St Vincent & The Grenadines National Insurance Services Annual Report 2017

MISSION

To provide social security and to promote social and economic development in St. Vincent and the Grenadines through prudent financial and people-centred management.

VISION

To be an institution that recognizes and assesses changing environmental trends and provides Social Security that adequately reflects our value system and satisfies our customers' needs.

CONTENTS


NIS

Chairman's Message

As Chairman of the National Insurance Board, it is always a pleasure for me to participate in the annual review of the National Insurance Service's (NIS') operations. The year 2017 was a unique chapter in the annals of NIS' 30 years of operations. In January of that year, we bade farewell to Mr. Reginald Thomas who served the institution as Director for just over 22 years. It was also an exciting year for us, as we welcomed Actuary and Chartered Financial Analyst Mr. Stewart Haynes at the helm of the institution. We also bade adieu to the Honourable Ralph E. Gonsalves, the longest serving Minister of Finance with responsibility for social security, and embraced the new Minister, the Honourable Camillo M. Gonsalves. Almost immediately, we, as a National Insurance Board, embarked on new and enhanced strategies aimed at keeping the institution sustainable. It is this paradigm shift that engendered the theme "towards a sustainable future" for the 2017 Annual Report. This new thrust meant that as a Board, we had to critically evaluate and redesign several dimensions of how we managed the institution, from the governance and legislative framework to identifying where we needed organisational change.

We recognized that after 30 years, there has been a steady trend of increased benefit pay outs and administrative costs relating to contribution income. This required us to continually examine our assumptions to ascertain how we can achieve a healthy balance between income and expenditure without jeopardizing the core mandate of NIS, which is to provide sustainable social protection to workers and their dependents of St. Vincent and the Grenadines (SVG) through an income-replacement arrangement. In this regard, the Board adopted a two-pronged approach of empowering the administration to enforce its legal mandate enshrined in the law for non-compliance and to seek for alternative investment opportunities locally, as well as intra and extra-regionally. I am pleased to report that for the period under review, several initiatives have been undertaken in Real Estate, the Equity Market, and bonds. Significant advantages will be derived from these investments in the future to assist the institution in containing the costs of paying future benefits, and at the same time augmenting the financial base.

> ***'Several initiatives have been undertaken in Real Estate, the Equity Market, and bonds.'***

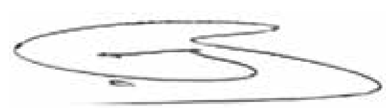
It would be remiss of me as Chairman of the National Insurance Board, if I did not mention that in spite of the narrowing of the gap between contribution income and benefits payments that, the NIS has never defaulted on its benefit payments. Every fortnight all our qualified beneficiaries receive their payments in full as a matter of right. Currently, the NIS has over 6,669 beneficiaries who receive 3 types of long term benefits-Age, Invalidity and Survivors-and over 723 beneficiaries who receive Non-Contributory and Elderly Assistance Age Benefits. In 2017, the NIS paid out about $ 88,783,855.00 in this benefit category.

> ***'In spite of the narrowing of the gap between contribution income and benefits payments that, the NIS has never defaulted on its benefit payments.'***

In terms of human resources, the Board is pleased to acknowledge the strides made by Administration in the development of its internal capacity by appointing a Risk Manager, a fully fledged Human Resource Manager, a Customer Service Manager, an Investment Manager, and a Manager of the Legal Division. We believe that these additions will raise the professional and ethical standards of the institution, while at the same time build capacity and allow for cross divisional rotation and succession planning.

Regarding the governance framework, we continue to ensure that all committees of the Board are functional and that policies and procedures are reviewed in keeping with international best practices. In 2017, the external Audit was completed in record time, way ahead of the legislated deadline. As part of service delivery and public accountability, the NIS utilized various fora and media to keep its stakeholders abreast of the operations and any new policy initiative.

Generally, I am very proud of the Board's achievements in 2017, and I especially appreciate the hard work of my committed and visionary Board colleagues, management and staff of the NIS, the past and current Ministers of social security, other social partners, including our many stakeholders who collaborate with the NIS in helping the institution to achieve its Mission and Vision. I hope that as a Board we can continue to work indefatigably towards our vision of a sustainable NIS. Let us continue to build on the momentum for change and propel ourselves to learn more about social security and enhance our impact even further in 2018.



Lennox Bowman
Chairman

Minister's Review

As the new Minister of Social Security, it is my distinct honour to join in congratulating the National Insurance Services (NIS), after 30 years of operations in Saint Vincent and the Grenadines. I am justly proud to report that since its inception in 1987, the NIS has acted as a catalyst, creating opportunities for the beneficiaries of this system and, in particular, helping poor and indigent NIS contributors to meet their basic necessities and to cope with the vicissitudes of life in their golden years.

Although the NIS is a statutory organisation, the Ministry of Finance, and by extension, the Government of Saint Vincent and the Grenadines, is charged with oversight responsibility in ensuring that the system is sustainable over the life of the system; since we are the ultimate guarantor of the funds in the event of any financial downturn or unforeseen contingency. It is precisely because of this reality, and in this context that my Ministry must ensure that recommendations made by the Actuary are seriously evaluated and expeditiously implemented, wherever practical. Although adjustments to the structure of the NIS are often accompanied by challenges from legitimate interest groups, and partisan opportunists, my paramount consideration is the role of social security in providing a cushion for its members in the event of temporary or permanent contingencies. Accordingly, the recommendations of the Actuary and the health of social security will not be sacrificed on the altars of special interest appeasement or political expediency. I therefore embrace your theme – "towards a sustainable future" – as particularly apt.

Sustainability, in the context of social security, means that the system should be resilient to meet future uncertainties. Any meaningful attempt to achieve this objective must necessarily ensure that the NIS has the ability to meet

> ***'I am suggesting that the NIS develops its digital platform and re-engineers its business processes...'***

its obligations when they fall due. It is this consciousness that necessitated parametric reform to the St. Vincent and the Grenadines system so that the Fund can remain solvent. Even as the parameters are adjusted, the NIS must also focus its attention on continuing to strengthen and improve its service delivery. Given the expansion in E-services and the proliferation of technological advances, I am suggesting that the NIS develops its digital platform and re-engineers its business processes – as a means of improving its operational efficiency and keeping the system relevant, especially to our younger generation.

Although these innovations are of crucial importance, they cannot be undertaken without paying attention to the costs of administering the system. As such, the NIS cannot let down its guard in relation to collection of contributions and expanding coverage. I am strongly advocating that the law be strictly enforced against non-compliant employers. Further, NIS should seek to establish collaborative relationships with Government agencies, banks, and other collection agencies to issue certificates of good standing with the NIS before business is transacted. Those employers that shirk their obligations to the NIS should understand that they will not be able to avail themselves of the concessions, subsidies, contracts and assorted benefits that they could otherwise expect from the State.

In the necessary exercise of expanding coverage throughout Saint Vincent and the Grenadines, it is important for the NIS to reach out to persons in the Informal sector. As a starting point must further our serious discussions on mandatory coverage of the self-employed. This would satisfy the guidelines established by the ILO, which recognise that social security is a fundamental human right, and should be extended to all workers. In spite of the perceived challenges, I firmly believe that more persons, particularly those in the lower income strata, should be registered, thereby reducing dependence on the social welfare system. As a proactive institution, the NIS should continue study these issues, make pragmatic, workable suggestions, and promote the ILO's decent work agenda, which is to promote decent work for all.

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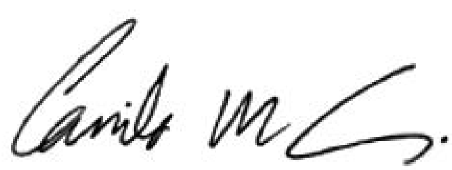
In closing, I wish to reiterate the Government's wholehearted appreciation to the Board of Directors, the Management and staff of the NIS for making the NIS a flagship institution in the non-banking financial sector in Saint Vincent and the Grenadines, and across our region. I look forward to strengthening the collaborative relationships with the NIS as we continue to champion the cause of all the stakeholders whose common interests we hold in trust.



Hon. Camillo M. Gonsalves
Minister of Finance, with responsibility for social security

Served with Distinction. Valete!

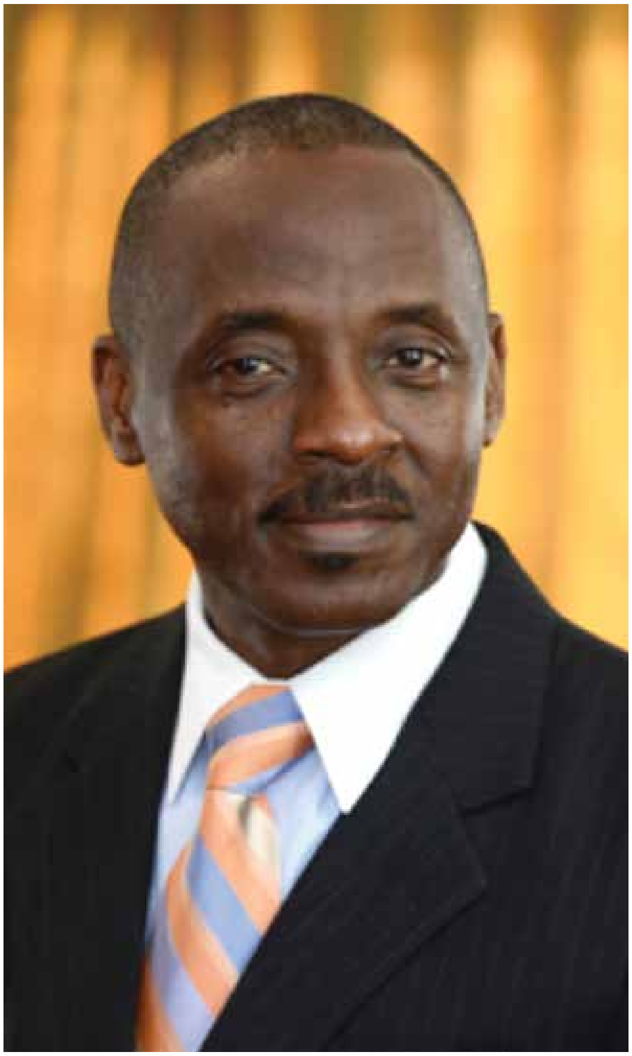
Hon. Ralph Everard Gonsalves
Minister with responsibility for National Insurance: March 2001 - December 2017

On assuming the office of Prime Minister of St. Vincent and the Grenadines in March, 2001, the Hon. Ralph E. Gonsalves also took the reins of Minister with responsibility for Social Security (National Insurance) and has the distinction of being the longest serving Minister to have held that portfolio. The Honourable Ralph Gonsalves understood the pivotal role that the National Insurance Services (NIS) played in the economic and social development of St. Vincent and the Grenadines (SVG). He was always aware that National Insurance guaranteed its contributors a better life in the event of contingencies by providing a cushion to replace lost income. Undoubtedly, many of the social and economic programmes that are enshrined in the social and economic fabric of SVG as a result of input from the NIS can be attributed to his dynamic and visionary leadership. Some of the highlights achieved during his incumbency are:

- 100% Mortgage finance for public servants
- Introduction of voluntary coverage for undocumented nationals in the Diaspora
- Student Loan programme including the economically disadvantaged loan for persons accessing university education
- Construction of the two Golden Years' Activity Centres at Cane Grove and Black Point
- Construction of the ultra-modern NIS' Headquarters
- Purchase of the Ultra sound and CT Scan machines for the Milton Cato Memorial Hospital (MCMH)
- Introduction of the Elderly Assistance benefit (EAB)
- Ratification of the Maritime Convention to make seamen eligible as employees under the NIS

The Board of Directors, Management and staff of the NIS say a heartfelt thank you to the Honourable Ralph E. Gonsalves for the unstinting service that was portrayed during his tenure of service as Minister with responsibility for National Insurance.

Served with Distinction. Valete!



Reginald F. Thomas
Executive Director
May 1994 -January 2017

On January 31, 2017, the National Insurance Services (NIS) bade farewell to Mr. Reginald F. Thomas after serving that institution for 39 years. He spent twenty- two (22) of those years in the capacity as Executive Director before accepting the position of Director of the Inter-American Conference on Social Security (CIESS) in Mexico City.

Mr. Reginald Thomas was appointed the Executive Director of St. Vincent and the Grenadines National Insurance Services in May 1994. Prior to that time, he served as Deputy Executive Director. Prior to taking up the position of the Director of the CIESS, Mr. Thomas served as the Co-ordinator of Sub-region IV of the Inter American Conference on Social Security, which includes North America/Canada and the English speaking Caribbean. He was a former Board Member/Deputy Chairman of the Eastern Caribbean Home Mortgage Bank and served as a Director on the Board of the Eastern Caribbean Security Exchange (ECSE).

During his stint as Director of NIS SVG Mr. Thomas would have made several presentations on matters relating to social security in the regional and international arenas. Some of his papers include a presentation on AIDS at the 6th Technical meeting of The Commission on Organization and Administrative Systems (CAOSA) in Guatemala in May 2000, a paper on Techniques for Actuarial Valuations in June 1999 and a paper in Cuba on Contemporary problems in pension systems.

The introduction of the computerized operations of the NIS is directly attributable to Mr. Reginald Thomas' legacy. The Board of Directors, Management and staff of the NIS acknowledge Mr. Thomas' contribution to the NIS over the years of his service in the position of Executive Director and wish him success in his new role.

Welcome.
Salve!

Stewart K. Haynes
CEO, National Insurance Services

The National Insurance Board, Management and staff extended sincere congratulations to Mr. Stewart K. Haynes of Queens Drive on his appointment as the new CEO (DIRECTOR) of the National Insurance Services. The appointment took effect on February 01, 2017 following the resignation of Mr. Reginald Thomas who accepted the position as Director of the Inter-American Conference on Social Security in Mexico City.

Mr. Haynes is a Fellow of the Institute of Actuaries (Qualified Actuary), and is the first Vincentian to have achieved this professional designation. He is also one of few Vincentians who hold the prestigious designation of Chartered Financial Analyst (CFA). He also holds a BSc in Actuarial Science from the renowned London School of Economics and an MSc in Actuarial Management from CASS Business School London, with a specialty in Investment Management. He has been serving the National Insurance Services since 2005 in various capacities as Research and Investment Analyst, Statistician and most recently as Investment Manager. He has performed remarkably well in all of these positions. Mr. Haynes is a former National Scholar of St. Vincent and the Grenadines (1998).

Prior to joining the NIS, he served at the former National Commercial Bank, St. Vincent and the Grenadines Electricity Services, taught as a teacher at the St. Vincent Grammar School, and as a Statistician with the Government of St. Vincent and the Grenadines at the Central Planning Division. He also has experience working with several Social Security Systems in the region as an Actuarial Analyst and has gained extensive experience from serving as a Director with the Financial Services Authority (FSA), Chairman of the Credit Committee for GECCU, and Chairman of the National Student Loan Company. Further, he continues to provide the Board with sound actuarial advice and was instrumental in the reform initiative of the National Insurance Services that was undertaken in 2014.

We are confident that with Mr. Haynes' rounded experience and qualifications that the NIS will continue to progress in the dynamic business environment and that he will serve in the best interests of all stakeholders.


NIS

NIS Timeline

2001
New Prime Minister and Minister with the responsibility for National Insurance Hon. Dr. Ralph Gonsalves, new Chairman, Mr. Lennox Bowman and appointment of new Board of Directors

2001
The 5th Actuarial Review was completed

2002
Launching of “Walk Through...Layman’s Guide to NIS” by Ms. Mineva Glasgow

2003
Golden Years Activity Centre-the Year 2003 signalled the commencement of the Golden Years Activity Centre at Cane Grove

2003
Re-launching of “NIS on Wheels” Public Education Programme

2004
Official name change from “National Insurance Scheme” to “National Insurance Services”

2004
Launching of the Self-employed programme for market vendors

2004 & 2005
Opening of NIS Golden Years Activity Centres at Cane Grove and Black Point

2005
Launching of “NIS Made Simple for Schools” by Ms. Mineva Glasgow

2006
Launching of E-Submit Software to facilitate electronic submission of records

2006
Insurance Earnings:
Monthly-$4,333
Weekly-$1,000

2006
Establishment of NIS Medical Board

2007& 2008
Presentation of the NIS Carnival Monday T-Shirt Band dubbed “Magic Monday”

2007
NIS 20th Anniversary Activities:
- Church Service
- Hosting of the Caricom Social Security Heads Meeting
- Panel Discussion- “The Future of Social Security in the English Speaking Caribbean”
- School Rally
- Open Day and Pensioners Fun Walk
- Launching of the NIS “Heritage Groovers Musical Band”
- Donation to the School for Children with Special Needs

2008
Opening of the NIS new Headquarters

2008
Opening of the NIS Union Island Land Service Centre

2001 2002 2003 2004 2005 2006 2007 2008

2009
Adoption of the ILO Ocupational Health & Safety in the Workplace; Adoption of the ILO Decent Work Agenda

2009
Hosting of the Regional Social Security Easter Games. St Vincent NIS Sports Club Placed 1st

January 5, 2010
Launched OSH Policy

2010
International Social Security Association (ISSA) Best Practice Award for the Americas

October 01, 2010
Initiated the International Day of the Elderly

2011
Opening of the NIS Research Centre

2013
Launching of the enhanced version of the E-Submit Software

2013
Opening of the Document Management Division. The Division was established to assist the NIS in the efficient storage (electronic and retrieval of documents/records

2013
NIS SVG hosted the ISSA Good Governance workshop for the CARICOM Social Security Institutions

2014
Opening of new service centres in Georgetown and Bequia

2015
Hosted Pensioners' Appreciation Day

2015
NIS SVG hosted the CARICOM Social Security Agreement

2016
Hosted CARICOM Heads of Social Security Meeting

2017
Bade farewell to Hon. Ralph E. Gonsalves as Minister with responsibility for National Insurance, bade farewell to Mr. Reginald Thomas as Director of National Insurance Services, and welcomed Mr. Stewart Haynes as the new Director of the National Insurance Service

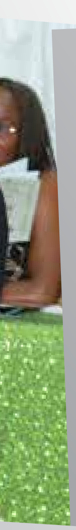
2009 2010 2011 2013 2014 2015 2016 2017


NIS WOMAN OF


NATIONAL INSURANCE SERVICES
30th
30
FINANCIALLY SOUND AND CUSTOMER FRIENDLY
NIS TURNS 30





Presented to
Minova Glasgow



NIS MAN OF THE MONTH
MAY 2017

DIRECTOR'S REPORT FOR 2017 ANNUAL REPORT

On February 1st, 2017, the National Insurance Services embraced an important, smooth and effective transition in leadership at the helm of the institution. Mr. Stewart Haynes, CFA, FIA succeeded Mr. Reginald Thomas who faithfully served as Director for over two decades. The visionary and astute Board must be commended for its sound and practical succession plan that underpinned the seamless and successful leadership transition process. In addition, Mr. Reginald Thomas must be recognised for his critical role in the transition process by handing over an institution in the mode of sustaining success with limited need for realignments to optimise performance within the short term.

During the fiscal year 2017, the NIS recorded material progress in its operations, where it provided sustainable social protection to approximately 44% of the national population and accumulated an asset base, which represented 25% of the National GDP. This systemically important financial and social institution produced the healthy results within a many-sided challenging environment because it took account and responded to the environmental factors that have material influences on the finances and sustainability of the social protection framework. The NIS operated within the following environmental context:

- **Economic Landscape** - The small and open features of the local economy means that global economic activities have knock-on effect on local economic activities largely through tourism, foreign direct investments, trade and remittances. In 2017, the global economy recorded the fastest growth of 3.8% since 2011.This healthy economic upswing is also the broadest synchronized growth upsurge since 2010. Over 120 economies, accounting for three quarters of the world's GDP posted year-on-year growth in 2017. The catalysts of the strong 2017 global growth were rebounded in global trade, investment recovery in advanced countries and continued strong growth in emerging Asia. The growth trends were also present in the regional economies except for Trinidad. The Trinidad economy contracted by 1.9% in 2017.On average, the ECCU economies expanded in 2017 at 1.8% compared to 2.9% in 2016. Economic activities expanded in six of the eight territories. Negative growth was witnessed in the hurricane-stricken territories, namely, Anguilla and Dominica. The local economy was estimated to have expanded by 1.6% in 2017 slightly higher than the 2016 level of 1.3%. The local economic growth was driven by expansion in the construction and manufacturing and transport sub-sectors. The local economy remains vulnerable to adverse climate conditions, burdensome fiscal challenges and sizeable debt levels.

- **Demographic Landscape** - One of the greatest challenges facing the NIS over the next few decades is the demographic shift of the population. The demographic structure would be shaped by the declining fertility rate, which is projected to decline from 2.16 in 2017 to 1.8 in 2025, and the increase in life expectancy at birth. Life expectancy at birth is estimated at 73 years for males and 77 years for females. The incidence of population aging and decline implies that a shrinking group of workers and contributors will be asked to support a growing group of pensioners. Consequently, the scheme dependency ratio (ratio of workers to pensioners) is projected to decline from about 5.6 in 2017 to 2.0 in 2076.

- **Labour Market Dynamics** - Notwithstanding the sparse availability of current data on national labour market statistics, the level of unemployment is approximated above 15% with youth employment exceeding this general unemployment level. Most new jobs are created in the informal and self-employed sectors where social security coverage is low. In the formal sector, the Government played an outsize role in employment. In the banking sector, there was evidence of staff rationalisation owing to cost containment strategies and use of ICT to deliver banking services.

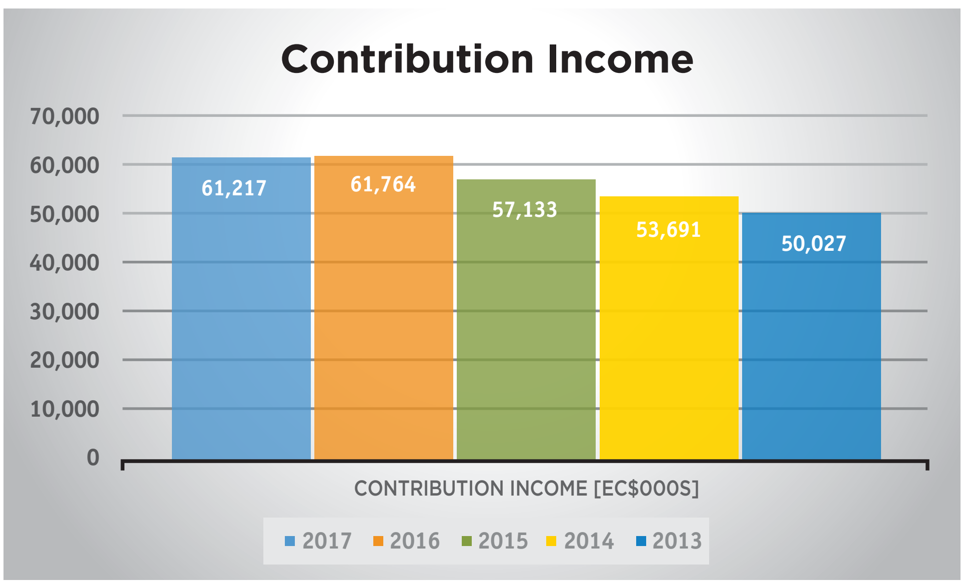
- **Financial Markets Developments** - The Trust Funds are invested in both international and regional financial markets. The international financial equity markets rallied in 2017 and investors, including the NIS, benefited from the upswing in the US equity markets. The international equity markets recorded stellar double-digit growth in 2017. NASDAQ Composite, Dow Jones Industrial Average Index and Standard and Poor's 500 index posted solid upswings ranging from 18% to 28%. However, the yield constrained fixed income environment tempered growth in the fixed income portfolios. The low interest rate environment and nascent regional capital markets dampened total returns (income generation and capital appreciation) on the regional portfolio. The low interest rate environment elevates the reinvestment risks faced by NIS in the review period because matured funds had to be reinvested in lower yielding assets.

The successful operational year was also attributed to the timely and strategic allocation of our limited technical, human, financial and administrative resources in to the areas of contribution collection and compliance, coverage, cost containment, prudent investment management and corporate governance.

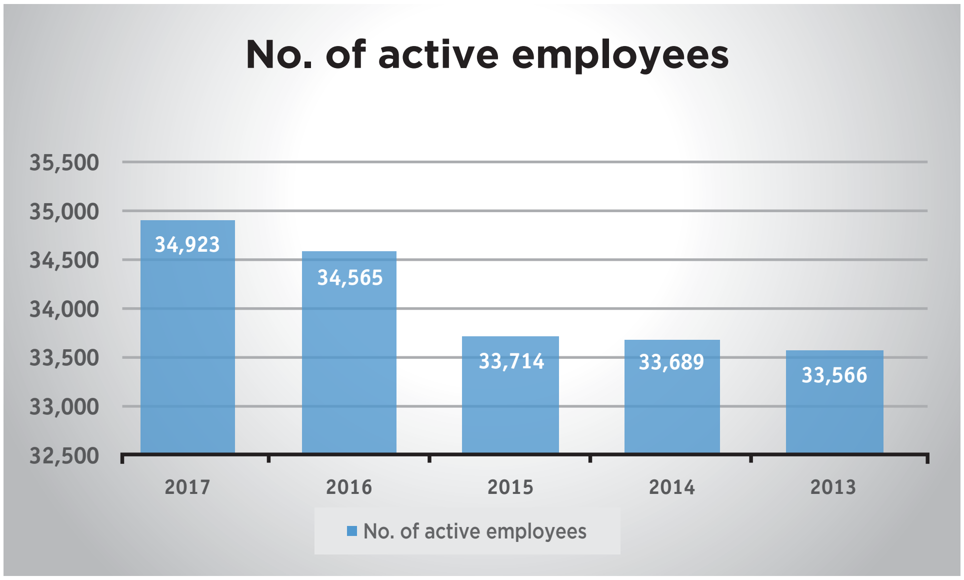
CONTRIBUTION COLLECTION AND COMPLIANCE

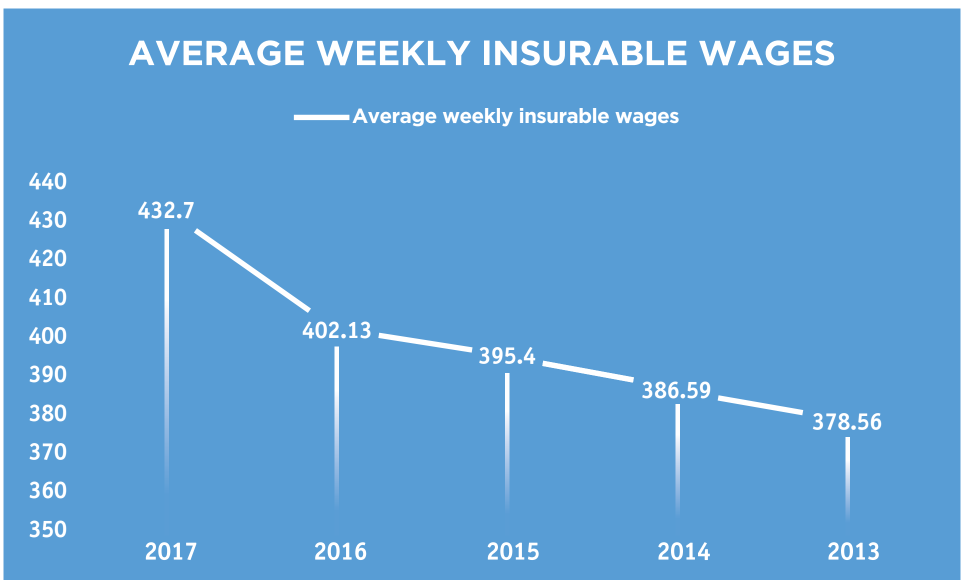
The NIS provides a comprehensive package of social security benefits, which is financed by a mandatory payroll contribution for employees. The total contribution rate for NIS is 10%, of which 5.5% is paid by employers and 4.5% by employees. The self-employed workers can also voluntarily participate in the program by paying 9.5%, which provides coverage for long-term benefits and short-term benefits.

For the first time in NIS' history, the total contribution income marginally declined from $61.7 million in 2016 to $61.2 million in 2017. Whilst cash contribution collection in 2017 was higher than in 2016, the increase in impairment allowance for contribution receivable and a more conservative recognition of contribution receivable attributed to decline in total contribution. The effects of the increased provision outweighed gains made by the increase in active insured population from 34,565 in 2016 to 34,923 in 2017 and growth in average weekly insurable wages from 402.13 in 2016 to $432.70 in 2017. The table below shows the movements in contribution income from 2013 to 2017:



The main drivers of contribution income are the active insured population, the contribution rate, the average insurable wages and contribution density. In the review period, the contribution rate remained fixed at 10%. The 5-year positive movements of the active insured population and average weekly insurable wages are presented in charts below;





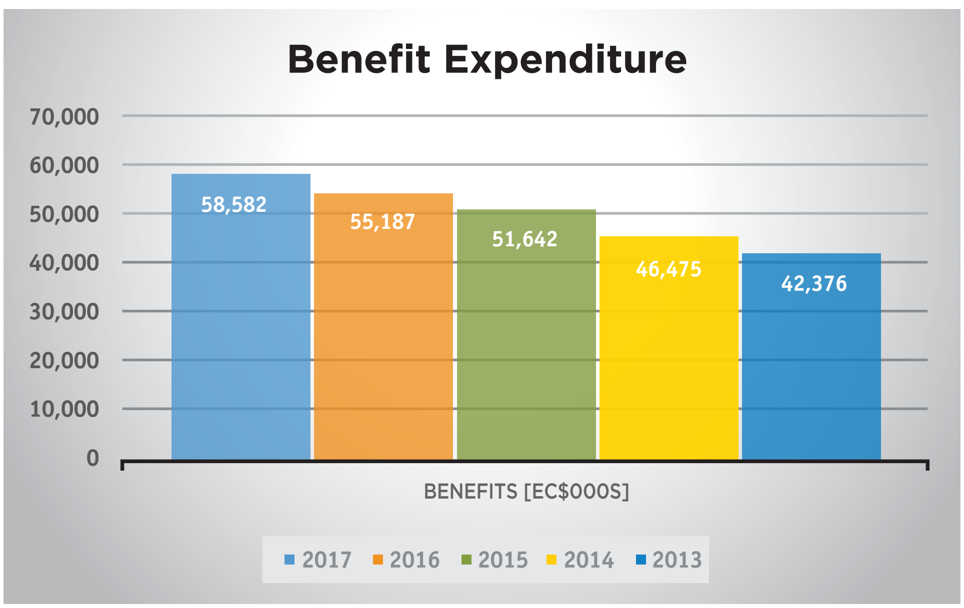
An improvement in debt collection strategies led to the increase in contribution arrears from $3.6 million to $7.1 million. As at the end of 2017, the outstanding contributions from private sector to the NIS stood at an unacceptable level and would be vigorously pursued by the NIS.

BENEFITS

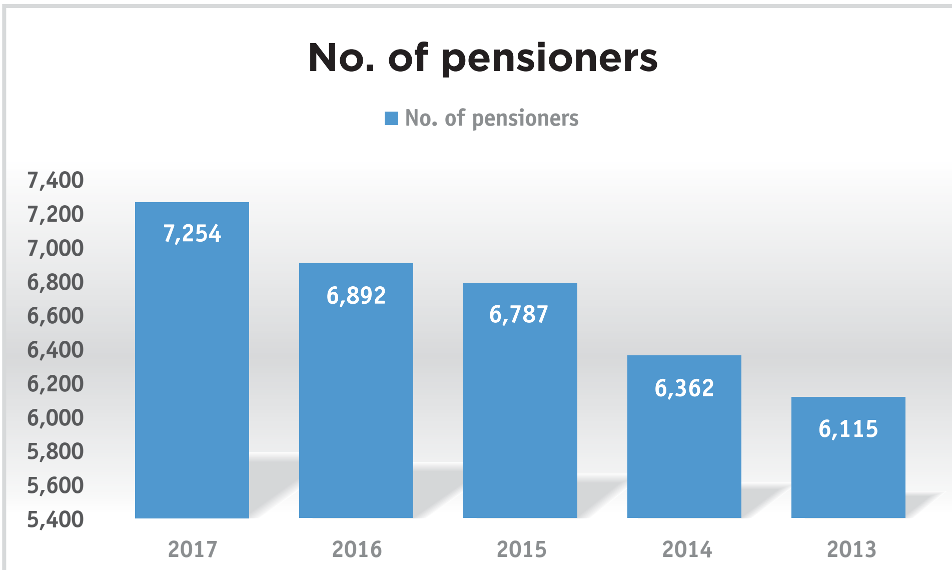
The NIS currently offers three types of social security benefits-short-term benefits (maternity and sickness), long-term benefits or pensions and employment injury benefits. The NIS also administers payments relating to National Provident Funds.

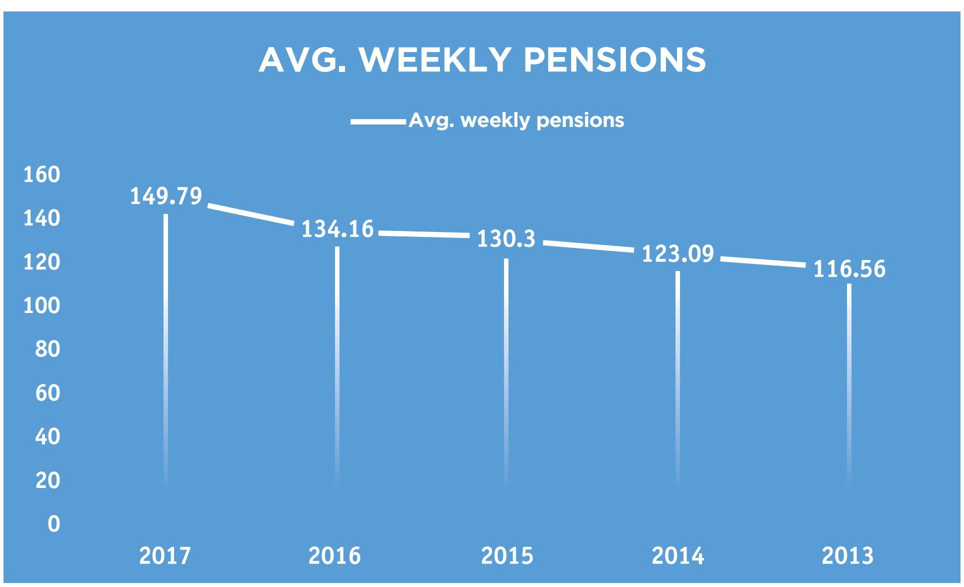
The long-term benefits including age, invalidity and survivors' pensions account for the majority of benefit outlays. At the end of 2017, the long-term benefit branch accounted for 90%of benefit outlays. The size of this branch will only increase over time as the system matures (transitioned) into predominantly pension based rather than grant based) and population aging continues.

Benefit outlays grew by 6.6% in 2017 compared to previous year, moving from $57.1 million to $60.9 million. As expected, in a maturing plan, the steady growth in pensions was the major driver of benefit payments in 2017. The advancement in pensions was supported by a 5% growth in the pensioners' population from 6,892 at the beginning of the review period to 7,254 at the end of review period. Additionally, average weekly pensions recorded a strong 12% growth in the review period. The pattern of benefit growth in the last five years is presented in chart below:



As time progresses, the current contributors are amassing a larger contribution history and the replacement rate for new retirees will approach the statutory maximum. Consequently, the average pension for new retirees would increase. However, the phased implementation of the 2014 reform measures (including gradual increase in pension age and changing accrual rates) tempered the pace of benefit growth. The year-on-year growths in the pensioners' population and average weekly pensions are schematically presented below:

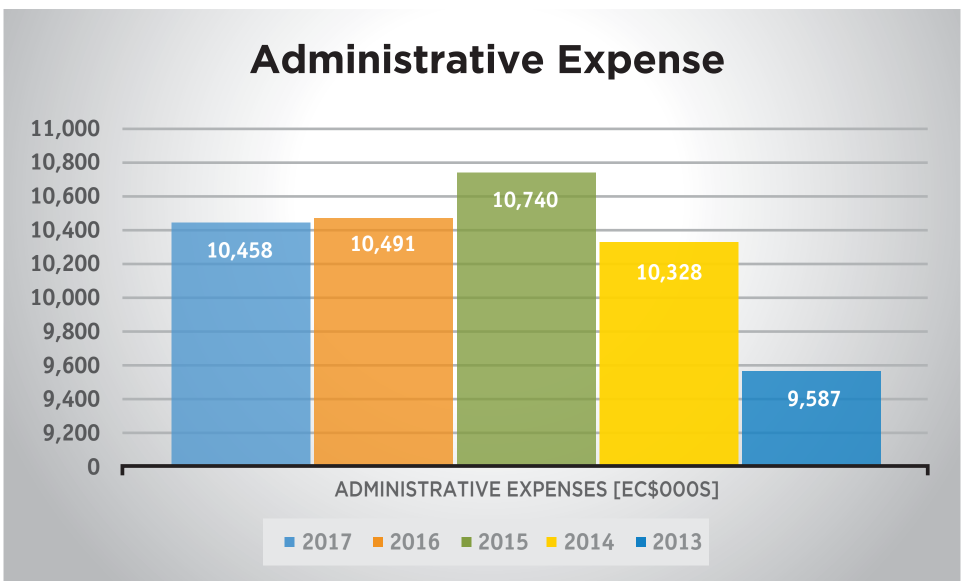




ADMINISTRATIVE EFFICIENCY

The NIS incurs administrative expenses in performing its core functions of collection of contribution, record keeping, asset management, benefit adjudication and payments and other ancillary services. The level of administrative expenses needs to be managed as they have the potential of exacerbating NIS' financial difficulties. For this reason, a target was set in 2017, to attain an administrative efficiency ratio (ratio of administrative expenses to contribution income) of 15 cents.

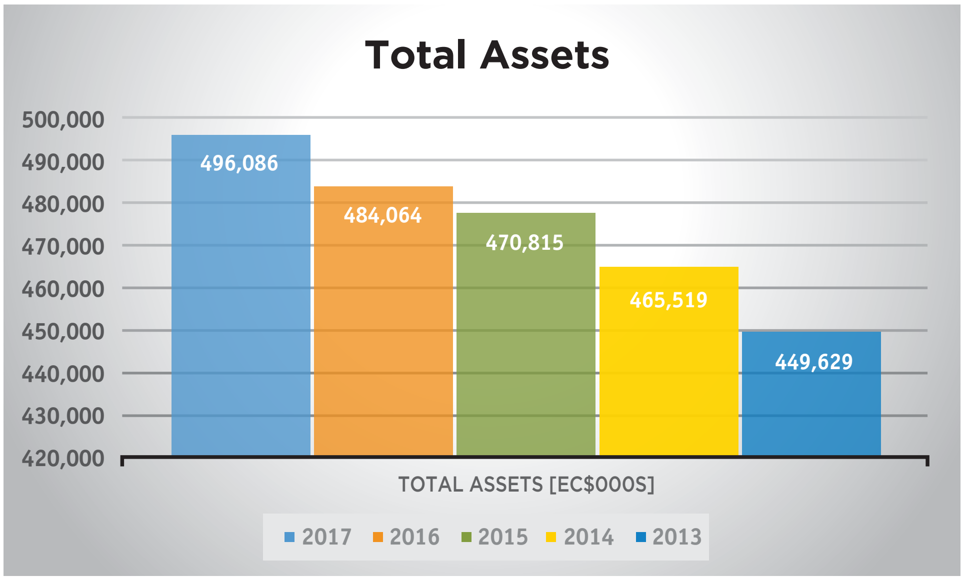
Whilst the nominal value of administrative expenses anaemically declined from $10.49 million in 2016 to $10.46 million in 2017, the administrative efficiency ratio remained flat at approximately 17 cents. This level of administrative expenses is considered high relative to regional standards, but, on the other hand, the small size of the system precludes NIS from benefiting from economies of scale. The last actuarial report commended the Board and Management for taking bold steps to reduce administrative expenses. The management would continue to build a cost-conscious culture within NIS and utilise ICT to contain cost and improve service delivery. The 5-year movements of administrative expenses are outlined in the chart below;



TRUST FUNDS

The NIS operates a pay-as-you-go and partially funded social security system. In this context, excess contributions that were not required to finance recurrent expenditure are deposited in the NIS' trust funds, which are in turn invested in a variety of asset classes. Safety (preservation of system's assets), liquidity (having funds available to meet financial obligations when fall due) and yield (achieve optimal returns) remain the guiding principles for the fund managers.

At the end of 2017, the asset base stood at $496 million, representing a 2.4% growth over previous year. Investment assets accounted for approximately 89% of the total asset base in 2017 and the remaining 11% of assets are non-earning investment income. The growth in assets in the last five years is presented below:



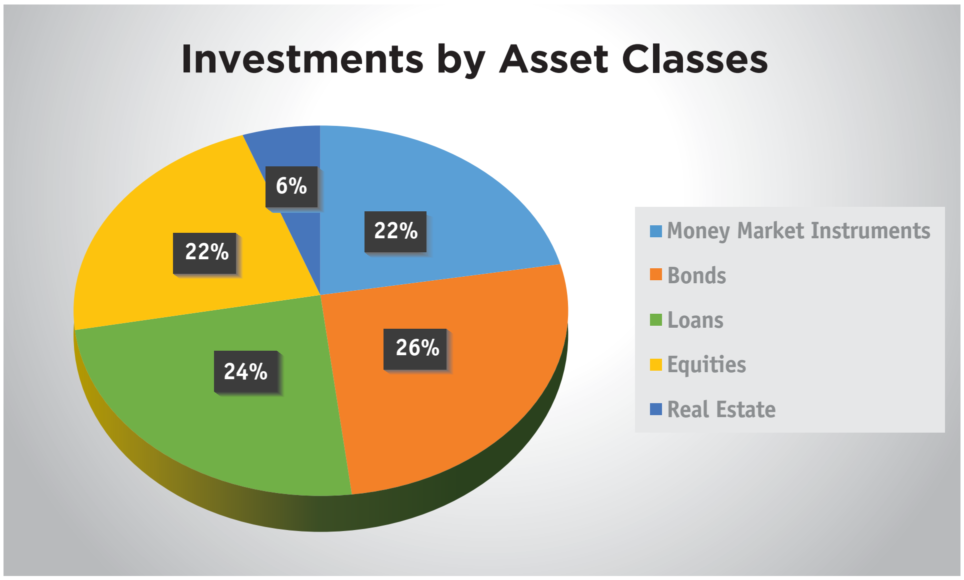
Reserves which are viewed, in social security context, as the amount set aside to meet future expenses stood at $490.8 million at end of 2017 compared to $478.5 million in 2016. The positive net income of 10.2 million in 2017 contributed to growth in reserves. Of the $490.8 million reserves, invested assets back $441.2. This revealed a 90% efficiency ratio of in which assets are productively invested.

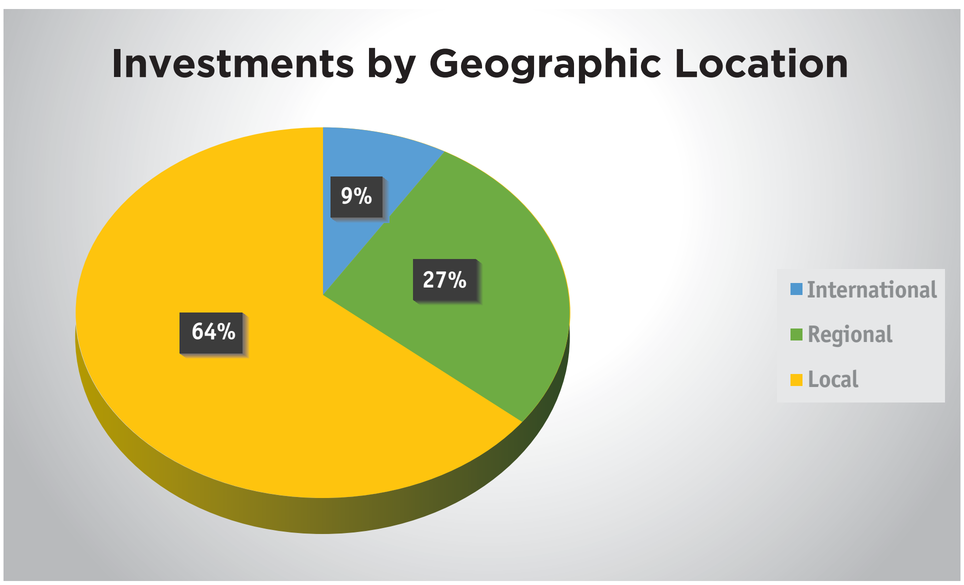
During the review period, the investment strategy focused on achieving a calibrated balance between income generation and capital preservation. Within this framework, the NIS made progress in improving the risk/return profile of the investment portfolio through de-risking and diversifying strategies. Both internal and external managers were used to enhance the risk/return profile of the NIS' portfolio.

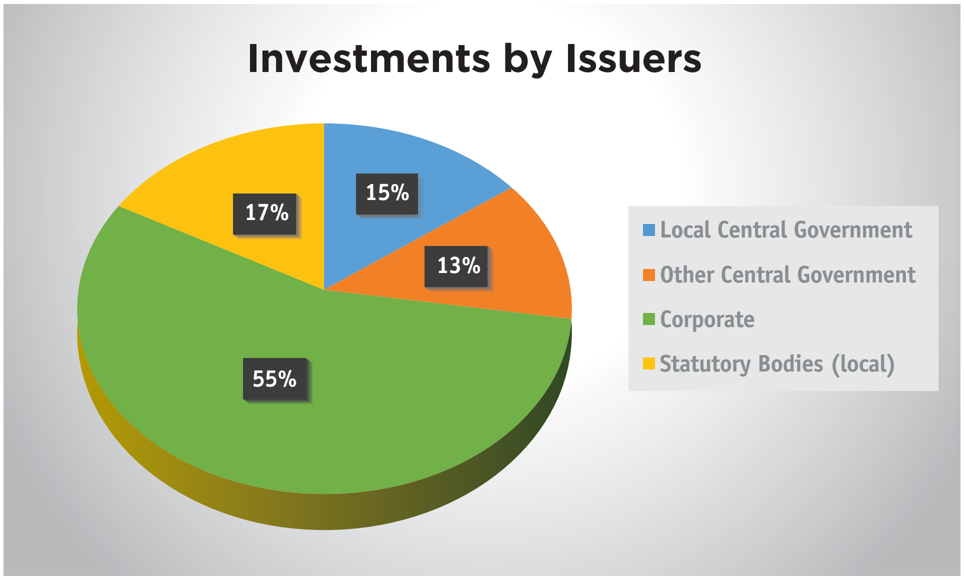
The investment portfolio advanced by 2.7% moving from $429.5 million at end of 2016 to $441.2 million at end of 2017. The strong growth in the international equities sub-portfolio was the catalyst for the upswing in the total investment portfolio.

The healthy returns on the international equities sub-portfolio caused the financing income to rise by 28% moving from $16.2 million in 2016 to $20.8 million in 2017. The nominal rate of return on the investment portfolio stood at 4.9% at end of 2017 compared to 3.9% at end 2016, which exceeded the 2017 actuarial hurdle rate of 4.5%.

During the review period, the NIS improved the risk/return profile of its investment portfolio by diversifying across geographic locations, asset classes, maturity dates and issuers. The graphs below depict the reasonable diversity of the NIS' investment portfolio by the mentioned criteria:







The National Insurance Fund investments are guided by a comprehensive investment policy and guidelines, which are generally reviewed annually with substantive reviews every three year in line with the actuarial review of the Fund. The policy sets out, among other things, the investment objectives, the investment constraints, the investment strategies, the strategic asset allocation benchmark and the role and responsibilities of Board, Investment committee, Director and Investment unit.

COVERAGE

The aspect of coverage is a significant policy agenda for administrators of social security systems since it has implications on relevance and sustainability of the social protection framework.

At end of 2017, the social security coverage of the formal sector remained flat at approximately 85% compared to previous year. This indicated that NIS provides reasonably good coverage to the formal sector workers. In addition, the wage ceiling which is set at $4,330 per month represented 4.7 times average insurable earnings and covered 94% on workers' income.

However, despite slight improvement in coverage of informal and self-employed sectors over previous year, the coverage of self-employed was low relative to regional and international standards. For instance, the number of deaths that resulted in funeral grants was estimated at 525 in 2017 and the number of births that resulted in maternity grants stood at approximately 33%. This, in part, reflected the low coverage rates of informal, self-employed and rural sectors workers.

In the review period, the NIS partnered with key strategic partners including Centre for Economic Development (CED), Adult Education Group, Ministry of Agriculture and other informal and self-employed organisations to extend social security coverage among informal sectors through a series of public outreach programmes and sponsorships of activities in these sectors

COVERAGE

The institution took steps to strengthen its governance framework and mechanisms in the review period by aligning its governance practices with ISSA guidelines on good governance. In this context, the NIS embarked on training in areas of Governance for Board and senior management. The institution also developed an enterprise-wide risk management policy that provides unambiguous and clear guidelines on managing the serious risks facing the social security system. The Board also established a separate risk committee of the Board to strengthen the risk management systems of the NIS.

The Board's commitment to transparency and accountability was manifested in the timely completion of the audited financial statements and 10th actuarial valuations of the National Insurance Fund. Both statutory requirements were completed before the statutory deadlines. These independent assessments of the NIS' performance and internal controls were furnished to the Minister and Cabinet well in advance of statutory deadlines.

SUSTAINABILITY

Morneau Shepell, an independent actuarial consulting firm headquartered in Canada, conducted the 10th Actuarial Assessment of the National Insurance Fund. The actuarial review aimed at determining whether the social security system in SVG operates on sound actuarial and financial bases and whether the system provides adequate and affordable benefits.

The head Actuary, Mr. Derek Osborne, opined that the National Insurance policy and design indicators suggested that current contribution (wage ceiling) and benefit (replacement rates and minimum pensions) provisions generally provide good level of benefit adequacy and income protection to most workers and pensioners. However, he cautioned that population aging, low contribution rates relative to generous benefit package and the maturity of the scheme would result in steep increases in benefits in the medium and longer term that outstrip contributions and dissipate the accumulated assets.

In any defined benefit, pay-as-you-go and partially funded scheme, as population ages and the system matures, the sustainability indicators deteriorate. The long-term cost of benefits over the next 60 years is projected between 18%-22% and the number of contributors for each pension in payment is expected to fall from 5.6 in 2016 to 2.0 in 2076.

The 10th Actuarial Review revealed that NIS is currently financially sound but faces long-term sustainability challenges under the current benefit and contribution provisions as most social security systems in the Caribbean.

Following are values of key sustainability indicators as of end 2017 with brief comments on status.

Sustainability Indicators

Indicators	Description	2017	Comments
Contribution rate	Rate levy on insurable wages	10%	Increased in 2014 from 8% to 10%
Expenditure rate	Ratio of total expenses to total insurable wages	12%	Exceeded contribution rate which indicates negative cash flows from core operations
Reserve-Expenditure Ratio	Ratio of beginning reserves to total expenditure	6.87	Lower than bencmark of 10 and reflects maturing plan
Balance Ratio	Total expenditure minus contribution income and divide by investment income	-0.49	49% of investment income is used to finance recurrent expenditure The pace at which benefits outstrip contribution income
Scheme dependency Ratio	Number of pensioners per contributor	.21	High dependency ratio where 4 contributors are supporting 1 pensioner
Financial Ratio	Average pensions as % of Average Insurable Wages	35%	Benefit outlays growing faster than insurable wages

The Board and Management would continue to monitor the sustainability indicators to determine an appropriate time to implement further parametric reforms to the system whilst due regard is given to the legitimate expectations of current and future workers for reasonable pensions.

CONCLUSIONS

The National Insurance Services materially touches the lives and livelihoods of individuals, families and societies and it is paramount that this noble institution remains sustainable to provide sound income protection for its constituents. It is this consciousness that underpins the theme “Towards a sustainable future” for the 2017 Annual Report.

The NIS would continue to work with various stakeholders to enhance the relevance and financial soundness of the social security system. Primarily, the NIS would bolster its customer engagement and compliance programmes to encourage employers to meet their statutory obligations (payment of contributions, registration of businesses and submission of records) under the NIS Act.

I would like to express gratitude to our members for their unstinting support to strengthen the social protection framework locally. Also, I salute the Government of St. Vincent and the Grenadines for fashioning policy initiatives that create a growth environment for NIS. The Board must be commended for its visionary and astute leadership in social security services. Finally, I owe a debt of gratitude to the dedicated, committed and hardworking staff of the NIS for their invaluable roles in administering and advocating a dynamic and efficient social security system.

....

Mr. Stewart Haynes
Director

Board of Directors

Mr. Lennox Bowman
Chairman

Mr. Elroy John
Deputy Chairman

Mr. Liley Cato
Director

Miss Ann Jones
Director

Mr. Gavin Jackson
Director

Ms. Joy Matthews
Director

Mr. Loyd Small
Director

Mr. Gideon Browne
Director

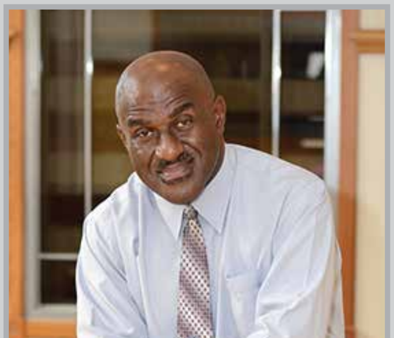
Executive Management

L - R: Dr. Mineva Glasgow - Deputy Director, **Mr. Stewart Haynes -** Director**, Lennox Timm -** Financial Comptroller

Department Managerial Staff


Mr. Hannif Sutherland, *Manager*
IT Department


Mr. Jeremy Jackson, *Manager*
Accounts Department


Mr. Leslie Jacobs, *Manager*
Benefits Department


Mr. Richard Lewis, *Manager*
Compliance Department


Mrs. Valina Browne-Henry, *Manager*
Stats & Research Department


Mrs. Nicole Byron
Assistant Accountant


Ms. Andrea James, *Legal Officer*


Ms. Colleen Thomas, *Manager*
Data Processing Department


Ms. Dawn Small, *Manager*
Document Management, Archiving Dept


Ms. Lucille Browne, *Manager*
Human Resource Department


Ms. Sharon Ashton, *Manager*
Customer Service Department


Ms.Susan Samuel, *Manager*
Internal Audit Department

National Insurance Services

Financial Statements

for the

Year Ended

December 31, 2017

NATIONAL INSURANCE SERVICES

Table of Contents	Pages

NATIONAL INSURANCE SERVICES

REGISTERED OFFICE
Bay Street, Kingstown
St. Vincent

DIRECTORS
Mr. Lennox Bowman - Chairman
Mr. Elroy John - Deputy Chairman
Mr. Gideon Browne
Mr. Garvin Jackson
Ms. Joy Matthews
Mr. Lloyd Small
Mr. Liley Cato
Ms. Ann Jones

EXECUTIVE DIRECTOR
Mr. Reginald Thomas (Resigned January 31 st , 2017)
Mr. Stewart Haynes (Appointed February 1 st , 2017)

SECRETARY
Mr. Reginald Thomas (Resigned January 31 st , 2017)
Mr. Stewart Haynes (Appointed February 1 st , 2017)

BANKS AND NON-BANK FINANCIAL INSTITUTIONS
Bank of St. Vincent and the Grenadines
Bank of Nova Scotia
RBTT Bank Caribbean Limited
Scotia Private Client Group
First Citizens Investment Services Ltd
St. Vincent Co-operative Bank Limited
St. Vincent Union of Teachers Co-operative Credit Union
RBC (Royal Bank) Trinidad and Tobago Ltd
National Bank of the British Virgin Islands

SOLICITORS
Regal Chambers
Phillips and Williams
Saunders and Huggins
Baptiste and Company Law Firm Inc.
Duane Daniel Chambers
Marks and Marks

AUDITORS
KPMG Barbados and the Eastern Caribbean

KPMG
First Floor
National Insurance Services Headquarters
Upper Bay Street
P.O. Box 587, Kingstown
St. Vincent and the Grenadines

Telephone: (784) 451-1300
Fax: (784) 451-2329
Email: kpmg@kpmg.vc

INDEPENDENT AUDITORS' REPORT

To the Honourable Minister of Finance
National Insurance Services
Bay Street
Kingstown

Opinion

We have audited the financial statements of National Insurance Services ("the NIS"), which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the NIS as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the NIS in accordance with the ethical requirements that are relevant to our audit of the financial statements in St. Vincent and the Grenadines 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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Honourable Minister of Finance
National Insurance Services

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

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

In preparing the financial statements, management is responsible for assessing the NIS' 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 NIS or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NIS's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Honourable Minister of Finance
National Insurance Services

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 NIS'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 NIS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the NIS to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

KPMG

Kingstown, St. Vincent and the Grenadines
April 13, 2018

NATIONAL INSURANCE SERVICES
Statement of Financial Position
For the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars

	Notes	2017 $	2016 $
ASSETS			
Cash and cash equivalents	7	40,871,472	23,248,595
Loans and advances	8	105,314,661	119,048,871
Interest receivable on investment securities	8	3,203,245	4,355,108
Interest receivable on loans	9	10,197,483	6,896,924
Investment securities and deposits	10	249,464,711	241,433,893
Investment in associate	11	20,854,534	21,166,332
Investment properties	12	15,811,287	15,686,332
Inventories	13	8,929,497	8,923,243
Property and equipment	14	28,338,729	28,441,989
Intangible assets	15	12,265	1,219,559
Contributions receivable	16	8,648,989	9,503,333
TOTAL ASSETS		4,440,072	4,140,199
		496,086 ,945	484,064,378
LIABILITIES AND RESERVES			
Liabilities			
Benefits payable		3,081,218	2,396,521
Accounts payable and accrued liabilities		2,123,143	3,191,544
Deferred income	17	42,460	-
Total liabilities		5,246,821	5,588.065
Reserves			
Short-term benefit	18(a)	26,768,984	24,454,233
Pension	18(a)	363,786,673	359,607,988
Employment injury benefit	18(a)	65,112,341	59,441,225
National provident fund	18(b)	39,400,981	41,370,556
Fair value reserve	18(c)	(4,228,855)	(6,397,689)
Total reserves		490,840,124	478,476,313
TOTAL LIABILITIES AND RESERVES		496,086,945	484,064,378

The notes on pages 9 to 55 are an integral part of these financial statements.

APPROVED FOR ISSUE BY THE BOARD AND SIGNED ON ITS BEHALF BY:

Lennox Bowman - Chairman

Elroy John - Director

Stewart Haynes - Secretary

NATIONAL INSURANCE SERVICES
Statement of Comprehensive Income
For the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars

	Notes	2017 $	2016 $
INCOME			
Contributions			
Employers' contributions		32,953,887	33,290,646
Employees' contributions		26,956,771	27,223,838
Self-employed persons' contributions		987,110	894,024
Voluntary contributions		319,463	355,839
		61,217,231	61,764,347
Benefits paid	21(a)	(58,582,044)	(55,187,291)
SURPLUS OF CONTRIBUTIONS OVER BENEFITS		2,635,187	6,577,056
Net finance income	19	20,789,686	16,211,257
Other income, net	20	464,348	2,679,737
Income before National Provident Fund (NPF) benefits, bad debts and general and administrative expenses		23,889,221	25,468,050
NPF benefits paid	21(b)	(2,388,159)	(1,929,929)
Bad debts expense		(402,231)	(1,220,737)
Impairment losses		(643,880)	(3,814,042)
General and administrative expenses	22	(10,458,176)	(10,490,835)
		(13,892,446)	(17,455,543)
Share of profit of associate	10	198,202	966,556
NET INCOME FOR THE YEAR		10,194,977	8,979,063
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Available-for-sale financial asset - net change in fair value, being other comprehensive income		2,168,834	4,191,536
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,363,811	13,170,599

The notes on pages 9 to 55 are an integral part of these financial statements.

NATIONAL INSURANCE SERVICES
Statement of Comprehensive Income
For the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars

	Short-term benefit $	Pension $	Employment injury benefit $	National provident fund $	Fair value reserve $	Total $
Balance as of January 01, 2016	22,559,815	355,938,750	54,576,519	42,819,855	(10,589,225)	465,305,714
Net income/(loss) for the year	1,894,418	3,669,238	4,864,706	(1,449,299)	-	8,979,063
Other comprehensive loss	-	-	-	-	4,191,536	4,191,536
Total comprehensive income	1,894,418	3,669,238	4,864,706	(1,449,299)	4,191,536	13,170,599
Balance as of December 31, 2016	24,454,233	359,607,988	59,441,225	41,370,556	(6,397,689)	478,476,313
Net income/(loss) for the year	2,314,751	4,178,685	5,671,116	(1,969,575)	-	10,194,977
Other comprehensive income	-	-	-	-	2,168,834	2,168,834
Total comprehensive income	2,314,751	4,178,685	5,671,116	(1,969,575)	2,168,834	12,363,811
Balance as of December 31, 2017	26,768,984	363,786,673	65,112,341	39,400,981	(4,228,855)	490,840,124

The notes on pages 9 to 55 are an integral part of these financial statements.

NATIONAL INSURANCE SERVICES
Statement of Cash Flows
For the year ended December 31, 2017
(Expressed in Eastern Caribbean Dollars

	Notes	2017 $	2016 $
Cash flows from operating activities			
Net income for the year		10,194,977	8,979,063
Adjustments for:			
Depreciation expense	13,22	1,327,916	1,091,862
Amortisation expense	14.22	78,349	8,092
(Gain)/Loss on disposal of property, plant and equipment	20	(10,102)	1,587
Loss on disposal of intangible asset	14	1,139,650	-
Bad debts		402,231	1,220,737
Impairment losses		643,880	3,814,042
Share of profits of associate	10	(198,202)	(966,566)
Revaluation of investment properties	11		(1,296,161)
Finance income	19	(20,789,686)	(16,211,257)
		(7,210,987)	(3,358,591)
Change in other assets		(299,873)	(861,491)
Change in contributions receivable		452,113	(2,492,679)
Change in benefits payable		684,697	(280,204)
Change in deferred income		42,460	-
Change in accounts payable and		(1,068,401)	(200,871)
Change in inventories		(6,254)	(71,503)
Net cash used in operating activities		(7,406,245)	(6,704,931)
Cash flows from investing activities			
Change in investment in associate		510,000	580,000
Change in investment in properties	11	(124,955)	(13,040)
Change in investment securities and deposits		(3,602,156)	(8,600,998)
Change in loans and advances		13,734,210	(12,063,789)
Acquisition of property and equipment	13	(1,324,555)	(48,054)
Acquisition of intangible assets	14	(10,705)	(135,089)
Proceeds from disposal of property and equipment		110,000	11,120
Interest received		14,261,719	11,867,763
Dividend received		1,475,564	1,336,620
Net cash from/(used in) investing activities		25,029,122	(7,065,467)
Net change in cash and cash equivalents		17,622,877	(13,770,398)
Cash and cash equivalents at January 1		23,248,595	37,018,993
Cash and cash equivalents at December 31		40,871,472	23,248,595

The notes on pages 9 to 55 are an integral part of these financial statements

1. Reporting entity

The National Insurance Scheme (“the NIS” or “the Service”) was established in 1986, and the name was changed to the National Insurance Services(“the NIS” or “the Service”) in March 2004. It was established by the National Insurance Act and assumed the assets and obligations of the former National Provident Fund. The principal activity of the National Insurance Services is the provision of social security services in the state of St. Vincent and the Grenadines. The registered office is at Bay Street, Kingstown, St. Vincent.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS)

The financial statements were approved by the Board of Directors on April 13, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except that available-for-sale financial assets and investment propertieswhich are measured at fair value.The methods used to measure fair value are described in note 6.

(c) Functional and presentation currency

The financial statements are presented in Eastern Caribbean dollars, which is the Service’s functional currency. All financial information presented in Eastern Caribbean dollars has been rounded to the nearest dollar.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgments. Management also makes judgments, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgments affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

The estimates, and the assumptions underlying them, as well as the judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments that have a significant effect on the amounts recognised in the financial statements, and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year include the following:

2. Basis of preparation

(d) Use of estimates and judgements

(i) Critical accounting judgments in applying the NIS accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgment refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

The NIS' accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, and the Service exercises judgment in carrying out such designation; this judgment relates to whether the instruments meet the criteria for the particular classification. For example, the determination of whether a security may be classified as 'loans and receivables' or 'held to maturity'; or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy requires judgment as to whether or not a market is active.

The amounts where such judgments have a significant effect are Loans and Advances (note 7) and Investment Securities (note 9).

(ii) Key areas of estimation uncertainty

(a) Determination of impairment allowance

Note 3(g) describes management approach to estimating the impairment allowances on financial and non-financial assets. Management exercises its judgment in concluding whether or not a particular indicator or group of indicators constitutes objective evidence of impairment. Further, if management judges that an asset or group of amounts may be impaired, it calculates the recoverable amount. The calculation of this estimate requires management to make assumptions about the amount and timing by future cash flows from the asset(s) and appropriate discount rate. These judgments and assumptions give rise to uncertainty.

(b) Measurement of fair values

A number of the NIS' accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The NIS has established a control framework with respect to the measurement of fair values. This includes an Investment Manager who has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Executive Director.

The Investment Manager regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services is used to measure fair values, then the Investment Manager assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

2. Basis of preparation (cont'd)

(d) Use of estimates and judgements (cont'd)

(ii) Key areas of estimation uncertainty (cont'd)

(b) Measurement of fair values (cont'd)

Significant valuation issues are reported to the NIS' Audit Committee.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 (a) - Investment properties
- Note 27 - Financial instruments

(c) Residual values and useful lives of property, plant and equipment

As noted in note 3(e) the residual values and useful life of each asset are reviewed at least at each reporting date and if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The assumptions regarding residual values give rise to estimation uncertaintly.

3. Significant accounting policies

The NIS has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated into Eastern Caribbean dollars at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising on the translation of the available-for-sale equity instruments are recognised in OCI.

2. Significant accounting policies (cont'd)

(b) Investment in associate

Associates are those entities in which the Service has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initally recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Service's share of the profit or loss and OCI of the associate, until the date on which significant influence ceases.

(c) Financial instruments

The NIS classifies non-derivative financial assets into the following categories: held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The NIS classified non-derivative financial liabilities into the other financial liabilities category.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and advances are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity investments
If the Service has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets
The Service's investments in equity securities and certain debt securities are classified as available- for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(g)) and foreign exchange gains and losses on available-for-sale monetary items (see note 3(a)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The NIS initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date, that is, the date on which the NIS becomes a party to the contractual provisions of the instrument.

The NIS derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the NIS is recognised as a separate asset or liability.

The NIS derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the NIS has a legal right to offset the amounts and intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Held-to-maturity financial assets
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets
These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

3. Significant accounting policies (cont'd)

(d) Investment properties

Investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if is probable that the future economic benefits embodied within the part will flow to the Service and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (cont'd)

(e) Property and equipment (cont'd)

(iv) Depreciation

Depreciation is recognised in profit or loss on the straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated.

The annual rates for the current and comparative periods are as follows:

Freehold buildings	4%
Furniture and fixtures	15%
Office equipment	15-20%
Building related equipment	10%
Computer equipment	20-33%
Motor vehicles	20%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(f) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

(i) Recognition and measurement

Intangible assets are measured at cost less accumulated amortisation charge and impairment losses.

(ii) Amortisation

Intangible assets are amortised using the straight line method. Amortisation commences when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation expense is recognised in profit or loss.

(iii) Derecognition

Gains or losses arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss when the asset is disposed.

3. Significant accounting policies (cont'd)

(f) Intangible Assets (cont'd)

Internally generated intangible assets

To assess whether an internally generated intangible asset meets the criteria for recognition, an entity classifies the generation of the asset into:

(i) Research phase
Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

(ii) Development phase
An intangible asset arising from development (or from the development phase of an internal project) is capitalise only if an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(g) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including interest in associate, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the NIS on terms that the NIS would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

3. Significant accounting policies (cont'd)

(g) Impairment (cont'd)

(ii) Financial assets measured at amortised cost

The NIS considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the NIS uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the NIS considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

(iv) Investment in associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3. Significant accounting policies (cont'd)

(g) Impairment (cont'd)

(v) Non-financial assets

At each reporting date, the NIS reviews the carrying amounts of its non-financial assets (other than investment property and inventories), to determine whether there is any indication of impairment. If any such indication exists for any asset, then that asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Contributions receivable

Contributions receivable on active accounts are estimated based on the most recent remittance by contributors. No estimate is made for dormant or ceased accounts as it is not probable that any economic benefits will flow to the Service.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

(j) Revenue

Revenue from contributions is recognised in profit or loss on the accrual basis.

(k) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets and foreign currency gains or invesments. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Service's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expense comprises foreign currency losses on investments.

4. New standards and interpretations, and amendments to standards and interpretations which became effective during the year

None of the new standards and interpretations or amendments to existing standards and interpretations which became effective during the year had any significant impact on these financial statements.

5. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations which were in issue at the reporting date were not effective for the period ended December 31, 2017, and have not been applied in preparing these financial statements. Two of them would have a significant impact on the NIS's financial statements when they become effective, viz:

New or amended standards	**Summary of the requirements**
IFRS 9, *Financial Instruments*	In July 2014, The IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January2018, with early adoption permitted. The new Standard replaces *IAS 39 Financial Instruments Recognition and Measurement.* The National Insurance Services will apply IFRS9 as issued in July 2014 on 1 January 2018. The assessment is in its preliminary stages therefore no quantitative disclosure was made in the 2017 Financial Statements because the transition work has not been finalised. From a classification and measurement perspective, the new standard 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 NIS is assessing the impact that this amendment will have on its 2018 financial statements.

5. New standards and interpretations not yet adopted (cont'd)

IFRS 15,*Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18, *Revenue, IAS 11, Construction Contracts, and IFRIC 13, Customer Loyalty Programmes.* IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The other new or amended standards, listed below, are not expected to have a significant impact on the Company's financial statements:

- IFRS 14 Regulatory Deferral Accounts.
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Defined Benefit Plans: Employees Contributions (Amendments to IAS 19).
- Annual Improvement to IFRSs 2010-2013 Cycle.
- Annual Improvement to IFRSs 2010-2013 Cycle

6. Determination of fair values

(a) Investment properties

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Service's investment property. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. However, recent market information about comparable properties is not always readily available. Accordingly, estimates of fair value make use of significant unobservable inputs.

(b) Investments in equity and debt securities

The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost.

5. Loans and advances

	2017	2016
	$	$
Loans guaranteed by the Government of St. Vincent and the Grenadines	44,990,842	55,851,941
Loans secured by mortgage	60,231,918	63,068,625
Unsecured staff loans	91,901	128,305
	105,314,661	119,048,871
Provision for impairment	-	-
	105,314,661	119,048,871
	96,927,615	99,248,879
Non-current	8,387,046	19,799,992
Current	105,314,661	119,048,871

The movement in the allowance for impairment in respect of loans and advances during the year was as follows:

	2017	2016
	$	$
Balance at January 1		
Write offs	-	160,560
Balance at December 31	-	(160,560)
	-	-

8. Interest receivable on loans and investment securities

	2017	2016
	$	$
Interest receivable – investment securities	4,973,894	6,607,286
Provision for impairment	(1,770,649)	(2,252,178)
	3,203,245	4,355,108
Interest receivable - loans	10,197,483	6,896,924
Provision for impairment	-	-
	10,197,483	6,896,924
Totals:		
Interest receivable	15,171,377	13,504,210
Provision for impairment	(1,770,649)	(2,252,178)
Net	13,400,728	11,252,032
Non-current	862,361	2,026,530
Current	12,538,367	9,225,502
	13,400,728	11,252,032

The movement in the allowance for impairment in respect of interest receivable during the year was as follows:

	2017	2016
	$	$
Balance at January 1	2,252,178	2,784,742
Charge for the year	-	-
Recoveries	(481,529)	-
Write offs	-	(532,564)
Balance at December 31	1,770,649	2,252,178

9. Investment securities and deposits

	2017 $	2016 $
Held-to-maturity		
Government bonds	94,639,229	98,114,396
Corporate bonds	3,966,716	3,086,271
Treasury bills	6,649,534	1,985,644
Fixed deposits	67,637,375	73,223,488
	172,892,854	176,409,799
Provision for impairment of government bonds	(1,384,042)	(1,384,042)
Provision for impairment of corporate bonds	-	(486,065)
Provision for impairment of fixed deposits	(17,056,604)	(17,397,374)
	(18,440,646)	(19,267,481)
	154,452,208	157,142,318
Available-for-sale		
Government bonds	9,160,058	6,178,422
Corporate bonds	8,103,740	6,440,958
Equity securities with readily determinable fair values	56,196,116	54,814,177
Unquoted equity securities at cost	4,572,060	4,572,060
	78,031,974	72,005,617
Provision of impairment of equity securities	(2,673,000)	(2,430,000)
	75,358,974	69,575,617
Fair value through profit loss		
Equity securities held for trading	19,653,529	14,715,958
	249,464,711	241,433,893
Non-current	180,991,094	170,972,899
Current	68,473,617	70,460,994
	249,464,711	241,433,893

In January 2009, the Central Bank of Trinidad and Tobago affirmed the financial problems, and announced that it had intervened into the operations, of CL Financial Limited, Colonial Life (Trinidad) Ltd., CLICO Investment Bank, British American Insurance Company (Trinidad) Limited and Caribbean Money Market Brokers, all members of the CL Financial Group (the Group).

9. Investment securities and deposits (cont'd)

Later during 2009, British American Insurance Company Limited, a Bahamian registered subsidiary of CL Financial Limited, which owned and operated branches in the Organisation of Eastern Caribbean States (OECS) was deemed to be insolvent. Consequently, the Company and its branches throughout the OECS were placed under Judicial Management.

In April, 2013 the Supreme Court of Barbados placed CLICO International Life Insurance Limited, also a CL Financial Limited subsidiary, under Judicial Management. Effective with the appointment, the Judicial Manager assumed immediate control of the affairs of the Company, and is responsible for assessing its financial position and reporting to the Court.

The Government and Central Bank of Trinidad and Tobago, where CL Financial Limited is incorporated, the Government of Barbados, where CLICO International Life Insurance Limited is incorporated, and the OECS Governments, including the Government of St. Vincent and the Grenadines, have undertaken by way of various actions and initiatives, to protect the interests of the Group's respective policyholders, depositors, and other creditors. The outcome of these undertakings cannot be guaranteed.

The NIS has investments in fixed deposits classified as held-to-maturity, in CL Financial Group as at December 31 as follows:

	2017 $	2016 $
Fixed deposits	18,116,034	18,460,246
Provision for impairment	(17,056,604)	(17,397,374)
Fixed deposits, net	1,059,430	1,062,872
Interest receivable	1,770,649	2,145,903
Provision for impairment	(1,770,649)	(2,145,903)
Fixed deposits, net	-	-

During the year ended December 31, 2017, the NIS received a payout of ten percent (10%) on December 15, 2017 in the amount of $685,406.

The movement in the allowance for impairment in respect of investment securities and deposits during the year was as follows:

	2017 $	2016 $
Balance at January 1	21,697,481	17,883,439
Charge for the year	553,091	3,814,042
Reversal of impairment	(1,136,926)	-
Balance at December 31	21,113,646	21,697,481

10. Investment in associate

	2017	2016
	$	$
Bank of St. Vincent and the Grenadines	20,854,534	21,166,332

The NIS has twenty percent (20%) ownership of the Bank of St. Vincent and the Grenadines. The Bank's principal place of business is located at Reigate Building, Granby Street, Kingstown, St. Vincent. The principal activities of the Bank are the provision of retail, corporate banking and investment services. The NIS is represented by two (2) persons on the Board of Directors.

The following table summarises the financial information of Bank of St. Vincent and the Grenadines as indicated in its own financial statements:

	2017	2016
	$	$
Percentage ownership interest	20%	20%
Non-current assets	679,984,638	616,266,104
Current assets	294,598,005	355,014,998
Non-current liabilities	(160,329,342)	(180,903,040)
Current liabilities	(709,980,630)	(684,546,404)
Net assets (100%)	104,272,671	105,831,658
NIS share of net assets, being carrying amount of interest in associate	20,854,534	21,166,332
Revenue	53,992,318	56,268,251
Profit from continuing operations (100%)	796,372	4,936,371
Other comprehensive income/(loss) (100%)	194,638	(103,591)
Total comprehensive income (100%)	991,010	4,832,779
NIS share of total comprehensive income (20%)	198,202	966,556

The NIS obtained 20% shares in Bank of St. Vincent and the Grenadies and recognised an Investment in associate in 2015 for, $66,128. It was recorded in retained earnings for market value movements, which was adjusted in the statement of changes in equity.

11. Investment properties

	2017	2016
	$	$
Balance at January 1	15,686,332	14,377,131
Additions	124,955	13,040
Revaluation	-	1,296,161
Net movement for the year	124,955	1,309,201
Balance at December 31	15,811,287	15,686,332

Investment property comprises parcels of land and buildings located at Beachmont, Kinstown; Halifax Street, Kingstown and Union Island. The Union Island property was revalued on March 22, 2017 by an independent valuer, Patrick A. Ramgolam.

Rental income from investment properties of $1,347,300 (2016: $1,202,830) has been recognised in other income.

11. Investment properties (cont'd)

Measurement of fair values

(i) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the NIS investment property portfolio every three years.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 2(d)).

(ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Replacement cost. This model takes into account: Building: An estimate of the full replacement cost at the reporting date. Land: (i) An estimate of the site improvements made, if any; and (ii) An estimate of the market value of the land with the site improvements, if any.	Estimates of material, labour, professional fees and other costs of planning, design and construction, expressed as cost per square foot. Judgments about the physical condition of the building. Judgments about the environment in which the property is located.	The estimated fair value would increase (decrease) if: • The cost per square foot were higher (lower); • Judgment about the condition of the building had determined the condition to be better or worse.

12. Inventories

	2017 $	2016 $
Balance at January 1	8,923,243	8,851,740
Acquisitions/Additions	6,254	71,503
Balance at December 31	**8,929,497**	**8,923,243**

Inventories comprise residential real estate development. The NIS began development on the Peter's Hope property with the intention of sale in the ordinary course of business.

13. Property and equipment

	Freehold buildings $	Furniture and fixtures $	Office equipment $	Building related equipment $	Computer equipment $	Motor vehicles $	Total $
Cost							
Balance at January 1, 2016	34,530,344	2,101,146	532,594	1,398,754	1,585,309	316,383	40,464,530
Additions	-	2,629	3,219	3,067	39,139	-	48,054
Disposals	-	(4,710)	(19,973)	-	(135,532)	-	(160,215)
Balance at December 31, 2016	34,530,344	2,099,065	515,840	1,401,821	1,488,916	316,383	40,352,369
Balance at January 1, 2017	34,530,344	2,099,065	515,840	1,401,821	1,488,916	316,383	40,352,369
Additions	682,225	4,630	8,460	185,307	16,537	427,396	1,324,555
Disposals	-	-	-	-	(10,004)	(262,052)	(272,056)
Balance at December 31, 2017	35,212,569	2,103,695	524,300	1,587,128	1,495,449	481,727	41,404,868
Accumulated depreciation							
Balance at January 1, 2016	6,235,534	2,078,381	510,718	685,950	1,212,068	243,375	10,966,026
Depreciation for the year	834,370	7,034	7,731	81,633	126,171	34,923	1,091,862
Disposals	-	(4,710)	(19,973)	-	(122,825)	-	(147,508)
Balance at December 31, 2016	7,069,904	2,080,705	498,476	767,583	1,215,414	278,298	11,910,380
Balance at January 1, 2017	7,069,904	2,080,705	498,476	767,583	1,215,414	278,298	11,910,380
Depreciation for the year	1,052,682	5,797	8,066	105,041	113,411	42,919	1,327,916
Disposals	-	-	-	-	(7,365)	(164,792)	(172,157)
Balance at December 31, 2017	8,122,586	2,086,502	506,542	872,624	1,321,460	156,425	13,066,139
Carrying amounts							
At December 31, 2016	27,460,440	18,360	17,364	634,238	273,502	38,085	28,441,989
At December 31, 2017	27,089,983	17,193	17,758	714,504	173,989	325,302	28,338,729

14. Intangible assets

	Computer software $
Cost	
Balance at January 1, 2016	2,932,867
Additions	135,089
Balance at December 31, 2016	3,067,956
Balance at January 1, 2017	3,067,956
Additions	10,705
Disposals	(1,139,650)
Balance at December 31, 2017	1,939,011
Accumulated amortisation	
Balance at January 1, 2016	1,840,305
Amortisation for the year	8,092
Balance at December 31, 2016	1,848,397
Balance at January 1, 2017	1,848,397
Amortisation for the year	78,349
Disposals	-
Balance at December 31, 2017	1,926,746
Carrying amounts	
At December31, 2016	1,219,559
At December 31, 2017	12,265

During the year, $1,139,650 incurred during the development phase of an internally generated software, project liberate, was written off in the statement of comprehensive income. The NIS was unable to complete the intangible asset so that it will be available for use due to the unavailability of adequate technical resources to complete the development of the intangible assets.

15. Contributions receivable

	2017 $	2016 $
Contributions receivable	14,783,819	15,235,932
Provision for impairment losses	(6,134,830)	(5,732,599)
	8,648,989	9,503,333

The movement in the provision for impairment losses in respect of contributions receivable during the year was as follows:

	2017 $	2016 $
Balance at January 1	5,732,599	4,511,862
Acquisitions/Additions	402,231	1,220,737
Balance at December 31	6,134,830	5,732,599

16. Other assets

	2017	2016
	$	$
Prepayments	238,556	188,652
Staff receivables	176,757	115,143
Rent and other receivables	4,924,904	4,736,549
	5,340,217	5,040,344
Provision for impairment losses	(900,145)	(900,145)
	4,440,072	4,140,199

	2017	2016
	$	$
Balance at January 1	900,145	900,145
Change in provision	-	-
Balance at December 31	900,145	900,145

17. Accounts payable and accrued liabilities

	2017	2016
	$	$
BVI Social Security	12,814	57,910
Contributions refundable	65,028	111,385
Accounts payable and accruals	1,991,471	2,962,835
Other payables	53,830	59,414
	2,123,143	3,191,544

18. Reserves

(a) Benefit reserves

Section 20 of the National Insurance Services (Financial and Accounting) Regulations, 1996 stipulates that at the end of each year, the excess of income over expenses for each branch be transferred to a separate reserve fund to finance the approved benefits.

Apportionment of contribution income

Section 18 of the National Insurance Services (Financial and Accounting) Regulations, 1996 stipulates that contribution income be apportioned to the benefit branches in accordance with the approved recommendations of the actuary.

Contribution income is allocated as follows:

	2017	2016
	%	%
Pension	85.45	585.45
Short-term benefit	8.25	8.25
Employment injury benefit	6.30	6.30
	100.00	100.00

18. Reserves (cont'd)

(b) National Provident Fund

The National Provident Fund (NPF) includes legacy contributors under the National Insurance Service.

(c) Fair value reserve

The fair value reserve comprises the commulative net charge in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

19. Net finance income

	2017	2016
Recognised in profit or loss	**$**	**$**
Interest on loans	7,306,247	7,173,819
Interest income on unimpaired held-to-maturity investments	8,762,838	8,537,751
Dividend income on available-for-sale financial assets	1,475,564	1,336,620
Finance income	17,544,649	17,048,190
Net foreign exchange gain/(loss) on investments	480,971	(382,995)
Gain/(loss) on disposal of investments	2,764,066	(453,938)
Net finance income/(expense)	3,245,037	(836,933)
Net finance income recognised in profit or loss	20,789,686	16,211,257

20. Other income, net

	2017	2016
	$	**$**
Gain/(loss) on disposal of property and equipment	10,102	(1,587)
Rental income	1,347,300	1,210,830
Loss on disposal of intangible assets	(1,139,650)	-
Surcharges and other fees	243,006	174,333
Amortised income	3,590	-
Revaluation of investment property	-	1,296,161
	464,348	2,679,737

21. Classification of benefits

a. Benefits are classified to benefit branches in accordance with Section 3 of the National Insurance Services (Financial and Accounting) Regulations, 1996.

	Short-term benefits		Long-term benefits		Employment injury		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	$	$	$	$	$	$	$	$
Sickness benefit	1,615,530	1,432,768	-	-	-	-	1,615,530	1,432,768
Maternity benefit	1,189,780	1,449,301	-	-	-	-	1,189,780	1,449,301
Maternity grant	325,380	389,400	-	-	-	-	325,380	389,400
Funeral grant	-	-	2,071,914	2,001,755	-	-	2,071,914	2,001,755
Invalidity benefit	-	-	693,480	568,901	-	-	693,480	568,901
Survivor’s benefit	-	-	4,411,748	4,104,260	-	-	4,411,748	4,104,260
Age benefit	-	-	44,657,013	42,702,260	-	-	44,657,013	42,702,260
Age grant	-	-	1,805,148	716,449	-	-	1,805,148	716,449
NIS employment injury medical	-	-	-	-	138,695	11,652	138,695	11,652
NIS employment injury	-	-	-	-	179,795	161,275	179,795	161,275
NIS employment disablement	-	-	-	-	87,060	65,940	87,060	65,940
NIS employment death	-	-	-	-	62,825	65,759	62,825	65,759
Non-contributory assistance age pension	-	-	963,421	1,097,490	-	-	963,421	1,097,490
Elderly assistance benefit	-	-	380,255	420,081	-	-	380,255	420,081
Total expenditure	3,130,690	3,271,469	54,982,979	51,611,196	468,375	304,626	58,582,044	55,187,291

b. Schedule of benefits paid from National Provident Fund as at December 31,

	2017	2016
	$	$
Age benefit	2,302,921	1,831,990
Survivor's benefit	66,000	78,626
Invaladity benefit	19,238	19,313
	2,388,159	1,929,929

22. General and adminstrative expenses

	2017 $	2016 $
Accommodation and travel expenses	169,747	323,673
Advertising and promotion	129,965	170,757
Amortisation expense	78,349	8,092
Annual awards dinner and anniversary celebrations	95,307	79,657
Audit fees	80,333	70,322
Bank charges	20,938	24,442
Cleaning expense	103,825	99,000
Depreciation expense	1,327,916	1,091,862
Directors' fees and expenses	151,649	201,334
Donations, community and education projects	588,100	672,858
Insurance	205,290	205,004
Management fees	450,706	351,395
Miscellaneous expenses	22,418	11,087
Office expenses	38,655	38,894
Postage and stationery	144,692	115,295
Post office charges	48,000	48,000
Professional fees	131,047	106,440
Repairs and maintenance	276,620	456,872
Seminar expenses	-	8,711
Staff costs	5,459,625	5,494,060
Subscriptions	183,572	160,219
Security	218,612	202,879
Utilities	532,810	549,982
	10,458,176	10,490,835

23. Staff costs

	2017 $	2016 $
Salaries and wages	4,839,211	4,737,287
National Insurance contributions	177,531	179,640
Retirement benefit contributions	233,991	217,845
Staff training	58,704	64,542
Uniforms and medical insurance	150,188	294,746
	5,459,625	5,494,060
Number of employees at December 31	92	88

24. Income tax

The National Insurance Services is exempt from the payment of income tax under the Income Tax Act, 1979.

25. Pension plan

The National Insurance Services provides retirement benefits under a defined-contribution plan administered by Colonial Life Insurance Company (Trinidad) Limited (CLICO) for all of its employees. Under the provisions of the plan, the National Insurance Services and its employees are required to contribute 6% and 3%, respectively, of the employees' basic monthly salary towards the plan. During the year, National Insurance Services' contribution to the pension plan amounted to $233,991 (2016-$217,845). This amount was charged to profit or loss.

26. Classification of financial assets and financial liabilities

The table below provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

December 31, 2017	Available-for-sale	Held-to-maturity	Loans and receivables	Financial asset at fair value through profit/loss	Other	Total
Assets						
Cash and cash equivalents	-	15,066,013	25,805,459	-	-	40,871,472
Loans and advances	-	-	105,314,661	-	-	105,314,661
Interest receivable on investment securities	830,107	2,373,138	-	-	-	3,203,245
Interest receivable on loans	-	-	10,197,483	-	-	10,197,483
Investment securities and deposits	75,358,973	154,452,209	-	19,653,529	-	249,464,711
Contributions receivable	-	-	8,648,989	-	-	8,648,989
Other assets	-	-	-	-	4,440,072	4,440,072
Total financial assets	76,189,080	171,891,360	149,966,592	19,653,529	4,440,072	422,140,633
Liabilities						
Benefits payable	-	-	-	-	3,081,218	3,081,218
Accounts payable and accrued liabilities	-	-	-	-	2,123,143	2,123,143
Deferred income	-	-	-	-	42,460	42,460
Total financial liabilities	-	-	-	-	5,246,821	5,246,821

26. Classification of financial assets and financial liabilities (cont'd)

December 31, 2016	Available-for-sale	Held-to-maturity	Loans and receivables	Financial asset at fair value through profit/loss	Other	Total
Assets						
Cash and cash equivalents	-	15,049,838	8,198,757	-	-	23,248,595
Loans and advances	-	-	119,048,871	-	-	119,048,871
Interest receivable on investment securities	813,014	3,542,094	-	-	-	4,355,108
Interest receivable on loans	-	-	6,896,924	-	-	6,896,924
Investment securities and deposits	69,575,617	157,142,318	-	14,715,958	-	241,433,893
Contributions receivable	-	-	9,503,333	-	-	9,503,333
Other assets	-	-	-	-	4,140,199	4,140,199
Total financial assets	70,388,631	175,734,250	143,647,885	14,715,958	4,140,199	408,626,923
Liabilities						
Benefits payable	-	-	-	-	2,396,521	2,396,521
Accounts payable and accrued liabilities	-	-	-	-	3,191,544	3,191,544
Total financial liabilities	-	-	-	-	5,588,065	5,588,065

27. Financial instruments

(a) Introduction and overview

The Service has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- regulatory reserves

This note presents information about the Service’s exposure to each of the above risks, the Service’s objectives, policies and processes for measuring and managing risk, and the Service’s management of reserves.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Service’s risk management framework.

The Service’s risk management policies are established to identify and analyse the risks faced by the Service, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered. The Service, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Service’s audit committee is responsible for monitoring compliance with the Service’s risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Service. The audit committee is assisted in these functions by internal audit. Internal audit performs both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

27. Financial instruments (cont'd)

(b) Credit risk

Credit risk is the risk of financial loss to the Service if a contributor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from contributions receivable, loans to related parties and investments.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure.

Management of credit risk

The Board of Directors has responsibility for the management of credit risk and this includes:

- *Formulating credit policies* covering collateral requirements, credit assessment, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Establishing the authorisation structure* for the approval of investments and loans.

- *Reviewing and assessing credit risk* including assessing all credit exposures in excess of designated limits, prior to funds being committed to new investments. Loans are subject to the same review process.

  Impaired loans and securities are loans and securities for which the Service determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / security agreement(s).

27. **Financial instruments (cont'd)**

(b) **Credit risk (cont'd)**

Credit quality analysis (cont'd)

	Interest receivable $	Loans and advances $	Investment securities $	Lending commitments $
December 31, 2016				
Off balance sheet				
Lending commitments	-	-	-	1,161,500
Loans with renegotiated terms				
Gross carrying amount	-	-	-	-
Impaired amount	-	-	-	-
Allowance for impairment	-	-	-	-
Net carrying amount	-	-	-	1,161,500
Neither past due nor impaired				
Gross carrying amount	5,344,422	102,762,511	237,863,167	-
Past due but not impaired				
30-60 days	2,549	-	-	-
60-90 days	3,920	-	-	-
90-180 days	251,717	-	-	-
over 180 days	7,798,120	2,552,150	-	-
Individually impaired				
Gross carrying amount	2,252,178	-	34,668,467	-
	13,504,210	105,314,661	263,401,374	-
Allowance for impairment				
Individual	(2,252,178)	-	(21,697,481)	-
	11,252,032	105,314,661	249,464,711	-

27. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Credit quality analysis

	Interest receivable $	Loans and advances $	Investment securities $	Lending commitments $
December 31, 2016				
Off balance sheet				
Lending commitments	-	-	-	5,000,000
Loans with renegotiated terms				
Gross carrying amount	-	-	-	-
Impaired amount	-	-	-	-
Allowance for impairment	-	-	-	-
Net carrying amount	-	-	-	5,000,000
Neither past due nor impaired				
Gross carrying amount	6,594,030	118,229,678	228,732,907	-
Past due but not impaired				
30-60 days	-	-	-	-
60-90 days	-	-	-	-
90-180 days	991,939	-	-	-
over 180 days	3,666,063	819,193	-	-
Individually impaired				
Gross carrying amount	2,252,178	-	34,668,467	-
	13,504,210	119,048,871	263,401,374	-
Allowance for impairment				
Individual	(2,252,178)	-	(21,697,481)	-
	11,252,032	119,048,871	241,433,893	-

27. Financial instruments (cont'd)

(b) Credit risk (cont'd)

	Contributions receivable	
Credit quality analysis	**2017 $**	**2016 $**
Neither past due nor impaired		
Gross carrying amount	-	-
Past due but not impaired		
Less than 30 days	5,408	3,359
30-60 days	8,870	14,538
60-90 days	4,443	43,962
90-1080 days	355,798	695,370
Over 1080 days	1,451,573	2,286,240
	1,826,092	3,043,469
Individually impaired		
Gross carrying amount	12,957,727	12,192,463
	14,783,819	15,235,932
Allowance for impairment		
Individual	(5,732,011)	(5,096,794)
Collective	(402,819)	(635,805)
	8,648,989	9,503,333

Impaired interest receivable, loans and advances and investment securities and deposits

Individually impaired financial assets are assets (other than those carried at fair value through profit or loss) for which the Service determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

The table below sets out the credit quality of debt securities. The analysis has been based on rating agency ratings where applicable.

18. Financial instruments (cont'd)

(b) Credit risk (cont'd)

	2017 $	2016 $
Government bonds		
Rated AAA	1,947,955	3,561,312
Rated AA- to AA+	4,320,499	4,331,038
Rated A- to A+	13,965,703	9,009,527
Rated BBB+ to BBB-	60,424,594	57,979,632
Rated BB+ and below	19,934,744	26,160,301
Securities not rated	1,821,750	1,866,966
	102,415,245	102,908,776
Corporate bonds		
Rated AAA	-	-
Rated AA- to AA+	-	-
Rated A- to A+	-	-
Rated BBB+ to BBB-	10,229,568	5,878,452
Rated BB+ and below	1,512,481	1,711,305
Securities not rated	328,406	1,451,407
	12,070,455	9,041,164
Asset backed securities		
Rated AAA	-	-
Rated AA- to AA+	-	-
Rated A- to A+	-	-
Rated BB+ and below	-	-
	-	-

27. Financial instruments (cont'd)

(b) Credit risk (cont'd)

The Service holds collateral against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure:

	Percentage of exposure that is subject to collateral requirements 2017 %	2016 %	Principal type of collateral held
Loans and advances			
Loans to the Government of St. Vincent and the Grenadines	100	100	Property and Government guarantees
Loans to other statutory bodies	100	100	Property and Government guarantees
Staff Loans	99	99	Property and bills of sale
Other	100	100	Property and Government guarantees
Investment debt securities			
Government bonds	-	-	None
Corporate bonds	-	-	None
Contributions receivable	-	-	None

27. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Concentration of credit risk

The maximum exposure to credit risk by geographic region was:

December 31, 2017	Contributions receivable	Interest receivable	Loans and advances	Investment securities	Total
Domestic	8,648,989	11,934,084	105,314,661	104,020,087	229,917,821
OECS	-	56,942	-	17,570,970	17,627,912
Other Caribbean	-	1,342,617	-	95,292,383	96,635,000
Other	-	67,085	-	32,581,271	32,648,356
Carrying amount	8,648,989	13,400,728	105,314,661	249,464,711	376,829,089

December 31, 2016	Contributions receivable	Interest receivable	Loans and advances	Investment securities	Total
Domestic	9,503,333	8,985,560	119,048,871	104,697,782	242,235,546
OECS	-	58,547	-	10,609,027	10,667,574
Other Caribbean	-	1,994,177	-	96,481,721	98,475,898
Other	-	213,748	-	29,645,363	29,859,111
Carrying amount	9,503,333	11,252,032	119,048,871	241,433,893	381,238,129

The maximum exposure to credit risk by sector was:

December 31, 2017	Interest receivable	Loans and advances	Investment securities	Total
Local government and other related entities	11,190,713	82,540,684	54,906,917	148,638,314
Other governments	1,253,469	-	54,157,862	55,411,331
Corporate	939,804	18,230,336	140,399,932	159,570,072
Employees	16,742	4,543,641	-	4,560,383
Carrying amount	13,400,728	105,314,661	249,464,711	368,180,100

December 31, 2016	Interest receivable	Loans and advances	Investment securities	Total
Local government and other related entities	8,103,704	93,578,229	52,735,556	154,417,489
Other governments	2,097,784	-	52,158,864	54,256,648
Corporate	1,050,544	19,513,231	136,539,473	157,103,248
Employees	-	5,957,411	-	5,957,411
Carrying amount	11,252,032	119,048,871	241,433,893	371,734,796

27. Financial instruments (cont'd)

(b) Credit risk (cont'd)

Gross contribution receivable exposure to credit risk by sector

	2017 $	2016 $
Government	-	-
Agriculture	23,189	106,365
Construction	4,991,603	4,890,453
Accommodation	1,074,419	3,923,345
Wholesale	697,902	786,925
Manufacturing	848,112	858,895
Transport	328,778	325,564
Other	6,819,816	4,344,385
Total	14,783,819	15,235,932

27. Financial instruments (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the Service will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Service's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Service's reputation.

The following were the contractual maturities of financial liabilities at the reporting date:

December 31, 2017	Carrying amount $	Contractual cash flows $	Under 1 year $	1-5 years $	6-10 years $	Over 10 years $
Non-derivative financial assets						
Cash and cash equivalents	40,871,472	40,871,472	40,871,472	-	-	-
Loans and advances	105,314,661	105,314,661	8,387,047	36,020,765	34,186,395	26,720,454
Int receivable on investment securities	3,203,245	3,203,245	2,340,884	862,361	-	-
Int receivable on loans	10,197,483	10,197,483	10,197,483	-	-	-
Investment securities and deposits	249,464,711	249,464,711	68,473,617	80,796,797	90,770,601	9,423,696
Contributions receivable	8,648,989	8,648,989	-	8,648,989	-	-
Other Assets	4,440,072	4,440,072	415,315	3,913,023	-	111,734
	422,140,633	422,140,633	130,685,818	130,241,935	124,956,996	36,255,884
Non-derivative financial liabilities						
Benefits payable	3,081,218	(3,081,218)	(3,081,218)	-	-	-
Accounts payable and accrued liabilities	2,123,143	(2,123,143)	(2,123,143)	-	-	-
Deferred income	42,460	(42,460)	(9,210)	(33,250)	-	-
	5,246,821	(5,246,821)	(5,213,571)	(33,250)	-	-
Net liquidity gap	416,893,812	416,893,812	125,472,247	130,208,685	124,956,996	36,255,884

27. Financial instruments (cont'd)

(c) Liquidity risk (cont'd)

December 31, 2016	Carrying amount $	Contractual cash flows $	Under 1 year $	1-5 years $	6-10 years $	Over 10 years $
Non-derivative financial assets						
Cash and cash equivalents	23,248,595	23,248,595	23,248,595	-	-	-
Loans and advances	119,048,871	119,048,871	19,799,992	27,407,003	36,693,120	35,148,756
Int receivable on investment securities	4,355,108	4,355,108	2,328,578	2,026,530	-	-
Int receivable on loans	6,896,924	6,896,924	6,896,924	-	-	-
Investment securities and deposits	241,433,893	241,433,893	70,460,994	70,242,406	86,741,553	13,988,940
Contributions receivable	9,503,333	9,503,333	-	9,503,333	-	-
Other Assets	4,140,199	4,140,199	303,795	3,729,707	-	106,697
	408,626,923	408,626,923	123,038,878	112,908,979	123,434,673	49,244,393
Non-derivative financial liabilities						
Benefits payable	2,396,521	(2,396,521)	(2,396,521)	-	-	-
Accounts payable and accrued liabilities	3,191,544	(3,191,544)	(3,191,544)	-	-	-
	5,588,065	(5,588,065)	(5,588,065)	-	-	-
Net liquidity gap	403,038,858	403,038,858	117,450,813	112,908,979	123,434,673	49,244,393

Exposure to liquidity risk

The key measure used by the Service for managing liquidity risk is the ratio of budget contributions income to benefits payable to contributors.

27. Financial instruments (cont'd)

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Service's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The table below sets out the allocation of financial assets and financial liabilities subject to market risk between trading and non-trading portfolios.

December 31, 2017	**Market risk measure**		
	Carrying amount	**Trading portfolios**	**Non-trading portfolios**
	$	**$**	**$**
Assets subject to market risk			
Cash and cash equivalents	40,871,472	-	40,871,472
Loans and advances	105,314,661	-	105,314,661
Investment securities and deposits	249,464,711	19,653,529	229,811,182
Total	395,650,844	19,653,529	375,997,315

December 31, 2016	**Market risk measure**		
	Carrying amount	**Trading portfolios**	**Non-trading portfolios**
	$	**$**	**$**
Assets subject to market risk			
Cash and cash equivalents	23,248,595	-	23,248,595
Loans and advances	119,048,871	-	119,048,871
Investment securities and deposits	241,433,893	14,715,958	226,717,935
Total	383,731,359	14,715,958	369,015,401

27. Financial instruments (cont'd)

(d) Market risk (cont'd)

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The NIS incurs foreign currency risk on transactions that are denominated in a currency other than the functional currency, the EC Dollar. There is no exposure to foreign currency risk in respect of the United States Dollar because the EC Dollar is pegged at EC$2.70 for US$1. However, there is exposure to foreign currency risk affecting the Service's statement of profit or loss resulting from the fluctuations of other currencies like the Australian Dollar (AUD), Canadian Dollar (CAD), and the Republic of Trinidad and Tobago Dollar (TTD). The NIS also has foreign currency exposure affecting its equity.

The Service's exposure to currency risk was as follows, based on notional amounts:

	December 31, 2017			
	CAD	**AUD**	**TTD**	**Other**
Interest receivable	5,234	3,703	55,216	11,643
Investment securities and deposits	1,947,955	642,774	7,574,877	1,636,035
Total exposure	1,953,189	646,477	7,630,093	1,647,678

	December 31, 2016			
	CAD	**AUD**	**TTD**	**Other**
Interest receivable	4,874	44,453	79,481	79,067
Investment securities and deposits	1,818,027	2,341,306	6,616,136	7,759,632
Total exposure	1,822,901	2,385,759	6,695,617	7,838,699

The following significant exchange rates have been applied during the year:

	2017	**2016**
	EC$	**EC$**
1 TTD:	0.3819	0.3829
1 CAD:	2.1473	1.9996
1 AUD:	2.1008	1.9359

27. Financial instruments (cont'd)

(d) Market risk (cont'd)

Currency risk (cont'd)

A reasonably possible strengthening (weakening) of the Eastern Caribbean dollar against all other relevant currencies at December 31 would have affected the measurement of financial instruments denominated in a foreign currency and affected reserves and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2017 EC$		2016 EC$	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
TTD (10% movement)	5,234	3,703	55,216	11,643
CAD (10% movement)	1,947,955	642,774	7,574,877	1,636,035
AUD (10% movement)	1,953,189	646,477	7,630,093	1,647,678

Interest rate risk

The Service adopts a policy of ensuring that 55% of its exposure to changes in interest rates is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. The Service does not enter into any interest rate swaps as hedges of the variability in cash flows attributable to interest rate risks.

At the reporting date the interest rate profile of the Service's interest bearing financial instruments was:

	Carrying amount	
	2017	**2016**
Fixed rate instruments	**$**	**$**
Interest-earning financial assets	277,030,666	360,482,764

Fair value sensitivity analysis for fixed rate instruments

The Service does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

28. Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are basedon quoted market prices or dealer price quotations. For all other financial instruments, the NIS determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

When measuring the fair value of an asset or a liability, the NIS uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The NIS recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The NIS measures fair values using the following fair value hierarchy, which reflects thesignificance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

29. Fair value of financial instruments (cont'd)

(a) Financial assets measured at fair value

December 31, 2017

	Level 1	Level 2	Level 3	Total
Investment securities				
Government bonds	-	9,160,058	-	9,160,058
Corporate bonds	-	8,103,739	-	8,103,739
Equities	19,653,529	58,095,176	-	77,748,705
	19,653,529	75,358,973	-	95,012,502

December 31, 2016

	Level 1	Level 2	Level 3	Total
Investment securities				
Government bonds	-	6,178,422	-	6,178,422
Corporate bonds	1,367,030	5,073,928	-	6,440,958
Equities	19,872,230	49,657,905	-	69,530,135
	21,239,260	60,910,255	-	82,149,515

(b) Financial assets measured at fair value

All other financial instruments which include cash and cash equivalents, loans and advances, held to maturity investment securities, interest receivable on loans and investment securities, contributions receivable and benefits payable, the carrying amount is a reasonable approximation of the fair value.

29. Regulatory reserves

The National Insurance (Financial and Accounting) Regulations 1996 sets the capital requirements for the Service as a whole.

In implementing current reserve requirements the regulation requires that the Service transfer the excess of income over expenses for each branch to a separate reserve at the end of the year.

The Service's regulatory reserves are analysed into three categories:

- short-term benefit reserve;
- pension reserve; and
- employment injury benefit reserve.

The Service's policy is to maintain a strong reservebase so as to sustain future development of the Service and finance approved benefits. The Service recognises the need to maintain a balance between the higher benefit payments that might be possible and the advantages and security afforded by a sound reserve position.

The Service has complied with all externally imposed reserve requirements throughout the period.

There was no material change in the Service's management of reserves during the period.

30. Related parties

(a) Identification of related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(i) A person or a close member of that person's family is related to a reporting entity if that person:
- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(ii) An entity is related to a reporting entity if any of the following conditions applies:
- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

30. Related parties (cont'd)

(a) Identification of related party (cont'd)

(ii) An entity is related to a reporting entity if any of the following conditions applies (cont'd):

- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependents of that person or that person's spouse or domestic partner.

(b) Related Party transactions and balances
A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

(c) Transactions with key management personnel
- short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
- post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- termination benefits.

The Service is controlled by the Government of St. Vincent and the Grenadines.

Government refers to government, government agencies and similar bodies whether local, national or international.

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

30. Related parties (cont'd)

Significant transactions with related parties during the year were as follows:

	Transaction values for the year ended 31 December		Balance outstanding as at 31 December	
	2017	2016	2017	2016
	$	$	$	$
Loans and Advances				
National Lotteries Authority	(509,898)	(478,059)	5,512,043	6,021,941
Bank of St. Vincent and the Grenadines	(1,282,895)	(1,078,323)	18,230,336	19,513,232
Government of St. Vincent and the Grenadines	(11,775,053)	12,525,252	11,633,632	23,408,685
National Student Loan Company	1,247,408	1,171,503	20,955,860	19,708,452
National Properties Limited	-	-	44,439,150	44,436,150
Staff	(1,413,770)	(76,584)	4,543,641	5,957,411
Investments				
Government of St. Vincent and the Grenadines	3,164,429	10,311,963	53,914,341	50,749,912
Campden Park Container Port	(243,000)	-	27,000	270,000
Rent				
Government of St. Vincent and the Grenadines	(314,673)	252,182	275,603	590,276
Cost of Living Allowance				
Government of St. Vincent and the Grenadines	335,160	368,357	2,946,880	2,611,720
Contribution Income				
Government of St. Vincent and the Grenadines	24,752	870,110	22,503,274	22,478,522
Interest				
National Lotteries Authority	(1,381)	71,038	14,928	16,309
Bank of St. Vincent and the Grenadines	(39,348)	29,538	31,695	71,043
Government of St. Vincent and the Grenadines	(121,249)	578,100	1,115,813	1,237,062
National Student Loan Company	527,092	1,188,706	1,919,399	1,392,308
National Properties Limited	2,816,952	3,346,246	8,140,574	5,323,621
Staffs	16,742	-	16,742	-
Interest in Associate				
Bank of St. Vincent and the Grenadines	(311,798)	386,556	20,854,534	21,166,332

30. Related parties (cont'd)

Key management personnel compensation

Key management personnel compensation comprised the following:

	2017	2016
	$	$
Key management	589,242	706,009
Directors	128,189	175,023
	717,431	881,032

31. Commitments

(a) Commitments

As of the reporting date, the Board of Directors approved capital expendition amounting to:

	2017	2016
	$	$
Capital commitments	-	5,000,000
	-	5,000,000

(b) Credit commitments

In the normal course of business, various credit commitments are outstanding which are not reflected in the statement of financial position.

These financial instruments are subject to normal credit standards, financial controls and monitoring procedures.

	2017	2016
	$	$
Commitment to extend credit	1,161,500	5,000,000
Total off-balance sheet credit commitments	1,161,500	5,000,000

National Insurance Services

Additional Information

to the

Financial Statements

for the

Year Ended

December 31, 2017

KPMG

Chartered Accountants

ADDITIONAL INFORMATION

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ADDITIONAL COMMENTS OF INDEPENDENT AUDITORS

To: The Honourable Minister of Finance
Administrative Building
Kingstown

The accompanying schedule I is presented as supplementary information only. In this respect, it does not form part of the financial statements of the National Insurance Services for the year ended December 31, 2017 and hence is excluded from the opinion expressed in our report dated April 13, 2018 to the Honourable Minister of Finance on such financial statements.

KPMG

Kingstown, St. Vincent and the Grenadines
April 13, 2018

NATIONAL INSURANCE SERVICES
Notes to the Financial Statements
December 31, 2017
(Expressed in Eastern Caribbean Dollars

	Short-term Benefits		Long-term Benefits		Employment Injury		National Provident Fund		Total	Total
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Income										
Contributions	5,050,422	5,095,559	52,310,124	52,777,634	3,856,685	3,891,154	-	-	61,217,231	61,764,347
Net financing income	1,146,318	844,480	16,856,999	13,323,820	2,786,369	2,042,957	-	-	20,789,686	16,211,257
Interest on National Provident		(25,037)								
Fund	(23,080)	300,820	(339,402)	(395,024)	(56,101)	(60,569)	418,583	480,630	-	-
Other	54,660	6,215,822	566,149	3,115,757	41,741	229,716	-	-	662,550	3,646,293
Total income	6,228,320	3,271,469	69,393,870	68,822,187	6,628,694	6,103,258	418,583	480,630	82,669,467	81,621,897
Expenditure		100,711								
Benefits	3,130,691	198,682	54,982,979	51,611,196	468,375	304,626	2,388,158	1,929,929	60,970,203	57,117,220
Bad debts expense	33,184	750,542	343,706	1,043,120	25,341	76,906	-	-	402,231	1,220,737
Impairment losses	35,503	4,321,404	522,081	3,134,711	86,296	480,649	-	-	643,880	3,814,042
Administrative expenses	714,191	1,894,418	9,366,419	9,363,922	377,566	376,371	-	-	10,458,176	10,490,835
Total expenditure	3,913,569		65,215,185	65,152,949	957,578	1,238,552	2,388,158	1,929,929	72,474,490	72,642,834
Net income for the year	2,314,751		4,178,685	3,669,238	5,671,116	4,864,706	(1,969,575)	(1,449,299)	10,194,977	8,979,063

Served with Distinction. Valete!

Oronde Holder

22 June, 2009 - 7 September, 2017

On September 7, 2017, tragedy struck the NIS when the icy hands of death snatched away our colleague and brother Oronde Holder, who served the institution in the capacity of IT Assistant for eight (8) years. He gave yeoman service over his tenure and his passing has created a void. The NIS' family will always treasure the moments that Oronde spent with us. Gone but not forgotten.

St. Vincent & The Grenadines
National Insurance Services
Bay Street, Kingstown
St. Vincent