



NATIONAL INSURANCE CORPORATION

ANNUAL REPORT

JULY 2017 - JUNE 2018



Honourable Allen Michael Chastanet

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

CORPORATE INFORMATION

HEAD OFFICE

National Insurance Corporation

Francis Compton Building
Waterfront
Castries
St. Lucia
Tel: 452-2808
Fax: 451-9882

BANKERS

Bank of Saint Lucia Ltd.

Bridge Street
Castries
St. Lucia

AUDITORS

Grant Thornton

Pointe Seraphine
Castries
St. Lucia

ATTORNEYS

Mrs. Candace Polius LLB, PGDL

Ms. Kit-Juelle Frank-Amoroso LLB(Hons), LEC, MCI Arb, DTM

First Floor
Francis Compton Building
Waterfront
Castries
St. Lucia

SUB OFFICES

National Insurance Corporation

Antoine L. Theodore Building
Cnr. of Theodore and Hospital Streets
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Tel: 454-6758
Fax: 454-5001

National Insurance Corporation

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Bay Street
Soufriere
St. Lucia
Tel: 459-7241
Fax: 459-5434

National Insurance Corporation

Providence Commercial Centre
Rodney Bay
Gros Islet
St. Lucia
Tel: 457-4074/75
Fax: 452-0576

BOARD MEMBERS



Isaac Anthony
(Chairperson)



Frank V. Myers
(Deputy Chairperson)



Marcus Joseph
(Member)



Paula A. Calderon, SLPM, JP
(Member)



Matthew L. Mathurin
(Member)



Nigel Fulgence
(Member)



Wilfred Pierre
(Member)

BOARD COMMITTEES

GROUP AUDIT COMMITTEE

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

INVESTMENT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

GOVERNANCE COMMITTEE

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

MANAGEMENT TEAM & SENIOR STAFF

MANAGEMENT TEAM

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

SENIOR OFFICERS

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

CHAIRPERSON'S REPORT

JULY 2017 - JUNE 2018



Isaac Anthony
(Chairperson)

The National Insurance Corporation (“NIC”) continued to serve, strengthen and expand the social safety net for Saint Lucia in 2017/18. Prudent leadership and management were exercised, and the organization was steered to achieve positive results including growth in total assets which now stands at \$2.14 billion.

Economic and investment conditions continued to be less than ideal although the Saint Lucian economy (GDP) grew by 3.17% in 2017 and by 0.6% in 2018 (as per CDB Country Economic Review for 2018). Cognizant of the inextricable link between the performance of the economy and that of the NIC, we are hopeful that the positive trend in the economy will continue into 2019. (CDB report projects growth of 3% for 2019).

The NIC has maintained its conservative approach to investment during the financial year ended in 2018. The Corporation pursued even more rigorous due diligence in its investment activity to mitigate risks.

This approach was supported by participation in relevant training programs geared at enhancing the knowledge and skills of staff. A risk-based approach adopted for the efficient management of the entire organization resulted in enterprise-wide risks being identified, and mitigation measures, including stronger internal controls, being implemented.

In summary, the year ended June 30, 2018 marked another successful period for the NIC, having satisfactorily fulfilled its mandate for the reporting period. As we move ahead with hope and optimism amidst the challenges, we will continue to focus on building a stronger Corporation to meet the needs of contributors and all stakeholders.

FINANCIAL HIGHLIGHTS

BENEFITS

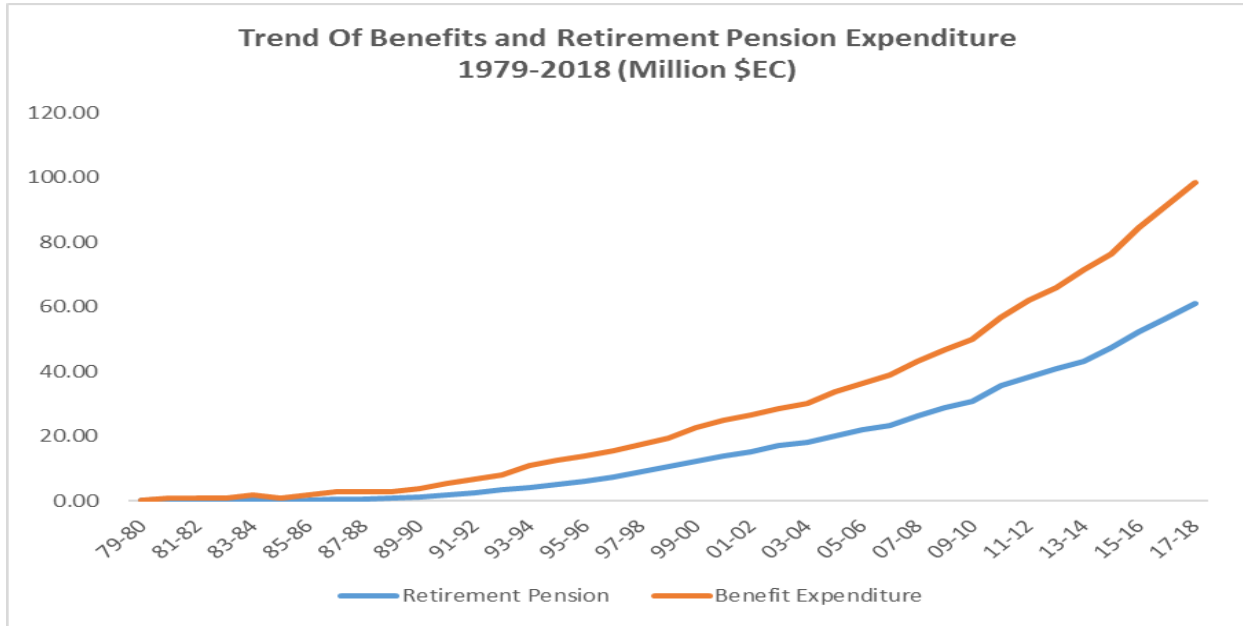
Total benefit expenditure in 2017/2018 was \$98.34 million, an increase of 8.66% over the \$90.95 million paid in the previous fiscal year. Of this amount, long-term benefit payments increased by 8.20% to \$79.95 million or 80.89%, while short-term benefit payments, including the Medical Health Program accounted for the remaining \$18.89 million or 19.11%. This moderate growth was mainly due to the growth of retirement pensions awarded in the review period. In 2017/2018, the cost of Medical Health Program remained constant at \$5.00 million.

Retirement pensions continue to be the principal component of pension expenditure and accounted for 65.86% (2017 – 65.86%) of total benefits paid. Retirement pensions also accounted for 81.41% (2017 – 81.08%) 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 benefits expenditure was 82.29% (2017–82.43%).

Figure 1



In 2018, with regards to benefits governed by reciprocal agreements, 6 new transactions were processed under the agreement between Saint Lucia and Canada, and 14 under the CARICOM agreement. Since the implementation of the reciprocal agreements, 155 pensions have been awarded to-date at an accumulated cost of \$3,216,692 (2017 - \$2,472,676).

INCOME

Despite a 4.85 % increase in contribution income to \$120.1 million (2017 - \$114.5 million), and a 24.6% increase in investment income to \$86.3 million (2017 - \$69.3 million), total income contracted 29.26% in the review period to \$130.4 million (2017 - \$184.3 million). This resulted primarily from the \$76.1 million decrease in the fair value of the NIC group’s investment properties. The Income Approach method, which estimates the fair value by discounting the future estimated net cash flows at market yields, was applied for the first time this year with the engagement of an independent, professionally qualified valuer. The applicable accounting standard requires that any change in the fair value of investment properties be charged to the income statement.

EXPENSES

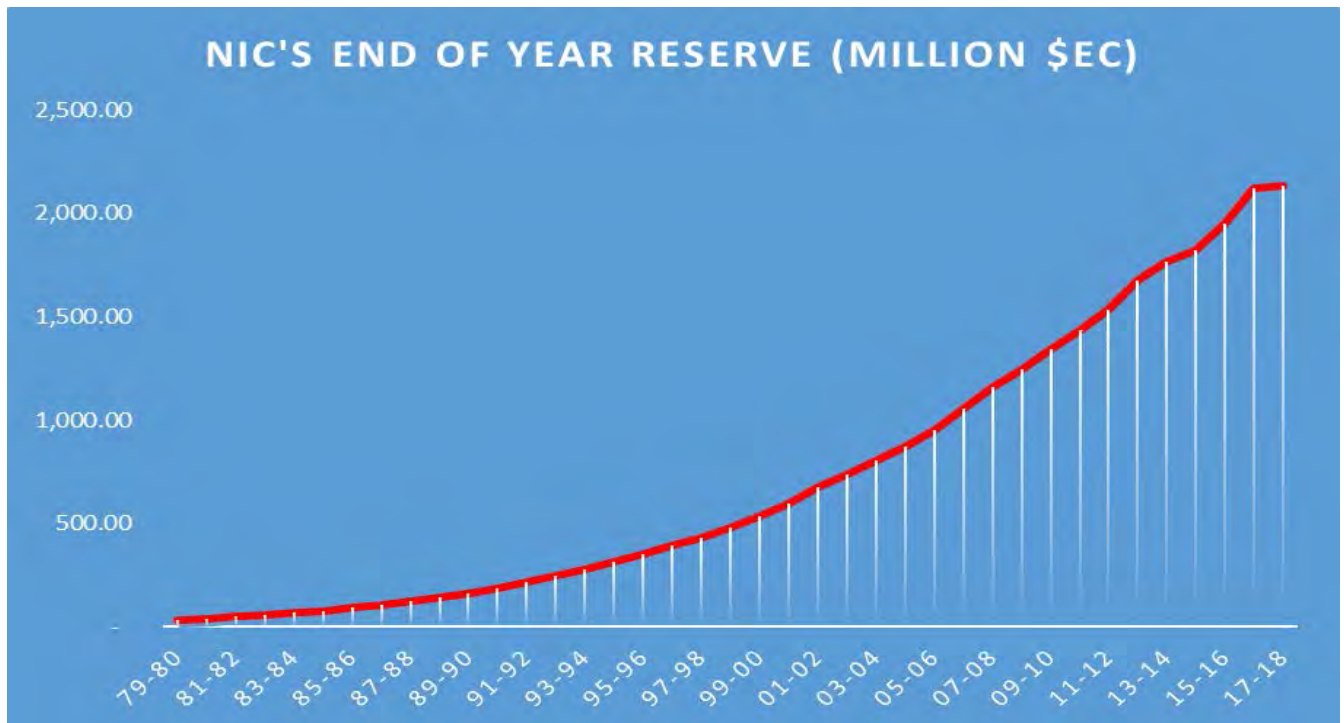
After recording an increase of 5.09% in 2016/17, general and administrative expenses decreased by 5.69% to \$16.63 million (2017 - \$17.64 million). General and administrative expenses as a percentage of contribution income was 13.85% (2017 – 15.40%).

ASSETS

Total assets at June 30, 2018 was \$2.14 billion (2017 - \$2.12 billion), a 0.8% increase over the previous financial year.

At the end of the financial year in review, the NIC's reserves had increased by 0.74% or \$15.50 million to \$2.12 billion (2017 - \$2.11 billion). The trend of reserves is illustrated in Figure 2 below.

Figure 2



INVESTMENT PORTFOLIO

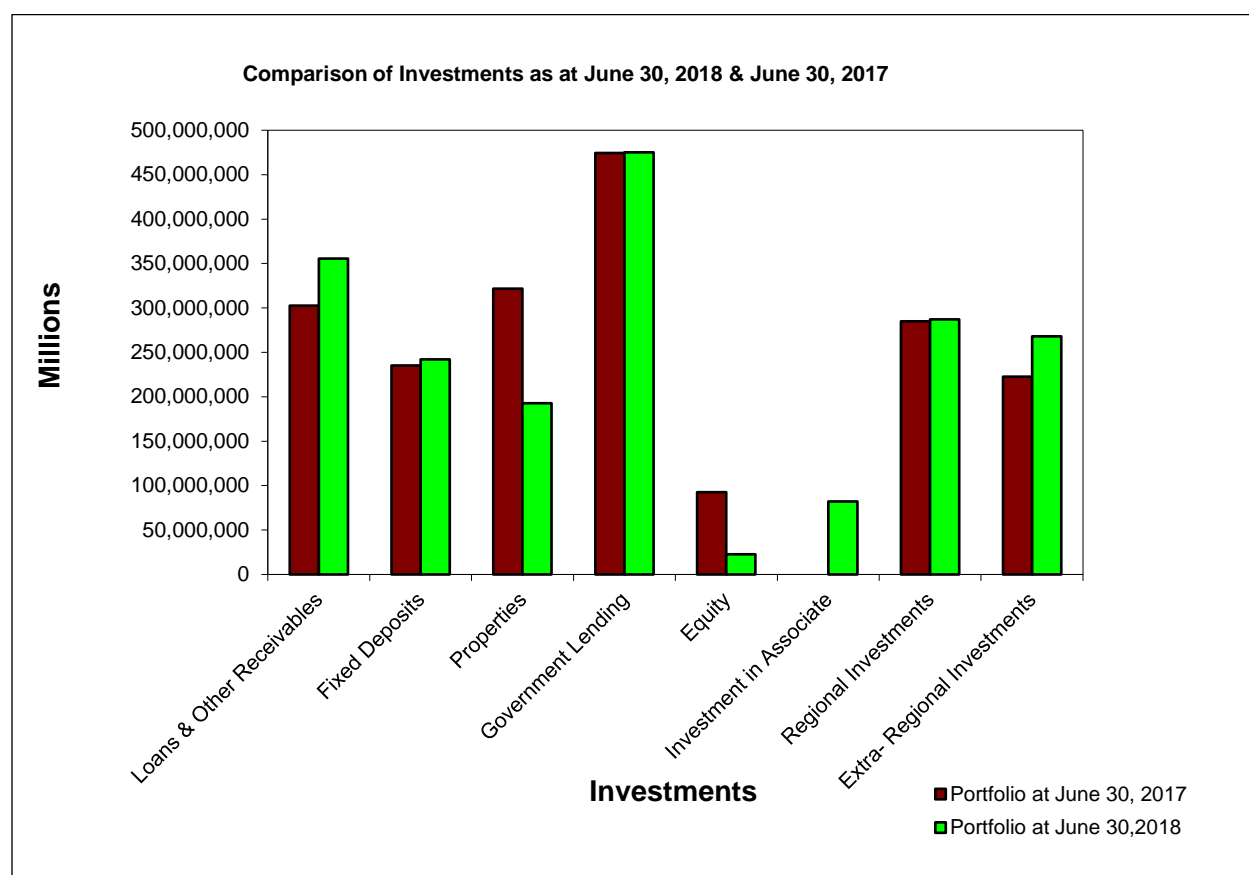
Investment of surplus monies is critical to allow the Corporation to supplement contributions to meet future pension obligations and increases in the level of benefits in payment to offset inflation. This was undertaken in accordance with the provisions of the Corporation's Investment Policy and Guidelines. The key objectives are, in order of priority, safety, liquidity and yield.

Despite the increase in the Fund over the preceding year, the value of investments decreased by \$8.91 million to \$1.92 billion in 2017/18. This was mainly due to a reduction in the valuation of the buildings resulting from a change in the valuation methodology and the reclassification of the carrying value of the Financial Administrative Complex to Finance Lease Receivable as a result of the building being leased from 2017.

During the financial year, the National Insurance Corporation increased its shareholding in St. Lucia Electricity Services Limited to 20%, which necessitated a change in the classification of that asset to Investment in Associate.

The following table and graph juxtapose the investment portfolio summaries as at June 2018 and 2017.

Investments	Portfolio at June 30, 2018	Portfolio at June 30, 2017
Loans & Other Receivables	355,573,552	302,656,523
Fixed Deposits	242,245,193	235,365,771
Properties	192,803,350	321,701,008
Government Lending	475,075,871	474,327,162
Equity	22,635,800	92,554,187
Investment in Associate	82,085,945	0
Regional Investments	287,175,179	285,029,080
Extra- Regional Investments	267,860,087	222,734,366
Total	1,925,454,977	1,934,368,097



MANAGEMENT AUDIT

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

INFORMATION TECHNOLOGY SERVICES

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

Social Security Server Upgrade

During the period, NIC finalized the project to transition from Alpha to Integrity servers. Performance improvements are being experienced due to faster processors and quicker write speeds.

Virtual Server Services

The number of physical servers used by NIC has been decreased by employing virtual services. This has resulted in lower costs due to the reduction in the use of physical equipment, and less spent on new physical servers. The Corporation has also benefitted from faster deployment of resources such as VDI (Virtual Desktop Infrastructure) for remote access, as well as server creation.

Web Services

NIC's **Employer C3 Online contribution system** is in Beta stage while in use by a select number of employers. The procedures are being adjusted to enhance data quality and integrity, and to cater to legal issues. The system, which will be available to all employers in the ensuing year, will also greatly enhance the collection of contribution data. The next phase of online payment will be implemented during 2019.

Network and Telephony implementation

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

IT Systems Controls

A review of the IT systems controls was completed during 2017-2018. This review was performed by the Corporation's external auditors as part of the annual audit of the financial statements and systems. The review addressed personnel, security, application quality, system development life cycle, project management and internal controls.

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

HUMAN RESOURCE DEVELOPMENT

Training and Development

The Mission Statement of the National Insurance Corporation articulates the Corporation's commitment to developing a cadre of highly skilled staff. To this end, the Corporation continued to invest in its human resource by providing employees at all levels with relevant training. In particular, all supervisors attended supervisory training, and five (5) obtained certificates in Supervisory Management from the University of the West Indies Open Campus Saint Lucia. Managers attended training in the areas such as Human Resource Management, Conducting Disciplinary Hearings, Executive Leadership, Risk Management, Good Governance and Strategic Planning. Additionally, employees continued receiving training on NIC Products and Services, Customer Service, Planning for Retirement, Internal Customer Service, Occupational Health and Safety, and Effective Communication & Human Relations.

Four employees completed studies leading to Bachelors' of Science degrees (Management Studies & Accounting) with the University of the West Indies Open Campus and one employee completed a Master of Business Administration with the University of South Wales.

Corporate Social Responsibility

Eleven (11) students were granted employment under the Corporation's summer employment program. This program provided the students the opportunity to develop positive work ethics and some financial support to continue their academic studies.

The Corporation provided four (4) scholarships to children of employees who excelled at the Common Entrance Examination and the Caribbean Examination Council (CXC) Examinations to pursue studies at secondary schools and the Sir Arthur Lewis Community College respectively. The total number of active scholarships stood at fourteen (14) as at June 30, 2018.

Development of policies

Fraud Policy

The Corporation, recognizing the importance of protecting its contributors, employees, reputation and assets against financial risk, operational breaches and unethical activities, developed and implemented a fraud policy. The policy applies to employees, suppliers, contractors, self-employed persons and any other party doing business with the National Insurance Corporation.

Whistleblowing Policy

The Corporation is committed to the highest standards of openness, integrity and accountability. An important aspect of accountability and transparency is a mechanism to enable employees and other members of the public to voice concerns in a responsible and effective manner. The whistleblowing policy which was developed outlines the procedures for making disclosure in the event that an individual discovers information which s/he believes is indicative of wrongdoing within the organization.

Staff Complement

The staff complement at the end of June 2018 was one hundred and thirty-six (136) permanent and four (4) temporary employees.

CORPORATE COMMUNICATIONS

The communications team is tasked with executing a wide range of activities to promote the services and activities of the organization. The team interacts with businesses and individuals to provide information about their rights and obligations in accordance with the National Insurance Corporation Act and Regulations.

As part of our response to the alarming increase in Sickness Benefit Claims resulting from non-communicable illness, the NIC had launched “Sneaker Day” 2016/17 in order to encourage workers to get active. This event was successfully repeated in 2017/18. However, we took this campaign a step further by commencing the installation of an outdoor fitness gym at the Daren Sammy Cricket Ground. The outdoor fitness gym targets the wider community, particularly the underprivileged, who may not be able to afford gym membership. The intention is to install similar gyms in various communities in the coming years.

THE NIC GROUP

The following table profiles the Corporation and its subsidiaries as at June 30, 2018

COMPANY	% HOLDING BY NIC	BUSINESS	DATE INCORPORATED	TOTAL ASSETS (\$)	NET ASSETS (\$)
NIC	-	Provision of social security services.	April 1979	2,121,813,355	2,110,868,232
NIPRO	100	Provides property development, management, and maintenance services.	April 1999	24,310,284	9,826,867
SMFC	75	Providing loans for the purchase, construction, extension or completion of dwelling houses and the purchase of developed plots of land.	January 1968	47,144,580	8,120,037
BCL	100	Rental of space for office and commercial use. Proprietor of Blue Coral Mall Building.	April 2003	11,039,971	(29,369,432)
CCFL	100	Provision of car parking facilities and rental of space for office and commercial use.	January 1998	27,643,980	20,271,130



ST. LUCIA MORTGAGE FINANCE COMPANY LTD. (“SMFC”)

The St. Lucia Mortgage Finance Company Limited grants loans 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, maybe re-mortgaged to provide funding for special purposes. The maximum loan offered is \$500,000.

The financial year ended June 30, 2018 was a challenging period for the St. Lucia Mortgage Finance Company due to a limited supply of affordable housing for purchase, a high non-performing loan (NPL) portfolio, decreasing market share and increasing operational costs.

SMFC disbursed \$5,673,937 during the year resulting in a cumulative total from inception of \$202,148,991.

Mortgage assets decreased by 3.5% compared to the previous year, mainly due to increases in the provision for non-performing loans, as a result of which SMFC recorded a net loss of \$2,227,684 (2017- net profit \$233,826).

In June 2018, the NIC approved a \$15 million loan facility to the company for the purpose of meeting its financial obligations, and to provide loans to clients for the financial period ending June 30, 2019.

No drawdowns were made during the financial year ended June 30, 2018.

SMFC’s indebtedness as at June 30, 2018 totaled \$38,036,611 (2017- \$37,016,988). On May 8, 2018, the Company declared a dividend amounting to \$110,400 for the financial year ended June 30, 2017 with respect to the ordinary shares.



**NATIONAL INSURANCE PROPERTY DEVELOPMENT &
MANAGEMENT COMPANY LIMITED
("NIPRO")**

Financial performance for the year ended June 30, 2018

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

	2018	2017	Comment
	(\$)	(\$)	
Total revenue	4,022,295	3,930,284	Minimal increase of 2%
Total operating costs	3,545,851	2,980,221	Increase of 19% - primarily due to the cost incurred for refurbishment works at all BOLT properties island wide during 2018.
Finance costs	1,067,315	1,190,750	Decrease of 10%
(Loss)/income before taxes	(262,227)	149,550	With no major fluctuation in revenue, the decline is due to the increase in operating costs.
Total assets	24,310,284	26,132,834	Decrease of 7% mainly due to the reduction in Finance Lease Receivables.
Cash and cash equivalents	2,652,046	1,931,101	Reflects a 37% increase due to the reduction in the number of projects undertaken, hence expenditure on projects.

Investment in BOLT projects

Babonneau Fire Station Phases 1 & 2

The Babonneau Fire Station was handed over to the Government of Saint Lucia on December 14, 2018. The official handing over ceremony took place on Sunday, December 16, 2018.

NIPRO expects to commence Phase 2 works in June 2019 (i.e. the construction of eleven additional parking bays) as was mandated by the Development Control Authority (DCA).

Anse La Raye Wellness Centre

The demolition and site preparation works commenced on September 8, 2018 with the successful demolition of the superstructure of the existing building. However, the original substructure remained intact as demolition proved to be more complicated than previously anticipated.

NIPRO is presently preparing for the stage during which tenders for the building works will be accepted. Once concluded, contractor mobilization onsite is expected to commence within the second week of July 2019.



CASTRIES CAR PARK FACILITY LIMITED (“CCFL”)

Management and Maintenance

NIPRO continued the management of CCFL during the period under review. Scheduled preventative maintenance and corrective maintenance of the building were satisfactorily undertaken to ensure that CCFL continued operating at an optimal level.

Strategic Focus

The focus continues to be on improving revenue generated from car parking and ensuring that tenants of the office spaces are retained by keeping the facilities well-maintained. Additionally, attention continues to be paid to preserving the integrity of the revenue collection and accounting processes at CCFL.

Financial performance for the year ended June 30, 2018

Total revenue increased slightly to \$3,251,073 (2017 - \$3,214,579) while revenue from rental income of \$2,759,513 remained the same as for the previous year. However, revenue from parking fees increased by 8% to \$491,560 (2017 - \$455,060).

Total general and administrative expense decreased by 9% to \$1,066,841 (2017 - \$1,166,095), while interest expense incurred for the year was also reduced to \$674,376 (2017 - \$743,185).

In 2018, the company’s investment property was valued at \$25,145,000. This valuation resulted in a fair value loss of \$25,402,054 on investment property in June 2018, (in June 2017 there was a fair value gain of \$3,952,242). Comprehensive loss for the year ended June 2018 was \$23,883,267, primarily due to the fair value loss on investment property, (prior year comprehensive income was \$5,268,918).

The financial position at June 30, 2018 declined by 47% with total assets of \$27.64 million (2017 - \$52.52 million).

The company's liquidity, as measured by the excess of current assets over current liabilities, improved to \$20,271,130 (2017 - \$730,024). This increase was primarily driven by the reclassification of investment property and furniture and equipment as current assets, following the decision of the Board of Directors of the parent company to voluntarily wind up the company by June 30, 2019 or soon thereafter.



BLUE CORAL LIMITED (“BCL”)

Introduction

BCL manages the Blue Coral Shopping Mall which is located on Bridge Street in Castries. This is a four-storey building which occupies almost an entire block within the city and has public access points via the William Peter Boulevard as well as Bridge, Micoud and Bourbon Streets. BCL offers rental spaces primarily for business entities which retail a wide range of products and services.

Statement of Financial Position

Blue Coral Limited's accumulated deficit now stands at \$43,369,433 (2017 - \$37,196,814), an increase of \$6,172,619. The fair value of the company's investment property declined by \$5,111,039 (2017 - \$1,760,449) to \$10,095,000 (2017 - \$15,206,039). A new loan of \$561,688 was received from parent company, National Insurance Corporation (“NIC”), to finance repairs to the central air conditioning system.

Statement of Comprehensive Loss

Due to the loss of rental of the second and third floors, rental revenue declined by \$294,740 to \$1,793,510 (2017 - \$2,088,250). General and administrative expenses increased by \$154,042 or 8.6% to \$1,951,134 (2017 - \$1,797,092) due mainly to increases in repairs and maintenance (\$254,382 or 51.2%) and the allowance for impairment on receivables (\$74,723 or 891.7%). However, there were reductions in utilities (\$99,931 or 18.8%), employee benefits (\$53,763 or 34.2%) and other expenses (\$22,703 or 53.3%). This led to a gross operating loss of \$157,624 (2017 – surplus \$291,158) for the year. The fair value loss in the investment property of \$5,111,039 (2017 - \$1,760,449) in conjunction with the finance cost \$949,819 (2017 - \$955,684) increased the net loss to \$6,172,619 (2017 - \$1,896,082) for the year.

AFFILIATE



NATIONAL COMMUNITY FOUNDATION (“NCF”)

The National Community Foundation (NCF) is a philanthropic community-based, non-government, non-profit, organization that functions primarily as a grant-making institution. The NCF was established in August 2002 and supports initiatives that engender self-development and social upliftment.

Areas of Focus

The National Community Foundation focuses its attention on seven main areas. The amounts spent on each area are:

Youth at Risk: \$25,175.00 - 8 projects including cultural education for the youth, online educational program, and vacation bible school

Older Persons: \$8,000.00 - 3 projects including food hampers for the older persons and assistance with a feeding programme.

Disadvantaged Children: \$202,310.55 - Scholarship Programme

Health Care: \$152,549.40 - Health Assistance

Homeless: \$14,942.200 - 13 families benefited - help for fire victims

Persons with disabilities: \$4,347.00 - 1 project - transportation programme for students

Chess in Schools: \$358.00 - maintenance of the chess in schools program

Over 1,000 persons benefited from the NCF’s activities and projects during this financial year.

Telethon:

The NCF raised \$90,699.34 during the period July 2017 - June 2018. These funds, in addition to other donations, are used to finance philanthropic activities.

APPRECIATION

I thank fellow Board members and members of the various Committees for their invaluable support, co-operation and dedication to the NIC system. My appreciation also extends to the Honorable Prime Minister, who is also Minister responsible for Social Security, all government agencies including the Ministry of Finance, the International Labour Organization, other corporate entities, and all individuals and stakeholders that supported the NIC in the realization of its goals.

To our contributors, I thank you for your continued confidence, and promise that we will continue to focus on serving the community at large. As we commence FY2019, we renew our commitment to providing quality services to the people of Saint Lucia.

Let me express sincere thanks to the Director and his management team for their support, as we continue to focus on financial discipline and operational excellence. On behalf of the Board of Directors, I extend heartfelt appreciation to our capable and committed employees. You remain our most valuable asset. We are committed to ensuring that the NIC continues to make a positive impact on the lives of our contributors, and indeed to all our stakeholders.

Isaac Anthony

Chairperson

National Insurance Corporation

Consolidated Financial Statements

June 30, 2018

(Expressed in Eastern Caribbean dollars)

May 7, 2019

Independent Auditor's Report

To the Board of Directors of National Insurance Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Insurance Corporation (the Corporation), which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statements of changes in reserves, comprehensive income and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

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

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

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

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Independent Auditor's Report...continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

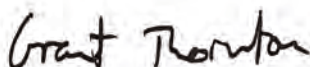
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

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

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



Chartered Accountants

National Insurance Corporation

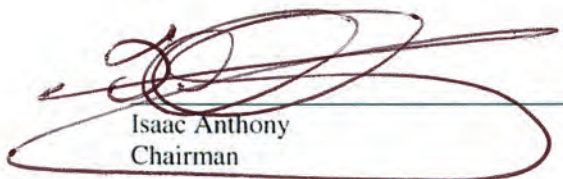
Consolidated Statement of Financial Position

As at June 30, 2018

(Expressed in Eastern Caribbean Dollars)

	2018 \$	2017 \$
ASSETS		
Cash and cash equivalents (Note 5)	201,190,572	175,522,596
Financial assets (Note 6)	1,650,565,682	1,612,667,089
Investment in associate (Note 9)	82,085,945	-
Investment properties (Note 10)	192,803,350	321,701,008
Property, plant and equipment (Note 11)	5,414,935	5,283,857
Projects in progress	7,108,947	7,059,832
Inventory	40,876	38,852
Income tax recoverable	114,489	114,489
Deferred tax asset	112,319	39,164
	<u>2,139,437,115</u>	<u>2,122,426,887</u>
LIABILITIES		
Trade and other accounts payable (Note 12)	13,263,172	11,171,333
Income tax liability	710	710
	<u>13,263,882</u>	<u>11,172,043</u>
RESERVES		
Short-term benefits (Note 15)	77,086,928	76,488,064
Long-term benefits (Note 15)	1,996,701,168	1,953,312,631
Reserves (Note 14)	1,655,633	1,655,633
Retained earnings	48,655,734	77,140,225
	<u>2,124,099,463</u>	<u>2,108,596,553</u>
Minority interest in reserves	2,073,770	2,658,291
	<u>2,126,173,233</u>	<u>2,111,254,844</u>
TOTAL LIABILITIES AND RESERVES	<u><u>2,139,437,115</u></u>	<u><u>2,122,426,887</u></u>

Approved by the Board of Directors on May 7, 2019


Isaac Anthony
Chairman


Matthew L. Mathurin
Director

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

National Insurance Corporation

Consolidated Statement of Changes in Reserves

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

	Short-term Benefits \$	Long-term Benefits \$	Reserves \$	Retained Earnings \$	Minority Interest \$	Total \$
Balance at June 30, 2016	74,211,626	1,887,251,710	1,620,559	69,875,619	2,615,744	2,035,575,258
Excess of comprehensive income over expenditure for the year	2,276,438	66,060,921	-	7,299,680	70,147	75,707,186
Transfer to statutory reserve	-	-	35,074	(35,074)	-	-
Dividends	-	-	-	-	(27,600)	(27,600)
Balance at June 30, 2017	76,488,064	1,953,312,631	1,655,633	77,140,225	2,658,291	2,111,254,844
Excess of comprehensive income over expenditure for the year	598,864	43,388,537	-	(28,484,491)	(556,921)	14,945,989
Dividends	-	-	-	-	(27,600)	(27,600)
Balance at June 30, 2018	77,086,928	1,996,701,168	1,655,633	48,655,734	2,073,770	2,126,173,233

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

National Insurance Corporation

Consolidated Statement of Comprehensive Income

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

	2018 \$	2017 \$
Contribution income (Note 16)	<u>120,110,230</u>	<u>114,548,961</u>
Benefits expenses		
Short-term benefits (Note 17)	(13,888,411)	(12,068,564)
Long-term benefits (Note 17)	(79,947,120)	(73,886,247)
Medical health programme (Note 17)	(5,000,000)	(5,000,000)
	<u>(98,835,531)</u>	<u>(90,954,811)</u>
Surplus of contribution over benefits	21,274,699	23,594,150
General and administrative expenses (Note 18)	<u>(16,633,815)</u>	<u>(17,637,152)</u>
	<u>4,640,884</u>	5,956,998
Other income/(expense)		
Investment income – net (Note 20)	86,294,431	69,255,393
Loss in fair value of investment properties (Note 10)	(76,919,616)	(850,176)
Other	889,220	1,346,748
	<u>10,264,035</u>	<u>69,751,965</u>
Excess of income over expenditure before finance costs and taxation	14,904,919	75,708,963
Finance costs	<u>(32,085)</u>	<u>(34,249)</u>
Excess of income over expenditure before taxation	14,872,834	75,674,714
Taxation (Note 22)	<u>73,155</u>	<u>32,472</u>
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE FOR THE YEAR	<u>14,945,989</u>	<u>75,707,186</u>
Attributable to:		
Reserves	15,502,910	75,637,039
Minority interest	<u>(556,921)</u>	<u>70,147</u>
EXCESS OF COMPREHENSIVE INCOME OVER EXPENDITURE FOR THE YEAR	<u>14,945,989</u>	<u>75,707,186</u>

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

National Insurance Corporation

Consolidated Statement of Cash Flows

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

	2018 \$	2017 \$
Cash flows from operating activities		
Excess of comprehensive income over expenditure before taxation	14,872,834	75,674,714
Adjustments for:		
Interest income	(68,970,433)	(72,069,505)
Share of associate profit	(6,061,596)	-
(Gain)/loss in fair value of financial assets at fair value	(5,073,527)	11,778,278
Decrease in fair value of investment properties	76,919,616	850,176
Provision for loan impairment	2,349,334	2,617,210
Dividend income	(3,347,152)	(6,620,858)
Depreciation	623,355	597,582
Finance costs	32,085	34,249
Reclassification from investment properties to finance lease	52,696,708	-
Reclassification from financial assets at fair value through income to associate	(67,692,949)	-
(Gain)/loss on disposal of property, plant and equipment	(35,500)	4,262
Operating (loss)/income before working capital changes	(3,687,225)	12,866,108
Increase in loans and receivables	(72,070,388)	(30,694,446)
Purchase of held-to-maturity financial assets	(3,842,797)	(56,039,818)
(Increase)/decrease in loans and receivables investment securities	(4,433,285)	42,633,957
Decrease/(increase) in financial assets at fair value through income	30,366,196	(10,292,335)
Increase in projects in progress	(49,115)	(1,910,446)
Increase in inventory	(2,024)	(9,634)
Increase/(decrease) in trade and other payables	2,091,840	(6,044,715)
Cash used in operations	(51,626,798)	(49,491,329)
Interest received	84,276,309	67,648,235
Dividends received	7,575,549	6,620,858
Finance costs paid	(32,085)	(34,249)
Net cash generated from operating activities	40,192,975	24,743,515
Cash flows from investing activities		
Improvements to investment properties	(823,138)	(565,347)
Increase in investment in associate	(12,587,400)	-
Increase in available for sale investment	(500,000)	-
Purchase of property, plant and equipment	(754,433)	(532,801)
Proceeds from disposal of investment properties	104,472	11,241,965
Proceeds from disposal of property, plant and equipment	35,500	2,200
Net cash (used)/generated from investing activities	(14,524,999)	10,146,017
Cash flows from financing activities		
Dividends paid to minority interest	-	(27,600)
Net cash used in financing activities	-	(27,600)
Increase in cash and cash equivalents	25,667,976	34,861,932
Cash and cash equivalents at beginning of year	175,522,596	140,660,664
Cash and cash equivalents at end of year (Note 5)	201,190,572	175,522,596

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

National Insurance Corporation

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For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

National Insurance Corporation

Notes to the Consolidated Financial Statements

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

1 Introduction

The National Insurance Corporation (“the Corporation”) is governed by the National Insurance Corporation Act CAP. 16:01 of the Revised Laws of Saint Lucia 2013. The principal activity of the Corporation is to provide social security services in Saint Lucia.

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

- a) St. Lucia Mortgage Finance Company Limited
The principal activity of the company is to operate a mortgage finance company.
- b) National Insurance Property Development and Management Company Ltd.
The company is currently engaged in the development and management of the Government of Saint Lucia Build-Own-Lease-Transfer (BOLT) and refurbishment projects; the provision of property development, management and maintenance services to NIC and its subsidiaries.
- c) Castries Car Park Facility Limited
The company provides car parking facilities, all other matters incidental thereto and rental of office block and commercial space.
- d) Blue Coral Limited
The company provides office and commercial space for rent.

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

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.

National Insurance Corporation

Notes to the Consolidated Financial Statements...*continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

Basis of Preparation ...*continued*

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

The Group has adopted the following amendments to standards and new interpretations effective from January 1, 2017. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's financial statements.

IAS 7, Statement of Cash Flows Amendments

These amendments require companies to provide information about changes in their financing liabilities which includes the disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. This amendment is effective for annual periods beginning on or after January 1, 2017.

IFRS 12, Disclosure of interest in Other Entities – Amendment resulting from Annual Improvements 2014 - 2016 Cycle (Clarifying Scope):

The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest a subsidiary, joint venture or an associate that is classified as held for sale. The amendment is effective for annual periods beginning on or after January 1, 2017 and did not have an impact on the Group.

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

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

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

IFRS 15, Revenue from Contracts with Customers, is effective for annual reporting periods beginning on or after January 1, 2018. It replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers, and SIC-31, Revenue Barter Transactions Involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS will take precedence. The Group will assess the impact that this standard will have on its 2019 financial statements.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

Basis of Preparation ...*continued*

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

IFRS 9, Financial Instruments, replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the reclassification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets- amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the “incurred loss” model of IAS 39 with an “expected credit loss” model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is assessing the impact that this standard will have on its 2019 financial statements.

IFRS 16, Leases, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the earlier years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with a value of EC\$13,500 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers, is also adopted. The Group is assessing the impact that this standard will have on its 2020 financial statements.

IAS 40: Transfer of Investment Property, which is effective from annual periods beginning on or after January 1, 2018 clarifies that a transfer to or from investment property necessitates an assessment of whether a property meets or has ceased to meet the definition of investment property supported by observable evidence that a change in use has occurred and that change in use is not limited to completed properties but also properties under construction.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group’s financial position and performance.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

Basis of Preparation ...*continued*

Consolidation

Subsidiaries

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

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

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

Associates

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

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

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

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

2 Summary of significant accounting policies...continued

Consolidation ...continued

Associates ...continued

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

Transactions and non-controlling interests

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

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

Foreign currencies

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

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

Cash and cash equivalents

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

Financial assets

The Group classifies its financial assets into these categories:

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

Financial assets at fair value through income

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

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

- Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in equity and debt securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through income (see Note 6 for additional details on the Group's portfolio structure).

Loans and receivables

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

Held-to-maturity financial assets

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

Financial assets ...*continued*

Finance lease receivable

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

Available-for-sale financial assets

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

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

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

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

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

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

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

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

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

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

2 Summary of significant accounting policies...continued

Impairment of assets ...continued

Financial assets carried at amortised cost ...continued

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

Impairment of other non-financial assets

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

Investment Property

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

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

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

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

Investment Property....*continued*

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.

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

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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

Borrowings and borrowings cost...*continued*

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

Financial liabilities

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

Provisions

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

Recognition of income and expenses

(a) Contribution Income and Benefits

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

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

(b) Dividend income

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

(c) Interest income and expense

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

(d) Leases

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

(e) Other income and expenses

All other income and expenses are accounted for on the accruals basis.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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:

	2018	2017
	%	%
Short-term benefits fund	17	17
Long-term benefits fund	83	83
	<hr/> 100	<hr/> 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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean 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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

3. Financial Risk Management...*continued*

Investment decisions are made in the context of Section 21 of the National Insurance Act CAP. 16:01 of the Revised Laws of St. Lucia 2013 and the Group's Investment Policy and Guidelines.

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

Credit risk

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

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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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.

Impairment and Provisioning Policies

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:-

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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:

	2018	2017
	\$	\$
Cash at bank	199,506,972	174,449,624
Short term deposits – cash equivalents	1,683,600	1,072,972
Fair value through income:		
- Debt securities	84,564,172	75,718,527
Loans and receivables:		
- Loans to Government of Saint Lucia and statutory bodies	153,638,519	70,603,754
- Other loans	140,519,789	152,619,998
- Other advances and receivables from Government of Saint Lucia	49,013,624	68,330,381
- Contributions receivable	9,005,055	8,260,155
- Other receivables	2,807,412	2,646,849
Projects in progress	7,108,947	7,059,832
Debt security investments:		
- Held-to-maturity	510,355,210	506,366,099
- Loans and receivables	494,141,033	488,355,911

Credit risk exposures relating to off-balance sheet items are as

Financial Guarantees:

- Loan commitments and other credit related liabilities	10,867,717	22,815,326
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At June 30

1,663,212,050	1,578,299,428
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The above table represents a worst-case scenario of credit risk exposure to the Group at June 30, 2018 and 2017, 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, 51% (2017 – 50%) of the total maximum exposure is derived from loans and receivables, 65% (2017 – 68%) represents investments in debt securities other than loans and receivables.

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

- Loans to Government of Saint Lucia which represents the largest percentage of the portfolio, followed by loans to subsidiaries, are backed by collateral;
- 73% (2017 – 65%) 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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

3 Financial Risk Management*continued*

Credit risk ...*continued*

Loans and receivables

Loans and receivables are summarized as follows:

	2018	2017
	\$	\$
Neither past due nor impaired	290,506,943	220,976,736
Past due but not impaired	41,689,083	62,940,809
Impaired	66,534,868	57,231,907
Gross	398,730,894	341,149,452
Less: Allowance for impairment (Note 7)	(43,157,342)	(38,492,929)
Net	355,573,552	302,656,523

The total impairment provision for loans and receivables recognised in the Consolidated Statement of Comprehensive Income is \$2,230,249 (2017 - \$1,866,958). 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.

	<u>Loans</u>		<u>Other advances and receivables</u>		
	Statutory bodies \$	Other \$	Government of St. Lucia \$	Other \$	Total \$
June 30, 2018					
Customers with no history	138,557,012	128,616,173	12,947,296	10,386,462	290,506,943
Jun 30, 2017					
Customers with no history	55,522,246	141,849,751	14,327,807	9,276,932	220,976,736

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

3 Financial Risk Management*continued*

Credit risk ...*continued*

Loans and receivables ...*continued*

(b) *Past due but not impaired*

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

	Loans		Other advances and receivables		Total \$
	Other \$	Government of St. Lucia \$	Other \$		
June 30, 2018					
With amounts past due up to 30 days	-	356,436	139,506		495,942
With amounts past due 31 to 60 days	-	124,393	81,188		205,581
With amounts past due 61 to 90 days	1,429,469	105,148	22,917		1,557,534
With amounts past due over 90 days	1,470,615	36,127,566	1,831,845		39,430,026
	2,900,084	36,713,543	2,075,456		41,689,083
Fair value of collateral	15,656,140	-	-		15,656,140
June 30, 2017					
With amounts past due up to 30 days	-	792,752	356,902		1,149,654
With amounts past due 31 to 60 days	-	114,628	55,020		169,648
With amounts past due 61 to 90 days	340,502	51,954	21,809		414,265
With amounts past due over 90 days	6,058,747	53,253,098	1,895,397		61,207,242
	6,399,249	54,212,432	2,329,128		62,940,809
Fair value of collateral	20,728,969	-	-		20,728,969

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.

(c) *Impaired*

Other advances and receivables are unsecured.

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			Total \$
	Statutory body \$	Other \$	Government of St. Lucia \$	Statutory body \$	Other \$	
June 30, 2018						
Impaired	51,774,802	13,980,323	42,515	102,359	634,869	66,534,868
June 30, 2017						
Impaired	50,414,435	6,162,829	42,515	66,377	545,751	57,231,907

The impaired loan to a statutory body is secured by a Government of St. Lucia guarantee with respect to a principal balance of \$32,742,676 together with accrued interest. Other advances and receivables are unsecured.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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, 2018, based on Standard & Poor's ratings, CariCRIS or their equivalent:

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

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at June 30, 2017, based on Standard & Poor's ratings, CariCRIS or their equivalent:

	Treasury bills	Debt securities	Total
	\$	\$	\$
A- to A+	-	72,680,960	72,680,960
Lower than A-	8,761,555	565,044,750	573,806,305
Unrated	-	423,535,072	423,535,072
	8,761,555	1,061,260,782	1,070,022,337

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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, 2018				
Cash and cash equivalents	201,190,572	-	-	201,190,572
Financial assets:				
- Fair value through income	-	-	84,564,172	84,564,172
- Loans and receivable	354,984,399	-	-	354,984,399
Investment securities:				
- Held-to-maturity	475,075,871	35,279,339	-	510,355,210
- Loans and receivable	242,245,193	251,895,840	-	494,141,033
On balance sheet financial position	1,273,496,035	287,175,179	84,564,172	1,645,235,386
Credit commitments	10,867,717	-	-	10,867,717
	1,284,363,752	287,175,179	84,564,172	1,656,103,103
As at June 30, 2017				
Cash and cash equivalents	175,522,596	-	-	175,522,596
Financial assets:				
- Fair value through income	-	-	75,718,527	75,718,527
- Loans and receivable	302,461,137	-	-	302,461,137
Investment securities:				
- Held-to-maturity	474,327,162	32,038,937	-	506,366,099
- Loans and receivable	237,853,271	250,502,640	-	488,355,911
On balance sheet financial position	1,190,164,166	282,541,577	75,718,527	1,548,424,270
Credit commitments	22,815,326	-	-	22,815,326
	1,212,979,492	282,541,577	75,718,527	1,571,239,596

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*
For the year ended June 30, 2018

(Expressed in Eastern Caribbean 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.

Industry sectors	Financial institutions	Utilities	Government (local)	Government (regional)	Oil & energy	Consumer Cyclical/ Non Cyclical	Industrial	Government (extra regional) /Technology	Communications	Index Funds	Rental	Other	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at June 30, 2018													
Cash and cash equivalents	201,190,572	-	-	-	-	-	-	-	-	-	-	-	201,190,572
Financial assets:													
- Fair value through income	12,662,396	-	-	-	-	-	19,364,582	9,953,818	-	42,583,376	-	-	84,564,172
- Loans and receivables	28,292,194	69,950,087	133,780,991	-	-	-	-	-	-	-	47,390,765	75,570,362	354,984,399
Investment securities:													
- Held-to-maturity	34,980,601	-	475,075,871	298,738	-	-	-	-	-	-	-	-	510,355,210
- Loans and receivables	377,388,979	8,010,289	-	97,860,571	10,881,194	-	-	-	-	-	-	-	494,141,033
	654,514,742	77,960,376	608,856,862	98,159,309	10,881,194	-	19,364,582	9,953,818	-	42,583,376	47,390,765	75,570,362	1,645,235,386
Credit Commitments	10,867,717	-	-	-	-	-	-	-	-	-	-	-	10,867,717
As at June 30, 2017													
Cash and cash equivalents	175,522,596	-	-	-	-	-	-	-	-	-	-	-	175,522,596
Financial assets:													
- Fair value through income	13,809,496	-	-	-	3,832,960	8,340,210	4,075,738	10,554,166	5,639,124	29,466,833	-	-	75,718,527
- Loans and receivables	31,583,070	77,086,499	138,934,135	-	-	-	-	-	-	-	45,751,577	9,105,856	302,461,137
Investment securities:													
- Held-to-maturity	31,723,029	-	474,327,162	315,908	-	-	-	-	-	-	-	-	506,366,099
- Loans and receivables	369,088,483	9,294,479	-	98,225,636	11,747,313	-	-	-	-	-	-	-	488,355,911
	621,726,674	86,380,978	613,261,297	98,541,544	15,580,273	8,340,210	4,075,738	10,554,166	5,639,124	29,466,833	45,751,577	9,105,856	1,548,424,270
Credit Commitments	22,815,326	-	-	-	-	-	-	-	-	-	-	-	22,815,326

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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, 2018 and June 30, 2017.

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

3 Financial risk management ...*continued*

Market risk ...*continued*

(a) Currency risk ...*continued*

	EC	US	Total
	\$	\$	\$
As at June 30, 2017			
Assets			
Cash and cash equivalents	175,522,596	-	175,522,596
Financial assets:			
- Fair value through income	91,802,307	222,734,369	314,536,676
- Loans and receivable	302,656,523	-	302,656,523
Investment securities:			
- Held-to-maturity	397,220,703	109,145,396	506,366,099
- Loans and receivable	369,088,483	119,267,428	488,355,911
- Available-for-sale	751,880	-	751,880
Total Financial Assets	1,337,042,492	451,147,193	1,788,189,685
Liability			
Trade and other payables	11,171,333	-	11,171,333
Total Financial Liabilities	11,171,333	-	11,171,333
Net on balance sheet financial position	1,325,871,159	451,147,193	1,777,018,352
Credit commitments	22,812,326	-	22,812,326

(b) Price Risk

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

The majority of the Group's publicly traded equity securities are included on the Eastern Caribbean Stock Exchange (ECSE). At June 30, 2018 if equity securities prices had been 200 basis points higher/lower with all variables held constant reserves for the year would have been \$4,093,597 (2017 - \$4,776,363) higher/lower as a result of the increase/ decrease in fair value of available for sale and fair value through income equity securities.

(c) Cash Flow and Fair Value Interest Rate Risks

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean 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, 2018							
Assets							
Cash and cash equivalents	201,190,572	-	-	-	-	-	201,190,572
Financial assets:							
- Fair value through	-	-	84,564,172	-	-	204,679,835	289,244,007
- Loans and receivable	23,106,146	31,398,675	25,566,447	153,401,783	165,551,208	49,320,495	448,344,754
Investment securities:							
- Held-to-maturity	2,199	35,548,177	85,009,991	312,749,654	226,071,251	-	659,381,272
- Loans and receivable	34,610,614	32,363,150	174,834,717	98,986,211	45,301,821	-	386,096,513
- Available-for-sale	-	-	-	-	-	1,251,880	1,251,880
Total Financial Assets	258,909,531	99,310,002	369,975,327	565,137,648	436,924,280	255,252,210	1,985,508,998
Liability							
Trade and other payables	-	-	-	-	-	13,263,173	13,263,173
Total interest repricing gap	258,909,531	99,310,002	369,975,327	565,137,648	436,924,280		
As at June 30, 2017							
Total financial assets	209,982,064	64,967,962	349,914,278	514,261,167	484,964,860	304,103,516	1,928,193,847
Total financial liabilities	-	-	-	-	-	11,171,333	11,171,333
Total interest repricing	209,982,064	64,967,962	349,914,278	514,261,167	484,964,860		

The Group's fair value interest rate risk arises from debt securities classified as fair value through income. At June 30, 2018 if market interest rates had been 100 basis points higher/lower with all variables held constant, reserves for the year would have been \$845,642 (2017 - \$757,185) lower/higher as a result of the decrease/increase in fair value of fair value through income debt securities

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean 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, 2018				
Trade and other accounts payables	12,480,411	-	782,762	13,263,173
As at June 30, 2017				
Trade and other accounts payables	10,397,124	-	774,209	11,171,333

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

Fair value estimation of financial instruments

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

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

	<u>Carrying Amount</u>		<u>Fair Value</u>	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash and cash equivalents	201,190,572	175,522,596	201,190,572	175,522,596
- Loans and receivable	355,573,552	302,656,523	335,338,759	281,201,540
Investment securities:				
- Held-to-maturity	510,355,210	506,366,099	590,545,180	495,315,170
- Loans and receivable	494,141,033	488,355,911	497,079,884	494,185,270
Trade and other payables	13,263,173	11,171,333	13,263,173	11,171,333

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

3 Financial risk management ...continued

Fair value estimation of financial instruments...continued

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

The fair value of held-to-maturity and other loans and receivables financial assets for disclosure purposes are estimated by discounting the future contractual cash flows at the current market rate of 7.38% (2017 - 7.63%) that is available to the Group in respect of similar financial instruments.

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at June 30, 2018				
Financial assets at fair value through income:				
- Investment securities – debt	84,564,172	–	–	84,564,172
- Investment securities – equity	134,808,980	65,520,855	4,350,000	204,679,835
Financial assets at available for sale:				
- Investment securities – equity	–	–	1,251,880	1,251,880
Total assets	219,373,152	65,520,855	5,601,880	290,495,887
As at June 30, 2017				
Financial assets at fair value through income:				
- Investment securities – debt	75,718,527	–	–	75,718,527
- Investment securities – equity	108,671,296	125,796,853	4,350,000	238,818,149
Financial assets at available for sale:				
- Investment securities – equity	–	–	751,880	751,880
Total assets	184,389,823	125,796,853	5,101,880	315,288,556

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

3 Financial risk management ...*continued*

Fair value estimation of financial instruments...*continued*

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

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, 2018 and 2017.

	Financial assets at fair value through income
	Equity securities
	\$
June 30, 2018	
At beginning and end of year	4,350,000
June 30, 2017	
At beginning of year	4,350,000
Other changes	-
At end of year	4,350,000
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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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, 2018 is \$192,803,350 and June 30, 2017 \$321,701,008 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, 2018 which was materially sensitive was:

Buildings included in Investment Properties	
Vacancy level	0% to 36%

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

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

Capital risk management

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

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

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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.

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If the entire held-to-maturity investments are tainted, the carrying value would increase by \$80,189,970 (2017 – decrease \$11,050,929) with a corresponding entry in the fair value reserve in reserves.

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, 2018 is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Fair value of buildings is estimated by discounting expected rentals at market yields. If net cash flows had been 5% higher/lower with all variables held constant, the fair value of investment properties determined using the valuation model would have been \$4,639,266 higher/lower (2017 - \$7,767,907). If the discount rate was 50 basis points higher or lower the fair value of investment properties would decrease by \$3,972,673 (2017 - \$18,467,310) or increase by \$4,409,131 (2017 - \$24,829,997) respectively.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

5. Cash and cash equivalents

	2018	2017
	\$	\$
Cash at bank and in hand	199,506,972	174,449,624
Short-term deposits	<u>1,683,600</u>	<u>1,072,972</u>
	<u><u>201,190,572</u></u>	<u><u>175,522,596</u></u>

The effective interest rate on short-term bank deposits ranges from 0% - 1.5% (2017: 0% - 1.5%).

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

	2018	2017
	\$	\$
Cash and cash equivalents	<u><u>201,190,572</u></u>	<u><u>175,522,596</u></u>

6. Financial assets

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

	2018	2017
	\$	\$
Fair value through income	289,244,007	314,536,676
Loans and receivables	355,573,552	302,656,523
Investment securities:		
- Held –to-maturity	510,355,210	506,366,099
- Loans and receivables	494,141,033	488,355,911
- Available-for-sale	<u>1,251,880</u>	<u>751,880</u>
Total financial assets	<u><u>1,650,565,682</u></u>	<u><u>1,612,667,089</u></u>

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

	2018	2017
	\$	\$
Financial assets at fair value through income		
Equity securities:		
- Listed	204,679,835	238,818,149
Debt securities:		
- Listed	<u>84,564,172</u>	<u>75,718,527</u>
	<u><u>289,244,007</u></u>	<u><u>314,536,676</u></u>

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.

Debt securities bear interest rates ranging from 1.5% - 9.75% (2017 – 1.5% - 9.75%).

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

6 Financial assets... *continued*

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

	2018	2017
	\$	\$
Investment securities		
Debt securities at fixed interest rates:		
- Held-to-maturity - listed	510,355,210	506,366,099
- Loans and receivables - unlisted	494,141,033	488,355,911
	<u>1,004,496,243</u>	<u>994,722,010</u>

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

	2018	2017
	\$	\$
Current portion	486,903,248	470,343,959
Non-current portion	517,592,995	524,378,051
	<u>1,004,496,243</u>	<u>994,722,010</u>

Debt securities bear interest rates ranging from 1.5% - 9.75% (2017 – 1.5% - 9.75%). There were no debt securities and available-for-sale financial assets that were considered past due or impaired at the reporting date.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

6 Financial assets...*continued*

	Securities Held-to- Maturity	Securities Loans and Receivables	Available -for- Sale	Fair Value Through Income	Loans and Receivable	Total
	\$	\$	\$	\$	\$	\$
At the beginning of 2017	449,173,090	531,987,134	751,880	316,022,619	270,713,459	1,568,648,182
Net additions	67,358,960	4,643,124	–	28,531,876	50,709,956	151,243,916
Disposal/redemption	(10,165,951)	(48,274,347)	–	(18,239,541)	(16,157,762)	(92,837,601)
Net increase in provisions for impairment	–	–	–	–	(2,609,130)	(2,609,130)
Fair value losses on equity/debt securities	–	–	–	(11,778,278)	–	(11,778,278)
At the end of 2017	506,366,099	488,355,911	751,880	314,536,676	302,656,523	1,612,667,089
At the beginning of 2018	506,366,099	488,355,911	751,880	314,536,676	302,656,523	1,612,667,089
Net additions	15,082,928	8,300,497	500,000	48,971,765	91,110,620	163,965,810
Disposal/redemption	(11,093,817)	(2,515,375)	–	(11,645,012)	(33,529,178)	(58,783,382)
Net increase in provisions for impairment	–	–	–	–	(4,664,413)	(4,664,413)
Fair value gains on equity/debt securities	–	–	–	5,073,527	–	5,073,527
Transfer to investment in associate	–	–	–	(67,692,949)	–	(67,692,949)
At the end of 2018	510,355,210	494,141,033	1,251,880	289,244,007	355,573,552	1,650,565,682

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

7 Loans and receivables

	2018 \$	2017 \$
Loans and receivables		
Loans to Government of Saint Lucia and statutory bodies	121,460,662	105,936,681
Provision for impairment on GOSL loans	(36,693,295)	(35,332,927)
	84,767,367	70,603,754
Finance lease - Financial Administrative Complex	68,871,152	-
	153,638,519	70,603,754
Loans receivables from subsidiaries		
Other loans	145,496,580	154,411,829
Provision for impairment	(4,976,791)	(1,791,831)
	140,519,789	152,619,998
	294,158,308	223,223,752
Other advances and receivables		
Due from Government of Saint Lucia		
Other receivables	36,250,823	52,711,823
Finance lease receivables	10,193,846	13,508,806
Contributions receivable	2,713,829	2,218,644
Provision for impairment	(144,874)	(108,892)
	49,013,624	68,330,381
Other receivables		
Contributions receivable	9,005,055	8,260,155
Other receivables	4,149,794	3,906,128
Prepayments	589,153	195,386
Provision for impairment (other)	(1,342,382)	(1,259,279)
	12,401,620	11,102,390
Total loans and receivables	355,573,552	302,656,523

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

7 Loans and receivables ...*continued*

	2018	2017
	\$	\$
Current portion	75,775,610	81,554,955
Non-current portion	279,797,942	221,101,568
	<u>355,573,552</u>	<u>302,656,523</u>

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% (2017 – 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 \$	Other \$	Statutory bodies and other \$	Total \$
Balance at July 1, 2017	35,332,927	1,791,831	1,368,171	38,492,929
Provision for loan impairment	1,360,368	3,184,960	119,085	4,664,413
Loans recoveries	-	-	-	-
At June 30, 2018	<u>36,693,295</u>	<u>4,976,791</u>	<u>1,487,256</u>	<u>43,157,342</u>
Balance at July 1, 2016	33,972,559	1,285,241	625,999	35,883,799
Provision for loan impairment	1,360,368	506,590	760,425	2,627,383
Loans recoveries	-	-	(18,253)	(18,253)
At June 30, 2017	<u>35,332,927</u>	<u>1,791,831</u>	<u>1,368,171</u>	<u>38,492,929</u>

The Group has recognised a loss of \$2,230,249 (2017 - \$1,866,958) for the impairment of its loans and receivables during the year ended June 30, 2018. The losses have been included under expenses attributable to investment income in the Consolidated Statement of Comprehensive Income.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

8 Finance lease receivable

	2018	2017
	\$	\$
Due from Government of Saint Lucia		
Current		
Finance leases	5,006,915	2,444,138
Unpaid charges	1,291,011	1,427,265
	<u>6,297,926</u>	<u>3,871,403</u>
Amounts recoverable after twelve months		
Receivable in respect of finance leases	<u>72,767,072</u>	<u>9,637,403</u>
Finance leases receivable	<u>79,064,998</u>	<u>13,508,806</u>
Total gross investment	124,869,578	17,950,623
Unearned income	<u>(46,573,908)</u>	<u>(4,441,817)</u>
Present value of minimum lease payments	<u>78,295,670</u>	<u>13,508,806</u>
Current receivable	5,528,598	3,871,403
Non-current receivable	<u>72,767,072</u>	<u>9,637,403</u>
	<u>78,295,670</u>	<u>13,508,806</u>
Total Gross investment receivable from finance leases		
No later than 1 year	11,470,684	5,024,703
Later than 1 year and not later than 5 years	47,000,111	10,239,260
Later than 5 years	<u>66,398,783</u>	<u>2,686,660</u>
	<u>124,869,578</u>	<u>17,950,623</u>
Present value of minimum lease payments receivable:		
No later than 1 year	5,528,598	3,871,403
Later than 1 year and not later than 5 years	23,396,074	7,460,004
Later than 5 years	<u>49,370,998</u>	<u>2,177,399</u>
	<u>78,295,670</u>	<u>13,508,806</u>

9 Investment in associate

	2018	2017
	\$	\$
Beginning of year	-	-
Transfer of shares from fair value through income	67,692,949	-
Value of shares purchased	12,587,400	-
Share of profit after tax	6,228,779	-
Share of fair value loss	(167,183)	-
Dividends received	<u>(4,256,000)</u>	<u>-</u>
At year end	<u>82,085,945</u>	<u>-</u>

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

9 Investment in associate...continued

St. Lucia Electricity Services Limited (LUCELEC) is listed on the Eastern Caribbean Securities Exchange. On September 7, 2017 the Corporation's shareholding was increased to 20% through the acquisition of shares.

The reporting period for St. Lucia Electricity Services Limited is December. The information below reflects the Group's share of the results of the associate and its share of the assets and liabilities as at June 30, 2018.

Name	Assets \$	Liabilities \$	Revenue \$	Profits \$
St. Lucia Electricity Services Limited	95,185,998	35,916,981	29,746,816	5,549,945

Interest held in the associate is 20%.

10 Investment properties

	2018 \$	2017 \$
Beginning of year	321,701,008	334,315,141
Additions	823,138	565,347
Disposals	(104,472)	(11,241,965)
Decrease in fair value	(76,919,616)	(850,176)
Transfer out to loans and receivables or fixed assets	(52,696,708)	(1,087,339)
End of year	192,803,350	321,701,008

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, 2018 and 2017. Fair values of buildings included in investment properties were valued by Property Consultancy Services Inc. (PCS), an independent party in August 2018 using the Income Approach. The Income Approach method estimates the fair value by discounting the future estimated net cash flows at market yields.

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

	2018 \$	2017 \$
Rental income	11,669,829	11,946,612
Direct operating expenses arising from investment properties that generate rental income	8,712,873	4,288,193

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*
For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

11	Property, plant and equipment	Land and Buildings \$	Improvements \$	Leasehold \$	Motor Vehicles \$	Furniture and Equipment \$	Computer Hardware \$	Computer Software \$	Generators \$	Maintenance Equipment \$	Total \$
	At June 30, 2016										
	Cost	2,815,792	403,547	774,088	5,700,513	2,108,912	849,502	498,511	179,461	13,330,326	
	Accumulated depreciation	(408,294)	(272,407)	(753,268)	(4,624,846)	(1,699,410)	(757,389)	(429,278)	(117,673)	(9,062,565)	
	Net book value	2,407,498	131,140	20,820	1,075,667	409,502	92,113	69,233	61,788	4,267,761	
	Year ended June 30, 2017										
	Opening net book value	2,407,498	131,140	20,820	1,075,667	409,502	92,113	69,233	61,788	4,267,761	
	Additions	-	38,061	-	112,208	369,493	13,039	-	-	532,801	
	Transfer from investment property	1,087,339	-	-	-	-	-	-	-	1,087,339	
	Cost adjustment	-	-	(67,932)	(2,690)	73,187	-	-	-	2,565	
	Accumulated depreciation adjustment	-	-	67,932	2,690	(73,187)	-	-	-	(2,565)	
	Disposals (net)	-	-	-	(6,462)	-	-	-	-	(6,462)	
	Depreciation charge	(54,754)	(18,377)	(14,600)	(277,144)	(151,530)	(30,178)	(34,616)	(16,383)	(597,582)	
	Closing net book value	3,440,083	150,824	6,220	904,269	627,465	74,974	34,617	45,405	5,283,857	
	At June 30, 2017										
	Cost	3,903,131	441,608	637,166	5,696,243	2,551,592	862,541	498,511	179,461	14,770,253	
	Accumulated depreciation	(463,048)	(290,784)	(630,946)	(4,791,974)	(1,924,127)	(787,567)	(463,894)	(134,056)	(9,486,396)	
	Net book value	3,440,083	150,824	6,220	904,269	627,465	74,974	34,617	45,405	5,283,857	
	Year ended June 30, 2018										
	Opening net book value	3,440,083	150,824	6,220	904,269	627,465	74,974	34,617	45,405	5,283,857	
	Additions	12,989	25,771	161,778	287,791	266,104	-	-	-	754,433	
	Disposals	-	-	(80,300)	(101,370)	-	-	-	-	(181,670)	
	Accumulated depreciation write back	-	-	80,300	101,370	-	-	-	-	181,670	
	Depreciation charge	(54,950)	(18,377)	(8,487)	(251,144)	(210,622)	(29,636)	(34,617)	(15,522)	(623,355)	
	Closing net book value	3,398,122	158,218	159,511	940,916	682,947	45,338	-	29,883	5,414,935	
	At June 30, 2018										
	Cost	3,916,120	467,379	718,644	5,882,664	2,817,696	862,541	498,511	179,461	15,343,016	
	Accumulated depreciation	(517,998)	(309,161)	(559,133)	(4,941,748)	(2,134,749)	(817,203)	(498,511)	(149,578)	(9,928,081)	
	Net book value	3,398,122	158,218	159,511	940,916	682,947	45,338	-	29,883	5,414,935	

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

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

(Gain)/Loss on Disposal

	Cost \$	Accumulated Depreciation \$	Net Book Value \$	Proceeds \$	(Gain)/Loss \$
June 30, 2018					
Motor vehicles	80,300	(80,300)	-	35,500	(35,500)
Furniture and equipment	101,370	(101,370)	-	-	-
	181,670	(181,670)	-	35,500	(35,500)
June 30, 2017					
Motor vehicles	68,990	(68,990)	-	-	-
Furniture and equipment	113,788	(107,326)	6,462	2,200	4,262
	182,778	(176,316)	6,462	2,200	4,262

12 Trade and other accounts payable

	2018 \$	2017 \$
Trade payables	1,736,358	1,549,173
Benefits payable	2,419,100	1,743,519
Other payables	9,107,714	7,878,641
	13,263,172	11,171,333
	2018 \$	2017 \$
Current	12,480,411	10,397,124
Non-current	782,761	774,209
	13,263,172	11,171,333

13 Principal subsidiary undertakings

	2018 %	2017 %
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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

14 Reserves	Statutory Reserve \$	Portfolio Risk Reserve \$	Total \$
Balance at June 30, 2016	1,573,100	47,459	1,620,559
Transfer to statutory reserve	35,074	–	35,074
Balances as at June 30, 2017	1,608,174	47,459	1,655,633
Transfer to statutory reserve	-	-	-
Balances as at June 30, 2018	1,608,174	47,459	1,655,633

Statutory reserve

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

Portfolio risk reserve

This reserve represents amounts set aside for impairment losses on loans and advances to comply with the Prudential Credit Guidelines issued by the Eastern Caribbean Central Bank (ECCB) in addition to those losses that have been recognised under IAS 39. The Prudential Credit Guidelines require a provision to be made in respect of the portion of the portfolio where loans are three payments or more in 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, 2018.

15 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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*
For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

16 Detailed statement of income and expenditure

	Short-term		Long-term		Retained Earnings			Total	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$	
Contribution income	20,418,740	19,473,324	99,691,490	95,075,637	-	-	120,110,230	114,548,961	
Benefits expenses									
Short-term benefits	(13,888,411)	(12,068,564)	-	-	-	-	(13,888,411)	(12,068,564)	
Long-term benefits	-	-	(79,947,120)	(73,886,247)	-	-	(79,947,120)	(73,886,247)	
Medical health programme	(5,000,000)	(5,000,000)	-	-	-	-	(5,000,000)	(5,000,000)	
	(18,888,411)	(17,068,564)	(79,947,120)	(73,886,247)	-	-	(98,835,531)	(90,954,811)	
Surplus of contributions over benefits	1,530,329	2,404,760	19,744,370	21,189,390	-	-	21,274,699	23,594,150	
General and administrative expenses	(2,310,762)	(2,356,636)	(10,560,475)	(10,896,581)	(3,762,578)	(4,383,935)	(16,633,815)	(17,637,152)	
Income from operations	(780,433)	48,124	9,183,895	10,292,809	(3,762,578)	(4,383,935)	4,640,884	5,956,998	
Other income									
Investment income – net	3,066,072	2,287,233	78,597,536	58,423,601	4,630,823	8,544,559	86,294,431	69,255,393	
Increase/(decrease) in fair value of investment properties	(1,742,340)	(114,604)	(44,664,183)	(2,927,365)	(30,513,093)	2,191,793	(76,919,616)	(850,176)	
Other income	55,565	55,685	271,289	271,876	562,366	1,019,187	889,220	1,346,748	
	1,379,297	2,228,314	34,204,642	55,768,112	(25,319,904)	11,755,539	10,264,035	69,751,965	
Excess of income over expenditure before finance costs and taxation	598,864	2,276,438	43,388,537	66,060,921	(29,082,482)	7,371,604	14,904,919	75,708,963	

National Insurance Corporation

Notes to the Consolidated Financial Statements continued
For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

16 Detailed statement of income and expenditure...continued

	Short-term		Long-term		Retained Earnings			Total	
	2018	2017	2018	2017	2018	2017	2018	2017	
	\$	\$	\$	\$	\$	\$	\$	\$	
Excess of income over expenditure before finance costs and taxation brought forward	598,864	2,276,438	43,388,537	66,060,921	(29,082,482)	7,371,604	14,904,919	75,708,963	
Finance costs	-	-	-	-	(32,085)	(34,249)	(32,085)	(34,249)	
Excess of income over expenditure before taxation	598,864	2,276,438	43,388,537	66,060,921	(29,114,567)	7,337,355	14,872,834	75,674,714	
Taxation	-	-	-	-	73,155	32,472	73,155	32,472	
Excess of income over expenditure	598,864	2,276,438	43,388,537	66,060,921	(29,041,412)	7,369,827	14,945,989	75,707,186	
Attributable to:									
Reserves	598,864	2,276,438	43,388,537	66,060,921	(28,484,491)	7,299,680	15,502,910	75,637,039	
Minority interest	-	-	-	-	(556,921)	70,147	(556,921)	70,147	
Excess of income over expenditure	598,864	2,276,438	43,388,537	66,060,921	(29,041,412)	7,369,827	14,945,989	75,707,186	

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

17 Short-term and long-term benefits expenses

	Short-term Benefits		Long-term Benefits		Total	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Retirement	-	-	65,088,233	59,904,326	65,088,233	59,904,326
Survivorship	-	-	8,255,274	7,811,078	8,255,274	7,811,078
Sickness	8,795,186	7,316,797	-	-	8,795,186	7,316,797
Maternity	3,847,519	3,542,395	-	-	3,847,519	3,542,395
Invalidity	-	-	6,351,479	5,982,620	6,351,479	5,982,620
Funeral	880,442	845,225	-	-	880,442	845,225
Disablement	-	-	90,485	108,597	90,485	108,597
Employment injury	270,624	317,617	-	-	270,624	317,617
Death	-	-	161,649	79,626	161,649	79,626
Medical expenses	94,640	46,530	-	-	94,640	46,530
	13,888,411	12,068,564	79,947,120	73,886,247	93,835,531	85,954,811

18 Expenses by nature

	2018	2017
	\$	\$
Administrative and general expenses		
Employee benefits	9,276,549	9,609,716
Rent	1,292,991	1,295,656
Electricity, water and sewage	928,944	1,128,524
Repairs and maintenance	879,831	1,053,103
Public relations	550,211	654,226
Depreciation	520,442	492,453
Contribution to National Community Foundation	400,000	400,000
Stationery and printing	398,443	347,703
Other	374,148	720,217
Security services	371,948	368,260
Postage and telephone	337,606	337,881
Property tax	261,316	272,887
Professional and legal fees	198,259	101,931
Insurance	189,576	199,251
Subscriptions	160,684	189,873
Audit fees	114,080	132,771
Overseas meetings and conferences	91,606	40,173
Motor vehicle expenses	89,479	92,901
Board expenses	82,503	69,432
Bank charges	76,828	57,320
Management fees	30,849	67,294
Office and general expenses	7,522	5,580
	16,633,815	17,637,152

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

18 Expenses by nature...*continued*

	2018	2017
	\$	\$
Expenses attributable to investment income		
Repairs and maintenance	7,266,854	2,865,413
Employee benefits	2,470,096	2,212,457
Provision for loan impairment	2,230,249	1,866,958
Professional and legal fees	1,474,472	1,042,928
Insurance	509,057	532,711
Electricity, water and sewage	476,671	454,898
Security services	460,291	435,171
Bond premium	359,344	384,143
Bad debts	119,085	750,252
Board expenses	116,829	96,514
Depreciation	102,913	105,129
Subcontractor fees	101,766	57,436
Overseas meetings and conferences	91,606	40,173
Audit fees	58,750	73,196
Foreign exchange loss	42,250	3,430
Motor vehicle expenses	30,030	35,082
	<u>15,910,263</u>	<u>10,955,891</u>
Total administrative and general expenses and expenses attributable to investment income	<u><u>32,544,078</u></u>	<u><u>28,593,043</u></u>

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

18 Expenses by nature...continued	2018	2017
	\$	\$
Administrative and general expenses and expenses attributable to investment income		
Employee benefits	11,746,645	11,822,173
Repairs and maintenance	8,146,685	3,918,516
Provision for loan impairment	2,230,249	1,866,958
Professional and legal fees	1,672,731	1,144,859
Electricity, water and sewage	1,405,615	1,583,422
Rent	1,292,991	1,295,656
Security services	832,239	803,431
Insurance	698,633	731,962
Depreciation	623,355	597,582
Public relations	550,211	654,226
Contribution to National Community Foundation	400,000	400,000
Stationery and printing	398,443	347,703
Other	374,148	720,217
Bond premium	359,344	384,143
Postage and telephone	337,606	337,881
Property taxes	261,316	272,887
Board expenses	199,332	165,946
Overseas meetings and conferences	183,212	80,346
Audit fees	172,830	205,967
Subscriptions	160,684	189,873
Motor vehicle expenses	119,509	127,983
Bad debts	119,085	750,252
Subcontractor fees	101,766	57,436
Bank charges	76,828	57,320
Foreign exchange loss	42,250	3,430
Management fees	30,849	67,294
Office and general expenses	7,522	5,580
	32,544,078	28,593,043

19 Employee benefit costs

	2018	2017
	\$	\$
Salaries	10,038,075	9,879,530
Gratuities	518,850	626,791
Other staff cost	1,189,720	1,315,852
	11,746,645	11,822,173

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

20 Investment income – Net	2018	2017
	\$	\$
Cash and cash equivalents interest income	863,577	2,010,260
Fair value through income:		
- Dividend income	3,347,152	6,620,858
- Fair value gain/(losses) on equity/debt securities	5,073,527	(11,778,278)
- Interest income on debt securities	855,748	1,469,549
Loans and receivables interest income	16,787,041	17,860,110
Investment securities interest income		
- Held-to-maturity	34,098,018	33,506,110
- Loans and receivables	16,366,049	15,757,125
Finance lease interest income	5,812,199	1,466,351
Rental income	11,669,829	11,946,612
Development income	6,907	70,697
Maintenance fees	771,491	826,824
Parking fees	491,560	455,066
Share of associate income	6,061,596	-
	102,204,694	80,211,284
Expenses attributable to investment income	(15,910,263)	(10,955,891)
	86,294,431	69,255,393

21 Related party transactions

The following transactions were carried out with related parties:

	2018	2017
	\$	\$
Finance lease interest income	5,812,199	1,466,351
Rental income	4,494,731	5,886,584
Interest income	3,907,731	6,641,821

Key management compensation is as follows:

	2018	2017
	\$	\$
Salaries and wages	3,025,075	3,309,188
Other benefits	642,999	561,847
	3,668,074	3,871,035

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

21 Related party transactionscontinued

Year-end balances with related parties are as follows:	2018 \$	2017 \$
Loans to Government of St. Lucia and Statutory Bodies		
Held-to-maturity investment securities	454,488,961	474,327,162
Loans (net)	84,767,367	70,603,754
	35,965,022	52,602,931
Contributions receivable	2,713,829	2,218,644
Finance lease receivable	78,295,670	13,508,806

22 Taxation

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

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

- St. Lucia Mortgage Finance Company Limited is exempt from income tax on any income accruing to the Company by way of interest on loans up to \$500,000.
- National Insurance Property Development and Management Company Ltd. is exempt from income tax on the profits earned by the company, which are specific to refurbishment and BOLT projects. All other income is subject to income taxes at a rate of 30% per annum.
- Castries Car Park Facility Limited has been granted a tax holiday for the first ten years of operation, which expired October 2008. A further ten years' tax holiday was granted to the Company 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.

	2018 \$	2017 \$
Current tax	-	710
Deferred tax	(73,155)	(33,182)
	<u>(73,155)</u>	<u>(32,472)</u>

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:

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

22 Taxationcontinued

	2018	2017
	\$	\$
Excess of income over expenditure before taxation	14,872,834	75,674,714
Tax calculated at domestic tax rates applicable to income of the	4,461,850	22,702,414
Expenses not deductible for tax	5,513	5,513
Tax effect of exempt income	(4,540,518)	(22,701,057)
Prior year adjustment	-	(39,342)
	(73,155)	(32,472)

The weighted average applicable tax rate was 0.784% (2017 – 0.006%).

Deferred tax asset

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

	2018	2017
	\$	\$
Accelerated capital allowance	(112,319)	(39,164)
The movement on the deferred income tax account is as follows:		
At beginning of year	(39,164)	(5,982)
Consolidated statement of comprehensive income credit	(73,155)	(33,182)
At end of year	(112,319)	(39,164)

23 Comparatives

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

24 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.

National Insurance Corporation

Notes to the Consolidated Financial Statements *continued*

For the year ended June 30, 2018

(Expressed in Eastern Caribbean Dollars)

24 Actuarial review... *continued*

- 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.

25 Commitments

As at end of year, loans and receivables approved by the Group but not yet disbursed amounted to approximately \$10,867,717 (2017 - \$22,815,326).

26 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.

Statistical Appendix 2017/18

Table 1

Contribution Received (\$EC) by Economic Sector: 2013/18

Economic Sector	Financial Year				
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Agriculture , Hunting, Forestry and Fishing	1,273,790	1,248,327	1,332,558	1,363,140	1,384,067
Mining and Quarrying	277,059	481,268	219,755	345,685	380,548
Manufacturing	6,274,715	6,115,139	6,146,482	6,439,815	6,770,813
Electricity, Gas and Water Supply	3,269,525	3,402,727	3,582,127	3,658,939	3,808,775
Construction	3,255,072	3,796,993	5,043,493	2,689,066	1,974,771
Wholesale and Retail	13,456,869	13,371,308	13,787,110	14,049,863	14,619,043
Hotels and Restaurants	20,872,134	22,764,710	22,444,941	22,987,820	26,042,711
Transport, Storage and Communication	7,136,387	7,420,045	7,801,150	7,947,024	8,231,904
Financial Intermediations	7,957,179	7,978,884	7,652,329	7,720,729	7,683,925
Real Estate, Renting and business services	9,568,963	10,642,858	10,927,063	10,674,998	10,271,245
Public administration , Defence, Compulsory Social Security, Education, Health, Social Work	26,909,774	25,727,634	25,610,677	28,525,790	30,196,413
Community, Social, Personal Services, Households With Employed Persons, Extra- Territorial Org. & Bodies	6,500,605	6,487,094	6,614,621	6,437,830	6,679,072
Self-Employed	847,294	856,941	927,773	1,060,021	1,092,569
Voluntary Persons	26,800	63,794	67,165	82,966	92,636
Activities Inadequately Defined	311,231	350,256	394,288	419,109	551,292
Grand Total	107,937,397	110,707,978	112,551,532	114,402,795	119,779,784

Table 2

Number of Active Insured Persons by Economic Sector: 2013/18

Economic Sector	Financial Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
Agriculture, Hunting, Forestry and Fishing	879	901	928	918	943
Mining and Quarrying	183	186	158	145	153
Manufacturing	3,329	3,272	3,253	3,414	3,503
Electricity, Gas and Water supply	887	941	970	961	1,073
Construction	1,907	1,781	2,315	2,323	2,239
Wholesale and Retail Trade	8,026	8,000	8,237	8,295	8,595
Restaurants and Hotels	9,459	9,923	9,845	10,810	11,498
Transport, Storage and Communication	3,403	3,539	3,507	3,462	3,769
Financial Intermediations	2,817	2,878	2,806	2,798	2,835
Real-Estates, Renting and Business Services	5,178	5,263	5,464	5,702	5,312
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	10,486	10,345	10,625	10,843	11,360
Community, Social and Personal Services, Household with employed persons and Extra-Territorial Organization and Bodies	3,606	3,536	3,513	3,591	3,789
Self-Employed	1,161	1,159	1,199	1,317	1,406
Voluntary Contributors	61	47	41	41	36
Activities not adequately defined	380	414	461	492	576
Total	51,762	52,185	53,322	55,112	57,087

Table 3

Number of Active Employers by Economic Sector: 2013/18

Economic Sector	Financial Year				
	14-Jun	15-Jun	16-Jun	17-Jun	18-Jun
Agriculture, Hunting, Forestry and Fishing	132	133	112	99	96
Mining and Quarrying	8	8	11	10	9
Manufacturing	250	256	258	258	259
Electricity, Gas and Water supply	19	20	22	20	20
Construction	168	171	170	167	175
Wholesale and Retail Trade	625	635	642	627	619
Restaurants and Hotels	374	362	397	404	393
Transport, Storage and Communication	175	171	191	192	196
Financial Intermediations	140	141	138	135	132
Real-Estates, Renting and Business Services	405	410	420	420	421
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	274	277	293	291	303
Community, Social and Personal Services, Household with Employed Persons and Extra-Territorial Organization and Bodies	923	942	928	927	942
Activities not adequately defined	192	192	197	231	224
Total	3,669	3,692	3,779	3,781	3,789

Table 4

Number of Contributing Employers by Economic Sector: 2013/18

Economic Sector	Financial Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
Agriculture , Hunting, Forestry and Fishing	107	104	96	95	91
Mining and Quarrying	7	9	9	10	10
Manufacturing	222	217	213	222	237
Electricity, Gas and Water Supply	19	21	20	20	19
Construction	117	96	113	124	106
Wholesale and Retail	623	591	574	578	572
Hotels and Restaurants	326	310	308	318	329
Transport, Storage and Communication	151	162	167	174	185
Financial Intermediations	130	133	120	120	124
Real Estate, Renting and business services	350	347	359	364	364
Public administration , Defense, Compulsory Social Security, Education, Health, Social Work	271	250	265	287	297
Community, Social, Personal Services, Households With Employed Persons, Extra- Territorial Org. & Bodies	903	859	849	862	875
Activities Inadequately Defined	208	99	104	233	238
Grand Total	3,434	3,198	3,197	3,407	3,447

Table 5

Number of Newly Registered Employers by Economic Sector: 2013/18

Economic Sector	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Agriculture, Hunting, Forestry and Fishing	6	7	5	5	6
Mining and Quarrying	0	2	1	0	0
Manufacturing	20	17	19	15	23
Electricity, Gas and Water supply	2	1	0	0	0
Construction	14	19	22	27	25
Wholesale and Retail Trade	58	65	33	50	55
Restaurants and Hotels	39	42	34	46	40
Transport, Storage and Communication	7	20	19	15	21
Financial Intermediations	10	8	4	5	8
Real-Estates, Renting and Business Services	30	32	22	22	31
Public Administration and Defense, Compulsory Social Security, Education, Health/Social Work	18	20	13	17	21
Community, Social and Personal Services, Household with Employed Persons and Extra-Territorial Organization and Bodies	83	68	88	93	94
Activities not adequately defined	32	7	3	74	55
Total	319	308	262	369	379

Table 6

Number Short-Term Benefits Paid by Type: 2013/18

Short-Term Benefits	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Employment Injury	157	150	189	196	236
Sickness Allowance	11,966	15,640	14,100	17,124	19,607
Maternity Allowance	892	877	923	870	877
Maternity Grant	917	896	963	852	846
Funeral Grant	306	328	314	367	343
Medical Expenses	63	50	71	96	98
Total	14,301	17,941	16,560	19,505	22,007

Table 7

Short-Term Benefits Expenditure (\$EC) by Type: 2013/18

Short-Term Benefits	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Employment Injury	139,481	174,268	249,998	309,503	280,980
Sickness Allowance	5,089,859	5,844,952	6,218,973	7,424,613	8,505,678
Maternity Allowance	3,066,501	3,041,745	3,305,349	3,121,380	3,260,966
Maternity Grant	559,200	537,600	577,800	517,800	514,800
Funeral Grant	512,857	569,800	771,800	895,000	845,033
Medical Expenses	5,034,993	5,030,960	5,042,040	5,032,665	5,057,843
Total	\$ 14,402,891	15,199,325	16,165,560	17,300,960	18,465,300

Table 8

Number of Long-Term Benefits Paid by Type: 2013/18

Long-Term Benefits	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Retirement Pension	4,991	5,266	5,580	5,953	6,333
Survivors Pension	1,057	1,176	1,185	1,274	1,119
Invalidity Pension	509	546	586	617	654
Disablement Pension	16	14	12	12	13
Retirement Grant	543	571	622	608	693
Survivors Grant	65	66	59	61	67
Invalidity Grant	56	51	45	43	49
Disablement Grant	2	2	4	1	0
Total	7,239	7,692	8,093	8,569	8,928

Table 9

Long-Term Benefits Expenditure (\$EC) by Type: 2013/18

Long-Term Benefits	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Retirement Pension	43,650,230	47,223,928	52,187,552	56,370,229	61,039,177
Survivors Pension	6,155,834	6,364,256	6,832,029	7,626,268	7,942,838
Invalidity Pension	4,403,864	4,700,184	5,582,285	5,744,971	6,049,057
Disablement Pension	123,553	97,347	98,377	95,152	99,432
Retirement Grant	2,816,438	3,012,650	3,161,977	3,531,966	4,045,421
Survivors Grant	303,919	312,442	247,372	260,975	283,573
Invalidity Grant	253,953	146,136	267,251	232,337	272,272
Disablement Grant	18,948	27,510	35,998	3,112	0
Total \$	57,726,739	61,884,453	68,412,841	73,865,008	79,731,770

Table 10

Pensions Paid by Type: 2013/18

Pension	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Retirement Pension	4,991	5,266	5,580	5,953	6,333
Survivors Pension	1,057	1,176	1,185	1,260	1,119
Invalidity Pension	509	546	586	617	654
Disablement Pension	16	14	12	12	13
Total	6,573	7,002	7,363	7,842	8,119

Table 11

Pension' Expenditure (\$EC) by Type: 2013/18

Pension	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Retirement Pension	43,650,230	47,223,928	52,187,552	56,370,229	61,039,177
Survivors Pension	6,155,834	6,364,256	6,832,029	7,626,268	7,942,838
Invalidity Pension	4,403,864	4,700,184	5,582,285	5,744,971	6,049,057
Disablement Pension	123,553	97,347	98,377	95,152	99,432
Total	\$ 54,333,481	58,385,715	64,700,243	69,836,620	73,130,504

Table 12

Number of Pensions In-Payment by Type: 2013/18

Pension	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Retirement Pension	4,743	5,059	5,280	5,670	6,063
Survivors Pension	955	1086	1,061	1,137	1,029
Invalidity Pension	422	501	530	554	586
Disablement Pension	13	13	12	12	13
Total	6,133	6,659	6,883	7,361	7,691

Table 13

Average Monthly Pensions (\$EC) by Type: 2013/18

Pension	Financial Year				
	13-14	14-15	15-16	16-17	17-18
Retirement Pension	785.43	810.37	836.98	864.70	874.33
Survivors Pension	540.28	536.44	567.9	603.39	689.68
Invalidity Pension	826.52	821.95	883.65	880.51	943.70
Disablement Pension	634.15	661.89	660.75	660.78	645.60

Table 14

Benefits' Expenditure (\$EC) by Type and Branch: 2013/18

Benefit Branch	Financial Year				
	13-14	14-15	15-16	16-17	17-18
<i>Long-Term</i>					
Retirement	46,466,668	50,236,578	55,349,529	59,902,195	65,084,598
Survivorship	6,459,753	6,676,698	7,079,401	7,887,241	8,226,411
Incapacitation	4,800,318	4,846,320	5,983,911	6,075,572	6,420,761
Sub-Total	57,726,739	61,884,453	68,412,841	73,865,008	79,731,770
<i>Short-Term</i>					
Employment Injury	139,481	174,268	249,998	309,503	280,980
Sickness Allowance	5,089,859	5,844,952	6,218,973	7,424,613	8,505,678
Maternity Allowance	3,066,501	3,041,745	3,305,349	3,121,380	3,260,966
Maternity Grant	559,200	537,600	577,800	517,800	514,800
Funeral Grant	512,857	569,800	771,800	895,000	845,033
Medical Expenses	5,034,993	5,030,960	5,042,040	5,032,665	5,057,843
Sub-Total	14,402,891	15,199,325	16,165,960	17,300,960	18,465,300
Total	72,129,630	77,083,778	84,578,801	91,165,969	98,317,067



NATIONAL INSURANCE CORPORATION

ANNUAL REPORT

JULY 2017 - JUNE 2018

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