled with globalization has brought about a change in attitudes, and this has led to insecurity—insecurity both economically and socially.

We witness the effects of these social changes in the lives of everyday St Lucians and it is of paramount concern to us to effect a solution to these challenges—the plight of some members of society struggling to meet the costs of health care, both urgent and preventive; the family desperate to fund a child's educational requirements, and yet others who cannot provide themselves with the basic needs that the average person takes for granted.

There has to be a social safety net.

The strength of this net is our determined response to social change.

Strengthening the social in Social Security

It is with our innovative and creative diligence coupled with our willingness to work together that we will strive for effective ways of redressing these social imbalances.

We firmly believe that our combined actions in the social arena will determine the model of society that we want to create, not only for ourselves, but for future generations.

We at the National Insurance Corporation look forward to meeting the challenges ahead, with you - our social partners.

Let no-one fall through our social safety net.

Together we aspire, together we achieve - for the benefit of us all.

Corporate Data

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In today's evolving environment, even the world's most resilient institutions have paused to evaluate their relevance and revalidate themselves. Such is the challenge confronting us all, that emerging economies are facing more than their fair share of uncertainty in a hostile global arena.

While processes of internal and external evaluation are often painful, they also offer opportunities for improvement, renovation, and growth. Indeed, the imperative of growth, in its broadest interpretation, must remain our focus as a nation, seeking to earn our way in the world and prosper by our own efforts. By the same token, it is no longer feasible merely to be viable. Rationalization, improvement and growth are now watchwords for any institution with an eye on the future.

Nevertheless, as we adjust to the pressures of a turbulent external environment, we must also keep an eye on our own objectives as a society. We must maintain balance. We must remain mindful of the fact that objectives of efficiency and expansion are not ends in themselves. They are the means by which we hope to improve the quality of our society and the lives of individual citizens.

Thus, the renewed focus by the National Insurance Corporation (NIC) on the social dimension of its charter is an enlightened and commendable initiative. It would be all too easy for an institution with such considerable resources at its disposal to relegate this aspect of its mandate. It seems appropriate, therefore, to offer support and encouragement to the NIC for its vision in this regard.

As many will attest, rapid and fundamental change is afoot in our economy. Above and beyond the reconfiguration from an agricultural to service-based economy, the inescapable reality of competition for resources and opportunity has created gaps in the social fabric of our country. Mindful of these gaps, and their very human consequences, and determined that societal support systems must be defended, Government sees the work and mandate of the NIC as a vital component of an enduring national landscape.

As a truly indigenous financial institution, the NIC plays an irreplaceable role in the development of our country. The NIC and the persons who guide and manage its daily operations, are entrusted with the

power to shape that world which we hope that our children and their generations will happily inhabit. It is this awesome responsibility of which the NIC continues to prove itself worthy.

On behalf of the Government and people of St Lucia, therefore, I salute all those who contribute to the continued sustainability of St Lucia's National Insurance Corporation.

Sincerely



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

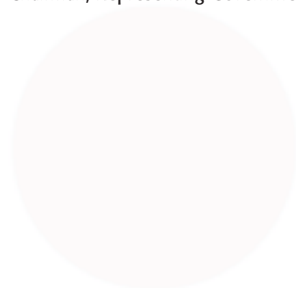
Board of Directors



John C Joseph
Chairman, Representing Government



Emma Hippolyte
Director



Jean-Francois Sonson
Representing Government



Roderick Clarke
Representing Employers



Lawrence Poyotte
Representing Employees



Andrea St Rose
Representing Employees



Verne Gill
Representing Employers



Investment Committee



Reginald Darius
Chairman



Emma Hippolyte
Director



Lawrence Poyotte



Costello Michel



Jn Baptiste Louis

Principal Officers

Emma Hippolyte
Director

Matthew Lincoln Mathurin
Deputy Director/Financial Controller

Augustine Louis
Human Resource/Operations Manager

Callixta Branford
Internal Auditor

Cadie St. Rose-Brune
Legal Counsel

Desmond Dujon-Henry
Systems/Public Relations Manager

Albert Cenac
Statistics/Training Manager

Paula Bleasdille
Accountant

Yolande Trim
Board Secretary

Supervisors



Charles St Helen



Relle Hippolyte



Calixta Emmanuel



Timothy John



Joan Leon



Emelda Elivique



The financial year under review will be remembered as being marked by unique situations that have coloured some of the events chronicled in this Report.

The Board carried out the mandate entrusted to it, and enshrined in the legislation—i.e. the collection of contributions and the payment of benefits.

However the activities in which the Board has been engaged will reveal that this duty comes with varied responsibilities that emanate from our efforts not purely to carry out the letter of the National Insurance Law, but also to safeguard the interests of contributors, play an effective role in the socio-economic dynamics of the country while ensuring that we satisfactorily meet the challenges of the global economy.

Our contributors and beneficiaries will recall the many opportunities that we have used to highlight the fact that the National Insurance Corporation has the very important responsibility of ensuring that the Fund remains viable in the ensuing years and the adjustments that have been made to guarantee this.

THE BOARD

The activities of decision making and policy direction were carried out by a Board comprising

Mr John Joseph, Chairman

- Representing Government

Mrs Veronica Barnard - Representing Government

Mrs Ingrid Skeritt - Representing Employers

Mr Malcolm Charles - Representing Employers

Mr Lawrence Poyotte - Representing Employees

Ms Crescentia Phillips - Representing Employees

Ms Emma Hippolyte - Director Ex-Officio

The INVESTMENT COMMITTEE comprised

Mr Reginald Darius, Chairman
 - Director of Finance – Ex Officio
 Mrs Ingrid Skeritt
 Mr Costello Michel
 Mr John Louis
 Ms Emma Hippolyte - Director Ex-Officio

The Board expired on 15th February 2002 and the following persons were appointed to serve for a period of two years with effect from 15th March 2002:-

Mr John Joseph, Chairman
 - Representing Government
 Mr Jean-Francois Sonson
 - Representing Government
 Mr Vern Gill
 - Representing Employers
 Mr Roderick Clarke
 - Representing Employers
 Mr Lawrence Poyotte
 - Representing Employees
 Mrs Andrea Gaillard-St Rose
 - Representing Employees
 Ms Emma Hippolyte
 - Director Ex-Officio

THE ECONOMY

The Board was challenged with guiding the Organisation during a period characterized by economic downturn, exacerbated by the September 11th disaster in the United States of America. The ripple effect of that disaster resulted in the contraction of some businesses and the closure of yet others. This translated to reduction

in employment levels and consequently contributions collected.

The Board took cognizance of those issues and endorsed strategic adjustment exercises proposed by Management to countermand the situation. I am pleased to report that these efforts resulted in reduced administrative costs and a containment of the decline in contributions previously projected.

In the broader context and in fulfillment of the Organisation's Vision of Social and Financial protection for all St Lucians the Board also gave support to proposals to assist vulnerable groups by retraining some of those persons who became unemployed as a direct result of the contraction and/or closures of businesses following the 911 Disaster. The National Insurance Corporation undertook this activity in collaboration with Caribbean Project for Economic Competitiveness (CPEC) the end objective being to encourage persons to acquire skills or new skills to make them more marketable or to become self-employed.

Actuarial Review

The National Insurance Act requires that an Actuarial review of the fund be conducted every three years but no later than five years. The last review took place during the period and provided a Report as at 30th June 2000.

The Review confirmed that the Fund is actuarially sound as at today, but recommends various structural adjustments to the contributions and benefits formulae, in order to ensure that the Fund remains healthy in the ensuing years to 2030 and beyond.

The most troubling aspect is the continuing acute, almost vertical graph in respect of pensions in payment. The view is that while the current level of reserves plus future contributions are sufficient to meet benefit expenditure for some time, given the partial funding now in place, it will be insufficient to meet benefit expenditure indefinitely.

The ensuing report of the Director will enumerate in greater detail the changes in the various formulae that are currently being introduced to address these concerns.

New Initiatives

By Conclusion No. 64 of 21st January 2002 Cabinet approved of the formation of a Task Force to consider the introduction of National Health Insurance, a Pension Plan for Farmers and Fishers and Unemployment insurance. This has resulted in considerable efforts of fact finding and research activities, which are still on-going, in the examination of ways and means by which to introduce those

programmes into or alongside the protection services now provided.

INVESTMENTS

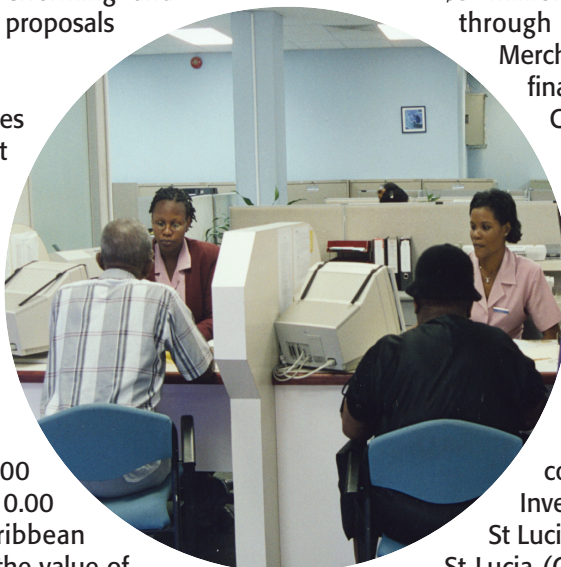
The Board continued to employ sound strategies in investing the surplus funds of the Corporation. However, it must be recognised that the Board was constrained in its investment choices, as the foreign market was not performing and many regional investment proposals were too high-risk.

Having regard to the dictates of our own Investment policy, the guidelines set by Eastern Caribbean Central Bank and the recommendation of Actuarial reviews, the following were the investments made during the period under review: -

- Investment in 20,000 Class B shares at \$10.00 each in Eastern Caribbean Securities Exchange in the value of \$200,000.00;
- \$5 Million in Callable Bonds through Republic Finance and Merchant Bank Ltd to finance projects of Grenada Electricity (GRENLEC);
- A special loan of \$3 Million was granted to the Government of St Lucia to upgrade the Dialysis Unit at Victoria Hospital, to be repaid over five years out of deductions from the quarterly payments normally made to

Government for hospital services to contributors;

- In October 2001 and in furtherance of the Board's commitment to housing development it was decided to purchase two contiguous portions of land in Bonne Terre comprising approximately 27 Acres.
 - \$5 Million was invested in Bonds through Republic Finance & Merchant Bank Ltd to assist in financing St Lucia's National Cricket Grounds.
 - \$15 Million was invested in Treasury Bills, \$10 Million of new funds together with a maturing Bond of \$5 Million.
 - \$4 Million in the Productive Sector Equity Fund Project in collaboration with European Investment Bank (EIB), Bank of St Lucia (BOS) and Government of St Lucia (GOSL). This Project is being administered by Bank of St Lucia and is intended to fuel medium to small businesses, consequently assisting in stimulating the economy.
- \$3 Million was invested in Bonds with Royal Merchant Bank for Jamaica Public Service Company Ltd.
- \$3.4 Million was invested in Bonds with CIBC



Trust and Merchant Bank (Barbados) Ltd to finance LIAT programmes .

- \$11.5 Million was invested in Housing Bonds with Mortgage Finance Company of St Lucia Ltd.
- The Corporation continued its usual practice of placing deposits with all commercial banks in the state, thus playing its part in contributing to the money market and the Banking Sector.
- The NIC purchased 987,810 ordinary shares at \$6.25 each and 2,730,000 preference shares valued at \$5.00 each from East Caribbean Financial Holding Company Ltd.

Subsidiaries

As a result of changes in the membership of the Board, the following appointments were made to fill the vacancies that had arisen on the Boards of the Corporation's subsidiary companies: -

Mr Vern Gill	Director of NIPRO
Mr Jean-Francois Sonson	"
Dr Marilyn Morris	"
Mr Lawrence Poyotte	
Director of Castries Car Park Facility Ltd	
Mr Lawrence Poyotte	
Board Member to serve on Investment Committee	

National Insurance Property Development and Management Company (NIPRO)

During the review period NIPRO lost its three top

Managers, thus the NIPRO Board with assistance from the Corporation's Management were required to oversee the day-to-day operations until the positions were filled.

During the review period NIPRO managed the construction of two police stations, two fire stations and a multi-purpose court and completed the refurbishment of four police stations.

NIPRO is also fully responsible for maintaining all of the Boards' buildings, the objective being to bring high levels of efficiency to this activity.

Castries Car Park Facility Ltd

We are happy to report that all office accommodation and commercial spaces at the Conway Business Centre are fully occupied. However, our main concern with the Car Park has always been insufficiency of use of the Car Park despite the difficulties encountered by motorists in the City circuit.

This Year has seen increased usage, albeit the rates have had to be reduced to achieve this. The Board is of the firm view that over time the St Lucian public will appreciate the advantages of using the facility as against leaving their vehicles open to the elements and without the security provided by the Car Park.

Cul-de-Sac Industrial Zone Ltd

The Board agreed to finance jointly with Government a feasibility study for the development of the Cul-de-Sac lands. Finance for this study, which is currently in process, would be provided in direct proportion to ownership, i.e. 60% from Government and 40% to be met by the National Insurance Corporation.

St Lucia Mortgage Finance Co Ltd. (SMFC)

St Lucia Mortgage Finance Company Ltd continued with its principal activity of providing home mortgages, which during the period of the review totaled \$5,925,214, an increase of 7.1% over the preceding period.

Cumulative Loan disbursements from inception totaled \$104,458,403.

Net Income for the period was \$625,854. In accordance with the terms of the Company's License "to carry on the business of banking", 20% of income was allocated to Statutory Reserve.

SMFC declared and paid a dividend at the rate 10% to its shareholders.

At the time of writing this report, the NIC has recognized the need to take this subsidiary to a higher level of operation. It has been recognized that greater volume is

required as well as a larger share of the mortgage market. Towards that end a marketing plan has been prepared that will improve the image and give higher visibility to the Company. Quite apart from this the Company is being challenged to reexamine its products in order to make them more attractive to the consumer.

Grande Riviere Lands

When first the Grande Riviere lands were purchased, the ultimate objective was to increase the housing stock in St Lucia, as the need was great, effective demand for housing far exceeding the market's ability to supply.

The Board's plans have been thwarted due to a case of encroachment currently going through the Court process.

The Board is hopeful that this matter will be resolved by Year-end, so that the planned development of the property might proceed.

CONTRIBUTIONS

Arrears of contributions continue to be of serious concern, and every effort is being made to sensitise the public on the need to be regular and timely with payment of contributions so that beneficiaries are not disadvantaged when claims for benefits are made.

During the review period the Corporation has been able to monitor the efficiencies derived following from the recent legislative changes, particularly with respect to registration and the collection procedures.

Statistical data revealed that our publicity efforts have also produced some results as in the timeliness of payment of contributions.

MEETINGS AND CONFERENCES

- The Director participated in the International Social Security Association's Conference for Social Security Institutions in Small States which was held in the Bahamas from 31st October to 2nd November 2001.
- In November 2001, at the XIX General Assembly of the Central American Institute for Social Security, the Director presented a paper on Enhancing Quality Assurance via Internal Auditing and Fraud Prevention Methods.
- The National Insurance Corporation hosted a one week Workshop during March 11th to 18th, in collaboration with the International Labour Office. The Workshop, titled "Insurance Cover for the Informal Sector" brought participants from Social Security Institutions in the English-speaking Caribbean and was very well received, as it was most relevant and timely.
- The Director traveled to Stockholm, Sweden to attend the 27th General Assembly of the International Social Security Association from 9th to 15th September 2001. Amongst other things, the General Assembly provides one with the most up to date position on social security matters.

APPRECIATION

I again pledge commitment on behalf of the Board and Investment Committee that during our tenure we will endeavour to manage effectively our National Insurance system in a manner to ensure the future security of our contributors and their beneficiaries and in particular our pensioners when they are no longer able to be involved in gainful employment.

I thank the Board and Investment Committee for their efforts, for the long hours of discussion and consideration, the objectivity and harmonious collaboration and unison of mind and vision that characterize our deliberations.

I wish to recognise a similar commitment from the Management and staff and to express our appreciation to them for effectively carrying out the directives of the Board on a day-to-day basis. Your efforts and dedication make possible the events enumerated in this Report and contribute to the achievements of which we can feel justly proud. On behalf of the Board I confirm our sincere gratitude for your steadfastness and hard work.

To the Minister responsible for National Insurance we thank you for the confidence placed in us, in selecting us to serve this prestigious institution with a formidable role to play in the present and future development of our Country. We thank you also for your support of the decisions of the Board and for putting across the Organisation's perspective in formulating social protection issues within Government's overall programmes.

With God's guidance we will strive to advance the interests of our Institution, our contributors, and our Country, but also with the intent that the Social Security system of St Lucia will be a flagship for the entire Region.



John C Joseph
Chairman
National Insurance Board

Director's Statement

The year under review was a challenging one for St. Lucia and for the National Insurance Corporation. The turbulent economic situation was further exacerbated by the events of September 11, 2001. The operational statistics which follow indicate that all sectors of the economy performed less favourably than the previous year. It was indeed a challenging year, which required innovation and proactive leadership, both for the economy and for us at the National Insurance.

The National Insurance Corporation revisited both its budgeted contribution income and administrative expenses and forecasted a 17% drop in contribution. In response we agreed to maintain administrative expenditure at 90% of budget.

This resulted in tighter management of the collection process, intensified dialogue with contributors who were experiencing difficulties in meeting their contributions and the setting up of internal committees to identify areas for cost savings.

I am pleased to report that we were able to contain our drop in contribution income to 2.0% while we were able to achieve savings in all line items with the exception of training, which will be amplified later in this Report.

The overall cost savings was 7% of administration cost.

As we continue to assess our performance and efficiencies, I am pleased to report that we were able to maintain our high level of efficiency – maintaining administrative expenses at 13% of contribution income.

The following highlights the non consolidated financial performance of the National Insurance Corporation for the period under review:

Total assets grew by 14% from \$597.3million to \$680.3 million, an increase of \$83 million. During the year the Corporation adopted IAS 40, Investment Property. The effect of this was an increase of \$33 Million in the value of NIC properties.

Contribution income declined by 2.0% from \$51.5 million to \$50.4 million, a decline of \$1.1 million.

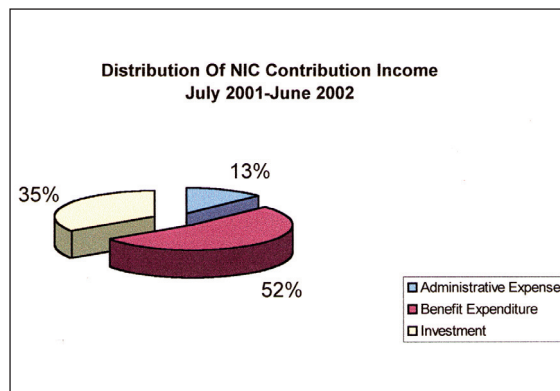
Net investment income declined by \$7.10 million or 19% from \$36.8 million to \$29.7 million. This is attributable to a provision for loan losses of \$7 million which was established this Year. The provision consists of an amount of \$3.7 million for uncollected interested and a general provision of 2% of the loan balances excluding amounts specifically provided for. A provision of \$881,000 for the diminution in volume of investment securities available for sale was also made this year.

Benefit expenditure grew by 7% from \$24.8 million to \$26.6 million an increase of \$1.8 million.

Pension expenditure grew by \$1.8 million from \$17.7million to \$19.5 million--an increase of 10 % compared to an increase of - 13% in the previous year.

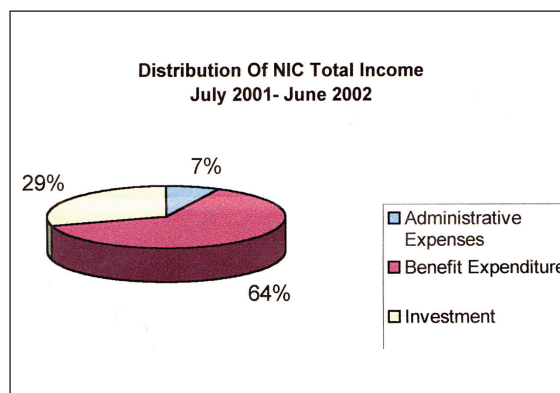
Of the \$50.4 million of contribution income, \$6.4 million or 13% was spent on

administration, \$26.6 million or 53% represented benefit expenditure and \$17.4 million or 34% was available for investment.



Total income declined from \$90.6 million to \$83.3 million or a decline of \$7.3 million.

Of the total income of \$83.3 million, 8% was spent on administration, 63% or \$50.3 million was available for investment while \$26.6 million or 32% represented benefit expenditure.



For the first time in the Corporation's history, we have presented consolidated financial statements in compliance with International Accounting Standards.

The three companies included in the consolidation are The National Insurance Property Development and Management Company, 100% ownership; The Castries Car Park Facilities Limited, 85% ownership and The St. Lucia Mortgage Finance Company Ltd, 75% ownership. The following highlights are worthy of note from the consolidated statements:

Total assets at cost grew by 14% from \$607.7 million to \$690.9 million, an increase of \$83.20 million.

Net Investment income declined by 16% from \$38.4 million to \$32.3 million or a decrease of \$6.1 million. This was directly related to the provision for losses noted earlier.

Total income decreased from \$92.3 million to \$85.8 million or \$6.5 million.

HUMAN RESOURCE

In every organization, training is necessary for its ever-changing needs caused by the dynamism of the environment within which it operates. Training also provides the condition in which people or employees in an organization can effectively learn, that is, gain knowledge, skills, enhance abilities and develop appropriate attitudes. The overall impact of training is expected to translate to the organization in higher

efficiency, greater productivity and generally a more informed and educated work-force.

The year July 2001 to June 2002 was an extremely busy one for the Corporation from a training perspective. The Organisation expended \$168,000 on 2,208 man hours of training which impacted staff of all levels of the Institution.

Regional Course on Practical Supervising Management

Five officers from the National Insurance Corporation attended this course which was held at the Blue Horizon Hotel in Barbados from October 29th to November 2nd, 2001. There were twenty-nine (29) participants from ten (10) Caribbean countries.

The five (5) participants were highly motivated by the exposure to such training and felt that more staff should have access to such quality of training.

Deputy Director Excels at Studies

Mr Matthew Lincoln Mathurin, Deputy Director / Financial Comptroller, resumed duties in August 2002 after an absence of approximately fifteen (15) months study leave. During that period, Mr Mathurin enrolled in the M B A programme at the Edinburgh Business School of the Heriot-Watt University. He graduated with distinction and a Specialism in Finance. Through this medium we again congratulate the Deputy Director on his success and more so on his outstanding performance.

Auditing for Inspectors

The Compliance Department performs many key functions within the National Insurance Corporation. The department also has in its structure a number of Inspectors who conduct Audit Checks on the books of employers.

During the month November 2001, Inspectors were exposed to one day's training in auditing procedures. The session was conducted in-house by the Accountant, Mrs Paula Bleasdille and Internal Auditor, Mrs Calixta John –Branford.

The main objective of the session was to ensure that Inspectors had the competences to undertake Audit exercises and to sensitise them to some of the more involved aspects of their work.

Other Training

During the period of this review other short courses provided exposure to staff in the areas of Debt Collection, Customer Service processes and general information on The Principles of Social Security.

Social outreach

While we are pleased with our financial and operational performance for the period under review, it is our accomplishments in our social outreach that we are most proud of. As the International Social Security Association (ISSA) focus on the strengthening the security in social

security, so too we took a deliberate decision this year to strengthen the **SOCIAL** in social security. Following is the chronicle of activities and events that are the source of our pride:

NIC/CPEC RETOOLING PROGRAMME

The sluggish economy resulted in heavy human casualties with many businesses either closing down operations or rightsizing operations, both resulting in more persons being unemployed. The situation caused the Board to examine its role in national development as outlined in its mission statement, as well as being cognizant of its role as a social security institution. The Board recognized that it had to take steps to find ways to resuscitate and accelerate economic growth in the country.

The Board responded to this situation by working with other civic minded organizations to offer our contributors who found themselves unemployed an opportunity for further training and acquiring new skills. Over 200 persons registered with the National Insurance/Caribbean Project for Economic Competitiveness (CPEC) Retooling Programme.

Working with the National Research and Development Foundation (NRDF), The Sir Arthur Lewis Community College and Small Enterprise Development Unit (SEDU), about sixty persons have been trained in Pastry and Cake Decorating,



Effective Food and Beverage Service, Dressmaking, Floral arrangement, Tour Guides, Entrepreneurial Development, Marketing Management and Financial Management.

So far, feedback received from participants has been encouraging. A few persons have been able to obtain gainful employment as a result of the training received, while some have expressed the desire to start their own businesses. The formal training has also contributed to improvement in participants' self-confidence and some have expressed enthusiasm in practicing what they have learnt and moving on to an advanced level of training.

We are extremely pleased to have initiated the collaborative process with Government and non-Government institutions to respond to the social pressures facing our contributors.

Belle Fashions

The Board continued its social outreach and lived up to its motto 'For the benefit of us all' when it came to the aid of some former employees of Belle Fashions in Dennery. Belle Fashions operated a garment factory in Dennery for a number of years and employed hundreds of workers. The Factory closed its operations in St. Lucia and relocated its operations leaving behind unpaid wages, unpaid contributions to the

National Insurance and debt to the utility companies and unpaid rent to its landlord, the National Development Corporation.

The matters were heard in courts and a judicial sale was held to dispose of assets. At the sales it was then realized that the former employees who were most adversely affected by the closure of the factory were placed in another position of disadvantage by not being able to purchase the machines, equipment and work-in-progress which they could put into use to start their own business. They simply could not compete financially with the other bidders on site.

The National Insurance felt their concerns and took a bold step by purchasing the contents of a factory shell and held it in trust for the workers. The workers were then encouraged to form a committee to manage the distribution and sale of the equipments and goods. As a result of this intervention, over forty (40) workers are now self-employed as seamstresses. The workers were able to purchase work-in-progress which they were able to convert to finished products within a short period.

Thousands of dollars were realized from the sale. These funds are being distributed among the workers who did not have the opportunity or were not interested in purchasing the items.

NATIONAL COMMUNITY FOUNDATION

As the economy of the country continues to be under pressure with higher unemployment, and underutilization of labour, this has resulted in a multiplicity of social ills in the country. The Board felt compelled to continue its quest to take steps that would contribute to arresting the social disintegration of the country.

To this end the Board continued its dialogue with civic minded groups, individuals and Government to work out a mechanism to encourage philanthropy in the community. On 1st August, 2002, The National Community Foundation was launched with the National Insurance committing \$500,000 each year for the next five years.

To date four companies and one Foundation have contributed to the Foundation, viz. St. Lucia Electricity Services Ltd, \$25,000; Bank of St. Lucia \$20,000 each year for the next five years, Julian's Supermarket \$10,000 and Gablewoods Shopping Mall, \$5,000 and Jeanice Francis Memorial Foundation \$3,000. Individuals have also contributed \$3,290 through salary deductions.

The National Community Foundation Act No. 26 of 2002 was published in the St Lucia Gazette on Monday 11th November 2002. The Act makes provision for the representative of the NIC to be the first chairman of the Foundation for a two-year period and thereafter the chairmanship is to be rotated every two years.

To date the Foundation has a total commitment of \$566,290 and has disbursed approximately \$156,000, \$135,000 on Education and \$21,000 towards various health interventions. The Foundation has issued eighteen scholarships, fifteen to students entering secondary schools and three to students entering the 'A' Level College. Over fifty persons have volunteered to work with the Foundation by serving on various committees.

The Foundation is governed by a ten person Board with diverse representation from the National Insurance, Government, Women's Groups, The Trade Unions, The Christian Council, The National Youth Council, The Poverty Reduction Fund, Service Clubs, Private Sector and the Executive Director.

The Foundation intends to focus on the following seven social sectors: The elderly, pensioners, disabled persons, youth at risk, disadvantaged children (through the school scholarship programme), health and the homeless.

NATIONAL INSURANCE IN COLLABORATION WITH SISTER ORGANIZATIONS

The NIC continued its close collaboration with sister organizations in the region. In June, 2002, the Legal Department hosted the legal Counsel of Dominica, Ms. Daphne Durant for a week. The objective was to enable Ms. Durant to familiarize

herself with the procedures used for arrears collection and legal proceedings by the Corporation with a view to implementing similar procedures in her department in Dominica.

Our Computer system manager, Mr. Desmond Dujon Henry, conducted a review of the Turks and Caicos Islands' National Insurance Information and Communications Technology infrastructure. The review included an assessment of the quality and capacity of existing hardware and software systems and recommendations for enhancements.

In September 2002 our Internal Auditor hosted the Internal Auditor of Anguilla, Mr. Clive Gumbs for a one-week attachment. The purpose was to enable Mr. Gumbs to familiarize himself with the internal audit procedures of the office.

St. Lucia benefited from the close collaboration and advice received from the ILO actuary, Mr. Derek Osbourne, who is also the in-house actuary of the National Insurance Board of Bahamas.

ACKNOWLEDGEMENT

We acknowledge another successful year with people being at the heart of our daily activities.

I applaud the continued dedication and commitment of management and staff and salute the members of civic society who have joined

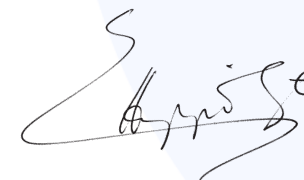
hands with us in working together on our various projects aimed at helping the less fortunate in our society.

This Year being one when we concentrated significant efforts on cost savings, I need here to publicly express sincere thanks to all staff for their cooperation in effecting cost-cutting measures thus ensuring the realization of the financial objectives that were set.

We recognize the efforts of our subsidiaries as we work together to maximize returns for our contributors; we thank them immensely for their contributions.

I express my heartfelt thanks and appreciation to the Board for its vision and steadfast commitment to the ideals of social security.

Together we aspire, together we achieve, for the benefit of us all.



Emma Hippolyte
Director



Statistical Review

EXPLANATORY NOTES AND SYMBOLS

Contribution	Refers to the contribution of employers and employees.
Industrial Classification	Refers to the international standard industrial classification of all economic activities.
Insured Persons	Refers to all registered persons with at least one month's contribution.
Active Insured	Refers to all registered persons who have paid at least one month's contribution in the review period.
New Entrants	Refers to a person who was first registered with the National Insurance in the review period.
Benefits	Includes any benefit, grant, allowance or pension payable under the National Insurance Corporation Act.
C3 Form	Refers to a contribution form that is sent to employers by the National Insurance on a monthly basis, requesting total employee deduction and employer contribution per employee.
Pension In-payment	Refers to pensions in-force at the end of the period in review.
Active Employers	Refers to employers registered with the National Insurance and in operation during the review period.
Closed Employers	Refers to employers registered with the National Insurance and were not in operation at the end of the review Period.
Current Contributions	Refers to contributions collected for a given month within the required time frame (before the 8th of the following month).
Past-Due Contributions	Refers to contributions collected for a given month after the required time frame.
Contributing Employers	Refers to employers who paid contributions to the National Insurance Corporation during the review period in question.

1. CONTRIBUTION INCOME

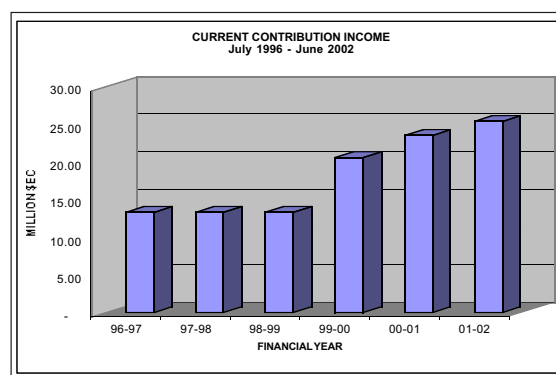
The financing of the National Insurance Corporation has always been based on a combined contribution rate of 10.0 percent (5.0 percent employees and 5.0 percent employers) of insurable earning. During the review period, the ceiling upon which contributions are made remained at \$5,000.00 per month.

In general, NIC's contribution income performance (amongst other factors) is closely linked to corresponding performances from the various industrial sectors within the national economy. For the year 2001, due to a combination of domestic and external factors the economy of St Lucia was estimated* to have contracted by 5.4%. The overall impact of this contraction has resulted in a 1.90% drop in contribution income for the financial year ending June 2002. Contribution income totaled \$50.56M; current contribution income accounted for 50.38% or \$25.47M and past-due contribution income (arrears) accounted for 49.62% or \$25.09M.

Despite the contraction in contributions collected, current contribution income rose by 8.34%. In fact, it was the first time current contributions accounted for over 50% of contribution income from the inception of the National Insurance Scheme. Analysis of current contribution income for the financial year in review showed that, on average approximately 52% of expected monthly contributions were collected within the required time limit (i.e. before the 8th of the following

month). Over the last two fiscal years (July 2000 – June 2002) the NIC was able to maintain this average with just 0.01% increase in the review period.

Figure: 1



* SOURCE: Economic and Social Review-2001

On the other hand, following a 2.04% increase in the previous financial year past-due contributions (arrears) collected dropped by 10.49% to \$25.09M. As at 30th June 2002 total arrears balance stood at approximately \$46.44M. When compared to the previous financial, the arrears balance increased by 11.58%.

Further analysis of past-due contributions revealed that the Government sector has been able to regulate the buildup of arrears through significant improvement in the payment of current contributions. Government's arrears balance at the end of June 2002 declined by 1.01% to \$13.11M.

On the contrary, the same cannot be said of private sector employers. When compared to the previous fiscal year, private sector employers' arrears balance rose by 17.47% to \$33.34M. It can therefore be confidently hypothesized that the intensity of contraction in contribution income was significantly cushioned by Government's improved performance in the payment of current contributions.

1.1 ECONOMIC SECTOR ANALYSIS

Analysis of contribution income on the basis of industrial classification of economic activities revealed declines from all major sectors of the economy.

During the first half (July-June 2001) of the fiscal year in review, the banana industry was recovering from a severe drought causing production and employment in that sector to drop by approximately 30% and 7% respectively. Notwithstanding improvements in the second half the review period (January – June 2002), contribution income from agriculture sector declined by 17.95% to record its lowest value of \$0.92M in the last 15 years.

In the review period, contribution income from the Manufacturing sector (\$3.72M) contracted by 1.0% to record its third consecutive year of decline over the last four years. Following moderate growths in the previous financial year, contributions collected from the Wholesale/Retail

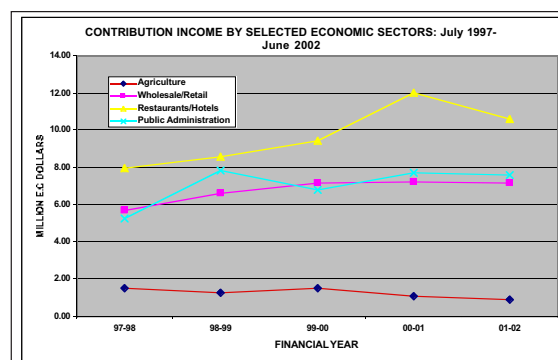
Trade (\$7.16M) and Transport/Storage/Communication (\$3.82M) sectors contracted by approximately 1.0%. Despite moderate performance in the payment of current contributions, contribution income from the Public Administration sector also dropped by 2.0%.

Following a 44% decline in 2000-2001, contributions collected from the Construction sector recorded a further decrease of 3.0%. The service sectors (Business and Social) also experienced reduction in contribution income of 3% and 2% respectively.

After recording a 28% increase in 2000-2001, the closure of Rex St Lucia, Orange Grove Hotel, Palm Tree Hotel, Papillion Hotel, Hyatt Regency Hotel coupled with the impact of September 11th attacks, resulted in a 12.05% (from \$12.06M to \$10.61M) contraction in contribution income from the Restaurant/Hotel sector.

During the financial year ending June 2002, contribution income from the Financial Intermediation sector recorded the best performance with an increase of approximately \$420,000. The performance of this sector was marked by a 2.0% increase in growth to 10.41%. Contributions received from the Mining/Quarrying and Electricity/Gas/Water Supply sectors also had moderate increases of 12.43% and 14.67% respectively.

Figure: 2



2. INSURED POPULATION

2.1 NEW ENTRANTS

Considering the impact of November 2001 General Election, new persons registered with the National Insurance Corporation increased by 3.0% to 4743- 49.57% or 2351 were male and 50.43% or 2392 were female. Generally, the age of new entrants are exponentially distributed with approximately 80% between ages of 16 and 24 years and the remainder decline asymptotically as age approaches 60.

Following a 9.59% contraction in the previous financial year, the number of persons who registered for employment purposes recorded a further decline of 8.38% from 2517 to 2306. Further analysis showed that persons who registered for the purpose of obtaining Identification Cards rose by 41.91% to 1290. However, when compared to the previous General Election it was a decline of over 100%.

2.2 ACTIVE INSURED

In the review period, the active insured population experienced a further declined of 3.72%. The active insured population totaled 39015 of which 19039 were males and 19976 were females.

Analysis of active insured on the basis of industrial classification of economic activities revealed mild increases from the utility, financial and social services sectors whilst, contractions were experienced in all other sectors.

Following declines of 28% and 17% in 1999-2000 and 2000-2001 respectively, employment in the agriculture sector dropped by a further 6% to record its lowest level in the last five years. Marginal declines of less than one percent were registered in the following sectors: manufacturing, construction and transport /storage /communication.

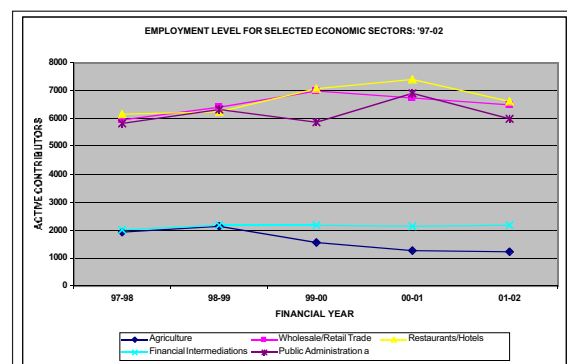
In the review period, growing trends in employment from the business service sector discontinued; employment contracted by approximately 11% from 3216 to 2861 active contributors. Active insured from the public administration sector also contracted by 13.12%.

Despite the negative impact of September 11th the restaurants/hotel industry was still the largest employment sector and accounted for 17.0% of total active insured persons. However, employment in this sector declined by 11% from 7440 in 2000-2001 to 6629 at the end of June

2002. The wholesale and retail trade sector recorded a further contraction of 4% in the number of active contributors.

Economic sectors, which recorded positive growth in employment level, were 'financial intermediations'- 2%, 'social services'- 3% and 'electricity/gas/water supply'- 6%.

Figure: 3



3. EMPLOYERS' ACTIVITY

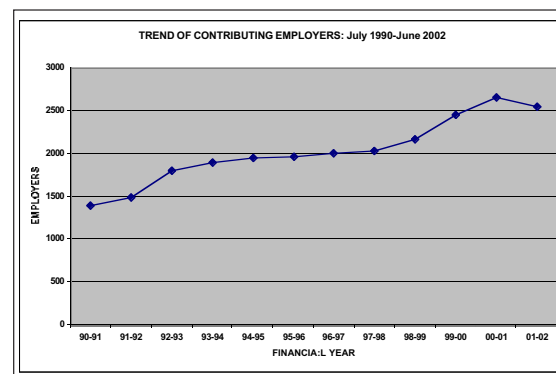
At the end of June 2002, 7025 employers were registered with the National Insurance Corporation. Of this total, 3179 were active, 88-dormant and 3758 were closed.

Active employers grew by 10.11% while the number that ceased operations increased by less than half of one percent. Between July 2000 and June 2002, the compliance department reviewed the status of dormant employers; the result was approximately 77% of these category of

employers were confirmed as closed. Consequently, the number of dormant employers declined from 373 at as 30th June 1999 to 88 at the end of June 2002.

Following a 4.17% contraction in 2000-2001, new employers/businesses who registered with the NIC in the review period experienced its biggest decline of 37%. Analysis of new employers on the basis of economic sector revealed that, except for the financial and business sectors declines of approximately 35% were recorded from all other sectors.

Figure: 4



During the fiscal year in review, 2555 employers paid contributions totaled \$50.56M to the National Insurance Corporation on behalf of approximately 39,000 employees. When compared to the previous financial year, contributing employers contracted by 3.80% and accounted for 80.37% of active employers. The

decline in contributing employers was the first in the last decade.

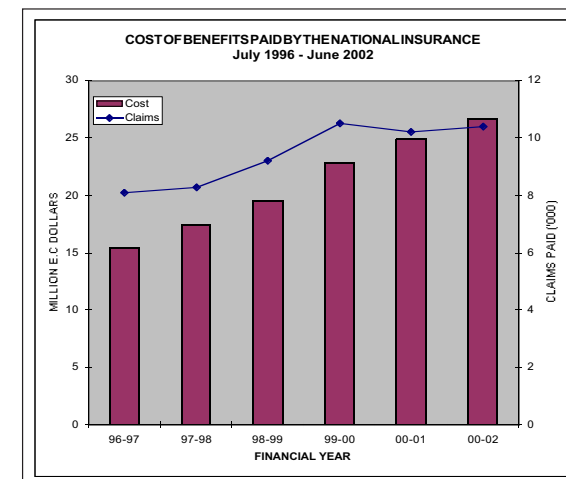
4. BENEFITS EXPENDITURE

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

Collectively, a total of 10415 claims were paid at a cost of \$26.68M. When compared to 2000-2001, the number of claims paid grew by 1.81%; this increase was mainly due to growth in pensions by 371 new awards.

In the review period, whilst total benefit expenditure continued to grow and recorded an increase of 7.0%, its rate of growth declined by a further 2%.

Figure: 5

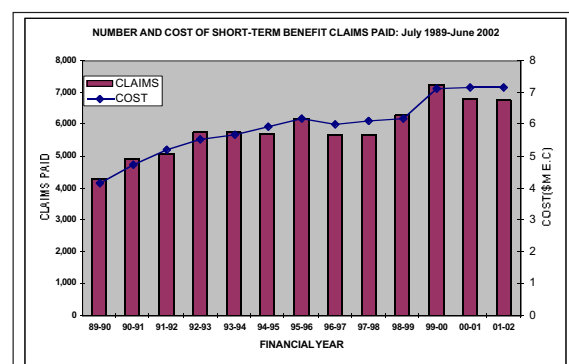


4.1 SHORT-TERM BENEFITS

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

At the end of the review period, 6753 short-term benefit claims were paid at a cost of \$7,173,399. Of this amount, cost of hospitalization and medical expenses of active insured accounted for approximately 42% or \$3.01M. Sickness allowances recorded a 5% increase while maternity benefit claims declined by 13.52%. The overall effect was a decrease of less than one percent in short-term claims and an increase of less than half of one percent in expenditure.

Figure: 6

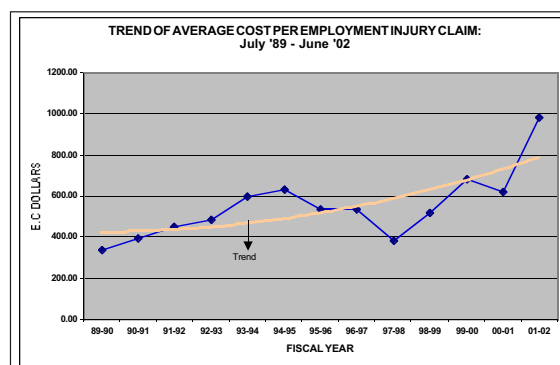


4.11 EMPLOYMENT INJURY

Whilst the number of employment injury claims paid in the review period declined by 9.85%, its corresponding cost increased by 43%. Upon close examination, it was observed that despite reasonably stable average duration and rate of claims for both genders, average cost per claim grew sharply by 58.62% to \$986.40. Similarly, average cost per day of claims also rose from \$28.78 to \$44.01- an increase of 52.92%.

The above deviations from the general trend were primarily due to sporadic variations caused by a few high cost employment injury claims. It is therefore expected that the average cost per claim index will return to normalcy (between \$550.00 and \$680.00) during the fiscal year ending June 2003.

Figure: 7



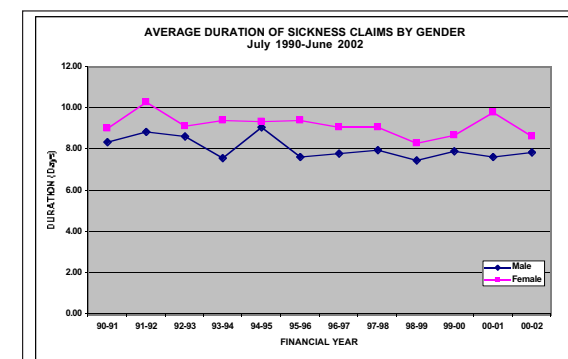
4.12 SICKNESS ALLOWANCE

During the financial year in review, 4715 sickness allowance claims were paid at a cost of \$1.52M. When compared to the previous financial year, claims paid increased by 5.06% and the cost of claims rose by 6.29%.

Analysis of sickness claims on the basis of gender revealed a 2% growth in female claims. However, unlike previous years average duration of claims paid contracted by 11.73%; the corresponding result was a 2% drop in cost of female claims.

In contrast, the number of male-sickness claims paid per thousand active contributors increased by 9.0% to 11%. The outcome was a comparable 8.60% rise in claims paid and a 17.50% growth in related expenditure. 'Average duration' and Average cost of male-sickness claims were relatively stable at 8 days and \$339.00 respectively.

Figure: 8



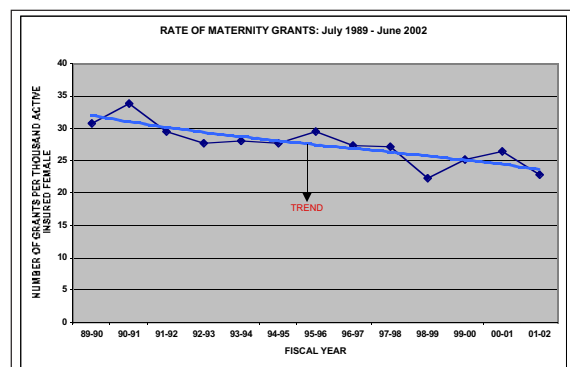
4.13 MATERNITY BENEFIT

During the financial year in review, 788 maternity allowances were paid at a cost of \$1.64M.

As indicated in previous annual reviews, the number of allowances paid per thousand active insured female were slowly contracting and that this general trend was expected to continue. This financial year was no exception; the above index recorded a further drop of 10.86% from 44 claims in '00-'01 to 39 in '01-'02. As anticipated, the number of allowances paid declined by 13.31%; the result was a 6.80% decrease in cost of maternity allowances.

Given the declining trend in birth rate, maternity grants awarded in the review period reduced by 13.70% to 914. The impact was a corresponding contraction in cost of grants from \$640,800.00 to \$552,600.

Figure: 9

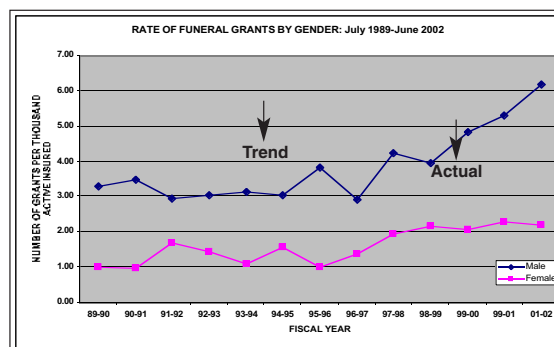


4.14 FUNERAL GRANT

During the financial year ending June 2002, a total of 150 funeral grants were paid at a cost of \$280,000. When compared to '00-'01, cost of funeral grants increased by 11.0% and was mainly due to continued growth in the number of male grants awarded per thousand active insured male; the above index grew by 15%.

On the other hand, while a slowly increasing trend in the rate of funeral grants was apparent for female contributors, it was also characterized by fluctuating level of variation.

Figure: 10



4.15 HOSPITALIZATION AND MEDICAL BENEFIT

This benefit started in 1984 is in the form of a quarterly payment of \$750,000.00 (effective 1995) to the Government for the provision of medical services and supplies for active insured persons at approved local hospitals.

Hospitalization and medical benefits apply only if an insured person has at least 6 months contribution since registration and has at least 2 months in the last 4 months.

During the financial year in review, cost of hospitalization and medical services remained fixed at \$3.01M and accounted for approximately 42.0% of total short-term benefits expenditure.

4.2 LONG-TERM BENEFITS

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

A total of 3662 long-term benefit claims were paid at a cost of \$19.51M. Cost of long-term benefits rose by 10.22% and consistent with previous years, maintained its increasing trend. The impact of revisions in both qualifying conditions and calculation of pensions (mainly retirement) was apparent in the review period. The rate at which cost of long-term benefits increased contracted by approximately 47.59% from 19.50% during the years 1994-2000 to 10.22% in the financial year ending June 2002.

Figure: 11

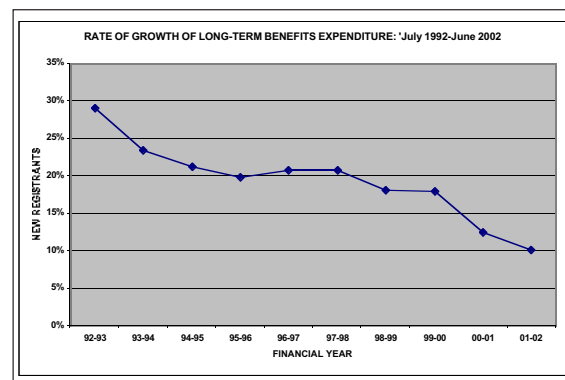


Figure: 12

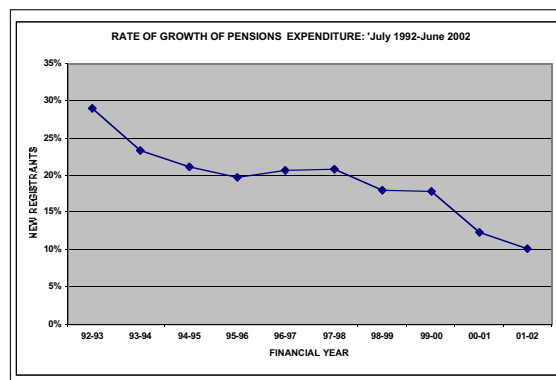
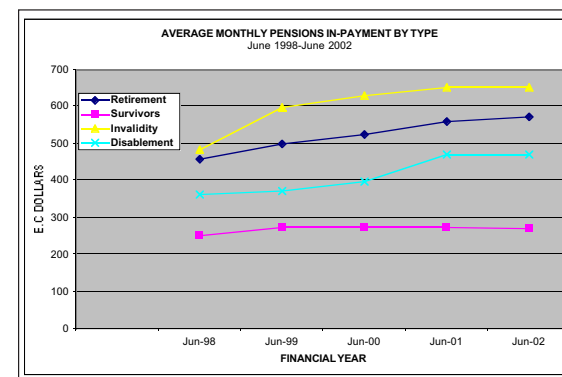


Figure: 13



4.21 PENSIONS

Collectively, the National Insurance Corporation paid a total of 3,376 pensions at a cost of \$19.00M. When compared to the previous financial year, cost of pensions recorded a 12.29% increase. Collectively, the increase in the number of years used to determine average insurable wages from 3 to 5, increase in the number of contributions required for pension from 10 years to 11 and the review of pension formula to offset the negative effect of increase in contribution ceiling to \$5000.00 have reduced the total cost of pensions by 4.74% or \$0.91M. Accordingly, the rate at which cost of pensions grew declined by approximately 37.52%.

In the review period, 351 pensions (retirement-225, survivorship- 91, invalidity- 35 and disability-0) were awarded- new pensions recorded a 7.87% decline. Further analysis also revealed that average monthly cost of retirement pensions dropped by 6.37%, survivors- 9.10% and Invalidity- 24 30%.

Similarly, the number of pensions terminated decreased by 20.65% to record its second consecutive decline. The number of retirement and invalidity pensions terminated in 2001-2002 declined by 19.61% and 34.62%, respectively.

4.22 GRANTS

During the last 5 years, long-term grants awarded were relatively consistent, fluctuating between 284 and 300. In the review period, the number awarded declined by 4.35% to 286.

On the other hand, the cost of long-term grants declined steadily from \$0.91 in '97-'98 to \$0.51 in '01-'02. Accordingly, average cost per grant contracted by approximately 41.0% during the 5 years period ending June 2002.

TABLE: 1 NATIONAL INSURANCE CONTRIBUTION INCOME (July, 1997 - June, 2002)

Financial Year	Contribution Income(\$ million E.C)				Total	%
	Current	%	Past - Due	%		
July 1997 - June 1998	13.33	34.61%	25.19	65.39%	38.52	100.00%
July 1998 - June 1999	13.41	29.71%	31.73	70.29%	45.14	100.00%
July 1999 - June 2000	20.72	43.00%	27.47	57.00%	48.19	100.00%
July 2000 - June 2001	23.51	45.62%	28.03	54.38%	51.54	100.00%
July 2001 - June 2002	25.47	50.38%	25.09	49.62%	50.56	100.00%

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

TABLE: 2 CONTRIBUTION INCOME BY ECONOMIC SECTOR (July, 1997 - June, 2002)

Economic Sector	Financial Year				
	01-02	00-01	99-00	98-99	97-98
Agriculture, Hunting, Forestry and Fishing	924,505	1,126,721	1,523,893	1,294,544	1,508,99
Mining and Quarrying	113,946	101,346	129,434	122,891	92,031
Manufacturing	3,723,001	3,769,917	3,831,764	4,021,337	3,561,741
Electricity, Gas and Water supply	2,075,997	1,810,423	1,650,080	1,823,074	1,605,883
Construction	1,966,922	2,030,326	3,645,561	2,101,417	1,350,019
Wholesale and Retail Trade	7,163,232	7,258,628	7,211,249	6,629,222	5,721,054
Restaurants and Hotels	10,608,647	12,061,960	9,444,719	8,566,617	7,959,204
Transport, Storage and Communication	3,823,338	3,874,625	3,374,205	3,124,405	3,030,519
Financial Intermediations	4,488,819	4,065,425	3,749,058	3,781,286	3,445,476
	0.084385731				
Real-estate/ Renting /Business Services	4,022,392	4,142,866	3,709,908	3,393,898	2,992,606
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	7,614,044	7,751,182	6,801,379	7,849,684	5,282,484
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2,898,633	2,904,025	2,615,199	2,103,145	1,776,395
Activities not adequately defined	1,132,145	638,270	507,085	331,672	196,947
Total	50,555,622	51,535,714	48,193,534	45,143,192	38,523,351

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

TABLE: 3 ACTIVE INSURED POPULATION BY INDUSTRIAL CLASSIFICATION (July 1997 -June 2002)

ECONOMIC SECTOR	Financial Year				
	01-02	00-01	99-00	98-99	97-98
Agriculture, Hunting, Forestry and Fishing	1,223	1,300	1,569	2,166	1940
Mining and Quarrying	102	109	97	65	63
Manufacturing	3,481	3,491	3,819	4,512	4521
Electricity, Gas and Water supply	726	682	708	665	677
Construction	2,215	2,238	3,603	3,361	2020
Wholesale and Retail Trade	6,501	6,738	7,019	6,436	5964
Restaurants and Hotels	6,629	7,440	7,104	6,256	6189
Transport, Storage and Communication	2,659	2,672	2,210	1,899	1896
Financial Intermediations	2,187	2,138	2,184	2,215	2041
Real-estate/ Renting /Business Services	2,861	3,216	3,401	2,908	2506
Public Administration and Defence, Compulsory Social Security, Education, Health and Social work	6,024	6,934	5,888	6,356	5826
Community, Social / Personal Services, Households with employed persons and Extra-territorial organisation and bodies	2,394	2,327	2,232	1,897	1861
Activities not adequately defined	2,009	1,238	1,170	714	398
Total	39,012	40,523	41,004	39,450	35,902

* Revised

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

TABLE: 4 NEW ENTRANTS BY AGE GROUP (July 1997-June 2002)

Age group	Financial Year				
	01-02	00-01	99-00	98-99	97-98
16-19	3,223	3,187	3,071	2,939	2,502
20-24	709	694	826	766	622
25-29	188	193	194	176	200
30-34	127	148	156	153	141
35-39	138	110	163	124	111
40-44	103	72	76	74	59
45-49	58	59	55	64	57
50-54	60	51	67	52	64
55-59	52	51	53	70	61
60-64	43	20	40	44	45
GE 65	42	20	35	33	39
Total	4,743	4,605	4,736	4,495	3,901

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

TABLE: 5 NEW ENTRANTS WHO REGISTERED FOR EMPLOYMENT (July 1997-June 2002)

Age group	Financial Year				
	01-02	00-01	99-00	98-99	97-98
16-19	1682	1846	1922	1751	1482
20-24	307	340	473	434	337
25-29	94	105	118	95	101
30-34	62	87	91	89	67
35-39	66	59	74	59	53
40-44	39	32	37	30	21
45-49	19	20	26	24	20
50-54	21	13	20	14	13
55-59	6	9	12	10	11
60-64	7	3	6	3	3
GE 65	3	3	5	1	2
Total	2,306	2,517	2,784	2,510	2,110

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

TABLE: 6 REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION AND STATUS AS AT 30TH JUNE 2002

ECONOMIC SECTOR	STATUS			Total
	Active	Closed	Dormant	
Agriculture, Hunting, Forestry and Fishing	170	223	5	398
Mining and Quarrying	7	9	0	16
Manufacturing	243	292	7	542
Electricity, Gas and Water supply	15	13	1	29
Construction	146	370	17	533
Wholesale and Retail Trade	551	601	13	1165
Restaurants and Hotels	312	367	7	686
Transport, Storage and Communication	150	97	5	252
Financial Intermediations	97	62	1	160
Real-Estates, Renting and Business Services	306	383	4	693
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	216	151	8	375
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	754	1158	18	1930
Activities not adequately defined	212	32	2	246
Total	3179	3758	88	7025

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

TABLE: 7 ACTIVE EMPLOYERS BY INDUSTRIAL CLASSIFICATION (June 1998- June 2002)

Economic Sector	June '02	June '01	June '00	June '99	June '98
Agriculture, Hunting, Forestry and Fishing	170	153	131	106	136
Mining and Quarrying	7	8	7	6	8
Manufacturing	243	230	239	192	241
Electricity, Gas and Water supply	15	15	18	14	14
Construction	146	135	165	132	170
Wholesale and Retail Trade	551	514	505	445	540
Restaurants and Hotels	312	279	291	226	272
Transport, Storage and Communication	150	140	128	102	100
Financial Intermediations	97	89	85	80	85
Real-Estates, Renting and Business Services	306	279	291	259	326
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	216	206	199	184	188
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	754	678	648	508	670
Activities not adequately defined	212	161	22	18	91
Total	3179	2887	2729	2272	2841

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

TABLE: 8 CONTRIBUTING EMPLOYERS BY INDUSTRIAL CLASSIFICATION (July 1997 - June 2002)

Economic Sector	Financial Year				
	01-02	00-01	99-00	98-99	97-98
Agriculture, Hunting, Forestry and Fishing	130	147	122	97	106
Mining and Quarrying	6	7	8	5	5
Manufacturing	192	197	187	170	160
Electricity, Gas and Water supply	14	17	18	15	15
Construction	91	93	98	91	85
Wholesale and Retail Trade	432	475	452	431	416
Restaurants and Hotels	244	260	236	219	195
Transport, Storage and Communication	123	128	104	86	72
Financial Intermediations	96	95	90	89	83
Real-Estates, Renting and Business Services	237	253	242	234	228
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	206	212	188	175	157
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	639	653	622	536	495
Activities not adequately defined	145	119	91	20	22
Total	2555	2656	2458	2168	2039

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

TABLE: 9 NEWLY REGISTERED EMPLOYERS BY INDUSTRIAL CLASSIFICATION (July 1997 - June 2002)

Economic Sector	Financial Year				
	01-02	00-01	99-00	98-99	97-98
Agriculture, Hunting, Forestry and Fishing	16	39	27	14	10
Mining and Quarrying	0	2	1	1	0
Manufacturing	13	29	40	26	18
Electricity, Gas and Water supply	0	0	4	1	0
Construction	11	26	30	25	24
Wholesale and Retail Trade	39	67	60	56	63
Restaurants and Hotels	34	49	53	41	40
Transport, Storage and Communication	11	33	26	20	9
Financial Intermediations	8	8	5	5	5
Real-Estates, Renting and Business Services	28	28	26	18	24
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	11	23	17	16	15
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	81	110	137	107	77
Activities not adequately defined	12	2	6	13	4
Total	264	416	432	343	289

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

TABLE: 10 SHORT-TERM BENEFITS PAID BY TYPE (July 1997 - June 2002)

Short-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Employment Injury	90	120	173	132	119
Sickness Allowance	3,640	4,442	4,942	4,488	4,715
Maternity Allowance	857	757	949	909	788
Maternity Grant	963	878	1,050	1,059	914
Funeral Grant	110	121	143	150	162
Medical Expenses*	58	48	63	59	55
Total	5,718	6,366	7,320	6,797	6,753

*Exclude claims relating to the \$3.0M paid to the Ministry of Health for "medical health programme"
Source: Statistics, Training And Research Department

TABLE: 11 SHORT-TERM BENEFITS EXPENDITURE BY TYPE (July 1997 - June 2002)

Short-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Employment Injury	34,871	62,181	118,232	82,089	117,384
Sickness Allowance	1,074,923	1,172,699	1,465,751	1,428,144	1,516,990
Maternity Allowance	1,389,148	1,287,147	1,654,696	1,759,710	1,693,020
Maternity Grant	438,750	458,850	637,400	640,800	552,600
Funeral Grant	164,798	192,250	248,100	253,250	279,962
Medical Expenses*	3,008,412	3,007,158	3,007,120	3,007,159	3,013,443
Total	6,110,902	6,180,285	7,131,299	7,171,152	7,173,399

* Include the annual amount of \$3.0M paid to the Ministry of Health for "medical health programme".
Source: Statistics, Training And Research Department

TABLE: 12 LONG-TERM BENEFITS PAID BY TYPE (July 1997 - June 2002)

Long-term Benefits	97-98	98-99	Financial Year 99-00	00-01	01-02
Retirement Pension	1,682	1,852	2,084	2,252	2,388
Survivors Pension	459	518	568	636	727
Invalidity Pension	170	187	203	241	257
Disablement Pension	5	6	6	5	4
Retirement Grant	233	192	217	230	215
Survivors Grant	36	34	31	39	41
Invalidity Grant	23	28	34	26	26
Disablement Grant	4	6	2	4	4
Total	2,612	2,823	3,145	3,433	3,662

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

TABLE: 13 LONG-TERM BENEFITS EXPENDITURE BY TYPE (July 1997 - June 2002)

Long-term Benefits	97-98	98-99	Financial Year 99-00	00-01	01-02
Retirement Pension	8,347,110	10,107,984	11,955,278	13,342,748	15,023,953
Survivors Pension	1,157,634	1,328,206	1,569,037	1,850,658	2,113,938
Invalidity Pension	876,795	1,051,229	1,380,837	1,703,433	1,832,939
Disablement Pension	18,767	19,512	21,598	25,060	22,547
Retirement Grant	678,752	523,055	526,657	571,833	346,996
Survivors Grant	80,452	104,900	102,514	103,863	70,794
Invalidity Grant	123,474	132,128	174,813	73,761	53,310
Disablement Grant	21,303	8,183	9,758	28,209	43,652
Total	11,304,287	13,348,849	15,740,492	17,699,565	19,508,129

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

TABLE: 14 PENSIONS IN-PAYMENT BY TYPE (June 1998 - June 2002)

Long-term Benefits	Financial Year				
	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
Retirement Pension	1,644	1,818	2,033	2,143	2,330
Survivors Pension	432	495	526	610	691
Invalidity Pension	155	173	192	223	244
Disablement Pension	4	4	5	4	4
Total	2,235	2,490	2,756	2,980	3,269

TABLE: 15 MALE PENSIONS IN-PAYMENT BY TYPE (June 1998 - June 2002)

Long-term Benefits	Financial Year				
	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
Retirement Pension	1,034	1,118	1,223	1,296	1,396
Survivors Pension	91	116	124	139	146
Invalidity Pension	101	110	119	134	142
Disablement Pension	4	4	5	4	4
Total	1,230	1,348	1,471	1,573	1,688

TABLE: 16 FEMALE PENSIONS IN-PAYMENT BY TYPE (June 1998 - June 2002)

Long-term Benefits	Financial Year				
	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
Retirement Pension	610	700	810	847	934
Survivors Pension	341	379	402	471	545
Invalidity Pension	54	63	73	89	102
Disablement Pension	-	-	-	-	-
Total	1,005	1,142	1,285	1,407	1,581

Source: Statistics, Training And Research Department

TABLE: 17 AVERAGE MONTHLY COST OF PENSIONS IN-PAYMENT BY TYPE (June 1998 - June 2002)

Long-term Benefits	Financial Year				
	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
Retirement Pension	457.48	498.29	523.68	561.11	573.04
Survivors Pension	251.31	272.77	273.31	273.98	270.85
Invalidity Pension	483.3	599.59	630.44	652.35	657.51
Disablement Pension	362.34	373.26	397.25	469.73	469.73

TABLE: 18 AVERAGE MONTHLY COST OF MALE PENSIONS IN-PAYMENT BY TYPE (June 1998 - June 2002)

Long-term Benefits	Financial Year				
	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
Retirement Pension	527.08	572.82	599.37	640.88	666.81
Survivors Pension	170.89	176.44	177.93	191.72	202.13
Invalidity Pension	552.88	672.44	720.18	757.72	842.34
Disablement Pension	362.34	373.26	397.25	469.73	469.73

TABLE: 19 AVERAGE MONTHLY COST OF FEMALE PENSIONS IN-PAYMENT BY TYPE (June 1998 - June 2002)

Long-term Benefits	Financial Year				
	Jun-98	Jun-99	Jun-00	Jun-01	Jun-02
Retirement Pension	339.52	379.26	409.38	439.05	432.88
Survivors Pension	279.84	295.93	301.2	304.9	337.56
Invalidity Pension	353.14	472.38	484.13	493.7	472.68
Disablement Pension	-	-	-	-	-

Source: Statistics, Training And Research Department

TABLE: 20 PENSIONS TERMINATED BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	43	37	52	51	41
Survivors Pension	27	23	42	26	17
Invalidity Pension	15	15	12	14	15
Disablement Pension	-	-	-	1	-
Total	85	75	106	92	73

TABLE: 21 MALE PENSIONS TERMINATED BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	28	26	35	34	32
Survivors Pension	6	6	13	12	4
Invalidity Pension	9	11	8	9	9
Disablement Pension	-	-	-	1	-
Total	43	43	56	56	45

TABLE: 22 FEMALE PENSIONS TERMINATED BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	15	11	17	17	9
Survivors Pension	21	17	29	14	13
Invalidity Pension	6	4	4	5	6
Disablement Pension	-	-	-	-	-
Total	42	32	50	36	28

Source: Statistics, Training And Research Department

TABLE: 23 PENSIONS AWARDED BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	228	206	265	220	225
Survivors Pension	78	86	76	110	91
Invalidity Pension	30	32	31	51	35
Disablement Pension	-	1	-	-	-
Total	336	325	372	381	351

TABLE: 24 MALE PENSIONS AWARDED BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	131	106	139	134	131
Survivors Pension	26	31	24	27	17
Invalidity Pension	20	18	17	29	16
Disablement Pension	-	1	-	-	-
Total	177	156	180	190	164

TABLE: 25 FEMALE PENSIONS AWARDED BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	97	100	126	86	94
Survivors Pension	52	55	52	83	74
Invalidity Pension	10	14	14	22	19
Disablement Pension	-	-	-	-	-
Total	159	169	192	191	187

Source: Statistics, Training And Research Department

TABLE: 26 AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	543.19	576.78	517.3	654.58	612.88
Survivors Pension	243.16	257.38	279.57	317.32	288.46
Invalidity Pension	749.32	884.60	645.95	835.22	631.59
Disablement Pension	-	385.23	-	-	-

TABLE: 27 AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (MALE) (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	567.27	715	605.82	789.74	743.46
Survivors Pension	194.72	208.44	226.8	240.46	313.3
Invalidity Pension	815.79	899.06	1,107.37	1,020.81	874.93
Disablement Pension	-	385.23	-	-	-

TABLE: 28 AVERAGE MONTHLY COST OF PENSIONS AWARDED BY TYPE (FEMALE) (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	404.01	441.27	422.53	467.98	415.77
Survivors Pension	291.59	306.32	332.34	394.17	263.61
Invalidity Pension	547.16	866.19	584.38	512.44	350.81
Disablement Pension	-	-	-	-	-

Source: Statistics, Training And Research Department

TABLE: 29 PENSIONS PAID BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	1,682	1,852	2,084	2,252	2,388
Survivors Pension	459	518	568	636	727
Invalidity Pension	170	187	203	241	257
Disablement Pension	5	6	6	5	4
Total	2,316	2,563	2,861	3,134	3,376

TABLE: 30 COST OF PENSIONS BY TYPE (June 1997 - June 2002)

Long-term Benefits	Financial Year				
	97-98	98-99	99-00	00-01	01-02
Retirement Pension	8,347,110	10,107,984	11,955,278	13,342,748	15,023,953
Survivors Pension	1,157,634	1,328,206	1,569,037	1,850,658	2,113,938
Invalidity Pension	876,795	1,051,229	1,380,837	1,703,433	1,832,939
Disablement Pension	18,767	19,512	21,598	25,060	22,547
Total	10,400,306	12,506,931	14,926,750	16,921,899	18,993,377

Source: Statistics, Training And Research Department

TABLE: 31 BENEFITS EXPENDITURE BY BRANCH (July 1997 - June 2002)

Benefit Branch	97-98	98-99	Financial Year 99-00	00-01	2-Jan
Long-term					
Retirement	9,025,862	10,631,039	12,481,935	13,914,581	15,370,949
Survivorship	1,238,086	1,433,106	1,671,551	1,954,521	2,184,732
Incapacitation	1,040,339	1,284,704	1,587,006	1,830,463	1,952,448
Sub-total	11,304,287	13,348,849	15,740,492	17,699,565	19,508,129
Short-term					
Employment Injury	76,921	34,871	62,181	118,232	82,089
Sickness	946,681	1,074,923	1,172,699	1,465,751	1,428,144
Maternity	1,870,919	1,827,898	1,745,997	2,292,096	2,400,510
Funeral	119,658	164,798	192,250	248,100	253,250
Medical Expenses*	3,014,257	3,008,412	3,007,158	3,007,120	3,007,159
Sub-total	6,028,436	6,110,902	6,180,285	7,131,299	7,171,152
Grand-total	17,332,723	19,459,751	21,920,777	24,830,864	26,679,281

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

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

TABLE: 32 BENEFITS PAID BY BRANCH (July 1997 - June 2002)

Benefit Branch	97-98	98-99	Financial Year 99-00	00-01	2-Jan
Long-term					
Retirement	1,915	2,044	2,301	2,482	2,603
Survivorship	495	552	599	675	768
Incapacitation	202	227	245	276	291
Sub-total	2,612	2,823	3,145	3,433	3,662
Short-term					
Employment Injury	90	120	173	132	119
Sickness	3,640	4,442	4,942	4,488	4,715
Maternity	1,820	1,635	1,999	1,968	1,702
Funeral	110	121	143	150	162
Medical Expenses*	58	48	63	59	55
Sub-total	5,718	6,366	7,320	6,797	6,753
Grand-total	8,330	9,189	10,465	10,230	10,415

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

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



Consolidated Financial Statements

CHASE,
SKEETE
&
BOLAND
Chartered
Accountants

To the Board of Directors of National Insurance Corporation

We have audited the consolidated balance sheet of National Insurance Corporation (the "Group") and its subsidiaries as at June 30, 2002 and the consolidated statements of changes in reserves, income and expenditure and cash flows for the year then ended. These financial statements are the responsibility of the management of National Insurance Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

- (i) contributions due to National Insurance Corporation which had not been received as at June 30, 2002;
- (ii) surcharges on contributions in arrears which have been levied but which remained uncollected as at June 30, 2002;

In our opinion, except for the failure to record contributions and surcharges due but not received as at June 30, 2002, these financial statements present fairly, in all material respects, the financial position of the Group as at June 30, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Chase, Skeete & Boland.

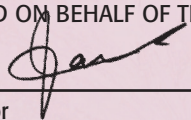
Chartered Accountants
Castries, St. Lucia
December 23, 2002

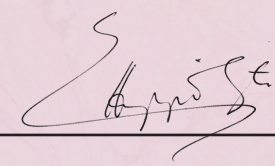
National Insurance Corporation
Consolidated Balance Sheet as at June 30, 2002

	Notes	2002 \$	2001 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	10,820,388	10,798,159
Accounts receivable	4	14,326,771	13,027,049
Prepaid expenses	5	517,819	137,403
		25,664,978	23,962,611
Long-term Assets			
Loans and advances	6	171,183,178	177,142,120
Investment Securities			
- Held-to-maturity	7	305,829,489	284,285,753
- Available-for-sale	7	62,487,127	40,268,869
Investment properties	8	110,269,174	74,735,270
Property, plant and equipment	9	3,193,163	3,258,035
Projects in progress	10	11,963,068	3,555,836
Deferred asset	11	358,706	538,058
		665,283,905	583,783,941
TOTAL ASSETS		690,948,883	607,746,552
LIABILITIES			
Current Liabilities			
Bank overdraft		116,986	292,176
Accounts payable and accrued liabilities		4,101,852	4,148,308
Current portion of long-term loan	12	213,013	193,833
		4,431,851	4,634,317
Long-term Liability			
Long-term loan	12	5,219,959	5,434,436
Reserves			
Short-term benefits		16,131,202	9,380,372
Long-term benefits		660,502,508	584,014,752
Retained earnings		1,455,718	1,088,494
		678,089,428	594,483,618
Minority interest	13	3,207,645	3,194,181
TOTAL LIABILITIES AND RESERVES		690,948,883	607,746,552

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

SIGNED ON BEHALF OF THE BOARD


 Director


 Director

National Insurance Corporation
Consolidated Statement of Changes in Reserves for the Year ended June 30, 2002

	Short-term Benefits \$	Long-term Benefits \$	Retained Earnings \$	Total \$
Balance at June 30, 2000	8,294,453	526,513,743	1,241,273	536,049,469
Loan fees collected during the year	0	0	12,662	12,662
Excess of income over expenditure/ (expenditure over income) for the year	1,085,919	57,501,009	(165,441)	58,421,487
Balance at June 30, 2001 as previously reported	9,380,372	584,014,752	1,088,494	594,483,618
Fair value adjustment on adoption of IAS 40	5,700,001	27,829,416	0	33,529,417
Restated Fund Balances	15,080,373	611,844,168	1,088,494	628,013,035
Loan fees collected during the year	0	0	18,570	18,570
Excess of income over expenditure for the year	1,050,829	48,658,340	348,654	50,057,823
Balance at June 30, 2002	16,131,202	660,502,508	1,455,718	678,089,428

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

National Insurance Corporation
Consolidated Statement of Income and Expenditure for the Year ended June 30, 2002

	Short-term Benefits		Long-term Benefits		Subsidiaries		Total	
	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$
INCOME								
Contributions	8,565,723	8,762,038	41,820,884	42,779,360	0	0	50,386,607	51,541,398
Investments	403,686	484,472	28,832,802	35,873,354	3,045,466	2,008,707	32,281,954	38,366,533
Other	526,720	395,938	2,571,634	1,933,109	316	32,575	3,098,670	2,361,622
TOTAL INCOME	9,496,129	9,642,448	73,225,320	80,585,823	3,045,782	2,041,282	85,767,231	92,269,553
EXPENDITURE								
Short-term benefits	4,145,207	4,158,680	0	0	0	0	4,145,207	4,158,680
Long-term benefits	0	0	19,493,182	17,687,330	0	0	19,493,182	17,687,330
Medical Health Programme	3,000,000	3,000,000	0	0	0	0	3,000,000	3,000,000
Administrative expenses	1,300,093	1,416,288	5,073,798	5,379,045	2,551,854	2,069,875	8,925,745	8,865,208
TOTAL EXPENDITURE	8,445,300	8,574,968	24,566,980	23,066,375	2,551,854	2,069,875	35,564,134	33,711,218
	1,050,829	1,067,480	48,658,340	57,519,448	493,928	(28,593)	50,203,097	58,558,335
Minority interest	0	0	0	0	(145,274)	(136,848)	(145,274)	(136,848)
EXCESS OF INCOME OVER EXPENDITURE/ (EXPENDITURE OVER INCOME)	1,050,829	1,067,480	48,658,340	57,519,448	348,654	(165,441)	50,057,823	58,421,487

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

National Insurance Corporation
Consolidated Statement of Cash Flow for the Year ended June 30, 2002

	2002 \$
Cash Flows from Operating Activities	
Excess of income over expenditure for the year	50,203,097
Adjustments for:	
Depreciation	757,057
Amortisation of deferred infrastructure costs	179,352
Investment income	(37,553,780)
Foreign exchange loss	532,544
Loss on investment	3,634,885
Provision for loan losses and uncollected interest	7,279,962
Interest expense	566,132
Operating income before working capital changes	25,599,249
Decrease in accounts receivable	193,958
Increase in prepaid expenses	(380,416)
Decrease in accounts payable and accrued liabilities	(46,456)
Cash generated from operating activities	25,366,335
Interest paid	(566,132)
Net cash generated from operating activities	24,800,203
Cash Flows from Investing Activities	
Purchase of property, plant and equipment	(692,185)
Increase in investment securities and loans and advances	(47,157,928)
Purchase of investment properties	(2,004,487)
Investment income received	33,345,125
Increase in project expenditure	(7,784,772)
Net cash used in investing activities	(24,294,247)
Cash Flows from Financing Activities	
Repayments on long-term loans	(195,297)
Loan fees collected	24,760
Dividends paid	(138,000)
Net cash used in financing activities	(308,537)
Increase in Net Cash	197,419
Net Cash - Beginning of Year	10,505,983
Net Cash - End of Year	10,703,402
Cash	10,820,388
Bank overdraft	(116,986)
Net Cash - End of Year	10,703,402

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

1. Introduction

National Insurance Corporation is engaged in the provision of social security services. The Corporation is governed by the National Insurance Corporation Act 2000 (No. 18 of 2000).

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

St. Lucia Mortgage Finance Company Ltd.

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

National Insurance Property Management and Development Company Ltd.

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

Castries Car Park Facility Ltd.

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

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

2. Significant Accounting Policies

(a) Overall Policy

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

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

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

There has been no change in accounting policy from the previous year, except for the following:-

In the previous year, income and expenditure were allocated into three funds namely, short-term benefits, long-term benefits and administrative funds. Details of the current method of allocation are disclosed in note 2(f).

National Insurance Corporation
Notes to the Consolidated Financial Statements for the Year ended June 30, 2002

2. Significant Accounting Policies (Cont'd)

(a) Overall Policy (cont'd)

During the year, the Group adopted International Accounting Standard 40, Investment Property. The effect of this is an increase of \$33,529,417, which has been shown as an adjustment to reserves.

(b) Basis of Consolidation

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

The associate company has not been accounted for under the equity method as the investment was acquired and held exclusively with a view to its subsequent disposal in the near future. The investment has been subsequently disposed of and disclosed in note 18.

(c) Contributions

Contributions reflect only amounts received from members and do not include contributions due to the National Insurance Corporation which had not been received as at June 30, 2002.

(d) Benefits

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

(e) Surcharges

Surcharges include amounts received from members, but exclude surcharges levied but uncollected as at June 30, 2002.

(f) Basis of Allocation of Income

Contribution Income

Contribution income is allocated as follows:

	2002	2001
Short-term benefit fund	17%	10%
Long-term benefit fund	83%	79%
Administrative fund	0%	11%
	100%	100%

2. Significant Accounting Policies (Cont'd)

Investment Income

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

Investment expenses comprise all costs relating to the management of investment properties and investment securities and provisions for diminution in the value of investments.

Other Income

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

(g) **Interest Income and Expense**

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using effective interest rates. Interest income on doubtful loans is provided for in accordance with International Accounting Standard 39.

(h) **Development Fees**

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

(i) **Management Fees**

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

(j) **Accounts Receivable**

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

(k) **Loans and Advances**

All loans are recognized when cash is advanced to borrowers.

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

2. Significant Accounting Policies (Cont'd)

(k) Loans and Advances (cont'd)

The provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date.

With regard to mortgage loans, losses have been calculated in accordance with the requirements of the Eastern Caribbean Central Bank and a provision of 10% of the loan balances that are 90 days in arrears is made. A general provision of 2% is made on the portfolio of other loans subsequent to specific provisions.

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

(l) Investment Securities

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

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

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

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

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

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

(m) Investment Properties

Investment properties principally comprising office buildings are held for long-term rental yields. Investment properties are treated as long-term investments and are carried at fair values, representing open market values determined annually by external valuers. Changes in fair values are recorded in the statement of Income and Expenditure in accordance with International Accounting Standard 40.

2. Significant Accounting Policies (Cont'd)

(n) Property, Plant and Equipment

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

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

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

(o) Projects in Progress

Build-Own-Lease-Transfer (BOLT) Projects

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

Refurbishment Projects

These include all costs associated with refurbishments and are to be completed within a year. On completion, they will be presented as accounts receivable.

(p) Deferred Infra-Structure Costs

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

(q) Accounts Payable and Accrued Liabilities

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

(r) Interest Accrual

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

2. Significant Accounting Policies (Cont'd)

(s) Income Tax

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

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

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

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

(t) Foreign Exchange

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

3. Cash and Cash Equivalents

Cash and cash equivalents are carried on the balance sheet at cost. For the purpose of the cash flow statement cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. Interest rates range from 3%-5%.

4. Accounts Receivable

	2002 \$	2001 \$
Utility charges receivable	1,746,090	1,960,703
Rental charges receivable	1,347,469	905,115
Staff loans and advances	762,995	1,001,422
Mobilization fees	308,790	266,472
Other receivables	57,472	312,176
Maintenance fees	43,691	14,577
	4,266,507	4,460,465
Interest receivable	10,060,264	8,566,584
	14,326,771	13,027,049

National Insurance Corporation

Notes to the Consolidated Financial Statements for the Year ended June 30, 2002

5. Prepaid Expenses

	2002 \$	2001 \$
Prepaid insurance	72,926	137,403
Mobilization fees	444,893	0
	517,819	137,403

The mobilization fees represent advance payments to contractor for cladding of investment properties.

National Insurance Corporation

Notes to the Consolidated Financial Statements for the Year ended June 30, 2002

6. Loans and Advances

Mortgage and other loans

Provision for loan losses and uncollected interest

The loans mature as follows:-

Due within 1 year

Due after 1 year within 5 years

Due after 5 years within 10 years

Due after 10 years within 15 years

Due after 15 years

Provision for Loan Losses

(a) Uncollected Interest Provision

Balance - beginning of year

Losses sustained during the year

Provision made during the year

Balance - end of Year

(b) General Loss Provision

Balance - beginning of year

Written back during the year

Provision made during the year

Balance - end of Year

(c) Specific Loss Provision

Balance - beginning of year

Provision written back during the year

Balance - end of Year

2002 \$	2001 \$
178,822,863	177,584,495
(7,639,685)	(442,375)
171,183,178	177,142,120
47,424,835	42,535,463
63,071,400	72,037,846
39,719,769	41,275,228
14,036,983	16,583,710
6,930,191	4,709,873
171,183,178	177,142,120
141,245	93,644
(82,652)	0
3,819,938	47,601
3,878,531	141,245
300,000	340,000
0	(40,000)
3,460,024	0
3,760,024	300,000
1,130	2,443
0	(1,313)
1,130	1,130
7,639,685	442,375

7. Investment Securities

Investment Securities – Held-to-maturity

FIXED DEPOSITS

Barclays Finance Corporation
St. Lucia Co-operative Bank (Castries)
St. Lucia Co-operative Bank (Vieux Fort)
Bank of St. Lucia (Castries)
Bank of St. Lucia (Vieux Fort)
Bank of St. Lucia (Soufriere)
Bank of Nova Scotia
Royal Bank of Canada
C.I.B.C. Caribbean Ltd.
RBTT Bank Caribbean Ltd.
Barclays Bank Plc
Financial Investment and Consultancy Services Ltd.
British American Insurance Co. Ltd.
Colonial Life Insurance Co. Ltd.

Total Fixed Deposits

NOTES AND BONDS

Republic Finance and Merchant Bank Ltd.
Bank of St. Lucia
Government of St. Lucia
Eastern Caribbean Home Mortgage Bank
Royal Merchant Bank
CIBC Trust and Merchant Bank

TREASURY BILLS

TOTAL INVESTMENT SECURITIES-HELD-TO-MATURITY

2002 \$	2001 \$
24,604,327	18,638,265
12,953,666	12,632,795
4,763,870	4,763,870
61,202,913	68,726,004
3,257,748	3,368,350
5,068,694	5,068,694
28,302,112	47,977,502
48,000	48,000
14,684,779	26,449,949
31,625,649	25,883,698
2,539,777	12,335,163
1,000,000	0
2,338,613	542,500
2,000,000	500,000
194,390,148	226,934,790
8,678,871	0
11,500,000	0
18,600,000	18,600,000
5,000,000	5,000,000
22,531,913	7,045,807
3,423,401	0
69,734,185	30,645,807
41,705,156	26,705,156
305,829,489	284,285,753

National Insurance Corporation

Notes to the Consolidated Financial Statements for the Year ended June 30, 2002

7. Investment Securities (Cont'd)

Fixed Deposits

Interest rates range between 5% and 9% per annum with maximum maturity of two years.

Notes and Bonds

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

Treasury Bills

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

Investment Securities – Available-for-sale

	2002 \$	2001 \$
INVESTMENTS IN SHARES		
St. Lucia Electricity Services Ltd. 1,401,496 ordinary shares	14,014,960	14,014,960
Eastern Caribbean Home Mortgage Bank 1,884 class B shares at \$100 each	188,400	188,400
Eastern Caribbean Securities Exchange 20,000 partly paid class B shares at \$10 each	100,000	0
Jalousie - Hilton St. Lucia Shares held on trust by the St. Lucia Government	2,716,970	2,716,970
East Caribbean Financial Holdings 2,730,000 preference shares 987,810 ordinary shares	19,823,813	0
Total Investment in Shares	36,844,143	16,920,330
MANAGED ACCOUNTS - SALOMON, SMITH BARNEY	25,642,984	22,467,539
INVESTMENT IN ASSOCIATE COMPANY		
Cul-de-Sac Industrial Zone Ltd. Provision for loss on investment	881,000 (881,000)	881,000 0
	0	881,000
TOTAL INVESTMENT SECURITIES - AVAILABLE-FOR-SALE	62,487,127	40,268,869

National Insurance Corporation

Notes to the Consolidated Financial Statements for the Year ended June 30, 2002

8. Investment Properties

	2002 \$	2001 \$
Opening balance	74,735,270	53,393,222
Additions	2,004,487	2,497,294
Transfer from property, plant and equipment	0	18,844,754
Fair value adjustment on adoption of IAS 40	33,529,417	0
Closing balance	110,269,174	74,735,270

The Corporation's investment properties were revalued by quantity surveyors Mr. Neville L.Trim, FRICS, ACI ARB and Mr. Andrew N. King M.S.Q.V.S.

9. Property, Plant and Equipment

	Leasehold Improvements \$	Motor Vehicles \$	Furniture and Equipment \$	Computer Hardware \$	Computer Software \$	Generators \$	Maintenance Equipment \$	Total \$
Cost								
Balance - beginning of year	269,172	548,312	3,651,936	1,077,025	744,973	325,430	41,282	6,658,130
Additions	8,820	0	534,951	100,584	32,830	0	15,000	692,185
Disposals	0	0	(47,392)	0	0	0	0	(47,392)
Balance - end of year	277,992	548,312	4,139,495	1,177,609	777,803	325,430	56,282	7,302,923
Accumulated Depreciation								
Balance - beginning of year	77,875	310,408	1,477,777	755,025	460,852	314,030	4,128	3,400,095
Depreciation charge for year	23,345	101,465	395,505	136,080	91,234	3,800	5,628	757,057
Eliminated on disposal	0	0	(47,392)	0	0	0	0	(47,392)
Balance - end of year	101,220	411,873	1,825,890	891,105	552,086	317,830	9,756	4,109,760
Net Book Value - End of Year	176,772	136,439	2,313,605	286,504	225,717	7,600	46,526	3,193,163
Net Book Value - Beginning of Year	191,297	237,904	2,174,159	322,000	284,121	11,400	37,154	3,258,035

National Insurance Corporation

Notes to the Consolidated Financial Statements for the Year ended June 30, 2002

10. Projects in Progress

	2002 \$	2001 \$
Direct expenditure	10,282,581	3,079,991
Management fees	414,282	123,191
Development fees	414,282	123,191
	11,111,145	3,326,373
Interest receivable	851,923	229,463
	11,963,068	3,555,836
BOLT projects	9,193,956	2,565,042
Refurbishment projects	2,769,112	990,794
	11,963,068	3,555,836

11. Deferred Asset

	2002 \$	2001 \$
Deferred infrastructure costs	358,706	538,058

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

12. Long-term Loan

	2002 \$	2001 \$
<u>Bank of St. Lucia</u> 9.5% bank loan repayable in monthly instalments of \$60,146.25 until October 2015	5,432,972	5,628,269
Less: Amount due within twelve months and shown under current liabilities	213,013	193,833
Long-term portion	5,219,959	5,434,436

12. Long-term Loan (Cont'd)

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

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

	\$
Year ending June 30, 2003	213,013
Year ending June 30, 2004	234,154
Year ending June 30, 2005	257,393
Year ending June 30, 2006	282,939
Due thereafter	4,445,473
	<u>5,432,972</u>

13. Minority Interest

	2002 \$	2001 \$
Shares at cost	2,774,893	2,774,893
Share of retained earnings	432,752	419,288
	<u>3,207,645</u>	<u>3,194,181</u>

14. Subsidiary Companies

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

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

15. Actuarial Review

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

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

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

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

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

- Eliminate the administrative fund and reallocate income and expenditure to short-term and long-term benefit funds.
- Change the percentage of contribution income allocated to long-term and short-term benefit funds to 83% and 17% respectively.
- Create regulations that deal with financial and accounting matters.
- Change the present system of basing contribution and benefit provisions on calendar months to weeks.
- Consider the use of average earnings over one's entire career as the basis for calculating age pensions.

Some of the Actuary's recommendations are addressed in the Revised National Insurance Regulations to be published shortly in the official Gazette.

The next actuarial review is due in June 2005.

16. Financial Instruments

In accordance with the provisions of International Accounting Standard No. 32, disclosure is required regarding credit risks, interest rates and fair values of financial assets and liabilities.

(a) Credit Risk

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

Cash equivalents and fixed deposits are placed with high quality financial institutions. Mortgage and other loans are presented net of the allowance for loan losses. Credit risk with respect to mortgage loans to customers is limited due to the large number of customers comprising the customer base. Accounts receivables and investments are presented net of the allowance for doubtful receivables and the expected loss on investments respectively.

16. Financial Instruments (Cont'd)

(a) Credit Risk (cont'd)

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

(b) Interest Rate Risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Group to interest rate risk. The Group's exposure and interest rates on its financial assets are disclosed in Note 7.

(c) Fair Value

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

17. Comparative Figures

Where changes have been made in the presentation of the current year's figures, comparative amounts have been reclassified.

18. Subsequent Events

(a) National Development Corporation

As at June 30, 2002, the principal and interest of the loan granted to the National Development Corporation was \$2,487,734. This was settled on September 27, 2002, by way of a transfer of 55.37 acres of land situated at Pierrot in the quarter of Vieux Fort, valued at \$2,474,123.26, in lieu of their debt. A provision has been made for the expected loss of an outstanding interest of \$13,611.

(b) Cul de Sac Industrial Zone Limited

As at June 30, 2002, the principal and interest of the loan granted to the Cul de Sac Industrial Zone Limited was \$17,729,774. On November 25, 2002, Cabinet by Conclusion Number 1065 of 2002 agreed to transfer all lands owned by the Cul de Sac Industrial Zone Limited to the Corporation in exchange for the full settlement of their debt and to liquidate the said company. The land transferred was valued at \$14,000,000. A provision has been made for the expected loss on outstanding interest of \$3,729,774 and investment in shares of \$881,000.

(c) St. Lucia National Housing Corporation

As at June 30, 2002, the principal and interest of the loan granted to the former St. Lucia Housing Authority was \$36,322,287. A special committee was set up to review the status of the former St. Lucia Housing Authority's debt and to make recommendations as to liquidating the debt, focusing mainly on the exchange of properties owned by the newly formed St. Lucia National Housing Corporation.

19. Tax Losses

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

Income Year	Losses \$	Expiry Date
2001	318,535	June 30, 2007
2002	46,594	June 30, 2008
	<u>365,129</u>	

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

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

20. Deferred Taxes

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

	2002		2001	
	Full Potential Asset/(Liability) \$	Provision Made \$	Full Potential Asset/(Liability) \$	Provision Made \$
Losses available for carry forward	121,710	0	106,178	0
Accelerated capital allowance	(70,246)	0	(74,636)	0
	<u>51,464</u>	<u>0</u>	<u>31,542</u>	<u>0</u>

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

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



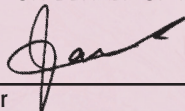
Non-Consolidated Financial Statements

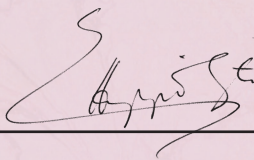
National Insurance Corporation
Non-Consolidated Balance Sheet as at June 30, 2002

	Notes	2002 \$	2001 \$
ASSETS			
Current Assets			
Cash and cash equivalents		8,122,081	9,441,446
Accounts receivable	3	13,288,588	11,808,499
Prepaid expenses	4	449,133	5,469
Due from subsidiary companies	5	542,285	84,400
		22,402,087	21,339,814
Long-term Assets			
Loans and advances	6	186,015,291	185,425,293
Investment Securities			
- Held-to-maturity	7	305,829,489	284,285,753
- Available-for-sale	7	62,487,127	40,268,869
Investments in subsidiary companies	8	16,738,330	13,993,271
Investment properties	9	84,557,125	49,147,222
Property, plant and equipment	10	1,964,304	2,289,878
Deferred asset	11	358,706	538,058
		657,950,372	575,948,344
TOTAL ASSETS		680,352,459	597,288,158
LIABILITIES			
Current Liabilities			
Bank overdraft		116,986	292,176
Accounts payable and accrued liabilities		2,015,161	2,469,144
Due to subsidiary companies	12	329,882	436,194
		2,462,029	3,197,514
Reserves			
Short-term benefits		16,344,844	9,498,610
Long-term benefits		661,545,586	584,592,034
		677,890,430	594,090,644
TOTAL LIABILITIES AND RESERVES		680,352,459	597,288,158

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

SIGNED ON BEHALF OF THE BOARD


 Director


 Director

National Insurance Corporation
Non-Consolidated Statement of Changes in Reserves for the Year ended June 30, 2002

	Short-term Benefits \$	Long-term Benefits \$	Total \$
Balance at June 30, 2000	8,342,311	526,747,405	535,089,716
Excess of income over expenditure for the year	1,156,299	57,844,629	59,000,928
Balance at June 30, 2001 as previously reported	9,498,610	584,592,034	594,090,644
Fair value adjustment on adoption of IAS 40	5,700,001	27,829,416	33,529,417
Restated Fund Balance	15,198,611	612,421,450	627,620,061
Excess of income over expenditure for the year	1,146,233	49,124,136	50,270,369
Balance at June 30, 2002	16,344,844	661,545,586	677,890,430

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

National Insurance Corporation

Non-Consolidated Statement of Income and Expenditure for the Year ended June 30, 2002

	Short-term Benefits		Long-term Benefits		Total	
	2002 \$	2001 \$	2002 \$	2001 \$	2002 \$	2001 \$
INCOME						
Contributions	8,565,723	8,762,038	41,820,884	42,779,360	50,386,607	51,541,398
Investments	474,066	573,291	29,176,422	36,198,535	29,650,488	36,771,826
Other	551,744	395,938	2,693,810	1,933,109	3,245,554	2,329,047
TOTAL INCOME	9,591,533	9,731,267	73,691,116	80,911,004	83,282,649	90,642,271
EXPENDITURE						
Short-term benefits	4,145,207	4,158,680	0	0	4,145,207	4,158,680
Long-term benefits	0	0	19,493,182	17,687,330	19,493,182	17,687,330
Medical Health Programme	3,000,000	3,000,000	0	0	3,000,000	3,000,000
Administrative expenses	1,300,093	1,416,288	5,073,798	5,379,045	6,373,891	6,795,333
TOTAL EXPENDITURE	8,445,300	8,574,968	24,566,980	23,066,375	33,012,280	31,641,343
EXCESS OF INCOME OVER EXPENDITURE	1,146,233	1,156,299	49,124,136	57,844,629	50,270,369	59,000,928

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

National Insurance Corporation
Non-Consolidated Statement of Cash Flow for the Year ended June 30, 2002

	2002 \$	2001 \$
Cash Flows from Operating Activities		
Excess of income over expenditure for the year	50,270,369	59,000,928
Adjustments for:		
Depreciation	493,220	503,952
Amortisation of deferred infrastructure costs	179,352	179,352
Investment income	(37,330,624)	(33,985,105)
Foreign exchange loss	532,544	0
Loss on investment	3,634,885	544,944
Provision for loans losses and uncollected interest	7,203,409	0
Operating income before working capital changes	24,983,155	26,244,071
Decrease/(increase) in accounts receivable	13,591	(892,175)
(Increase)/decrease in prepaid expenses	(443,664)	250,219
Increase in due from subsidiary companies	(457,885)	(84,400)
(Decrease)/increase in accounts payable and accrued liabilities	(453,983)	590,354
(Decrease)/increase in due to subsidiary companies	(106,312)	436,194
Net cash generated from operating activities	23,534,902	26,544,263
Cash Flows from Investing Activities		
Proceeds on sale of investment property	0	4,300,000
Purchase of property, plant and equipment	(167,646)	(178,421)
Proceeds on sale of property, plant and equipment	0	41,282
Increase in investment securities and loans and advances	(53,003,301)	(56,612,003)
Deposit on shares in subsidiary company	(2,745,059)	(1,667,356)
Purchase of investment properties	(1,880,486)	(54,000)
Investment income received	33,117,415	30,991,753
Net cash used in investing activities	(24,679,077)	(23,178,745)
(Decrease)/Increase in Net Cash	(1,144,175)	3,365,518
Net Cash - Beginning of Year	9,149,270	5,783,752
Net Cash - End of Year	8,005,095	9,149,270
Cash	8,122,081	9,441,446
Bank overdraft	(116,986)	(292,176)
Net Cash - End of Year	8,005,095	9,149,270

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



**NATIONAL
INSURANCE
CORPORATION**

For the benefit of us all!