NATIONAL INSURANCE CORPORATION

For the benefit of us all!

NATIONAL INSURANCE CORPORATION

ANNUAL REPORT

JULY 2018 - JUNE 2019

Honourable Allen Michael Chastanet

Prime Minister
Minister for Finance, Economic Growth,
Job Creation, External Affairs and
the Public Service

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MISSION AND VISION

MISSION STATEMENT

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

VISION STATEMENT

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

CORPORATE INFORMATION

HEAD OFFICE

National Insurance Corporation
Francis Compton Building
Waterfront
Castries
Saint Lucia
Tel: 452-2808
Fax: 451-9882

BANKER

Bank of Saint Lucia Ltd.
Bridge Street
Castries
Saint Lucia

AUDITOR

Grant Thornton
Pointe Seraphine
Castries
Saint Lucia

ATTORNEY

Mrs. Candace Polius
First Floor
Francis Compton Building
Waterfront
Castries
Saint Lucia

CORPORATE SECRETARY

Ms. Kit-Juelle Frank-Amoroso
First Floor
Francis Compton Building
Waterfront
Castries
Saint Lucia

SUB OFFICES

National Insurance Corporation
Antoine L. Theodore Building
Cnr. of Theodore and Hospital Streets
Vieux Fort
Saint Lucia
Tel: 454-6758
Fax: 454-5001

National Insurance Corporation
Sir Darnley Alexander Building
Bay Street
Soufriere
Saint Lucia
Tel: 459-7241
Fax: 459-5434

National Insurance Corporation
Providence Commercial Centre
Rodney Bay
Gros Islet
Saint Lucia
Tel: 457-4074/75
Fax: 452-0576

BOARD MEMBERS

Isaac Anthony (Chairperson)

Frank V. Myers
(Deputy Chairperson)

Marcus Joseph
(Member)

Paula A. Calderon, SLPM, JP
(Member)

Matthew L. Mathurin
(Member)

Nigel Fulgence
(Member)

Wilfred Pierre
(Member)

BOARD COMMITTEES

GROUP AUDIT COMMITTEE

Mr. Frank V. Myers **Chairperson**
Mr. Marcus Joseph
Mrs. Paula A. Calderon, SLPM, JP
Mr. Wilfred Pierre
Mr. Daniel Girard
Ms. Ketha Auguste

INVESTMENT COMMITTEE

Ms. Cointha Thomas **Chairperson**
Mr. Nicholas Barnard Deputy Chairperson
Ms. Karen Peter
Mr. Matthew L. Mathurin
Mr. Derek George

HUMAN RESOURCE COMMITTEE

Mr. Wilfred Pierre **Chairperson**
Mr. Matthew L. Mathurin
Mrs. Paula A. Calderon, SLPM, JP
Mrs. Nicole DuBoulay

GOVERNANCE COMMITTEE

Mr. Isaac Anthony **Chairperson**
Mr. Nigel Fulgence
Mrs. Nathalie Dusauzay

MANAGEMENT TEAM & SENIOR STAFF

MANAGEMENT TEAM

Mr. Matthew L Mathurin	Director
Mr. Desmond Dujon-Henry	Deputy Director (Ag.)
Mr. Derek George	Group Financial Controller
Mrs. Candace Polius	Senior Legal Counsel
Ms. Kit-Juelle Frank-Amoroso	Corporate Secretary
Mrs. Paula Bleasdille	Chief Accountant
Mr. Irwin Jean	Investment Manager
Mr. Aloysius Burke	Systems Manager
Mr. Mac Naughton McLean	Communications Manager
Ms. Allison Delmede	Human Resource Manager
Mrs. Sue-Ann Charlery-Payne	Head of Group Internal Audit
Ms. Callixta Emmanuel	Manager, Compliance and Records Department
Mr. Bernard Jankie	Manager, Branch Offices
Mrs. Gisele Mondesir-St Marthe	Manager, Customer Service Department

SENIOR OFFICERS

Mr. Paul Kallicharan	Statistician
Ms. Hyacintha Lisa Leon	Customer Service Supervisor
Mrs. Claudia Elias-Charles	Benefits Supervisor
Mrs. Semanthia Wells-Joseph	Executive Assistant
Mrs. Elmona Leonce	Records Supervisor
Mr. Timothy John	Chief Security Officer
Mrs. Stephanie Jean	Accountant
Ms. Mable Leopold	Collections Supervisor
Ms. Velina Joseph	Chief Inspector
Mrs. Helen Hugobert-Richards	Assistant Human Resource Manager
Mrs. Melissa St. Lucy-Fricot	Rodney Bay Supervisor

CHAIRPERSON'S REPORT JULY 2018 - JUNE 2019

Isaac Anthony (Chairperson)

I am pleased to present my report for the financial year 2018-19. As with the past years, the National Insurance Corporation "(NIC)" continued its efforts at enhancing the lives of its contributors. The NIC registered another year of remarkable achievement and recorded the best year ever in terms of service to our customers; for the first time, over 32,000 beneficiaries collected more than $105 Million in benefits.

This is indeed a significant accomplishment for the NIC, an institution mandated to provide social insurance benefits to the employed population of Saint Lucia, and their dependents.

NIC's contribution income crossed the $120 Million mark for the first time reaching $124,674,465 for the period under review; and through sound management, the Corporation contained administrative expenses despite operating in an inflationary environment.

The NIC has once again maintained its prudent and non-speculative approach to investment during the financial year ended 2019.The Corporation is pursuing even more rigorous due diligence in its investment activity in order to mitigate risks. The Investment Department thoroughly analyzed all risks associated with investment proposals and current investments. The Investment Committee further reviewed all proposals, thus ensuring that only acceptable levels of risk were taken.

Within recent times, issues that affect social insurance systems worldwide have emerged as critical items on the economic and social agenda. Rising longevity and falling birth rates have been two of the forces affecting social insurance systems. In this regard, the issue of financial sustainability of Social Security systems has taken center stage in many countries. In Saint Lucia, the robust financial performance of the NIC over the years has placed our social security system in a strong position in terms of the long-term viability of the fund and security of the insured.

FINANCIAL HIGHLIGHTS

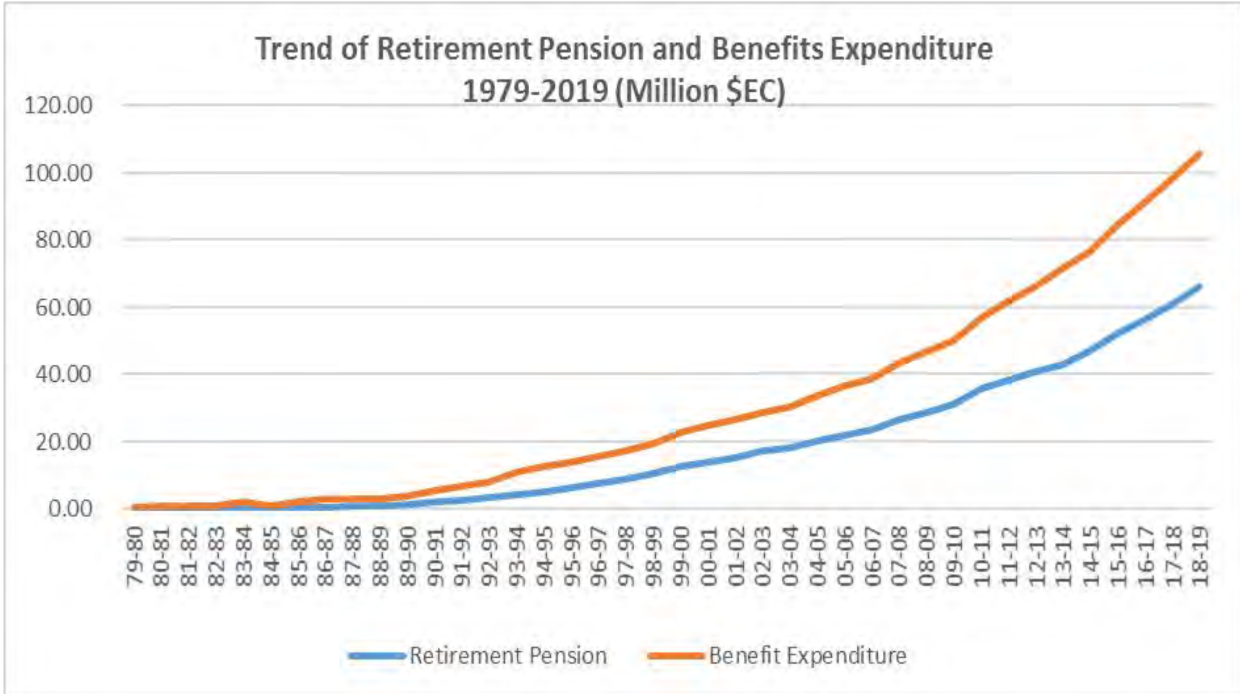
BENEFITS

Total benefit expenditure in 2018/2019 was $105.85 million, an increase of 7.09% over the $98.84 million paid in the previous financial year. Of this amount, long-term benefit payments increased by 7.33% to $85.81 million or 81.07% of total benefit expenditure, while short-term benefit payments, including the Medical Health Programme accounted for the remaining $20.03 million or 18.93%. This moderate growth was mainly due to growth of retirement pensions awarded in the review period. In 2018/2019, the cost of Medical Health Programme remained constant at $5.00 million.

Retirement pensions continue to be the principal component of pension expenditure and accounted for 66.33% (2018 – 65.86%) of total benefits paid and 81.81% (2018 – 81.41%) of long-term benefit expenditure. The International Labour Organization ("ILO") Pension Model for Saint Lucia predicts that this trend will continue, consistent with the projected steady increase in retirement of active contributors. The trend in payment of retirement pensions is juxtaposed against total benefits in Figure 1 below.

When expressed as a percentage of contribution income, total benefits expenditure was 84.90% (2018– 82.28%).

Figure1



In 2019, with regards to benefits governed by reciprocal agreements, 7 new transactions were processed under the Agreement between Saint Lucia and Canada, and 16 under the CARICOM Agreement. Since the implementation of the Agreement, 178 pensions have been awarded to date at an accumulated cost of $4,107,702 (2018 - $3,216,692).

INCOME

During the review period, contribution income increased by 3.80% to $124.67 million (2018 - $120.1 million) while investment income increased by 11.8% to $96.47 million (2018 - $86.29 million). The impact of these positive performances was that total income rose by 67.9% in the review period to $218.94 million (2018 - $130.4 million).

EXPENSES

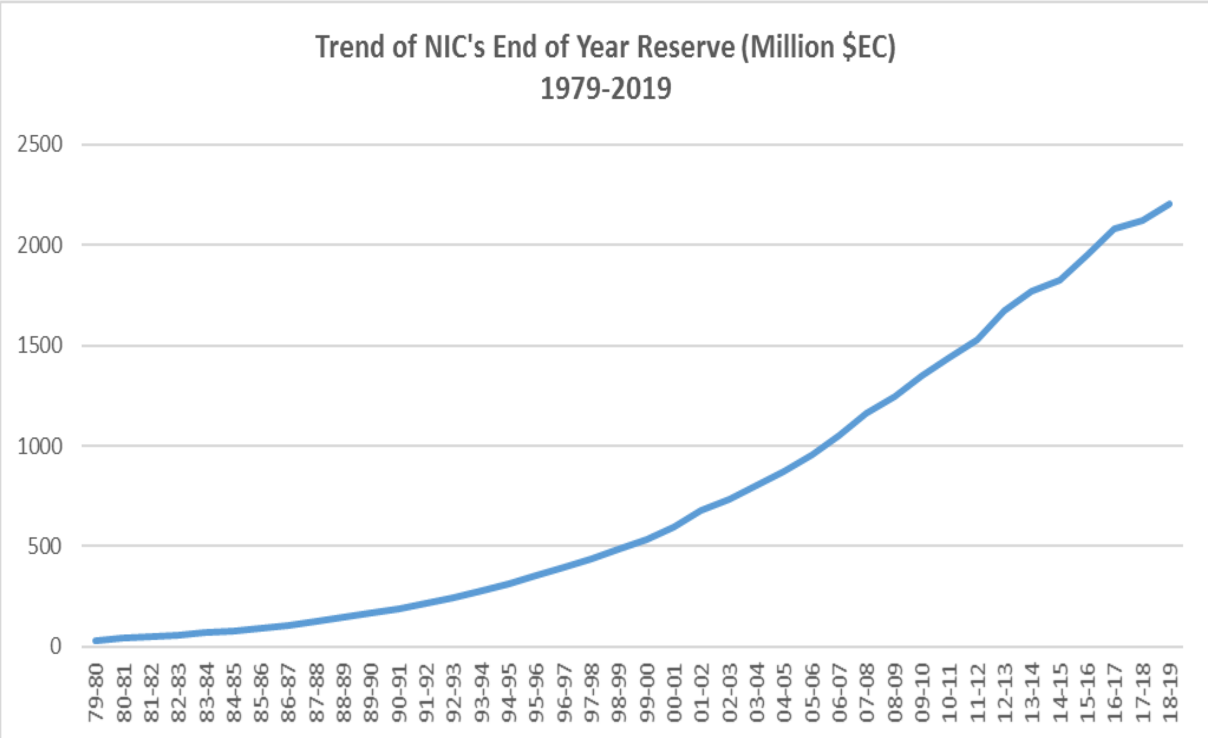
After recording a decrease of 5.69% in 2017/18, general and administrative expenses increased by 3.78% to $17.27 million (2018 - $16.64 million). General and administrative expenses as a percentage of contribution income remained at 13.85% (compared to 2018) or 1.39% of insured earnings.

ASSETS

Total assets at June 30, 2019 amounted to $2.22 billion (2018 - $2.14 billion), a 3.74% increase over the previous financial year.

At the end of the financial year in review, the NIC's reserves had increased by 4.25% or $85.19 million to $2.21 billion (2018 - $2.12 billion). The trend of reserves is illustrated in Figure 2 below.

Figure 2

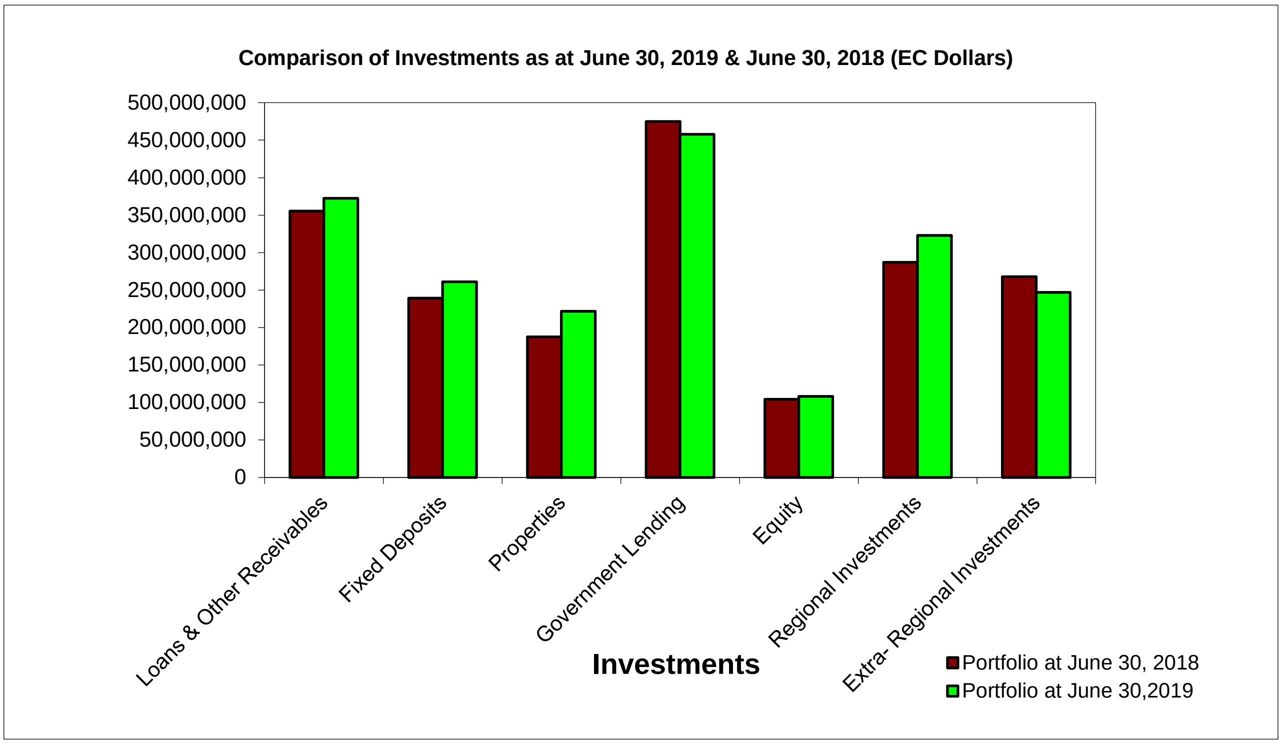


INVESTMENT PORTFOLIO

The Board continued to employ sound strategies in investing the surplus funds of the Corporation. The contributions received by the NIC must be available to honour the various benefit claims as they arise in the future. In light of the increasing inflation rate and the expected reduction in the ratio of active contributors per pensioner, it is vital that contributions received are invested wisely so that they earn a reasonable rate of return. Consequently, when making investment decisions, the Corporation is guided by its Investment Policy, with Safety, Liquidity and Yield as its major requirements.

The following table and graph juxtapose the investment portfolio summaries as at June 2019 and 2018.

Investments	**Portfolio at June 30, 2019**	**Portfolio at June 30, 2018** **(restated)**
Loans & Other Receivables	372,619,260	355,573,552
Fixed Deposits	260,975,782	239,271,198
Properties	221,823,424	187,428,532
Government Lending	457,794,651	475,075,871
Equity	108,135,920	104,721,742
Regional Investments	322,917,704	290,149,177
Extra- Regional Investments	246,851,737	267,860,087
Total	**1,991,118,478**	**1,920,080,159**



MANAGEMENT AUDIT

During the reporting period, the Board of the National Insurance Corporation engaged the services of a firm of consultants, Syntegra Change Architects Ltd., to review the organizational structure, management processes and procedures, and to make recommendations for improvement to ensure adequate capacity to meet the challenges of the future.

The Consultants selected the **European Foundation for Quality Management** (EFQM) Business Excellence Model as the primary management audit instrument.

The EFQM Business Excellence Model is a multi-dimensional non-prescriptive model for management and continuous improvement of quality that applies to all types of organisations and across sectors, worldwide.

In the area of Business Results, the NIC scored considerably above the benchmark whereas it attained the level of the Benchmark for its Processes, Products and Services. The Audit concluded that " using the EFQM criteria for excellence as the auditing standard for excellence, the NIC is very close to being "able" to demonstrate management excellence.".

STRATEGIC PLAN

The National Insurance Corporation will achieve fifty years of providing social security coverage to Saint Lucia in October 2020. In charting the course for the next fifty years, the Board engaged the services of consultants Syntegra Change Architects Limited to facilitate the development of a strategic plan for the period 2019 to 2024.

The consultants interviewed numerous stakeholders during the planning process and produced a report which enumerated the strategies and initiatives that were considered to be of highest priority and impact for the period.

"The foundation of our strategic achievements over the coming five years will be based on our first programmatic area which is focused on an upgrade of our **Information Technology** platform, alignment of the organization around common **values and performance goals**, as well as a systemic **increase of efficiency** throughout the organization." (Source: NIC Strategic Plan 2019-2024)

The plan aims to achieve the following strategic goals within 5 years:

1. improved operational efficiency and service delivery
2. expanded coverage of self-employed persons
3. improved relationships with stakeholders
4. enhanced investment portfolio
5. updated corporate governance framework for subsidiaries.
6. superior performance from subsidiaries

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The National Insurance Corporation is committed to the use of appropriate cutting edge technology in satisfying its mandate to provide social security services to the people of Saint Lucia having recognized technology as an indispensable tool to maximize efficiency, accuracy, productivity and organizational effectiveness. To that end, several initiatives were undertaken to enhance the NIC's Information Technology Systems and Infrastructure including inter alia:

Software maintenance and expansion- Throughout the year, the I.T. department effected improvements to the NIC's custom-built application software. Over 100 software requests from staff were processed and resulted in the programing and implementation of core business applications. These applications, along with appropriate databases and hardware provide the platform for the efficient payment of benefits, collection of contributions, and service to our clients.

Security- Security was boosted by a perimeter firewall which prevents viruses and other malware from entering the network

Virtual Server Services

The number of physical servers used by NIC has been decreased by employing virtual services. This has resulted in lower costs due to the reduction in the use of physical equipment, and less spend on new physical servers. The Corporation has also benefitted from faster provision of resources such as VDI (Virtual Display Interface) for remote access, as well as server creation. This feature allows NIC Inspectors to access systems from any remote location.

Web Services

NIC's **Employer C3 Online contribution system** is in Beta stage while in use by a select number of employers. The procedures are being adjusted to enhance data quality and integrity, and to cater to legal issues. The system, which will be available to all employers in financial year ending 30th June 2021 will also greatly enhance the collection of contribution data. The next phase of online payment will also be implemented during that financial year.

Network and Telephony implementation

The installation of a new IP Telephony system has been completed. This will allow NIC to modernize its telephone infrastructure, reduce telephone costs, as well as control the management of the telephone system for bill monitoring, handset additions, and removing or granting features and privileges.

IT Systems Controls

A review of the IT systems controls was completed during 2018-2019. This review was performed by the Corporation's external auditors as part of the annual audit of the financial statements and systems. The review addressed personnel, security, application quality, system development life cycle, project management and internal controls.

The NIC has committed to commissioning a comprehensive audit of its IT systems and infrastructure in the ensuing financial year to ensure that it is adequately resourced to meet the challenges of the future and to provide a more seamless and efficient service to its contributors and other stakeholders.

HUMAN RESOURCE MANAGEMENT (HRM)

Cognizant of the critical role our employees play in the success of the Corporation, and to ensure that our employees are equipped with the necessary skills, significant attention was devoted to the areas of training and other aspects of HRM.

Training and Development

Training and development continued to be a priority for the NIC, and consequently, a number of employees received local, regional and international training. Some of the workshops attended were in areas such as Budgeting, Finance for Non-Finance Managers, IFRS 15,16, and 17, Use of Social Media, Use of E-Litigation Portal, Regulations Pertaining to Payroll Statutory Deductions/Calculations, How to respond to Bomb Threats and to an active shooter/robbery, Business Writing that Works, Pre-Retirement, Coping with Emergencies at the Workplace, Audit Training, Effective Interviewing Techniques, Building Workforce Capacity to Promote Healthy Aging, and Limiting Non-Communicable Disease and Related Harm.

Three (3) Senior Managers and three (3) Board Members attended a UBS Due Diligence Meeting, while one manager attended an ISSA Technical Seminar on Information and Communication technologies.

Training was also provided on the following policies: Fraud Policy, Whistle blowing Policy and the Revised Scholarship Policy.

Review and Development of policies

In an effort to ensure that its policies are current and relevant, the following policies were either reviewed or developed; Occupational Safety and Health, compassionate leave and funeral request forms, vehicle policy, Staff Recognition Programme, Staff Scholarship policy, and the Sickness and Absence policy.

Corporate Social Responsibility

Seven (7) students were granted employment /work experience under the Corporation's summer employment programme. This programme provided the students with the opportunity to develop positive work ethics and financial support to continue their academic studies.

The Corporation provided four scholarships to children of employees who excelled at the Common Entrance Examination, and the Caribbean Examination Council (CXC) Examinations to pursue studies at secondary schools, and the Sir Arthur Lewis Community College.

Recruitment and Selection

During the review period, the NIC sought to fill the position of Deputy Director. The position had been advertised in the local press in November 2018, and following the interview process, Mr. Desmond Dujon Henry, a long serving senior manager, was appointed to the office. The main responsibilities of the Deputy Director include the implementation of Strategic Plans, Enterprise-wide Risk Management and Innovation.

During the year, the complement of employees within the Compliance department was increased, with 4 new employees joining the team of Inspectors.

Retirement

Two long serving employees retired from the Corporation; one on medical grounds having served the Corporation for 36 years, and the other having attained the retirement age of 65 years and having served the Corporation for 39 years. The employees both held the position of Inspector.
The NIC would like to thank these long serving employees for their service.

Staff Complement

The staff complement at the end of June 2019 was one hundred and thirty seven (137) employees.

MARKETING AND CORPORATE COMMUNICATONS

Communication with stakeholders is an essential part of the work programme of the NIC. The emphasis of the Corporation's public relations efforts focused on the provision of information to advise the public of its rights and obligations, and enforcing compliance with the provisions of the National Insurance Act and Regulations.

The communications team raised public awareness of the NIC's products and services and addressed issues which required clarification. The team used a blend of traditional and new media platforms e.g. Facebook and YouTube to disseminate targeted and engaging information to the Saint Lucian public.

The department launched a schools' education campaign in 2018/19 entitled "Your Future Starts Today". The programme, which targets students who are about to enter the workforce, explains the social security concept, its key features and their obligations in terms of contributions, and qualifying conditions for receiving benefits. The plan is to engage the students in a manner that highlights the importance of taking steps today in order to create the future they would like tomorrow. The programme also allows the NIC to register students who are 16 years and older, thereby reducing the number of persons entering the workforce without NIC numbers.

THE NIC GROUP

The following table profiles the Corporation and its subsidiaries as at 30 June 2019

Company	% Holding by NIC	Business	Date Incorporated	Total Assets $	Net Assets $
NIC	-	Provision of social security services.	April 1979	2,200,854,437	2,189,666,528
NIPRO	100	Provides property development, management, and maintenance services.	April 1999	22,647,770	9,753,535
SMFC	75	Providing loans for the purchase, construction, extension or completion of dwelling houses and the purchase of developed plots.	January 1968	50,769,274	9,990,850
BCL	100	Rental of space for office and commercial use. Proprietor of Blue Coral Mall Building.	April 2003	12,958,590	(28,841,675)
CCFL	100	Provision of car parking facilities and rental of space for office and commercial use.	January 1998	27,609,564	20,599,910

St. Lucia Mortgage Finance Company Limited ("SMFC")
July 2018 to June 2019

The St. Lucia Mortgage Finance Company Limited (SMFC) grants loans to persons, for the purchase, construction, extension, completion or repair of dwelling houses and the purchase of developed plots. In addition, the Company offers "Home-Equity" loans, whereby houses or land only may be re-mortgaged to provide funding for special purposes. The maximum loan offered is $500,000.

The financial year ended June 2019 was another challenging period for the SMFC due to the limited supply of affordable housing and land development, the highly competitive financial services sector, decreasing market share and a high non-performing loans (NPL) portfolio. Despite the challenges faced, the company continues to provide valuable service to its clients.

The Company provided financial assistance to twenty-eight (28) householders and land owners respectively, totaling $6,340,101. SMFC disbursed the sum of $7,263,618 (2018 - $6,834,382) cumulatively amounting from inception to $208,365,457.

Net mortgage assets increased by 4.29% compared to last year, mainly due to a reduction in the provision for non-performing loans. As a result, the Company recorded a net profit of $1,239,360 (compared to incurring a loss of $2,227,684 in 2018).

During the twelve months to June 30, 2019 drawings totaling $13.0 million were made from NIC loan facilities. As at June 30, 2019 SMFC's indebtedness to the NIC totaled $40,515,619 (2018 - $39,961,000).

No dividends were declared for the financial year ended June 30, 2019.

The National Insurance Property Development and Management Company Ltd.

National Insurance Property Development & Management Company Limited ("NIPRO")

Financial performance for the year ended June 30, 2019

The key indicators of NIPRO's financial performance are summarized in the table below:

	2019	2018	Comment
Total revenue ($)	3,821,049	4,022,295	Decreased by 5% primarily due to a reduction in the number of projects undertaken during the year and the closing of the lease agreement for Anse la Raye Police Station in March 2019.
Total operating costs	3,106,407	3,545,851	Decreased by 12% - primarily due reduction of expenditure on BOLT Stations.
Finance costs	908,826	1,067,315	Decrease of 15% - as a result of declining loan balances.
Income/(loss) income before taxes	40,502	(262,227)	The increase in income is due mainly to the decrease in operating costs.
Total assets	22,647,770	24,310,284	Decrease of 7% due to repayment of loans payable to the Parent Company.
Cash and cash equivalents	1,680,251	2,652,046	Reflects a 37% decrease due to the reduction in cash generated from BOLT Finance Leases.

Investment in BOLT projects

Babonneau Fire Station Phase 2 -Carpark Construction

Approval of the Order of Magnitude budget was granted by the Government of Saint Lucia (GOSL) in April 2019 for the sum of EC $926,938 for the construction of eleven parking bays at the Babonneau Fire Station. Priced tenders from invited bidders were received on May 21, 2019. The Tender Evaluation Committee (TEC) evaluated the tenders received on June 19, 2019 and recommended the award of contract.

Anse La Raye Wellness Centre

The Demolition and Site Preparation (Civil Works) Works commenced in September 2018 and finished during October 2018. The superstructure of the existing building was successfully demolished. However, the original substructure remained intact as demolition proved to be more complicated than previously anticipated.

Existing site conditions which became apparent after the demolition phase necessitated a redesign of the proposed building's foundation. This impacted the overall cost and time of commencement of the project. In June 2019, NIPRO received GOSL approval for the new order of magnitude budget in the amount of EC $11,701,175 which included a construction cost of EC $8,007,702.

Castries Carpark Facility Ltd.

Castries Car Park Facility Limited ("CCFL")

Financial performance for the year ended June 30, 2019

Total revenue increased this year to $3,416,847 (2018 - $3,251,073) while revenue from rental income of $2,759,513 remained the same as for the previous year. However, revenue from parking fees increased by 34% to $657,334 (2018 - $491,560).

Total general and administrative expenses increased by 33% to $1,661,520 (2018 - $1,249,154 (restated)), while interest expense incurred for the year was reduced to $599,346 (2018 - $674,376).

In 2019, CCFL's investment property was valued at $24,610,000, resulting in a fair value loss of $486,360 on investment property in June 2019 (in June 2018 there was a fair value loss of $25,402,054 (restated)). Comprehensive income for the year ended June 2019 was $677,266 compared to a $24,065,571 loss in 2018. The 2018 loss was primarily due to the fair value loss on investment property.

The company's financial position declined slightly compared to the June 30, 2018 position, with current assets decreasing to $27,609,564 (2018 - $27,643,980 (restated)). All assets have been classified as current assets in 2019 and 2018 following the decision of the board of directors of the parent company to voluntarily wind up the company by June 30, 2019 or soon thereafter.

Blue Coral Ltd. ("BCL")

Introduction

Blue Coral Ltd is a wholly owned subsidiary of National Insurance Corporation. The Company manages the Blue Coral Shopping Mall located on Bridge Street in Castries and offers rental spaces primarily for business entities which retail a wide range of products and services, and also provides conference room facilities.

Statement of Financial Position

The accumulated deficit of Blue Coral Ltd at June 30, 2019 decreased by $527,757 to $42,841,676 (2018 - $43,369,433).

This was significantly influenced by the fair value gain of $1,760,000 as investment property value at June 30, 2019 moved to $11,855,000 (2018 - $10,095,000). The fair value of the property was estimated using the income approach which capitalizes the estimated income streams, net of projected operating costs, with a discount rate derived from the Company's market yield.

Statement of Comprehensive Income

This year Blue Coral Limited recorded a net income of $529,084 (2018 – Loss $6,172,619). This resulted primarily from the fair value gain of $1,760,000 this year in comparison to a fair value loss of $5,111,039 in 2018. The Blue Coral Mall was able to attract new tenants during the year and as such rental income increased by $193,597 or 11% to $1,987,107 (2018- $1,793,510).

General and administrative expenses increased by $264,798 or 14% to $2,215,932 (2018- $1,951,134). There was a significant increase in repairs and maintenance ($222,870 or 30%) and utility costs ($91,193 or 21%). This was offset by a reduction in security costs ($13,442 or 5%), allowance for impairment ($36,753 or 45%) and employee benefits expense ($ 10,041 or 10%).

AFFILIATE

National Community Foundation

The National Community Foundation (NCF) is a philanthropic non-profit organization that functions primarily as a grant-making institution. The NCF was established in August 2002 and supports initiatives that engender self-development and social upliftment of the underprivileged and disenfranchised in our communities.

Areas of Focus

The National Community Foundation focuses its attention on seven main areas. Over 1,000 persons benefited from NCF's activities and projects for the period under review. The amount spent on each area during the financial year was:

Persons with Disabilities: $8,200 - (3) Projects - wheel chair repair project, contribution towards school transportation and tuition fees.

Youth at Risk: $15,468- (7) Projects including career guidance training workshop, vacation bible school, youth retreat, youth power project, and support to domestic violence response.

Older Persons: $627.00 - (2) Projects i.e. assistance with feeding programme, and purchase of baskets for Christmas hampers.

Health Care: $175,892-Health Assistance

Homeless: $8438.75 **(**11 families benefited) - Help for fire victims.

Disadvantaged Children: $209,614 - Scholarship programme

Chess in Schools: $12,866 - Maintenance of chess in schools programme.

NCF Annual Telethon
The NCF raised $85,880 during the period July 2018 to June 2019. These funds, in addition to other donations, are used to finance philanthropic activities. National telethon pledges for 2019 amounted to $140,207 (corporate - $91,800; individuals - $48,407).

APPRECIATION

The NIC has continued to satisfy its mandate in providing that crucial social security safety net to the workers of this country.

I wish to place on record our appreciation to the Government of Saint Lucia and the Prime Minister as Minister responsible for Social Security for their continued support of the work of the National Insurance Corporation.

To the Board and Board Committees, I say thank you for your input and the spirit of collaboration that has facilitated the process of decision-making in the discharge of our responsibilities as trustees of the funds of the Corporation.

To the Management and Staff of the Corporation, thank you for all of your efforts in ensuring that the mandate of the Corporation is fulfilled in our day-to-day operations in an effective and efficient manner.

Isaac Anthony
Chairman, NIC Board

National Insurance Corporation

Consolidated Financial Statements
June 30, 2019
(Expressed in Eastern Caribbean dollars)

Contents

July 20, 2020

Grant Thornton
Point Seraphine
PO Box 195
Castries, St. Lucia

T 1 758 456 2600
F 1 758 452 1061
www.GrantThornton.com

Independent Auditor's Report

To the Board of Directors of
National Insurance Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Insurance Corporation (the Corporation), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statements of changes in reserves, comprehensive income and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, including Saint Lucia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Corporation's financial reporting process.

Grant Thornton

Independent Auditor's Report…*continued*

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and consider whether the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Chartered Accountants

National Insurance Corporation

Consolidated Statement of Financial Position

As at June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	2019 $	2018 $
ASSETS		
Cash and cash equivalents (Note 5)	**222,540,585**	201,190,572
Financial assets (Note 6)	**1,685,839,004**	1,650,565,682
Investment in associate (Note 9)	**83,456,050**	82,085,945
Investment properties (Note 10)	**221,823,424**	187,428,532
Property, plant and equipment (Note 11)	**5,458,759**	5,414,935
Projects in progress	**745,679**	7,108,947
Inventory (Note 12)	**4,638,557**	5,415,694
Income tax recoverable	**114,489**	114,489
Deferred tax asset	**94,656**	112,319
TOTAL ASSETS	**2,224,711,203**	2,139,437,115
LIABILITIES		
Trade and other accounts payable (Note 13)	**13,349,709**	13,263,172
Income tax liability	**710**	710
	13,350,419	13,263,882
RESERVES		
Short-term benefits (Note 16)	**77,098,878**	77,086,928
Long-term benefits (Note 16)	**2,074,960,019**	1,996,701,168
Reserves (Note 15)	**1,903,505**	1,655,633
Retained earnings	**54,856,909**	48,655,734
	2,208,819,311	2,124,099,463
Minority interest in reserves	**2,541,473**	2,073,770
	2,211,360,784	2,126,173,233
TOTAL LIABILITIES AND RESERVES	**2,224,711,203**	2,139,437,115

APPROVED ON BEHALF OF THE BOARD: -

Isaac Anthony
Chairperson

Matthew L. Mathurin
Director

The accompanying notes on pages 8 to 68 form an integral part of these financial statements.

National Insurance Corporation

Consolidated Statement of Changes in Reserves

For the year ended June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	Short-term Benefits $	Long-term Benefits $	Reserves $	Retained Earnings $	Minority Interest $	Total $
Balance at June 30, 2017	76,488,064	1,953,312,631	1,655,633	77,140,225	2,658,291	2,111,254,844
Excess of comprehensive income over expenditure for the year	598,864	43,388,537	-	(28,484,491) -	556,921	14,945,989
Transfer to statutory reserve	-	-	-	-	-	-
Dividends	-	-	-	-	(27,600)	(27,600)
Balance at June 30, 2018	77,086,928	1,996,701,168	1,655,633	48,655,734	2,073,770	2,126,173,233
Effect of change in accounting policy for IFRS 9	**(1,896,595)**	**(9,259,848)**	**-**	**374,704**	**157,863**	**(10,623,876)**
Excess of comprehensive income over expenditure for the year	**1,908,545**	**87,518,699**	**-**	**6,074,343**	**309,840**	**95,811,427**
Transfer to statutory reserve	**-**	**-**	**247,872**	**(247,872)**	**-**	**-**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**
Balance at June 30, 2019	**77,098,878**	**2,074,960,019**	**1,903,505**	**54,856,909**	**2,541,473**	**2,211,360,784**

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

National Insurance Corporation

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	2019 $	2018 $
Contribution income (Note 17)	**124,674,465**	120,110,230
Benefits expenses		
Short-term benefits (Note 18)	**(15,034,065)**	(13,888,411)
Long-term benefits (Note 18)	**(85,811,144)**	(79,947,120)
Medical health programme (Note 17)	**(5,000,000)**	(5,000,000)
	(105,845,209)	(98,835,531)
Surplus of contribution over benefits	**18,829,256**	21,274,699
General and administrative expenses (Note 19)	**(17,274,688)**	(16,633,815)
	1,554,568	4,640,884
Other income/(expense)		
Investment income – net (Note 21)	**96,466,810**	86,294,431
Loss in fair value of investment properties (Note 10)	**(2,825,855)**	(76,919,616)
Other	**633,567**	889,220
	94,274,522	10,264,035
Excess of income over expenditure before finance costs and taxation	**95,829,090**	14,904,919
Finance costs	**-**	(32,085)
Excess of income over expenditure before taxation	**95,829,090**	14,872,834
Taxation (Note 23)	**(17,663)**	73,155
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE FOR THE YEAR	**95,811,427**	14,945,989
Attributable to:		
Reserves	**95,501,587**	15,502,910
Minority interest	**309,840**	(556,921)
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE FOR THE YEAR	**95,811,427**	14,945,989

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

National Insurance Corporation

For the year ended June 30, 2019

(Expressed in Eastern Caribbean Dollars)

	2019 $	2018 $
Cash flows from operating activities		
Excess of comprehensive income over expenditure before taxation	**95,829,090**	14,872,834
Adjustments for:		
Interest income	**(73,598,556)**	(68,970,433)
Share of associate's profit	**(5,939,705)**	(6,061,596)
Gain in fair value of financial assets at fair value	**(10,745,502)**	(5,073,527)
Decrease in fair value of investment properties	**2,825,855**	76,919,616
Provision for financial assets impairment, net	**4,628,083**	2,349,334
Dividend income	**(6,786,014)**	(3,347,152)
Depreciation	**699,432**	623,355
Finance costs	**-**	32,085
Loss on disposal of land inventory	**176,424**	-
Gain on disposal of property, plant and equipment	**-**	(35,500)
Operating income/(loss) before working capital changes	**7,089,107**	11,309,016
Increase in loans and receivables	**(19,697,053)**	(19,373,680)
Purchase of debt securities - amortised cost	**(44,593,628)**	-
Purchase of held-to-maturity financial assets	**-**	(3,842,797)
Increase in loans and receivables investment securities	**-**	(4,433,285)
Decrease in financial assets at fair value through income	**29,709,782**	(37,326,753)
Increase in projects in progress	**(845,963)**	(49,115)
Increase in trade and other payables	**86,536**	2,091,840
Cash used in operations	**(28,251,219)**	(51,624,774)
Interest received	**75,608,907**	84,276,309
Dividends received	**11,355,614**	7,575,549
Finance costs paid	**-**	(32,085)
Net cash generated from operating activities	**58,713,302**	40,194,999
Cash flows from investing activities		
Improvements to investment properties	**(37,269,387)**	(823,138)
Increase in investment in associate	**-**	(12,587,400)
Increase in available for sale investment	**-**	(500,000)
Purchase of property, plant and equipment	**(720,386)**	(754,433)
Proceeds from disposal of investment properties	**-**	104,472
Proceeds from disposal of inventory	**600,713**	-
Purchase of inventory	**-**	(2,024)
Proceeds from disposal of property, plant and equipment	**25,771**	35,500
Net cash used in investing activities	**(37,363,289)**	(14,527,023)
Increase in cash and cash equivalents	**21,350,013**	25,667,976
Cash and cash equivalents at beginning of year	**201,190,572**	175,522,596
Cash and cash equivalents at end of year (Note 5)	**222,540,585**	201,190,572

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

National Insurance Corporation

Index to Notes to the Consolidated Financial Statements

For the year ended June 30, 2019

(Expressed in Eastern Caribbean Dollars)

1 Introduction

The National Insurance Corporation ("the Corporation") is governed by the National Insurance Corporation Act CAP. 16.01 of the Revised Laws of Saint Lucia 2013. The principal activity of the Corporation is to provide social security services in Saint Lucia.

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

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

b) National Insurance Property Development and Management Company Ltd.
The company is currently engaged in the development and management of the Government of Saint Lucia Build-Own-Lease-Transfer (BOLT) and refurbishment projects; the provision of property development, management and maintenance services to NIC and its subsidiaries.

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

d) Blue Coral Limited
The company provides office and commercial space for rent.

The registered office and principal place of business of the Corporation is Francis Compton Building, John Compton Highway, Castries, Saint Lucia.

These financial statements were authorised for issue by the Board of Directors on July 20,2020.

2 Summary of significant accounting policies

The principal accounting policies adopted are stated in order to assist in a general understanding of the financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

Basis of preparation
The consolidated financial statements of National Insurance Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS), and under the historical cost convention as modified by the revaluation of financial assets classified at fair value through income and investment properties.

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

2 Summary of significant accounting policies*…continued*

Basis of Preparation *…continued*

a) *Adoption by the Group of new and revised International Financial Reporting Standards that are effective in the current period*

The Group has adopted the following amendments to standards and new interpretations effective from July 1, 2018. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's financial statements.

IFRS 15, 'Revenue from Contracts with Customers' was issued in May 2014 and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the revenue recognition guidance including IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and the related interpretations. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, that is, when control of the goods or services underlying the particular performance obligation is transferred to the customer.

In April 2016, IFRS 15 was amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

The application of this amendment did not have a material impact on the Group's financial statements.

IFRS 9, 'Financial instruments' replaces IAS 39 for annual periods on or after 1 January 2018, with early adoption permitted. The Group did not early adopt IFRS 9 As permitted by the standard, the Group elected not to restate comparative figures and any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in Short-term and Long-term benefits reserves of the current period. For further information on the impact of the standard see 2 (a) page 13 below.

IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' was issued to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The application of this amendment did not have a material impact on the Group's financial statements.

IFRS 2 'Classification and Measurement of Share-based Payment Transactions' these amendments are in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas: The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction. The classification of a share-based payment transaction with net settlement features for withholding tax obligations. The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

Amendments to IFRS 1 and IAS 29 The amendments relate to the measurement of investments associates or joint ventures. The amendment allows qualifying companies to elect to measure such investments through profit or loss on an investment by investment basis. A non-investment entity may elect to retain the fair value accounting applied by an investment entity. These changes are to be applied retrospectively for accounting periods beginning on or after January 1, 2018.

2 Summary of significant accounting policies*…continued*

Basis of Preparation *…continued*

b) New and revised International Financial Reporting Standards that have been issued but are not yet effective and have not been adopted early by the Group for the current period

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 16 Leases - the IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their statements of financial positions as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group is not early adopting IFRS 16 and is currently evaluating its impact.

IAS 19 'Employee Benefits' was amended to clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

This amendment is applicable for annual periods beginning on or after January 1, 2019. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's financial statements.

IAS 23, 'Borrowing Costs' was amended clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

This amendment is applicable for annual periods beginning on or after January 1, 2019. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Group's financial statements.

2 Summary of significant accounting policies*…continued*

Basis of Preparation *…continued*

Consolidation

Subsidiaries

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

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

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

If the ownership in an associate is reduced but significant influence is retained, only a proportion share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred a legal or constructive obligation or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associate" in the Consolidated Statement of Comprehensive Income.

2 Summary of significant accounting policies…*continued*

Consolidation …*continued*

Associates …*continued*
Profit and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests
The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in reserves. Gains or losses on disposals to non-controlling interests are also recorded in reserves.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the Consolidated Statement of Comprehensive Income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the Consolidated Statement of Comprehensive Income. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the Consolidated Statement of Comprehensive Income where appropriate.

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

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

Cash and cash equivalents
Cash and cash equivalents represent cash on hand and deposits held on call with financial institutions. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand and in financial institutions. Bank overdrafts are shown within borrowings on the Consolidated Statement of Financial Position.

2 Summary of significant accounting policies…*continued*

Financial assets

(a) Specific policies under IFRS 9
The Group has adopted IFRS 9 with a date of transition of 1 July 2018. The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification, measurement and impairment of financial assets. As permitted by IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognized in the opening retained earnings and other reserves of the current period.

Classification and measurement
Debt instruments are those instruments that contain contractual obligations to pay the instrument holder certain cash flows, such as government and corporate bonds. Loans and advances, and other receivables are classified as debt instruments as well.

Classification and subsequent measurement of debt instruments depend on:
- the business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model reflects the objective of holding different assets. That is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are held for trading purposes and are measured at FVTPL.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured.
- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss.

2 Summary of significant accounting policies*…continued*

Financial assets *…continued*

(a) Specific policies under IFRS 9

Classification and measurement*…continued*
The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent and none occurred during the period.

Equity instruments are instruments that do not contain contractual obligations to pay the instrument holder and that evidence residual interests in the issuer's net assets. The Group subsequently measures all equity investments at FVTPL. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Impairment of assets
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their expected credit loss ('ECL') measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

For debt securities, the Group examines the issuer's capital adequacy, financial performance, liquidity position, and credit rating to assess whether the issuer has experience significant increase in credit risk since the origination of the assets. When no external credit rating is available, the Group assigns internal credit rating based on internal risk criteria.

For loans and receivables, delinquency status is utilized as the main indicator for changes in credit risk. Credit management actions are triggered by movement in days past due. Other qualitative factors are considered, which include but are not limited to:

- Early signs of cash flow/liquidity problems
- Known adverse change in financial conditions
- Known adverse changes in business or economic conditions in which the borrower operates

2 Summary of significant accounting policies*…continued*

Financial assets *…continued*

(a) Specific policies under IFRS 9*…continued*

For debt securities, default is defined as the miss of contractual payment of principal or interests. For loans and advances, default is defined as 90 days past due. The criteria above are consistent with the definition of default used for internal credit risk management purposes.

The Group assesses on a forward-looking basis the ECL associated with its debt instrument carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD is generated based on historical default data of each portfolio.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is assessed based on contractual terms of the debt instrument.

LGD represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information.

ECL is determined by projecting the PD, LGD and EAD for future period and for each individual exposure or collective segment. These three components are multiplied together and discounted. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

When incorporating forward looking information, such as macroeconomic forecasts, into determination of expected credit losses, the Group considers the relevance of the information for each specific group of financial instruments. The macroeconomic indicators utilized include but are not limited to GDP growth.

In addition to the base economic scenario, the Group also incorporated upside and downside scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each product type to ensure non-linearities are captured. The attributes of scenarios are reassessed at each reporting date. The scenario weightings takes account of the range of possible outcomes each chosen scenario is representative of.

2 Summary of significant accounting policies*…continued*

Financial assets *…continued*

(a) Specific policies under IFRS 9*…continued*

The measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at 1 July 2018 are compared as follows. Movements are due to re-measurement of provision.

	IAS 39 classification	Carrying value June 30, 2018 $	IFRS 9 classification	Carrying value July 1, 2018 $
Debt securities	Held to maturity	510,355,210		
Debt securities	Loans and receivables	494,141,033	Amortised cost	996,621,829
Equity securities	Available for sale	1,251,880	FVTPL	1,251,880
Loans and receivables	Loans and receivables	355,573,552	Amortized cost	352,824,090
		1,361,321,675		1,350,697,799

(b) Specific policies under IAS 39

Classification and measurement

The Group classifies its financial assets into these categories:

1. Fair value through income
2. Loans and receivables
3. Held-to-maturity financial assets
4. Finance lease Receivable
5. Available-for-sale financial assets

Financial assets at fair value through income

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

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

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

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

2 Summary of significant accounting policies…*continued*

Financial assets …*continued*

(b) Specific policies under IAS 39

Classification and measurement …*continued*

Loans and receivables

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

Held-to-maturity financial assets

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

Finance lease receivable

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

Available-for-sale financial assets

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

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

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

2 Summary of significant accounting policies…*continued*

Financial assets …*continued*

(b)Specific policies under IAS 39…*continued*

Classification and measurement …*continued*
Available-for-sale financial assets and financial assets at fair value through income are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through income' category are included in the Consolidated Statement of Comprehensive Income in the period in which they arise.

Unrealised changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in the Consolidated Statement of Comprehensive Income; translation differences on non-monetary securities are recognised in equity. Unrealised changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Consolidated Statement of Comprehensive Income as net realised gains on financial assets.

Interest on debt securities calculated using the effective interest method is recognised in the Consolidated Statement of Comprehensive Income. Dividends on equity instruments are recognised in the Consolidated Statement of Comprehensive Income when the Group's right to receive payments is established. Both are included in the investment income line.

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

2 Summary of significant accounting policies…*continued*

Impairment of assets

<u>Financial assets carried at amortised cost</u>
The Group assesses at each date of the financial statements whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence that impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

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

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

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

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

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

2 Summary of significant accounting policies*…continued*

Impairment of assets *…continued*

Financial assets carried at fair value

The Group assesses at each date of the financial statements whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the Consolidated Statement of Comprehensive Income – is removed from equity and recognised in the Consolidated Statement of Comprehensive Income. Impairment losses recognised in the Consolidated Statement of Comprehensive Income on equity instruments are not subsequently reversed. The impairment loss is reversed through the Consolidated Statement of Comprehensive Income, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Consolidated Statement of Comprehensive Income.

Impairment of other non-financial assets

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

Investment property

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

Investment property comprises freehold land and office buildings. It is measured initially at cost and all subsequent assessments are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income.

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

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

2 Summary of significant accounting policies*…continued*

Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure directly attributable to the acquisition of the items.

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

Assets	Estimated Useful Lives
Buildings	50 years
Leasehold improvements	10 years
Motor vehicles	3 – 5 years
Furniture and equipment	4 – 10 years
Computer hardware	5 years
Computer software	5 years
Generators	5 years
Maintenance equipment	10 years

Gains or losses arising on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Comprehensive Income.

Projects-in-progress

Build-Own-Lease-Transfer (BOLT) Projects

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

Inventory

Property acquired or being constructed for sale in the ordinary course of business, rather than to hold for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value (NRV). Principally, this is the residential property the Group develops and intends to sell before, or on completion of development. Costs incurred in bringing each property to its present location and condition incude: freehold rights for land, amounts paid to contractors for development and borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, development overheads and other related costs. NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated cost of completion and the estimated cost necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold, and an allocation of any other related costs based on the relative size of the property sold.

All other inventory is valued at the lower of cost and net realisable value. Net realisable value is the price at which the inventory can be realised in the normal course of business after allowing for the cost of realisation. Provision is made for slow moving and obsolete stocks.

2 Summary of significant accounting policies…*continued*

Borrowings and borrowings costs
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the financial statements. Interest costs on borrowings to finance the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Financial liabilities
Financial liabilities comprise of trade and other accounts payable and borrowings and are measured at amortised cost.

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

Recognition of income and expenses

(a) Contribution Income and Benefits
Contribution income is accounted for on an accrual basis to take account of all collections subsequent to the year-end that relate to the current year, and to recognise all known significant receivables.

Benefits expense is accounted for on an accrual basis to take account of all benefits paid subsequent to the year-end that relate to the current year, and to recognise all known significant benefits payable.

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

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

(d) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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

2 Summary of significant accounting policies…*continued*

Basis of allocation of income and expenses

(a) *Contributions*
Contribution income, as recommended by the seventh actuarial review, is allocated as follows:

	2019 %	2018 %
Short-term benefits fund	**17**	17
Long-term benefits fund	**83**	83
	100	100

(b) *Investment income and expenses*
Investment income and expenses are allocated to the benefit fund in the ratio of the beginning of year reserve of each fund to the total beginning of year reserves.

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

(c) *Changes in fair value of investment properties*
Changes in fair value of investment properties are allocated to the benefit fund in the ratio of the beginning of year reserve of each fund to the total beginning of year reserves.

(d) *Expenses*
General and administrative expenses and amortisation and impairment of intangible assets are allocated in proportion to the sum of contributions and benefits.

(e) *Other income*
Other income is allocated in the same proportion as contribution income.

Income tax

Current income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the financial statements. Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax
The Group follows the liability method of accounting for deferred tax whereby all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are provided for at the Group tax rates which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised when it is probable that taxable profits will be available against which the assets may be utilised.

3 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. In particular, the key financial risk is that the proceeds from its financial assets will not be sufficient to fund its obligations arising from claims. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Income earned from investments, together with the excess of contributions after benefits are paid are used to earn interest rate margins through investment in high quality, high yielding assets with acceptable level of risks.

The Board of Directors has overall responsibility for the establishment of a risk management framework. The following are the systems and structures put in place to ensure that the Group's exposure to risk is minimised:

- The Investment Department, which conducts regular due diligence exercises based on published financial reports and other available data. Detailed monthly and quarterly reports are submitted to the Executive Director and to the Investment Committee.
- The Investment Committee, whose role is to review the results of the due diligence exercises conducted by the Investment Manager. Decisions/ recommendations are submitted to the Board of Directors for ratification.

Investment decisions are made in the context of Section 21 of the National Insurance Act CAP. 16.01 of the Revised Laws of St. Lucia 2013 and the Group's Investment Policy and Guidelines.

The Investment Policy and Guidelines establish asset categories with targeted asset allocations.

Credit risk
The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit risk exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments such as loan commitments. The credit risk management and control are centralised and report to the Board of Directors.

<u>Credit risk measurement</u>

(a) Loans and Advances
If customers are independently rated, their ratings are used. Otherwise, if there is no independent rating, the Investment Committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group uses the historical information about counterparty default rates to classify the customers in different groups. Clients of the Group are segmented into two rating classes, customers with no history of default and customers with history of default. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

(b) Debt Securities and Other Bills
For debt securities and other bills, external ratings such as Moody's Investment Service, Standard & Poor's rating, CariCRIS or their equivalents are used by the Board for managing of the credit risk exposures.

3 Financial Risk Management*…continued*

Credit risk *…continued*

Risk limit control and mitigation policies
The Group manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and groups, and to industries.

The Group limits its credit risk exposure with respect to its debt securities portfolio by investing only in financial instruments with a minimum rating of BAA (Moody's Investment Service) or BBB (Standard & Poor Corporation) and Regional Governments or institutions with high credit worthiness. The Board through the Investment Department and the Investment Committee consistently monitors the performance of these instruments.

The Group constantly monitors its loans and advances portfolio and outstanding contributions. The necessary contact with debtors and employers is maintained to ensure that payments are received in a timely manner, where necessary re-scheduling of repayments is done, which considers the borrowers new financial position. In the event where recovery may seem doubtful, provisions are set aside to cover any potential losses.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to the industry segments as established by the investment policy. Such risks are monitored regularly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

Collateral
The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Government guarantee; and
- Charges over business assets such as premises, inventory, and accounts receivable.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

3 Financial Risk Management*…continued*

Credit risk *…continued*

Maximum exposure to credit risk before collateral held or other credit enhancements
Credit risk exposures relating to on-balance sheet assets are as follows:

	2019 $	2018 $
Cash at bank	**222,540,585**	199,506,972
Short term deposits – cash equivalents	**-**	1,683,600
Fair value through income:		
- Debt securities	**72,672,654**	84,564,172
Loans and receivables:		
- Loans and leases to Government of Saint Lucia and statutory	**141,753,501**	153,638,519
- Other loans	**167,495,240**	140,519,789
- Other advances and receivables from Government of Saint Lucia	**50,942,394**	49,013,624
- Contributions receivable	**9,976,029**	9,005,055
- Other receivables	**2,219,690**	2,807,412
Projects in progress	**745,679**	7,108,947
Debt security investments:		
Debt securities at amortised cost	**1,041,688,137**	-
- Held-to-maturity	**-**	510,355,210
– Loans and receivables	**-**	494,141,033
Credit risk exposures relating to off-balance sheet items are as		
Financial Guarantees:		
- Loan commitments and other credit related liabilities	**10,000,000**	10,867,717
At June 30	**1,720,033,909**	1,663,212,050

The above table represents a worst-case scenario of credit risk exposure to the Group at June 30, 2019 and 2018 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the Consolidated Statement of Financial Position.

As shown above, 22% (2018 – 51%) of the total maximum exposure is derived from loans and receivables, 65% (2018 – 65%) represents investments in debt securities other than loans and receivables.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio based on the following:

- Loans to Government of Saint Lucia which represents the largest percentage of the portfolio, followed by loans to subsidiaries, are backed by collateral;
- 73% (2018 – 73%) of the loans and advances portfolio are considered to be neither past due nor impaired; and the Group continues to grant loans and advances in accordance with its lending policies and guidelines.

3 Financial Risk Management…*continued*

Credit risk …*continued*

The following table contains an analysis of the credit risk exposure of debt securities- amortised cost instruments for which an ECL allowance is recognized. The gross carrying amount of debt securities below also represents the Group's maximum exposure to credit risk on these assets.

	2019				2018
	ECL Staging				
Debt securities – amortised cost	**Stage 1 12-month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**
Credit grade:					
Investment grade	274,821,380	–	–	274,821,380	232,362,690
Non-investment grade	763,575,360	10,202,092	–	773,777,452	772,133,553
Gross carrying amount	1,038,396,740	10,202,092	–	1,048,598,832	1,004,496,243
Loss allowance	(6,861,208)	(49,487)	–	(6,910,695)	–
Carrying amount	**1,031,535,532**	**10,152,605**	–	**1,041,688,137**	1,004,496,243

The allowance for ECL is recognized in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movements in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized during the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12- month and lifetime ECL; and
- Impacts on the measurement of ECL due to changes made to models and model assumptions.

The following table explains the changes in the loss allowance between the beginning and end of the annual period due to these factors:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Debt securities – amortized cost	**$**	**$**	**$**	**$**
Gross carrying amount as at July 01, 2018	7,785,683	88,731	–	7,874,414
New financial assets originated or purchased	881,740	–	–	881,740
Financial assets fully derecognized during the period	(562,013)	–	–	(562,013)
Changes in principal and interest	(1,244,202)	(39,244)	–	(1,283,446)
Gross carrying amount as at June 30, 2019	**6,861,208**	**49,487**	–	**6,910,695**

3 Financial Risk Management…*continued*

Credit risk …*continued*

Loans and leases– amortised cost	**Stage 1 12-month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**
Performing balances	300,927,851	3,833,080	–	304,760,931	278,123,155
Non-performing balances	–	–	119,356,938	119,356,938	120,607,739
Gross carrying amount	300,927,851	3,833,080	119,356,938	424,117,869	398,730,894
Loss allowance	(3,979,700)	(116,736)	(47,402,173)	(51,498,609)	(43,157,342)
Carrying amount	296,948,151	3,716,344	71,954,765	372,619,260	355,573,552

The allowance for ECL is recognized in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and lifetime ECL; and
- Impacts on the measurement of ECL due to changes made to models and model assumptions.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loans and leases – amortised cost	**$**	**$**	**$**	**$**
Loss Allowance as at July 01, 2018	3,368,541	188,959	42,349,304	45,906,804
New financial assets originated or purchased	1,198,235	9,853	–	1,208,088
Financial assets fully derecognized during the period	(133,756)	(19,456)	(185,946)	(339,158)
Transfers between stages	193,578	(22,465)	(171,113)	–
Changes to inputs used in ECL calculation	(646,898)	(40,155)	5,409,928	4,722,875
Loss Allowance as at June 30, 2019	**3,979,700**	**116,736**	**47,402,173**	**51,498,609**

3 Financial Risk Management…*continued*

Credit risk …*continued*

The most significant period-end assumptions used for the ECL estimate as at July 01, 2018 are set out below.

		2019	**2020**
US GDP growth rate	Base	2.8%	2.2%
	Upside	4.4%	3.8%
	Downside	1.1%	0.5%
US inflation rate	Base	1.9%	2.0%
	Upside	2.8%	2.9%
	Downside	0.9%	1.0%
St. Lucia GDP growth rate	Base	1.8%	1.8%
	Upside	6.0%	6.0%
	Downside	(2.5)%	(2.5)%

The most significant period-end assumptions used for the ECL estimate as at June 30, 2019 are set out below.

		2020	**2021**
US GDP growth rate	Base	2.2%	1.8%
	Upside	3.8%	3.5%
	Downside	0.5%	0.2%
US inflation rate	Base	2.0%	2.1%
	Upside	2.9%	3.1%
	Downside	1.0%	1.1%
St. Lucia GDP growth rate	Base	2.8%	2.8%
	Upside	7.0%	7.0%
	Downside	(1.5)%	(1.5)%

The scenario weightings assigned to each economic scenario were as follows.

	Base	**Upside**	**Downside**
July 1, 2018	80%	10%	10%
June 30, 2019	80%	10%	10%

Set out below are the changes to the ECL as at June 30, 2019 that would result from reasonably possible variations in the most significant assumption affecting the ECL allowance:

	ECL impact of		
Loss Given Default	Change in threshold	Increase in value	Decrease in value
Investments - Corporate Debts	(+/- 5) %	382,304	(382,304)
Investments - Sovereign Debts	(+/- 5) %	339,490	(339,490)
	ECL impact of		
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans and leases	(+/- 5) %	348,441	(294,390)

3 Financial Risk Management…*continued*

Credit risk …*continued*

Loans and receivables
Loans and receivables are summarized as follows:

	2019 $	2018 $
Neither past due nor impaired	**309,975,519**	290,506,943
Past due but not impaired	**42,686,356**	41,689,083
Impaired	**71,455,994**	66,534,868
Gross	**424,117,869**	398,730,894
Less: Allowance for impairment (Note 7)	**(51,498,609)**	(43,157,342)
Net	**372,619,260**	355,573,552

The total impairment provision for loans and receivables recognised in the Consolidated Statement of Comprehensive Income is $5,591,805 (2018 - $2,230,249). Further information of the impairment allowance for loans and receivables is provided in Note 7.

(a) Neither past due nor impaired
The credit quality of the portfolio of loans and receivables that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group:

	Loans		Other advances and receivables		
	Statutory bodies $	Other $	Government of St. Lucia $	Other $	Total $
June 30, 2019					
Customers with no history of default	**128,055,964**	**155,022,453**	**15,954,357**	**10,942,745**	**309,975,519**
Jun 30, 2018					
Customers with no history of default	138,557,012	128,616,173	12,947,296	10,386,462	290,506,943

3 Financial Risk Management...*continued*

Credit risk ...*continued*

Loans and receivables ...*continued*

(b) *Past due but not impaired*
Gross amount of loans and receivables by class to customers net of unearned interest that were past due but not impaired were as follows:

	Loans	Other advances and receivables		
	Other $	Government of St. Lucia $	Other $	Total $
June 30, 2019				
With amounts past due up to 30 days	**-**	**1,179,258**	**325,401**	**1,504,659**
With amounts past due 31 to 60 days	**-**	**141,032**	**175,325**	**316,357**
With amounts past due 61 to 90 days	**-**	**230,089**	**149,385**	**379,474**
With amounts past due over 90 days	**3,143,944**	**36,963,166**	**378,756**	**40,485,866**
	3,143,944	**38,513,545**	**1,028,867**	**42,686,356**
Fair value of collateral	**15,656,140**	**-**	**-**	**15,656,140**
June 30, 2018				
With amounts past due up to 30 days	-	356,436	139,506	495,942
With amounts past due 31 to 60 days	-	124,393	81,188	205,581
With amounts past due 61 to 90 days	1,429,469	105,148	22,917	1,557,534
With amounts past due over 90 days	1,470,615	36,127,566	1,831,845	39,430,026
	2,900,084	36,713,543	2,075,456	41,689,083
Fair value of collateral	15,656,140	-	-	15,656,140

Upon initial recognition of loans and receivables, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets. Other advances and receivables are unsecured.

(c) *Impaired*
The table below shows the gross amount of individually impaired loans and receivables before taking into consideration the cash flows from collateral held.

	Loans		Other advances and receivables			
	Statutory body $	Other $	Government of St. Lucia $	Statutory body $	Other $	Total $
June 30, 2019						
Impaired	**53,135,170**	**15,221,798**	**42,515**	**-**	**3,056,511**	**71,455,994**
June 30, 2018						
Impaired	51,774,802	13,980,323	42,515	102,359	634,869	66,534,868

3 Financial risk management …*continued*

Credit risk …*continued*

Debt securities, treasury bills and other eligible bills

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2019, based on Standard & Poor's ratings, CariCRIS or their equivalent:

	Treasury bills $	Debt securities $	Total $
A- to A+	**-**	**79,834,360**	**79,834,360**
Lower than A-	**18,161,512**	**494,515,982**	**512,677,494**
Unrated	**-**	**521,848,937**	**521,848,937**
	18,161,512	**1,096,199,279**	**1,114,360,791**

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2018, based on Standard & Poor's ratings, CariCRIS or their equivalent:

	Treasury bills $	Debt securities $	Total $
A- to A+	-	68,568,209	68,568,209
Lower than A-	20,586,910	556,793,856	577,380,766
Unrated	-	443,111,440	443,111,440
	20,586,910	1,068,473,505	1,089,060,415

3 Financial risk management …*continued*

Credit risk ….*continued*

Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the geographical sectors of our counterparties

	Local $	Regional $	Extra Regional $	Total $
As at June 30, 2019				
Cash and cash equivalents	**222,540,585**	**-**	**-**	**222,540,585**
Financial assets:				
- Fair value through income	**-**	**-**	**72,672,654**	**72,672,654**
- Loans and receivable	**372,386,853**	**-**	**-**	**372,386,853**
Investment securities:				
- Debt securities	**721,814,358**	**319,873,779**	**-**	**1,041,688,137**
On balance sheet financial position	**1,316,741,796**	**319,873,779**	**72,672,654**	**1,709,288,229**
Credit commitments	**10,000,000**	**-**	**-**	**10,000,000**
	1,326,741,796	**319,873,779**	**72,672,654**	**1,719,288,229**
As at June 30, 2018				
Cash and cash equivalents	201,190,572	-	-	201,190,572
Financial assets:				
- Fair value through income	-	-	84,564,172	84,564,172
- Loans and receivable	354,984,399	-	-	354,984,399
Investment securities:				
- Held-to-maturity	475,075,871	35,279,339	-	510,355,210
- Loans and receivable	242,245,193	251,895,840	-	494,141,033
On balance sheet financial position	1,273,496,035	287,175,179	84,564,172	1,645,235,386
Credit commitments	10,867,717	-	-	10,867,717
	1,284,363,752	287,175,179	84,564,172	1,656,103,103

3 Financial risk management *...continued*

Credit risk *...continued*

Concentration of risks of financial assets with credit risk exposure *...continued*

b) Industry sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

Industry sectors

	Financial institutions $	Utilities $	Government (local) $	Government (regional) $	Oil & energy $	Industrial $	Government (extra regional) $	Index Funds $	Rental $	Other $	Total $
As at June 30, 2019											
Cash and cash equivalents	222,540,585	–	–	–	–	–	–	–	–	–	222,540,585
Financial assets:											
- Fair value through income	8,164,244	–	–	–	-	3,888,763	9,674,949	50,944,698	–	–	72,672,654
- Loans and receivables	31,705,800	61,081,784	192,695,895	–	–	–	–	–	48,263,405	38,639,969	372,386,853
Investment securities:											
- Debt securities	457,450,218	6,002,721	457,794,651	80,625,064	9,901,759	28,491,094	1,422,630	–	–	–	1,041,688,137
	719,860,847	67,084,505	650,490,546	80,625,064	9,901,759	32,379,857	11,097,579	50,944,698	48,263,405	38,639,969	1,709,288,229
Credit Commitments	10,000,000	–	–	–	–	–	–	–	–	–	10,000,000
As at June 30, 2018											
Cash and cash equivalents	201,190,572	–	–	–	–	–	–	–	–	–	201,190,572
Financial assets:											
- Fair value through income	12,662,396	–	–	–	-	19,364,582	9,953,818	42,583,376	–	–	84,564,172
- Loans and receivables	28,292,194	69,950,087	202,652,143	–	–	–	–	–	47,390,765	6,699,210	354,984,399
Investment securities:											
- Held-to-maturity	34,980,601	–	475,075,871	298,738	–	–	–	–	–	–	510,355,210
- Loans and receivables	377,388,979	8,010,289	–	97,860,571	10,881,194	–	–	–	–	–	494,141,033
	654,514,742	77,960,376	677,728,014	98,159,309	10,881,194	19,364,582	9,953,818	42,583,376	47,390,765	6,699,210	1,645,235,386
Credit Commitments	10,867,717	–	–	–	–	–	–	–	–	–	10,867,717

3 Financial risk management …*continued*

Market risk

(a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from recognised assets. The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.70 = US$1.00 since July 1976.

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group's strategy of managing this risk is to limit foreign exchange exposure to Eastern Caribbean dollars and United States dollars, avoid speculation with an aim to keep a balanced portfolio and match foreign currency denominated assets with foreign currency denominated liabilities. The table below summarises the Group's exposure to foreign currency exchange rate risk at June 30, 2019 and June 30, 2018.

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

Concentration of currency risk – on- and off-balance sheet financial instruments

	EC $	US $	Total $
As at June 30, 2019			
Assets			
Cash and cash equivalents	**222,540,585**	**-**	**222,540,585**
Financial assets:			
- Fair value through income	**24,679,870**	**246,851,737**	**271,531,607**
- Loans and receivable	**372,619,260**	**-**	**372,619,260**
Investment securities:			
- Amortised cost	**788,954,535**	**252,733,602**	**1,041,688,137**
Total Financial Assets	**1,408,794,250**	**499,585,339**	**1,908,379,589**
Liability			
Trade and other payables	**13,349,709**	**-**	**13,349,709**
Total Financial Liabilities	**13,349,709**	**-**	**13,349,709**
Net on balance sheet financial position	**1,395,444,541**	**499,585,339**	**1,895,029,880**
Credit commitments	**10,000,000**	**-**	**10,000,000**

3 Financial risk management …*continued*

Market risk …*continued*

(a) Currency risk …continued

	EC $	US $	Total $
As at June 30, 2018			
Assets			
Cash and cash equivalents	201,190,572	-	201,190,572
Financial assets:			
- Fair value through income	21,383,920	267,860,087	289,244,007
- Loans and receivable	355,573,552	-	355,573,552
Investment securities:			
- Held-to-maturity	400,911,076	109,444,134	510,355,210
- Loans and receivable	377,388,979	116,752,054	494,141,033
- Available-for-sale	1,251,880	-	1,251,880
Total Financial Assets	1,357,699,979	494,056,275	1,851,756,254
Liability			
Trade and other payables	13,263,173	-	13,263,173
Total Financial Liabilities	13,263,173	-	13,263,173
Net on balance sheet financial position	1,344,436,806	494,056,275	1,838,493,081
Credit commitments	10,867,717	-	10,867,717

(b) Price Risk
The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Board of Directors.

The Group's publicly traded equity securities are included on the Eastern Caribbean Stock Exchange (ECSE), NYSE, NASDAQ, and OTC Bulletin Board. At June 30, 2019 if equity securities prices had been 200 basis points higher/lower with all variables held constant reserves for the year would have been $3,952,141 (2018 - $4,093,597) higher/lower as a result of the increase/ decrease in fair value of available for sale and fair value through income equity securities.

(c) Cash Flow and Fair Value Interest Rate Risks
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. As the Group does not hold financial instruments with variable rates, it is not exposed to cash flow interest rate risk.

3 Financial risk management *…continued*

Market risk *…continued*

(c) Cash flow and fair value interest rate risks …continued

	Up to 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Non-interest Bearing $	Total $
As at June 30, 2019							
Assets							
Cash and cash equivalents	**222,540,585**	**-**	**-**	**-**	**-**		**222,540,585**
Financial assets:							
- Fair value through income	**-**	**-**	**72,672,654**	**-**	**-**	**198,858,953**	**271,531,607**
- Loans and receivable	**29,736,100**	**9,852,719**	**37,167,807**	**196,459,390**	**279,706,542**	**46,943,673**	**599,866,231**
Investment securities:							
- Debt securities	**32,063,291**	**67,911,327**	**262,464,160**	**411,735,865**	**271,373,072**	**-**	**1,045,547,715**
Total Financial Assets	**284,339,976**	**77,764,046**	**372,304,621**	**608,195,255**	**551,079,614**	**245,802,626**	**2,139,486,138**
Liability							
Trade and other payables	**-**	**-**	**-**	**-**	**-**	**13,349,709**	**13,349,709**
Total interest repricing gap	284,339,976	77,764,046	372,304,621	608,195,255	551,079,614		
As at June 30, 2018							
Total financial assets	258,909,531	99,310,002	369,975,327	565,137,648	436,924,280	255,252,210	1,985,508,998
Total financial liabilities	-	-	-	-	-	13,263,173	13,263,173
Total interest repricing gap	258,909,531	99,310,002	369,975,327	565,137,648	436,924,280		

The Group's fair value interest rate risk arises from debt securities classified as fair value through income. At June 30, 2019 if market interest rates had been 100 basis points higher/lower with all variables held constant, reserves for the year would have been $726,727 (2018 - $845,642) lower/higher as a result of the decrease/increase in fair value of fair value through income debt securities.

3 Financial risk management …*continued*

Liquidity risk

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the financial statements to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity analysis of liabilities

	1 year $	1-5 years $	Over 5 years $	Total $
As at June 30, 2019				
Trade and other accounts payable	**12,660,090**	–	**689,619**	**13,349,709**
As at June 30, 2018				
Trade and other accounts payable	12,480,411	–	782,761	13,263,172

The liquidity position for both operational and the payment of benefits is monitored daily by the Investment Manager, who ensures that the bank accounts are adequately serviced. Transfers are done between bank accounts and the excess of contribution income over benefit payments is taken up by the Investment Manager who will seek to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

Fair value estimation of financial instruments

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.

The carrying amounts and fair values of financial instruments other than financial assets through income and available-for-sale are as follows:

	Carrying Amount		Fair Value	
	2019 $	2018 $	2019 $	2018 $
Cash and cash equivalents	**222,540,585**	201,190,572	**222,540,585**	201,190,572
- Loans and receivable	**372,619,260**	355,573,552	**372,531,682**	335,338,759
Investment securities:				
-Debt securities	**1,041,688,137**	-	**1,109,678,785**	-
- Held-to-maturity	**-**	510,355,210	**-**	590,545,180
- Loans and receivable	**-**	494,141,033	**-**	497,079,884
Trade and other payables	**13,349,709**	13,263,173	**13,349,709**	13,263,173

3 Financial risk management …*continued*

Fair value estimation of financial instruments…*continued*

The carrying value of cash and cash equivalents, other advances and receivables, and trade and other payables approximate their fair values due to the short-term maturity of these items.

The fair value of held-to-maturity and other loans and receivables financial assets for disclosure purposes are estimated by discounting the future contractual cash flows at the current market rate of 7.38% (2018 - 7.38%) that is available to the Group in respect of similar financial instruments.

The Group is not able to reliably estimate the fair value of available-for-sale financial assets since the shares are not traded in an active market and the future cash flows relating to the investment cannot be reliably estimated.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

	Level 1 $	Level 2 $	Level 3 $	Total $
As at June 30, 2019				
Financial assets at fair value through income:				
- Investment securities – debt	**72,672,654**	**-**	**-**	**72,672,654**
- Investment securities – equity	**148,731,542**	**44,525,531**	**5,601,880**	**198,858,953**
Total assets	**221,404,196**	**44,525,531**	**5,601,880**	**271,531,607**
As at June 30, 2018				
Financial assets at fair value through income:				
- Investment securities – debt	84,564,172	-	–	84,564,172
- Investment securities – equity	134,808,980	65,520,855	4,350,000	204,679,835
Financial assets at available for sale:				
- Investment securities – equity	–	–	1,251,880	1,251,880
Total assets	219,373,152	65,520,855	5,601,880	290,495,887

3 Financial risk management …*continued*

Fair value estimation of financial instruments…*continued*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily NYSE, NASDAQ, and OTC Bulletin Board equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market (for example, over–the-counter fixed income securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This category includes financial instruments such as mutual funds, preference shares and other equity instruments whose market value could not be readily obtained, and as such, the carrying value has been used to approximate fair value.

Assets measured at fair value

The following table presents the changes in level 3 instruments for the year ended June 30, 2019 and 2018.

	Financial assets at fair value through income
	Equity securities
	$
June 30, 2019	
At beginning and end of year	**5,601,000**
June 30, 2018	
At beginning of year	5,601,000
Other changes	-
At end of year	5,601,000
Total loss for the period included in profit or loss for assets held at the end of the reporting period, under "Investment income"	–
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	–

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

3 Financial risk management …*continued*

Non-financial assets measured at fair value

The investment property measured at fair value on a recurring basis as at June 30, 2019 is $221,823,424 and June 30, 2018 $187,428,532 can all be considered as level 3 within the hierarchy of non-financial assets.

The fair value of the Group's main property assets (buildings) is estimated using the income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in place leases and expectations for rentals from future leases over the next ten (10) years. The buildings are revalued annually on June 30.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and the discount rate. The estimated fair value increases if the vacancy levels decline or if terminal, growth and discount rates (market yield) decline. The overall valuations are sensitive to vacancy levels. Management considers the range of reasonable possible alternative assumptions is greatest for vacancy levels. The input used in the valuations at June 30, 2019 which was materially sensitive was:

Buildings included in Investment Properties	
Vacancy level	0% to 15%
Rental value	$4.33 to $6.08 per square foot
Discount rate (market yield)	8.75% to 9.75%
Terminal rate	1% to 8.75%

The fair value of the Group's land is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board and audit committee at each reporting date.

The reconciliation of the carrying amounts of non-financial assets classified within level 3 is included in Note 10.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to meet its statutory obligation to pensioners and contributors.

As further discussed in Note 24, actuarial reviews are conducted periodically in order to ensure that the Group's management has all the information required to adjust the rate of contribution to ensure that the statutory requirements to pensioners and contributors are met.

4 Critical accounting estimates, judgements, and assumptions

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

Impairment of loans and advances

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

Basis of allocation of income and expenditure

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

Fair value of investment properties

The fair value of buildings included in investment properties as at June 30, 2019 is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Fair value of buildings is estimated by discounting expected rentals at market yields. If net cash flows had been 5% higher/lower with all variables held constant, the fair value of investment properties determined using the valuation model would have been $4,795,795 higher/lower (2018 - $4,639,266). If the discount rate was 50 basis points higher or lower the fair value of investment properties would decrease by $3,099,614 (2018 - $3,972,673) or increase by $3,583,224 (2018 - $4,409,131) respectively.

5 Cash and cash equivalents

	2019 $	2018 $
Cash at bank and in hand	**222,540,585**	199,506,972
Short-term deposits	**-**	1,683,600
	222,540,585	201,190,572

The effective interest rate on short-term bank deposits ranges from 0% - 0.25% (2018: 0% - 1.5%).

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise of the following:

	2019 $	2018 $
Cash and cash equivalents	**222,540,585**	201,190,572

6 Financial assets

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

	2019 $	2018 $
Fair value through income	**271,531,607**	289,244,007
Loans and receivables	**372,619,260**	355,573,552
Investment securities:		
-Debt securities	**1,041,688,137**	-
- Held –to-maturity	**-**	510,355,210
- Loans and receivables	**-**	494,141,033
- Available-for-sale	**-**	1,251,880
Total financial assets	**1,685,839,004**	1,650,565,682

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

	2019 $	2018 $
Financial assets at fair value through income		
Equity securities:		
- Listed	**197,607,073**	204,679,835
- Unlisted	**1,251,880**	-
Debt securities:		
- Listed	**72,672,654**	84,564,172
	271,531,607	289,244,007

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

6 Financial assets… *continued*

The assets comprised in each of the categories above are detailed in the table below:

	2019 $	2018 $
Investment securities		
Debt securities at amortised cost	**1,041,688,137**	-
Debt securities at fixed interest rates:		
- Held–to-maturity - listed	-	510,355,210
- Loans and receivables - unlisted	-	494,141,033
	1,041,688,137	1,004,496,243

The breakdown of debt securities at fixed interest rates into current and non-current portion are shown below:

	2019 $	2018 $
Current portion	**564,785,132**	486,903,248
Non-current portion	**476,903,005**	517,592,995
	1,041,688,137	1,004,496,243

Debt securities bear interest rates ranging from 1.5% - 9.75% (2018 – 1.5% - 9.75%). There were no debt securities and available-for-sale financial assets that were considered past due or impaired at the reporting date.

6 Financial assets…*continued*

	Investment Securities Held-to-Maturity $	Investment Securities Loans and Receivables $	Available -for- Sale $	Fair Value Through Income $	Loans and Receivable $	Total $
At the beginning of 2018	506,366,099	488,355,911	751,880	314,536,676	302,656,523	1,612,667,089
Net additions	15,082,928	8,300,497	500,000	48,971,765	91,110,620	163,965,810
Disposal/redemption	(11,093,817)	(2,515,375)	–	(11,645,012)	(33,529,178)	(58,783,382)
Net increase in provisions for impairment	–	–	–	–	(4,664,413)	(4,664,413)
Fair value losses on equity/debt securities	–	–	–	5,073,527	–	5,073,527
Transfer to investment in associate	–	–	–	(67,692,949)	–	(67,692,949)
At the end of 2018	510,355,210	494,141,033	1,251,880	289,244,007	355,573,552	1,650,565,682
Balance at July 1, 2018	**510,355,210**	**494,141,033**	**1,251,880**	**289,244,007**	**355,573,552**	**1,650,565,682**
Transfer to Amortised cost- debt	**(510,355,210)**	**(494,141,033)**	**-**	**(22,480,078)**	**-**	**(1,026,976,321)**
Transfer to Amortised cost- Investment	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to Amortised loans	**-**	**-**	**-**	**-**	**(355,573,552)**	**(355,573,552)**
Transfer to Fair value through income	**-**	**-**	**(1,251,880)**	**(266,763,929)**	**-**	**(268,015,809)**
Balance at July 1, 2018	**-**	**-**	**-**	**-**	**-**	**-**

6 Financial assets…*continued*

	Investment-Amortised cost Securities Held-to-Maturity $	Fair Value Through Income $	Amortised cost Loans and Receivable $	Total $
Balance at July 1, 2018	1,026,976,321	268,015,809	355,573,552	1,650,565,682
Effect of change in accounting policy for IFRS 9	(7,874,414)	-	(2,749,462)	(10,623,876)
Adjusted balance at July 1, 2018	**1,019,101,907**	**268,015,809**	**352,824,090**	**1,639,941,806**
Net additions	**55,621,035**	**26,284,047**	**45,144,417**	**127,049,499**
Disposals/redemptions	**(33,998,524)**	**(33,513,751)**	**(19,757,442)**	**(87,269,717)**
Net increase in provisions for impairment	**963,719**	-	**(5,591,805)**	**(4,628,086)**
Fair value gain on debt/equity securities	-	**10,745,502**	-	**10,745,502**
Balance at June 30, 2019	**1,041,688,137**	**271,531,607**	**372,619,260**	**1,685,839,004**

7 Loans and receivables

	2019 $	2018 $
Loans and receivables		
Loans to Government of Saint Lucia and statutory bodies	**117,330,523**	121,460,662
Provision for impairment on GOSL loans	**(38,676,222)**	(36,693,295)
	78,654,301	84,767,367
Finance lease - Financial Administrative Complex	**63,860,611**	68,871,152
Provision for impairment	**(761,411)**	-
	141,753,501	153,638,519
Loans receivables from others		
Other loans	**173,388,195**	145,496,580
Provision for impairment	**(5,892,955)**	(4,976,791)
	167,495,240	140,519,789
	309,248,741	294,158,308
Other advances and receivables		
Due from Government of Saint Lucia		
Other receivables	**38,088,890**	36,250,823
Finance lease receivables	**15,926,475**	10,193,846
Contributions receivable	**27,882**	2,713,829
Provision for impairment, leases	**(88,999)**	-
Provision for impairment	**(3,011,854)**	(144,874)
	50,942,394	49,013,624
Other receivables		
Contributions receivable	**9,976,029**	9,005,055
Other receivables	**5,286,858**	4,149,794
Prepayments	**232,406**	589,153
Provision for impairment (other)	**(3,067,168)**	(1,342,382)
	12,428,125	12,401,620
Total loans and receivables	**372,619,260**	355,573,552

7 Loans and receivables …*continued*

	$	$
Current portion	**87,829,002**	75,775,610
Non-current portion	**284,790,258**	279,797,942
	372,619,260	355,573,552

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

Interest rates range from 2% - 8.75% (2018 – 2% - 8.75%).

Allowance for impairment
Reconciliation of allowance account for losses on loans and receivables by class is as follows:

	Loans			Other advances	
	Statutory bodies $	Associate $	Other $	Statutory bodies and other $	Total $
Balance at July 1, 2018	**36,693,295**	**-**	**4,976,791**	**1,487,256**	**43,157,342**
Accounting adjustment for IFRS 9	**820,077**	**1,913,561**	**(117,605)**	**133,429**	**2,749,462**
Adjusted balance at July 1, 2018	**37,513,372**	**1,913,561**	**4,859,186**	**1,620,685**	**45,906,804**
Provision for loan impairment	**1,924,261**	**(563,772)**	**(316,020)**	**4,662,893**	**5,707,362**
Write offs	**-**	**-**	**-**	**(56,944)**	**(56,944)**
Loans recoveries	**-**	**-**	**-**	**(58,613)**	**(58,613)**
At June 30, 2019	**39,437,633**	**1,349,789**	**4,543,166**	**6,168,021**	**51,498,609**
Balance at July 1, 2017	35,332,927	-	1,791,831	1,368,171	38,492,929
Provision for loan impairment	1,360,368	-	3,184,960	119,085	4,664,413
At June 30, 2018	36,693,295	-	4,976,791	1,487,256	43,157,342

The provision for loan impairment has been included under expenses attributable to investment income, which is netted against investment income in the Consolidated Statement of Comprehensive Income. The Group has recognised a loss of $5,591,805 (2018 - $2,230,249) for the impairment of its loans and receivables during the year ended June 30, 2019.

8 Finance lease receivables

	2019	2018
	$	**$**
Due from Government of Saint Lucia		
Current		
Finance leases	**4,950,206**	5,006,915
Unpaid charges	**2,255,115**	1,291,011
Less: impairment allowance	**(850,410)**	-
	6,354,911	6,297,926
Amouns recoverable after twelve months		
Receivable in respect of finance leases	**72,581,765**	72,767,072
Finance leases receivable	**78,936,676**	79,064,998

Finance leases relate to the Marchand Police Station, Anse La Raye Police Station, Gros Islet Fire Station, Dennery Police Station and Dennery Fire Station, Vieux Fort Police Station and Vieux Fort Fire Station, Micoud Police Station and Micoud Fire Station, Richfond Police Station, Babbonneau Police Station and Babonnea Fire Station, and the Financial Administrative Complex located at Pointe Seraphine.

Total gross investment	**123,641,861**	124,347,895
Unearned income	**(45,290,484)**	(46,573,908)
Less: impairment allowance	**(850,410)**	-
Present value of minimum lease payments	**77,500,967**	77,773,987
Current receivale	**4,188,795**	5,006,915
Non-current receivable	**73,312,172**	72,767,072
	77,500,967	77,773,987
Total Gross investment receivable from finance leases		
No later than 1 year	**10,967,512**	10,949,001
Later than 1 year and not later than 5 years	**40,741,927**	46,667,201
Later than 5 years	**71,932,422**	66,731,693
	123,641,861	124,347,895
Present value of minimum lease payments receivable:		
No later than 1 year	**4,188,795**	5,006,916
Later than 1 year and not later than 5 years	**20,222,823**	23,075,600
Later than 5 years	**53,089,349**	49,691,471
	77,500,967	77,773,987

9 Investment in associate

	2019	2018
	$	$
Beginning of year	**82,085,945**	-
Transfer of shares from fair value through income	-	67,692,949
Value of shares purchased	-	12,587,400
Share of profit after tax	**6,726,840**	6,228,779
Share of fair value loss	**(787,135)**	(167,183)
Dividends received	**(4,569,600)**	(4,256,000)
At year end	**83,456,050**	82,085,945

St. Lucia Electricity Services Limited (LUCELEC) is listed on the Eastern Caribbean Securities Exchange. On September 7, 2017, the Corporation's shareholding was increased to 20% through the acquisition of additional ordinary shares. The fair value of the investment at June 30, 2019 is $89,600,000 (2018- $89,600,000).

The reporting date for St. Lucia Electricity Services Limited is December 31. The information below reflects the Group's share of the results of the associate and its share of the assets and liabilities as at June 30, 2019.

Name	**Assets** $	**Liabilities** $	**Revenue** $	**Profits** $
St. Lucia Electricity Services Limited				
As at June 30, 2019	**100,561,139**	**40,987,738**	**30,611,306**	**5,939,705**
As at June 30, 2018	**95,185,998**	**35,916,981**	**29,746,816**	**6,061,596**

Interest held in the associate is 20%.

10 Investment properties

	2019 $	2018 $
Beginning of year	**187,428,532**	316,221,718
Additions	**37,269,387**	823,138
Decrease in fair value	**(2,825,855)**	(76,919,616)
Transfer out to loans and receivables or plant and equipment	**(48,640)**	(52,696,708)
End of year	**221,823,424**	187,428,532

The Group's investment properties are carried at fair value. Fair values of land included in investment properties are based on valuations performed by independent, professionally qualified valuers as at June 30, 2019 and 2018. Fair values of buildings included in investment properties were valued by Property Consultancy Services Inc. (PCS), an independent party in August 2018 and June 2019 using the Income Approach. The Income Approach method estimates the fair value by discounting the future estimated net cash flows at market yields.

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

	2019 $	2018 $
Rental income	**12,023,377**	11,669,829
Direct operating expenses arising from investment properties that generate rental income	**4,742,833**	8,712,873

11 Property, plant, and equipment

	Land and Buildings $	Leasehold Improvements $	Motor Vehicles $	Furniture and Equipment $	Computer Hardware $	Computer Software $	Generators $	Maintenance Equipment $	Total $
At June 30, 2017									
Cost	3,903,131	441,608	637,166	5,696,243	2,551,592	862,541	498,511	179,461	14,770,253
Accumulated depreciation	(463,048)	(290,784)	(630,946)	(4,791,974)	(1,924,127)	(787,567)	(463,894)	(134,056)	(9,486,396)
Net book value	3,440,083	150,824	6,220	904,269	627,465	74,974	34,617	45,405	5,283,857
Year ended June 30, 2018									
Opening net book value	3,440,083	150,824	6,220	904,269	627,465	74,974	34,617	45,405	5,283,857
Additions	12,989	25,771	161,778	287,791	266,104	-	-	-	754,433
Disposals	-	-	(80,300)	(101,370)	-	-	-	-	(181,670)
Accumulated depreciation write back	-	-	80,300	101,370	-	-	-	-	181,670
Depreciation charge	(54,950)	(18,377)	(8,487)	(251,144)	(210,622)	(29,636)	(34,617)	(15,522)	(623,355)
Closing net book value	3,398,122	158,218	159,511	940,916	682,947	45,338	-	29,883	5,414,935
At June 30, 2018									
Cost	3,916,120	467,379	718,644	5,882,664	2,817,696	862,541	498,511	179,461	15,343,016
Accumulated depreciation	(517,998)	(309,161)	(559,133)	(4,941,748)	(2,134,749)	(817,203)	(498,511)	(149,578)	(9,928,081)
Net book value	3,398,122	158,218	159,511	940,916	682,947	45,338	-	29,883	5,414,935
Year ended June 30, 2019									
Opening net book value	**3,398,122**	**158,218**	**159,511**	**940,916**	**682,947**	**45,338**	**-**	**29,883**	**5,414,935**
Additions	**113,102**	**-**	**209,552**	**282,281**	**154,729**	**9,363**	**-**	**-**	**769,027**
Disposals	**-**	**(25,771)**	**-**	**(17,564)**	**-**	**-**	**-**	**-**	**(43,335)**
Accumulated depreciation write back	**-**	**-**	**-**	**17,564**	**-**	**-**	**-**	**-**	**17,564**
Depreciation charge	**(57,188)**	**(18,377)**	**(82,783)**	**(266,685)**	**(242,211)**	**(20,628)**	**-**	**(11,560)**	**(699,432)**
Closing net book value	**3,454,036**	**114,070**	**286,280**	**956,512**	**595,465**	**34,073**	**-**	**18,323**	**5,458,759**
At June 30, 2019									
Cost	**4,029,222**	**441,608**	**928,196**	**6,147,381**	**2,972,425**	**871,904**	**498,511**	**179,461**	**16,068,708**
Accumulated depreciation	**(575,186)**	**(327,538)**	**(641,916)**	**(5,190,869)**	**(2,376,960)**	**(837,831)**	**(498,511)**	**(161,138)**	**(10,609,949)**
Net book value	**3,454,036**	**114,070**	**286,280**	**956,512**	**595,465**	**34,073**	**-**	**18,323**	**5,458,759**

11 Property, plant, and equipment…*continued*

(Gain)/Loss on Disposal

	Cost $	Accumulated Depreciation $	Net Book Value $	Proceeds $	(Gain)/Loss $
June 30, 2019					
Leasehold improvements	**25,771**	**-**	**25,771**	**25,771**	**-**
Office Furniture and equipment	**17,564**	**(17,564)**	**-**	**-**	**-**
	43,335	**(17,564)**	**25,771**	**25,771**	**-**
June 30, 2018					
Motor vehicles	80,300	(80,300)	-	35,500	(35,500)
Furniture and equipment	101,370	(101,370)	-	-	-
	181,670	(181,670)	-	35,500	(35,500)

12 Inventory

	2019 $	2018 $
Land for sale	**4,601,592**	5,374,818
Other inventory	**36,965**	40,876
	4,638,557	5,415,694

Inventories consist of land known as the Emerald Development, sold as residential lots, and other inventory. In 2019, a total of $176,424 (2018 - $ Nil) of inventories were included in consolidated statement of comprehensive income as an expense. Write downs for the period were $ Nil.

13 Trade and other accounts payable

	2019 $	2018 $
Trade payables	**1,803,465**	1,736,358
Benefits payable	**2,957,240**	2,419,100
Other payables	**8,589,004**	9,107,714
	13,349,709	13,263,172

	2019 $	2018 $
Current	**12,660,090**	12,480,411
Non-current	**689,619**	782,761
	13,349,709	13,263,172

14 Principal subsidiary undertakings

	2019 %	2018 %
St. Lucia Mortgage Finance Company Limited	**75**	75
Castries Car Park Facility Limited	**100**	100
National Insurance Property Development and Management Company Ltd. (NIPRO)	**100**	100
Blue Coral Limited	**100**	100

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

15 Reserves

	Statutory Reserve $	Portfolio Risk Reserve $	Total $
Balance at June 30, 2017	1,608,174	47,459	1,655,633
Transfer to statutory reserve	-	–	-
Balances as at June 30, 2018	**1,608,174**	**47,459**	**1,655,633**
Transfer to statutory reserve	**-**	**247,872**	**247,872**
Balances as at June 30, 2019	**1,608,174**	**295,331**	**1,903,505**

Statutory reserve

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

Portfolio risk reserve

This reserve represents amounts set aside for impairment losses on loans and advances to comply with the Prudential Credit Guidelines issued by the Eastern Caribbean Central Bank (ECCB) in addition to those losses that have been recognised under IFRS 9. The Prudential Credit Guidelines require a provision to be made in respect of the portion of the portfolio where loans are three payments or more in arrears.

Excess loan fees

It is the policy of St. Lucia Mortgage Finance Company Limited to provide finance not exceeding 80% of the value of the asset. If finance is in excess of 80%, an additional charge of 2.5% of the loan amount is requested and kept as a reserve. In prior years, these fees were recognised as income when the loans were repaid. In the current year the deferred excess loan fees were transferred to the loan balances and it will be accounted for as an adjustment to the effective interest rate of the corresponding loan.

By letter dated July 23, 2009, the ECCB clarified that only when the regulatory requirement for loan loss provisions exceeds provisions determined for accounting purposes are licensees required to establish a special reserve for the amount by which the regulatory requirement exceeds that computed under the applicable accounting standard.

No further regulatory provision was required as at June 30, 2019.

16 Short-term and long-term benefits fund

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

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

17 Detailed statement of income and expenditure

	Short-term		Long-term		Retained Earnings		Total	
	2019 $	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Contribution income	**21,194,660**	20,418,740	**103,479,805**	99,691,490	-	-	124,674,465	120,110,230
Benefits expenses								
Short-term benefits	**(15,034,065)**	(13,888,411)	-	-	-	-	(15,034,065)	(13,888,411)
Long-term benefits	-	-	**(85,811,144)**	(79,947,120)	-	-	(85,811,144)	(79,947,120)
Medical health programme	**(5,000,000)**	(5,000,000)	-	-	-	-	(5,000,000)	(5,000,000)
	(20,034,065)	(18,888,411)	**(85,811,144)**	(79,947,120)	-	-	(105,845,209)	(98,835,531)
Surplus of contributions over benefits	**1,160,595**	1,530,329	**17,668,661**	19,744,370	-	-	18,829,256	21,274,699
General and administrative expenses	**(2,393,746)**	(2,310,762)	**(10,990,261)**	(10,560,475)	**(3,890,681)**	(3,762,578)	(17,274,688)	(16,633,815)
Income from operations	**(1,233,151)**	(780,433)	**6,678,400**	9,183,895	**(3,890,681)**	(3,762,578)	1,554,568	4,640,884
Other income								
Investment income – net	**3,256,164**	3,066,072	**84,604,965**	78,597,536	**8,605,681**	4,630,823	**96,466,810**	86,294,431
Increase/(decrease) in fair value of investment properties	**(151,929)**	(1,742,340)	**(3,947,566)**	(44,664,183)	**1,273,640**	(30,513,093)	**(2,825,855)**	(76,919,616)
Other income	**37,461**	55,565	**182,900**	271,289	**413,206**	562,366	**633,567**	889,220
	3,141,696	1,379,297	**80,840,299**	34,204,642	**10,292,527**	(25,319,904)	**94,274,522**	10,264,035
Excess of income over expenditure before finance costs and taxation	**1,908,545**	598,864	**87,518,699**	43,388,537	**6,401,846**	(29,082,482)	**95,829,090**	14,904,919

17 Detailed statement of income and expenditure…*continued*

	Short-term		Long-term		Retained Earnings		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Excess of income over expenditure before finance costs and taxation brought forward	**1,908,545**	598,864	**87,518,699**	43,388,537	**6,401,846**	(29,082,482)	**95,829,090**	14,904,919
Finance costs	-	-	-	-	-	(32,085)	-	(32,085)
Excess of income over expenditure before taxation	**1,908,545**	598,864	87,518,699	43,388,537	6,401,846	(29,114,567)	95,829,090	14,872,834
Taxation	-	-	-	-	(17,663)	73,155	(17,663)	73,155
Excess of income over expenditure	**1,908,545**	598,864	87,518,699	43,388,537	6,384,183	(29,041,412)	95,811,427	14,945,989
Attributable to:								
Reserves	**1,908,545**	598,864	**87,518,699**	43,388,537	**6,074,343**	(28,484,491)	**95,501,587**	15,502,910
Minority interest	-	-	-	-	**309,840**	(556,921)	**309,840**	(556,921)
Excess of income over expenditure	**1,908,545**	598,864	**87,518,699**	43,388,537	**6,384,183**	(29,041,412)	**95,811,427**	14,945,989

18 Short-term and long-term benefits expenses

	Short-term Benefits		Long-term Benefits		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**	**$**	**$**
Retirement	-	-	**70,203,851**	65,088,233	**70,203,851**	65,088,233
Survivorship	-	-	**8,806,636**	8,255,274	**8,806,636**	8,255,274
Sickness	**9,633,280**	8,795,186	-	-	**9,633,280**	8,795,186
Maternity	**4,148,220**	3,847,519	-	-	**4,148,220**	3,847,519
Invalidity	-	-	**6,569,870**	6,351,479	**6,569,870**	6,351,479
Funeral	**954,848**	880,442	-	-	**954,848**	880,442
Disablement	-	-	**79,229**	90,485	**79,229**	90,485
Employment injury	**223,513**	270,624	-	-	**223,513**	270,624
Death	-	-	**151,558**	161,649	**151,558**	161,649
Medical expenses	**74,204**	94,640	-	-	**74,204**	94,640
	15,034,065	13,888,411	**85,811,144**	79,947,120	**100,845,209**	93,835,531

19 Expenses by nature

	2019	2018
	$	**$**
Administrative and general expenses		
Employee benefits	**9,877,997**	9,276,549
Rent	**1,297,532**	1,292,991
Repairs and maintenance	**1,020,500**	879,831
Electricity, water and sewage	**928,649**	928,944
Depreciation	**671,472**	520,442
Professional and legal fees	**430,054**	312,339
Contribution to National Community Foundation	**400,000**	400,000
Bad debt/impairment	**356,597**	-
Security services	**356,466**	371,948
Postage and telephone	**336,166**	337,606
Stationery and printing	**311,412**	398,443
Public relations	**277,586**	550,211
Property tax	**261,595**	261,316
Insurance	**200,895**	189,576
Motor vehicle expenses	**141,688**	89,479
Subscriptions	**104,948**	160,684
Bank charges	**96,817**	76,828
Board expenses	**81,476**	82,503
Overseas meetings and conferences	**61,695**	91,606
Management fees	**35,734**	30,849
Other	**18,557**	374,148
Office and general expenses	**6,852**	7,522
	17,274,688	16,633,815

19 Expenses by nature…*continued*

	2019 $	2018 $
Expenses attributable to investment income		
Provision for loan and investment impairment	**3,877,389**	2,230,249
Repairs and maintenance	**2,858,688**	7,266,854
Employee benefits	**2,463,499**	2,470,096
Professional and legal fees	**1,482,383**	1,533,222
Bond premium	**978,708**	359,344
Electricity, water and sewage	**819,305**	476,671
Insurance	**592,313**	509,057
Security services	**472,527**	460,291
Bad debts	**449,377**	119,085
Board expenses	**126,110**	116,829
Overseas meetings and conferences	**61,696**	91,606
Motor vehicle expenses	**28,755**	30,030
Depreciation	**27,960**	102,913
Subcontractor fees	**24,481**	101,766
Foreign exchange loss	**744**	42,250
	14,263,935	15,910,263
Total administrative and general expenses and expenses attributable to investment income	**31,538,623**	32,544,078

19 Expenses by nature…*continued*

	2019 $	2018 $
Administrative and general expenses and expenses attributable to investment income		
Employee benefits	**12,341,496**	11,746,645
Repairs and maintenance	**3,879,188**	8,146,685
Provision for loan impairment	**3,877,389**	2,230,249
Electricity, water and sewage	**1,747,954**	1,405,615
Professional and legal fees	**1,912,437**	1,845,561
Rent	**1,297,532**	1,292,991
Bond premium	**978,708**	359,344
Security services	**828,993**	832,239
Bad debts	**805,974**	119,085
Insurance	**793,208**	698,633
Depreciation	**699,432**	623,355
Contribution to National Community Foundation	**400,000**	400,000
Postage and telephone	**336,166**	337,606
Stationery and printing	**311,412**	398,443
Public relations	**277,586**	550,211
Property taxes	**261,595**	261,316
Board expenses	**207,586**	199,332
Motor vehicle expenses	**170,443**	119,509
Overseas meetings and conferences	**123,391**	183,212
Subscriptions	**104,948**	160,684
Bank charges	**96,817**	76,828
Management fees	**35,734**	30,849
Subcontractor fees	**24,481**	101,766
Other	**18,557**	374,148
Office and general expenses	**6,852**	7,522
Foreign exchange loss	**744**	42,250
	31,538,623	32,544,078

20 Employee benefit costs

	2019 $	2018 $
Salaries	**10,470,611**	10,038,075
Gratuities	**556,411**	518,850
Other staff cost	**1,314,474**	1,189,720
	12,341,496	11,746,645

21 Investment income – Net

	2019 $	2018 $
Cash and cash equivalents interest income	**526,406**	863,577
Fair value through income:		
- Dividend income	**6,786,014**	3,347,152
- Fair value gain/(losses) on equity/debt securities	**10,745,502**	5,073,527
- Interest income on debt securities	**1,519,785**	855,748
Loans and receivables interest income	**15,608,489**	16,787,041
Investment securities interest income		
- Held-to-maturity	**33,382,375**	34,098,018
- Loans and receivables	**16,363,617**	16,366,049
Finance lease interest income	**6,197,884**	5,812,199
Rental income	**12,023,377**	11,669,829
Development income	**29,274**	6,907
Maintenance and management fees	**950,983**	771,491
Parking fees	**657,334**	491,560
Share of associate income	**5,939,705**	6,061,596
	110,730,745	102,204,694
Expenses attributable to investment income	**(14,263,935)**	(15,910,263)
	96,466,810	86,294,431

22 Related party transactions

The following transactions were carried out with related parties:

	2019 $	2018 $
Finance lease interest income	**6,197,884**	5,812,199
Rental income	**6,007,889**	4,494,731
Interest income from loans and debt securities	**39,195,007**	40,650,188
Dividend income from Associate	**4,569,600**	4,256,000

Key management compensation is as follows:

	2019 $	2018 $
Salaries and wages	**3,200,101**	3,025,075
Other benefits	**702,712**	642,999
	3,902,813	3,668,074

22 Related party transactions …. *continued*

Year-end balances with related parties are as follows:

	2019 $	2018 $
Loans to Government of St. Lucia and Statutory Bodies		
Debt security amortised cost	**457,794,650**	-
Held-to-maturity investment securities	-	475,075,871
Loans (net)	**78,654,301**	84,767,367
Other receivables and advances (net)	**34,712,771**	35,965,022
Contributions receivable	**27,882**	2,713,829
Finance lease receivable (net)	**78,936,676**	79,064,998
Loans to associates	**61,081,784**	69,950,087

23 Taxation

National Insurance Corporation is exempt from the payment of income tax under the Income Tax Act.

In accordance with the relevant Cabinet conclusions, the following exemptions have been granted to the subsidiary companies:

- St. Lucia Mortgage Finance Company Limited is exempt from income tax on any income accruing to the Company by way of interest on loans up to $500,000.

- National Insurance Property Development and Management Company Ltd. is exempt from income tax on the profits earned by the company, which are specific to refurbishment and BOLT projects. All other income is subject to income taxes at a rate of 30% per annum.

- Castries Car Park Facility Limited has been granted a tax holiday for the first ten years of operation, which expired October 2008. A further ten years' tax holiday was granted to the Company in accordance with Cabinet Conclusion No.1031 with effect from November 2009.

	2019 $	2018 $
Current tax	-	-
Deferred tax	**17,663**	(73,155)
	17,663	(73,155)

23 Taxation ……*continued*

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

	2019 $	2018 $
Excess of income over expenditure before taxation	**95,829,090**	14,872,834
Tax calculated at domestic tax rates applicable to income of the respective companies	**28,748,727**	4,461,850
Expenses not deductable for tax	**(301,579)**	5,513
Tax effect of exempt income	**(28,605,897)**	(4,540,518)
Tax loss	**575,528**	-
Timing differences	**(399,116)**	-
	17,663	(73,155)

The weighted average applicable tax rate was 0.018% (2017 – 0.006%).

Deferred tax asset

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

	2019 $	2018 $
Accelerated capital allowance	**(94,656)**	(112,319)
The movement on the deferred income tax account is as follows:		
At beginning of year	**(112,319)**	(39,164)
Consolidated statement of comprehensive income credit	**17,663**	(73,155)
At end of year	**(94,656)**	(112,319)

24 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

25 Actuarial review

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

The eleventh actuarial review of the National Insurance Fund as at June 30, 2015 was conducted by an actuary of the International Labour Organization.

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

- The total population of St. Lucia is projected to increase from 172,624 in 2014 to 180,634 in 2034 and decrease thereafter to 160,540 in 2065. The population growth rate is 0.2 per cent on average for the period 2015 – 2034 and –0.4 per cent for the period 2034 – 2065.

- The employed population is projected to increase from 75,014 in 2015 to 97,146 in 2040 and decrease thereafter to 82,899 in 2065.

- The aging of the general population will have a significant impact on the ratio of workers to retirees. Those aged 65 and over represent an increasing percentage of the total population, up from 8.9 per cent in 2014 to projected 20.5 per cent in 2045 and projected 30.3 per cent in 2065.

- The NIC is relatively young, so the long-term benefits branch has not yet reached a state of maturity and the cost of pensions expressed as a percentage of insurable earnings is still increasing. However, the maturing process of the scheme, as measured by the continuously increasing ratio of pensioners to contributors, will cause a significant increase in expenditure. Despite the anticipated increase in expenditure, the reserve in dollars, is not expected to decrease during the next 20 years. The reserve of the long-term branch will increase in absolute value until 2034, and then is projected to decrease and to be exhausted in 2050.

- If the long-term branch had to be financed by a constant contribution rate over the next 53 years, (this rate the general average premium, or GAP) would be 14.2 per cent. The GAP may be compared to the current contribution rate devoted to the long-term branch, which is 8.3 per cent of insurable earnings.

- The reserve ratio of the long-term benefit branch (reserve divided by annual expenditure), stands at 22.7 on the valuation date. It is projected to remain above 20 times the annual expenditure until 2020, but will continuously decrease thereafter and become nil in 2050 unless relevant measures are taken to reverse this projected trend.

- The results presented above suggest that the NIC should give consideration to a potential increase in the contribution rate.

- One possible consideration for contribution increase could be to increase the contribution rate each year until 2051 to a rate of 18.75 per cent of which 17.05 per cent would be devoted to the long-term branch. This is projected to extend the sustainability of the reserve for an additional 16 years.

26 Commitments

As at end of year, loans approved by the Group but not yet disbursed amounted to approximately $10,000,000 (2018 - $10,867,717).

27 Vieux Fort Administrative Complex

On March 4, 2016, National Insurance Corporation entered into a Build-Own, Lease Transfer (BOLT) Agreement with the Government of Saint Lucia for the construction of a general administrative complex in Vieux Fort ("the Project"). As at June 30, 2016, the cost incurred on the Project and shown as part of investment property was $10,696,897, and an undrawn commitment of $47,810,252 was included as part of the off-balance sheet credit commitments disclosure. By letter dated September 8, 2016 the Government communicated its decision to terminate the BOLT Agreement.

At the time of signing these consolidated financial statements, the determination of the total exit cost was still ongoing, and management was therefore unable to disclose the full financial effect associated with the termination of the Project and its related contracts. However, at June 30, 2017, the total cost incurred of $12,557,186 has been reclassified from investment property and included in financial assets.

28 Subsequent events

On March 11, 2020, the World Health Organization ("WHO") declared the breakout of a coronavirus, (COVID-19), a pandemic. This followed reports from China, commencing on December 31, 2019, of dozens of cases of pneumonia of unknown cause. This ailment has since been linked to COVID-19, and the virus subsequently spread to over 190 countries resulting in excess of 554,924 deaths from more than 12,268,630 cases. Medical experts expect the spread to continue before any abatement.

By June 30, 2020, Saint Lucia reported twenty two (22) imported cases of the virus and all tourism-related businesses had either shut down or announced impending shut downs as the Government of Saint Lucia ("GOSL") implemented measures to limit the spread of the disease. Because of the importance of the tourism industry to the local economy, the GOSL took the lead in a series of initiatives with certain local entities, including the Eastern Caribbean Central Bank ("ECCB") and the Eastern Caribbean Currency Unit ("ECCU") Bankers' Association, designed to alleviate the financial impact on both the commercial sector and employees. These measures included a moratorium on the repayment of loans (principal and interest) by all member banks for a period of up to six months in addition to the waiver of late fees and charges. Other measures including curfews and a state of emergency were also taken by the Government to stabilize the situation.

By that date and after approval by the Board of Directors and the enactment of appropriate legislation as required by law, the Corporation provided income support totalling $16.2 million to some 11,529 qualified contributors. This initiative was further extended to cover the months of July to September 2020, and total final payments are estimated at $80 million.

These events are non-adjusting subsequent events and accordingly the financial position and results of operations as of and for the year ended June 30, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic on local and global economies, as well as the effectiveness of various response initiatives, remain unclear at this time. Apart from the foregoing, we are unable to reliably quantify the potential effects of the pandemic on our financial statements for future periods, as this will depend on future developments, including but not limited to (i) the duration and spread of the outbreak, (ii) travel restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted.

Statistical Appendix 2018/19

The following Statistics have been prepared on a Cash Basis

Table 1

Contribution Received ($EC) by Economic Sector: 2014/19

Economic Sector	Financial Year				
	2014-2015	**2015-2016**	**2016-2017**	**2017-2018**	**2018-2019**
Agriculture, Hunting, Forestry and Fishing	1,248,327	1,332,558	1,363,140	1,384,067	1,404,026
Mining and Quarrying	481,268	219,755	345,685	380,548	357,202
Manufacturing	6,115,139	6,146,482	6,439,815	6,770,813	6,839,272
Electricity, Gas and Water Supply	3,402,727	3,582,127	3,658,939	3,808,775	3,983,688
Construction	3,796,993	5,043,493	2,689,066	1,974,771	3,411,390
Wholesale and Retail	13,371,308	13,787,110	14,049,863	14,619,043	15,073,814
Hotels and Restaurants	22,764,710	22,444,941	22,987,820	26,042,711	26,479,851
Transport, Storage and Communication	7,420,045	7,801,150	7,947,024	8,231,904	9,548,686
Financial Intermediations	7,978,884	7,652,329	7,720,729	7,683,925	8,164,109
Real Estate, Renting and business services	10,642,858	10,927,063	10,674,998	10,271,245	10,589,786
Public Administration, Defence, Compulsory Social Security, Education, Health, Social Work	25,727,634	25,610,677	28,525,790	30,196,413	31,706,863
Community, Social, Personal Services, Households with Employed Persons, Extra-Territorial Org. & Bodies	6,487,094	6,614,621	6,437,830	6,679,072	7,372,905
Self-Employed	905,421	962,583	1,060,021	1,144,435	1,248,521
Voluntary Persons	63,794	67,165	82,966	92,636	88,716
Activities Inadequately Defined	301,776	359,478	419,109	499,426	609,457
Grand Total	110,707,978	112,551,532	114,402,795	119,779,784	126,878,287

Table 2

Number of Active Insured Persons by Economic Sector: 2014/19

Economic Sector	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Agriculture, Hunting, Forestry and Fishing	901	928	918	861	930
Mining and Quarrying	186	158	145	142	123
Manufacturing	3,272	3,253	3,414	3,453	3,489
Electricity, Gas and Water supply	941	970	961	997	1,066
Construction	1,781	2,315	2,323	2,371	2,401
Wholesale and Retail Trade	8,000	8,237	8,295	8470	8,533
Restaurants and Hotels	9,923	9,845	10,810	11,177	11,623
Transport, Storage and Communication	3,539	3,507	3,462	3702	4,302
Financial Intermediations	2,878	2,806	2,798	3,042	2,879
Real Estates, Renting and Business Services	5,263	5,464	5,702	6,281	5,122
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	10,345	10,625	10,843	10,264	11,681
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	3,536	3,513	3,591	3,648	3,849
Self-Employed	1,159	1,199	1,317	1,122	1,500
Voluntary Contributors	47	41	41	19	30
Activities not Adequately Defined	414	461	492	517	622
Total	52,185	53,322	55,112	56,066	58,150

Table 3

Number of Active Employers by Economic Sector: 2014/19

Economic Sector	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Agriculture, Hunting, Forestry and Fishing	133	112	99	96	95
Mining and Quarrying	8	11	10	9	10
Manufacturing	256	258	258	259	252
Electricity, Gas and Water supply	20	22	20	20	19
Construction	171	170	167	175	158
Wholesale and Retail Trade	635	642	627	619	617
Restaurants and Hotels	362	397	404	393	412
Transport, Storage and Communication	171	191	192	196	207
Financial Intermediations	141	138	135	132	133
Real Estates, Renting and Business Services	410	420	420	421	414
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	277	293	291	303	311
Community, Social and Personal Services, Household with Employed Persons and Extra-Territorial Organization and Bodies	942	928	927	942	961
Activities not adequately defined	192	197	231	224	226
Total	3,718	3,779	3,781	3,789	3,815

Table 4

Number of Contributing Employers by Economic Sector: 2014/19

Economic Sector	Financial Year				
	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**
Agriculture, Hunting, Forestry and Fishing	104	96	95	91	90
Mining and Quarrying	9	9	10	10	10
Manufacturing	217	213	222	237	236
Electricity, Gas and Water Supply	21	20	20	19	19
Construction	96	113	124	106	117
Wholesale and Retail	591	574	578	572	579
Hotels and Restaurants	310	308	318	329	361
Transport, Storage and Communication	162	167	174	185	191
Financial Intermediations	133	120	120	124	122
Real Estate, Renting and business services	347	359	364	365	389
Public administration, Defence, Compulsory Social Security, Education, Health, Social Work	250	265	287	297	298
Community, Social, Personal Services, Households with Employed Persons, Extra- Territorial Org. & Bodies	859	849	862	875	923
Activities Inadequately Defined	54	61	64	75	90
Grand Total	3,153	3,154	3,238	3,285	3,425

Table 5

Number of Newly Registered Employers by Economic Sector: 2014/19

Economic Sector	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Agriculture, Hunting, Forestry and Fishing	7	5	5	6	6
Mining and Quarrying	2	1	0	0	0
Manufacturing	17	19	15	23	22
Electricity, Gas and Water supply	1	0	0	0	0
Construction	19	22	27	25	13
Wholesale and Retail Trade	65	33	50	54	50
Restaurants and Hotels	42	34	46	40	55
Transport, Storage and Communication	20	19	15	21	28
Financial Intermediations	8	4	5	8	9
Real Estates, Renting and Business Services	32	22	22	31	28
Public Administration and Defence, Compulsory Social Security, Education, Health/Social Work	20	13	17	21	13
Community, Social and Personal Services, Household with Employed Persons and Extra-Territorial Organization and Bodies	68	88	93	93	111
Activities not adequately defined	7	3	4	3	5
Total	308	263	295	325	340

Table 6

Number Short-Term Benefits Paid by Type: 2014/19

Short-Term Benefits	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Employment Injury	150	189	196	236	227
Sickness Allowance	15,640	14,100	17,124	19,607	19,827
Maternity Allowance	877	923	870	877	968
Maternity Grant	896	963	852	846	960
Funeral Grant	328	314	367	343	397
Medical Expenses	50	71	96	98	78
Total	17,941	16,560	19,505	22,007	22,457

Table 7

Short-Term Benefits Expenditure ($EC) by Type: 2014/19

Short-Term Benefits	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Employment Injury	174,268	249,998	309,503	281,690	233,388
Sickness Allowance	5,844,952	6,218,973	7,424,613	8,558,729	9,663,542
Maternity Allowance	3,041,745	3,305,349	3,121,380	3,278,086	3,644,977
Maternity Grant	537,600	577,800	517,800	517,800	584,400
Funeral Grant	569,800	771,800	895,000	857,533	977,450
Medical Expenses	5,030,960	5,042,040	5,032,665	5,032,665	5,058,819
Total	15,199,325	16,165,960	17,300,961	18,526,503	20,162,576

Table 8

Number of Long-Term Benefits Paid by Type: 2014/19

Long-Term Benefits	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Retirement Pension	5,266	5,580	5,953	6,333	6,744
Survivors Pension	1,176	1,185	1,274	1,319	1,364
Invalidity Pension	546	586	617	654	681
Disablement Pension	14	12	12	13	11
Retirement Grant	571	622	608	693	659
Survivors Grant	66	59	61	67	76
Invalidity Grant	51	45	43	49	44
Disablement Grant	2	4	1	0	0
Total	7,692	8,093	8,569	9,128	9,579

Table 9

Long-Term Benefits Expenditure ($EC) by Type: 2014/19

Long-Term Benefits	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Retirement Pension	47,223,928	52,187,552	56,370,229	61,068,273	66,241,374
Survivors Pension	6,364,256	6,832,029	7,626,268	7,946,361	8,572,595
Invalidity Pension	4,700,184	5,582,285	5,744,971	6,052,249	6,366,069
Disablement Pension	97,347	98,377	95,152	99,432	81,632
Retirement Grant	3,012,650	3,161,977	3,531,966	4,064,551	3,680,741
Survivors Grant	312,442	247,372	260,975	283,573	401,797
Invalidity Grant	146,136	267,251	232,337	276,128	222,872
Disablement Grant	27,510	35,998	3,112	0	0
Total	61,884,453	68,412,841	73,865,010	79,790,567	85,567,080

Table 10

Pensions Paid by Type: 2014/19

Pension	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Retirement Pension	5,266	5,580	5,953	6,333	6,744
Survivors Pension	1,176	1,185	1,260	1,319	1,364
Invalidity Pension	546	586	617	654	681
Disablement Pension	14	12	12	13	11
Total	7,002	7,363	7,842	8,319	8,800

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Table 11

Pension' Expenditure ($EC) by Type: 2014/19

Pension	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Retirement Pension	47,223,928	52,187,552	56,370,229	61,068,273	66,241,374
Survivors Pension	6,364,256	6,832,029	7,626,268	7,946,361	8,572,595
Invalidity Pension	4,700,184	5,582,285	5,744,971	6,052,249	6,366,069
Disablement Pension	97,347	98,377	95,152	99,432	81,632
Total	58,385,715	64,700,243	69,836,620	75,166,315	81,261,670

Table 12

Number of Pensions In-Payment by Type: 2014/19

Pension	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Retirement Pension	5,059	5,280	5,670	6,063	6,456
Survivors Pension	1,086	1,061	1,137	1,229	1,321
Invalidity Pension	501	530	554	586	618
Disablement Pension	13	12	12	13	14
Total	6,659	6,883	7,373	7,891	8,409

Table 13

Average Monthly Pensions ($EC) by Type: 2014/19

Pension	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Retirement Pension	810.37	836.98	864.70	874.33	884.07
Survivors Pension	536.44	567.90	603.39	689.68	788.31
Invalidity Pension	821.95	883.65	880.51	943.70	1,011.42
Disablement Pension	661.89	660.75	660.78	645.60	665.30

Table 14

Benefits' Expenditure ($EC) by Type and Branch: 2014/19

Benefit Branch	Financial Year				
	2014/15	2015/16	2016/17	2017/18	2018/19
Long-Term					
Retirement	50,236,578	55,349,529	59,902,195	65,132,824	69,922,115
Survivorship	6,676,698	7,079,401	7,887,241	8,229,933	8,974,392
Incapacitation	4,846,320	5,983,911	6,075,572	6,427,808	6,670,573
Sub-Total	*61,884,453*	*68,412,841*	*73,865,008*	*79,790,565*	*85,567,080*
Short-Term					
Employment Injury	174,268	249,998	309,503	281,690	233,388
Sickness Allowance	5,844,952	6,218,973	7,424,613	8,558,729	9,663,542
Maternity Allowance	3,041,745	3,305,349	3,121,380	3,278,086	3,644,977
Maternity Grant	537,600	577,800	517,800	517,800	584,400
Funeral Grant	569,800	771,800	895,000	857,533	977,450
Medical Expenses	5,030,960	5,042,040	5,032,665	5,032,665	5,058,819
Sub-Total	*15,199,325*	*16,165,960*	*17,300,961*	*18,526,503*	*20,162,576*
Total	**77,083,778**	**84,578,801**	**91,165,969**	**98,317,068**	**105,729,656**

NATIONAL INSURANCE CORPORATION

HEAD OFFICE
Francis Compton Building
Waterfront
Castries
Telephone: (758) 452 2808
Fax: (758) 451 9882

RODNEY BAY SUB OFFICE
New Providence Building
Rodney Bay
Gros Islet
Telephone: (758) 457 4074/75
Fax: (758) 452 0576

VIEUX FORT SUB OFFICE
Antoine Ludovic Theodore Building
Clarke and Theodore Streets
Vieux-Fort
Telephone: (758) 454 6758
Fax: (758) 454 5001

SOUFRIERE SUB OFFICE
Sir Darnley Alexander Building
Bay Street
Soufriere
Telephone: (758) 459 7241
Fax: (758) 459 5434