NATIONAL
INSURANCE
CORPORATION

For the benefit of us all!

BENEFITTING YOU

...AT THE CENTRE OF IT ALL

ANNUAL REPORT
JULY 2019 - JUNE 2020

"When Covid-19 hit the country, hotels had to close and we the employees were without employment. In my case it was 5 months which felt like forever. Sandals, being the great employer that it is, provided care packages and part of our salaries at the beginning. I was very excited and relieved when I heard that the NIC would be providing economic relief for the country including those of us in the hotel industry who could not work. These funds went a long way in assisting with paying bills and buying groceries for my little daughter and my family until I was able to return work

BENITA LIONEL
Restaurant Manager - Sandals La Toc

BENEFITTING YOU
...AT THE CENTRE OF IT ALL

The theme for the report creates a deeper understanding of the central role played by the NIC in Covid-19 relief efforts FOR persons in need while positioning the entity as caring and appreciating the challenging situation of many workers facing destitution through no fault of their own.

The theme personalises the activities of the NIC and creates a forum in which individual recipients of THE BENEFIT can represent the collective need of the society and demonstrates how the visionary activities of the NIC redound to the greater good of society.

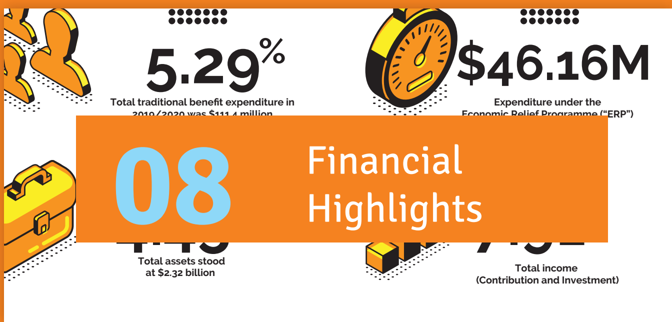
The theme recognises that, at the heart of all societal challenges and economic conditions in the period under review, the Covid -19 pandemic casts a dark cloud but that the NIC resiliently exists as a shining light of compassion and national interest OF US ALL that has supported tens of thousands of at-risk households with over $60M in much-needed benefits.

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 contribution, 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.



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CORPORATE INFORMATION

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Fax: 451-9882

BANKER

Bank of Saint Lucia Ltd.
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St. Lucia

AUDITOR

Grant Thornton
Pointe Seraphine
Castries
St. Lucia

ATTORNEY

Candace Polius
First Floor
Francis Compton Building
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Castries
St. Lucia

CORPORATE SECRETARY

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

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National Insurance Corporation
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Soufriere
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National Insurance Corporation
Providence Commercial Centre
Rodney Bay
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St. Lucia
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Fax: 452-0576

CORPORATE INFORMATION

NATIONAL INSURANCE BOARD (as at 30 June 2020)

Mr. Isaac Anthony	– Chairperson (representing Government)
Mr. Frank V. Myers	– Deputy Chairperson (representing Government)
Mr. Marcus Joseph	– Board member (representing employers)
Ms. Paula A. Calderon	– Board member (representing employers)
Mr. Nigel Fulgence	– Board member (representing employees)
Ms. Shani Willie	– Board member (representing employees)
Mr. Matthew L. Mathurin	– Board member (Director)

NIC BOARD COMMITTEES (as at 30 June 2020)

INVESTMENT COMMITTEE

Ms. Esther Rigobert	– Chairperson
Mr. Nicholas Barnard	– Deputy Chairperson
Ms. Karen Peter	– Committee member
Mr. Matthew L. Mathurin	– Committee member
Mrs. Paula Bleasdille	– Committee member

GROUP AUDIT COMMITTEE

Mr. Frank V. Myers	– Chairperson
Mr. Marcus Joseph	– Committee member
Ms. Paula A. Calderon	– Committee member
Mr. Bertram Clarke	– Committee member
Ms. Ketha Auguste	– Committee member

HUMAN RESOURCE COMMITTEE

Mr. Nigel Fulgence	– Chairperson
Mrs. Paula A. Calderon	– Committee member
Mrs. Nicole DuBoulay	– Committee member
Ms. Shani Willie	– Committee member
Mr. Matthew L. Mathurin	– Committee member

GOVERNANCE AND STRATEGIC PLANNING COMMITTEE

Mr. Isaac Anthony	– Chairperson
Mr. Frank V. Myers	– Deputy Chairperson
Mr. Nigel Fulgence	– Committee member
Mrs. Nathalie Dusauzay	– Committee member
Mr. Marcus Joseph	– Committee member
Mr. Matthew L. Mathurin	– Committee member

MANAGEMENT TEAM & SENIOR STAFF (as at 30 June 2020)

MANAGEMENT TEAM

Mr. Matthew L. Mathurin	– Director
Mr. Desmond Dujon-Henry	– Deputy Director
Ms. Kit-Juelle Frank-Amoroso	– Corporate Secretary
Mrs. Candace Polius	– Senior Legal Counsel
Mrs. Sue-Ann Charlery-Payne	– Head of Group Internal Audit
Mrs. Paula Bleasdille	– Chief Accountant
Mr. Irwin Jean	– Investment Manager
Mr. Aloysius Burke	– Systems Manager
Ms. Allison Delmede	– Human Resource Manager
Ms. Callixta Emmanuel	– Operations Manager
Mr. Bernard Jankie	– Manager, Branch Offices
Mrs. Gisele Mondesir-St Marthe	– Manager, Customer Service Department
Ms. Velina Joseph	– Manager, Compliance and Records 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
Mrs. Janel Joseph-Martial	– Chief Inspector
Mrs. Helen Hugobert-Richards	– Assistant Human Resource Manager
Mrs. Melissa St. Lucy-Fricot	– Rodney Bay Supervisor

FINANCIAL HIGHLIGHTS

5.29%

Total traditional benefit expenditure in 2019/2020 was $111.4 million

$46.16M

Expenditure under the Economic Relief Programme ("ERP")

4.45%

Total assets stood at $2.32 billion

7.91%

Total income (Contribution and Investment)

GENERAL AND ADMINISTRATIVE EXPENSES

2020 = $18.99 million

2019 = $17.27 million

INCREASED = 9.92%

TOTAL INVESTMENTS

2020 = $2.2 billion

2019 = $2 billion

INCREASED = 8.92%

"

My employees are at the centre of the business and one of our greatest assets. This is why we always ensure that their monthly NIC contributions are made on time every month. This timely contribution was one of the main criteria for employees to benefit from the NIC Economic Relief Programme, which was implemented during the initial months of the COVID 19 pandemic in the country. We were also happy to assist the NIC in the pilot phase of testing the programme, as an Employer who met the necessary requirements. Although our employees qualified for the ERP we chose to pay them in full for part of the period and later opted to have them access the ERP. This represented our commitment to staff and the importance of being in good standing with the NIC. Covid has shown us that unforeseen events can occur at anytime and the NIC may be the only source to turn to for economic relief. I therefore encourage all businesses to make their contributions on time for the wellbeing of their employees and to ensure business continuity in uncertain times.

RHON STEPHENS
Executive Director Hewanorra Air Cargo Services (HACS)

BENEFITTING YOU ...AT THE CENTRE OF IT ALL

MR ISAAC ANTHONY
Chairman

"The deeply personal commitment of all stake-holders, as we collec-tively faced the uncer-tainty of the protracted effects of the pandemic , defines the special role the NIC plays as both an economic driver and compassionate provider for all.

CHAIRMAN'S STATEMENT

INTRODUCTION

As we ushered in the financial year beginning 1st July 2019, little could we have imagined that less than a year later, the world would ground to a halt. With countless lives lost to what later became known as the COVID-19 pandemic and with industries and economies crumbling on a global scale, for many of us, it was perhaps one of the most frightening times we would experience. Nevertheless, it is my privilege to report to you on the ability of the National Insurance Corporation ("NIC") to remain focused during the period under review, steadfast in our resolve to ensure that we could provide a social safety net to the people of Saint Lucia despite the challenges and uncertainties occasioned by the pandemic.

The Board and Management team were agile in their response to the crisis and quickly executed a plan to provide relief to our citizens. Actuarial projections of both the short and long-term impacts on the Fund were conducted in order to assess affordability and after careful consideration of the repercussions that a lack of income support could have on our contributors, families, businesses and our society as a whole, the Economic Relief Programme ("ERP") was implemented. By 30th June 2020, $16.2 million had been paid in income support to approximately 13,000 workers who had suffered a termination of salary. During the period, great efforts were also made to ensure that pensioners and other beneficiaries received their expected benefits in a timely manner.

At the Corporation we also took measures to curb the spread of the disease as the health and safety of our staff was paramount. We adhered to the guidelines set by the World Health Organization ("WHO") and implemented all safety protocols outlined by the Ministry of Health and Wellness. Where possible, work from home arrangements were put in place.

Over the years, the NIC has focused on collecting contributions and enhancing its investment portfolio to ensure the viability of the National Insurance Fund. While the acute challenges of the latter half of the financial year have tested social security systems globally, on a critical scale, our consistently strong performance has positioned us to offer income relief to thousands of our citizens.

THE ECONOMIC RELIEF PROGRAMME

The ERP was the major initiative undertaken during the financial year and under the circumstances, we consider it not only a significant achievement but testimony to the astute management of the NIC.

The decision to implement the ERP was rooted in sound financial and actuarial analysis and foremost in our deliberations was the need to ensure that the long-term financial sustainability of the NIC would not be compromised. We considered a number of scenarios, including the worst-case scenario for a three-month period, if claims were received from 60% of contributors, with an expected cost of $80.2 million.

The Programme's primary objective was to cushion the effects of the COVID-19 pandemic by helping contributors who were negatively impacted by the ensuing crisis. It provided for the payment of a monthly sum equivalent to 50% of the insurable earnings of an affected insured person subject to a minimum of $500.00 and a maximum of $1,500.00 for an initial period of up to three months, from April to June 2020 and continuing for a further period of three months thereafter to September 2020.

Given that the initiative called for the payment to be a function of the applicant's salary, systems and procedures had to be put in place to::

a. Accept applications

b. Accept employer information

c. Link applications to information on NIC database

d. Implement control measures to prevent fraud

e. Upgrade web and internal IT systems to accept the significant increase in input of data from applications

f. Reallocate staff from other duties to deal with the new programme while still facilitating the payment of benefit claims

g. Migrate operations to a more digital platform away from the traditional in-person/physical document approach.

The foregoing was all achieved in the early days of the pandemic when fears of infection were high, businesses were closed and the society was now adapting to the "new normal" of social distancing.

Legislation authorizing the NIC to implement the ERP was enacted as follows:

- National Insurance Corporation (Amendment) Act No. 2 of 2020 - 23 April 2020
- National Insurance Corporation (Economic Relief Programme for COVID 19) Regulations SI No. 64 of 2020 - 24 April 2020
- National Insurance Corporation (Economic Relief Programme for COVID 19) (Amendment) Regulations SI 107 of 2020 - 30 June 2020

These pieces of legislation were separate and apart from additional assistance afforded by the amendments to the sickness benefit provision (S.I. #72 of 2020 —National Insurance Corporation (Sickness Benefit) (COVID 19)) made to to facilitate the payment of sickness benefits to insured persons who were rendered temporarily incapable of work as a result of being infected or placed in quarantine or isolation for COVID 19.

The ERP programme was initially staffed with 17 Processors, eight Verifiers, two Queries officers and two Communications Officers to monitor and manage COVID-19 emails. As the situation unfolded and more of our citizens tried to access the ERP, obstacles related to the timely processing of claims manifested. Accordingly, we took several measures to ensure more efficient processing of payments. With regard to employers, these included:

- The design and implementation of a web-based Employer's Portal along with a tutorial guide to give employers the means to submit specific needed information; and
- Incorporation of a spreadsheet template that could be populated remotely by employers and uploaded for submission to the NIC. There were also operators available online and via telephone to provide assistance were needed.

In May 2020, the IT Department initiated a mass verification of all claims that were paid during the previous month. In addition, all other information that was previously entered manually was automated e.g., bank code, period start and end date for the payment, MOU status, etc. Consequently, staff was only required to include any changes that an employer may have indicated for the month of May. In view of this, more personnel was required for verification.

We therefore reallocated our resources and some of the employees who were engaged in processing were assigned to verification. Staffing for the ERP was adjusted as follows – 13 Processors, 11 Verifiers and three Queries officers.

In addition, given the number of calls to the NIC with persons making enquiries in relation to their application and the volume of inaccurate information on applications submitted, we included the following:

- Two officers to address payments that were returned by the Bank
- Two additional officers devoted to answering calls relating to ERP
- Two officers to assist with persons visiting our offices for ERP purposes
- Two additional officers to monitor the COVID-19 EMAILS
- Three officers to provide assistance with populating the system with relevant information for bulk processing payments for the hotels

The first payments under the programme were made on 11th May 2020 and for the period then started to 30th June 2020, the NIC had:

- Received 17,430 applications
- Paid 11,738 persons
- Made 19,494 payments
- Paid on average $831.90 per payment
- Paid a total amount of $16,217,109

During that time, the Corporation continued to work towards the more efficient verification and processing of claims and improved and sustained communication with employers and other stakeholders to ensure that all parties remained aware of their duty to contribute.

As the initial period of the ERP came to a close with no end in sight for the hardship occasioned by the pandemic, the NIC recognized the continued imperative to provide economic support to its contributors. Noting that that the overall cost for a six-month programme remained within the cost originally forecasted as the worst-case scenario for the initial three months, the Board decided to extend the ERP by three months to September 2020. This was supported by Government and the requisite regulations were enacted. The amendment to extend the ERP was passed on 30th June 2020 and we are heartened to have been able to provide continued income support to our contributors

FINANCIAL HIGHLIGHTS

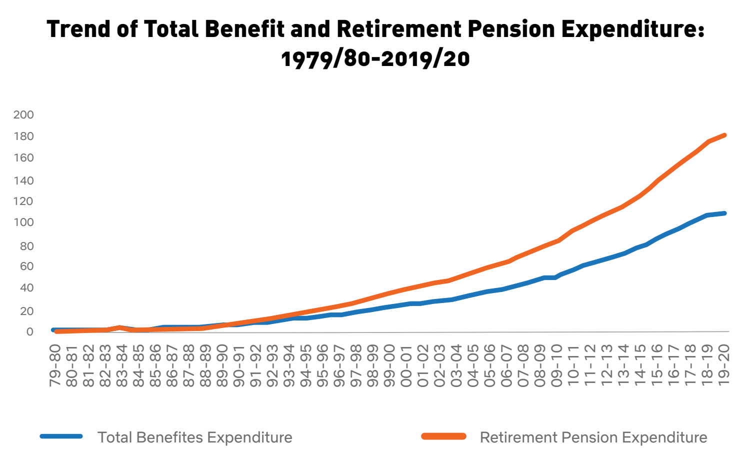
BENEFITS

Total traditional benefit expenditure in 2019/2020 was $111.4 million, an increase of 5.29% over the $105.85 million paid in the previous fiscal year. Of this amount, long-term benefit payments increased by 6.75% to $91.60 million, short-term benefit payments, including the Medical Health programme, contracted by 1% to 19.85million. Expenditure under the Economic Relief Programme ("ERP") accounted for an additional $46.16 million. The ERP was specifically implemented to provide economic relief to 16,756 active insured persons who were temporarily affected by the Covid-19 pandemic. Increase in long-term benefits expenditure was the result of retirement pensions awarded in the review period. In 2019/2020, the cost of the Medical Health Programme remained constant at $5.0 million.

Retirement pensions continue to be the principal component of pension expenditure and accounted for 67.33% (2018/19 – 66.33%) of total traditional benefits expenditure. Retirement pensions also accounted for 81.92% (2018/19 – 81.81%) of long-term benefit expenditure. The International Labour Organization ("ILO") Pension Model 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 traditional benefits expenditure was 94.14% an increase of 9.2% over the previous year (2018/19– 84.9%). The reduction in contribution income occasioned by the economic impact of the Covid 19 pandemic accounted for 69% of this increase.

Figure1



In 2019, with regards to benefits governed by reciprocal agreements, seven 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 (2018/19 - $3,216,692).

INCOME

During the review period, contribution income declined by 5.05% to $118.38 million (2018/19 - $124.67 million) while investment income decreased by 23.75% to $73.56 million (2018/19 - $96.47 million) which was offset by an increase in fair value of investment property by $43.71M (2018/19 - $2.83M decrease). The impact of these mixed performances was that total income rose by 7.91% in the review period to $236.28 million (2018/19 - $218.95 million).

EXPENSES

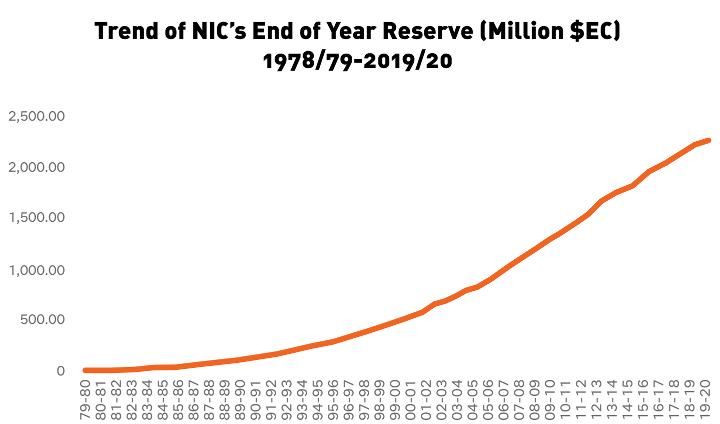
After recording an increase of 3.85% in 2018/19, general and administrative expenses increased by 9.92% to $18.99 million (2018/19 - $17.27 million). General and administrative expenses as a percentage of contribution income was recorded at 16.04% (2018/19 – 13.85%) or 1.60% of insured earnings.

ASSETS

Total assets at 30 June 2020 stood at $2.32 billion (2018/19 - $2.22 billion), a 4.45% increase over the previous financial year.

At the end of the financial year in review, the NIC's reserves had increased by approximately 2.58% or 57.09 million to $2.27 billion (2018/19 - $2.21 billion). The trend of reserves is illustrated in Figure 2 below.

Figure2

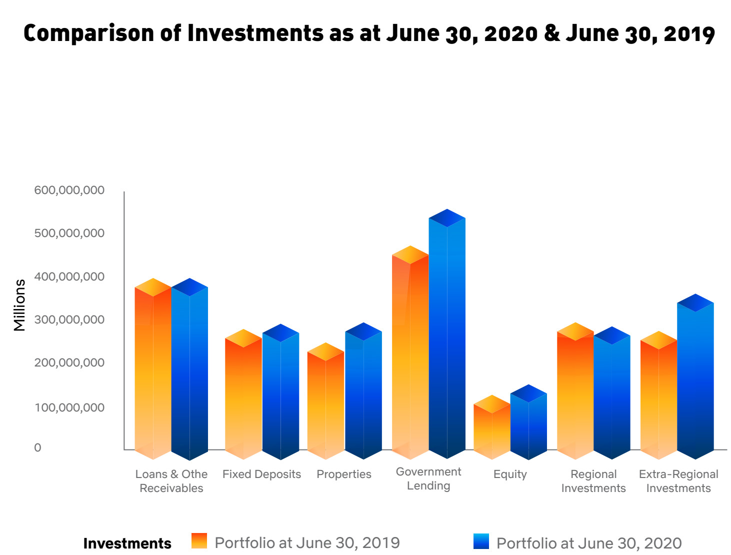


INVESTMENT PORTFOLIO

Investment of surplus monies is critical to allow the NIC to supplement contributions to meet future pension obligations. Cognizant of the erosive effect of inflation on the purchasing power of pensions and the inevitable decline in the ratio of active contributors per pensioner, the Board, on the recommendation of the Investment Committee, continued to invest the surplus funds of the Corporation prudently in accordance with the Corporation's Investment Policy and Guidelines. In light of the uncertain economic environment occasioned by the COVID-19 pandemic, careful attention was paid to the investment objectives contained therein in order of priority of Preservation of Capital, Liquidity and Yield.

The following provides a summary of the investment portfolio at 30th June 2020 with comparative figures as 30th June 2019.

Investments	Portfolio at June 30, 2020	Portfolio at June 30, 2019
Loans & Other Receivables	378,436,318	372,619,260
Fixed Deposits	262,985,425	260,975,782
Properties	269,761,445	221,823,424
Government Lending	537,808,255	457,794,651
Equity	125,351,301	108,138,920
Regional Investments	260,624,478	273,179,763
Extra- Regional Investments	333,793,601	296,586,678
Total	**2,168,760,823**	**1,991,118,478**



STRATEGIC PLAN

The NIC intended to start the implementing its Strategic Plan, initially for the period 2019-2024 during the next financial year however, the advent of the pandemic crippled our ability to proceed as planned.

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

- Improved operational efficiency and service delivery
- Expanded coverage of self-employed persons
- improved relationships with stakeholders
- Enhanced investment portfolio
- Updated corporate governance framework for subsidiaries
- Superior performance from subsidiaries
- Improved collection of contributions

Key to the viability of the NIC is an Actuarial Review of the National Insurance Fund. This is undertaken no later than every five years. The Board has already signed an agreement with the ILO for the NIC's 12th Actuarial Review which will be based on the results of the Fund as of 30th June 2020.

The Board was also considering an Unemployment Insurance Programme to ensure that there was adequate financing to ensure some support to workers who have lost income from events resulting in loss or disruption to employment. The Corporation has already commenced discussions with the International Labour ILO to that end to commence a cost assessment exercise in the next financial year.

The operations of the NIC are tied to the fortunes of the local economy, and economies around the word have been battered by the pandemic. We are however, hopeful that the promise of vaccines will bear fruit and allow economies (including ours) to rebound thereby buoying employment and the contribution base of the NIC as well as investment opportunities for the surplus funds. It is also our hope that we can commence the implementation of the Corporate Strategic Plan, and the ICT Strategic Plan to lay the groundwork for enhanced service delivery to our customers as we chart the course for a sustainable and efficient programme into the future.

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INFORMATION AND COMMUNICATION TECHNOLOGY

The upgrade of our Information Technology platform has always been a key component of our strategic plan as it underpins our ability to streamline our operations, become more efficient and deliver improved services to our stakeholders. Our resolve to remain on the leading edge of technology, embrace new technologies and leverage services including inter-governmental collaboration was further strengthened as we were compelled to expedite matters to facilitate the implementation of the ERP.

The following outlines some of the major developments involving our IT infrastructure for the year to 30th June 2020.

1. Cloud Services

The migration of several of our web applications to Cloud data servers has been completed. This included our company website, enterprise email, employer and employee portal for the ERP programme as well as Employer Smart Submit Contribution and Electoral Applications. This initiative allowed us to reduce the impact on local resources as well as improve our response time due to latency in high traffic. It also provided flexibility to manage the necessary resources to ramp up computation, storage and networking.

2. Web Services

Our *stlucianic.org* website was revamped and now has a refreshed look and feel. The updated website allows for streamlined menus, faster and easier navigation as well as a more responsive layout for all platforms. During the latter half of the financial year, and in response to the pandemic, the electronic submission of claims was facilitated. These changes will positively impact public experience in navigating the site and improve the ease of doing business with us. The website will also resolve any security issues previously exhibited due to higher security protocols on newer browsers.

3. Remote Access Workforce

As part of our COVID-19 response, up to 20 % of the organisation's staff worked remotely. The Department implemented a Virtual Private Network ("VPN") as well as Virtual Desktop Infrastructure ("VDI") to support the remote access workforce, allowing full remote access to specific applications or shared folders. We made extensive use of the available technology to enable us to collaborate with colleagues and other stakeholders, efficiently, securely and safely as well as to create and maintain our business relationships despite the challenges that characterised the period.

4. **Modernised Computers Companywide & Increased Bandwidth**

   We have significantly increased bandwidth on our network both internally and externally to allow for greater use of the internet. A greater number of staff can use the internet for webinars, online training and meetings as well as providing employees with remote access to company servers. We have also replaced 80% of our computers and are on schedule for 100% replacement companywide to more secure and responsive computers which will allow for greater efficiencies in service delivery.

5. **ICT Assessment and Upgraded Plans to Insurance Administration System**

   A comprehensive IT Audit was undertaken during the period under review. It addressed personnel, security, application quality, system development life cycle, project management and internal controls. The objective of the assessment was to make recommendations to upgrade the NIC's existing ICT platform and systems to meet more effectively the current and future functional demands of the organization and the expectations of stakeholders. This company-wide assessment of the Information Communication and Technology ("ICT") paved the way for a full revamp of our Insurance Administration System ("IAS"). Work is currently underway to prepare requests for proposals ("RFPs") to invite tenders by mid-2021. The upgrade to our IAS is intended to revolutionize insurance processing and delivery of services decades beyond COVID-19. The new system will be customer-focused and allow for a seamless self-service experience.

HUMAN RESOURCE MANAGEMENT

COVID-19 AND ITS IMPACT ON HUMAN RESOURCE

COVID-19 significantly impacted the operations of the National Insurance Corporation. The various protocols, among them the zoning of the island which meant imposed restrictions to travel and our employees' daily commute, presented a number of challenges as the majority of the employees were unable to report for work. In many other cases, because of the nature of their job functions, employees were unable to work from home.

The following measures were instituted:

- Staff rotation to reduce the number of employees in the office, thereby facilitating social distancing. This measure also assisted in minimizing the risk of exposure especially for those persons who commuted via public transport.
- Requiring employees to advance their vacation leave to assist in creating the necessary spacing and limiting staff exposure.
- Implementation of work from home arrangements for those who could function effectively from home.
- Provision of hand sanitizers, disposable gloves and masks to all employees.
- Installation of hand sanitizer dispensers at all entrances.
- Circulation of information relating to COVID-19 to all staff.
- Closure of all our offices to the public, thereby eliminating direct contact.
- Adherence to social distancing protocols throughout the organization.
- Provision of transportation to all employees without personal vehicles from their homes to the respective offices and back.

Additionally, many employees who were not fully engaged in their regular roles were reassigned duties to provide much-needed ancillary support for the Economic Relief Programme.

TRAINING AND DEVELOPMENT

Training and development opportunities were provided with employees receiving training in areas such as strategies for customer satisfaction and retention, NIC policies, products and services, Occupational Health and Safety, ACL training and Performance Appraisal. In addition, 11 employees successfully completed a six-week Stanford University Chronic Disease Self-Management Programme facilitated by the Ministry of Health and another course on "Preparing Your Business to Survive COVID-19". Many other training programmes and activities scheduled for the period March – June 2020 were postponed or cancelled in light of the pandemic.

One employee completed a Bachelor of Science in Accounting with first class honours from the University of The West Indies on 1st September 2019 and another attained certification as an Associate of Science Paralegal Studies from the University of The West Indies on 1st July 2019.

CORPORATE SOCIAL RESPONSIBILITY

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

The NIC awarded a total of four scholarships and two grants to children of employees to attend secondary schools and the Sir Arthur Lewis Community College. The awards were in keeping with the provisions of the NIC's staff scholarship policy.

REVIEW AND DEVELOPMENT OF POLICIES

Several policies were either reviewed or developed during the year in an effort to ensure that they were current and relevant. These included:

- Staff loan policy
- Employee Recognition
- Occupational Safety and Health
- How to complete leave forms (sickness/absence/compassionate leave/funeral).

The "Know Your Policies" initiative was developed to sensitise and enhance employees' knowledge following the findings of a "Know your Policies" survey. Employees are now provided weekly excerpts of the NIC policies via our internal communications network.

INDUSTRIAL RELATIONS

The negotiations for the collective bargaining agreement between the NIC and NWU Negotiating teams which commenced in October 2018 concluded on 19 March 2020 with the parties agreeing inter alia an 8% salary increase for the collective bargaining period 2018-2022 and two incremental movements in year 1 and one incremental movement in year 2.

EMPLOYEE ASSISTANCE PROGRAMME

Four employees benefited from the employee assistance programme which was established to assist employees in accessing resolution to family, psychological or other personal problems.

RETIREMENT

One employee who had provided 22 years of dedicated service to the Corporation, retired during the year.

STAFF COMPLEMENT

The staff complement at the end of 2020 was 143 employees

MARKETING AND CORPORATE COMMUNICATION

The already critical role of communications at the NIC was further accentuated by the demand resulting from the COVID-19 pandemic. Given its nature the, NIC had to remain operational throughout the worst of the pandemic with the communications department playing a pivotal role in that effort. The department continued its traditional role within the first half of the year in review but quickly had to transition from the third quarter to the realities occasioned by the pandemic. The following provides an overview of the communications and engagement activities for the period under review.

GET MOVING SAINT LUCIA

The Department continued its drive to dampen the alarming rise of non-communicable diseases and reduce payment of sickness benefit claims. The program which involves the installation of outdoor fitness gyms and an educational continued during the period under review with a workshop on the emerging challenges in health and longevity that have an impact on performance, productivity, labour force participation and overall wellness, all of which have serious implications for the social security organizations of the Region. This wellness workshop featured thought leaders from The University of the West Indies – Cave Hill Campus, NYU Roy Myers College, The Pacific Coast University, University of Fredericton, Health Standard Organization HSO and Caribbean Public Health Agency.

AGED CARE FACILITY

The Corporation started an initiative to construct an aged care facility that will provide a high standard of care for the frail and vulnerable older members of society. The facility's purpose on completion of the project is to administer a variety of programmes designed to address the diverse needs of older persons, from those who are active and healthy, to those who are frail and bedridden and to obtain synergies by consolidating the various services common to the various homes for the aged. Plans are expected to be considerably advanced in the coming year.

SOCIAL MEDIA STRATEGY

In September 2019 the Communications Department rolled out its strategy to increase engagement and the NIC's presence on social media platforms. This initiative was timely and involved revamping the existing Facebook, YouTube, and Twitter channels as well as the creation of a new Instagram account. These social channels were used to increase awareness of the NIC's services and activities and provide timely customer support through built in instant messaging on the various platforms and were critical in promulgating information and dispelling misinformation during the pandemic.

ECONOMIC RELIEF PROGRAMME

The need for a rapid response from the NIC to combat the economic damage suffered by our contributors prompted a blurring of the traditional departmental boundaries and mandated cross departmental collaboration. A three-person task force was given the responsibility of implementing and managing an economic relief programme for contributors who were financially impacted by pandemic. The Communications Department played a major role and took the lead on directing the technological, operational, and communication changes required by the organization to operationalize this new programme.

A varied approach was taken to dealing with communication around the ERP utilizing both traditional and digital platforms and using various tactics including radio ad placements, sponsored talk times, live interviews on popular talk shows and radio and television stations, telephone interviews in patois, and the creation of voice notes which were circulated via popular messaging platforms, a tactic which proved extremely effective in combating the negative publicity promulgated via social media.

In light of the uncertainty on the duration of the pandemic , the Communications Department developed a continuity plan to ensure minimal disruption in the flow of information to our stakeholders especially contributing employers and employees. Some of the actions involved ensuring connectivity between home based devices and the office as well as the installation of, and training in new software to allow access from home to information on servers and personal computers in office as well as to facilitate the promulgation of information to the public from home.

UPDATED WEB SITE

The demands of the NIC's Economic Relief Programme accelerated our previously planned upgrade of the Corporation's website. The existing website could not support the new web features necessary for the programme which required greater responsiveness to users, the use of electronic forms, online filing of claims and online payments. The Communications Department worked tirelessly with the web developer to make the changes needed and such efforts contributed significantly to the eventual successful rollout of that programme.

OTHER ACTIVITIES

Despite the concentration of effort on matters involving the ERP, the NIC continued providing information on our traditional benefits, albeit on a reduced scale via the "Did you Know " campaign and traditional presentations by the Communications team to employers and other entities. Of note is the School Education Campaign "Your Future Starts Today," which targeted 15 schools and engaged 1,622 students about to enter the workforce and sought to familiarize them with the social security concept and its key features and provisions.

The Department also continued its efforts in the marketing of lots from the Corporation's Emerald Development during the first two quarters of the year under review.

With the government seeking to promote ownership of multi-family housing units to contribute to the goal of affordable housing, the Communications Department has started, in conjunction with the Corporation's property development company, NIPRO, to conceptualize multi-family units on some of the lots at Emerald Development.

50TH ANNIVERSARY CELEBRATION

October 2020 marked 50 years of the provision of social security services in Saint Lucia. In anticipation of that milestone, the Corporation has approved for its commemoration, a programme prepared by an in-house 50th Anniversary Committee under the chairmanship of the Communications Manager. The NIC 50th Anniversary Committee has designed a year-long programme of activities inclusive of a virtual news release to celebrate the anniversary. However, the escalating COVID-19 outbreak and the resultant necessary protocols necessitated a decision to postpone the commemoration to a more appropriate time.

The following table provides information on the NIC and its subsidiaries as at June 30, 2020.

Company	% Holding by NIC	Business	Date Incorporated	$ Total Assets	$ Net Assets
NIC	Parent	Provision of social security services.	April 1979	2,296,520,784	2,244,076,937
NIPRO	100	Provides property development, management, and maintenance services.	April 1999	23,779,732	9,705,827
SMFC (Note below)	75	Providing loans for the purchase, construction, extension or completion of dwelling houses and the purchase of developed plots.	January 1968	48,011,665	10,062,036
BCL	100	Rental of space for office and commercial use. Proprietor of Blue Coral Mall Building	April 2003	11,847,168	(30,612,358)
CCFL	100	Provision of car parking facilities and rental of space for office and commercial use	January 1998	28,237,583	21,983,552

Note – The Government of Saint Lucia is the only other shareholder and holds 25% of the issued ordinary shares of St. Lucia Mortgage Finance Company Limited.

ST. LUCIA MORTGAGE FINANCE COMPANY LIMITED

St. Lucia Mortgage Finance Company Limited ("SMFC") grants loans to person 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 2020 was another challenging period for SMFC relating to the limited supply of affordable housing and land development, the highly competitive financial services sector, decreasing market share, a high non-performing loans (NPL) portfolio and the impact of the COVID-19 pandemic on business operations. However, despite the challenges faced the company provided valuable service to its clients.

The company approved loans to 7 householders and land owners , totalling $1,150,389. Together with previous approvals, SMFC disbursed $1,903,442 during the period (2019 -$6,216,466), bringing the cumulative amount disbursed since inception to $210,268,899.

Net mortgage assets decreased by 7.43% compared to last year mainly due to a reduction in mortgage loan advances for the period and an increase in loan provisioning. This resulted in the company recording a net profit of only $71,186, which reflects a significant reduction compared to the previous year (2019 - $1,239,360).

As at June 30, 2020 SMFC's indebtedness to the NIC stood at $37,107,104.

NATIONAL INSURANCE PROPERTY DEVELOPMENT & MANAGEMENT COMPANY LIMITED (NIPRO)

Financial performance for the year ended June 30, 2020
The key indicators of NIPRO's financial performance are summarised in the table below:

	2020	2019	Comment
Total revenue ($)	4,166,722	4,055,735	Increase of 2.7%, due to project fees on Anse la Raye Wellness Centre and Babonneau Fire Phase II-Carpark
Total operating costs	3,352,392	3,106,407	Increase of 7.9% - primarily due expected credit loss (ECL) provisions resulting from new accounting standards.
Finance costs	875,660	908,826	Decrease of 3.6% is consistent with reducing finance lease receivable.
(Loss)/Income before taxes	(61,330)	40,502	With no major fluctuation in the revenues, the decline is due to the increase in operating cost with ECL provision amounting to $360,247 (2019-$100,264).
Total assets	23,779,732	22,732,938	Increase of 4.6% mainly due to the increase in projects in progress related to the Anse la Raye Wellness Centre and Babonneau Fire Phase II-Carpark
Cash and cash equivalents	1,062,863	1,680,251	Reflects a 36.7% decrease due to the increase in cash used in operations primarily related to projects in progress .

INVESTMENT IN BOLT PROJECTS

BABONNEAU FIRE STATION

Construction of Phase 2 of the Babonneau Fire Station commenced on 21 August 2019. This phase comprised the construction of 11 parking bays, as mandated by the Development Control Authority and was successfully completed in March 2020 at a cost of $744,174.

ANSE LA RAYE WELLNESS CENTRE

Work on the construction of the Anse la Raye Wellness Centre commenced on 28 October 2019. This project was scheduled to be completed in 14 months at a budgeted cost of $7,159,000. Unfortunately, the severe disruption caused by the COVID-19 pandemic and the resultant island-wide shut down in March 2020 negatively impacted the project's construction schedule. Consequently, the project is expected to be completed in February 2021.

ROYAL SAINT LUCIA POLICE HEADQUARTERS AND COURT FACILITY PROJECT

The Government of Saint Lucia (GOSL) engaged NIPRO to consider a proposal to construct the Royal Saint Lucia Police Headquarters, Remand and Court Facility using the services of a preferred design consultant under a Build Own Lease Transfer ("BOLT") arrangement. Subsequent to further discussions on the matter, approval was received from the GOSL for a US$33.1 million project budget. Having received budget approval from GOSL, NIPRO requested financing consideration from the NIC and commenced negotiation of the terms and conditions of the BOLT Agreement with the Department of Finance.

NIC CAPITAL PROJECTS

NIPRO initiated several projects for the National Insurance Corporation during the reporting period. These included the electrical upgrade and ancillary building works at the Antoine Ludovic Theodore Building, the installation of a 120,000-gallon glass fused to steel water storage tank at Barnard Hill to supply the buildings on the Waterfront, and Rust Treatment of the fire escape stairs at Heraldine Rock and Sir Stanislaus James buildings also on the Waterfront.

CASTRIES CARPARK FACILITY LIMITED (CCFL)

FINANCIAL PERFORMANCE

The key indicators of CCFL's financial performance for the year ended 30 June 2020 are summarised in the table below:

	2020 EC$	2019 EC$	Comment
Total income	3,300,739	3,424,492	Decrease of 3.6% due to reduction of parking fee during March 2020 to June 2020 Covid-19 period.
Total operating costs	1,128,736	1,661,520	Decrease of 32.1% primarily due expected credit loss (ECL) provisions resulting from new accounting standards
Finance costs	517,532	599,346	Decrease of 13.7% due to reducing loan balance with loan repayments.
Income before taxes	1,544,471	677,266	Increased profit primarily due to reductions in fair value loss on investment property and increase in ECL provisions.
Total assets	28,237,583	27,609,564	Increase of 2.3% due to increase in trade and other receivables.
Cash and cash equivalents	1,470,634	1,452,429	Slight increase of 1.3% from excess cash generated from operating activities over cash used in financing activities

MAIN HIGHLIGHTS FOR THE FOR THE PERIOD JULY 2019 – JUNE 2020

The operations of the Carpark were severely impacted by the COVID-19 pandemic commencing March 2020. Following a complete closure in March, the operating hours were significantly reduced in April and May which negatively affected the overall use of the facility by members of the public. Notwithstanding the resumption of regular hours in June 2020, the Carpark continued to be affected by low usage.

BLUE CORAL LTD

Blue Coral Ltd (BCL) is a wholly owned subsidiary of National Insurance Corporation.

The company provides rental of office and commercial space at the Blue Coral Shopping Mall located on Bridge Street in Castries. The building occupies almost an entire block within the city and has two main public access points, one via the William Peter Boulevard and the other via Bridge Street.

The Mall also provides Conference Room Facilities and an area for Pop-up Shops.
The Mall also provides Conference Room Facilities and an area for Pop-up Shops.

STATEMENT OF FINANCIAL POSITION

The accumulated deficit of BCL increased by **$1,770,683** from **$42,841,676** at **30 June 2019** to **$44,612,359** at **30 June 2020**.

This was significantly influenced by the fair value loss of **$1,355,000** on the investment property as the value moved from **$11,855,000** at **30 June 2019** to **$10,500,000** at **30 June 2020.**

The fair value of the property was estimated using the income approach which capitalises the estimated income streams, net of projected operating costs, using a discount rate derived from the company's market yield.

STATEMENT OF COMPREHENSIVE INCOME

This year Blue Coral Limited recorded a net loss of **$1,770,683** compared to a net income of **$529,084** in the previous year resulting primarily from the fair value loss on the Investment Property of **$1,355,000** for this year in comparison to a fair value gain of **$1,760,000** in the prior period.

The Blue Coral Mall was able to attract new tenants during the year and as such rental income increased by **$498,985** or **25%** to **$2,486,092 (2019 - $1,987,107)**.

Because of hardships experienced by tenants on account of COVID-19 pandemic, Blue Coral approved discounts totalling **$397,391** to tenants during the year, an increase of **284,541** over **2019.**

General and administrative expenses decreased by **$561,416** or **25.3%** to **$1,654,516(2019 - $2,215,932)** mainly from the reduction in repairs and maintenance **($481,734** or **49.4%),** utilities **($37,942** or **7.25%)** and allowance for impairment **($46,154 or 99.58%).**

During the reporting period, the NIC requested proposals for a strategic review and valuation of Blue Coral Ltd, the objectives of which were:

1. To conduct a review of BCL that would propose the optimal marketing mix to shoppers, along with appropriate physical modifications required to enhance the shopping experience
2. To propose the optimal financial and operational model for the company
3. To determine the current value of BCL.

The proposals have been received and are being evaluated.

APPRECIATION

Against the backdrop of a pandemic, the unprecedented loss of lives and livelihoods, restrictions, lockdowns and diminished economic activity, I must express my immense pride in the ability of the NIC to pivot, to deliver economic relief to thousands of our citizens, to harness our collective energies and focus our efforts on getting the job done, while keeping our team and our families safe – benefitting YOU at the centre of it all.

I remain grateful for the commitment and assurances of the Honourable Prime Minister Allan Chastanet (Minister responsible for Social Security) and the government. Without their support, the ERP would not have come to fruition. The increased workload was carefully managed by our team. That we were able to adapt and navigate the "new normal" demonstrates our resilience and commitment to serve our stakeholders. The personal efforts and sacrifice of each member of the Board, Management and staff have not gone unnoticed and I am grateful to be amongst such a stellar team of persons. To you all, I express my heartfelt thanks.

It is inevitable that the fallout from COVID-19 will continue to impact the global economies and indeed the local environment in which we operate into the new financial year and perhaps, beyond. The way we work and live has been altered on every level and so, we are unable to reliably determine the potential effects of the pandemic moving forward. This of course, will depend on future developments, including inter alia the duration and spread of the outbreak, travel restrictions and advisories, the effectiveness of the vaccination drive, and how deeply the economy is affected, all of which are highly uncertain and cannot be predicted.

As we look to the future, the Board and Management will continue to monitor the landscape, ready to confront and overcome whatever challenges may lie ahead

ISAAC ANTHONY
Chairman

BOARD OF DIRECTORS

Isaac Anthony (Chairman)

Frank Myers (Deputy Chairman)

Marcus Joseph

Paula A. Calderon, SLPM,JP

Matthew Mathurin

Nigel Fulgence

Shani Willie

"Self-employed persons like myself were some of those hardest hit by the Covid 19 pandemic. As a personal trainer and fitness instructor I became unemployed due to the nature of my job and the restrictions imposed because of the Covid 19 pandemic. This led to some level of concern and anxiety about the future. Fortunately I had made the decision 7 years ago to become a self-employed contributor to the NIC so was able to benefit from the Economic Relief Programme that they created for qualifying persons, in the country. I would encourage all self employed persons to make the wise choice of registering with the NIC, because you never know when the unexpected will happen and you would need access to NIC benefits for yourself or your loved ones

ANDREW ANTOINE
Self Employed Fitness Instructor

BENEFITTING YOU ...AT THE CENTRE OF IT ALL


EXECUTIVE
MANAGEMENT
8 WOMEN
5 MEN
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“From our hearts to YOU – being able to provide supportive benefits to so many has brought us all so much pride. Our core activities of identifying, evaluating and processing the many applications from persons in need have allowed us to make over $60M in payments to support tens of thousands of households in this critical time.

1. **Mr. Matthew L Mathurin** – Director
2. **Mr. Desmond Dujon-Henry** – Deputy Director
3. **Mrs. Sue-Ann Charlery-Payne** – Head of Group Internal Audit
4. **Mrs. Candace Polius** – Senior Legal Counsel
5. **Ms. Callixta Emmanuel** – Operations Manager
6. **Ms. Allison Delmede** – Human Resource Manager
7. **Mrs. Gisele Mondesir-St Marthe** – Manager, Customer Service Department
8. **Mrs. Velina Joseph** – Manager, Compliance and Records Department
9. **Mr. Bernard Jankie** – Manager, Branch Offices
10. **Mrs. Paula Bleasdille** – Chief Accountant
11. **Mr. Aloysius Burke** – Systems Manager
12. **Mr. Irwin Jean** – Investment Manager
13. **Ms. Kit-Juelle Frank-Amoroso** – Corporate Secretary

"Covid-19 brought out the hero in many of us and from among us. We are proud of the commitment and passion our dedicated team at the NIC displayed during this very difficult time. The success of the NIC Economic Relief Programme from inception to testing to implementation and finally delivery to the beneficiaries is owed to the NIC heroes. The team featured here represents many more from across the entire Corporation who may not have been seen but whose efforts were clearly felt by the tens of thousands who benefitted from this economic relief during one of the worse times of our lives.

DWIGHT LAMONTAGNE, JOACHIM GEORGE, NEOMIE DANZIE, MERVIN FELIX
Representatives of the NIC ERP Team

BENEFITTING YOU ...AT THE CENTRE OF IT ALL

Grant Thornton

December 9, 2021

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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 Group), which comprise the consolidated statement of financial position as at June 30, 2020, 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 Group as at June 30, 2020, 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 Group 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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 Group'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 Group'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 Group 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

Consolidated Statement of Financial Position
As at June 30, 2020

(Expressed in Eastern Caribbean Currency Dollars)

	2020 $	2019 $
ASSETS		
Cash and cash equivalents (Note 5)	**141,261,280**	222,540,585
Financial assets (Note 6)	**1,779,249,957**	1,685,839,004
Investment in associate (Note 9)	**119,749,421**	83,456,050
Investment properties (Note 10)	**269,761,445**	221,823,424
Property and equipment (Note 11)	**5,993,396**	5,458,759
Right–of–use assets (Note 23)	**256,758**	–
Projects in progress	**3,157,540**	745,679
Inventory (Note 12)	**3,965,709**	4,638,557
Income tax recoverable	**114,489**	114,489
Deferred tax asset	**109,383**	94,656
TOTAL ASSETS	**2,323,619,378**	2,224,711,203
LIABILITIES		
Trade and other accounts payable (Note 13)	**54,698,389**	13,349,709
Lease liability (Note 23)	**272,800**	–
Deferred lease liability (Note 2)	**16,042**	–
Income tax liability	**161,540**	710
	55,148,771	13,350,419
RESERVES		
Short–term benefits (Note 16)	**30,287,400**	77,098,878
Long–term benefits (Note 16)	**2,177,099,182**	2,074,960,019
Reserves (Note 15)	**1,917,742**	1,903,505
Retained earnings	**56,607,013**	54,856,909
	2,265,911,337	2,208,819,311
Minority interest in reserves	**2,559,270**	2,541,473
	2,268,470,607	2,211,360,784
TOTAL LIABILITIES AND RESERVES	**2,323,619,378**	2,224,711,203

Approved by the Board of Directors on December 9, 2021

Evaristus Jn Marie
Chairman

Matthew L. Mathurin
Director

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

Consolidated Statement of Changes in Reserves
For the year ended June 30, 2020

(Expressed in Eastern Caribbean Currency Dollars)

	Short–term Benefits $	Long–term Benefits $	Reserves $	Retained Earnings $	Minority Interest $	Total $
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
Excess 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)	–	–
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
Prior year adjustments	**170,632**	**4,095,156**	**–**	**–**	**–**	**4,265,788**
Effect of change in accounting policy for IFRS 16 (Note 28)	**(6,239)**	**(30,461)**	**–**	**–**	**–**	**(36,700)**
Effect of change in accounting policy for IPSAS 42 (Note 28)	**(1,125,553)**	**(5,495,347)**	**–**	**–**	**–**	**(6,620,900)**
Excess of comprehensive income over expenditure for the year	**(45,850,318)**	**103,569,815**	**–**	**1,764,341**	**17,797**	**59,501,635**
Transfer to statutory reserve	**–**	**–**	**14,237**	**(14,237)**	**–**	**–**
Balance at June 30, 2020	**30,287,400**	**2,177,099,182**	**1,917,742**	**56,607,013**	**2,559,270**	**2,268,470,607**

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

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Consolidated Statement of Comprehensive Income
For the year ended June 30, 2020

(Expressed in Eastern Caribbean Currency Dollars)

	2020 $	2019 $
Contribution income (Note 17)	**118,375,609**	124,674,465
Benefits paid		
Short–term benefits (Note 17 and 18)	**(14,848,690)**	(15,034,065)
Long–term benefits (Note 17 and 18)	**(91,591,347)**	(85,811,144)
Medical Health Programme (Note 17 and 18)	**(5,000,000)**	(5,000,000)
	(111,440,037)	(105,845,209)
Surplus of contribution over benefits	**6,935,572**	18,829,256
Economic Relief Programme (Note 17, 18 and 30)	**(46,158,219)**	–
General and administrative expenses (Note 17, 19 and 20)	**(18,989,140)**	(17,274,688)
	(58,211,787)	1,554,568
Other income		
Investment income – net (Note 17 and 21)	**73,559,791**	96,466,810
Change in fair value of investment properties (Note 10 and 17)	**43,707,276**	(2,825,855)
Other income (Note 17)	**633,092**	633,567
	117,900,159	94,274,522
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE BEFORE FINANCE COST	**59,688,372**	95,829,090
Finance Costs	**(38,794)**	–
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE BEFORE TAXATION	**59,649,578**	95,829,090
Taxation (Note 24)	**(147,943)**	(17,663)
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE FOR THE YEAR	**59,501,635**	95,811,427
Attributable to:		
Reserves	**59,483,838**	95,501,587
Minority interest	**17,797**	309,840
	59,501,635	95,811,427

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

Consolidated Statement of Cash Flows
For the year ended June 30, 2020

(Expressed in Eastern Caribbean Currency Dollars)

	2020 $	2019 $
Cash flows from operating activities		
Excess of comprehensive income over expenditure before taxation	**59,649,578**	95,829,090
Adjustments for:		
Provision for financial assets impairment	**17,436,963**	4,628,083
Loss/(gain) in fair value of financial assets at fair value through income	**5,794,363**	(10,745,502)
Depreciation and amortization of ROU (Note 11 and 23)	**1,004,553**	699,432
Interest expense	**38,794**	25,893
Dividend income	**(5,508,170)**	(6,786,014)
Share of associate profit	**(12,083,650)**	(5,939,705)
Change in fair value of investment properties	**(43,707,276)**	2,825,855
Interest income	**(72,220,602)**	(73,598,556)
Loss on disposal of land inventory	**–**	176,424
Operating (loss)/income before working capital changes	**(49,595,447)**	7,115,000
Increase in trade and other payables	**41,348,680**	86,536
Cash used in operations	**(8,246,767)**	7,201,536
Interest received	**71,126,260**	75,608,907
Dividends received	**9,053,290**	11,355,614
Interest paid	**(38,794)**	(25,893)
Net cash generated from operating activities	**71,893,989**	94,140,164
Cash flows from investing activities		
Purchase of investment securities	**(74,628,220)**	(44,593,628)
(Increase)/decrease in financial assets at fair value through income	**(50,596,275)**	29,709,782
Increase in loans and receivables	**(13,555,223)**	(19,697,053)
Increase in investment in associate	**(8,676,851)**	–
Improvements to investment properties	**(3,144,451)**	(37,269,387)
Increase in projects in progress	**(2,287,838)**	(845,963)
Purchase of property and equipment	**(1,248,237)**	(720,386)
Proceeds from disposal of property and equipment	**290,953**	25,771
Proceeds from disposal of inventory	**672,848**	600,713
Net cash used in investing activities	**(153,173,294)**	(72,790,151)
(Decrease)/increase in cash and cash equivalents	**(81,279,305)**	21,350,013
Cash and cash equivalents at beginning of year	**222,540,585**	201,190,572
Cash and cash equivalents at end of year (Note 5)	**141,261,280**	222,540,585

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

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 as amended. The Corporation's principal activity 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 Subsidiary is to operate a mortgage finance company.

b) *National Insurance Property Development and Management Company Ltd.*
The principal activity of the Subsidiary is 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 principal activity of the Subsidiary is to provide car parking facilities, all other matters incidental thereto and rental of office block and commercial space.

d) *Blue Coral Limited*
The principal activity of the Subsidiary is to provide office and commercial space for rent. The Group provides office and commercial space for rent.

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

These financial statements were authorised for issue by the Board of Directors on December 9, 2021.

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.

(Expressed in Eastern Caribbean Currency Dollars)

2 Summary of significant accounting policies*…continued*

Basis of Preparation *…continued*

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

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 standards, amendments and interpretations that became mandatorily effective for the financial year beginning July 1, 2019. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

IFRS 16 'Leases' (effective July 1, 2019). The standard supersedes IAS 17, Leases, Interpretation IFRIC 4, determining whether an arrangement contains a Lease, SIC–15, Operating Leases–Incentives and SIC–27, evaluating the substance of transactions involving the legal form of a Lease. The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases and requires lessees to recognise most leases in the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish two types of leases: operating and finance leases. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as at July 1, 2019. Under this method the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised only at the date of initial application. The comparative information was restated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease as at July 1, 2019.

The Group has contracts that were identified a lease applying IAS 17 and IFRIC 4. Therefore, the effect of adoption IFRS 16 as follows:

		As restated	**As restated**
	2020	**2019**	**2018**
Right–of–use lease assets	**256,758**	465,831	674,904
Lease obligation	**272,800**	484,181	686,278
Deferred lease	**16,042**	18,350	11,373

2 Summary of significant accounting policies*…continued*

Basis of Preparation *…continued*

b) Adoption by the Group of new and revised International Financial Reporting Standards that are effective in the current period…continued

Leases previously accounted for as operating leases

The Group recognised Right-of-Use (ROU) assets and lease liabilities for those leases previously classified as operating leases, except for short–term leases and leases of low–value assets. The ROU assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued ease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

At initial recognition, right–of–use assets and lease obligation amount to $836,291. The lease obligations can be reconciled to the operating lease commitments as follows:

	$
Operating lease commitment as at beginning	**911,958**
Weighted average incremental borrowing rate	**4.5%**
Discounted operating lease commitment as at beginning	**836,291**
Add: Lease payments relating to renewal period (if any)	–
Lease liabilities as at beginning	**836,291**

The Group has lease contracts for the building wherein the office archives are located and the Rodney Bay Sub–Office. For the year ended June 30, 2020 the Group has existing leases as followings:

		As restated	
	2020	**2019**	**2018**
Total leases	**227,989**	227,989	175,989

(Expressed in Eastern Caribbean Currency Dollars)

2 Summary of significant accounting policies*…continued*

Basis of Preparation *…continued*

c) 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.

The Group 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.

- **IAS** ***16 Property, Plant and Equipment 'Proceeds before Intended Use'*** These amendments to IAS 16, effective for annual periods beginning on or after January 1, 2022, amend the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- **IAS** ***37, Provisions, Contingent Liabilities and Contingent Assets 'Onerous Contracts – Cost of Fulfilling a Contract'*** These amendments to IAS 37, effective for annual periods beginning on or after January 1, 2022, clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

- ***Annual*** **Improvements to IFRS Standards 2018–2020 Cycle** These amendments effective for annual periods beginning on or after January 1, 2022 pertain to IFRS 1, Subsidiary as a first–time adopter, IFRS 9, Fees in the '10 per cent' test for derecognition of financial liabilities, IFRS 16, Lease incentives

- **IAS** ***1, Presentation of Financial Statements 'Classification of Liabilities as Current or Non–current'*** These amendments to IAS 1 amend in Classification of Liabilities as Current or Non–current Deferral of Effective Date (Amendment to IAS 1) defer the effective date of the January 2020 Classification of Liabilities as Current or Non–Current (Amendments to IAS 1) to annual reporting periods beginning on or after January 1, 2023.

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 Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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 Group. 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 Group'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 Group.

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 associates.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associates 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 associates 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

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 FVTI.

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 FVTI, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured.
- FVTI: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTI. A gain or loss on a debt investment that is subsequently measured at FVTI is recognized in comprehensive income.

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 FVTI. 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 comprehensive income as other income when the Group's right to receive payments is established.

2 Summary of significant accounting policies*…continued*

Financial assets *…continued*

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*

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 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*

Financial assets carried at amortised cost

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 amortised cost 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.

2 Summary of significant accounting policies*…continued*

Financial assets *…continued*

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.

Financial assets carried at fair value

The Group assesses at each date of the financial statements whether there is objective evidence that a held for trading financial asset is impaired, including in the case of equity investments classified as held for trading, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for held for trading 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 held for trading 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).

2 Summary of significant accounting policies…*continued*

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.

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.

2 Summary of significant accounting policies*…continued*

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.

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.

2 Summary of significant accounting policies…*continued*

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 yearend 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 which were previously classified as operating leases are recognized Right of Use (ROU) assets and lease liabilities, except for short-term leases and leases of low-value assets. The amortisation of the ROU assets were recognized to the non-consolidated statement of comprehensive income on a straight-line basis over the period of the lease. The accretion of interest expense on the lease obligation were recognized to the non-consolidated statement of comprehensive income.

Income from finance lease is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

(e) Benefit expenses
Benefit expenses are accounted for on the accrual basis as guided by IPSAS 42 with a further liability recognized at the reporting date for the payment made for the next period to beneficiaries who satisfy the eligibility criteria (to receive a social benefit payment) at, or prior to, the reporting date.

(f) 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:

	2020 %	2019 %
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.

(Expressed in Eastern Caribbean Currency Dollars)

2 Summary of significant accounting policies*…continued*

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.

3 Financial Risk Management…*continued*

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 financial position 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.

Credit risk measurement

(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.

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.

3 Financial Risk Management…*continued*

Credit risk …*continued*

Risk limit control and mitigation policies…*continued*
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:

	2020 $	Restated 2019 $
Cash at bank	**140,817,360**	222,540,585
Short term deposits	**437,303**	-
Fair value through income:		
- Debt securities	**168,001,710**	98,120,194
Loans and receivables:		
- Loans and leases to Government of Saint Lucia and statutory bodies	**142,241,504**	141,753,501
- Other loans	**162,117,336**	167,495,240
- Other advances and receivables from Government of Saint Lucia	**54,124,265**	50,942,394
- Contributions receivable	**10,438,174**	9,976,029
- Other receivables	**9,136,600**	2,219,690
Projects in progress	**3,157,540**	745,679
Debt securities at amortised cost	**1,103,558,110**	1,041,688,137
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial Guarantees:		
- Loan commitments and other credit related liabilities	**3,070,587**	10,000,000
	1,797,100,489	1,745,481,449

The table represents a worst–case scenario of credit risk exposure to the Group at June 30, 2020 and 2019 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, 21% (2019 – 22%) of the total maximum exposure is derived from loans and receivables, 71% (2019 – 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;
- 38% (2019 – 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*

Maximum exposure to credit risk before collateral held or other credit enhancements …*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.

	2020				2019
Debt securities – amortised cost	**Stage 1 12–month ECL $**	**Stage 2 lifetime ECL $**	**Stage 3 lifetime ECL $**	**Total $**	**Total $**
Credit grade:					
Investment grade	**261,262,628**	**–**	**–**	**261,262,628**	274,821,380
Non–investment grade	**852,650,795**	**7,713,649**	**–**	**860,364,444**	773,777,452
Gross carrying amount	**1,113,913,423**	**7,713,649**	**–**	**1,121,627,072**	1,048,598,832
Loss allowance	**(17,878,539)**	**(190,423)**	**–**	**(18,068,962)**	(6,910,695)
Carrying amount	**1,096,034,884**	**7,523,226**	**–**	**1,103,558,110**	1,041,688,137

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 Lifetim e ECL $**	**Total $**
Debt securities – amortized cost				
Loss allowance as at June 30, 2019	6,861,208	49,487	–	6,910,695
			–	
Transfers	(30,938)	30,938	–	–
New financial assets originated or purchased	3,146,350		–	3,146,350
Financial assets fully derecognized during the period	(614,123)	(40,077)	–	(654,200)
Changes in principal and interest	8,516,042	150,075	–	8,666,117
			–	
Loss allowance as at June 30, 2020	**17,878,539**	**190,423**	**–**	**18,068,962**

3 Financial Risk Management*…continued*

Credit risk *…continued*

Maximum exposure to credit risk before collateral held or other credit enhancements *…continued*

Loans and leases – amortised cost	2020 Stage 1 12–month ECL $	2020 Stage 2 lifetime ECL $	2020 Stage 3 lifetime ECL $	2020 Total $	2019 Total $
Performing balances	**359,867,425**	**21,875,578**	**1,174,380**	**382,917,383**	352,661,875
Non–performing balances	**3,043**	**4,208**	**53,662,164**	**53,669,415**	71,455,994
Gross carrying amount	**359,870,468**	**21,879,786**	**54,836,544**	**436,586,798**	424,117,869
Loss allowance	**(8,959,014)**	**(529,187)**	**(48,662,279)**	**(58,150,480)**	(51,498,609)
Carrying amount	**350,911,454**	**21,350,599**	**6,174,265**	**378,436,318**	372,619,260

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 June 30, 2019	3,979,7 00	116,736	47,402,173	51,498,609
New financial assets originated or purchased	750,645	–	–	750,645
Financial assets fully derecognized during the period	–	–	–	–
Transfers between stages	(3,494)	–	–	(3,494)
Changes to inputs used in ECL calculation	4,232,163	412,451	1,260,106	5,904,720
Loss allowance as at June 30, 2020	**8,959,014**	**529,187**	**48,662,279**	**58,150,480**

3 Financial Risk Management…*continued*

Credit risk …*continued*

<u>Maximum exposure to credit risk before collateral held or other credit enhancements</u> …*continued*

The most significant period–end assumptions used for the ECL estimate as at June 30, 2020 are set out below.

		2021	2022
US GDP growth rate	Base	–0.8%	2.2%
	Upside	0.8%	3.8%
	Downside	–2.4%	0.5%
US inflation rate	Base	1.3%	2.0%
	Upside	0.4%	2.9%
	Downside	2.2%	1.0%
World GDP growth rate	Base	1.4%	1.8%
	Upside	2.6%	6.0%
	Downside	0.2%	–2.5%

The most significant period–end assumptions used for the ECL estimate as at June 30, 2020 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%
World GDP growth rate	Base	1.8%	2.8%
	Upside	6.0%	7.0%
	Downside	–2.5%	–1.5%

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

	Base	Upside	Downside
June 30, 2020	**80%**	**10%**	**10%**
June 30, 2019	80%	10%	10%

3 Financial Risk Management*…continued*

Credit risk *…continued*

Maximum exposure to credit risk before collateral held or other credit enhancements *…continued*

Set out below are the changes to the ECL as at June 30, 2020 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
Investment – Corporate	**(+/–5)%**	**812,692**	**(812,692)**
Investment – Sovereign	**(+/–5)%**	**806,906**	**(806,906)**

ECL impact of			
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans and leases	**(+/–5)%**	644,415	(644,415)

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
Investment – Corporate	(+/–5)%	382,304	(382,304)
Investment – Sovereign	(+/–5)%	339,490	(339,490)

ECL impact of			
Collateral haircut	Change in threshold	Increase in value	Decrease in value
Loans and leases	(+/–5)%	374,223	(303,361)

(Expressed in Eastern Caribbean Currency Dollars)

3 Financial Risk Management…*continued*

Credit risk …*continued*

Loans and receivables
Loans and receivables are summarized as follows:

	2020 $	2019 $
Neither past due nor impaired	**134,358,275**	309,975,519
Past due but not impaired	**214,603,467**	42,686,356
Impaired	**87,625,056**	71,455,994
Gross	**436,586,798**	424,117,869
Less: Allowance for impairment (Note 7)	**(58,150,480)**	(51,498,609)
Net	**378,436,318**	372,619,260

The total impairment provision for loans and receivables recognised in the Consolidated Statement of Comprehensive Income is $6,651,871(2019 – $5,591,805). 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:

	Customers with no history of default						
	Loans				Other advances and receivable		
	Statutory bodies $	Subsidiaries $	Associates $	Other $	Government of St. Lucia $	Other $	Total
June 30, 2020	–	–	**54,510,497**	**51,823,894**	**18,914,544**	**9,109,340**	**134,358,275**
June 30, 2019	128,055,964	–	–	155,022,453	15,954,357	10,942,745	309,975,519

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 receivable		
	Statutory Bodies $	**Other $**	**Statutory Bodies $**	**Other $**	**Total $**
June 30, 2020					
With amounts past due up to 30 days	**–**	**5,477,756**	**1,187,270**	**343,062**	**7,008,088**
With amounts past due 31 to 60 days	**–**	**42,949,738**	**792,511**	**69,906**	**43,812,155**
With amounts past due 61 to 90 days	**12,754,493**	**902,713**	**515,900**	**97,180**	**14,270,286**
With amounts past due over 90 days	**117,618,833**	**522,660**	**30,198,320**	**1,173,125**	**149,512,938**
	130,373,326	**49,852,867**	**32,694,001**	**1,683,273**	**214,603,467**
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

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, 2020	**54,495,537**	**14,906,978**	**-**	**15,872,672**	**2,349,869**	**87,625,056**
June 30, 2019	53,135,170	15,221,798	42,515	-	3,056,511	71,455,994

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, 2020, based on Standard & Poor's ratings, CariCRIS or their equivalent:

At June 30, 2020

	Treasury bills $	**Debt securities $**	**Total $**
A– to AAA	**–**	**60,977,698**	**60,977,698**
Lower than A–	**71,479,549**	**569,039,849**	**640,519,398**
Unrated	**–**	**570,062,724**	**570,062,724**
Total	**71,479,549**	**1,200,080,271**	**1,271,559,820**

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:

At June 30, 2019

	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	–	547,296,477	547,296,447
	18,161,512	1,121,646,819	1,139,808,301

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, 2020				
Cash and cash equivalents	**141,261,280**	–	–	**141,261,280**
Financial assets:				
Fair value through income	–	**13,100,193**	**154,901,517**	**168,001,710**
Loans and receivable	**378,436,318**	–	–	**378,436,318**
Debt securities	**800,793,680**	**247,524,285**	**55,240,145**	**1,103,558,110**
On financial position	**1,320,491,278**	**260,624,478**	**210,141,662**	**1,791,257,418**
Credit commitments	**3,070,587**	**–**	**–**	**3,070,587**
	1,323,561,865	**260,624,478**	**210,141,662**	**1,794,328,005**
As at June 30, 2019				
Cash and cash equivalents	222,540,585	–	–	222,540,585
Financial assets:				
Fair value through income	–	–	98,120,194	98,120,194
Loans and receivable	372,386,853	–	–	372,386,853
Debt securities	721,814,358	270,135,838	49,737,941	1,041,688,137
On financial position	1,316,741,796	270,135,838	147,858,135	1,734,735,769
Credit commitments	10,000,000	–	–	10,000,000
	1,326,741,796	270,135,838	147,858,135	1,744,735,769

(Expressed in Eastern Caribbean Currency Dollars)

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.

	Financial institutions $	Utilities $	Government and Statutory (Local) $	Government (Regional) $	Oil & Energy $	Industrial $	Government Extra Regional $	Index Funds $	Rental $	Other Industries $	Total $
As at June 30, 2020											
Cash and cash equivalents	**141,261,280**	–	–	–	–	–	–	–	–	–	**141,261,280**
Financial assets:											
– Fair value through income	**7,329,802**	–	–	–	**420,613**	**4,312,141**	**9,847,125**	**275,345,848**	–	–	**297,255,529**
– Loans and receivables	**78,008,693**	**52,078,778**	**189,222,014**	–	–	–	–	–	**12,982,776**	**46,144,057**	**378,436,318**
– Debt securities	**473,612,805**	**4,580,931**	**537,808,255**	**64,238,066**	**4,724,693**	**17,187,695**	**1,405,665**	–	–	–	**1,103,558,110**
	700,212,580	**56,659,709**	**727,030,269**	**64,238,066**	**5,145,306**	**21,499,836**	**11,252,790**	**275,345,848**	**12,982,776**	**46,144,057**	**1,920,511,237**
Credit commitments	**3,070,587**	–	–	–	–	–	–	–	–	–	**3,070,587**
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
– 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

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, 2020 and June 30, 2019.

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, 2020			
Cash and cash equivalents	**136,459,471**	**4,801,809**	**141,261,280**
Financial assets:			
- Fair value through income	**5,601,880**	**291,653,649**	**297,255,529**
- Loans and receivables	**378,436,318**	**–**	**378,436,318**
- Debt securities	**816,671,910**	**286,886,200**	**1,103,558,110**
Financial assets	**1,337,169,579**	**583,341,658**	**1,920,511,237**
Trade and other payables	**54,698,389**	**–**	**54,698,389**
Lease Obligation	**272,800**	**–**	**272,800**
Financial liabilities	**54,971,189**	**–**	**54,971,189**
Net on financial position	**1,282,198,390**	**583,341,658**	**1,865,540,048**
Credit commitments	**3,070,587**	**–**	**3,070,587**

3 Financial risk management *…continued*

Market risk *…continued*

(a) Currency risk …continued

	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
- Deb securities	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

(b) Price Risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified as held for trading 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, 2020 if equity securities prices had been 200 basis points higher/lower with all variables held constant reserves for the year would have been $2,473,039 (2019 restated – $3,356,191) higher/lower as a result of the increase/ decrease in fair value of held for trading 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.

(Expressed in Eastern Caribbean Currency Dollars)

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, 2020							
Assets							
Cash and cash equivalents	**141,261,280**	–	–	–	–	–	**141,261,280**
Financial assets:							
- Fair value through income	_	_	**168,001,710**	_	_	**129,253,819**	**297,255,529**
- Loans and receivable	**33,598,173**	**53,530,432**	**230,904,880**	–	–	**60,402,833**	**378,436,318**
- Debt securities	**13,678,179**	**17,462,805**	**199,507,862**	**280,055,016**	**321,736,381**	**271,117,867**	**1,103,558,110**
Total Financial Assets	**188,537,632**	**70,993,237**	**598,414,452**	**280,055,016**	**321,736,381**	**460,774,519**	**1,920,511,237**
Liability							
Trade and other payables	–	–	–	–	–	**54,698,389**	**54,698,389**
Total interest repricing gap	**188,537,632**	**70,993,237**	**598,414,452**	**280,055,016**	**321,736,381**		
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
- 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		

The Group's fair value interest rate risk arises from debt securities classified as fair value through income. At June 30, 2020 if market interest rates had been 100 basis points higher/lower with all variables held constant, reserves for the year would have been $1,680,017 (2019 – $981,202) lower/higher as a result of the decrease/increase in fair value of fair value through income debt securities.

(Expressed in Eastern Caribbean Currency Dollars)

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, 2020				
Trade and other accounts payable	**54,667,617**	**–**	**30,772**	**54,698,389**
Lease obligation	**272,800**	**–**	**–**	**272,800**
As at June 30, 2019				
Trade and other accounts payable	12,660,090	–	689,619	13,349,709
Lease obligation	–	–	–	–

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 held for trading are as follows:

	Carrying Amount		Fair Value	
	2020 $	2019 $	2020 $	2019 $
Cash and cash equivalents	**141,261,280**	222,540,585	**141,261,280**	222,540,585
- Loans and receivable	**378,436,318**	372,619,260	**382,822,451**	372,531,682
Investment securities:				
-Debt securities	**1,103,558,110**	1,041,688,137	**1,170,027,125**	1,109,678,785
Trade and other payables	**54,698,389**	13,349,709	**54,698,389**	13,349,709

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 amortised cost 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% (2019 – 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 held for trading 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, 2020				
Financial assets at fair value through income:				
– Investment securities – debt	**154,901,517**	**–**	**13,100,193**	**168,001,710**
– Investment securities – equity	**122,570,918**	**1,081,021**	**5,601,880**	**129,253,819**
Total assets	**277,472,435**	**1,081,021**	**18,702,073**	**297,255,529**
As at June 30, 2019				
Financial assets at fair value through income:				
– Investment securities – debt	98,120,194	–	–	98,120,194
– Investment securities – equity	148,731,542	19,077,991	5,601,880	173,411,413
Total assets	246,851,736	19,077,991	5,601,880	271,531,607

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 financial position 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, 2020 and 2019.

	Financial assets at fair value through income
	Equity securities $
June 30, 2020	
At beginning and end of year	**5,601,000**
June 30, 2019	
At beginning and 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, 2020 is $269,761,445 (2019 – $221,823,424) 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, 2020 which was materially sensitive was:

Buildings included in Investment Properties	
Vacancy level	0.5% to 15%
Rental value	$2.34 to $5.92 per square foot
Discount rate (market yield)	9.25% to 10.00%
Terminal rate	8.25% to 9.00%

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 26, 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, 2020 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 $5,105,000 higher/lower (2019 – $4,795,795). If the discount rate was 50 basis points higher or lower the fair value of investment properties would decrease by $2,950,000 (2019 – $3,099,614) or increase by $3,320,000 (2019 – $3,583,224) respectively.

5 Cash and cash equivalents

	2020	**2019**
	$	**$**
Cash at bank and in hand	**140,823,977**	222,540,585
Short-term deposits	**437,303**	-
	141,261,280	222,540,585

The Group's cash in hand as at June 30, 2020 and 2019 amounted to $6,617. The effective interest rate on short–term bank deposits ranges from 0% – 0.25% (2019: 0% – 0.25%).

6 Financial assets

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

	2020 $	2019 $
Fair value through income	**297,255,529**	271,531,607
Loans and receivables	**378,436,318**	372,619,260
Investment securities:		
- Debt securities	**1,103,558,110**	1,041,688,137
	1,779,249,957	1,685,839,004

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

	2020 $	2019 $
Financial assets at fair value through income		
Equity securities:		
- Listed	**123,651,939**	168,009,533
- Unlisted	**5,601,880**	5,601,880
Debt securities:		
- Listed	**168,001,710**	98,120,194
	297,255,529	271,731,607

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.

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

	2020 $	2019 $
Investment securities		
Debt securities at amortised cost	**1,103,558,110**	1,041,688,137

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

	2020 $	2019 $
Current portion	**343,819,966**	564,785,132
Non–current portion	**759,738,144**	476,903,005
	1,103,558,110	1,041,688,137

Debt securities bear interest rates ranging from 1.5% – 9.75% (2019 – 1.5% – 9.75%). There were no debt securities and held for trading financial assets that were considered past due or impaired at the reporting date.

(Expressed in Eastern Caribbean Currency Dollars)

6 Financial assets…*continued*

	Investment – Amortised cost Debt securities $	Fair value through income $	Amortised cost loans and receivables $	Total $
At June 30, 2018	1,026,976,321	268,015,809	355,573,552	1,650,565,682
IFRS 9 transition adjustment	(7,874,414)	–	(2,749,462)	(10,623,876)
Adjusted balance at June 30, 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	123,932,648
Disposals (sales and redemptions)	(33,998,524)	(33,513,751)	(19,757,442)	(87,269,717)
Net increase in provision for impairments	963,719	–	(5,591,805)	(4,628,086)
Fair value losses on equity/debt securities	–	10,745,502	–	10,745,502
At June 30, 2019	1,041,688,137	271,531,607	372,619,260	1,685,839,004

	Investment – Amortised cost Debt securities $	Fair value through income $	Amortised cost loans and receivables $	Total $
At June 30, 2019	**1,041,688,137**	**271,531,607**	**372,619,260**	**1,685,839,004**
Net additions	**112,145,694**	**87,807,275**	**27,946,185**	**227,899,154**
Disposals (sales and redemptions)	**(39,117,454)**	**(37,211,000)**	**(15,477,256)**	**(91,805,710)**
Net increase in provision for impairments	**(11,158,267)**	–	**(6,651,871)**	**(17,810,138)**
Fair value losses on equity/debt securities	–	**(5,794,363)**	–	**(5,794,363)**
Transfer to investment in associate	–	**(19,077,990)**	–	**(19,077,990)**
At June 30, 2020	**1,103,558,110**	**297,255,529**	**378,436,318**	**1,779,249,957**

(Expressed in Eastern Caribbean Currency Dollars)

7 Loans and receivables

	2020 $	2019 $
Loans and receivables		
Loans to Government of Saint Lucia and statutory bodies	**115,425,243**	117,330,523
Provision for impairment on GOSL loans	**(40,780,514)**	(38,676,222)
	74,644,729	78,654,301
Finance lease - Financial Administrative Complex	**69,443,620**	63,860,611
Provision for impairment	**(1,846,845)**	(761,411)
	142,241,504	141,753,501
Loans receivables from others		
Other loans	**171,094,236**	173,388,195
Provision for impairment	**(9,766,458)**	(5,892,955)
	161,327,778	167,495,240
	303,569,282	309,248,741
Other advances and receivables		
Due from Government of Saint Lucia		
Other receivables	**49,199,819**	38,088,890
Finance lease receivables	**15,431,367**	15,926,475
Contributions receivable	**2,850,031**	27,882
Provision for impairment, leases	**(363,763)**	(88,999)
Provision for impairment	**(4,915,591)**	(3,011,854)
	62,201,863	50,942,394
Other receivables		
Contributions receivable	**7,588,143**	9,976,029
Other receivables	**4,584,797**	5,286,858
Prepayments	**969,542**	232,406
Provision for impairment (other)	**(477,309)**	(3,067,168)
	12,665,173	12,428,125
Total loans and receivables	**378,436,318**	372,619,260

7 Loans and receivables *…continued*

	2020 $	2019 $
Current portion	**83,194,025**	87,829,002
Non–current portion	**295,242,293**	284,790,258
	378,436,318	372,619,260

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% (2019 – 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 $
At June 30, 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 at June 30, 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
At June 30, 2019	**39,437,633**	**1,349,789**	**4,543,166**	**6,168,021**	**51,498,609**
Provision for loan impairment	**3,189,726**	**1,081,930**	**2,791,573**	**-**	**7,063,229**
Write offs	-	-	-	-	-
Loans recoveries	-	-	-	**(411,358)**	**(411,358)**
At June 30, 2020	**42,627,359**	**2,431,719**	**7,334,739**	**5,756,663**	**58,150,480**

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 $7,063,229 (2019 – $5,707,362) for the impairment of its loans and receivables during the year end.

8 Finance lease receivables

Current		
Finance leases	**5,026,715**	4,950,206
Unpaid charges	**7,622,674**	2,255,115
Less: impairment allowance	**(2,210,608)**	(850,410)
	10,438,781	6,354,911
Amouns recoverable after twelve months		
Receivable in respect of finance leases	**72,225,598**	72,581,765
Finance leases receivable	**82,664,379**	78,936,676

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	**126,263,103**	123,641,861
Unearned income	**(41,388,116)**	(45,290,484)
Less: impairment allowance	**(2,210,608)**	(850,410)
Present value of minimum lease payments	**82,664,379**	77,500,967
Current receivale	**12,285,626**	4,188,795
Non-current receivable	**70,378,753**	73,312,172
	82,664,379	77,500,967
Total Gross investment receivable from finance leases		
No later than 1 year	**18,541,113**	10,967,512
Later than 1 year and not later than 5 years	**40,078,665**	40,741,927
Later than 5 years	**67,643,325**	71,932,422
	126,263,103	123,641,861
Present value of minimum lease payments receivable:		
No later than 1 year	**12,285,626**	4,188,795
Later than 1 year and not later than 5 years	**20,728,779**	20,222,823
Later than 5 years	**49,649,974**	53,089,349
	82,664,379	77,500,967

(Expressed in Eastern Caribbean Currency Dollars)

9 Investment in associates

	2020	2019
	$	$
Beginning of year	**83,456,050**	82,085,945
Transfer of shares from fair value through income	**19,077,990**	-
Value of shares purchased	**8,676,851**	-
Share of profit after tax	**12,165,410**	6,726,840
Share of fair value loss	**(81,760)**	(787,135)
Dividends received	**(3,545,120)**	(4,569,600)
At year end	**119,749,421**	83,456,050

On August 13, 2019 and March 9, 2020 the Corporation acquired an additional 634,718 and 1,223,280 shares in East Caribbean Financial Holding Company Limited (ECFH) resulting in a 20% and 25% shareholding in ECFH on August 13, 2019 and March 9, 2020 respectively.

St. Lucia Electricity Services Limited (LUCELEC) and East Caribbean Financial Holding Company Limited (ECFH) are listed on the Eastern Caribbean Securities Exchange. The fair value of the investment in LUCELEC at June 30, 2020 is $89,600,000 (2019 - $89,600,000) and fair value of the investment in ECFH at June 30, 2020 is $27,462,986 (2019 - $19,077,990).

The reporting period for both LUCELEC and ECFH is year ended December 31. The information below reflects the Corporation's share of the unaudited results of the associates and its share of the unaudited assets and liabilities as at June 30, 2020. As at June 30, 2020, interest held in LUCELEC and ECFH is 20% and 25% respectively.

	Assets	**Liabilities**	**Revenue**	**Profits**
	$	**$**	**$**	**$**
St. Lucia Electricity Services Limited				
As at June 30, 2020	**106,033,000**	**41,039,000**	**64,994,000**	**7,483,307**
As at June 30, 2019	100,561,139	40,987,738	30,611,306	5,939,705

Name	**Assets**	**Liabilities**	**Revenue**	**Profits**
	$	**$**	**$**	**$**
East Caribbean Financial Holdings Company Limited				
As at June 30, 2020	**578,374,000**	**515,620,000**	**62,754,000**	**4,600,343**

10 Investment properties

	2020	**2019**
	$	**$**
Beginning of year	**221,823,424**	187,428,532
Prior year adjustment	**4,612,888**	-
Additions	**3,144,451**	37,269,387
Increase/(Decrease) in fair value	**43,707,276**	(2,825,855)
Transfer out to loans and receivables or fixed assets	**(3,526,594)**	(48,640)
End of year	**269,761,445**	221,823,424

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, 2020 and 2019. Fair values of buildings included in investment properties were valued by Property Consultancy Services Inc. (PCS), an independent party in June 2020 using the Income Approach. The two methods under the Income Approach (the discount and capitalisation method) were considered to determine the fair value. Land valuations were performed by Neville L Trim & Associates, an independent party, in June 2020 using Comparable Sales Approach.

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

Rental income	**12,502,795**	12,023,377
Direct operating expenses arising from investment properties that generate rental income	**6,997,426**	4,742,833

(Expressed in Eastern Caribbean Currency Dollars)

11 Property, plant, and equipment

	Buildings $	Leasehold Improvements $	Motor Vehicles $	Furniture & Equipment $	Computer Hardware $	Maintenance Software $	Generators $	Equipment $	Total $
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
Year ended June 30, 2020									
Opening net book value	**3,454,036**	**114,070**	**286,280**	**956,512**	**595,465**	**34,073**	**–**	**18,323**	**5,458,759**
Additions	**950**	**–**	**166,700**	**796,397**	**284,190**	**–**	**–**	**–**	**1,248,237**
Disposals	**–**	**–**	**(99,245)**	**(27,340)**	**–**	**–**	**–**	**–**	**(126,585)**
Accumulated depreciation write back	**–**	**85,692**	**99,245**	**(5,222)**	**–**	**–**	**–**	**–**	**179,715**
Depreciation charge	**(35,065)**	**(104,069)**	**(85,906)**	**(235,659)**	**(270,248)**	**(24,995)**	**–**	**(10,788)**	**(766,730)**
Closing net book value	**3,419,921**	**95,693**	**367,074**	**1,484,688**	**609,407**	**9,078**	**–**	**7,535**	**5,993,396**
At June 30, 2020									
Cost	**4,030,172**	**441,608**	**995,651**	**6,916,438**	**3,256,615**	**871,904**	**498,511**	**179,461**	**17,190,360**
Accumulated depreciation	**(610,251)**	**(345,915)**	**(628,577)**	**(5,431,750)**	**(2,647,208)**	**(862,826)**	**(498,511)**	**(171,926)**	**(11,196,964)**
Net book value	**3,419,921**	**95,693**	**367,074**	**1,484,688**	**609,407**	**9,078**	**–**	**7,535**	**5,993,396**

12 Inventory

	2020 $	2019 $
Land for sale	**3,912,246**	4,601,592
Other inventory	**53,463**	36,965
	3,965,709	4,638,557

Inventories consist of land known as the Emerald Development, sold as residential lots, and other inventory. In 2020, a total of $689,346 (2019 – $176,424) 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

	2020 $	2019 $
Trade payables	**5,226,139**	1,803,465
Benefits payable	**43,305,592**	2,957,240
Other payables	**6,166,658**	8,589,004
	54,698,389	13,349,709

	2020 $	2019 $
Current	**54,667,617**	12,660,090
Non-current	**30,772**	689,619
	54,698,389	13,349,709

Payments made under the Economic Relief Programme subsequent to June 30, 2020 totalled $50.34 million of which $29.93 million have been recognized in the results of operations for the period to June 30, 2020 representing payments for the period April to June 2020 and payments for the period July 2020 paid to contributors who qualified as at June 30, 2020 as guided by IPSAS 42 (Note 28). With no further extension of the Programme to date, the remaining $20.42 million represents the impact on the financial statements for the year ended June 30, 2021.

14 Principal subsidiary undertakings

	2020 %	2019 %
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 (Note 1).

15 Reserves

	Reserve $	Risk Reserve $	Total $
Balance 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**
Transfer to statutory reserve	**-**	**14,237**	**14,237**
Balances as at June 30, 2020	**1,608,174**	**309,568**	**1,917,742**

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.

15 Reserves*…continued*

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, 2020.

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.

(Expressed in Eastern Caribbean Currency Dollars)

17 Detailed statements of income and expenditure

	Short–term		Long–term		Retained Earnings		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$	$	$
Contribution income	**20,123,854**	21,194,660	**98,251,755**	103,479,805	**–**	–	**118,375,609**	124,674,465
Benefits expenses								
Short–term benefits	**(14,848,690)**	(15,034,065)	**–**	–	**–**	–	**(14,848,690)**	(15,034,065)
Long–term benefits	**–**	–	**(91,591,347)**	(85,811,144)	**–**	–	**(91,591,347)**	(85,811,144)
Medical health programme	**(5,000,000)**	(5,000,000)	**–**	–	**–**	–	**(5,000,000)**	(5,000,000)
	(19,848,690)	(20,034,065)	**(91,591,347)**	(85,811,144)	**–**	–	**(111,440,037)**	(105,845,209)
Surplus of contributions over benefits	**275,164**	1,160,595	**6,660,408**	17,668,661	**–**	–	**6,935,572**	18,829,256
Economic Relief Programme	**(46,158,219)**	–	**–**	–	**–**	–	**(46,158,219)**	–
General and administrative expenses	**(4,474,508)**	(2,393,746)	**(9,959,388)**	(10,990,261)	**(4,555,244)**	(3,890,681)	**(18,989,140)**	(17,274,688)
(Loss)/Income from operations	**(50,357,563)**	(1,233,151)	**(3,298,980)**	6,678,400	**(4,555,244)**	(3,890,681)	**(58,211,787)**	1,554,568
Other income								
Investment income – net	**2,632,088**	3,256,164	**63,170,109**	84,604,965	**7,757,594**	8,605,681	**73,559,791**	96,466,810
Change in fair value of investment properties	**1,806,892**	(151,929)	**43,365,384**	(3,947,566)	**(1,465,000)**	1,273,640	**43,707,276**	(2,825,855)
Other income	**68,266**	37,461	**333,301**	182,900	**231,525**	413,206	**633,092**	633,567
	4,507,246	3,141,696	**106,868,794**	80,840,299	**6,524,119**	10,292,527	**117,900,159**	94,274,522
Excess of income over expenditure before finance costs and taxation and income tax expense	**(45,850,317)**	1,908,545	**103,569,814**	87,518,699	**1,968,875**	6,401,846	**59,688,372**	95,829,090

(Expressed in Eastern Caribbean Currency Dollars)

17 Detailed statement of income and expenditure…*continued*

	Short–term		Long–term		Retained Earnings		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Excess of income over expenditure before finance costs and taxation brought forward	**(45,850,317)**	1,908,545	**103,569,814**	87,518,699	**1,968,875**	6,401,846	**59,688,372**	95,829,090
Finance costs	–	–	–	–	**(38,794)**	–	**(38,794)**	–
Excess of income over expenditure before taxation	**(45,850,317)**	1,908,545	**103,569,814**	87,518,699	**1,930,081**	6,401,846	**59,649,578**	95,829,090
Taxation	–	–	–	–	**(147,943)**	(17,663)	**(147,943)**	(17,663)
Excess of income over expenditure	**(45,850,317)**	1,908,545	**103,569,814**	87,518,699	**1,782,138**	6,384,183	**59,501,635**	95,811,427
Attributable to:								
Reserves	**(45,850,317)**	1,908,545	**103,569,814**	87,518,699	**1,764,341**	6,074,383	**59,483,838**	95,501,587
Minority interest	–	–	–	–	**17,797**	309,840	**17,797**	309,840
Excess of income over expenditure	**(45,850,317)**	1,908,545	**103,569,814**	87,518,699	**1,782,138**	6,384,183	**59,501,635**	95,811,427

(Expressed in Eastern Caribbean Currency Dollars)

18 Short and long–term benefits expenses and programmes

	Short–term		Long–term		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$	$	**$**	$	**$**	$
Retirement	**–**	–	**75,027,378**	70,203,851	**75,027,378**	70,203,851
Sickness	**9,371,907**	9,633,280		–	**9,371,907**	9,633,280
Survivorship	**–**	–	**9,353,325**	8,806,636	**9,353,325**	8,806,636
Invalidity	**–**	–	**6,940,901**	6,569,870	**6,940,901**	6,569,870
Medical expenses	**79,818**	74,204	**–**	–	**79,818**	74,204
Maternity	**4,279,917**	4,148,220	**–**	–	**4,279,917**	4,148,220
Funeral	**826,418**	954,848	**–**	–	**826,418**	954,848
Disablement	**290,630**	–	**115,638**	79,229	**406,268**	79,229
Death	**–**	–	**154,105**	151,558	**154,105**	151,558
Employment injury	**–**	223,513	**–**	–	**–**	223,513
	14,848,690	15,034,065	**91,591,347**	85,811,144	**106,440,037**	100,845,209
Medical health Programme	**5,000,000**	5,000,000	**–**	–	**5,000,000**	5,000,000
Economic Relief Programme	**46,158,219**	–	**–**	–	**46,158,219**	–

19 Expenses by nature

	2020 $	2019 $
Administrative and general expenses		
Employee benefits	**11,222,683**	9,877,997
Rent	**1,074,302**	1,297,532
Repairs and maintenance	**1,028,361**	1,020,500
Depreciation (Note 11 and 23)	**975,803**	671,472
Electricity, water and sewage	**881,621**	928,649
Professional and legal fees	**572,802**	430,054
Security services	**505,126**	356,466
Contribution to National Community Foundation	**400,000**	400,000
Stationery and printing	**395,228**	311,412
Public relations	**294,786**	277,586
Postage and telephone	**273,123**	336,166
Property tax	**253,949**	261,595
Insurance	**227,021**	200,895
Subscriptions	**137,313**	104,948
Bank charges	**134,661**	96,817
Motor vehicle expenses	**131,483**	141,688
Board expenses	**124,727**	81,476
Provision for impairment	**7,062**	356,597
Other expenses	**349,089**	122,838
	18,989,140	17,274,688

19 Expenses by nature…*continued*

	2020 $	2019 $
Expenses attributable to investment income		
Provision for loan and investment impairment	**17,429,901**	4,326,766
Repairs and maintenance	**3,714,536**	2,858,688
Professional and legal fees	**2,192,720**	1,482,383
Employee benefits	**1,159,021**	2,463,499
Insurance	**618,849**	592,313
Electricity, water and sewage	**563,697**	819,305
Bond premium	**480,689**	978,708
Board expenses	**153,791**	126,110
Depreciation	**28,750**	–
Motor vehicle expenses	**26,391**	28,755
Foreign exchange loss	**476**	744
Subcontractor fees	**–**	24,481
Other expenses	**556,420**	562,183
	26,925,241	14,263,935
Total administrative and general expenses and expenses attributable to investment income	**45,914,381**	31,538,623

20 Employee benefit costs

	2020 $	2019 $
Salaries	**11,404,634**	10,470,611
Gratuities and other staff cost	**977,070**	1,870,885
	12,381,704	12,341,496

21 Investment income – Net

	2020 $	2019 $
Cash and cash equivalents interest income	**481,447**	526,406
Fair value through income:		
- Dividend income	**5,508,170**	6,786,014
- Fair value gain/(losses) on equity/debt securities	**(5,794,363)**	10,745,502
- Interest income on debt securities	**1,844,491**	1,519,785
Loans and receivables interest income	**16,110,902**	15,608,489
Investment securities interest income		
- Amortised cost	**34,524,351**	33,382,375
- Loans and receivables	**14,640,096**	16,363,617
Finance lease interest income	**6,756,616**	6,197,884
Rental income	**12,502,795**	12,023,377
Development income	**–**	29,274
Maintenance and management fees	**1,293,202**	950,983
Parking fees	**533,675**	657,334
Share of associate income	**12,083,650**	5,939,705
	100,485,032	110,730,745
Expenses attributable to investment income (Note 19)	**(26,925,241)**	(14,263,935)
	73,559,791	96,466,810

(Expressed in Eastern Caribbean Currency Dollars)

22 Related party transactions

The following transactions were carried out with related parties:

	2020 $	2019 $
Interest income	**4,666,833**	3,661,284
Dividend income	**324,858**	479,575
Dividend income in Associates	**3,545,120**	4,569,600
Rental income	**1,089,092**	92,713
Board expenses	**278,518**	207,586

Key management compensation is as follows:

	2020 $	2019 $
Salaries and wages	**4,074,024**	3,200,101
Other benefits	**783,889**	702,712
	4,857,913	3,902,813

	2020	2019
Loans to Government of St. Lucia & Statutory Bodies		
Government of St. Lucia & Statutory Bodies	**115,425,243**	117,330,523
Provision for impairment	**(40,780,514)**	(38,676,222)
	74,644,729	78,654,301
Finance Lease – Pt. Seraphine Financial Complex	**69,443,620**	63,860,611
Provision for impairment	**(1,846,845)**	(761,411)
	67,596,775	63,099,200
	142,241,504	141,753,501
Loans to associate – LUCELEC	**52,078,778**	61,081,784
Receivables from Government of St. Lucia – Net	**56,741,861**	50,942,394
Due from Government of St. Lucia`	**547,837,017**	461,502,571

23 Right of use lease assets and Lease obligation

Lease terms are generally between 2 – 4 years. Most lease are renewable at certain agreed terms and conditions. The monthly fees are based on fixed rate subject to 4.5% escalation rate or percentage of sales, whichever is higher.

Set out below are the carrying amounts of right–of–use assets recognized and the movements during the year ended June 30, 2020:

		As restated	As restated
	2020	**2019**	**2018**
Beginning balance, as restated	**465,831**	674,904	836,291
Amortization of ROU assets	**(209,073)**	(209,073)	(161,387)
Ending balance, as restated	**256,758**	465,831	674,904

Set out below are the carrying amounts of lease liabilities and the movements during the year ended June 30, 2020:

		As restated	As restated
	2020	**2019**	**2018**
Beginning balance, as restated	**484,181**	686,277	836,291
New leases during the year	**-**	-	-
Accretion of interest expense	**16,608**	25,893	25,975
Payments	**(227,989)**	(227,989)	(175.989)
Ending balance, as restated	**272,800**	484,181	686,277
Less. Current portion of lease liabilities	**272,800**	211,381	202,096
Noncurrent portion of lease liabilities	**-**	272,800	484,181

(Expressed in Eastern Caribbean Currency Dollars)

23 Right of use lease assets and Lease obligation*…. continued*

The following are the amounts recognized in comprehensive income for the year ended June 30, 2020:

	2020	**As restated 2019**	**As restated 2018**
Amortization of ROU assets	**209,073**	209,073	161,387
Deferred leases	**(2,308)**	6,977	11,373
Accretion of interest expense	**16,608**	25,893	25,975

Shown below is the maturity analysis of the discounted lease payments as of June 30, 2020:

	2020	**As restated 2019**	**As restated 2018**
Within one (1) year	**221,090**	211,381	202,096
After one (1) year but not more than five (5) years	**51,710**	272,800	484,181
More than five (5) years	**-**	-	-
	272,800	484,181	686,277

The Group's additions to ROU assets and lease liabilities as of June 30, 2020 are considered non–cash activities.

Shown below is the undiscounted lease payments as at June 30, 2020.

	2020	**As restated 2019**	**As restated 2018**
Within one (1) year	**227,989**	227,989	227,989
After one (1) year but not more than five (5) years	**52,000**	279,989	507,979
More than five (5) years	**–**	–	–
	279,989	507,978	735,968

24 Taxation

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

St. Lucia Mortgage Finance Company Limited was granted exemption by Cabinet Conclusion No. 625 of 2005 from corporate income tax on any profits accruing to the Subsidiary arising out of loans made.

National Insurance Property Development and Management Company Ltd. is exempt from income tax on the profits earned by the Subsidiary, 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 Group as per Cabinet Conclusion No.1031 with effect from November 2009.

Blue Coral Limited is subject to income taxes at a rate of 30% per annum.

	2020 $	2019 $
Current tax	**147,943**	–
Deferred tax	**–**	17,663
	147,943	17,663

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:

	2020 $	2019 $
Excess of income over expenditure before taxation	**59,649,578**	95,829,090
Tax calculated at domestic tax rates applicable to income of the respective companies	**17,894,873**	28,748,727
Expenses not deductable for tax	**(292,741)**	(301,579)
Tax effect of exempt income	**(31,271,728)**	(28,605,897)
Timing differences	**13,817,539**	176,412
	147,943	17,663

The weighted average applicable tax rate was 0.018% (2019 – 0.006%).

26 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.

27 Commitments

As at end of year, loans and receivables approved by the Group but not yet disbursed amounted to approximately $3,070,587 (2019 – $10,000,000).

28 Prior Year Restatement

The effect on the prior year's financial statements as a result of the adoption of IFRS 16 – Leases in addition to the result of a change in accounting policy as guided by IPSAS 42 – Social benefits for the recognition of benefit liabilities are reflected below: –

	Effect on 2019
	$
Statement of Financial Position	
Increase in Right of use lease Assets	465,831
Increase in Lease Obligation	502,531
Increase in Trade and other payables	6,620,900
Decrease in Short–term Benefits	1,131,792
Increase in Long–term Benefits	5,525,808

	Effect on 2018
	$
Statement of Financial Position	
Increase in Right of use lease Assets	674,904
Increase in Lease Obligation	697,650
Decrease in Short–term Benefits	3,867
Increase in Long–term Benefits	18,879

29 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.

30 COVID–19 and Economic Relief Programme

On February 3, 2021, the Government of St. Lucia issued proclamation of national state of emergency throughout the country which resulted from increasing number of COVID-19 cases. The Group has recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of COVID-19.

On May 31, 2021 WHO reported 170million confirmed cases worldwide and 3.5million deaths globally since the start of the pandemic. On May 30, 2021, the Ministry of Health and Wellness in St. Lucia reported a total of 5,067 confirmed cases in St. Lucia, 188 of which were active and 79 deaths.

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.

St. Lucia Mortgage Finance Company Limited granted moratorium in the form of reduced or deferred monthly payments to customers who suffered redundancy, laid off and termination of employment as a result of the pandemic. Moratoriums were granted for a total of fifty-one (51) accounts or 14% of the mortgage portfolio as at June 30, 2020; with twenty-six (26) accounts or 51% fall within the hotel/tourism sector. As a result, economic uncertainties have arisen which negatively impact net income.

In response to the impact of this pandemic the Corporation saw the enactment of appropriate legislation to give the authority for the implementation of an Economic Relief Programme (ERP or the Programme) to provide some relief to NIC's contributors who suffered a termination of their salaries as a result of the COVID–19 pandemic. The ERP was executed for an initial period of three (3) months from April to June 2020 and was extended for a further three (3) months from July to September 2020.

As at the date of this report the Corporation provided income support totalling $66.57 million to some 16,746 qualified contributors for the period April to September 2020. Payments under the Programme recognized in the income statement as at June 30, 2020 totalled $46.16 million.

31 Subsequent events

On March 17, 2021, the Corporation received $29.4million from Cabot Saint Lucia Inc. This amount represented full repayment of the loan of $27million and interest accumulated of $2.4million. This event is a non–adjusting subsequent event and accordingly the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect its impact.

On June 1, 2021, the property of Castries Car Park Facility Limited (CCFL) was transferred to the Corporation via a Deed of Transfer and corresponding radiation of the CCFL debt to the Corporation. A lease agreement is also being entered into between NIPRO and the Corporation for rental of the related property.

A transfer of land (Block 0848C parcel 55) situated on Bridge Street, Castries was duly registered on December 2, 2020. Consideration in the sum of Two Million Seven Hundred Thousand Dollars ($2,700,000) was paid to the vendor.

A transfer of land (Block 0640B parcel 109) situated at Derriere Lagoon Development Roseau in the quarter of Anse la Raye was duly registered on December 18, 2020. Consideration in the sum of Three Million Five Hundred and Fifty Thousand Dollars ($3,550,000) was paid to the vendor.

The Money Services Business (Amendment) Act, No. 5 of 2021 (Act) was enacted in May 2021. Pursuant to Section 2 of the Act the definition of “money services business” was amended to include Lending. Lending is described as “moneylending or granting credit facilities in excess of fifty thousand dollars by a financial institution that does not solicit, receive, or accept monetary deposits, investment or other instruments from the public to finance a loan”. In keeping with Section 4(2) of the Act, the Group is deemed to be duly licensed under this Act for a period of four months, or such period as the Financial Services Regulatory Authority (Authority) approves and shall require a licence in order to carry on money services business after the expiration of that period. The Group is in the process of regularizing its status to comply with the requirement of the Act.

The Group considered the events mentioned above as non-adjusting subsequent events, which do not impact its financial position and performance as at and for the year ended June 30, 2020.

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Statistical Appendix 2019/20

Table 1

Contribution Received ($EC) by Economic Sector: 2015-2020

Economic Sector	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Agriculture, Hunting, Forestry and Fishing	1,332,558	1,363,140	1,384,067	1,404,026	1,277,553
Mining and Quarrying	219,755	345,685	380,548	357,202	345,938
Manufacturing	6,146,482	6,439,815	6,770,813	6,839,272	6,519,312
Electricity, Gas and Water Supply	3,582,127	3,658,939	3,808,775	3,983,688	4,082,562
Construction	5,043,493	2,689,066	1,974,771	3,411,390	2,722,418
Wholesale and Retail	13,787,110	14,049,863	14,619,043	15,073,814	14,499,305
Hotels and Restaurants	22,444,941	22,987,820	26,042,711	26,479,851	23,323,776
Transport, Storage and Communication	7,801,150	7,947,024	8,231,904	9,548,686	10,139,662
Financial Intermediations	7,652,329	7,720,729	7,683,925	8,164,109	8,307,965
Real Estate, Renting and business services	10,927,063	10,674,998	10,271,245	10,589,786	10,307,741
Public Administration, Defense, Compulsory Social Security, Education, Health, Social Work	25,610,677	28,525,790	30,196,413	31,706,863	27,974,401
Community, Social, Personal Services, Households with Employed Persons, Extra- Territorial Org. & Bodies	6,614,621	6,437,830	6,679,072	7,372,905	6,867,719
Self-Employed	962,583	1,060,021	1,144,435	1,203,281	1,103,428
Voluntary Persons	67,165	82,966	92,636	17,595	13,165
Activities Inadequately Defined	359,478	419,109	499,426	654,697	951,241
Grand Total	112,551,532	114,402,795	119,779,784	126,807,165	118,436,188

Table 2

Number of Active Insured Persons by Economic Sector: 2015-2020

Economic Sector	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Agriculture, Hunting, Forestry and Fishing	928	918	861	930	884
Mining and Quarrying	158	145	142	123	121
Manufacturing	3,253	3,414	3,453	3,489	3,463
Electricity, Gas and Water supply	970	961	997	1,066	1,111
Construction	2,315	2,323	2,371	2,401	2,760
Wholesale and Retail Trade	8,237	8,295	8470	8,533	8,335
Restaurants and Hotels	9,845	10,810	11,177	11,623	11,508
Transport, Storage and Communication	3,507	3,462	3702	4,302	4,557
Financial Intermediations	2,806	2,798	3,042	2,879	2,861
Real Estate, Renting and Business Services	5,464	5,702	6,281	5,122	5,189
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	10,625	10,843	10,264	11,681	12,140
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	3,513	3,591	3,648	3,849	3,711
Self-Employed	1,199	1,317	1,122	1,500	1,487
Voluntary Contributors	41	41	19	30	28
Activities not Adequately Defined	461	492	517	622	702
Grand Total	53,322	55,112	56,066	58,150	58,857

Table 3

Number of Active Employers by Economic Sector: 2015-2020

Economic Sector	Financial Year				
	Jun-2016	Jun-2017	Jun-2018	Jun-2019	Jun-2020
Agriculture, Hunting, Forestry and Fishing	112	99	96	95	93
Mining and Quarrying	11	10	9	10	10
Manufacturing	258	258	259	252	257
Electricity, Gas and Water supply	22	20	20	19	19
Construction	170	167	175	158	172
Wholesale and Retail Trade	642	627	619	617	611
Restaurants and Hotels	397	404	393	412	430
Transport, Storage and Communication	191	192	196	207	209
Financial Intermediations	138	135	132	133	130
Real Estate, Renting and Business Services	420	420	421	414	429
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	293	291	303	311	297
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	928	927	942	961	895
Activities not Adequately Defined	197	231	224	226	165
Grand Total	3,779	3,781	3,789	3,815	3,717

Table 4

Number of Employers Who Paid Contributions by Economic Sector: 2015-2020

Economic Sector	Financial Year				
	Jun-2016	Jun-2017	Jun-2018	Jun-2019	Jun-2020
Agriculture, Hunting, Forestry and Fishing	96	95	91	91	91
Mining and Quarrying	9	10	10	10	11
Manufacturing	213	222	237	236	235
Electricity, Gas and Water supply	20	20	19	19	19
Construction	113	124	106	117	119
Wholesale and Retail Trade	574	578	572	579	576
Restaurants and Hotels	308	318	329	361	365
Transport, Storage and Communication	167	174	185	191	193
Financial Intermediations	120	120	124	122	120
Real Estate, Renting and Business Services	359	364	365	389	393
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	265	287	297	298	293
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	849	862	875	923	881
Activities not Adequately Defined	61	64	75	90	95
Grand Total	3,154	3,238	3,285	3,426	3,391

Table 5

Number of Newly Registered Employers by Economic Sector: 2015-2020

Economic Sector	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Agriculture, Hunting, Forestry and Fishing	5	5	6	6	7
Mining and Quarrying	1	0	0	0	0
Manufacturing	19	15	23	22	16
Electricity, Gas and Water supply	0	0	0	0	1
Construction	22	27	25	13	40
Wholesale and Retail Trade	33	50	54	50	38
Restaurants and Hotels	34	46	40	55	51
Transport, Storage and Communication	19	15	21	28	19
Financial Intermediations	4	5	8	9	12
Real Estate, Renting and Business Services	22	22	31	28	26
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	13	17	21	13	18
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	88	93	93	111	63
Activities not Adequately Defined	3	74	3	5	2
Grand Total	263	369	325	340	293

Table 6

Number Short-Term Benefits Paid by Type: 2015-2020

Short-Term Benefits	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Employment Injury	189	196	236	227	136
Sickness Allowance	14,100	17,124	19,607	19,827	16,147
Maternity Allowance	923	870	877	968	833
Maternity Grant	963	852	846	960	806
Funeral Grant	314	367	343	397	347
Medical Expenses	71	96	98	78	57
Total	16,560	19,505	22,007	22,457	18,326

Table 7

Short-Term Benefits Expenditure ($EC) by Type: 2015-2020

Short-Term Benefits	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Employment Injury	249,998	309,503	281,690	233,388	230,438
Sickness Allowance	6,218,973	7,424,613	8,558,729	9,663,542	8,169,439
Maternity Allowance	3,305,349	3,121,380	3,278,086	3,644,977	3,164,934
Maternity Grant	577,800	517,800	514,800	584,400	478,800
Funeral Grant	771,800	895,000	857,533	977,450	826,200
Medical Expenses	5,042,040	5,032,665	5,039,632	5,058,819	5,022,181
Total	16,165,960	17,300,961	18,530,470	20,162,576	17,891,992

Table 8

Number of Long-Term Benefits Paid by Type: 2015-2020

Long-Term Benefits	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Retirement Pension	5,580	5,953	6,333	6,744	7,130
Survivors Pension	1,185	1,274	1,319	1,364	1,485
Invalidity Pension	586	617	654	681	687
Disablement Pension	12	12	13	11	12
Sub-Total	7,363	7,856	8,319	8,800	9,314
Retirement Grant	622	608	693	659	613
Survivors Grant	59	61	67	76	58
Invalidity Grant	45	43	49	44	43
Disablement Grant	4	1	0	0	2
Sub-Total	730	713	809	779	716
Grand Total	*8,093*	*8,569*	*9,128*	*9,579*	*10,030*

Table 9

Long-Term Benefits Expenditure ($EC) by Type: 2015-2020

Long-Term Benefits	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Retirement Pension	47,223,928	52,187,552	56,370,229	61,068,273	70,884,102
Survivors Pension	6,364,256	6,832,029	7,626,268	7,946,361	9,054,248
Invalidity Pension	4,700,184	5,582,285	5,744,971	6,052,249	6,575,984
Disablement Pension	97,347	98,377	95,152	99,432	96,536
Sub-Total	58,385,715	64,700,243	69,836,620	75,166,315	86,610,870
Retirement Grant	3,012,650	3,161,977	3,531,966	4,064,551	3,309,853
Survivors Grant	312,442	247,372	260,975	283,573	327,116
Invalidity Grant	146,136	267,251	232,337	276,128	194,059
Disablement Grant	27,510	35,998	0	0	20391
Sub-Total	3,498,738	3,712,598	4,025,278	4,624,252	3,851,419
Grand Total	*61,884,453*	*68,412,841*	*73,861,898*	*79,790,567*	*90,462,289*

Table 10

Number of Pensions In-Payment by Type: 2015-2020

Pension	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Retirement Pension	5,280	5,670	6,063	6,456	6,842
Survivors Pension	1,061	1,137	1,229	1,321	1,378
Invalidity Pension	530	554	586	618	626
Disablement Pension	12	12	13	14	18
Grand Total	6,883	7,373	7,891	8,409	8,864

Table 11

Average Monthly Pensions ($EC) by Type: 2015-2020

Pension	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Retirement Pension	836.98	864.70	874.33	884.07	896.40
Survivors Pension	567.90	603.39	689.68	788.31	564.08
Invalidity Pension	883.65	880.51	943.70	1,011.42	871.15
Disablement Pension	660.75	660.78	645.60	665.30	718.46

Table 12

Benefits' Expenditure ($EC) by Type and Branch: 2015-2020

Benefit Branch	Financial Year				
	2015/16	2016/17	2017/18	2018/19	2019/20
Long-Term					
Retirement	50,236,578	55,349,529	59,902,195	65,132,824	74,193,955
Survivorship	6,676,698	7,079,401	7,887,243	8,229,934	9,381,364
Incapacitation	4,971,177	5,983,911	6,072,460	6,427,809	6,886,970
Sub-Total	*61,884,453*	*68,412,841*	*73,861,898*	*79,790,567*	*90,462,289*
Short-Term					
Employment Injury	249,998	309,503	281,690	233,388	230,438
Sickness Allowance	6,218,973	7,424,613	8,558,729	9,663,542	8,169,439
Maternity Allowance	3,305,349	3,121,380	3,278,086	3,644,977	3,164,934
Maternity Grant	577,800	517,800	514,800	584,400	478,800
Funeral Grant	771,800	895,000	857,533	977,450	826,200
Medical Expenses	5,042,040	5,032,665	5,039,632	5,058,819	5,022,181
Sub-Total	*16,165,960*	*17,300,961*	*18,530,470*	*20,162,576*	*17,891,992*
Total	**78,050,413**	**85,713,802**	**92,392,368**	**99,953,143**	**108,354,281**

NOTES

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