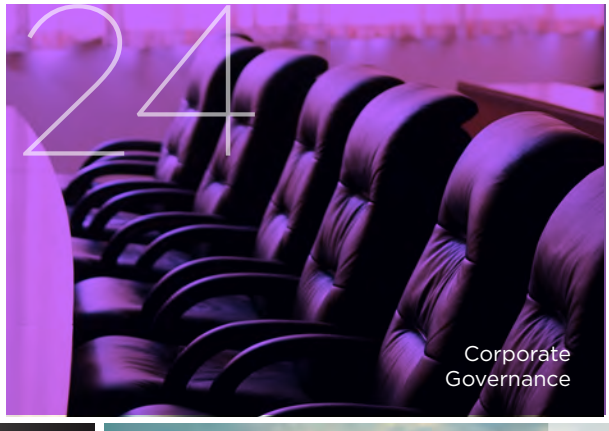
Annual Report 2020

Built on Purpose

Victoria Mutual Investments Limited


Built on Purpose
Victoria Mutual
Investments
LIMITED

Contents



Our Core

PURPOSE

To educate and empower our Clients to create, grow and sustain their wealth.

VISION

To be the leading Caribbean-based mutual provider of financial services.

MISSION

We are a mutual financial organisation whose purpose is to empower our Members globally to acquire their own homes and achieve financial independence by providing innovative solutions and excellent service, delivered by a highly competent and engaged team, and through multiple channels. We are committed to partnering with our communities to improve quality of life.

CORE VALUES

Member Focus, Integrity, Teamwork, Innovation and Excellence

Victoria Mutual Investments

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the fourth public Annual General Meeting of **VICTORIA MUTUAL INVESTMENTS LIMITED** (the "Company") will be held at The Jamaica Pegasus Hotel, 81 Knutsford Boulevard, Kingston 5, in the parish of Saint Andrew on **Tuesday, May 25, 2021 at 2:00 p.m.** to consider, and if thought fit, pass the following resolutions:

1 Resolution No.1
Audited Accounts

"THAT the Audited Accounts of the Company for the year ended December 31, 2020 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are adopted."

2 Resolution No. 2
Declaration of Dividend

"THAT the interim dividend of $0.03 per Stock unit, paid on March 27, 2020, be and is hereby ratified and declared as the final dividend for the financial year ended December 31, 2020.

3 Resolution No. 3

3A) Retirement by Rotation pursuant to Article 108:

"THAT Director **Mr. Phillip Silvera** retiring by rotation pursuant to Article 108, of the Articles of Incorporation, who being eligible for re-election, is hereby elected."

"THAT Director **Mr. Milton Samuda** retiring by rotation pursuant to Article 108, of the Articles of Incorporation who being eligible for re-election is hereby elected."

"THAT Director **Mr. Rezworth Burchenson** retiring by rotation pursuant to Article 108, of the Articles of Incorporation who being eligible for re-election is hereby elected."

4 Resolution No. 4
Directors' Remuneration

"THAT the amount of $10,124,000 included in the Audited Accounts of the Company for the year ended December 31, 2020 as remuneration for their services as Directors be and is hereby approved."

5 Resolution No. 5
Appointment of Auditors

"THAT KPMG, Chartered Accountants, having signified their willingness to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting, at a remuneration to be agreed with the Directors."

DATED this 16th day of March, 2021

BY ORDER OF THE BOARD

Keri-Gaye Brown
Corporate Secretary

REGISTERED OFFICE
6-10 Duke Street
Kingston

A Member of the Company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his/her stead, and a Proxy need not be a Member.

If you are unable to attend the Meeting, a Form of Proxy is enclosed for your convenience. The Form should be lodged at the Registered Office of the Company, at-least forty-eight (48) hours before the time appointed for the Meeting.

The Proxy Form should bear stamp duty of $100.00 or such amounts as prescribed by the Stamp Duty Act before being signed. The stamp duty may be paid by adhesive stamp(s), which are to be cancelled by the person executing the Proxy.

Directors' Report

1. The Directors submit herewith the Consolidated Statements of Revenues and Expenses, Comprehensive Income and Financial Position for the year ended December 31, 2020.

2. The Consolidated Statement of Revenue and Expenses reports pre-tax profit for the year of $598,873,000 from which there has been provided $165,283,000 for corporate income tax, leaving a balance of **$433,590,000.**

3. The appropriation of earnings detailed in the financial statements includes:

   An interim dividend of of $0.03 per stock unit paid on March 27, 2020.

4. **A) Director Retiring by Rotation pursuant to Article 108:**

   Director **Mr. Phillip Silvera** shall retire from office, by rotation, pursuant to Article 108 of the Company's Articles of Incorporation on the date of the Meeting but shall be eligible for re-election.

   Director **Mr. Milton Samuda** retiring by rotation pursuant to Article 108, of the Company's Articles of Incorporation who being eligible for re-election is hereby elected.

   Director **Mr. Rezworth Burchenson** retiring by rotation pursuant to Article 108, of the Company's Articles of Incorporation who being eligible for re-election is hereby elected.

5. The Auditors, KPMG, have signified their willingness to continue in office.

6. Your Directors wish to thank the Management and Staff of the Company for their participation.

On behalf of the Board

Mr. Michael McMorris
Chairman

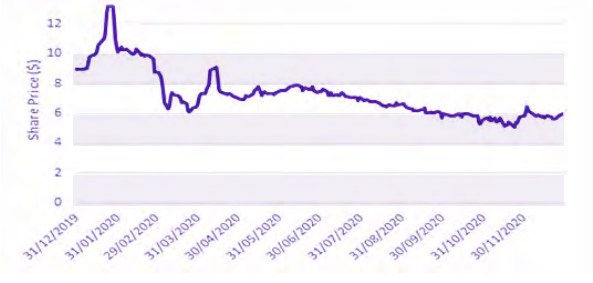
Built on Purpose ▷▷

OUR BUSINESS:

Corporate Profile

VMIL is an investment and financing company domiciled in Jamaica. The company was incorporated in 1984, and is listed on the Jamaica Stock Exchange's main market since December 2017. As a member of the Victoria Mutual Group, as it is 80% owned by Victoria Mutual Building Society (VMBS) ,VMIL is guided by its mission, vision, strategic goals, and core values. VMIL is the parent company and sole owner of Victoria Mutual Wealth Management Limited (VMWM) and is an affiliate owner of Carilend Caribbean Holdings Limited with a 30% interest since 2019. While 2020 significantly changed the financial industry and how we operate, we remained committed to our Clients achieving financial wellness by enhancing our technologies, communication, and customer service, as well as providing the right mix of products and services. In 2020, VMIL as a group earned total revenue of $1.88B and net profit after taxes of $433.590M. We completed 82% of our targets based on the Balanced Scorecard methodology.

Financial Metrics	Jan-Dec19	Jan-Dec20
Opening Price	3.76	8.96
Closing Stock Price	8.96	6.00
Stock Return	138.28%	-33.08%
Dividend Yield	2.12%	3.17%
Total Stock Return	140.40%	-29.91%



VM WEALTH MANAGEMENT LIMITED

VM Wealth Management (VM Wealth) is a licensed securities dealer which provides asset management, bond and equity trading, corporate finance, stock brokerage and investment research services. The company also currently offers 9 Unit Trust investment funds: Global Income Portfolio, Global Income Plus Portfolio, Global Income Max Portfolio, Classic Income Portfolio, Classic Equity Growth Portfolio, Classic Property Portfolio, Global Equity Growth Portfolio, Classic Protector Portfolio, and the Goal Maximizer which was launched in 2020.

Key Metrics	Dec19	Dec20
Net Profit after Taxes	$557.9M	$503M
Assets Under Management	$51.6B	$57.8B
Net Promoter Score	7	23
Transaction Migration	62%	81%
Enterprise Risk Score	88%	94%
HREI Score	72%	81%

As a member of the Jamaica Stock Exchange since 1994, VMWM has over 26 years of strong and consistent performance in the financial industry. The company has earned a credible name for itself among the top performing investment managers in Jamaica. VMWM has played a critical role in promoting investment opportunities to investors – as a leading securities dealer and a formidable player in the stock brokerage and capital market business. Since 2011, VM Wealth has diversified its revenue streams with a comprehensive range of products and services. The organisation's revenue stream has consistently evolved from predominantly fixed income and securities trading, to becoming active in the asset management and capital market space. Today, VM Wealth now earns over 89% of its revenue from non-interest income sources. VM Wealth anticipates market trends, seeks opportunities, and executes winning solutions for wealth creation, wealth management and wealth preservation for our clients. We take great care in understanding our Clients' needs to ensure that we deliver on our promises.

VM Wealth strives to anticipate market trends, see opportunities and execute winning solutions for wealth creation, wealth management and wealth preservation. A clear understanding of Clients' needs, coupled with a well experienced and competent investment management team, ensure that VM Wealth delivers what clients require.

OUR BUSINESS:

Organisational Chart

AFFILIATED COMPANY

- **CARILEND**
  30% owned by Victoria Mutual Investments Limited

OUR BUSINESS:

Strategic Outlook ▷▷

It has been quite a year with COVID-19 impacting almost every aspect of life, but the team accepted the challenge and quickly adjusted. We remained firmly committed to who we are, our purpose and our promise to our Clients.

WHO WE ARE AND WHAT WE DO

Victoria Mutual Investments Limited (VMIL) and its subsidiary Victoria Mutual Wealth Management (VM Wealth) are solid organisations, committed to helping Clients achieve financial wellness by combining knowledge and expertise with the right mix of financial tools, products and services. Driven by an objective to provide competitive credit financing solutions for Clients, VMIL's primary offerings include margin loans and corporate loans. VM Wealth is a licensed securities dealer offering stock and investment brokering, investment advisory services and securities dealing services. VM Wealth has played a critical role in promoting investment opportunities to investors – as a leading securities dealer and a formidable player in the stock brokerage and capital market businesses.

Victoria Mutual Investments Limited

Purpose

To educate and empower our Clients to create, grow and sustain their wealth.

Victoria Mutual Investments Limited

Promise

We promise "about you" financial solutions, education and experiences every time.

Victoria Mutual Investments Limited

VM GROUP'S MISSION, VISION, STRATEGIC GOALS AND CORE VALUES

We share VM Group's 2021 Mission, Vision, Strategic Goals and Core Values. In 2020 VM Group's mission and vision changed in response to the changing demands of our industry and how the Group will be positioning its strategies going forward.

Mission

We are a Mutual financial whose purpose is to empower our Members globally to achieve financial independence by providing innovative solutions and excellent service delivered by a highly competent and engaged team, and through multiple channels. We are commited to partnering with our communities to improve quality for life.

Vision

To be the leading Caribbean-based mutual provider of financial services

Core Values

Member Focus
Integrity
Teamwork
Innovation
Excellence

Strategic Goals

Strong Integrated Financial Group • Modern Mutual • Employer of Choice
Empowered Members

Strategic Outlook

CONTINUED

THE BALANCED SCORECARD

VMIL employs the Balanced Scorecard (BSC) methodology to measure and manage the performance of its strategy. Under the BSC framework, VMIL's strategy is broken-down into objectives and initiatives which align with the four perspectives of the BSC i.e., Financial, Customer, Internal Processes and Learning & Growth. Each unit within VM Wealth also uses the BSC framework to monitor their performance and ensure alignment with VMIL's strategic objectives. In this way, the strategy is clearly articulated, and the team is better able to see and understand how their work is impacting their unit's performance and by extension VMIL's performance.

With clearly articulated objectives and performance measures, we have found that this methodology has helped us to significantly improve our performance, increase our efficiency and improve our customer experience. At the end of December 2020, we achieved 82% of all our targets for the year and achieved a Net Promoter Score (NPS) of 23. This is a commendable performance for 2020 given all constraints and we believe that we will continue to see improvements in all aspects of our business in 2021.

STRATEGIC PILLARS FOR 2020

The achievements for 2020 were supported by 4 Strategic Pillars.

Extended Distribution

OBJECTIVES	STATUS	BSC IMPACT
New Branches	We expanded our reach across Jamaica to provide greater convenience and access to our Clients. Completed: UTech, Liguanea, Ocho Rios, Duke Street and Savanna-la-Mar. To be done in 2021: Half-Way Tree	Financial, Customer
New Products	We introduced two (2) new products to satisfy the needs of our Clients: 1. US Equities Trading – Clients can trade US shares right here in Jamaica via the Interactive Brokers (IB) platform. 2. Goal Maximizer Unit Trust - A diversified portfolio invested in bonds, stocks, real estate and equity.	Financial, Customer

Sales Excellence

OBJECTIVES	STATUS	BSC IMPACT
New Services	We restructured our Sales Team which now comprises Wealth Advisors, Senior Wealth Advisors and Client Relationship Officers reporting into 2 Assistant Managers – Sales and an Assistant Manager – Client Relations. This move has contributed significantly to an improvement in our NPS.	Financial, Customer
	We also launched our Premium Wealth Unit to expand the Investment & Customer Service needs of our affluent Clients with balances in excess of J$100M. The team will provide services to both our corporate and retail clients.	Financial, Customer
Updated Statements	We redesigned and improved the delivery of our Client Statements in 2020. Additionally, we password protected access to these statements to enhance our client's privacy.	Customer, Internal Processes

Service Excellence

OBJECTIVES	STATUS	BSC IMPACT
New/Upgraded Systems	1. Under the AGILE project management approach, we successfully implemented phase 1 of our **Client Management System (CMS)** - the VM Wealth Client Portal which provides clients with online access to their portfolio – (1) view portfolio balances; (2) access statements; (3) set investment goals and (4) make transaction requests. 2. The AML **Caseware Monitoring Solution** was implemented to provide analytics on transactions based on rules put in place to generate the respective AML alerts (3 x analytics were implemented). This solution assists in the identification of AML trends or actions by account holders which may constitute regulatory breaches. 3. The **Fusion Risk** management solution which provides more effective and timely reporting with information which supports financial risk data analysis and decision making.	Customer, Internal Processes, Learning & Growth

Strategic Outlook

CONTINUED

Service Excellence CONTINUED

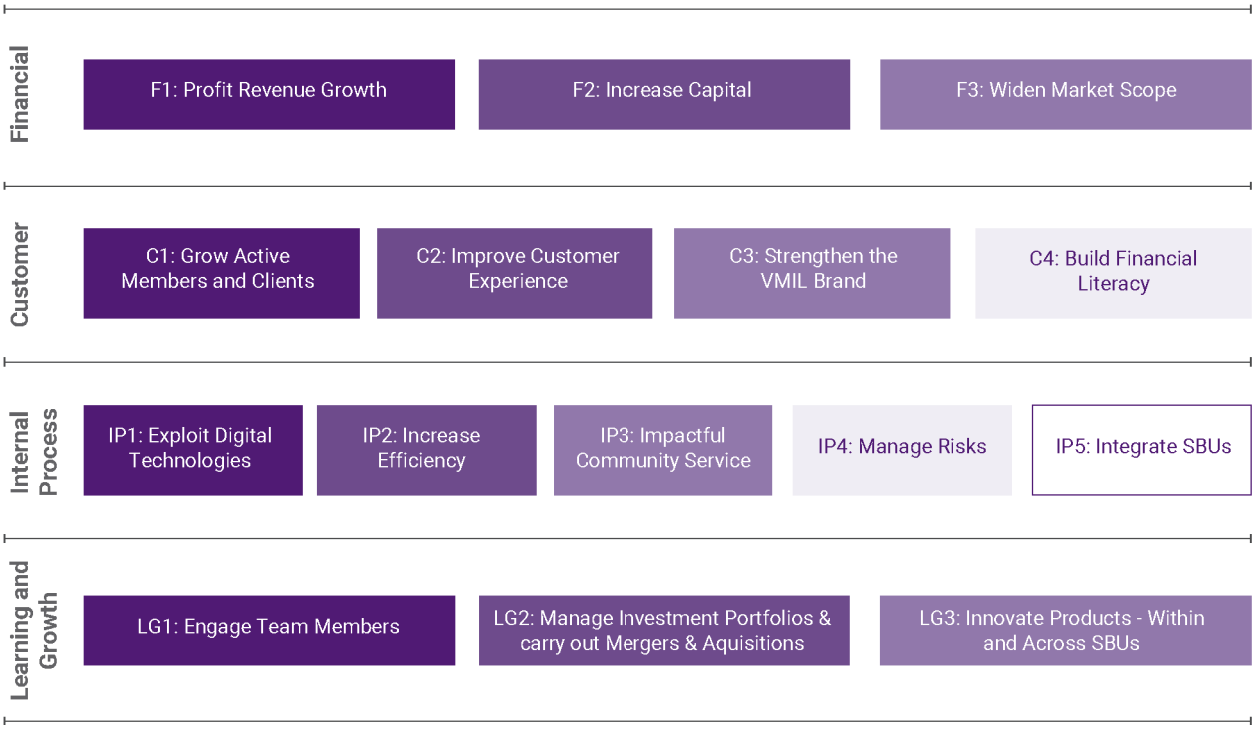
OBJECTIVES	STATUS	BSC IMPACT
New/Upgraded Systems	4. Our **Complaints Management System** allows the business to log/ register all complaints from multiple channels and track same through to resolution. Complaint resolutions are measured by the VM Group Service Level Agreement as well as BOJ Service Level Agreement and are tracked at both the Group Level and the SBU Level. 5. We also upgraded our **OPICS** system from 4.4.2.0 to 4.4.5.0. This upgrade with new service packs has positioned the organization to benefit from the fixes previously delivered as well as future fixes and enhancements that could not be applied to the previous version. ***Ongoing - IPO Platform and VMIL Loan Software to be launched in 2021	Customer, Internal Processes, Learning & Growth
Tightening of our Risk Management Procedures	Additional Key Risk Indicators (KRIs) and Risk Registers were added to enhance our Risk Management Procedures.	Internal Processes

Growth/Regional Expansions

OBJECTIVES	STATUS	BSC IMPACT
Mergers & Acquisitions	In 2019 we acquired a 30% stake in Carilend, a Barbados peer to peer lending entity, and in 2020 Carilend Jamaica commenced operations.	Financial, Learning & Growth
Diaspora Engagement	We wanted to expand our reach to our Jamaican clients around the world but this was significantly impacted by COVID-19. In 2021 we plan to execute on this objective while working with the constraints of the pandemic.	Financial, Customer
Training	To ensure that our Team Members are equipped to address the needs of our Clients we completed a programme of comprehensive training using primarily our online VM Digital University. Training (including cross training/job rotations) for team members was mostly done via online platforms as well.	Learning & Growth

OUR 2021 – 2023 STRATEGIC OBJECTIVES

In 2020 through a series of strategic sessions the VM Group revised its strategic objectives under the BSC framework. See below the revised strategic objectives for 2021 to 2023:



2021 STRATEGIC INITIATIVES

In 2021 we will execute on our 2020 initiatives carried forward and have added new initiatives for 2021 in line with our 2021-2023 Strategic Objectives.

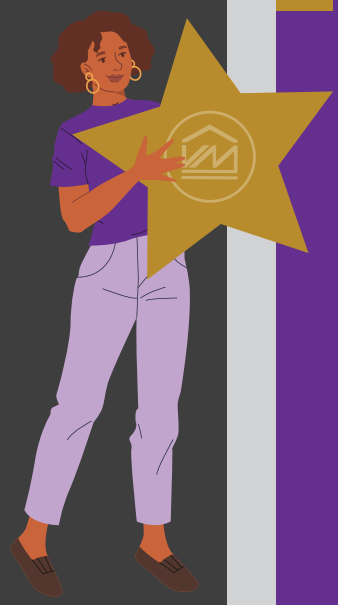
#	Product/Initiative Names	Srategic Goals	Strategic Objectives
1	**Brand Awareness/ Products / Grow Client base**	Model Corporate Citizen	C1 - Grow Active Members & Clients C3 - Strengthen the VMIL Brand
2	**Written process documents**	Modern Mutual	IP2 - Increase Efficiency
3	**Digitization/Automation Initiatives**	Modern Mutual	IP1 - Exploit digital technologies
4	**Diaspora Engagement**	Strong, Integrated Financial Group	F1 - Profitable Revenue Growth F3 - Widen Market Scope C1 - Grow Active Members & Clients
5	**Enhance Private Equity Framework**	Strong, Integrated Financial Group	F1 - Profitable Revenue Growth
6	**Overseas Expansion**	Strong, Integrated Financial Group	F1 - Profitable Revenue Growth F3 - Widen Market Scope C1 - Grow Active Members & Clients
7	**Improve Sales Output**	Employer of Choice	F1 - Profitable Revenue Growth C2 - Improve Customer Experience
8	**Carry out Mergers and Acquisitions**	Strong, Integrated Financial Group	LG2 - Manage investment portfolios and carry out mergers & acquisitions

OUR BUSINESS:

Market Trends

CUSTOMER EXPERIENCE

Customer experience is much more than just customer service. Customers are expecting increasingly personalized financial services solutions and they want to be able to manage all their finances in one place, on the devices most convenient to them.



DIGITAL DISRUPTION

New technology is giving way to new products and services that are disrupting the way we do business. The push for innovation has been constant due to the need to streamline operations, rising regulatory requirements, fierce competition and changing customer demands.

SUSTAINABILITY/ESG (ENVIRONMENTAL, SOCIAL & GOVERNANCE) INVESTING

Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities. Beyond, Socially Responsible Investing, ESG investing and analysis incorporates a more thorough consideration of factors impacting the fundamental value of an investment and ultimately, the investment choices to be made.

DIVERSITY & INCLUSION

Success is driven by people. An inclusive culture that leverages diverse views effectively to create a fair, healthy and high-performing organization, fosters team member engagement, which leads to innovation. Adaptability is more important than ever.

OUR BUSINESS:

Five-Year Statistical Review ▷▷

GROUP	2016	2017	2018	2019	2020
Balance Sheet ($'000)					
Total Assets	16,262,542	20,068,454	21,610,[illegible]99	25,327,701	29,723,676
Cash & Cash Equivalents	316,976	3,409,989	740,538	1,917,241	1,571,567
Resale Agreements	1,980,935	3,371,409	4,217,[illegible]41	3,937,275	7,380,680
Investments Securities	13,076,406	11,683,640	13,241,358	16,718,180	16,526,043
Loan Recievables	-	441,057	1,376,[illegible]39	1,876,637	1,789,651
Total Liabilities	14,646,852	17,484,432	18,837,775	21,000,873	25,342,204
Repurchase Agreements	13,940,198	13,164,960	15,454,981	16,999,392	20,312,831
Shareholders' Equity	1,615,690	2,584,022	2,772,424	4,326,828	4,381,471
Shareholders' Equity Attributable to the owners	1,565,690	2,534,022	2,722,425	4,276,828	4,331,471
Income Statement ($'000)					
Net Interest Income	250,756	246,989	250,079	260,381	289,622
Net Fees & Commission	279,578	500,163	838,268	933,128	925,323
Gains From Investment Activities	278,624	193,077	213,879	485,899	593,988
Consolidated Revenues	810,803	966,455	1,306,775	1,682,961	1,875,589
Total Operating Expense	417,069	498,630	767,740	881,397	1,240,712
Staff Cost	216,293	292,329	349,068	518,023	587,487
Other Operating Cost	200,776	206,301	313,230	459,416	533,906
Depreciation & Amortization	13,866	8,927	28,888	66,453	72,604
PreTax Profit	393,734	467,825	539,035	786,227	598,873
Net Profit	317,278	346,302	397,598	598,049	433,590
Profitability Ratios					
Net Interest Margin	1.65%	1.44%	1.30%	1.18%	1.11%
Net Profit Margin	39%	36%	30%	36%	23%
Return on Equity	21.29%	16.49%	14.85%	16.85%	9.96%
Return on Assets	1.99%	1.91%	1.91%	2.55%	1.58%
Cost/Income Ratio	51.44%	51.59%	58.75%	52.37%	66.15%
Effective Tax Rate	19.42%	25.98%	26.23%	23.93%	27.60%
Stock Unit Information					
Earnings Per Share	$0.26	$0.29	$0.27	$0.40	$0.29
Closing Share Price as at December 31	-	$3.24	$3.82	$8.97	$5.90
Price to Earnings Ratio	-	14.03	14.41	22.50	20.41
Book Value Per Share	$1.08	$1.72	$1.85	$2.88	$2.92
Price to Book Ratio	-	1.88	2.07	3.11	2.02
Dividends Per Share	$0.10	$0.25	$0.14	$0.19	$0.03
Dividends Payout Ratio	48.54%	109.98%	52.82%	47.66%	10.38%
Capital Gains	0.00%	32.24%	17.90%	134.82%	-34.23%
Statement of Financial Position Ratios					
Investments Securities as a % of Total Assets	80.41%	58.22%	61.27%	66.01%	55.60%
Repurchase Agreements as a % of Total Liabilities	95.18%	75.30%	82.04%	80.95%	80.15%
Capital to Assets Ratio	9.94%	12.88%	12.83%	17.08%	14.74%
Other Statistics					
JSE Index as at December 31	192,276.64	288,381.97	379,790.86	509,916.44	395,614.93
JSE Index Annual Movement	27.60%	49.98%	31.70%	34.26%	-22.42%
Annual Inflation Rate	1.72%	5.24%	2.44%	6.22%	5.21%
Annual USD Foreign Exchange Rate	$125.14	$128.36	$129.72	$134.22	$143.22

Five-Year Statistical Review

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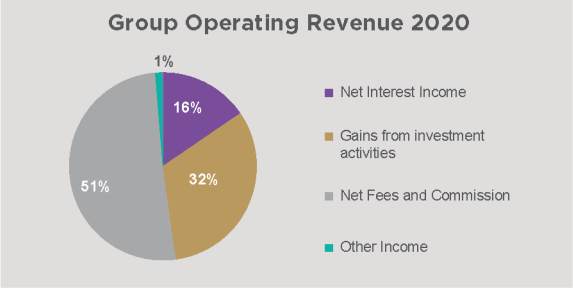

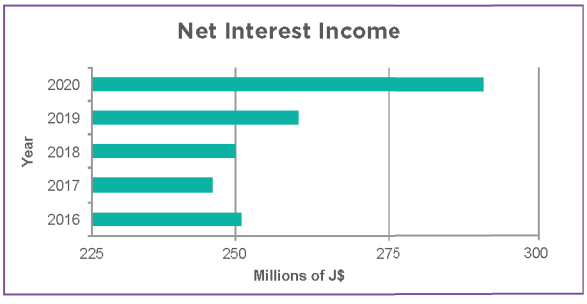

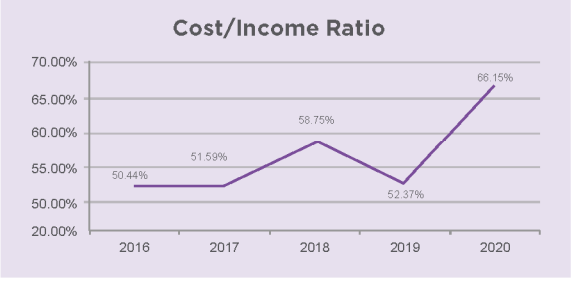

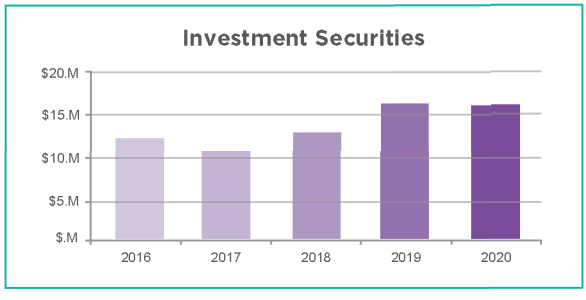

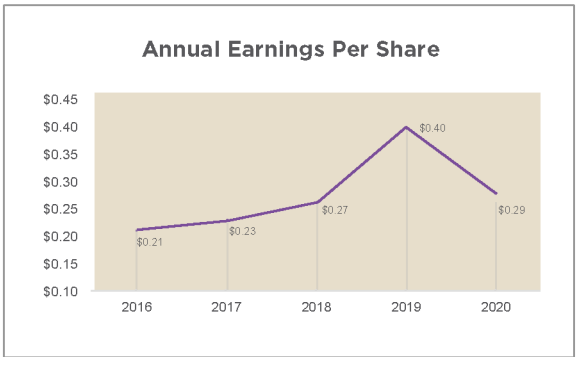

DEFINITIONS USED

Operating Expenses	Staff costs + Other operating expenses
Earning Assets	Cash & Cash Equivalents + Investments + Resale Agreements + Loans + Interest in Associate + Interest in Subsidiary
Return on Equity	Profit after income tax / Average Equity
Return on Assets	Profit after income tax / Average Total Assets
Net Interest Margin	Net interest income / Average Earning Assets
Cost/Income Ratio	Operating Expenses / Net Interest Income and Other Operating Revenues
Effective Tax Rate	Tax Expense/Pre-Tax Income
Dividend Yield	Dividends Paid/Price at Year End
Net Profit Margin	Net Profit/Total Revenues
Capital to Assets Ratio	Total Equity/Total Assets

SOURCES

- 2015-2020 Audited Financial Statements
- Jamaica Stock Exchange
- Bank of Jamaica
- Statistical Institute of Jamaica

GOVERNANCE:

Chairman's Message

On behalf of the Board of Directors of Victoria Mutual Investments Limited Group (VMIL), I am pleased to present the 2020 VMIL Annual Report.

The Directors of VMIL are happy to have supported the Team through this extraordinary year, marked by several significant challenges, but also important progress and achievements for the business.

Standing strong in uncertain times

Consolidated revenue for the year was $1.88 billion, reflecting an increase of $192.63 million or 11.4% over the $1.68 billion recorded for 2019. This growth in revenue was primarily driven by gains from investment activities, which increased by $108.09 million.

Total assets increased year-over-year by 17.4% to $29.72 billion as at December 31, 2020, primarily attributable to an increase in resale agreement balances.

Total liabilities were $25.34 billion as at December 31, 2020, an increase of $4.34 billion or 20.7% over the prior year, driven mainly by the increase in borrowings and repurchase agreements.

Our capital base continues to be strong with total shareholders' equity standing at $4.38 billion, up from $4.33 billion, which resulted in a book value per share of $2.92 (2019: $2.88).

Victoria Mutual Wealth Management Limited, our licensed securities dealer, continues to be well capitalised, with a risk weighted capital adequacy ratio of 15.56%, above the regulatory requirement of 10%. The capital to total assets ratio of 14.24% far exceeds the regulatory minimum of 6%.

Assets managed on behalf of Clients, on a non-recourse basis, grew by an impressive $3.35 billion or 11.4%, from $29.48 billion as at December 31, 2019 to $32.82 billion as at the end of the current period. The year-over-year growth was fuelled by strong net inflows of $2.18 billion from our Portfolio Management Clients while we had net inflows of $1.17 billion into the Unit Trust portfolios.

Chairman's Message ▷▷

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Economic Context - Jamaica

The effects of the COVID-19 pandemic on the local and global economies have been significant. The Planning Institute of Jamaica (PIOJ) indicates that it expects the local economy to contract between 9% and 11% for the 2020/21 fiscal year. This follows year-over-year contractions of 2.4%, 18.3% and 10.7% in the first three quarters of 2020, respectively.

In response to the crisis, the Government of Jamaica provided a $25 billion fiscal stimulus, dubbed the CARE Programme. The government was also approved for disbursement of USD $520 million from the International Monetary Fund (IMF) under the Rapid Financing Instrument.

Business and Consumer Confidence fell amid the pandemic. Consumers were particularly affected by the loss of income from salary cuts or job losses. The unemployment rate increased from lows of 7.19% in October 2019 to highs of 12.6% in July 2020, before falling to 10.7% in October.

Economic Context - Overseas

According to its October report, the IMF expects that the global economy will have contracted by 4.4% in 2020.

Global economic activity was dominated by the fiscal and monetary responses of the world economies to the pandemic. Fiscal responses included large stimulus packages to support the respective economies and typically included direct payments to individuals, particularly those facing unemployment because of the pandemic.

Monetary agencies also implemented accommodative policies to support economies. This included the reduction of key interest rates to improve access to credit. Notably, the US Federal Reserve cut its key interest rate by 1 percentage point to a target range of 0% - 0.25%, and the Bank of England cut its interest rate by 0.65 basis points to 0.10%.

Effective execution of strategy

The coordinated efforts of the Board of Directors and the Leadership Team of VMIL are critical to the delivery of a winning strategy for the business, even in the best of times. In a year of a global pandemic, this relationship is even more vital. The outcomes of 2020 underscore the robust nature of this relationship at VMIL.

In 2020 your Board approved a bold new 3-year strategic plan and deepened support for VMIL 's exciting digital evolution by constituting a Digital and IT Committee at the parent level.

The Board & Executive Team also instituted an Enterprise Risk Management Framework to better monitor performance against Key Risk Indicators (KRIs) and I am happy to report the Group recorded very good performance against its KRIs, indicating our commitment to continuous strengthening of our risk management practices.

On the Human Resource front, we continued our support for The Great place to Work Initiative originating at the parent level but impacting all our Team Members by providing individual pathways to success.

At the level of the Customer, these other actions realised a dynamic suite of developments:

Driving Digitisation and Excellence in Customer Experience

In 2020 VMIL launched an innovative Client Management Portal, our first digitisation project of many, which allows our Clients the convenience of accessing their statements and making transaction requests online.

Strategic expansion

The year saw the regional expansion of Carilend, our peer-to-peer lending platform with the launch of Carilend Jamaica. This is a significant milestone for the business and a win for the local economy.

Meeting the needs of Clients

The business successfully launched two additional products based on feedback from our Clients: VM Unit Trust Goal Maximizer Portfolio and our US Equity Trading platform.

Additionally, we launched our Premium Wealth Service catering to our ultra-high net worth clients. We also grew market share in our Asset Management business despite the turbulent investment markets.

Notwithstanding the upheaval in the local and global economies, we accelerated the expansion of our local footprint, with the

establishment of additional branches, taking the number of touchpoints to ten. This demonstrates our sound commitment to providing personalised services to our Clients as well as our confidence in the future rebound of the financial sector.

Creating and retaining an effective and motivated Team

The business recorded continued upward movement in our human resource engagement index, surpassing global and local benchmarks as we continue to drive towards our strategic goal of Employer of Choice.

VMIL continued to demonstrate genuine care for its Team Members with enhanced efforts to support them through challenges specific to the pandemic. This included the provision of cost-free access to mental health support via Family Life Ministries for Team Members and their families. A series of support-focused webinars, digital townhalls, virtual entertainment activities and robust health and safety protocols ensured our Team received the highest levels of protection and support as they worked to transform the lives of our Clients and Shareholders.

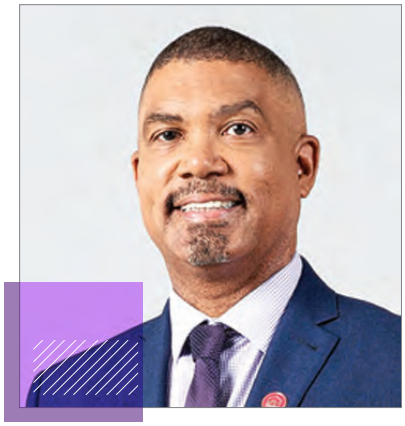
We appreciate our Team, and we appreciate you!

VMIL's Board of Directors are grateful to our Results Focused Leaders and Team Members for their outstanding commitment to the purposeful work of guiding and empowering our Clients in their financial affairs especially in the face of the pervasive effects of the global pandemic. This makes us most proud. The significant achievements of the year make it clear that the future holds great things for the business.

We also offer our sincere thanks to our Valued Clients and Shareholders for your continued trust and loyalty. We are privileged to be your partner and to work with you to create, grow and sustain your wealth.

Mr. Michael McMorris
Chairman

Board of Directors



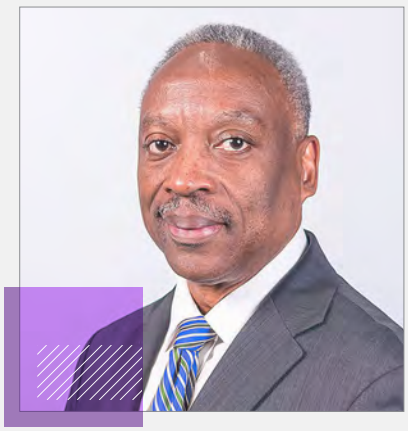
Mr Michael McMorris
BA
Chairman

Mr Michael McMorris is Chairman of the Board of Directors at Victoria Mutual and has held that office since 2011. He is Principal of the business management firm KRONOS Limited and works with local and international investors in the areas of new venture development and strategic management.

Mr McMorris has had a successful career in both the private and public sectors. He was previously an Executive Director of Jamaica Promotions Corporation (JAMPRO) and prior to that, held the post of CEO with Trafalgar Commercial Bank (now First Global) and Knutsford Capital Merchant Bank, which he helped found.

Mr McMorris holds a Bachelor's Degree in Economics and Politics & Public Affairs from the University of Miami as well as advanced finance training from Citibank's School of Banking where he started his career.

Currently, he is also Chairman of Victoria Mutual Wealth Management Limited and VMBS Money Transfer Services Limited, 1st Vice President of the Jamaica Chamber of Commerce and Director of other commercial enterprises. Previously, he was President of the Merchant Bankers' Association, Chairman of the Finance Committee of the Airports Authority of Jamaica and a member of the Board of the National Exim Bank. □



Mr Milton J. Samuda
Esq.

Mr Milton J. Samuda is the Managing Partner of Samuda & Johnson and heads the firm's Commercial Department. His practice includes Tourism, Corporate and Hotel Financing, Trade and Transportation, Mining and Energy, Sports and Entertainment, and Maritime Law.

He is a Past Chairman of Jamaica Promotions Corporation (JAMPRO) and a Past-President of the Jamaica Chamber of Commerce (JCC). Currently, he is a director of Victoria Mutual Wealth Management, Victoria Mutual Investments Limited, Creditinfo Jamaica Limited, Berger Paints Jamaica Limited, OMS Associates Limited and Credit Advice Barbados Limited.

Mr Samuda is Chairman of Sabina Park Holdings, the Institute of Law and Economics, the National Dance Theatre Company (NDTC), and the Wolmer's Trust.

A member of the Finance & General Purposes Committee of the University of the West Indies, and also a member of the Advisory Board of the Spanish-Jamaican Foundation in which he serves as the Foundation's Secretary.

Mr Samuda holds an L.L.B. (Hons) degree from the University of the West Indies and was admitted to practice in Jamaica in 1982, having completed studies at the Norman Manley Law School. In 1993, he was also admitted to practice in the British Virgin Islands.

An Anglican, Mr Samuda is married to Elizabeth and has three children - Matthew, Marlon and Mariana. □

Mr Noel Hann
EJD, FAIA, MCMI

Mr Noel Hann joined the Victoria Mutual family in 1976 and served the Society for over 30 years. As Senior Vice President Finance and Chief Financial Officer, he had responsibility for Accounting, Finance, Investment, Pension Fund Administration, Foreign Currency Trading and Information Technology. He retired in 2010 as Senior Vice President, Group Risk and Compliance. He also has extensive professional experience in manufacturing, construction and hotel operations.

Mr Hann is a fellow of The Association of International Accountants (UK) and a member of the Chartered Management Institute (UK). In July 2007, he completed an Executive Juris Doctor (EJD) Law Degree at Concord Law School, California, specialising in the technical area with options in Cyberlaw, Patent Litigation, Intellectual Property and Patent Claim Drafting. He has completed several management development programmes, including Financial Management, at the Graduate School of Savings & Loans, North Western University.

A past Council Member of the Building Societies Association of Jamaica, Mr Hann also serves on the Boards of several companies. He is the Chairman of the McGrath High School and the founder and senior pastor of The New Life Tabernacle Church in Bog Walk, St. Catherine. A Justice of the Peace, he serves as a Lay Magistrate and is very involved in the communities of Bog Walk and Linstead, being on the Community Consultative Committees, as well as the Linstead Hospital Redevelopment Committee. Over the years, Mr Hann has spearheaded numerous programmes geared towards the advancement of young people. □

Mr Phillip G. Silvera
FCCA, FCA

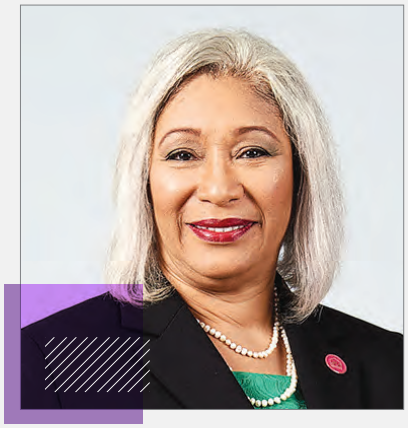
Mr Phillip Silvera is a long-standing member of the Victoria Mutual Family and is a former Executive Vice-President of The Victoria Mutual Building Society, where he spent 32 years in various senior positions including Divisional President, Financial Controller and Chief Accountant.

A fellow of the Association of Chartered Certified Accountants (FCCA) UK and the Institute of Chartered Accountants (FCA) Jamaica, Mr Silvera has over four decades of experience in the financial industry. He was also a licenced Security Dealer and served as a registered Public Accountant for many years.

He currently serves on the boards of Victoria Mutual Investment and Victoria Mutual Wealth Management. He chairs the Audit, Risk and Compliance Committees of both companies.

Mr Silvera is the Chair of the Board of Directors of Topaz Christian Fellowship and a Past President of the Golden Acres Citizens Association. He previously served on the boards of several other companies, including VMBS Money Transfer, Victoria Mutual Insurance Company, Jamaica Unit Trust and The Caribbean Graduate School of Theology. He is also a past Chairman of J.E.T.S. Limited, operators of MultiLink, Jamaica's largest payment system.

He is married to Faye and they have three children. A former Head Boy of St. Mary High School, Mr Silvera enjoys woodworking and farming at home. □



Mrs Sandra M. Shirley-Auxilly
MBA, BSc (Hons)

Mrs Sandra Shirley-Auxilly, Business Facilitator/Consultant, has extensive experience spanning over 30 years in wealth management, trust banking, strategic planning and implementation in the United States and the Caribbean.

A former licensed securities dealer and President of First Global Financial Services Limited, Mrs Shirley-Auxilly is a 2006 Fellow of the Jamaican Institute of Management and a member of the Private Sector Organisation of Jamaica. She is a former Director and Vice President of The Jamaica Chamber of Commerce and has served on various other private and public sector boards, including as Deputy Chairman, The Jamaica Stock Exchange (2008), Secretary, Security Dealers Association (2006-2008), Commissioner, Anti-Dumping & Subsidies Commission and Jamaica Deposit Insurance Company.

A former Senior Research/Teaching Fellow-Finance, Mona School of Business, University of the West Indies, Mona, Mrs Shirley-Auxilly has also served in various capacities on technical assistance and project teams funded by private sector and multilateral agencies. Her experience includes entrepreneurship and SME development. She believes in giving through service and is the Federation Councillor and Past President of Soroptimist International (SI) Jamaica and Vice President SI Caribbean Network of clubs.

Mrs Shirley-Auxilly attained a BSc. (Hons) Management Studies from The University of the West Indies, majoring in Financial Accounting & Finance and an MBA Finance and Banking from Pace University, New York, USA. She completed a Post Graduate Diploma in Investment Appraisal and Risk Analysis from Queens University, Ontario, Canada. She also serves on the boards of Victoria Mutual Wealth Management, Victoria Mutual Pensions Management and British Caribbean Insurance Company Limited and is an approved Pension Fund Trustee. □

Mr Matthew Wright
MPHIL, MA, BA

Mr Matthew Wright is the Managing Director of York Investment Management S.A., an independent financial advisory firm providing global asset management solutions to the high net worth, family office and institutional client market. He has over 23 years' experience in investment management, corporate finance, credit risk management and real estate investment. He is a former Vice-President in the Infrastructure and Energy Finance Group of Citibank Global Capital Markets in New York, with responsibility for providing financial advisory and debt arrangement services to major infrastructure projects in North America, Latin America and the Caribbean. Mr Wright has also served as Assistant Vice-President for Capital Markets in the Emerging Market Corporate Bank for Citibank Jamaica.

As a former Cambridge Commonwealth Scholar, he holds a Master of Philosophy in Environment and Development from Cambridge University in the United Kingdom, a Master of Arts Degree in International Development Policy from Stanford University, California, and a Bachelor of Arts Degree in Economics from Williams College, Massachusetts. He also serves as a Board member for Victoria Mutual Building Society, Victoria Mutual Wealth Management and Victoria Mutual Finance Limited (UK). □

Mr Courtney Campbell
MBA (Dist), ACIB, BSc, JP

Mr Courtney Campbell is President and Chief Executive Officer of Victoria Mutual (VM), a leading Jamaican Financial Group with operations that extend to major financial districts in North America and the United Kingdom. Courtney assumed this position in April 2016, and immediately went about igniting a transformation of the organisation, which includes an ambitious digital strategy that has led to new products and services being delivered in modern, convenient ways. Courtney has leveraged the organisation's cultural beliefs and core values to kindle the VM Team's passion for uplifting Jamaicans. He is a strident advocate for greater financial inclusion, which is the founding purpose of VM and a significant motivator behind the work that he does.

Before joining VM, Courtney had already established an enviable record of success in several senior executive roles including that of CEO of GraceKennedy Financial Group. He also spent over 23 years with the National Commercial Bank, serving in various management positions, including Head of the Retail Banking Division and other roles instrumental to the bank's success.

He holds a BSc in Management Studies from The University of the West Indies, and an MBA in Finance (Distinction) jointly awarded by the University of Wales & Manchester Business School. He is also a member of the Chartered Institute of Bankers, London. Courtney is a director of Victoria Mutual Building Society and all its subsidiaries as well as associate company, British Caribbean Insurance Company. He is also Chairman of the VM Foundation and the United Church Mission Enterprise. Courtney is a Corporate Champion for the UWI STAT, Mona Campus and serves on the Governor-General Jamaica Trust and the Investment Committee of the Council of World Missions. He is a former Chairman of the National Education Trust (NET). A Justice of the Peace, Courtney is an Advisory Board Member of the Governor-General's Programme for Excellence and an 'I Believe Initiative' Ambassador. He is married to Pauline and they have two sons. □

Mr Rezworth Burchenson
MBA, BSc

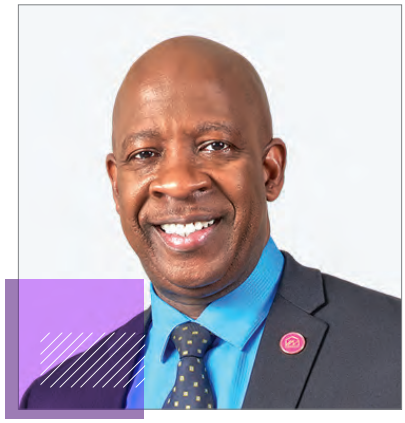
Mr Rezworth Burchenson is a Senior Vice President at Victoria Mutual and the Chief Executive Officer of Victoria Mutual Investments Ltd. and its wholly owned subsidiary, Victoria Mutual Wealth Management Ltd. He was appointed to the role in January 2019 after a successful tenure as Deputy CEO of VM Investments Ltd/VM Wealth Management Ltd and CEO of VM Pensions Management Limited. He transitioned to the Victoria Mutual Group with prior roles including CEO of Prime Asset Management Ltd and Vice President and General Manager of Pan Caribbean Asset Management Ltd, with an overarching responsibility for managing Jamaica's largest unit trust (Sigma Unit Trust).

His contribution to the sector also include serving on the Private Sector Organisation of Jamaica's (PSOJ's) Economic Policy Committee and a member of the Jamaica Stock Exchange (JSE) Best Practice Committee. He has also served as a Director of:

- National Road Operating and Constructing Company (NROCC),
- National Education Trust Ltd (NET),
- Human Resource Management Association of Jamaica, and
- Pension Funds Association of Jamaica (PFAJ).

In 2012, Mr Burchenson was named to the PSOJ's "50 Under Fifty" in the field of investments and finance. A Barclays Bank Scholar while at the University of the West Indies, he received a Bachelor's Degree in Economics (Hons) and an MBA in Banking and Finance (Hons). He has also participated in leadership training at:

- The Wharton School, Aresty Institute of Executive Education
- Advanced Management Programme (AMP 194) at Harvard Business School.
- Palladium's Kaplan-Norton Strategy Execution Boot Camp. □



Mr Devon Barrett
MBA, BSc

A strategic and visionary leader, **Mr Devon Barrett** has been with the Victoria Mutual Family since March 2008. On September 1, 2016, Mr Barrett assumed the role of Group Chief Investment Officer with responsibility for diversifying the Group's investment portfolio. He also served with distinction at the helm of Victoria Mutual Wealth Management, where his primary areas of focus included conceptualising and implementing the strategic direction of the Company, managing the Company's balance sheet, ensuring compliance with all regulatory requirements and managing the growth in profit and shareholders' value.

In January 2019, in keeping with the VM Group's strategic business plan, Mr Barrett began focusing solely on his Group Chief Investment Officer role. He was also named head of the newly formed Strategic Investments Unit.

Prior to his tenure at Victoria Mutual, Mr Barrett served in senior positions at several financial institutions including Capital and Credit Securities Limited and the Union Bank of Jamaica Limited, formerly Citizen's Bank. This accounts for 20 years of experience in managing foreign currency investments and deposits portfolios, negotiating foreign exchange and money market deals and ensuring consistent growth in the respective client bases.

He holds an MBA which he acquired at Nova Southeastern University, Florida and a BSc in Management Studies from the University of the West Indies. A strong negotiator and effective communicator, he inspires his team to achieve greater levels of performance, thereby positively impacting on individual growth and development and ultimately, overall Company results. □

Mrs Janice McKenley
FCCA, FCA, MBA (Dist), BSc (Hon)

Mrs Janice McKenley joined the Victoria Mutual Group in July 2007. As Group Chief Financial Officer, she is responsible for the Group's Programme Management Office, Procurement and Finance strategies and teams.

Her over 30 years of extensive experience includes formulating and delivering on corporate direction and strategic goals, financial reporting, transforming business processes, talent management, improving financial reporting timeframes, budget preparation and regulatory reporting; as well as coordination of external audits and risk management.

Mrs. McKenley's business experience also includes Digitalised Information Systems Risk Management, a specialty honed and developed at PriceWaterhouseCoopers, Jamaica and assignments throughout the Caribbean.

A Chartered Accountant by profession, Mrs. McKenley holds an Executive MBA (Distinction) in Finance and a BSc. (Honours) in Computer Science from the University of the West Indies. She is a Fellow of The Chartered Association of Certified Accountants (UK) and The Institute of Chartered Accountants of Jamaica, of which she is a past council member and member of the Accounting Standards Committee. Her favourite past times include nurturing her orchids in her garden and spending time with her family. □

Mr Vikram Dhiman
MBA

Mr Vikram Dhiman is the Chief Operating Officer of ICD Group Holdings Limited, a Jamaican-based Investment holding company with regional and global interests in Real Estate, Construction, Property Management, General Insurance, Business Process Outsourcing and E-Commerce businesses.

He began his career with KPMG in Jamaica and also worked with them in India and the Netherlands. Between 1998 and 2000, he worked with the United Nations Compensation Commission, in Geneva, as a valuation specialist for determination of the claims arising from the 1990 Gulf War. After his MBA at INSEAD, he worked at Marakon Associates, a strategy and management consulting firm, at their London Office, advising several FTSE100 firms. He joined the ICD Group in 2004 and has been instrumental in shaping and growing the businesses of the Group.

Mr Dhiman is a naturalised Jamaican and has chosen Jamaica as his home. He serves on several private and public sector boards as part of his employment and as a volunteer. He is the Chairman of British Caribbean Insurance Co. Limited, and WIHCON Properties Limited, and the Deputy Chairman of the Special Economic Zone Authority's board. He is a director of Advantage Communications Inc. (Canada), ADV Communications Jamaica Limited, Social Media Group LLC (Puerto Rico), West Indies Home Contractors, ICD Group Holdings Limited, the University Hospital of the West Indies (Private Wing), Victoria Mutual Investments Limited and M.A.G. Medical Supplies Limited. Since 2016, he has been the Honorary Treasurer of the Private Sector Organisation of Jamaica, the umbrella private sector organisation in Jamaica.

He has served as the Treasurer of the Jamaica Golf Association since 2007 and was the Chair of its Junior Golf Committee from 2007-2017. He has raised over US$500,000 for the development and growth of Junior Golf in Jamaica. □

GOVERNANCE:

Corporate Governance

The corporate governance practices of Victoria Mutual Investments Limited (VMIL) are centred on its accountability to shareholders and stakeholders and are consistent with both best practice and regulatory expectation. In addition to a robust Corporate Governance Policy, VMIL is guided by a set of Guidelines for Business Conduct. They are applicable to Directors and all its employees, and set out the ethical and business conduct requirements which include:

a. compliance with applicable laws and regulations;
b. executing functions with integrity, accountability and honesty;
c. avoidance of conflicts of interest and an obligation to declare any potential or actual conflict of interest and obtain guidance; and
d. an obligation to make timely and accurate disclosures.

These Policies, Guidelines and practices are designed to ensure that VMIL always operates in a sustainable and responsible manner. Also, they provide a yardstick by which the Board of Directors and Committees of the Board measure their effectiveness in managing the organisation in the best interest of all stakeholders.

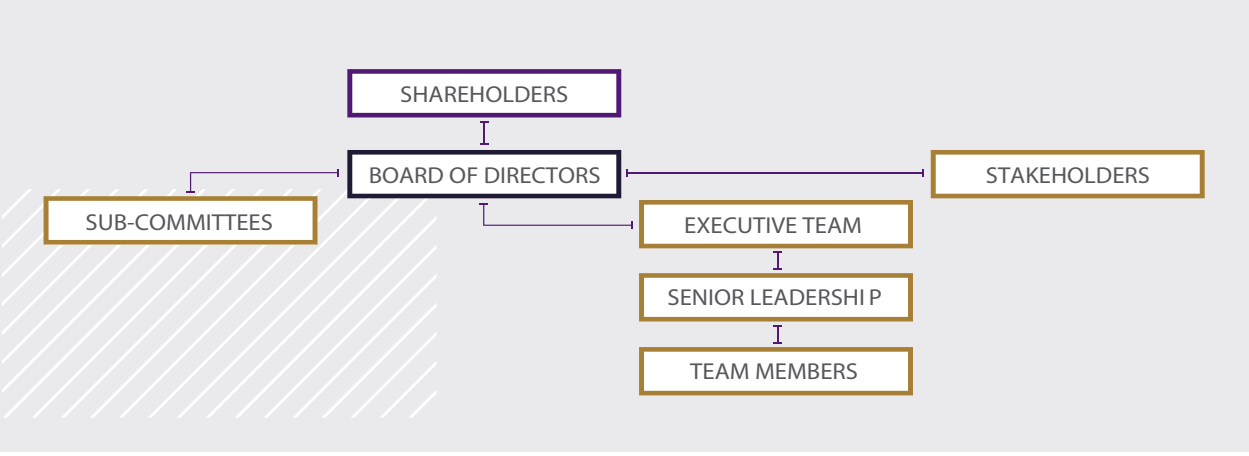
The Board of VMIL is also guided by the governance principles espoused by the Jamaica Stock Exchange and Private Sector Organization of Jamaica in executing the following key functions:

a. overseeing the effective management of Enterprise Risk;
b. strategic planning and execution;
c. oversight of the effectiveness of internal controls;
d. ensuring equitable treatment of shareholders and other stakeholders;
e. oversight of communication and public disclosure to ensure clear and timely communication of important decisions and matters;
f. reviewing the processes and controls for production and verification and disclosure of financial information; and
g. reviewing the Compensation Philosophy and talent management plans and initiatives, with a focus on attracting and retaining talent, and ensuring appropriate succession mechanisms and arrangements are in place for Executive Management.

In 2020, against the background of the outbreak of COVID-19, the Board directed particular attention to:

a. reviewing and approving new strategic targets for the period 2021-2023 to account for changes in the environment and business operation;
b. adopting an ERM Framework, and monitoring performance against Key Risk Indicators; and
c. reviewing and assessing the effectiveness and adequacy of the internal controls, control environment and regulatory compliance.

The achievements, of which the Board is particularly proud, coming out of what was a trying year are the adoption of a formal Enterprise Risk Management Framework, enhancement of the framework for social governance in the wake of COVID-19, improved oversight of corporate culture, accelerated digital transformation, and a deepened sense of corporate purpose.



1 BOARD OPERATIONS IN 2020

BOARD COMPOSITION

The Board of Directors bring to bear a diverse set of skills and years of cumulative experience in effectively overseeing the operations of VMIL. The Board of Directors is composed of eleven (11) Directors. In keeping with best practice, the Board consists of a majority of non-executive directors.

	BOARD OF DIRECTORS - SKILL AND EXPERIENCE
100%	Strategic Management and Leadership
100%	Financial and Commercial Experience
100%	Corporate Governance Experience
90%	Global trends in the Financial industry
80%	Risk Management
100%	Awareness of the Legal and Regulatory Environment
100%	Human Resource/Talent Management/Compensation
20%	Legal Expertise
40%	CEO-Level Experience

DIRECTORS' INDEPENDENCE

With regard to the following principles, the majority of VMIL's Directors are deemed to be independent:

a. the Director is not and has not been an employee of the VM Group within the last three (3) years;

b. the Director is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgment to bear on issues before the Board; and

c. the Director is able to act in the best interest of VMIL and its shareholders generally.

The Board is led by the Chairman, Mr. Michael Andrew McMorris who is a Non-Executive Director and has extensive experience in the financial sector and other areas of expertise.

All Independent Board Members have full access to the Management Team through the VM Group President, the CEO of VMIL and the Corporate Secretary to ensure full access to information in order to inform Board decisions and deliberations.

2 BOARD MEETINGS AND ATTENDANCE

During 2020 the Board held eleven (11) meetings in the execution of its stewardship of the Company.

Independent Directors	No. of Meetings Attended
Michael McMorris	11
Matthew Wright	8
Milton Samuda	11
Noel Hann	11
Phillip Silvera	11
Sandra Shirley-Auxilly	11
Vikram Dhiman	11

Executive Directors	No. of Meetings Attended
Courtney Campbell	11
Janice McKenley	10
Devon Barrett	10
Rezworth Burchenson	11

BOARD COMMITTEES

The Board delegates oversight responsibility to three (3) Committees in the areas of:

a. Audit, Risk and Conduct Review;
b. Corporate Governance and Nominations; and
c. Finance.

Each Committee is composed mainly of Independent Directors and meets at least four times during the year. Each Committee is guided by a Board-approved Charter which sets out the Committee's role and responsibilities and deliverables.

AUDIT, RISK AND CONDUCT REVIEW COMMITTEE

This Committee assists the VMIL Board in providing oversight of the integrity of the Company's Audited and unaudited Financial Statements; compliance with Legal and Regulatory requirements; safeguarding the Company's assets; maintenance of accounting records; maintenance of an effective system of internal control; as well as oversight of the performance of the external auditors and the internal audit function and risk management.

Committee Members	No. of Meetings Attended
Mr. Phillip Silvera - Chair	7/7
Mrs. Sandra Shirley-Auxilly	7/7
Mr. Noel Hann	7/7

CORPORATE GOVERNANCE & NOMINATIONS COMMITTEE

This Committee is responsible for periodically assessing the skills, composition and performance of the Board through the process of Board evaluation to guide succession planning and selection of directors. The Committee also has oversight responsibility for the compensation philosophy and performance management policy.

Committee Members	No. of Meetings Attended
Mr. Milton Samuda - Chair	6/6
Mr. Michael McMorris	5/6
Mrs. Sandra Shirley-Auxilly	6/6
Mr. Noel Hann	6/6

FINANCE COMMITTEE

This Committee is tasked with ensuring effective oversight and review, on behalf of the Board, of capital allocation and treasury and credit portfolio management to achieve growth targets. The Committee reviews, evaluates and recommends projects or transactions involving major capital expenditure as well as mergers, acquisitions and divestments.

Committee Members	No. of Meetings Attended
Mr. Matthew Wright - Chair	5/7
Mr. Michael McMorris	7/7
Mr. Phillip Silvera	7/7

BOARD EVALUATION AND PERFORMANCE IMPROVEMENT

The Board continued its commitment to improving its effectiveness, and to that end, assessed its performance during 2020, with the assistance of our external Consultant. These measures are considered vital in helping the Board safeguard its independence and efficacy in the discharge of its fiduciary responsibilities.

In 2020, there was a substantial overhaul of the framework for assessment of performance, with particular focus on the evaluation tools utilised in relation to individual directors, Committees, and the entire Board.

CORRECTION

Director Milton Samuda's meeting attendance for 2019 was incorrectly represented in the Victoria Mutual Investments Limited (VMIL) 2019 annual report. Please see correct information below regarding Director Samuda's 2019 meeting attendance. We regret the error.

VMIL Board Meetings 2019

Total Meetings - 12 (including AGM)
Attended - 9
Absent - 3

VMIL Governance Nominations & Compensation Committee Meetings 2019

Total Meetings - 5
Attended - 4
Absent - 1

CORPORATE SOCIAL RESPONSIBILITY

PILLARS AND PROGRAMMES

01 LEADERSHIP AND NATION BUILDING

- National Leadership Prayer Breakfast
- Governor-General's Achievement Awards

02 YOUTH EMPOWERMENT

- Head Start Scholarship Programme
- Social Enterprise in Secondary Schools Programme, in partnership with the British Council
- Igknight - Financial literacy for young people
- Under-13 Football Competition and Coaches' Development Programme

03 HEALTH AND FAMILY

- Adopt-A-Clinic, in partnership with the Ministry of Health & Wellness

INTRODUCTION

The Victoria Mutual Foundation was launched in May 2018 with a mandate to positively transform the lives of Jamaicans globally. To achieve our goals in areas of leadership and nation building, youth empowerment, and health and family life, we work with a clear and robust strategy built on Mutuality, operational excellence in the delivery of our programmes, and creating opportunities for our Team and Members to contribute positively to the communities in which they live and work.

The VM Foundation is a key component of VM Group's Modern Mutual ambitions. As a Modern Mutual, VM is focused on Member satisfaction and participation; Member needs; and reinvestment of our capital to improve lives. Our customer obsession directs our partnership with organisations at home and abroad through the design and delivery of innovative programmes that inspire hope and that support the dreams of many Jamaicans.

Many of the VM Foundation's plans at the beginning of 2020 were derailed by the pandemic. COVID-19, however, did not stymie our drive to effect real and meaningful change in people's lives. We adjusted and focused on some of the most urgent needs of our Members and by extension, the nation.

Our targeted and deliberate outreach and partnership with the Jamaican community under the mantra of 'Together, for Jamaica' focused on education, parenting, and community service.
The result was that, despite the global pandemic, the VM Foundation's work benefited 230,000 people. More than J$46 million was spent on our efforts, including J$3.3million given to fortify the national push-back against COVID-19. Over 280 VM Directors, Pensioners and Team Members actively contributed and volunteered with the VM Foundation in a year that really required selfless giving.

After hearing the touching story of Crystal Clarke (mother of 8), the VM Foundation in collaboration with VM Group Business Process Improvements reached out to her to provide assistance with back-to-school items for seven of her children. Clarke's heart was warmed and filled with gratitude after receiving school bags, textbooks and school supplies for her children.

Photographed is Crystal Clarke (mother of 8), Regina Owen, Programme Administrator, VM Foundation, Sandra Davis Lewis – Senior Business Analyst, Group Business Process Improvements and Jodiann Darby - Business Analyst, Group Business Process Improvements

Photographed is Courtney Campbell, Chairman, VM Foundation sharing a greeting with the Most Honourable Andrew Holness, O.N., M.P.

NATIONAL LEADERSHIP PRAYER BREAKFAST

For 34 years, VM has proudly partnered with the National Leadership Prayer Breakfast in a bid to foster greater unity in the nation, particularly among the nation's leaders at all levels and to renew the dedication of the advancement of our Nation. VM Foundations' 2020 sponsorship of $5 million to the NLPB is in alignment with the Foundation's goal for leadership and nation building. This Breakfast's focus was on the healing and restorative power of peace under the theme "Pursuing the Power of Peace". The Breakfast was preceded by a Week of Prayer, during which Religious Leaders; Private Sector Leaders; Public Sector Leaders; Family Leaders; Agricultural Sector Leaders; Educational Leaders; Student, Youth, Emerging and Community Leaders and Political Leaders were prayed for on selected days prior to the January 16th Breakfast.

As is customary, donations were collected at the Breakfast for a selected charity and special project. This year the Child Resiliency Programme (CRP) was the recipient of the donation of $500,000.

Rt. Reverend Stanley G. Clarke, Chairman, NLPBC and Michael McMorris, Chairman, VM Group share a greeting at the National Leadership Prayer Breakfast in 2020.

EDUCATION

From its inception, the VM Foundation has remained committed to the empowerment of youth in Jamaica. This has meant providing and supporting programmes that aid in their development and education.
In October, the Foundation invested $6.4 million towards the CRP which targets youth between the ages of 9-11 who have been impacted by crime and violence. The programme provides intervention in the form of holistic development of the child displaying at-risk behaviour. The developmental process for each CRP across the island engages approximately 60 Grade 5 children who are referred from six schools. Each CRP operates out of a school, church or community centre as an after-school programme.
In tandem with this, as the pandemic has shifted the normal path of education, the Foundation continued to support its programmes by pivoting to the virtual landscape as it maintains its promise to nation building and of meeting the needs of its Members.
As the nation's schools moved online because of social distancing restrictions, many students were ill-equipped for the transition.
With limited access to technology and an inability to afford required data packages, the impact was hard and quick on our students.
VM Foundation moved quickly to close the gaps for many of these students. We donated more than 120 smart phones, laptops and tablet computers to students across the island.

Labour for Learning

We channelled this drive to uplift our students, into our Labour Day efforts which we pivoted into a donation blitz dubbed 'VM Labours for Learning'. On Labour Day, May 25, the Foundation effected an islandwide effort, donating 'Digital Education Kits' to 21 CSEC students from different parts of the country. The kits included laptops equipped with Microsoft Office Suite, and smartphones equipped with three-month data plans. Courts Jamaica and telecommunications provider Flow supported VM's efforts in this initiative by providing the items at reduced cost.

Photographed from left to right are: Ria Bertram, recipient; Nicole Adamson -Reseach Manager, VM Group; Dondre Genus, recipient; Alayna Elliot, recipient; Clover Moore -Assistant Vice President, Group Corporate Affairs and Communications, VM Group and Daneil Peart, recipient.

Regina Owen, Programme Administrator, VM Foundation, Jodian Blackwood – Relationship Officer, Mortgage Centre, VMBS and Teswayne Somers -Maintenance Officer, Linstead Branch, VMBS assist with the beautification project at the International First-Born Church Basic and Pre-School.

The VM Foundation donated $50,000 to the International First-Born Church of the Living God in January 2020, to support their beautification project of their Early Childhood Institution.

Photographed is the Honourable Floyd Green, MP, Minister of Agriculture and Fisheries addressing guests at the 1st Annual Social Enterprise in Secondary Schools Summit.

Head-Start Scholarships

VM Foundation's Head-Start Scholarship Programme, established over 30 years ago to serve, support and encourage academic excellence among VM student savers provided 62 new scholarships and bursaries for the 2020/21 academic year valued at $4.3 million.

Social Enterprise in Secondary Schools Programme

Over the last three years, the VM Foundation has proudly partnered with the British Council to empower teenagers in the Social Enterprise in Secondary Schools (SESS-J) Programmes. Established in high schools across the island, the programme aims to increase student knowledge of social innovation and entrepreneurship while developing core skills for learning life and work. SESS-J has impacted students and teachers across the island through social awareness activities, club activities, training, project activities, social media and publication engagement. The VM Foundation invested $6 million in the programme in 2020. A microsite was also developed in January 2020 to facilitate the new cohort of 160 students, and hosted past and present information on programme delivery, allowing online access to resources for students and teachers. Additionally, a 6-week online Social Enterprise in Schools programme was also provided in partnership with the British Council.

Reading and Writing Competition

As part of the country's National Education Week, the VM Foundation launched a reading and writing competition to encourage reading habits, to spark creativity and provide positive engagement. The competition invited children from 8 to 16 years old to submit four-minute videos of themselves reading their original stories for a chance to win VMBS savings account gift certificates. All 100 qualifying entries posted on the VM Group's Facebook page each received a $1,000 gift voucher. Six winners were selected by an independent voting process in two age group categories of 8 to 12 years and 13 to 16 years.
Also, in keeping with VM's thrust in financial education, the Foundation hosted a three-day financial literacy session for all entrants that exposed students to financial education concepts such as saving, budgeting, and investing.

Naketa West, Manager, VM Foundation is photographed with Tishari Collman, First Place Winner of the Category One of the Just Write Reading and Writing Competition.

Robert Foster, Branch Manager, VMBS Mandeville Branch is photographed with Garreth Green, first-place winner of Category Two of the Just Write Reading and Writing Competition.

Parenting

Under the Foundation's pillar of Health and Family Life and as an indicator of our commitment to nation building, VM Foundation was happy to invest $4 million towards supporting our nation's parents.
In April 2020, we launched the COVID-19 Parenting Support Helpline, in partnership with the National Parenting Support Commission (NPSC), UNICEF and Fight for Peace International. Its aim was to provide guidance and information to parents on how to create safe and positive living and learning environments for children at home during this COVID-19 crisis.
Additionally, the VM Foundation launched the monthly webinar series: 'Parenting with the Foundation'. The series provided resources to promote, support and strengthen existing parenting abilities, promote the development of new competencies within the positive parenting framework, and to enhance the development of children in light of the social problems existing in our country.

SERVICE TO THE COMMUNITY

Altruism is part of the VM culture and identity, so Team Members were moved to support their fellow Jamaicans in a more emphatic way, given the challenges of the year. Therefore, many personal, departmental and unit donations were made to support the VM Foundation as we gave back to our community. Several external organisations and internal departments and units donated food items, masks, sanitisation products and school supplies to several vulnerable groups (elderly, persons with disabilities, children living in children's home and inner-city youth).

1. Donations were made of school supplies to a mother of 8, initiated by the members of VM Group's Business Process Improvements.

2. In May, 400 masks were donated, in collaboration with VM Pensions Management, to The Golden Age Home to minimize transfer of the virus among this vulnerable population. Adonijah Group of Schools received assistance for the special needs students of their institution who have been financially affected by COVID-19.

3. Victoria Mutual Wealth Management made a significant contribution of $200,000 to the Jamaica Red Cross to support COVID-19 relief work. The Team also partnered with the Seprod Group to give 500 food packages to schools, churches and foundations selected by their clients across the island; and they continued their support for the Sunbeam Boys' Home including hosting a fun day and providing one resident with a laptop needed for his studies. The business' Team Members also volunteered as mentors for the boys at the home and with several of the Foundation's initiatives as well as in various communities.

4. VM Group continued its collaboration with the Foundation by participating in its first virtual execution of the annual Read Across Jamaica Day with live readings on the VM Group's social media platforms.

The VM Foundation donated $50,000 to the Rotary Club of St Andrew North to provide back to school and care packages. Team Members of VM Group's Customer and Brand and Project Management Office joined the members of the Rotary Club on Saturday, October 10, 2020 to make packages and distribute them to recipients. Photographed is Tania Douglas and Renate McDonald of the Project Management Office assisting in the packaging of the items.

ADOPT A CLINIC

With a keen focus on Health and Family Life, the Foundation has collaborated with the Ministry of Health through The Adopt-a-Clinic programme to upgrade and revitalise the St Jago Park Health Centre. Through this partnership that was initiated in 2018, the health centre will benefit from a donation of $1 million each year over a three-year period. This funding will help to benefit the clinic's over 50,000 users by improving the facilities' infrastructure, maintenance, minor repairs and the acquisition of the new equipment and furniture. This year, which the second year of this partnership, the funding was allocated to the purchase of clinical or facility equipment.

The VM Foundation donated $50,000 to the Mesquita's Royale Academy to assist the institution in their preparation for the school year amid COVID-19. Photographed is Naketa West, Manager, VM Foundation and Terrie-Ann Mesquita, Director and Administrator, Mesquita's Royale Academy.

Photographed is Sasha-Gay Wright-Wilson, Branch Manager, VMBS Spanish Town (left), Patrice Bingham – Senior Financial Service Specialist (right) and Verona Thomas, Vice-Principal, Spanish Town Primary School (centre).

Photographed is Sasha-Gay Wright-Wilson, Branch Manager, VMBS Spanish Town (centre) with Young Kai Jackson, Patrice Bingham – Senior Financial Service Specialist (right) and Verona Thomas, Vice-Principal, Spanish Town Primary School (left)

The VM Foundation made a monetary donation to the Spanish Town Primary School in support of their sanitation preparation for the upcoming school term. The donation was used to retrofit the school with four hand washing stations. The institution is over 100 years old and was previously named Barracks Primary. The institution has over 1,600 students currently enrolled and more than 60 academic staff.

OTHER PARTNERSHIPS

The VM Foundation provided small grant funding and partnered with Community Based Organizations (CBO), Non-Governmental Organisations (NGO) and other established organisations to assist in the fight against COVID-19. Of the $3.3 million dollars directed to COVID-19 relief efforts, $1 million was donated to the Private Sector Organization of Jamaica (PSOJ) COVID-19 Jamaica Response Fund, which distributed aid to areas that needed it most.

Two schools received assistance from the Foundation with the setting up of hand-washing stations. Spanish Town Primary School in St Catherine and Mesquita's Royale Academy in St. Ann were equipped with the stations that will support sanitization efforts when schools return to face-to-face classes.

From its inception, the VM Foundation has been dedicated to purposeful and meaningful work. While nobody predicted the twists and turns that 2020 brought, we are pleased that our efforts were able to meet some pressing and important needs of our fellow Jamaicans. We are ready and energised to continue supporting our country and our people for many years to come.

PHOTO HIGHLIGHTS

HEAD START SCHOLARSHIP AWARDS

Courtney Campbell, Chairman, VM Foundation addresses the 2020 PEP Bursary and Scholarship Awardees at the Mandeville Branch.

Daniel Allison, recipient of the Future Plan Scholarship accepts his award and laptop from Naketa West, Manager, VM Foundation

Courtney Campbell, Chairman, VM Foundation addresses students at the 1st Annual Social Enterprise in Secondary Schools Summit

VMBS Money Transfer Services Limited and VM Group Corporate Office, in partnership with the VM Foundation donated five refurbished laptops as well as nine tablets to the Women's Centre Foundation of Jamaica. Photographed is Dalton Richardson, Group Chief Technology Officer, Michael Howard, CEO, VMBS Money Transfer Services, Natasha Reid, Executive Assistant to the VM Group CEO and Hughton McLeggon, Director of Corporate Services at the Women's Centre.

DONATION TO WORTLEY HOME FOR GIRLS

Photographed are: Aura Charles, Project Coordinator, PMO, Debbie Dunkley – Vice President, VM Group Finance, Tamara McDermott – Procurement Office, Procurement Department, Ryan Wisdom – Finance Officer, Group Finance, Regina Owen – Programme Administrator, VM Foundation

The VM Group Finance Unit and the Project Management Office in partnership with the VM Foundation donated over $30,000 worth of food supplies as well as clothing items to the Wortley Home for Girls.

DONATION TO NEW DAY PRIMARY AND JUNIOR HIGH SCHOOL

VMBS Money Transfer Services Limited in partnership with the VM Foundation donated three laptops to the New Day Primary and Junior High School in December. Naketa West, Manager, VM Foundation and Michael Howard, CEO, VMBS Money Transfer Services present the devices to Garfield McDonald, Principal, New Day Primary and Junior High School.

DONATION THE ELSIE BEMAND GIRLS' HOME

The VM Group Corporate Office team, Group Sales Effectiveness and Strategic Investments in partnership with the VM Foundation, on Friday, September 4 donated sanitisation items to the Elsie Bemand Girls' Home. The Elsie Bemand Girls' Home has been in operation for over 40 years and is currently home to 12 young ladies ranging from ages 13 to 17 years.

Built on Purpose ▷▷

Shareholdings

Victoria Mutual Investments Ltd

Top Ten Largest Shareholders as at December 31, 2020

Rank	Name	Total Shares held as at December 31, 2020
1.	The Victoria Mutual Building Society	1,200,020,000
2.	PAM – University Hospital Scheme of Pensions	7,560,600
3.	Rezworth Burchenson & Valerie Burchenson	6,400,330
4.	Sagicor Select Funds Limited (Class B' Shares) Financial	6,135,970
5.	JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	5,785,039
6.	Michael McMorris & Christine McMorris	5,590,329
7.	VM Wealth Equity Fund	4,791,347
8.	Geoffrey Forde	4,500,000
9.	Rickardo Ebanks & Alda Ebanks	4,337,221
10.	PAM – Pooled Equity Fund	3,673,648

Victoria Mutual Investments Ltd

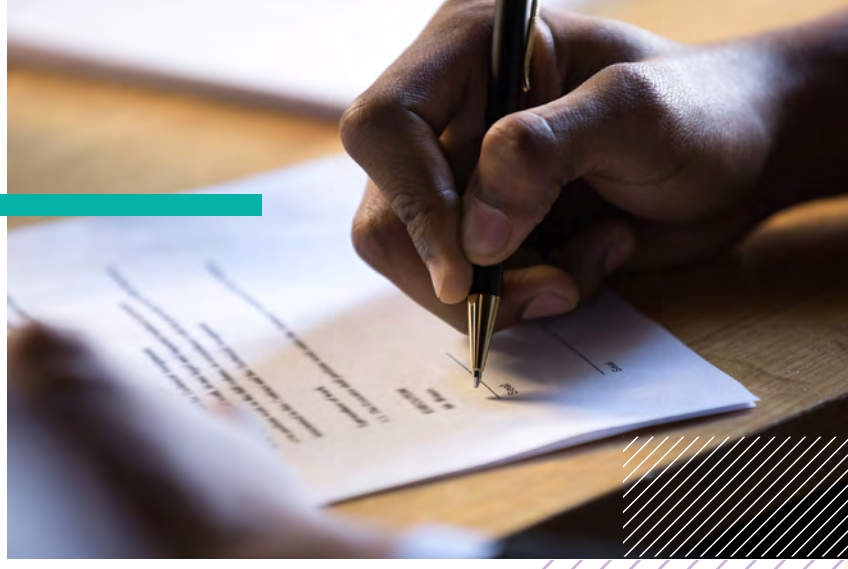
Senior Managers / Connected Parties as at December 31, 2020

Name	Shareholdings
Valerie Burchenson / Rezworth Burchenson	249,952
Rachelle Burchenson / Rezworth Burchenson	75,000
Rezworth Burchenson/Valerie Burchenson	6,400,330
Oswald Burchenson / Rezworth Burchenson	212,147
	Combined Holding: 6,937,429
Colando Hutchinson / Frances Mighty-Hutchinson	840,973
Nicole Adamson/Johann Adamson	379,000
Denise Marshall-Miller/Ajani Miller	25,000
Denise Marshall-Miller/Wayne Miller	1,001,660
Denise Marshall-Miller/Azania Miller	25,000
Denise Marshall Miller/Akil Parchment	25,000
	Combined Holding:1,076,660
Evette M. Bryan / Shulette Cox	180,000
Tamara Waul-Douglas	0
Hekima Reece/Tamieka S. Reece	240,000
Sharon Sterling	0
Natalie Bennett	91,000
Davie Stanley Martin/Kimberley Anne Elizabeth Martin	62,000
Nordialee Stewart	0

Victoria Mutual Investments Ltd

Shareholdings for VMIL Directors / Connected Parties as at December 31, 2020

Name	Shareholdings
Michael McMorris/Christine McMorris/Easton McMorris	5,590,329
Courtney Campbell / Pauline Campbell/Dominic Campbell/Adrian Campbell	1,832,826
Milton Samuda	103,646
Noel Hann	150,000
Phillip Silvera / Faye Silvera	372,816
Sandra Shirley	413,809
Devon Barrett	101,169
Janice McKenley / Wilfred McKenley	1,045,475
Rezworth Burchenson/Valerie Burchenson/Rachelle Burchenson/ Oswald Burchenson	6,937,429
Matthew Gray Wright	677,252
Vikram Dhiman	0



GOVERNANCE:

Our Policies

The Board of Directors sets the tone at the top by the establishment and maintenance of policies to govern operations within VMIL.

A few of these policy objectives are summarised below.

ANTI-MONEY LAUNDERING/ COUNTER FINANCING OF TERRORISM (AML/CFT)

VMIL is committed to examining its anti-money laundering strategies, goals and objectives on an ongoing basis and maintaining an effective AML/CFT Policy.

VMIL has established AML/CFT Programmes which guides its policies, procedures and controls. These assist the organisation with preventing and detecting terrorist financing, money laundering or other illegal activities in its business relationships with its clients.

VMIL has established the following:

i. Procedures to obtain and document information relating to Know Your Customer (KYC) and Customer Due Diligence (CDD);
ii. Procedures to ensure high standards of employee integrity
iii. Systems to evaluate the personal employment and financial history of all team members;
iv. Programmes for the training of employees on a continuing basis and for instructing employees as to their responsibilities in respect of the provisions of the applicable AML/CFT laws;
v. Systems to facilitate the reporting requirements; and
vi. Programs to ensure the auditing of the compliance functions.

The objectives of the Policy are as follows:

a. To prevent, detect and report money laundering and terrorist financing activities in the operations;
b. To ensure compliance with all applicable legislation, regulations and guidelines issued by the Competent Authorities;
c. To engender the best practices in the areas of AML and CFT;
d. To ensure adequate systems are in place to identify and monitor the activities of PEPS and other high-risk clients;
e. To provide team members and Directors with training, at least annually, in anti-money laundering and anti-terrorism matters to update knowledge and heighten awareness;
f. To embed "Know Your Customer" standards as a cornerstone principle which will result in best practices;
g. To ensure annual independent audit of AML/CFT policies and procedures; and
h. To ensure that VMIL complies with regulatory reporting obligations.

POLICY TO GOVERN TRADING IN ALL SECURITIES AND VMIL SHARES

The Policy is authorised by obligations and restrictions under The Securities Act, The Jamaica Stock Exchange Rules, best practices and other applicable directives. It sets out the standards applicable to ethical conduct in relation to personal securities transactions, intending to prevent directors, officers and employees

from engaging in activities that may constitute insider trading, fraudulent acts and/or manipulative acts with respect to accounts managed by VM Group and/or investment advice provided to clients.

The Policy contains trade restrictions for Designated Persons and their respective Connected Parties which are controlled and monitored by the following measures:

- Specified "Black out Periods" and "Trading Window" for the trading of VMIL shares;
- Request for approval and the confirmation of VMIL trading activities by Senior Management;
- Quarterly disclosure of personal trading activities;
- Annual certification of trades and securities holdings; and
- Trade reviews and quarterly reporting to the relevant Board Committees.

The Policy defines Insider Trading and price sensitive information among other terms. Outlines restrictions on trading activities for Traders within other VM subsidiaries along with the consequences for non-compliance.

THE CODE OF BUSINESS ETHICS AND CONDUCT

The Code of Business Ethics and Conduct is a vital component in VMIL's governance model, which encompasses common steering documents and processes. VMIL has established core values and cultural beliefs that are not only seen as ways of working but as a guide to operate at the highest ethical standards.

Our Codes are designed with principles to manage and mitigate:

- Conflict of Interest,
- Fair Dealings,
- Securities Trading,
- Improper handling of sensitive information,
- Misappropriations
- Protection and Proper Use of Corporate Assets; and
- Compliance with Laws, Rules and Regulations

These codes allow VMIL to be a good corporate citizen and respectful business partner while providing the guidelines of best practices for our directors, employees and agents throughout the Group to follow. Additional general guidelines include:

- Acceptable Behaviours,
- Community Involvement and Social Responsibility,
- Environmental Care and Awareness,
- Supply Chain Management,
- Business Integrity,
- Receipt and Distribution of Gifts,
- Civic Duties,
- Harassment,
- Political Activities, and
- Whistle Blowing.

ELECTRONIC COMMUNICATION

This policy defines appropriate use of electronic communication (e-mail) as part of the corporate governance framework and establishes principles, rules, and procedures applicable to authorized users.

The policy dictates:

- Ownership of Email Accounts,
- Allowable and Restricted Usage,
- Sensitive Information,
- Data Encryption, and
- Enforcement Actions

INFORMATION SECURITY

The objective for developing and implementing the Information Security Policy is to provide direction in accordance with business requirements and applicable laws and regulations. It is the overall objective is to ensure:

1. Adequate protection for all information systems and corporate data, whether held centrally or remotely, online and on external storage media.
2. Continued availability of data and programs to all authorised members of staff in accordance with established Service Level Agreements, best IT practices and imposed Compliance Standards.
3. Integrity and privacy of all data and information systems as intended for business use.

Benefits:

1. Enhanced awareness of users, by defining the administrative/ management controls for all employees and affiliates.
2. Promotes understanding and clarification for all user responsibilities and duties with respect to protecting the confidentiality, integrity and availability of assets and information resources.
3. Enables the decision-making process for management and other employees with respect to information security.
4. Provides guidance for the execution of information system security audits and risk assessments.

REPORT ON 2020:

CEO's Report

"If you approach life as a consumer: It gets worse every year, because you have less left to enjoy. If you approach life as a creator: It gets better every year, because you have built more to enjoy." ANONYMOUS

2020 was certainly a year that will cover many pages in our history books. It tested our adaptability, innovation and creativity. However, through the resilience of our team, we embraced the changes, and we achieved some significant wins in 2020 that were in keeping with our vision to be the leading Caribbean-based provider of financial services.

COVID-19 WAS A GAME CHANGER BUT WE ARE FLEXIBLE

COVID-19 has been the biggest health crisis of our generation to date, which placed enormous stress on our health system and severely impacted economic performance locally and globally.

As we navigated the COVID-19 pandemic, we focused our attention on the following key areas of our business:

- Preparing and supporting our Team Members for remote work. We are indeed pleased to report that due to our investment in technology and a strong business continuity framework, 80% of our Team Members are working remotely.
- Promoting social distancing based on the requirements of the health authorities.
- Enhancing communication with our Clients on their investment objectives, considering risk and other variables.
- Ensuring that our business is adequately capitalised as evidenced by our strong regulatory ratios.
- Ensuring adequate liquidity to meet all our obligations as they become due.
- Enacting and enhancing our business continuity plans.
- Ongoing reviews of the impact of COVID-19 on our business model, processes and practices, paying special attention to accelerating our digitisation efforts.

OUR FINANCIAL PERFORMANCE IMPROVED DURING THE LAST QUARTER

- The financial industry was significantly affected by the COVID-19 pandemic and we saw our performance decline during the first half of the year. We implemented enhanced monitoring measures and constantly reviewed our strategies to meet our targets. At the end of 2020, we achieved Total Revenue of $1.9B, an increase of 11% when compared to $1.7B in 2019. However, our Net Profit After Taxes declined by 18% from $598M in 2019 to $433M in 2020.

WE IMPROVED OUR CLIENT EXPERIENCE AND WE WERE GREATLY REWARDED

Last year, we promised improvement in our customer service delivery, and we executed on several initiatives in 2020. They include:

New/Upgraded Systems

1. Under the AGILE project management approach, we successfully implemented phase 1 of our **Client Management System (CMS)** - the VM Wealth Client Portal provides clients with online access to their portfolio – (1) view portfolio balances; (2) access statements; (3) set investment goals and (4) make transaction requests.
2. **The AML Caseware Monitoring Solution** was implemented to provide analytics on transactions based on rules put in place to generate the respective AML alerts (3x analytics were implemented). This solution assists in the identification of AML trends or actions by account holders which may constitute regulatory breaches.
3. The **Fusion Risk** management solution provides more effective and timely reporting with information which supports financial risk data analysis and decision making.
4. Our **Complaints Management System** allows the business to log/register all complaints from multiple channels and track same through to resolution. Complaint resolutions are measured by the VMG Service Level Agreement as well as BOJ Service Level Agreement and are tracked at both the Group Level and the SBU Level.
5. We also upgraded our **OPICS** system from 4.4.2.0 to 4.4.5.0. This upgrade with new service packs has positioned the organisation to benefit from the fixes previously delivered as well as future fixes and enhancements that could not be applied to the previous version.

New Branches

We opened new branches at Ocho Rios, UTech, Liguanea, Savanna-la-Mar and Duke Street during 2020. In 2021, we will be opening another branch at VM's Half-Way-Tree location.

New Products

We are proud to have launched our Goal Maximizer Unit Trust (a diversified portfolio invested in bonds, stocks, real estate and equity) and our US Equities Trading service.

New Services

Our **Premium Wealth Unit** was launched in November 2020 to expand the Investment & Customer Service needs of our affluent clients with balances in excess of J$100M. The team will provide services to both our corporate and retail clients.

We successfully launched **Carilend Jamaica** in December, bringing peer to peer lending solutions via their online platform to Jamaica.

CEO's Report

CONTINUED

WE INCREASED OUR FINANCIAL EDUCATION BECAUSE WE CARE

While 2020 came with challenges, we embarked on a client engagement campaign to keep our clients abreast with COVID-19, the financial industry, as well opportunities for investments. VMIL operates on the belief that everyone should have equal access to wealth-making opportunities and, importantly, the knowledge to make sound financial decisions. In 2020, in keeping with our Key Differentiator of providing Financial Education, because we care, we executed several initiatives to keep our Clients and shareholders informed, and to facilitate greater financial education among the wider population. These initiatives include our popular, 'Wealth Talks' seminars which was mainly executed online in 2020.

We have also been prudent about providing investor relevant information - Daily Stock Market Updates, Weekly Finance Market Video Updates and Monthly Newsletters - to keep those we serve informed and equipped to make great investment decisions. Of note, our team held 218 Digital/Virtual client meetings and hosted 5 Webinars and 2 client mixers registering a total of over 13,076 attendees and viewers. Over 30 COVID-19 Updates, 198 Active Investor, 28 Company Analyses, 25 Stock Picks, 11 Insights and 5 of our Research Articles were published in the Print Media. We also produced 40 Money Moves during 2020.

For these initiatives, our clients have rewarded us with improved Net Promoter Scores and Customer Perspective Scores. We are thankful and look forward to serving you better!

THE JSE ALSO REWARDED US

We received two awards from the Jamaica Stock Exchange for our performance in 2019:

1. VMWM - 1st place for Best Website (Tied).
2. VMIL - 2nd runner up for listed companies' main market corporate disclosure and investor relations.

OUR TEAM ADJUSTED WELL TO THE CHANGING WORKING CONDITIONS

We are filled with gratitude for a team that extended themselves while balancing family, new working conditions and by extension…a new way of life. We thank you team!

In 2020, we found new and creative ways to engage our team members with the use of technology. Team Members participated in online training via VMG's Digital University aimed at improving our sales delivery, customer service, design thinking and Office 365 (which we have been using extensively for efficiency, collaboration, communication, and monitoring of team members). We also hosted several online social engagement activities which has helped to foster and support our cultural belief of Together 'Wi a Winna'. These initiatives have greatly assisted Team Members with coping and remaining motivated to execute on our clients' needs.

We also enhanced our efforts to attract, develop and retain the right talent and continue to acknowledge that VMIL's success is anchored on the engagement and performance of our Team Members. For this, our Team has rewarded us with an engagement score of 81%, the highest in the VM Group.

WE CONTINUED OUR COMMITMENT TO COMMUNITY SERVICE

Team Members increased their contributions to the VM Foundation in 2020 while still making the time to engage our community directly. In February, we spent the day at the Sunbeam Boy's Home and had a very competitive football match with the boys. In July, we assisted with the handing out of back-to-school supplies at the New Testament Church of God in Harbour View. As part of VMWM's 26th Anniversary celebrations in October 2020, we partnered with Seprod Limited and donated 500 care packages across the island through foundations, associations and churches selected by our clients.

WE WILL CONTINUE TO IMPROVE BECAUSE WE CARE

We know 2021 will bring new challenges, and we are prepared to always be there for you. Our 2021 initiatives are focused on Customer Experience, Digitization, Diaspora Engagement, Overseas Expansion, Brand Awareness, New Products and Services executed by empowered Team Members.

Rez Burchenson

Chief Executive Officer

REPORT ON 2020:

Performance Highlights 2020

FINANCIAL EDUCATION BECAUSE WE CARE

5 WEBINARS

2 CLIENT MIXERS

13,076 ATTENDEES /VIEWERS

$57.8B ASSETS UNDER MANAGEMENT

16% GROWTH IN ASSETS UNDER MANAGEMENT

$2.6B CAPITAL BASE

$0.03 PER SHARE

$45M DIVIDENDS PAID

16.6% CAPITAL ADEQUACY RATIO

7.42% RETURN ON CLASSIC PROPERTY PORTFOLIO

4.54% RETURN ON CLASSIC INCOME PORTFOLIO

$8.39B & US$73.13M FUNDS RAISED ON BEHALF OF CLIENTS

45 - Q4 NET PROMOTER SCORE

Performance Highlights 2020

CONTINUED

9.96%
RETURN ON EQUITY

66.15%
COST/INCOME EFFICIENCY RATIO

80%
ONLINE EQUITY TRADES VIA J-TRADER

3RD AGM
HELD ONLINE - JULY 27

1ST BEST WEBSITE
VMWM – JSE BEST PRACTICES AWARDS (BROKER)

2ND RUNNER-UP
Listed Companies' Main Market Corporate Disclosure & Investor Relations **JSE Best Practices Awards**

80%
TEAM MEMBERS WORKING FROM HOME

NEW BRANCHES
UTECH, LIGUANEA, OCHO RIOS, DUKE STREET SAVANNA-LA-MAR

NEW PRODUCTS
US EQUITIES TRADING, GOAL MAXIMIZER

NEW SERVICES
PREMIUM WEALTH, REVAMPED CLIENT STATEMENTS

Built on Purpose ▷▷

REPORT ON 2020:

Leadership Team

Mr Rezworth Burchenson
MBA, BSc
CEO

Mr Rezworth Burchenson is a Senior Vice President at Victoria Mutual and the Chief Executive Officer of Victoria Mutual Investments Ltd. and its wholly owned subsidiary, Victoria Mutual Wealth Management Ltd. He was appointed to the role in January 2019 after a successful tenure as Deputy CEO of VM Investments Ltd/VM Wealth Management Ltd and CEO of VM Pensions Management Limited. He transitioned to the Victoria Mutual Group with prior roles including CEO of Prime Asset Management Ltd and Vice President and General Manager of Pan Caribbean Asset Management Ltd, with an overarching responsibility for managing Jamaica's largest unit trust (Sigma Unit Trust).

His contribution to the sector also include serving on the Private Sector Organisation of Jamaica's (PSOJ's) Economic Policy Committee and a member of the Jamaica Stock Exchange (JSE) Best Practice Committee. He has also served as a Director of:

- National Road Operating and Constructing Company (NROCC),
- National Education Trust Ltd (NET),
- Human Resource Management Association of Jamaica, and
- Pension Funds Association of Jamaica (PFAJ).

In 2012, Mr Burchenson was named to the PSOJ's "50 Under Fifty" in the field of investments and finance. A Barclays Bank Scholar while at the University of the West Indies, he received a Bachelor's Degree in Economics (Hons) and an MBA in Banking and Finance (Hons). He has also participated in leadership training at:

- The Wharton School, Aresty Institute of Executive Education
- Advanced Management Programme (AMP 194) at Harvard Business School.
- Palladium's Kaplan-Norton Strategy Execution Boot Camp. □

Mr Colando Hutchinson
MBA, FCA, CFA
Deputy CEO

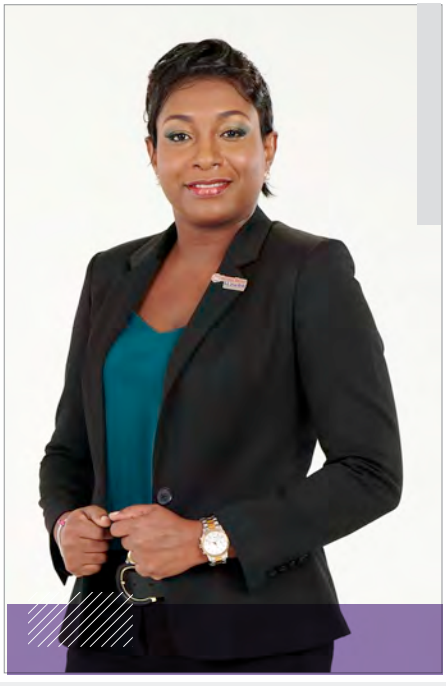
Mr Colando Hutchinson was appointed Deputy Chief Executive Officer of Victoria Mutual Wealth Management Limited in January 2019. Prior to that he was the Head of Capital Markets, after serving as the Manager of Asset Management & Advisory Services.

Mr Hutchinson previously worked with Pan Caribbean Bank Limited as a Foreign Exchange Trader and later with their parent Company, Pan Caribbean Financial Services (PCFS), as Assistant Manager – Corporate and Asset Management Services.

His previous roles also include working as an Investment Manager at the Caribbean Basin Investors Limited or 'CBIL' (the General Partner of the Caribbean Investment Fund or 'CIF') and as an auditor at KPMG Peat Marwick.

He completed his MBA in Finance at the Edinburgh Business School, having previously attained a Bachelor of Science (First Class Honours) in Accounting at the University of the West Indies, Mona. He is a Certified Chartered Accountant, Chartered Financial Analyst, and a Fellow of the Institute of Chartered Accountants of Jamaica and the Association of Chartered Certified Accountants (UK).

His passion for socio-economic and cultural development has led to him serving as the Director of Compassionate Outreach Foundation Limited and the Graduates Foundation Limited. □



Mrs Denise Marshall-Miller
MBA, BBA (Hons)
Manager, Bond & Equity Trading

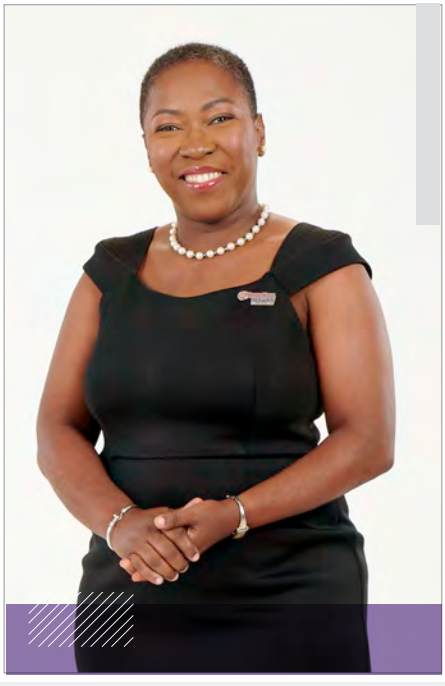
Mrs Denise Marshall-Miller joined the Victoria Mutual Wealth Management Limited) team as Manager–Bond Trading in February 2011. Her mandate is to facilitate the growth of bond trading revenue by providing internal and external clients with diversified bond options.

Towards this end, she focuses on building and expanding trading relationships with overseas counterparts, providing guidance to the Bond Trading Team, and deepening relations with existing VM Wealth clients.

In July 2019, Mrs. Marshall-Miller's portfolio was expanded to include the Stockbrokerage division of the business. She is tasked with growing the equity portfolio, generating trading gains and growing equity commission while educating the client base on investing.

With over fifteen years of experience in the finance industry, she has built a strong track record as a successful Investment Manager. She consistently demonstrates her expertise in deal structuring, Corporate and Sovereign Bond Trading, US Treasury Trading, Portfolio Management, Equity Trading and Treasury Management. Her career in investment started at Mayberry Investments Ltd. as a Wealth Advisor and quickly accelerated to that of Manager, Market & Trading Unit. Her core competence entails the creation of customised portfolios specifically designed to meet clients' investment needs and maximising portfolio returns.

Mrs. Marshall-Miller holds an MBA from the Mona School of Business and a BBA (Hons) & Diploma (Dist) from the University of Technology with a major in Finance. She has also attained professional certificates from Harvard, CPTC, Morgan Keegan Bond Schools and Mona School of Business. □



Mrs Evette Bryan
MBA
Senior Manager, Treasury

Mrs Evette Bryan joined Victoria Mutual Wealth Management Limited as a Client Relations Officer in July 2001. She quickly advanced to the position of a Senior Investment Advisor and Treasury Officer by 2003. In her current role as Senior Manager, Treasury, she practices due diligence in asset allocation on behalf of both the Company and clients.

Having acquired over 25 years of experience in banking and finance, Mrs Bryan is quite adept at portfolio management, risk management, and mentorship. Prior to joining VM Wealth, she served in the private sector as an Accounts Supervisor at one of the leading financial institutions in Jamaica.

Mrs Bryan holds an MBA in Banking and Finance from the Mona School of Business, University of the West Indies, Mona. She has also excelled in professional short courses focusing on Project Management, Strategic Financial Management and Portfolio Management, from the Mona School of Business and Fitz Ritson and Associates.

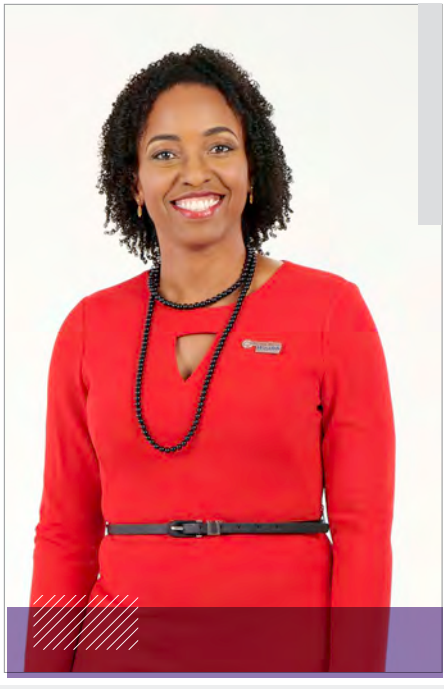
Her vision for the Treasury is that it will continuously uphold the VM Group's cultural beliefs of Customer Obsessed and Together 'Wi A Winna', whilst practicing the precepts of strategic risk management and effective and efficient asset allocation. ☐

Mr Hekima K. Reece
ACCA, AAT
Product Implementation and Support Manager

Mr Hekima Reece joined Victoria Mutual Wealth Management in July 2012 and brings to the team over 15 years' experience in the financial services industry in Jamaica. His areas of expertise include Treasury Operations Management, Accounting, Systems Analysis and Implementation and Business Process Analysis and Re-engineering.

Prior to joining the VMWM Team, Mr Reece served as Customer Support Implementation Specialist at Exactsoft Corporation in Montreal, Canada, where he was responsible for managing the software support for the company's Caribbean customers. He also served as Business Process Manager and Senior Manager, Operations at NCB Capital Markets Limited, with the core responsibility for back office and treasury operations, encompassing securities and treasury settlements and trade processing. His professional experience also includes Accounting Manager and Money Market Operations Manager, Mayberry Investments and Senior Accountant, Paul Goldson & Company.

Mr Reece's certifications include Association of Certified Chartered Accountant (ACCA) from the London School of Accountancy, and Association of Accounting Technician (AAT) from the University of Technology, Jamaica. ☐



Ms Natalie Bennett
MBA, BSc
Risk & Compliance Manager

Ms Natalie Bennett joined the Victoria Mutual Pensions Management Team as Manager–Risk & Compliance (Acting) in October 2015. In December 2016, her responsibilities were expanded to include Victoria Mutual Investments Limited. She has the task of identifying and quantifying major risk items, developing mitigation procedures, assessing the sufficiency of internal control and robustness of the governance framework, as well as ensuring that the organisation remains compliant with the relevant regulatory and legislative bodies.

She has over a decade of experience as a Pension Administrator and Analyst, where she has worked in various organisations such as the Financial Services Commission and Sagicor Life Jamaica.

An exceptional and goal oriented individual, Ms Bennett holds an MBA from Edinburgh Business School and a Bachelor of Science degree from the University of West Indies with a major in Actuarial Science. ☐

Leadership Team

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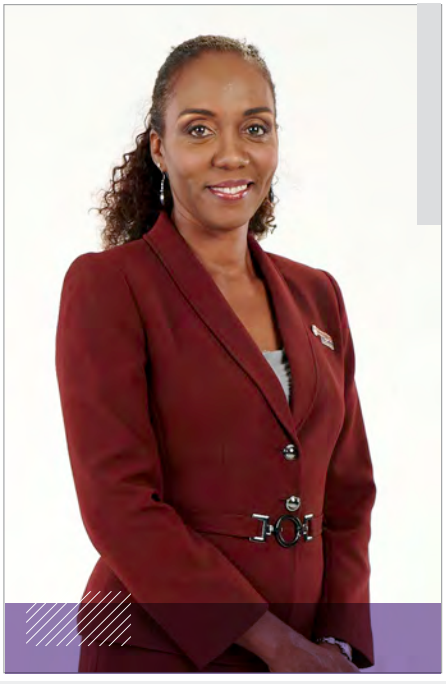


Mrs Nicole Adamson
CFA, FRM, MSc
Research Manager

Mrs Nicole Adamson has over 15 years' experience in the financial industry in both private and public sectors. She joined the team at Victoria Mutual Wealth Management in April 2011 in the capacity of Research Manager and during her tenure has also had responsibility for stockbroking. As Research Manager, Mrs Adamson oversees the team of analysts that provides insights into the local and global economies and investment guidance on equities, bonds and other non-traditional investments. Under her leadership, VM Wealth took 1st and 3rd place in the Jamaica Stock Exchange's (JSE) 2017 Research Analyst competition.

Prior to working at VM Wealth, Mrs Adamson worked at the Victoria Mutual Building Society in the Strategy department and at the Ministry of Finance & Planning.

Mrs Adamson is a CFA Charterholder and Financial Risk Manager (FRM) fellow with the Global Association of Risk Professionals. She holds an MSc in Finance, Economics and Econometrics from the Cass Business School, City University, London, UK and a BSc (First Class Honours) in Actuarial Science from the University of the West Indies, Mona. She is also a Board member of the Jamaica Island Nutrition Network (JINN), a non-profit organisation dedicated to improving nutrition in students, and a volunteer with CFA Institute and CFA Society Jamaica. She also serves as a mentor at her alma mater, St. Andrew High School for Girls. □

Mrs Tamara Waul-Douglas
MBA
Sales Manager

Mrs Tamara Waul-Douglas joined the VM Wealth Team in October 2019 and brings with her more than 20 years' experience in the financial services sector. Her most recent assignment was in the role of Loyalty and Client Retention Manager – Payments Unit, at Sagicor Bank Jamaica Limited. Other assignments at Sagicor included Branch Manager at the Liguanea, Hope Road, Manor Park and Knutsford Boulevard Branches.

Tamara has a proven track record of exceptional sales leadership. This attribute is fully evident as she guides her team of Wealth Advisors towards effectively serving our Clients.

Tamara is a UWI alumni who enjoys reading and interacting with nature. □

Mrs Sharon Sterling
MBA
Marketing Manager

Mrs Sharon Sterling assumed responsibility for the marketing activities of Victoria Mutual Wealth Management in April 2015. She brings to this role over 15 years' experience in leading marketing, sales and customer service functions in various industries. This multi-faceted background allows her to develop creative positioning strategies, which facilitate the attainment of the organisation's business objectives. Prior to VMWM, Mrs Sterling successfully led the re-engineering of the Sales Teams at the Hi-Pro Division of the Jamaica Broilers Group and BH Paints. Her strategic approach to marketing is anchored by best practices inculcated from working in senior roles in global organisations such as Kimberly Clarke (Puerto Rico), Total Jamaica Ltd. and Shell Company (W.I.) Ltd., as well as from interacting with brand principals from Chile, Italy, France and the United States of America, while managing the Imported Wines and Spirits unit at J. Wray and Nephew Ltd.

Mrs Sterling holds an MBA from the University of New Orleans, a BSc in Chemistry and Management from the University of the West Indies and a Diploma in Teacher Education from the Mico University College. She is also a trained Quality Auditor and Project Manager. □

Ms Voniel Wynter
FCCA, FCA, BBA (Hons.)
Manager, Group Finance

Ms Voniel Wynter was appointed to the post of Manager – Group Finance in September 2018 after almost five years with Victoria Mutual Pensions Management Limited (VMPM), most recently in the post of Assistant Manager, responsible for Client Portfolios and Financial Reporting. Prior to that, Voniel spent four years in the role of Senior Accountant at VMPM.

She has more than 18 years' experience in the fields of Finance and Accounting, the majority of which was with a renowned auditing firm providing auditing services to a wide spectrum of clients in various industries.

Voniel is a Fellow of the Association of Chartered Certified Accountants of England and Wales and is a Member of the Institute of Chartered Accountants of Jamaica. She holds a Bachelor of Business Administration (Honours) from the University of Technology. □

Ms Nordialee Stewart
MBA, BBA
Manager, Client Services

Ms Nordialee Stewart transitioned to VM Wealth in June 2019 after a successful two-year tenure as Assistant Manager, Processing Department at VMBS. She is particularly skilled in developing systems to maintain high performance standards within an operations processing environment and relationship management. This she garnered from serving in different capacities within the financial sector including at Pan Caribbean Merchant Bank, Dehring Bunting and Golding, and National Commercial Bank.

Nordialee studied at University of Manchester and University of Technology, and holds a Master of Business Administration in Finance, and a Bachelor of Business Administration.

She leads the Client Services Team within all the branches in the quest to deliver exceptional experiences across all of our service channels. □

Mr Davie Martin
MBA
Manager, Asset Management

Mr Davie Martin is a Kingston College old boy who joined the VM Wealth team in May 2019. In his role as Manager for Asset Management, he is responsible for optimising the risk- adjusted returns on the various investment portfolios to maximise customer value.

Davie has over 18 years of experience in the financial industry, with his most recent being Manager – Trading at NCB Capital Markets Limited.

Davie is an avid sports fan and a longsuffering Arsenal supporter. He also enjoys going to the beach and spending time with his family. □

REPORT ON 2020:

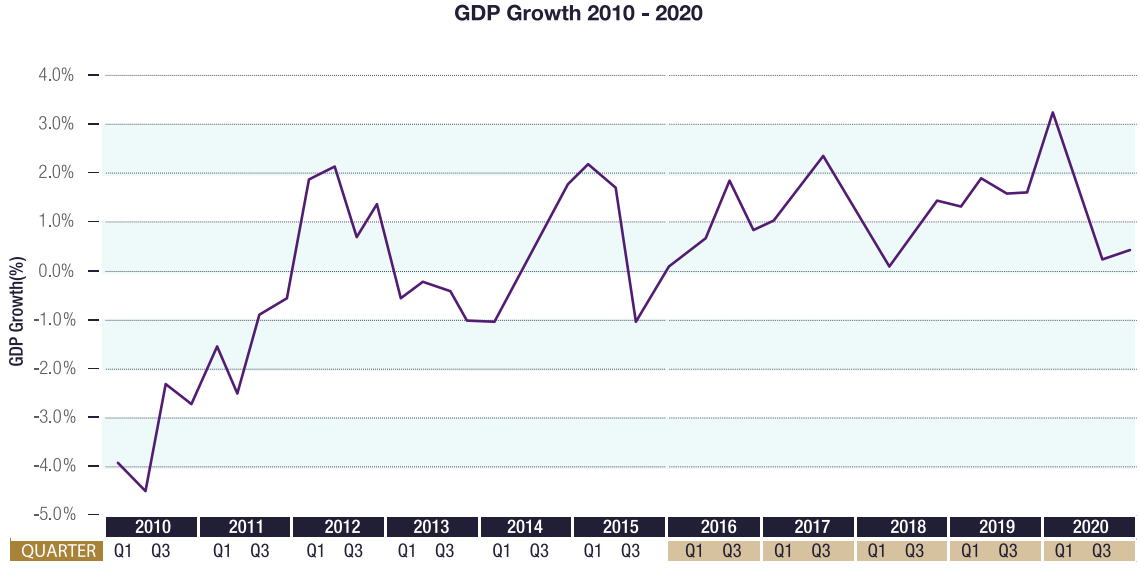
Management Discussion & Analysis (MD&A)

ECONOMIC OVERVIEW - JAMAICA

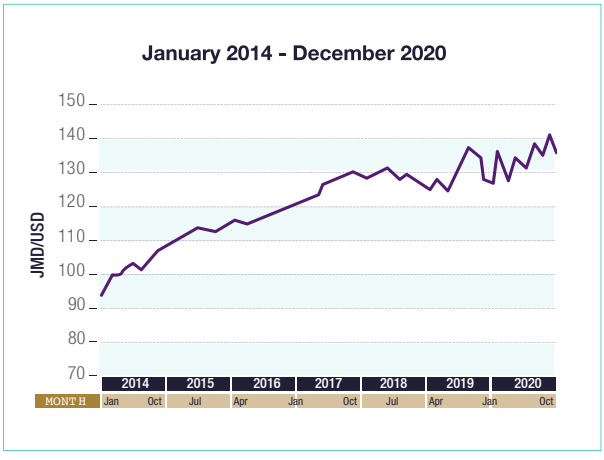
At the end of 2019, Jamaica was well on its way to achieving many of its macroeconomic goals. The economy was experiencing record-low unemployment and interest rates, along with improvement in the sovereign credit rating. In November, it successfully completed its Stand-By Arrangement with the International Monetary Fund (IMF) and had implemented an economic programme (EPOC) responsible for monitoring the country's macroeconomic targets. In addition, Jamaica's Debt to GDP fell by 7 percentage points from the end of 2018 to the end of 2019 and was expected to reach its target of 60% Debt to GDP by the 2025/26 fiscal year. Notwithstanding, the country was experiencing weak growth. Economic growth slowed to 0.9% in the 2019 calendar year from 1.8% in 2018, with the economy remaining flat in the December quarter.

The COVID-19 pandemic derailed much of the progress being made. The first case of the virus locally was reported on March 12, 2020 and, after the announcement, the Jamaican government implemented several measures aimed at curbing the spread of the virus, which consequently disrupted economic activity.

The local economy entered a recession in 2020, exacerbated by the effects of the virus. According to the Planning Institute of Jamaica's (PIOJ) December 2020 report, it expects the local economy to contract by between 9% and 11% for the 2020/21 fiscal year. This follows year-over-year contractions



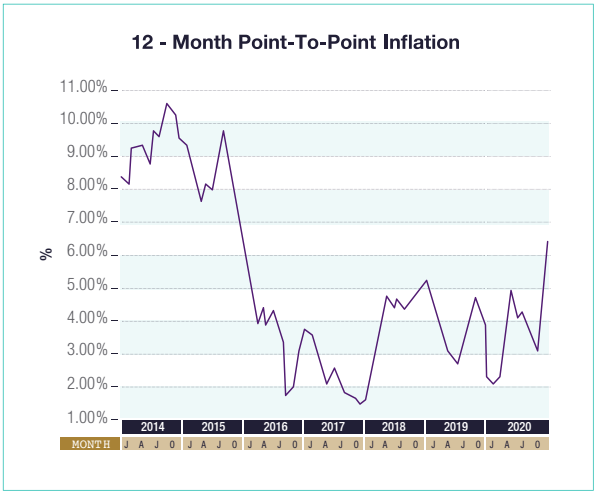
of 2.4%, 18.3% and 10.7% in the first 3 quarters of 2020, respectively. The slowdown in the global travel industry, along with local restrictions on travel particularly affected the Hotels and Restaurants Industry which was the main contributing factor to the contraction in the Services Industry. The Goods Producing Industry also contracted, largely due to the continued closure of the Alpart alumina manufacturing plant which negatively affected Mining and Quarrying.



In response to the global health crisis, the Government of Jamaica provided its largest fiscal stimulus of $25 billion, the CARE Programme. The most notable use of the funds was to provide financial support to the most vulnerable in the population, particularly people who lost their jobs because of the virus. The Government was also approved for the disbursement of US $520 million from the IMF under the Rapid Financing Instrument. The proceeds were used to help the country meet urgent balance of payments needs.

The Bank of Jamaica (BOJ) also took an accommodative stance amid the crisis. Though interest rates remained unchanged at 0.50%, the Bank implemented other policies to ensure that the financial system was well capitalised. Despite the BOJ rate remaining constant, local interest rates fell considerably as investors sought safe assets. Treasury Bill yields increased in the first half of the year, before declining. At the end of the year, 91-day and 182-day T-bill rates fell by 48 and 59 basis points respectively to below 1%. The rate on the 273-day tenor fell 69 basis points.

The BOJ closely monitored liquidity within the financial system along with the exchange rate to ensure financial stability. The Bank lowered many required exchange rate policy minimums to increase foreign exchange (FX) liquidity in the system. Nonetheless, the fall-off in tourism resulted in a significant reduction in FX supply and consequently a significant depreciation of the local dollar. The JMD depreciated by 7.1% against the US Dollar to close the year at JMD 142.65: USD 1.00. The exchange rate was particularly volatile, depreciating as much as 12.4% to has high as JMD 151.27, requiring the BOJ to intervene in the market 14 times, supplying USD 300 million restricted to end-users. Regardless, Net International Reserves (NIR), fell only slightly from US$3,162.5 million to US$3,126.13 million, representing well above the international benchmark of 12 weeks of goods and services imports.

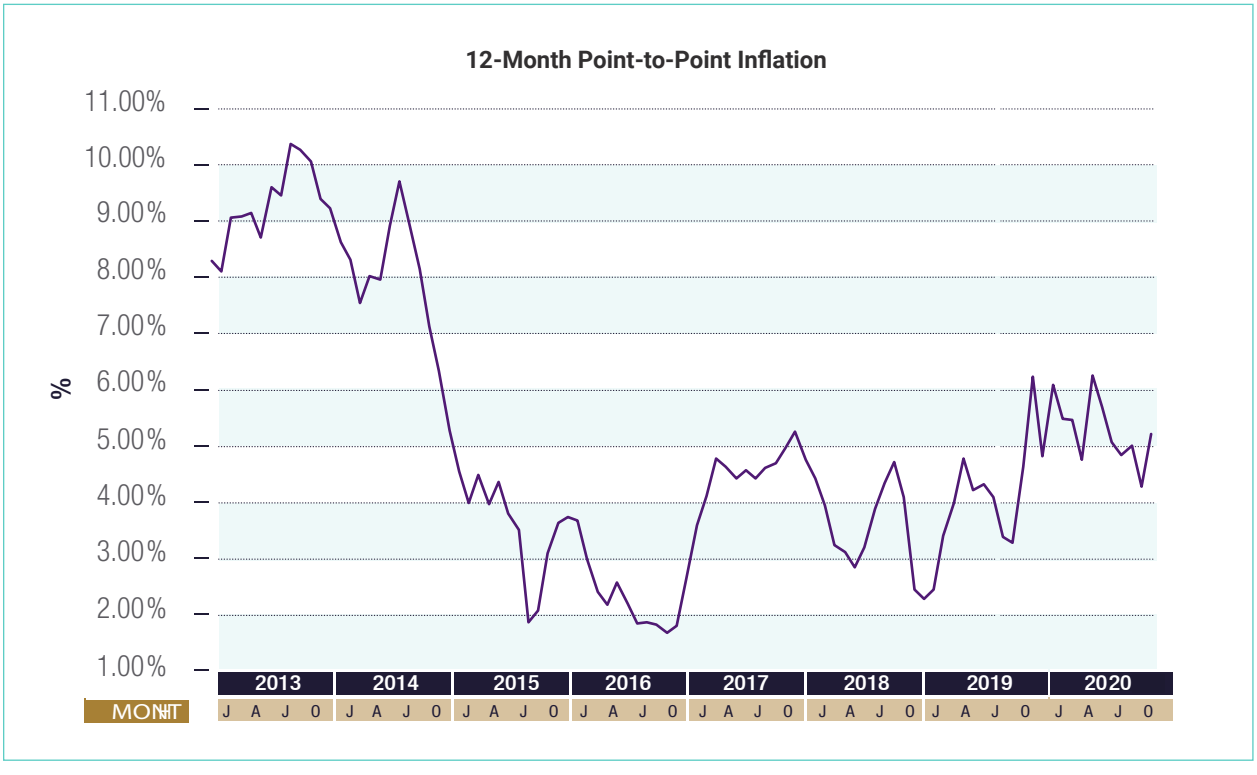


As expected, both Business and Consumer Confidence fell amid the pandemic. Consumers were particularly affected by the loss of income from salary cuts or job losses. The unemployment rate increased from lows of 7.19% in October 2019 to highs of 12.6% in July 2020, before falling to 10.7% in October. The largest increases in unemployment were seen in the 'Elementary Occupations' and 'Service Workers and Shop and Market Sales Workers' occupation groups. Consumers also noted declines in expectations for income gains, job prospects and near-term purchasing plans. Their expectations regarding the future also declined. Unemployment increased during the period with the Unemployed Labour Force increasing by more than 60,000. Business confidence was particularly impacted by decreased optimism pertaining to firms' financial standing and future profits along with the expectation that future business conditions will be more challenging in the short term.

Inflation closed the year within the target 4% - 6% range at 5.21%. Overall, inflation was maintained within this range except for 2 months, February and June, when it went outside the upper limit. In April, a new CPI series was introduced with a 2019 base year to account for the changes in goods and services offered in the market along with general consumption pattens.

Remittance inflows experienced a sharp year-over-year decline in March and April before rebounding in May, after the distribution of stimulus checks in the United States under the Cares Act in April 2020. Between May and October, remittance inflows experienced year-over-year growth in excess of 30%. The US maintained its position as the largest source of remittance inflows for the country, increasing its share to 68.9%. Other major sources of remittances came from the UK (11.0%), Canada (10.6%) and the Cayman Islands (5.8%). For the January to October period, the growth rate of remittance inflows to Jamaica was 19.3%, this was much higher than other Latin American countries such as Mexico which registered growth of 11.7%, Guatemala of 5.1% and El Salvador of 2.6%.

Despite the economic shock that the COVID-19 pandemic presented to the Jamaican economy, international rating agencies affirmed Jamaica's credit rating. However, the rating agencies lowered their outlooks, citing the heightened risk to Jamaica's economy, public finances and external finances given the economic contraction and fall in Government revenues. Nonetheless, they expect that the Government's commitment to fiscal consolidation and a reduction in the debt burden will remain once the crisis subsides, reducing the likelihood of a persistent deterioration in fiscal metrics. ☐



INDUSTRY OVERVIEW – FINANCIAL SECTOR

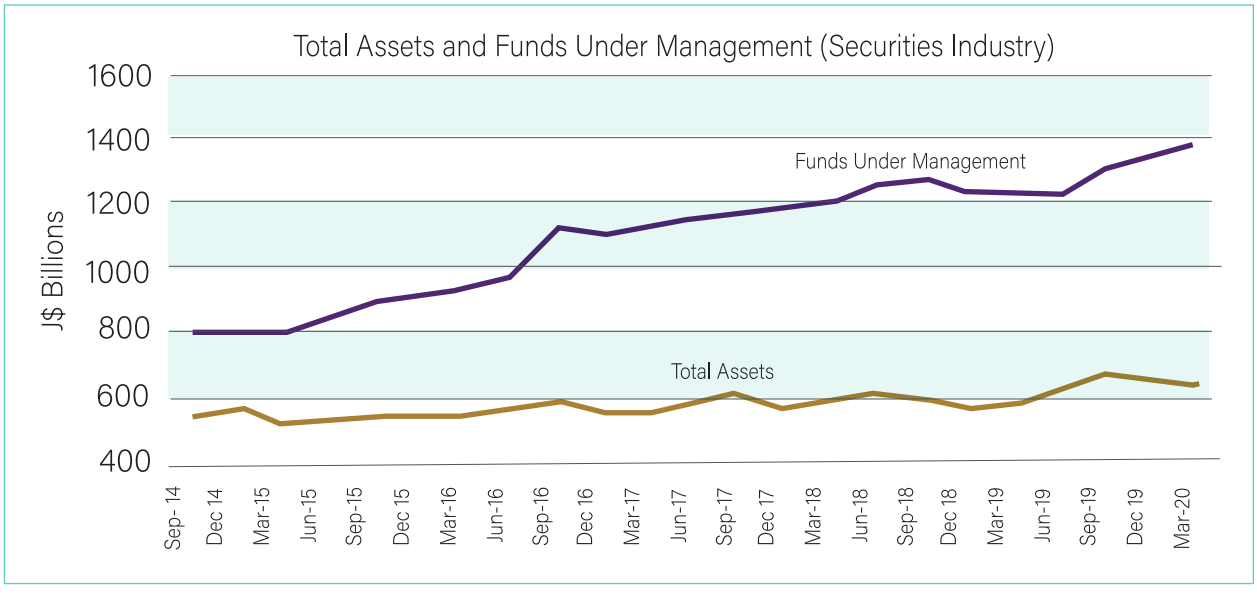
During the first three quarters of the year, the Finance and Insurance Services industry outperformed the overall economy, contracting by only 1.2%, 5.5% and 5.6% year over year. The industry undertook an accelerated digital transformation, converting many of its offerings to digital channels to keep up with the changes in consumer behaviour, particularly amid the pandemic. Many companies recorded higher than expected credit losses on their loan portfolios amid a change in assumptions, given the more challenging operating environment. Fee income also fell as transaction volume fell, especially in April, along with the shift to online services which attract lower fees than their face-to-face counterparts. The stock of loans and advances for commercial banks increased by 7.9%, from $842.7 billion in December 2019 to $909.2 billion as at September 2020. The stock of deposits as at September 2020 also increased by 15.4% from $1.1 trillion to $1.2 trillion

In the securities industry, total assets as at March 31, 2020, were $632.5 billion, 2.8% lower than the $650.6 billion at the end of 2019, though 10.4% higher than the figured recorded in March 2019. Total funds under management fared better, increasing by 11.7% to $1.38 trillion in comparison to a year prior and 2.5%, versus the 2019 year-end. The decrease in capital resulted in a decline in the average capital ratios for securities dealers. The industry's capital-to-risk-weighted-assets ratio fell by 5.3 percentage points from a year prior to 19.6%. Similarly, capital, as a percentage of total assets, was 15.0% at the end of March 2020, 0.7 percentage points lower than March 2019. Nonetheless, both ratios were maintained above the Financial Services Commission (FSC) requirement of 14% and 6% respectively.

During the first quarter of 2020, Jamaica's main income-earning industries were disrupted by the onset of the COVID-19 virus, which resulted in the economy declining by 2.3% when compared to the March 2019 quarter. The virus weakened Jamaica's economic standing, reversed employment gains made a year prior and negatively impacted both consumer and business confidence. The capital markets also took a significant hit, with the stock market 22.3% lower year-to-date as at the end of March as investors considered the effects the virus was likely to have on business performance.

As at March 2020, there were 46 licensed intermediaries under the FSC's supervision, 39 of which were securities dealers.

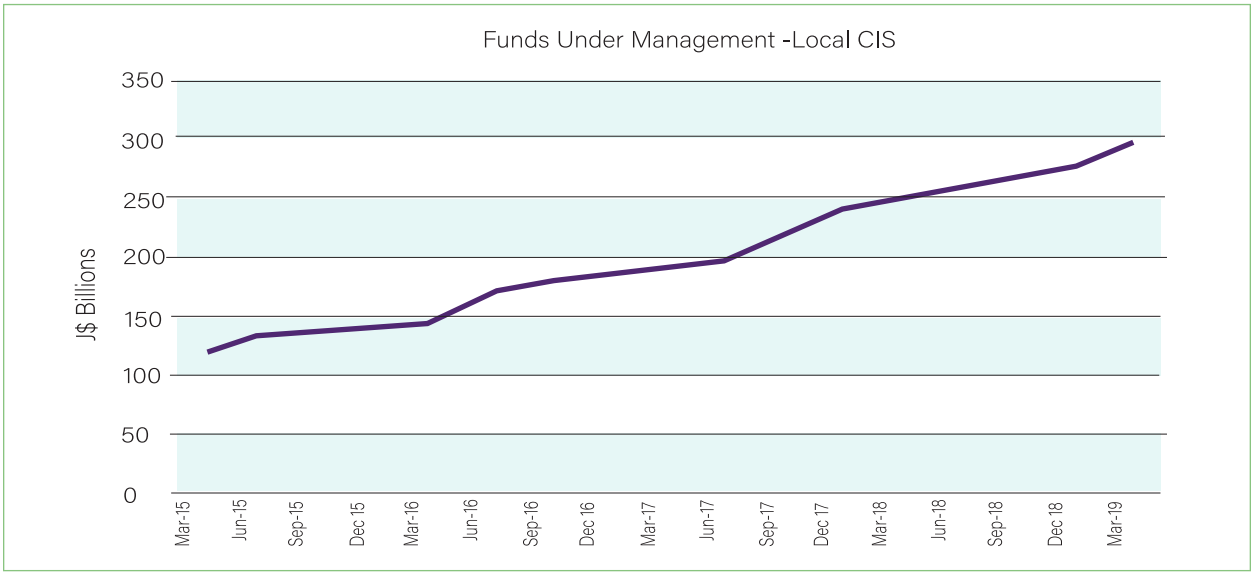
Industry players earned $8.9 billion in revenue in the March quarter, a 39% decrease in comparison to the December 2019 quarter and 16% lower than was earned in the March 2019 quarter. The decline was due to a fall-off in non-interest income, specifically fee and commission income and losses on securities. Expenses, however, increased by $2.1 billion quarter-over-quarter, primarily due to an increase in operating expenses. Consequently, profitability fell. Securities dealers reported an overall net loss of $0.03 billion, resulting in a negative return on equity (ROE) of 0.03%, versus a positive ROE of 2.8% in March 2019 and 4.0% in December 2019.



As at March 2019, there were 19 local Unit Trusts, 1 local Mutual Fund and 10 overseas Mutual Funds registered for sale in Jamaica. Of the 19 registered Unit Trusts, one began operations in February 2019, and one other was not yet operational. These Unit Trusts are managed by 11 Securities Dealers.

Total funds under management (FUM) for the local Collective Investment Schemes (CIS), i.e., Unit Trusts and Mutual Funds, totalled $295.6 billion at March 31, 2019. This represented a year-over-year increase of $46.4 billion or 18.62%. During the quarter, net purchases decreased from $4.7 billion as recorded in the December 2018 quarter to $2 billion, due to a larger increase in redemptions than purchases. The capital appreciation on assets in the investment portfolios stood at $17.3 billion for the quarter.

Total investments in overseas Mutual Funds were US$283.3 million as of March 31, 2019. This was a year-over-year increase of USD 16.2 million or 6.06%.



Overseas

What was a volatile year, ended on a mild tone for the fixed-income market. The yield on the benchmark US 10-year Treasury closed the trading year just over 1 percentage point lower at 0.91%, having opened at 1.92% in January 2020.

With the release of COVID-19 vaccines in December, first from Pfizer/BioNtech and then from Moderna, pockets of optimism emerged in the markets and investors ventured into riskier assets. Vaccines from AstraZeneca and the University of Oxford were later approved by the UK. The first round of vaccines was administered in the US on December 14. However, this was tempered by the emergence of several new strains of the virus, with some being estimated as being up to 70% more contagious, notably in the UK. Several countries introduced restrictions on travellers from the UK during December and the UK entered a new lock-down early in 2021.

The Federal Reserve strengthened its commitment to support the US economy by maintaining its asset purchase programme until it sees "substantial further progress" in employment and inflation and extended its lending programme, geared towards assisting small business owners accessing funding, until January 8, 2021. It also held interest rates between 0% and 0.25%, where they have been since an emergency cut seven months ago in the early days of the coronavirus pandemic, and the interest rate on excess reserves at 0.10%. A spending bill of $2.3 trillion and US$900 billion stimulus bill was passed by Congress, unlocking the US$600 in stimulus cheques to be disbursed to Americans. However, President Trump has refused to sign the Bill unless Congress amends it to increase the payments to US$2,000.

The Bank of England and UK Government implemented coordinated monetary and fiscal policies in response to the nation's COVID-19 outbreak. The Bank of England cut its key policy interest rate twice by 65 basis points to 0.1% in March. It also ramped up its quantitative easing programme, announcing that it would increase its holdings of UK Government bonds and sterling non-financial investment

grade corporate bonds to £895 billion from an initial £200 billion at the start of the year. The UK Government also provided stimulus support to the economy. In April, it unveiled 4 emergency stimulus packages to support the economy amid the strict lockdowns including a £12 billion initial stimulus package, a £350 billion package comprising of government-backed loans, £20 billion in grants and tax cuts for struggling companies, £7 billion in welfare spending, grants to salaried employees worth approximately £17.5 billion and a £9 billion-dollar package for the support of the self-employed. The Government also paid up to 80% of the salaries of furloughed workers in a scheme that ended in August. GDP fell by approximately 9.9% in 2020 due to the fall-out from the virus. At the end of the year, the much-anticipated Brexit trade deal between the United Kingdom and the European Union was agreed upon, and not a moment too soon, as the UK's transition period from the EU ended on December 31.

After a series of rate cuts in the first half of 2020, the Bank of Canada maintained its overnight rate at 0.25%, down 150 basis points from the start of the year. The Bank noted that it would maintain interest rates at this level until the economic shock from the pandemic is absorbed so that the 2% inflation target is 'sustainably achieved'. The Bank kicked up its quantitative easing programme, implementing a Standing Term Liquidity Facility, where it would provide loans to eligible financial institutions in need of temporary liquidity and committed to buying at least $5 billion Canadian Government bonds per week starting in June. The Federal Government pumped CA$19 billion into the country's provinces and territories as part of a Safe Restart Agreement to help territories safely reopen and precent future crisis. Overall, the Canadian economy contracted by 5.4% for the calendar year but showed signs of strengthening in the last quarter when GDP grew by 2.3%.

Global growth momentum slowed in Q4 but is slightly more bullish for 2021. There are still downside risks such as the lack of efficacy of targeted virus control measures and issues with the COVID-19 vaccines, which could prompt a fresh wave of stress in financial markets and a longer-lasting negative wealth and confidence shock. This could depress consumer demand and lead to a prolonged period of below-trend economic activity. In fact, economic activity is still below pre-COVID levels and is not expected to return to nor surpass those levels for at least a couple more years. Nevertheless, a number of sectors have gained some stability recently and are no longer in the "negative outlook" sphere. Slower roll-out of the vaccines within Latin America, including Jamaica, should limit the recoveries in this region.

RISK MANAGEMENT

Risk Management should be enterprise-wide and engrained in the business culture of an organization

Introduction

To ensure that the goals and objectives of VMIL are achieved, risks must be identified and managed consistently, and appropriate responses developed. Our Risk Management therefore continues to evolve. The continued approach is to ensure there is a solid foundation of core traditional risk management practices for hazard and property-related matters, while providing a framework from within which broader strategic and operational risk management conversations can be communicated to facilitate intelligent risk taking.

As the Risk Management Framework is strengthening, we continue to advance and improve the Risk Governance Framework since to avoid all risks is to miss opportunities for gains and growth. Therefore, Enterprise Risk Management (ERM) includes identifying opportunities - often related to innovation and managing the related risks while monitoring and controlling significant risk exposures to ensure resilience and stability.

Risk Management Committee

The risk management process has advanced under the governance and administration of the Board. The Board is supported by the Audit, Risk and Conduct Review Committee which oversees VMIL's risk management framework, the integrity of the financial statements, compliance with legal and regulatory requirements, as well as the performance of the internal audit function. The Board has overall responsibility for risk management, and alignment with its risk appetite and strategic objectives. Additionally, for risk management purposes, the Board is supported by:

At the VM Group Level	▶ The Group Finance and Risk Management Committee ▶ The Group Audit Committee ▶ The Group Corporate Governance and Nominations Committee
At the VMIL Level	▶ The Corporate Governance and Nominations Committee ▶ The Finance Committee ▶ The Audit Committee

Risk Management Framework

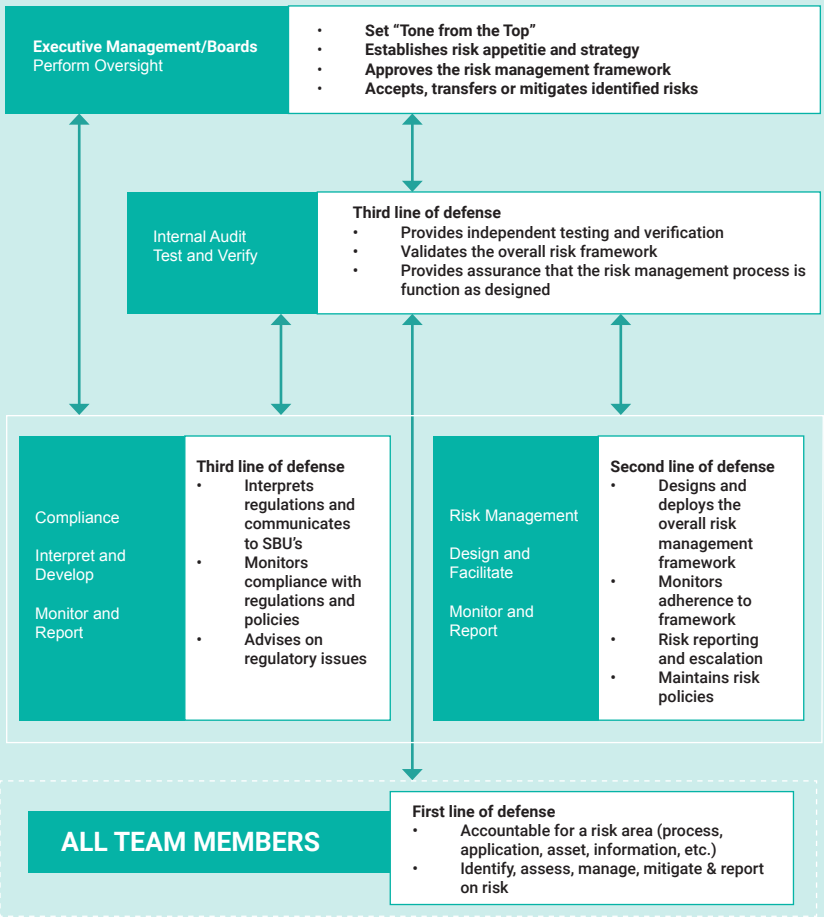
Our business in the current COVID-19 climate has attracted a whole new level of risk, but our robust risk framework facilitates growth in these unprecedented times. Risk management is an integral part of good internal control and corporate governance. The Board is responsible for ensuring an effective Risk Management Framework is in place, promoting a risk aware culture that ensures all principal risks are identified and mitigated in pursuit of VMIL's strategic objectives.

Risk Defense

The Risk Management Framework is the foundation for ensuring a vigorous risk culture for the governance of risks where all team members take responsibility for managing risks effectively and efficiently and all risks are identified, measured, assessed, monitored, controlled and mitigated within the context of VMIL's risk appetite.

This framework has defined accountabilities, responsibility structures and segregation of duties through the application of the 'three lines of defence' model. This is along with a closer alignment of risks and explicit consideration of risk into decision-making and performance management.

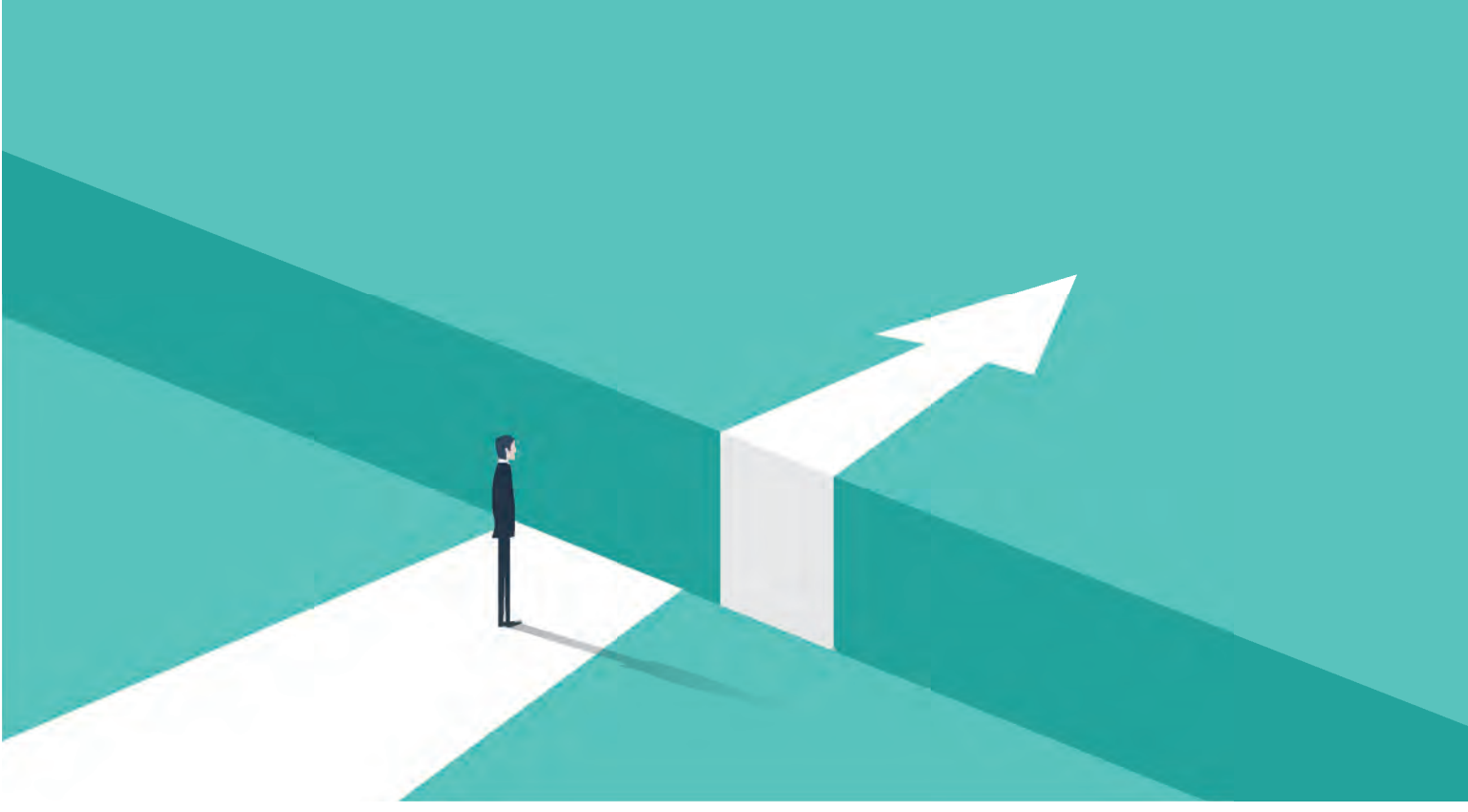
In consideration of the three lines of defence model, the VM Group distinguishes among three groups (or lines) responsible for effective risk management:



Risk Culture

There are risks in everything we do, and risk taking must occur if VMIL is to innovate and improve. To facilitate intelligent risk taking, VMIL must first identify, determine and communicate both its risk appetite – what risks it is willing to accept and its risk threshold levels – and how much risk it can accept. In the pursuit of opportunities, it is not possible to avoid all risks, therefore the correct balance between risk and potential return needs to be determined and communicated across the VM Group as a whole.

The Board has created an environment for staff where integrity, teamwork, innovation, excellence, accountability, and customer interests are at the core of VMIL's values and practices. This strong risk culture drives how the staff approaches their work and guides decision making.
Board is responsible for ensuring an effective Risk Management Framework is in place, promoting a risk aware culture that ensures all principal risks are identified and mitigated in pursuit of VMIL's strategic objectives.



Risk Appetite Framework

The Risk Appetite statement articulates the VMIL's risk management philosophy with respect to significant categories of risk, driven by the VMIL's strategic objectives. Overall, we will take a conservative approach to risk and will maintain our risk exposure between tolerable limits that have been set by our management team and approved by our Board. We will be guided by the following key principles:

- We will maintain the highest ethical and professional standards when dealing with all stakeholders.
- We will consider the needs of our Members and seek to serve the communities in which we operate.
- We will protect our capital base and will not introduce any new strategies, products or services that place our long-term value at risk.
- We will maintain a robust enterprise risk management system to effectively identify, assess and manage existing and emerging risks.

Risk Governance and Control Environment

The Board is responsible for annually setting and updating the risk appetite, monitoring the entity's risk profile and ensuring consistency on all levels. It is important for our approaches to risk management to continue to be innovative and resilient because the business environment is becoming more dynamic and unpredictable as several forces will seek to stress and stretch our systems.

Risk Assessment

VMIL's risk assessment is designed to identify hazards and risk factors that have the potential to cause harm. To strengthen the risk management practices, an assessment is carried out on a monthly basis of the different exposed risks, including the different lines of defence.

The risk areas identified need to be prioritised according to:

- The impact on the Group's objectives should the risk occur. Factors that may help define the impact rating may include:
  - Financial effect,
  - Reputation impacts,
  - Ability to achieve key objectives.
- The likelihood that the risk will occur. The potential to improve risk control.

Risk Governance and Control Environment

VMIL is exposed to a diverse range of risks. VMIL's evaluation and monitoring practices are very robust. It identified, assessed and monitored potential threats affecting the achievement of its strategic plan, through the assessment of top risks.

The four main risks inherent in its operations are:

1. **Financial Risk**
   Financial Risk – is an umbrella term for multiple types of risks including credit risk, market risk, liquidity risk. It is also the absence of robust credit management practices; inadequate assessment of financial strategies; or lack of effective cash flows and cost management that would (a) maximise cash availability, (b) reduce uncertainty of currency, interest rate, credit and other financial risks, or (c) move cash funds quickly and without loss of value to wherever they are needed most.

   a. **Market Risks** - the risk that the fair value of future cash flows of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer or factors affecting securities in the market. These arise from changes in interest rates, foreign exchange rate and equity prices and will affect the value of the holding in the financial instrument.

   b. **Liquidity Risk** – is the risk of failing to meet demands and commitments to provide funds to customers and other third parties. Wholesale and retail funding are monitored to ensure that there is no excessive concentration in future maturities which enhances VMIL's ability to refinance maturing liabilities.

      VMIL's management of liquidity and funding risk aims to ensure that at all times there are sufficient liquid resources to cover cash flow mismatch and/or fluctuation in funding, to retain public confidence and to enable VMIL to meet its financial obligations as they fall due even during stressful economic environments. VMIL also has a contingency funding plan in place to cope with any extreme or sudden outflow.

   c. **Credit Risk** - the risk of financial loss if a counterparty to a financial instrument fails to meet legal and contractual obligations when they fall due. VMIL faces credit risk from its lending operations and treasury investments to counterparties.

      The credit portfolio is managed in accordance with VMIL's Credit Policy and underwriting criteria. The Credit Policy is reviewed at least annually by the Board and contains detailed limits to the amounts and types of lending that VMIL can undertake.

      Treasury counterparty risks and new investments are managed primarily by investing in counterparties which meet the scoring criteria stipulated in the Framework or Managing Counterparty Credit Risk. In addition, VMIL limits exposures to particular counterparties, investment types and investment sizes in accordance with the Investment Policy guidelines and the Framework for Managing Counterparty Credit Risk.

2. **Strategic Risk** - The risk of loss arising from VMIL adopting the wrong business strategy, failure to properly execute business strategy, or respond to industry, economy or technological changes.

   VMIL aims to mitigate strategic risk through an integrated business strategy, risk appetite and capital planning process; tracking of strategic initiative and deliverables; investment in processes, systems and people to support new business development and through the regular review of strategic objectives and initiatives by management and the Board.

3. **Operational Risk** – The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which are neither market-related nor credit-related.

   VMIL ensures that effective controls exist at the three levels of defence. The earlier the controls are established in the risk journey, the more effective the risk detection and mitigation mechanism will be.

   Periodic assessments of all facets of VMIL's operational risks bring more relief to its organizational management. It is imperative to remain risk-ready by gauging regulatory obligations, investing in its technology infrastructure, skills, competencies, processes and business decisions. VMIL aims to mitigate people risk through a rigorous onboarding process, combined with talent management systems.

Development of customer interface and services is of utmost importance however, VMIL is also aware of external threats, in particular cybercrime attacks designed to deny access to systems and to compromise or misuse the data and assets held on VMIL's system.

4 **Governance & Compliance Risk** – The risk of exposure to legal penalties, financial forfeiture and material loss an organization faces when it fails to act in accordance with accepted corporate governance standards, the law and regulations, internal policies or prescribed best practices.

VMIL's regulatory risk framework outlines the governing processes, which aims to ensure that it delivers fair customer outcomes and meets prudential requirements. VMIL's risk and compliance function is responsible for identifying regulator changes, within requisite time scales.

Risk Mitigation and Decision Making

The risk VMIL identifies are assessed and prioritised. Only significant risks are managed. The ultimate goal in our risk mitigation decisions is to create, protect and enhance shareholder value by managing uncertainties influencing the achievements of VMIL's objectives.

Decisions are required to manage the business' risk profile within the limits agreed in the planning phase, and to achieve business objectives. Strategy decisions are also needed to manage material and emerging risks within the functions bestowed to Committees or individuals and in accordance with the powers delegated by the Board of Directors.

To safeguard and protect VMIL's reputation, the Board and management ensure that there is a well-established decision process, direct reporting lines with clarity of roles and responsibilities, defined codes of ethics and conduct, periodic monitoring of stakeholder and media analysis, industry and market benchmarking, transparent disclosures and communications.

True innovation and resilience can be seen in VMIL's ability to withstand stress and to avoid a loss of function in the face of environmental turbulence and doing it so well that we can reap the fruit of growth and stability in the market. The key to this success is a having the best risk management mechanism.

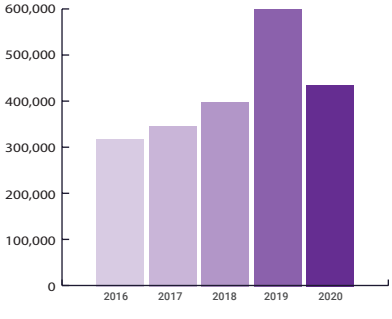
FINANCIAL PERFORMANCE

GROUP OPERATING RESULTS

2020 was a very challenging period for VMIL, with mixed results due to the instability of the local and global investment markets caused by the COVID-19 pandemic.

VMIL reported group profit before tax of $598.87 million, a reduction of $187.35 million or 23.83% over the previous year. Net profit after tax was $433.59 million, representing a decline of $164.46 million or 27.50% when compared to the previous year. The effective tax rate for 2020 was 27.60% (2010: 23.93%). Earnings per share stood at $0.29 compared to $0. 40 reported in 2019.

Net Profit / (Loss)
Billions of dollars



Operating Revenue

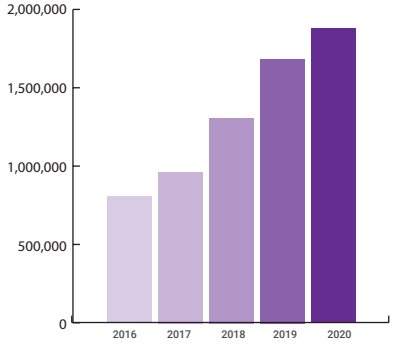
Earnings from net operating revenue for 2020 of $1,875.59 million was a $192.63 million or 11.45% improvement over the previous year's revenue of $1,682.96 million. Operating revenue includes net interest income of $289.62 million (2019: $260.38 million) and other operating income of $1,585.97 million (2019: $1,422.58 million).

Net Interest Income

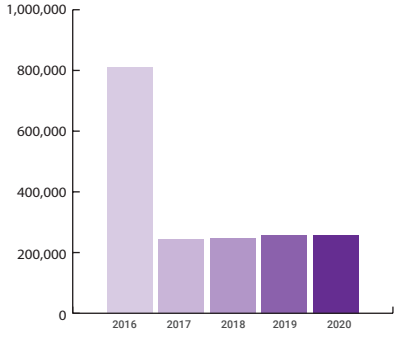
For the financial year ended 31 December 2020, the group reported improvement in net interest income of $29.24 million or 11.23% moving from $260.38 million reported for the previous year. Earnings from interest-bearing assets increased by $119.89 million or 16.98% while interest expense increased by $109.59 million or 24.04% when compared to the previous year.

The group's interest-bearing assets, including investment securities, short term resale agreements, finance lease and loans, stood at $25.88 billion as at 31 December 2020 compared to $22.96 for the previous year, representing a $3.31 billion or 14.69% increase.

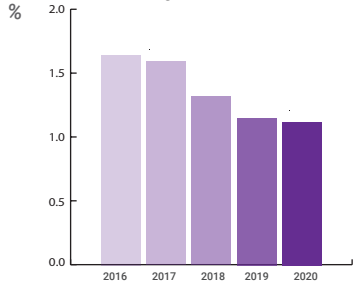
Net Operating Revenue
Billions of dollars



Net Interest Income
Billions of dollars



Net Interest Margin
%

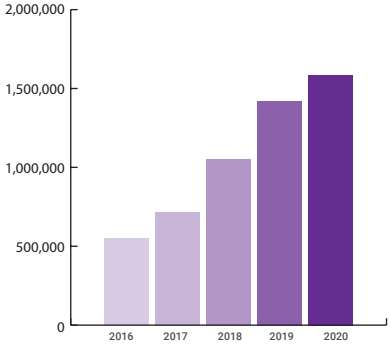


Other Operating Income

Other operating revenue saw an increase of $163.39M or 11.49% when compared to the earnings of $1,422.58 million for the previous year. This was due primarily to the net increase in bond and equity trading gains of $174.21 million or 52.34%.

There was a marginal reduction in fees and commission income of $7.80 million to $925.32 million when compared to 2019.

Other Operating Revenue
Billions of dollars



Operating Expenses

Total operating expenses for 2020 was $1,240.71 million, a $359.32 million or 40.77% increase over 2019. Staff costs continues to be the major cost component, accounting for 47.35% of expenses as the group continues to invest heavily in human resources which underpins our strategic direction. Staff costs increased by $69.46 million or 13.41%.

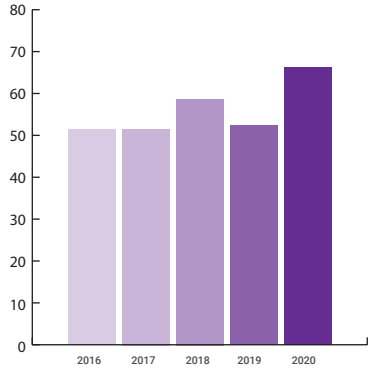
Provisions for expected credit losses for the year was $119.32 million, an increase of $215.36 million when compared to 2019. This increase was attributable to the downturn in the financial markets due to the COVID-19 pandemic.

Other operating expenses accounted for 43.03% of total expenses and increased by $74.49 million or 16.21% compared to the previous year. Noteworthy contributors to other operating expenses were:

- Advertising and public relations
- Asset tax
- Depreciation and amortisation
- Legal and other professional fees
- Group outsourced services
- Rent, maintenance, and utilities
- Software maintenance and IT expenses

The efficiency ratio of 66.15% represented a decline compared to the previous year's ratio of 52.37%.

Efficiency Ration (Administrative Expenses to Total Revenue)
%



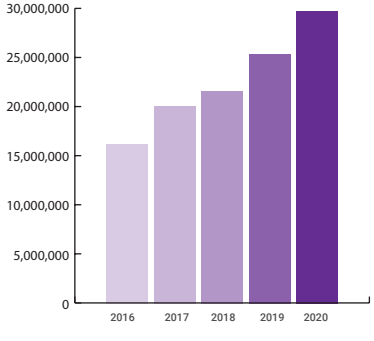
GROUP FINANCIAL POSITION PERFORMANCE

Assets

Total assets of $29.72 billion as at 31 December 2020 represented an increase of $4.40 billion or 17.36% over 2019. This was due primarily to growth in our resale agreements portfolio which increased by $3.44 billion or 87.46% year over year.

Return on average assets declined to 1.58% in 2020 when compared to 2.55% in 2019.

Total Assets
Billions of dollars

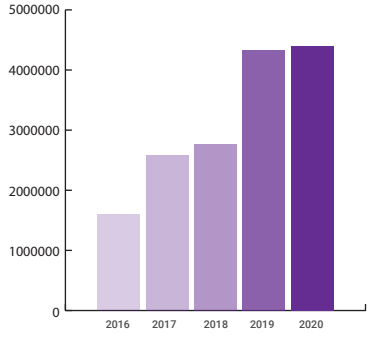


Shareholders' Equity

Shareholders' equity improved year over year by $54.64 million or 1.26% ending at $4.38 billion as at December 2020. The outturn in shareholders' equity hinged on:

- A $388.59 million increase in retained earnings,
- A $332.48 million or 22.32% reduction in investment revaluation reserve

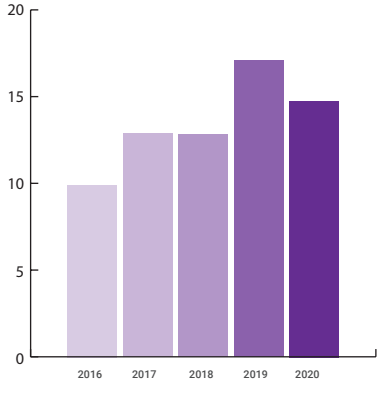
Shareholders' Equity
Billions of dollars



Capital Management

As at 31 December 2020, our risk-based capital adequacy ratio was 15.56%, comfortably above the regulatory requirement, which requires that the Company shall at all times maintain the ratio between its capital base and the aggregate of its risk-weighted balance sheet assets and risk-weighted balances related to foreign exchange exposure of no less than 10%. The Company's statutory capital base as at 31 December 2020 was $2.53 billion.

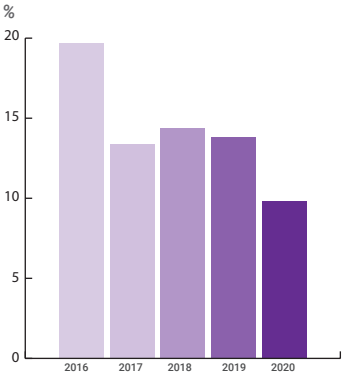
Capital to Total Assets
%



Return on Invested Capital (ROIC)

ROIC decreased from 13.80% in 2019 to 9.84% in 2020. The reduction in the return is due to the reduction in NPAT $164.46M or 27.50% relative to the prior year, while there was a marginal increase in total capital of $54.64 million or 1.26%.

Return on Invested Capital



Dividends

On February 28, 2020 (2019: May 14, 2019) the Board of Directors declared an interim dividend of $0.03 (2019: $0.03) per ordinary stock unit of the paid-up capital stock of 1,500,025,000 (2019:1,500,025,000) ordinary stock units, paid to the shareholders on record as at March 10, 2020 (2019: May 24, 2019).

Off-Balance Sheet Funds Under Management

The Group acts as agent and earns fees for managing clients' funds on a non-recourse basis under management agreements. As at 31 December 2020, these funds amounted to $32,823,912,000 (2019: $29,477,536,000).

Additionally as at December 31, 2020, there were custodial arrangements for assets totaling $13,956,379,000 (2019: $18,807,714,000).

Growth in our off-balance sheet business is a core strategic objective of the group which will have focused attention in the coming financial year. We will continue to seek innovative channels and products geared towards creating value for our clients.

Liquidity and Funding

As at December 31, 2020, the Group's liquidity resources included: cash and cash equivalents totaling $1.49 billion. In addition, $7.38 billion of the Group's investments in resale agreements were short-term, that is, due to mature within 3 months of the year end.

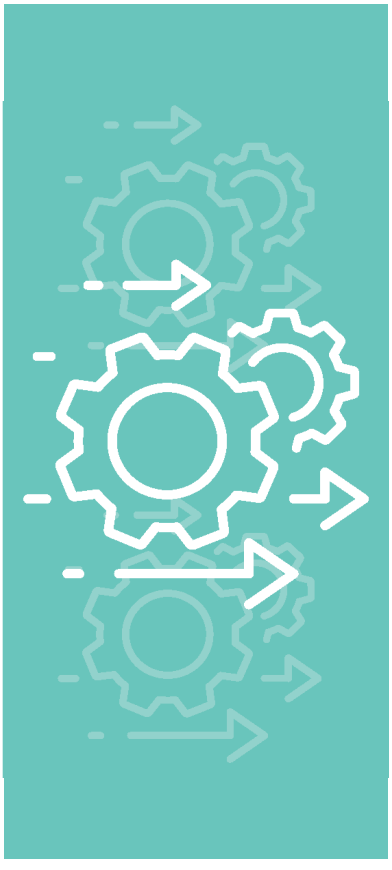
The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. Prudent liquidity risk management procedures which the Group uses include: maintaining sufficient cash and marketable securities, monitoring future cash flows and liquidity daily, and maintaining a line of credit with a strong financial institution.

OPERATIONS

Our Process

In 2020, we embarked on a comprehensive business process review to simplify our processes for greater effectiveness and improved efficiency. In tandem with the business process review, we as a business process improvement exercise, when performed collaboratively and in a disciplined manner, can boost productivity and accountability, transparency, execution, and the pace of decision making.

When it comes to delivering fast results to the bottom line, continually improving how we work, is the proven recipe that drives business growth.



Major Wins

In designing the CIP, we pursued a specialisation strategy which organises our effort on 9 distinct programmes of work (PoW) aimed at transforming our processes and addressing the major needs of our customers and Team Members.

We also determined that there were meaningful operational synergies and benefits to taking an enterprise-wide view of process changes. Therefore, we established a Group Change Committee (GCC), consisting of the Executive Leaderships from our Support Units, and established for each PoW across functional team consisting personnel with experience in process redesign, organisation redesign, process automation, and change management.

The GCC is expected to drive the process improvement goals set for the Group with the help of these cross-functional teams.

To-date it has:

- Clarified the process improvement objectives of the core elements of our business;
- Defined the improvement metrics and quality control standards to be achieved during the process improvement exercise;
- Formulated a series of transformational roadmaps for the core areas of our business; and
- Commenced the building of the capacity of our teams to deliver on these plans.

As a result of these and other operational and organisational changes, we improved three times the number of processes over last a year, experienced marked improved adherence to standard operating procedures and surpassed established operational service levels, despite the operational challenges presented by the COVID-19 pandemic.

In 2021, we intend to continue the foundational work of 2020 to drive even further process improvements.

People Development

Building the right continuous improvement culture and mindset is critical to succeeding with our operational improvement agenda, and as such, we continue to invest in the training and development of our analysts and implementation teams. We also augmented our existing teams with process improvement specialists with in-depth knowledge of the industry, business process improvement, and technology innovation supporting effective knowledge transfer and coaching across our teams. This has resulted in an improvement in our HREI score when compared to the previous year.

In 2021, we intend to build the people development work of 2020, and to further develop our team's capability and the culture of innovation across our service lines. We expect that a culture of innovation and agility will build a more goal-oriented, responsive, and adaptive approach to the ways we provide existing and emerging products and services to our customers.

Purpose-filled activities: Team Community, Members & Clients

Building operational resilience during the COVID-19 pandemic was a critical element of our 2020 planning activity. Through the formation of a cross-functional COVID-19 Response Team and taking a multidimensional and multilevel approach to the pandemic, we worked to protect our Members and Clients, Team Members, and our business.

The pandemic also gave us the opportunity to re-think our ways of working. We also used the opportunityvto improve the relationship with our Members and Clients, and Team Members through the suspending of public properties auctions, and the offering of payment moratoria to Members in distress. Our operational team also aggressively promoted the use of our digital channels over our in-branch channels.

Operationally, we also changed the way in which customers gain electronic indemnity, and we activated dormant accounts. Additionally, we decided against increasing fees and service charges, while managing the rising cost for the delivery of our services.

Major projects/initiatives in the pipeline

Following the review of our operational processes, several operational improvements have been identified, some having a multi-year implementation agenda. However, for 2021, we will focus effort on delivering on an improvement agenda centred around:

- Enhancing the self-servicing capabilities available to our customers that assist them to mitigate the impact of social distancing requirements brought on by the coronavirus.
- Improving and personalising communications to customers engaging with us remotely or online.
- Reducing turnaround time and cost of delivering key customer services.
- Consolidating and/or outsourcing of functions for improved productivity and focus our team members.
- Automating key operational processes and management reports for improved decision-making and operational process control.

GROUP INFORMATION SECURITY

We are committed to the mitigation of these risks through the implementation of the requisite policies and procedures, technologies, provision of training for Team Members and continued compliance reviews and monitoring.

Information or Cyber Security is an essential pillar in the running of any successful business in the modern world especially with more businesses seeking to establish and increase their presence in the digital sphere. With this increase, there is an exponential increase in the amount of data that is collected, stored and processed in digital form. Data include customer/client personal identifiable information, financial records, and trade or business secrets, to name a few.

Financial institutions remain a top

target of entities or individuals whose goal is to compromise personal and financial information as well as gain fraudulent access to financial services.

The year 2020 saw a record number of reported Information or Cyber Security breaches on a global scale. Organisations from small to large were all affected. This trend looks set to continue in 2021.

The VM Group understands the Information or Cyber Security risks of the environment in which it operates. We are committed to the mitigation of these risks through the implementation of the requisite policies and procedures, technologies, provision of training for Team Members and continued compliance reviews and monitoring.

We regard Information or Cyber Security as an important management issue. With the full support of the Board and Executive Leadership, we seek to respond to today's increasingly sophisticated and diverse cyberattacks and provide a secure environment for our Members and Team Members.

Challenges

In February 2020, VM Wealth Management experienced a Data Leak Event. The leak impacted several of our Clients. This was an unprecedented event and previously unexperienced in the history of the Victoria Mutual Group.

With over half the workforce operating remotely for the majority of the year, COVID -19 also presented challenges for Information Security. Suddenly, data and assets were placed in an untrusted zone and the organisation was faced with the challenge of securing and protecting them.

As the year progressed, email phishing attacks increased as attackers sought to use this as a tool to compromise our network. During the first three quarters of the year, an average of 100,000 malicious emails per month were detected and blocked. As we entered the holiday season at the end of the year, that number more than doubled to an average of over 220,000 malicious email per month. Like many other financial institutions, the Victoria Mutual Group faced the challenge of attackers attempting to compromise its systems. In 2020, over 1.5 million attempts to compromise its systems were detected. However, none on these attempts were successful.

Accomplishments

Faced with these challenges, we set about expediting the implementation of the Information/Cyber Security Programme of Work which was already in progress. Following a series of reviews which aimed at rapidly addressing the gaps identified, a strategy of aggressive timelines was put in place.

The areas of focus surrounded the implementation and updating of several technologies, policies and procedures. These include:

- Implementation of Data Classification Policy and Standards
- Implementation of Comprehensive Information/ Cyber Security Threat and Incident Monitoring
- Implementation of AI Based Detection and Response Technologies
- Upgrade of Perimeter Security Systems
- Increase the Compliment of Information/ Cyber Security Administrators
- Implementation of Frequent Testing and Compliance Reviews (Including Vulnerability and Penetration Testing)
- Deployment of Data Loss Prevention Technologies
- Periodic Risk Assessment and Reviews
- Implementation of Multifactor Authentication
- Implementation and additional Policies and Procedures Email Security
- Deployment of Data Encryption Technologies

The area of focus identified to mitigate against Information Security Treats was the training and sensitisation of our Team Members.

A training programme launched at the end of 2019 was ramped up in 2020. Training courses were administered to all Team Members. Courses included:

- Defining and Handling Sensitive Information
- Identifying and Reporting Phishing Email Threats
- Security Best Practices for Remote Work
- Avoid Becoming a Victim of Social Engineering

Through frequent penetration and vulnerability testing, the Victoria Mutual Group was able to identify several susceptibilities in its systems, and over 80% of all critical and high severity vulnerabilities detected were mitigated or resolved.

The major highlights of the 2020 Information/Cyber Security Programme of Work are the implementation and operationalising of the Data Protection Act 2020 and the implementation of new and modern technologies to further secure our Members' and Team Members' information. The Programme of Work will continue into 2021.The Victoria Mutual Group remains committed to providing an environment in which Members can safely transact business and Team Members can confidently deliver services.

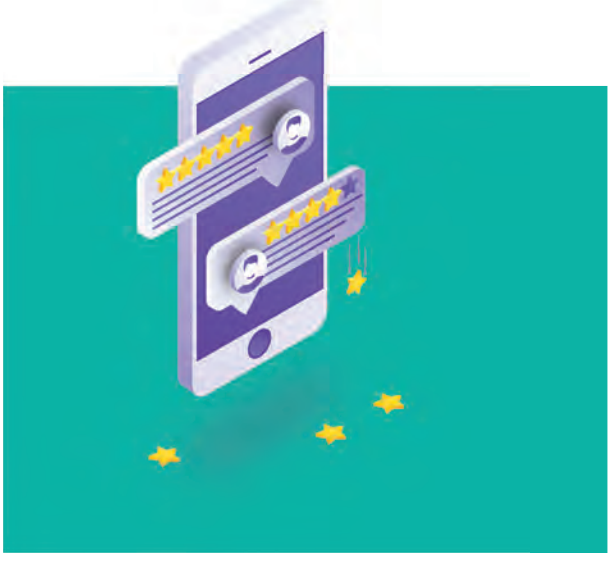
GROUP CUSTOMER EXPERIENCE

In January 2020, the Group Customer Experience Team implemented a new Client Experience Framework which focused on the core elements of customer experience and service delivery within the organisation: Client Engagement, Operational Efficiency, Performance Measurement Metrics, Information Communication & Technology (ICT) and our People Infrastructure.

Client engagement efforts were ramped with creativity and innovation. The implementation of a multi-branch strategy aimed at expanding our reach and convenience was achieved. VM Wealth effectively launched its Premium Wealth Unit and opened 5 new locations across the VMBS branch network- Duke Street, Liguanea, UTech, Ocho Rios and Savanna-la-Mar. The growth in the staff complement of the Sales Team led to an improvement in the Wealth Advisor to Client ratio, which also impacted our Client portfolio reviews month over month, as well as quarterly welcome sessions for our new Clients.

Through the use of technology, we embraced the 'new normal'. Our signature investment forum, 'Wealth Talks' blossomed in the digital space, and we successfully hosted 5 webinars with timely, relatable and relevant content for our Clients and the wider online community. While on the journey of digital transformation and innovation we achieved the following:

- Upgraded our core platform (investment management system-OPICS)
- 80% of clients' stock trades done online via JSE's J Trader platform
- New online solution for complaints management- 92% of clients' complaints are resolved within the established service level agreements



- Statement redesign and improvement in the quarterly dispatch
- Introduction of the Client Portal

Data security is of utmost importance to our business operations and aligns with our drive for operational efficiency. VM Wealth commenced a comprehensive Data Loss Prevention (DLP) programme rollout - an enhanced intrusion prevention programme to reduce the likelihood of hackers infiltrating our network- and made improvements to Information Security Awareness Training Programme for Team Members.

We saw major improvements in our Net Promoter Score (NPS) year over year. The NPS is used to measure customer loyalty and satisfaction. The Team was able to achieve the desired result and hit the required target of an average 23% for the year 2020. The increased Member-focused activities were the major contributor to this improvement. Our aim is to build on these efforts and have a greater presence with our Clients in 2021.

CARILEND

Carilend is the FinTech company that has revolutionized borrowing and lending in the Caribbean, providing fully online lending services. Their first success was the introduction of a peer-to-peer lending service in Barbados, the phenomenon that has swept the globe and is now a billion-dollar industry in the UK, US and Canada. Peer-to-peer lending connects people who have money to lend with people who want to borrow money in a secure online marketplace. Carilend, which is headquartered in Barbados, is the first of its kind in the region, signaling a new way of borrowing and lending in the Caribbean.

Carilend has matched thousands of borrowers and lenders in just over 4 years of operations and continues to see an increase in demand for both borrowing and investing. To date, over 2600 loans have been approved for a total of more than B$50,000,000, and borrowers have already successfully repaid more than B$23,000,000 to lenders. Over 700 lenders with investments ranging from B$25 to B$2,000,000+ have invested in peer-to-peer loans via Carilend.

Carilend now has over 16,000 registered users in Barbados, and has received over 6,600 completed loan applications so far. All loan applications are processed within one working day. Carilend reports average returns for Lenders of 8.32% on their current investments. This high return has led to more than $3,000,000 in interest paid to lenders.

For lenders, the recommended minimum investment is $2,500 for a well-diversified portfolio, but lenders can also start smaller and build up to that amount over time. The average investment is about $35,000 and there is no maximum. Borrowers can apply for any amount between $2,500 and $25,000 and repay the loan anywhere between 12 and 60 months, in six-month increments. Carilend was founded in 2015 by the coming together of two seasoned industry executives one from the telecoms arena, Mark Linehan and the other from the banking arena, Mark Young. Carilend is led by Mark Young, CEO, with a 25-year track record as a regional senior executive with Barclays and CIBC in the Caribbean.

In 2019, a 30% stake in Carilend was acquired by VMIL. A further minority stake was acquired by Kailash Pardasani, the Barbados-based, serial entrepreneur. At the time of the investment the shareholders made a commitment to expand the business from Barbados to Jamaica and Trinidad.
In August 2020, during lockdowns caused by the global pandemic, Carilend successfully launched its Jamaican operations offering the co-branded, "Victoria Mutual e-Loan powered by Carilend" direct to Jamaican consumers. Over 5,000 Jamaicans have already registered to do business with Carilend and over J$100,000,000 of loans have already been approved for Jamaicans.

OUR PEOPLE

Despite the significant disruption presented by COVID-19 to the personal and professional lives of our Team Members, they displayed outstanding courage, resilience, and adaptability with strong support from the Leadership Team of the VM Group.

Our thrust to become Employer of Choice was significantly advanced through the full implementation of our Remote and Flexible Work arrangement policies; improvement to our variable reward structure, provision of COVID-19 related support to Team Members, inclusive of financial assistance with the purchase of technological equipment for their children, and the use of technology to support our Employee Engagement and Talent Management Activities. The VM Group already employed the remote and flexi-work policy in 2018, and this allowed us to quickly and seamlessly adjust to off-site work.

Talent Management

In keeping with our Strategic Goal of being Employer of Choice, we were required to pivot on several initiatives designed to attract, develop, and retain top talent.

In 2020, we continued to drive Talent Management Initiatives with focus on Team Members' Individual Development Plans, Career Development Plans for Key Positions High Potential and High-Performance Talent as well as Succession Plans for Senior Leader Positions. As such, for the year 2020, six (6) Senior Leaders commenced Executive Coaching, ten (10) Leaders were placed on an Accelerated Development Programme while one hundred and thirty-two (132) Leaders/ Team Members benefited from Job Enrichment activities.

The VM Talent Development Programmes are designed to strengthen our Team Members' leadership capabilities as well as to build expertise for critical areas. Accordingly, we continued to provide training for Team Members in areas such as Sales, Leadership, Credit and Financial Education, while advancement in the application of digital tools was managed through the VM Digital University, an online learning environment for our Team Members. Team Members were provided with training through needs-based conversations which will in future, provide support to Members utilising the needs-based survey tool on the VMBS website. Team Members whose Beginner's Spanish programme was interrupted due to the pandemic were also provided with an opportunity to complete the programme through a virtual instructor-led format.

VM Group 2020 Business Conference

At the start of each year, VM Team Members participate in our annual Group Business Conference, which typically takes place on the first Saturday of the new year. The Business Conference is an opportunity for the Team to rally around the strategic targets and

objectives for the year ahead and to share open and honest feedback with each other. This is all in the interest of empowering each Team Member to achieve optimal productivity and engagement.

The theme of the 2020 VM Group Business Conference was ***'Together Achieving the Impossible.*** with more than 600 Team Members gathered at the Jamaica Conference Centre in Kingston on January 4.

International motivational speaker David Mead, Igniter from the famed Simon Sinek Organisation – Ignite Leadership, delivered the keynote address. Mead revved up the VM Team which also included Team Members in New York, Florida and the United Kingdom, who participated live via video link. Mead urged the Team to start with the 'why' to feel inspired, safe and fulfilled at work.

Courtney Campbell, VM Group President & CEO encouraged his global team to focus on the purpose behind the work of the organisation: remaining paramount among the Team's objectives throughout 2020 and beyond was to increase financial equality.

I AM VM Awards

The VM Group leveraged technologies to stage the first virtual I AM VM Awards Gala on Saturday, July 25, 2020. While maintaining physical distancing, our Team Members and Clients were brought together through digital platforms, including Zoom, YouTube, Facebook, Instagram, and Microsoft Teams to celebrate the excellent performance of our Team Members in 2019. This attracted over 6,000 views, which is critical to our employer branding initiative.

Wellness Activities

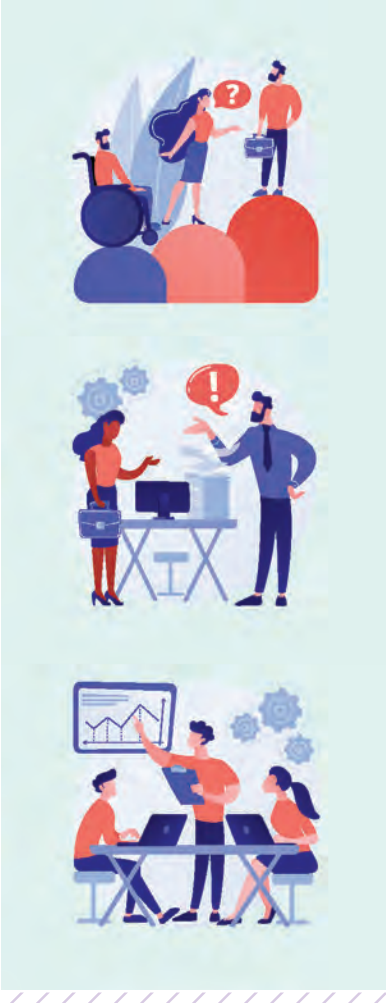
The Victoria Mutual Wellness Committee was formed with the main objective of identifying and executing targeted activities that support the eight dimensions of wellness. Throughout each quarter, the Committee created and implemented wellness activities specially designed to cultivate stronger connections among in-presence and remote Team Members. Team Members benefited from several virtual activities, including the "VM Wins Life Series", a "Jerusalema Challenge", several webinars led by medical doctors including mental health professionals, dietitians, and security professionals. These activities were geared towards fostering a greater level of Team Member connection, engagement and productivity as well as aiding in their adjustment to the "New Normal."

Human Resources Engagement Index (HREI) Survey and Results

The VMIL achieved an engagement score of 81% with a participation rate of 85% for 2020 against the target of 77% and 80% respectively as measured by the Human Resources Engagement Index survey. The engagement score of 76.4% is above the global average for Latin America and the Caribbean. For 2021, we will continue to engage our Team Members through the implementation of programmes to improve the engagement score and engender a culture of accountability

Culture of Accountability

In 2020, our Culture of Accountability Programme was further strengthened through access to online material to bolster our use of the Culture tools and to facilitate the retraining and continuous training of Team Members. We will continue with our Culture Integration programme and seek to align culture with purpose to create the VM Team Member Identity.



Victoria Mutual Investments LIMITED

Employees of the Quarter

1st QUARTER

PETA-GAYE RUSSELL-PEART
Acting Assistant Manager, Sales

2nd QUARTER

JERMAINE WALTON
Senior Corporate Finance Officer

3rd QUARTER

PETA-GAYE RUSSELL-PEART
Acting Assistant Manager, Sales

4th QUARTER

SHAMEEL KHAN
Research Analyst

Victoria Mutual Investments Limited

Financial Statements

December 31, 2020

Built on Purpose

Independent
Auditors' Report

To the Members of
VICTORIA MUTUAL INVESTMENT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Victoria Mutual Investments Limited ("the company") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiary ("the group"), set out on pages 81 to 156 which comprise the group's and company's statements of financial position as at December 31, 2020, the group's and company's statements of profit or loss and other comprehensive income, changes in equity 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 give a true and fair view of the financial position of the group and the company as at December 31, 2020, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

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 company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Fair value of investments

The key audit matter	How the matter was addressed in our audit
The valuation of the group's investment securities requires significant estimation, which is impacted by uncertainty of market factors. The volatility of prices on various markets has increased as a result of the spread of COVID-19. This affects the fair value measurement either directly, if fair value is determined based on market prices, or indirectly if a valuation technique is based on inputs that are derived from volatile markets. [see notes 6 and 28 to the financial statements]	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the group's controls over the determination and computation of fair values. • Challenging the reasonableness of yields/prices by comparing to independent pricing sources. • Assessing the reasonableness of significant assumptions used by management. • Involving our own valuation specialists to determine/obtain yields/prices of specific securities and comparing them to those used by management. • Evaluating the adequacy of the disclosures, including disclosure of the degree of estimation uncertainty involved in determining fair values.

Independent Auditors' Report (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Expected credit loss on financial assets

The key audit matter	How the matter was addressed in our audit
The group and company are required to recognize expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgement and estimates. The key areas requiring greater management judgement include the identification of significant increase in credit risk ('SICR'), the determination of probabilities of default, loss given default, exposures at default and the application of forward-looking information. These estimates involve increased judgment as a result of the economic impact of Covid-19 on the group's financial assets. Management considered the following: • qualitative factors that create COVID-19 related changes to SICR. • increased uncertainty about potential future economic scenarios and their impact on credit losses.	Our procedures in this area included the following: • Assessing and testing the design and implementation of the group's control over the determination of expected credit losses. • Obtaining an understanding of the models used by the group and company for the calculation of expected credit losses, including governance over the determination of key judgements. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis. • Involving our financial risk modelling specialists to evaluate the appropriateness of the group's impairment methodologies, including the SICR criteria used and independently assessing the assumptions for probability of default, loss given default and exposure at default.

Independent Auditors' Report (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Expected credit loss on financial assets (continued)

The key audit matter	How the matter was addressed in our audit
Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL calculations, which increases the risk of a material misstatement. We therefore determined that the impairment of financial assets has a high degree of estimation uncertainty. [see note 27 (b) of the financial statements.]	Our procedures in this area included the following (continued): • Involving our financial risk modelling specialists to evaluate the appropriateness of the group's methodology for determining the economic scenarios used and the probability weightings applied to them. • Evaluating the adequacy of the financial statement disclosures, including disclosures of the key assumptions and judgements, for compliance with IFRS 9.

3. Impairment of investment in associate

The key audit matter	How the matter was addressed in our audit
The carrying value of the group's investment in associate, may not be recoverable due to changes in the business and economic environment in which the associate operates.	Our audit response included: • Evaluating whether there were indicators of impairment of the investments, considering market prices, the economic environment and business performance of the associate.

Independent Auditors' Report (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

3. Impairment of investment in associate (continued)

The key audit matter	How the matter was addressed in our audit
Additionally, the effects of Covid-19 on overall economic activity and the deteriorating trading conditions increased the risk of impairment of the associate. These factors create increased uncertainty in forecasting and requires significant judgement in estimating and discounting future cash flows that support the assessment of recoverability. [see note 7 of the financial statements.]	Our procedures in this area included the following: • Use of our own enterprise valuation specialists to evaluate the assumptions and methodologies used by management. • Assessing the reasonableness of the group's expected future cashflows. • Comparing the group's assumptions to externally derived data as well as our own assessments of key inputs into the discount rates, as well as performing sensitivity analysis on the assumptions. • Use of our own enterprise valuation specialists to test the mathematical accuracy of the calculations. • Assessing the adequacy of the group's disclosures about the key assumptions and the sensitivity of the impairment assessments to changes in key assumptions.

Independent Auditors' Report (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the company'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.

Independent Auditors' Report (continued)

Report on the Audit of the Financial Statements (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 79-80, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Cynthia Lawrence.

KPMG

Chartered Accountants
Kingston, Jamaica

March 5, 2021

Independent Auditors' Report (continued)

Appendix to the Independent Auditors' report

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.

- 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 company's/group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 company 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report (continued)

Appendix to the Independent Auditors' report (Continued)

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Statement of **Financial** Position
December 31, 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Cash and cash equivalents	4	1,571,567	1,917,241	80,343	126,715
Resale agreements	5	7,380,680	3,937,275	79,997	-
Investment securities	6	16,526,043	16,718,180	1,060,327	1,138,352
Interest in subsidiary		-	-	109,500	109,500
Interest in associate	7	56,949	90,766	56,949	90,766
Net investments in finance lease	17(b)	110,832	30,688	110,832	30,688
Loans receivable	8	1,789,651	1,876,637	1,789,651	1,876,637
Accounts receivable:					
Customers		716,005	16,550	-	-
Brokers		5,217	449	-	-
Other	9	1,061,981	313,326	782,042	35,011
Income tax recoverable		44,548	40,397	44,548	23,774
Deferred tax asset	10	44,083	-	13,345	-
Property, plant and equipment	11	189,187	113,006	-	-
Intangible asset – computer software	12	226,932	273,186	-	-
TOTAL ASSETS		29,723,675	25,327,701	4,127,534	3,431,443
LIABILITIES AND EQUITY					
Liabilities:					
Due to ultimate parent society	29(c)	197,988	116,739	130,579	29,875
Due to subsidiary company	29(c)	-	-	13,551	94,593
Borrowings	16	3,042,641	2,410,625	3,035,836	2,410,625
Accounts payable:					
Customers		1,149,953	925,785	-	-
Others	13	470,154	414,296	82,515	45,648
Lease liabilities	17(a)	85,978	93,897	-	-
Repurchase agreements	14	20,312,831	16,999,392	-	-
Income tax payable		43,459	-	38,487	-
Deferred tax liability	10(a)	-	5,939	-	2,954
Employee benefits obligations	15(b)(i)	39,200	34,200	-	-
TOTAL LIABILITIES		25,342,204	21,000,873	3,300,968	2,583,695
Equity:					
Share capital	18	707,887	707,887	707,887	707,887
Share premium		24,000	24,000	24,000	24,000
Investment revaluation reserve	19(a)	1,157,234	1,489,713	-	-
Other reserve	19(b)	4,267	5,734	-	-
Retained earnings		2,438,083	2,049,494	94,679	115,861
Equity attributable to owners of the company		4,331,471	4,276,828	826,566	847,748
Non-controlling interest	20	50,000	50,000	-	-
TOTAL EQUITY		4,381,471	4,326,828	826,566	847,748
TOTAL EQUITY AND LIABILITIES		29,723,675	25,327,701	4,127,534	3,431,443

The financial statements on pages **81 - 156** were approved for issue by the Board of Directors on March 5, 2021 and signed on its behalf by:

Chairman
Michael McMorris

Chief Executive Officer
Rezworth Burchenson

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

Income Statement

Year ended December 31, 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Interest income calculated using the effective interest method	21	939,259	817,565	293,329	170,671
Other interest income:					
Interest income for finance leases	21	3,356	8,215	3,356	8,215
Interest expense	21	(652,993)	(565,399)	(163,524)	(120,457)
Net interest income		289,622	260,381	133,161	58,429
Gains/(losses) from investment activities	22	593,988	485,899	(3,917)	80,362
Gains from sale of margin loans	8	45,226	-	45,226	-
Dividend income		2,424	813	46,852	287,163
Net fees and commissions	23	925,323	933,128	16,539	34,928
Other income		19,006	2,740	17,007	1,521
Other operating revenue		1,585,967	1,422,580	121,707	403,974
Net interest income and other operating revenue		1,875,589	1,682,961	254,868	462,403
Operating expenses					
Staff costs	24	(587,487)	(518,023)	-	-
Impairment (losses)/gains on financial assets	27(b)	(119,319)	96,042	(66,892)	(18,470)
Other operating costs	25	(533,906)	(459,416)	(105,966)	(97,151)
		(1,240,712)	(881,397)	(172,858)	(115,621)
Share of loss in associate	7	(36,004)	(15,337)	(36,004)	(15,337)
Profit before income tax		598,873	786,227	46,006	331,445
Income tax charge	26	(165,283)	(188,178)	(22,187)	(4,895)
Profit for the year attributable to shareholders of the company		433,590	598,049	23,819	326,550
Earnings per share					
(expressed as ¢ per share)	32	29¢	40¢		

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

Statement of Profit or Loss and **Other Comprehensive Income**

Year ended December 31, 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Profit for the year		433,590	598,049	23,819	326,550
Other comprehensive income (OCI):					
Items that will never be classified to profit or loss:					
Net (losses)/gains on investment in equity instruments designated at fair value through OCI		(385,050)	885,870	-	-
Remeasurement of employee benefit obligation	15(b)(i)	(2,200)	5,100	-	-
Deferred tax on remeasurement of employee benefit obligation	10	733	(1,700)	-	-
		(1,467)	3,400	-	-
		(386,517)	889,270	-	-
Item that may be reclassified to profit or loss:					
Change in fair value of debt securities at fair value through OCI, net of expected credit losses		78,857	528,135	-	-
Deferred tax on change in fair value of investment securities measured at fair value through OCI	10	(26,286)	(176,045)	-	-
		52,571	352,090	-	-
Total other comprehensive (loss)/income net of tax		(333,946)	1,241,360	-	-
Total comprehensive income for the year attributable to shareholders of the company		99,644	1,839,409	23,819	326,550

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

Group Statement of **Changes in Equity**

Year ended December 31, 2020

	Attributable to owners of the company							
	Share capital Note (18) $'000	Share premium $'000	Investment revaluation reserve [Note 19(a)] $'000	Other reserve [Note 19(b)] $'000	Retained earnings $'000	Total $'000	Non-controlling interest (Note 20) $'000	Total equity $'000
Balances at December 31, 2018	707,887	24,000	251,753	2,334	1,736,450	2,722,424	50,000	2,772,424
Transactions with shareholders:								
Dividends (note 30)	-	-	-	-	(285,005)	(285,005)	-	(285,005)
Comprehensive income:								
Profit for the year	-	-	-	-	598,049	598,049	-	598,049
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	352,090	-	-	352,090	-	352,090
Change in fair value of equities at FVOCI	-	-	885,870	-	-	885,870	-	885,870
Remeasurement of employee benefit obligation, net of deferred tax	-	-	-	3,400	-	3,400	-	3,400
Total other comprehensive income	-	-	1,237,960	3,400	-	1,241,360	-	1,241,360
Total comprehensive income for the year	-	-	1,237,960	3,400	598,049	1,839,409	-	1,839,409
Balances at December 31, 2019	707,887	24,000	1,489,713	5,734	2,049,494	4,276,828	50,000	4,326,828
Transactions with shareholders:								
Dividends (note 30)	-	-	-	-	(45,001)	(45,001)	-	(45,001)
Comprehensive income:								
Profit for the year	-	-	-	-	433,590	433,590	-	433,590
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	52,571	-	-	52,571	-	52,571
Change in fair value of equities at FVOCI	-	-	(385,050)	-	-	(385,050)	-	(385,050)
Remeasurement of employee benefit obligation, net of deferred tax	-	-	-	(1,467)	-	(1,467)	-	(1,467)
Total other comprehensive loss for the year	-	-	(332,479)	(1,467)	-	(333,946)	-	(333,946)
Total comprehensive income for the year	-	-	(332,479)	(1,467)	433,590	99,644	-	99,644
Balances at December 31, 2020	707,887	24,000	1,157,234	4,267	2,438,083	4,331,471	50,000	4,381,471

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

Company Statement of **Changes in Equity**

Year ended December 31, 2020

	Share capital (Note 18)	Share premium	Retained earnings	Total
	$'000	$'000	$'000	$'000
Balances at December 31, 2018	707,887	24,000	74,316	806,203
Transactions with shareholders:				
Dividends (note 30)	-	-	(285,005)	(285,005)
Comprehensive income:				
Profit for the year, being total comprehensive income for the year	-	-	326,550	326,550
Balances at December 31, 2019	707,887	24,000	115,861	847,748
Transaction with shareholders:				
Dividends (note 30)	-	-	(45,001)	(45,001)
Comprehensive Income:				
Profit for the year, being total comprehensive income	-	-	23,819	23,819
Balances at December 31, 2020	707,887	24,000	94,679	826,566

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

Statement of **Cash Flows**

Year ended December 31, 2020

	Notes	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Cash flows from operating activities:					
Profit for the year		433,590	598,049	23,819	326,550
Adjustments for:					
Depreciation	11	22,393	16,953	-	-
Amortisation of intangible asset	12	50,211	49,499	-	-
Share of loss in associate	7	36,004	15,337	36,004	15,337
Impairment losses/(gain) on financial assets	27(b)	119,319	(96,042)	66,892	18,470
Change in employee benefit obligation	15(b)(ii)	2,800	3,300	-	-
Unrealised exchange gains on foreign currency balances		(21,526)	(10,110)	(6,958)	-
Unrealised fair value losses/(gain) on securities at fair value through profit or loss		70,573	(138,621)	-	-
Gains from investment activities		(544,484)	(203,839)	3,917	(8,009)
Gains from sale of margin loans		(45,226)	-	(45,226)	-
Interest income	21	(942,615)	(825,780)	(296,685)	(178,886)
Dividend income		(2,424)	(813)	(46,852)	(287,163)
Interest expense		644,777	556,203	163,524	120,457
Interest expense on lease liabilities	17	8,216	9,196	-	-
Income tax charge	26	165,283	188,178	22,187	4,895
		(3,109)	161,510	(79,378)	11,651
Changes in operating assets and liabilities:					
Due from ultimate parent society		81,249	116,739	100,704	29,875
Due from subsidiary		-	-	(81,042)	30,193
Loans receivable		(678,326)	(500,585)	(678,326)	(500,585)
Resale agreements		(3,367,843)	352,876	(80,000)	24,708
Accounts receivable		(618,852)	1,088,477	7,081	(22,150)
Accounts payable		225,999	(579,345)	30,995	(805)
Repurchase agreements		3,061,956	1,255,743	-	-
Income tax recoverable		(201,552)	(15,154)	(20,774)	(15,154)
		(1,500,478)	1,880,261	(800,740)	(442,267)
Interest received		1,099,844	984,625	292,083	175,323
Interest paid		(626,933)	(533,312)	(157,651)	(120,279)
Income tax paid		-	(241,886)	-	-
Net cash (used in)/ provided by operating activities		(1,027,567)	2,089,688	(666,308)	(387,223)
Cash flows from investing activities:					
Acquisition of property, plant and equipment	11	(98,574)	(10,941)	-	-
Acquisition of intangible asset	12	(3,957)	(6,147)	-	-
Acquisition of associate		-	(106,103)	-	(106,103)
Net investment in finance leases		(82,351)	77,683	(82,351)	77,683
Investment in cumulative preference share		(95,653)	(58,998)	(95,653)	(58,998)
Investment securities sold/(purchased), net		366,897	(1,531,022)	170,878	(489,876)
Dividends received		2,424	813	46,852	287,163
Net cash provided by/(used in) investing activities carried forward		88,786	(1,634,715)	39,726	(290,131)

Statement of **Cash Flows** (cont'd)

Year ended December 31, 2020

		Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Net cash provided by/(used in) investing activities brought forward		88,786	(1,634,715)	39,726	(290,131)
Cash flow from financing activities:					
Proceeds from loan		625,211	1,000,000	625,211	1,000,000
Payment of lease liabilities	17(a)	(7,918)	(14,574)	-	-
Dividends paid	30	(45,001)	(285,005)	(45,001)	(285,005)
Net cash provided by financing activities		572,292	700,421	580,210	714,995
Net cash (used in)/provided by operating, investing and financing activities carried forward		(366,489)	1,155,394	(46,372)	37,641
Net cash (used in)/provided by operating, investing and financing activities brought forward		(366,489)	1,155,394	(46,372)	37,641
Net (decrease)/increase in cash and cash equivalents		(366,489)	1,155,394	(46,372)	37,641
Cash and cash equivalents at beginning of year		1,917,241	740,538	126,715	-89,074
Effect of exchange rate fluctuations on cash and cash equivalents		20,815	21,309	-	-
Cash and cash equivalents at end of year	4	1,571,567	1,917,241	80,343	126,715

	Notes	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Cash flows from operating activities:					
Profit for the year		433,590	598,049	23,819	326,550
Adjustments for:					
Depreciation	11	22,393	16,953	-	-
Amortisation of intangible asset	12	50,211	49,499	-	-
Share of loss in associate	7	36,004	15,337	36,004	15,337
Impairment losses/(gain) on financial assets	27(b)	119,319	(96,042)	66,892	18,470
Change in employee benefit obligation	15(b)(ii)	2,800	3,300	-	-
Unrealised exchange gains on foreign currency balances		(21,526)	(10,110)	(6,958)	-
Unrealised fair value losses/(gain) on securities at fair value through profit or loss		70,573	(138,621)	-	-
Gains from investment activities		(544,484)	(203,839)	3,917	(8,009)
Gains from sale of margin loans		(45,226)	-	(45,226)	-
Interest income	21	(942,615)	(825,780)	(296,685)	(178,886)
Dividend income		(2,424)	(813)	(46,852)	(287,163)
Interest expense		644,777	556,203	163,524	120,457
Interest expense on lease liabilities	17	8,216	9,196	-	-
Income tax charge	26	165,283	188,178	22,187	4,895
		(3,109)	161,510	(79,378)	11,651
Changes in operating assets and liabilities:					
Due from ultimate parent society		81,249	116,739	100,704	29,875
Due from subsidiary		-	-	(81,042)	30,193
Loans receivable		(678,326)	(500,585)	(678,326)	(500,585)
Resale agreements		(3,367,843)	352,876	(80,000)	24,708
Accounts receivable		(618,852)	1,088,477	7,081	(22,150)
Accounts payable		225,999	(579,345)	30,995	(805)
Repurchase agreements		3,061,956	1,255,743	-	-
Income tax recoverable		(201,552)	(15,154)	(20,774)	(15,154)
		(1,500,478)	1,880,261	(800,740)	(442,267)
Interest received		1,099,844	984,625	292,083	175,323
Interest paid		(626,933)	(533,312)	(157,651)	(120,279)
Income tax paid		-	(241,886)	-	-
Net cash (used in)/ provided by operating activities		(1,027,567)	2,089,688	(666,308)	(387,223)
Cash flows from investing activities:					
Acquisition of property, plant and equipment	11	(98,574)	(10,941)	-	-
Acquisition of intangible asset	12	(3,957)	(6,147)	-	-
Acquisition of associate		-	(106,103)	-	(106,103)
Net investment in finance leases		(82,351)	77,683	(82,351)	77,683
Investment in cumulative preference share		(95,653)	(58,998)	(95,653)	(58,998)
Investment securities sold/(purchased), net		366,897	(1,531,022)	170,878	(489,876)
Dividends received		2,424	813	46,852	287,163

		Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Net cash provided by/(used in) investing activities		88,786	(1,634,715)	39,726	(290,131)
Cash flow from financing activities:					
Proceeds from loan		625,211	1,000,000	625,211	1,000,000
Payment of lease liabilities	17(a)	(7,918)	(14,574)	-	-
Dividends paid	30	(45,001)	(285,005)	(45,001)	(285,005)
Net cash provided by financing activities		572,292	700,421	580,210	714,995
Net cash (used in)/provided by operating, investing and financing activities carried forward		(366,489)	1,155,394	(46,372)	37,641
Net cash (used in)/provided by operating, investing and financing activities brought forward		(366,489)	1,155,394	(46,372)	37,641
Net (decrease)/increase in cash and cash equivalents		(366,489)	1,155,394	(46,372)	37,641
Cash and cash equivalents at beginning of year		1,917,241	740,538	126,715	-89,074
Effect of exchange rate fluctuations on cash and cash equivalents		20,815	21,309	-	-
Cash and cash equivalents at end of year	4	1,571,567	1,917,241	80,343	126,715

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

1. Identification

Victoria Mutual Investments Limited ("the company") is incorporated and domiciled in Jamaica. The company is a 80% subsidiary of The Victoria Mutual Building Society ("ultimate parent society" or "VMBS"). The ultimate parent society is incorporated in Jamaica under the Building Societies Act. The company's registered office is located at 8-10 Duke Street, Kingston, Jamaica.

The company issued 20% of its ordinary shares to the public and is listed on the Jamaica Stock Exchange.

The company has a wholly-owned subsidiary, Victoria Mutual Wealth Management Limited ("the subsidiary company"), which is incorporated and domiciled in Jamaica. The principal activities of the subsidiary company are stock and investment brokering, the provision of financial and investment advisory services and money market dealing.

The company's activities are administered by its subsidiary company. The company's income during the year was mainly interest, finance lease and dividend income.

The company and its subsidiary are collectively referred to as "the group".

2. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the relevant provisions of the Jamaican Companies Act.

New and amended standards and interpretations that became effective during the year:

Certain new and amended standards came into effect during the current financial year, none of which had any significant impact on amounts recognised or disclosed in the financial statements.

New and amended standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the group has not early-adopted. The group has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IFRS 16 *Leases* is effective for annual periods beginning on or after June 1, 2020, and provides guidance for COVID-19 related rent concessions.

  The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

  The practical expedient will only apply if:
  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before 30 June 2021; and
  - no other substantive changes have been made to the terms of the lease.

2. Basis of preparation (continued)

a. Statement of compliance (continued)

New and amended standards and interpretations issued but not yet effective (continued)

- Amendments to IFRS 16 *Leases* is effective for annual periods beginning on or after June 1, 2020, and provides guidance for COVID-19 related rent concessions.

  Lessees applying the practical expedient are required to disclose:

  - that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
  - the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

  No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

  The group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance contracts and IFRS 16 Leases, are effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 Leases for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

  The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

  The group does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 37 Provision, Contingent Liabilities and Contingent Assets is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

  This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The group does not expect the amendments to have a significant impact on its financial statements.

2. Basis of preparation (continued)

a. Statement of compliance (continued)

New and amended standards and interpretations issued but not yet effective (continued)

Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to certain standards and are effective for annual periods beginning on or after January 1, 2022. Those that affect the group's operation are IFRS 9 Financial Instruments and IFRS 16 *Leases*.

i. IFRS 9 Financial Instruments amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

ii. IFRS 16 Leases amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The group does not expect the amendments to have a significant impact on its financial statements.

- Amendments to IAS 1 Presentation of Financial Statements, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current.

  It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The group does not expect the amendment to have a significant impact on its financial statements.

b. Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following:

i. Debt instruments at fair value through other comprehensive income (FVOCI), measured at fair value.
ii. Equity securities at fair value through profit or loss (FVTPL), measured at fair value.
iii. Certain equity securities designated as at FVOCI, measured at fair value.
iv. Post-employment medical benefit obligation measured at the present value of the obligation as set out in note 3(f)(iii).

2. Basis of preparation (continued)

c. Functional and presentation currency

The financial statements are presented in thousands of Jamaica dollars, which is the functional currency of the company.

d. Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, as well as estimates, based on assumptions, that affect the application of accounting policies, and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts may differ from these estimates.

The estimates, and the assumptions underlying them, 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.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with material uncertainty that have a significant effect on amounts in the financial statements or that have a significant risk of material adjustment in the next financial year are set out below:

i. Critical accounting judgements in applying the group's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement 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 principles set out in IFRS.

1. Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

2. Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

ii. Key assumptions and other sources of estimation uncertainty

1. Employee benefit obligation

The amounts recognised in the statement of financial position, income statement and statement of profit or loss and other comprehensive income for employee benefits are determined actuarially using several assumptions. The primary assumption used in determining the amounts recognised is the discount rate used to determine the present value of post-employment medical benefits obligation.

2. Basis of preparation (continued)

d. Use of estimates and judgements (continued)

ii. Key assumptions and other sources of estimation uncertainty (continued)

1. Employee benefit obligation (continued)

The discount rate is determined based on the estimated yield on long-term government securities that have maturity dates approximating the terms of the group's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate of discount by extrapolating from the longest-tenure security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors.

Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

2. Allowance for impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3(a) and 27(b), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the group in the above areas is set out in notes 3(a) and 27(b).

3. Fair value of financial instruments

There are no quoted market prices for a significant portion of the company's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. That yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach which is categorised as a Level 2 fair value. Some other fair values are estimated based on quotes published by a broker/dealer, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be different from the actual price of the instrument in an actual arm's length transaction as set out in notes 6 and 28(b).

2. Basis of preparation (continued)

   d. Use of estimates and judgements (continued)

      ii. Key assumptions and other sources of estimation uncertainty (continued)

         4. Impairment of the carrying value of interest in associate

            Impairment of interest in associate is dependent upon management's internal assessment of future cash flows from the associate. That internal assessment determines the amount recoverable value of the associate. The estimate of the amount recoverable from future operations of the associate is sensitive to the discount rates used (note 7).

3. Significant accounting policies

   The group has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

   a. Financial instruments – Classification, recognition, derecognition and measurement

      A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements:

      - Financial assets comprise cash and cash equivalents, resale agreements, investment securities, loans receivable, net investment in finance leases and accounts receivable.

      Financial liabilities comprise accounts payable, borrowings, amounts due to related parties and repurchase agreements.

      Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

      i. Recognition and initial measurement

         The group recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The group initially recognises accounts receivable on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

         At initial recognition, the group measures a financial asset or financial liability at its fair value, plus or minus; the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

         Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

         When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

         In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

ii. Classification and subsequent remeasurement

The group has applied IFRS 9 and classified its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Financial assets

The classification requirements for debt and equity instruments are described below:

a. Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- the group's business model for managing the asset; and
- the cash flow characteristics of the asset.

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

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at [note 3(a)(vi)]. Interest income from these financial assets is included in 'Interest income' calculated using the effective interest method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI).
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within the period in which it arises. Interest income from these financial assets is included in 'Interest income 'calculated using the effective interest method.
- Business model: the business model reflects how the group manages the assets in order to generate cash flows. That is, whether the group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

ii. Classification and subsequent remeasurement (continued)

Financial assets (continued)

a. Debt instruments (continued)

Factors considered by the group in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

b. Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The group subsequently measures all equity investments at fair value through profit or loss, except where the group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Gains and losses on equity investments at FVTPL are included in the 'Gains from investment activities' caption in the statement of profit or loss.

'

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

ii. Classification and subsequent remeasurement (continued)

Financial liabilities

Financial liabilities are classified as and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading book) and other financial liabilities designated as such at initial recognition.
- Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss.
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the group recognises any expense incurred on the financial liability.

iii. Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in profit or loss.

Any cumulative gains or losses recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the group is recognised as a separate asset or liability.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

iii. Derecognition (continued)

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The exchange between the group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

iv. Measurement and gains and losses

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities mandatorily measured at FVTPL or designated as at FVTPL which are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

iv. Measurement and gains and losses (continued)

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

Specific financial instruments

1. Derivatives

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, bond, interest rate, foreign exchange or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk.

The group may use derivatives to manage its own exposure to foreign exchange risk. Derivatives held for risk management purposes are measured initially at fair value in the statement of financial position. Subsequent to initial recognition, derivatives are measured at fair value, and, if the derivative is not held for trading, and is not designated in a qualifying hedge relationship, changes in fair value are recognised immediately in profit or loss.

2. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term commitments (these investments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at cost.

3. Resale and repurchase agreements

Resale agreements are accounted for as short-term collateralised lending and classified at amortised cost. They are measured at fair value on initial recognition and subsequently, at amortised cost. The difference between the purchase cost and the resale consideration is recognised in the income statement as interest income using the effective interest method.

The group enters into transactions whereby it transfers assets but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. Repurchase agreements are accounted for as short-term collateralised borrowing and are classified as other liabilities. On initial recognition and subsequently, the securities given as collateral are retained in the statement of financial position and measured in accordance with their original measurement principles.

The proceeds of sale are reported as liabilities and are carried at amortised cost. The difference between the sale consideration and the repurchase price is recognised in the income statement over the life of each agreement as interest expense using the effective interest method.

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

iv. Measurement and gains and losses (continued)

Specific financial instruments (continued)

4. Accounts receivable

Accounts receivable are measured at amortised cost less impairment losses.

5. Share capital

The company's ordinary shares are classified as equity instruments in accordance with the substance of the contractual terms of the instrument. Dividends thereon are recognised as distributions within equity.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

6. Accounts payable

Accounts payable are measured at amortised cost.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

vi. Impairment

The group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- lease receivables.

The group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The group does not apply the low credit risk exemption to any other financial instruments.

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

vi. Impairment (continued)

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the company if the commitment is drawn and the cash flows that the company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

vi. Impairment (continued)

Credit-impaired financial assets (continued)

At each reporting date, the group assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the group on terms that the company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in profit or loss as a reclassification from OCI.

3. Significant accounting policies (continued)

a. Financial instruments – Classification, recognition, derecognition and measurement (continued)

vi. Impairment (continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

b. Investment in associates

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies. Interest in associates are accounted for using the equity method for the group and company.

They are recognised separately and initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's and the company's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to Nil and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an associate. If the associate subsequently reports profits, the group resumes recognising its share of those profits only after its share of profits equals the share of accumulated losses not recognised.

c. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rates ruling at that date. Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transaction. Gains and losses arising on translation are recognised in profit or loss.

d. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

3. Significant accounting policies (continued)

d. Property, plant and equipment

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the group and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

Depreciation is charged on the straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Computers	5 years
Furniture and fixtures	10 years
Leasehold improvements	5 years
Right-of-use assets (leasehold properties)	7-10 years

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

e. Intangible asset – computer software and amortisation

Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs associated with maintaining computer software programs are recognised in profit or loss as incurred.

These assets are measured at cost less accumulated amortisation and, if any, impairment losses. The assets are amortised using the straight-line method over their useful lives, estimated at five years. Amortisation methods, useful lives and residual values are reassessed at each reporting date.

f. Employee benefits

i. General benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described in (ii) and (iii) below. Other long-term benefits, including termination benefits, which arise when either (1) the employer decides to terminate an employee's employment before the normal retirement date or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case they are charged when they fall due.

Post-employment obligations included in these financial statements are actuarially determined by a qualified independent actuary. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation was conducted in accordance with IAS 19, and the financial statements reflect the group's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors have relied on the work of the actuary and the actuary's report.

3. Significant accounting policies (continued)

f. Employee benefits (continued)

ii. Defined-benefit pensions

The subsidiary company is a participating employer in a group defined-benefit pension plan operated by the ultimate parent society [see note 15(a)]. The plan exposes the participating subsidiaries to actuarial risks associated with the current and former employees of group companies and there is no stated policy for charging the net defined benefit cost among group companies. Additionally, all residual interest in the scheme belongs to the ultimate parent society. The plan is, therefore, accounted for as a defined-contribution plan in the financial statements of the individual participating subsidiaries, that is, pension contributions, as recommended by the actuary, are expensed as they become due.

The subsidiary company also participates in a defined contribution plan [see note 15(a)]. Contributions are expensed as they become due.

iii. Employee medical benefits

The subsidiary company provides post-employment medical benefits to retirees.

The group's net obligation in respect of medical benefits provided to retirees is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value.

The discount rate is the yield on long-term government securities that have maturity dates approximating the terms of the group's obligation. The calculation is performed by an independent, qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses are recognised immediately in other comprehensive income (OCI). The group determines the net interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognised in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the portion of the change in benefit relating to past service by employees is recognised as an expense immediately in profit or loss. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

g. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is also recognised in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

3. Significant accounting policies (continued)

g. Income tax (continued)

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the group. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

h. Impairment of non-financial assets

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of non-financial assets is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement.

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.

i. Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

a. As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contracts to each lease component on the basis of its relative stand-alone prices.

3. Significant accounting policies (continued)

i. Leases (continued)

a. As a lessee (contnued)

Non-lease components have been separated for leases of properties.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straightline method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from The Victoria Mutual Building Society and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including insubstance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised insubstance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3. Significant accounting policies (continued)

i. Leases (continued)

a. As a lessee (contnued)

The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities as such in the statement of financial position.

Short-term leases

The group has elected not to recognise right-of-use assets and lease liabilities for lease that are considered short-term leases. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b. As a lessor

At inception or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the group applies IFRS 15 to allocate the consideration in the contract.

The group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

j. Interest

i. Effective interest rate

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial assets; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimate future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. Significant accounting policies (continued)

j. Interest (continued)

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

iv. Presentation

Interest income calculated using the effective interest method presented in the income statement includes interest on financial assets measured at amortised cost and interest on debt instruments measured at FVOCI; interest expense presented in the income statement includes financial liabilities measured at amortised cost and interest expense on lease liabilities.

k. Gain or loss from trading and holding securities

Gain or loss on securities trading is recognised when the group becomes a party to a contract to dispose of the securities, or, in the case of financial assets measured at fair value, upon remeasurement of those assets.

l. Dividend income

Dividends are recognised in the income statement when the group's irrevocable right to receive payment is established.

m. Fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a service to a customer.

6. Investment securities (continued)
3. Significant accounting policies (continued)

m. Fee and commission income (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type	Nature and timing of satisfaction of performance obligation, including significant payment term	Revenue recognition under IFRS 15
Equity trading services	The group provides stockbrokering services to customers. A fixed fee is charged for each transaction executed.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
Corporate advisory services	The group provides finance-related services including loan administration services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting. Transaction-based fees for administration of a loan syndication, execution of transactions, and securities underwriting are charged when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
Portfolio asset management service	The group provides portfolio/asset management services. Fees for provides portfolio/asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis.	Revenue from portfolio/asset management services is recognised over time as the services are provided

4. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Bank accounts	1,555,963	1,913,791	80,343	126,715
Accounts with brokers	15,604	3,450	-	-
	1,571,567	1,917,241	80,343	126,715

5. Resale agreements

The group purchases government and corporate securities and agrees to resell them on a specified date and at a specified price ('resale agreements').

	Group	
	2020	**2019**
	$'000	**$'000**
Denominated in Jamaica dollars	3,520,000	1,400,050
Denominated in United States dollars [US$ 27,247,259 (2019: US$ 19,342,951)]	3,861,182	2,537,348
	7,381,182	3,937,398
Less allowance for expected credit losses [note 27(b)(iv)(d)]	(502)	(123)
	7,380,680	3,937,275

	Company	
	2020	**2019**
	$'000	**$'000**
Denominated in Jamaica dollars	80,000	-
Less allowance for expected credit losses [note 27(b)(iv)(d)]	(3)	-
	79,997	-

Under collateralised resale agreements, the group obtains securities as collateral on terms which permit it to re-pledge or resell them to others under repurchase agreements as set out in note 14. At December 31, 2020, securities that the group and company held under repurchase arrangements had a fair value of $9,037,995,906 (2019: $4,544,446,000) and $92,190,000 (2019: $Nil), respectively.

6. Investment securities

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities at fair value through profit or loss:				
Quoted equities	340,948	397,156	80,701	45,661
Convertible preference shares	159,422	58,998	159,422	58,998
Units in unit trust funds:				
Denominated in Jamaica dollars	-	380,480	-	207,393
Denominated in United States dollars [US$Nil (2019: US$143,287)]	-	18,796	-	-
	500,370	855,430	240,123	312,052
Amortised cost:				
Deferred shares	410,647	410,647	410,647	410,647
Corporate bonds	424,665	427,423	424,665	427,423
	835,312	838,070	835,312	838,070

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At fair value through other comprehensive income				
Unquoted equities	8,008	7,429	4,251	3,935
Quoted equities	1,036,320	1,421,370	-	-
	1,044,328	1,428,799	4,251	3,935
Government of Jamaica securities:				
Treasury bills	145,686	-	-	-
Benchmark investment notes	5,808,900	6,470,069	-	-
US$ bonds [US$46,822,690 (2019: US$38,846,118)]	6,635,197	5,093,251	-	-
	12,589,783	11,563,320	-	-
Bank of Jamaica securities:				
US$ Certificates of deposit [US$Nil (2019: US$3,116,728)]	-	408,843	-	-
J$ Certificates of deposit	-	150,321	-	-
	-	559,164	-	-
Foreign government securities:				
US$ bonds [US$5,636,515 (2019: US$7,813,220)]	798,745	1,024,914	-	-
Other public sector securities [US$2,586,000 (2019: US$ 2,708,857)]	366,459	355,339	-	-
Corporate bonds [US$2,895,975 US$(2019: US$ $829,790)]	410,405	108,849	-	-
	15,209,720	15,040,385	4,251	3,935
	16,545,402	16,733,885	1,079,686	1,154,057
Less allowance for impairment on instruments at amortised cost [note 27(b)(iv)(d)]	(19,359)	(15,705)	(19,359)	(15,705)
	16,526,043	16,718,180	1,060,327	1,138,352
Allowance for impairment on investments at FVOCI	97,311	45,317	-	-

6. Investment securities (continued)

Investment securities mature, in relation to the reporting date, as follows:

	Group				
	2020				
	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:					
Quoted equities	-	-	-	340,948	340,948
Convertible preference shares	-	-	-	159,422	159,422
At amortised cost:					
Deferred shares	-	410,647		-	410,647
Corporate bonds	-	232,000	192,665	-	424,665
At FVOCI:					
Unquoted equities	-	-	-	8,008	8,008
Quoted equities	-	-	-	1,036,320	1,036,320
Bank of Jamaica securities	-	145,686		-	145,686
Benchmark investment notes	-	2,823,880	2,985,020	-	5,808,900
US$ bonds	-	2,043,656	4,591,541	-	6,635,197
Foreign government securities	1,407	-	797,338	-	798,745
Other public sector securities	-	325,931	40,528	-	366,459
Corporate bonds	-	13,264	397,141	-	410,405
	1,407	5,995,064	9,004,233	1,544,698	16,545,402

	Group				
	2019				
	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:					
Quoted equities	-	-	-	397,156	397,156
Convertible preference shares	-	-	-	58,998	58,998
Units in unit trust funds	-	-	-	399,276	399,276
At amortised cost:					
Deferred shares	-	410,647	-	-	410,647
Corporate bonds	-	232,000	195,423	-	427,423
At FVOCI:					
Unquoted equities	-	-	-	7,429	7,429
Quoted equities	-	-	-	1,421,370	1,421,370
Bank of Jamaica securities	517,467	41,697	-		559,164
Benchmark investment notes	1,937,550	2,453,917	2,078,602	-	6,470,069
US$ bonds	-	833,787	4,259,464	-	5,093,251
Foreign government securities	-	17,197	1,007,717	-	1,024,914
Other public sector securities	-	309,577	45,762	-	355,339
Corporate bonds	-	17,873	90,976	-	108,849
	2,455,017	4,316,695	7,677,944	2,284,229	16,733,885

6. Investment securities (continued)

Investment securities mature, in relation to the reporting date, as follows:

Certain Bank of Jamaica, Government of Jamaica and foreign government securities are pledged as collateral for repurchase agreements (see note 14).

Government of Jamaica securities having an aggregate face value of $32,000,000 (2019: $32,000,000) have been pledged as collateral against possible overdrafts and uncleared effects at one of the subsidiary company's bankers.

	Company			
	2020			
	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:				
Quoted equities	-	-	80,701	80,701
Convertible preference shares	-	-	159,422	159,422
At amortised cost:				
Deferred shares	410,647	-	-	410,647
Corporate bonds	232,278	192,387	-	424,665
At FVOCI:				
Unquoted equities	-	-	4,251	4,251
	642,925	192,387	244,374	1,079,686

	Company			
	2019			
	1 to 5 years	More than 5 years	No Maturity	Total
	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:				
Quoted equities	-	-	45,661	45,661
Convertible preference shares	-	-	58,998	58,998
Units in unit trust funds	-	-	207,393	207,393
At amortised cost:				
Deferred shares	410,647	-	-	410,647
Corporate bonds	232,000	195,423	-	427,423
At FVOCI:				
Unquoted equities	-	-	3,935	3,935
Corporate bonds	642,647	195,423	315,987	1,154,057

7. Investment in associate

	Group and Company	
	2020	2019
	$'000	$'000
Carrying amount of interest in associate:		
Carilend Caribbean Holdings Ltd.	56,949	90,766

Effective August 29, 2019, the company acquired 30% shareholding in Carilend Caribbean Holdings Ltd. (Carilend) at an initial cost of $106,103,000. Carilend's place of operation is St. Thomas, Barbados and its principal activity is to operate a peer to peer lending platform which efficiently matches borrowers and lenders. The purpose of the acquisition is to generate dividend income.

The following table summarises the financial information of Carilend as included in its own unaudited financial statements as at and for the year ended December 31, 2020 adjusted for fair value adjustments.

	2020	2019
	$'000	$'000
Percentage ownership interest	30%	30%
Assets	690,141	163,427
Liabilities	(1,058,775)	(388,767)
Net liabilities (100%)	(368,634)	(255,340)
Group's share of net liabilities	(110,590)	(76,602)
Fair value adjustment	167,539	167,368
Carrying amount of investment	56,949	90,766
Revenue	76,797	21,323
Loss from continuing operations	120,013	51,143
Share of loss from continuing operations	36,004	15,337

In testing the carrying value of interest in associate for impairment, the recoverable amount is estimated based on its value-in-use. Where the recoverable amount exceed the carrying amount, no impairment allowance is made. The recoverable amount of the interest in associate is arrived at by estimating the future cash flows and discounting these cash flows using long-term discount rates applicable to the countries in which the business operates. Future sustainable cash flows are estimated based on the most recent forecasts, after taking account of past experience. Projected cash flows are estimated over 5 years discounted to present value using a discount rate 18%. The interest in associate is regarded as saleable to a third party at a future date at a price sufficient to recover its carrying amount. If estimated cashflows are reduced by 10% and discount rates increased by 1%, there will be no impact on the profit or loss, as the recoverable amount would continue to exceed the carrying amount.

8. Loans receivable

	Group and Company	
	2020	2019
	$'000	$'000
Margin loans	1,027,680	1,322,735
Corporate loans	799,835	547,258
Insurance premium financing	31,340	14,820
	1,858,855	1,884,813
Less allowance for impairment on instruments at amortised cost [note 27(b)(iv)(d)]	(69,204)	(8,176)
	1,789,651	1,876,637

Effective December 31, 2020, the Company entered into a participation agreement to sell a portion of its margin loans portfolio to a related entity. The carrying value of the margin loans sold was $708,370,000 [notes 9 and 29 (c)]. The sale price of $753,596,000 resulted in a gain of $45,226,000.

9. Accounts receivable - others

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Interest receivable	263,334	221,751	14,493	9,891
Withholding tax and GCT recoverable, net	16,356	55,551	-	-
Proceeds from sale from margin loan (note 8)	753,596	-	753,596	-
Other receivables and prepaid expenses	28,695	36,024	13,953	25,120
	1,061,981	313,326	782,042	35,011

10. Deferred tax asset/(liability)

	Group			
	2020			
	Balance at beginning of year	Recognised in other comprehensive income	Recognised in income (note 26)	Balance at end of year
	$'000	$'000	$'000	$'000
Property, plant and equipment	11,281	-	18,536	29,817
Investment securities	(25,956)	(26,286)	111,024	58,782
Interest receivable	(49,987)	-	(32,895)	(82,882)
Dividend receivable	(185)	-	-	(185)
Interest payable	32,947	-	8,135	41,082
Accrued vacation leave	400	-	774	1,174
Employee benefit obligation	11,433	733	1,667	13,833
Finance leases	15,086	-	(17,130)	(2,044)
Unused tax losses	652	-	(652)	-
Lease liabilities	1,849	-	1,128	2,977
Unrealised foreign exchange losses	(3,459)	-	(15,012)	(18,471)
	(5,939)	(25 ,553)	75,575	44,083

10. Deferred tax asset/(liability) (continued)

	Group			
	2019			
	Balance at beginning of year	Recognised in other comprehensive income	Recognised in income (note 26)	Balance at end of year
	$'000	$'000	$'000	$'000
Property, plant and equipment	(10,902)	-	22,183	11,281
Investment securities	196,425	(176,045)	(46,336)	(25,956)
Interest receivable	(50,926)	-	939	(49,987)
Dividend receivable	(182)	-	(3)	(185)
Interest payable	25,465	-	7,482	32,947
Accrued vacation leave	400	-	-	400
Employee benefit obligation	12,033	(1,700)	1,100	11,433
Finance leases	(837)	-	15,923	15,086
Unused tax losses	11,435	-	(10,783)	652
Lease liabilities	-	-	1,849	1,849
Unrealised foreign exchange losses	(513)	-	(2,946)	(3,459)
	182,398	(177,745)	(10,592)	(5,939)

	Company				
	Balance at December 31, 2018	Recognised in income (note 27)	Balance at December 31, 2019	Recognised in income (note 26)	Balance at December 31, 2020
	$'000	$'000	$'000	$'000	$'000
Interest receivable	-	-	-	(3,379)	(3,379)
Investment securities	(8,076)	(10,009)	(18,085)	35,340	17,255
Finance lease	(837)	15,923	15,086	(17,130)	(2,044)
Interest payable	71	(26)	45	1,468	1,513
Tax losses	10,783	(10,783)	-	-	-
	1,941	(4,895)	(2,954)	16,299	13,345

11. Property, plant and equipment

	Group				
	Leasehold property	Computer equipment	Furniture and fixtures	Leashold improvements	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
December 31, 2018	-	**18,037**	**25,591**	23,969	67,597
Recognition of right-of-use assets On initial application of IFRS 16	54,053	-	-	-	54,053
Adjusted balances at January 1, 2019	54,053	**18,037**	**25,591**	23,969	121,650
Additions	45,222	3,960	1,473	5,508	56,163
December 31, 2019	99,275	21,997	**27,064**	29,477	177,813
Additions	-	14,053	83,398	1,123	98,574
December 31, 2020	99,275	36,050	110,462	30,600	276,387
Depreciation:					
December 31, 2018	-	13,214	**14,176**	20,464	47,854
Charge for the year	10,926	1,795	2,318	1,914	16,953
December 31, 2019	10,926	15,009	**16,494**	22,378	64,807
Charge for the year	11,303	2,433	6,555	2,102	22,393
December 31, 2020	22,229	17,442	23,049	24,480	87,200
Net book values:					
December 31, 2020	77,046	18,608	87,413	6,120	189,187
December 31, 2019	88,349	6.988	10,570	7,099	113,006

12. Intangible asset – computer software

	Group
	2020
	$'000
Cost:	
December 31, 2018	390,409
Additions	6,147
December 31, 2019	396,556
Additions	3,957
December 31, 2020	400,513
Amortisation:	
December 31, 2018	73,871
Charge for the year	49,499
December 31, 2019	123,370
Charge for the year	50,211
December 31, 202**0**	173,581
Netbook values	
December 31, 2020	226,692
December 31, 2019	273,186

13. Accounts payable – other

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Interest payable	124,763	98,703	6,052	179
Other payables and accrued expenses	345,391	315,593	76,463	45,469
	470,154	414,296	82,515	45,648

14. Repurchase agreements

The group sells government and corporate securities, or interests therein, to clients and agrees to repurchase them on a specified date and at a specified price ('repurchase agreements' or 'repos').

	Group	
	2020	2019
	$'000	$'000
Denominated in Jamaica dollars	7,584,376	6,974,879
Denominated in United States dollars [US$90,385,595 (2019: US$76,419,807)]	12,728,455	10,024,513
	20,312,831	16,999,392

At December 31, 2020, securities obtained under resale agreements and certain investments (see notes 5 and 6) and interest accrued thereon are pledged by the group as collateral for repurchase agreements. These financial instruments have a carrying value of $13,194,000,000 (2019: $18,513,000,000).

15. Employee benefit obligation

a. Pensions

The group participates in The Victoria Mutual (Defined Benefit) Pension Plan ("Plan"), which is administered by trustees.

The members make compulsory contributions at 5% of pensionable salaries and may elect to pay voluntary contributions up to 14.5% to the extent that the total contributions paid by or on behalf of a member in any year does not, in aggregate, exceed 20% of remuneration in that year.

The employer makes ordinary annual contributions as advised by the Actuary to be adequate, in addition to the members' compulsory contributions, to ensure the solvency of the Plan or to provide for any improvement, so long as such are in keeping with the relevant Act or other applicable legislation. The Plan provides for retirement and death benefits.

The defined benefit plan was closed to new entrants effective December 31, 2016. The new defined contribution plan was approved by the Financial Services Commission and Tax Administration Jamaica with an effective date of January 1, 2017 and will benefit employees who were hired on or after January 1, 2017. Both the defined benefit plan and the defined contribution plan are funded by contributions from the subsidiary company and employees in accordance with the respective Trust Deed and Plan Rules.

The most recent funding actuarial valuation of the defined benefit plan, performed as of December 31, 2020, indicated that it is adequately funded. The group's contribution to the plans for the year amounted to $4,608,000 (2019: $1,635,000) as set out in note 24.

15. Employee benefit obligation (continued)

b. Medical obligation

The group's obligation in respect of post-employment medical benefits has been recognised primarily in respect of medical benefits for pensioners as follows:

i. Movements in the present value of the medical obligation recognised in the statement of financial position.

	2020 $'000	2019 $'000
Balance at beginning of year	34,200	36,000
Interest cost	2,600	2,600
Current service cost	800	900
Benefits paid	(600)	(200)
Experience adjustments and actuarial gains recognised in OCI	2,200	(5,100)
Net debit/(credit) in profit or loss and OCI	5,000	(1,800)
Balance at end of year	39,200	34,200

ii. Expense recognised in staff costs (note 24):

	2020 $'000	2019 $'000
Current service cost	800	900
Interest on obligation	2,600	2,600
Benefits paid	(600)	(200)
	2,800	3,300

iii. Principal actuarial assumptions at the reporting date (expressed as weighted averages)

	2020 %	2019 %
Discount rate	9.00	7.50
Medical premiums growth	8.00	6.00

iv. As at December 31, 2020, the weighted average duration of the employee benefit obligation was 19 years (2019: 22 years).

v. Sensitivity analysis

A half percentage point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the post-employment medical benefit obligations by amounts shown below:

	2020		2019	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
	$'000	$'000	$'000	$'000
Discount rate	35,600	31,000	31,000	37,900
Assumed medical cost trend rate	43,400	37,000	37,000	31,000

16. Borrowings

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Fixed and variable unsecured bond (i)	1,631,994	1,000,000	1,625,189	1,000,000
Fixed rate credit linked note (ii)	410,647	410,625	410,647	410,625
Variable rate unsecured bond (iii)	1,000,000	1,000,000	1,000,000	1,000,000
	3,042,641	2,410,625	3,035,836	2,410,625

i. This comprises of four fixed rate unsecured bond issued by the company. The first bond was issued in October of 2019 valuing $500,000,000 less the associated transactional cost and attracted an interest rate of 5.5% with a maturity date of March 31, 2021. The remaining three bonds issued in 2020 are as follows, less their transactional costs:

$355,000,000 fixed rate 5.5% with a maturity date of July 31, 2021
$582,085,840 fixed rate 5.5% with a maturity date of October 31, 2021
$196,000,000 fixed rate 5.5% with a maturity date of February 28, 2022.

ii. The note attracts interest at 6.5% per annum paid quarterly. The principal is repayable in 2023 and is secured by deferred shares issued by the ultimate parent society.

iii. The bond attracts interest at 7.75% per annum for the first two years and thereafter at a variable rate of 2.5 percentage points above the weighted average yield rate applicable to the six month treasury bill rate. The bond matures on March 9, 2023 and is unsecured

17. Leases

The group leases office spaces. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are renegotiated to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local market conditions.

The office spaces leases were entered into many years ago as combined leases of land and buildings.

Information about leases for which the group is a lessee is presented below.

a. Leases as lessee

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property and are presented as property, plant and equipment (see note 11).

	Group	
	Leasehold properties	
	2020	2019
	$'000	$'000
Balance at January 1,	99,275	54,053
Additions	-	45,222
Balance at December 31	99,275	99,275
Depreciation at January 1	10,926	-
Depreciation charge for the year	11,303	10,926
	22,229	10,926
Balance at December 31	77,046	88,349

17. Leases (continued)

a. Leases as lessee (continued)

ii. Lease liabilities:

Undiscounted cashflows of lease liabilities

	Group	
	2020	**2019**
	$'000	**$'000**
Less than one year	17,506	16,134
One to five years	70,025	87,531
More than five years	32,165	32,165
	119,696	135,830
Less future interest charges	(33,718)	(41,933)
Carrying amount of lease liabilities	85,978	93,897
Current	9,328	13,954
Non-current	76,650	79,943
	85,978	93,897

iii. Amounts recognised in profit or loss

	Group	
	2020	**2019**
	$'000	**$'000**
Interest on lease liabilities (note 21)	8,216	9,196
Expenses relating to short-term leases (1 property)	-	2,668

iv. Amounts recognised in statement of cash flows

	Group	
	2020	**2019**
	$'000	**$'000**
Total cash outflow for leases	7,918	14,574

v. Extension options

Some property leases contain extension options exercisable by the group up to one year before the end of the non-cancellable contract period. Where practicable, the group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the group and not by the lessors. The group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

17. Leases (continued)

b. Leases as lessor

The group lease out equipment under finance leases in its capacity as a lessor.

The group recognised interest income on lease receivable of $3,356,000 (2019: $8,215,000).

The maturity analysis of lease receivables showing the undiscounted lease payments to be received after the reporting dates under are as follows:

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Gross investment in finance leases, receivable:		
2020	-	10,956
2021	31,730	9,601
2022	31,435	9,601
2023	27,418	5,494
2024	21,932	-
2025	16,449	-
	128,964	35,652
Unearned finance income	(18,132)	(4,964)
Net investment in finance leases	110,832	30,688

18. Share capital

	2020	**2019**
	$'000	**$'000**
Authorised:		
5,000,000,000 (2019: 5,000,000,000) ordinary shares at no par value		
Issued and fully paid:		
1,500,025,000 (2019: 1,500,025,000) ordinary shares	713,262	713,262
Less: share issuance costs	(5,375)	(5,375)
	707,887	707,887

a. On November 9, 2017, a resolution was passed increasing the authorised share capital of the company from 24,000,400 ordinary shares to 5,000,000,000 ordinary shares at no par value.

By way of the said resolution, the major shareholder declared that each of the issued ordinary shares of the company be sub-divided into 50 ordinary stocks (50:1).

On December 27, 2017, the company issued 300,005,000 ordinary shares at a total value of $689,262,000 to the public through an initial public offering.

b. The issued share capital does not include premium of $24,000,000 (2019: $24,000,000) on the shares, in accordance with Section 39(7) of the Companies Act Jamaica. This has been retained in the share premium account.

25. Other operating costs

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Advertising and public relations	35,689	49,152	5,128	5,083
Asset tax	52,123	45,840	-	-
Audit fees – current	22,536	15,740	5,959	3,125
Audit fees – prior	-	1,000	-	1,000
Bad debts written-off	-	2,435	-	2,435
Bank charges	10,148	7,195	425	-
Communication and courier	6,053	4,652	-	-
Depreciation and amortisation	72,604	66,453	-	-
Directors' fees	18,639	14,239	10,124	7,681
Financial Services Commission fees	10,335	9,932	-	-
Irrecoverable GCT	14,009	9,943	-	-
JCSD charges	4,541	4,489	4,541	4,489
Legal and other professional fees	79,388	60,926	25,673	5,460
Outsourced services	56,711	68,028	-	-
Postage and telegraph	1,164	1,598	-	183
Rent, maintenance and utilities	35,972	26,642	-	-
Software maintenance and IT expenses	74,693	46,107	-	-
Stationery and office supplies	5,787	2,464	1,939	-
Trustee fees – retail repurchase agreements	5,937	4,637	-	-
Management fees	-	1,356	49,208	66,340
Other expenses	27,577	16,588	2,969	1,355
	533,906	459,416	105,966	97,151

26. Income tax

The charge for income tax is computed at statutory tax rate of 33⅓% (2019: 33⅓%) of the profit for the year for the subsidiary company and 25% (2019: 25%) for the company, as adjusted for tax purposes, and is made up as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
i. Current income tax				
Current year	240,858	177,586	38,486	-
ii. Deferred income tax (note 10)				
Origination and reversal of temporary differences	(75,575)	21,375	(16,299)	4,895
Unused tax losses	-	(10,783)	-	-
	(75,575)	10,592	(16,299)	4,895
Total income tax charge	165,283	188,178	22,187	4,895

3. Reserves

a. Investment revaluation reserve

This represents:
- the cumulative net change in the fair value of equity securities measured at FVOCI, net of deferred taxes.
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified, net of deferred tax.

This amount is increased by the amount of loss allowances on debt securities measured at FVOCI.

b. Other reserve

This represents accumulated actuarial gains or losses arising from the remeasurement of the post-retirement medical benefit obligation, net of deferred taxes.

20. Non-controlling interest

This represents convertible preference shares in the subsidiary company, issued to the ultimate parent society.

The holders of this category of preference shares have the right to convert each preference share to one ordinary share. The preference shares are redeemable, redemption being at the option of the subsidiary company and dividends are payable at such time as the subsidiary company may determine. The number of units in this category totals 50,000,000 (2019: 50,000,000).

21. Net interest income

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Interest income calculated using the effective interest method:				
Investment securities	634,426	628,154	85,158	50,301
Resale agreements	97,664	69,607	2,044	1,617
Other	207,169	119,804	206,127	118,753
	939,259	817,565	293,329	170,671
Interest income on finance leases	3,356	8,215	3,356	8,215
	942,615	825,780	296,685	178,886
Interest expense:				
Repurchase agreements	(481,253)	(435,746)	-	-
Loans and borrowings	(163,524)	(120,169)	(163,524)	(120,169)
Lease liabilities	(8,216)	(9,196)	-	-
Other	-	(288)	-	(288)
	(652,993)	(565,399)	(163,524)	(120,457)
Net interest income	289,622	260,381	133,161	58,429

22. Gains/(losses) from investment activities

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Fixed income securities	558,203	172,602	13,750	8,010
Equities	(51,122)	160,268	8,705	15,384
Unit trust funds	(34,596)	81,943	(26,372)	56,968
Net foreign exchange translation gains	121,503	71,086	-	-
	593,988	485,899	(3,917)	80,362

Net foreign exchange translation gains include gains and losses arising from the translation of financial assets and liabilities denominated in foreign currencies.

23. Net fees and commissions

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Brokerage activities	29,915	63,673	-	-
Corporate advisory services	499,383	528,339	-	10,000
Portfolio management fees - unit trust funds	314,612	257,486	-	-
Portfolio management services -other	62,706	58,668	-	-
Commitment fees on loans	16,539	24,928	16,539	24,928
Other	2,168	34	-	-
	925,323	933,128	16,539	34,928

24. Staff costs

	Group	
	2020	2019
	$'000	$'000
Salaries and wages	513,763	440,774
Statutory payroll contributions	33,902	25,219
Pension plan contributions [note 15(a)]	4,608	1,635
Post-employment medical benefit [note 15(b)(ii)]	2,800	3,300
Allowances and other benefits	32,414	47,095
	587,487	518,023

25. Other operating costs

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Advertising and public relations	35,689	49,152	5,128	5,083
Asset tax	52,123	45,840	-	-
Audit fees – current	22,536	15,740	5,959	3,125
Audit fees – prior	-	1,000	-	1,000
Bad debts written-off	-	2,435	-	2,435
Bank charges	10,148	7,195	425	-
Communication and courier	6,053	4,652	-	-
Depreciation and amortisation	72,604	66,453	-	-
Directors' fees	18,639	14,239	10,124	7,681
Financial Services Commission fees	10,335	9,932	-	-
Irrecoverable GCT	14,009	9,943	-	-
JCSD charges	4,541	4,489	4,541	4,489
Legal and other professional fees	79,388	60,926	25,673	5,460
Outsourced services	56,711	68,028	-	-
Postage and telegraph	1,164	1,598	-	183
Rent, maintenance and utilities	35,972	26,642	-	-
Software maintenance and IT expenses	74,693	46,107	-	-
Stationery and office supplies	5,787	2,464	1,939	-
Trustee fees – retail repurchase agreements	5,937	4,637	-	-
Management fees	-	1,356	49,208	66,340
Other expenses	27,577	16,588	2,969	1,355
	533,906	459,416	105,966	97,151

26. Income tax

The charge for income tax is computed at statutory tax rate of 33⅓% (2019: 33⅓%) of the profit for the year for the subsidiary company and 25% (2019: 25%) for the company, as adjusted for tax purposes, and is made up as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
i. Current income tax				
Current year	240,858	177,586	38,486	-
ii. Deferred income tax (note 10)				
Origination and reversal of temporary differences	(75,575)	21,375	(16,299)	4,895
Unused tax losses	-	(10,783)	-	-
	(75,575)	10,592	(16,299)	4,895
Total income tax charge	165,283	188,178	22,187	4,895

26. Income tax (continued)

b. The effective tax rate for 2020 was 27.60% (2019: 23.93%) for the group and 48.23% (2019: 1.48%) for the company of pre-tax profits. The actual tax charge differs from the theoretical tax charge for the year, as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Profit before income tax	598,873	786,227	46,006	331,445
Tax calculated at a rate of:				
25%	11,502	82,861	11,502	82,861
33⅓%	201,891	247,044	-	-
Adjusted for the effects of:				
Depreciation, amortisation and capital allowances	1,764	7,083	12,106	(3,440)
Income not subject to tax	(134,039)	(189,982)	(39,379)	(71,588)
Expenses/ (income) not deductible for tax purposes	84,165	41,172	37,958	(2,938)
Actual tax charge	165,283	188,178	22,187	4,895

27. Financial instruments-risk management

a. Introduction and overview

The group's activities are principally related to the use of financial instruments. The group therefore has exposure to the following risks from its use of financial instruments in the ordinary course of business:

- credit risk
- liquidity risk
- market risk

The Board of Directors of the company has overall responsibility for the establishment and oversight of the group's risk management framework. Senior management of the company and the subsidiary company report to the respective Board of Directors on their activities. The group's risk management policies are designed to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The group regularly reviews its risk management policies and systems to reflect changes in market conditions and product and service offerings. The respective Audit, Risk and Conduct Review Committees of the company and the subsidiary company are responsible for monitoring compliance with the group's risk management policies and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group.

The Audit, Risk and Conduct Review Committees are assisted in these functions by the Victoria Mutual Group's Internal Audit Unit and the Group Risk Management Unit, which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Conduct Review Committees.

27. Financial instruments-risk management (continued)

a. Introduction and overview (continued)

Impact of Covid 19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. In response to the pandemic, Management has adopted several measures specifically around financial risk management. These measures include:

i. Established a cross-functional COVID Response Team that focuses on mitigating Occupational Health and Safety, Marketing and Sales, Supply Chain Monitoring and Communications risks, as well as reducing the financial impact of the coronavirus on our operations. The work of the COVID Response Team complements the work of the Asset and Liability Committee(ALCO). The COVID Response Team and the ALCO meet weekly and monthly respectively to discuss strategies and plans for managing the liquidity and the capital needs of the entire VM Group during the pandemic.

ii. Implemented a Liquidity Recovery Plan, as per the recommendations of our Regulators. The key aspects of the plan include:

- Assessing the daily inflow and outflow of funds (liquidity forecasting);
- Identifying and assessing the adequacy of financial resources for contingent needs;
- Implementing measures geared at strengthening the entity's capital base; and
- Defining escalation and decision-making procedures to ensure that the plan can be executed timely.

iii. Implemented measures to assist external clients during this crisis, such as:

- Payment moratoria on loans. It is not expected that there will be reclassification of loans from Stage 1 to Stage 2 as these payment holidays should not trigger a significant increase in the credit risk (SICR) unless other criteria indicating SICR are identified.
- Special arrangements with clients, such as increasing their loan to value ratio, based on approval by the appropriate Committee.

iv. On-going Monitoring of Capital which included sensitivity analyses to determine:

- The impact of a downward adjustment in asset values on our regulatory ratios
- The impact of a downward adjustment in asset values on the projected profitability; and
- The level of capital shortfall, if any, and how additional capital could be raised to address any projected shortfall.

The key risks to which the group is exposed and the manner in which it measures and manages them are as follows:

b. Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers from stock broking activities, investing activities, collateralised lending and deposits with other institutions. Balances arising from these activities include debt securities, resale agreements, cash and cash equivalents and accounts receivable.

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iii. Maximum exposure to credit risk and credit quality analysis (continued)

Resale agreements, loans receivable and debt securities at amortised cost:

	Group			
	2020			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	9,612,565	551,075	25,175	10,188,815
Loss allowance [note 27(b)(iv)(d)]	(26,682)	(39,846)	(25,175)	(91,703)
	9,585,883	511,229	-	10,097,112

	Group			
	2019			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investmentgrade	6,642,907	24,245	-	6,667,152
Loss allowance [note 27(b)(iv)(d)]	(21,627)	(2,751)	-	(24,378)
	6,621,280	21,494	-	6,642,774

Resale agreements, loans receivable and debit securities at amortised cost:

	Company			
	2020			
	Stage 1 Lifetime ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	2,311,384	551,075	25,175	2,887,634
Loss allowance [note 27(b)(iv)(d)]	(26,180)	(39,846)	(25,175)	(91,201)
	2,285,204	511,229	-	2,796,433

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

i. Management of credit risk

Credit risk is the single largest risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit risk management and control is delegated to the company's Finance Committee. The Committee is responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

The company manages the credit risk on items exposed to such risk as follows:

- Cash and cash equivalents

These are held with reputable financial institutions and collateral is not required for such accounts as management regards the institutions as strong.

- Resale agreements

  Collateral is held for all resale agreements.

- Investment securities and loans receivable

  The COVID-19 pandemic has caused significant market volatility which has increased the Group's credit risk. The downgrading of credit ratings and/or outlooks for investment securities held has resulted in an increase in the credit risk of some debt instruments and loans.

  Credit risk management included:

  i. Margin Loans – daily monitoring of the collateral package and executing margin calls or asset sales to address any shortfall. Additional scrutinizing of tradeable securities utilized as collateral and removing those negatively impacted by the pandemic.
  ii. Corporate Loans - Undertake assessment of loans likely impacted by the current conditions (e.g. Tourism).

  In relation to its holding of investment securities, the company manages the level of risk it undertakes by investing substantially in short term Government of Jamaica, Bank of Jamaica and foreign Government debt securities; such securities are generally unsecured.

- Accounts receivable
  Exposure to credit risk is managed by regular analysis of the ability of the customers and other counter parties to meet repayment obligations.

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

ii. Concentration of credit risk

There is significant concentration of credit risk in that the company holds substantial amounts of debt securities issued by the Government of Jamaica and Bank of Jamaica. There is no other significant concentration of credit risk.

iii. Maximum exposure to credit risk and credit quality analysis

The following table sets out information about the maximum exposure to credit risk and the credit quality of financial assets measured at amortised cost, FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Debt securities at FVOCI:

	Group	
	2020	
	Stage 1 12-month ECL	**Total**
	$'000	**$'000**
Credit grade		
Investment grade	741,659	741,659
Non-investment grade	13,354,010	13,354,010
	14,095,669	14,095,669
Loss allowance [note 27(b)(iv)(d)]	(97,311)	(97,311)

	Group		
	2019		
	Stage 1 12-month ECL	**Purchased credit - impaired**	**Total**
	$'000	**$'000**	**$'000**
Credit grade			
Investment grade	673,168	-	673,168
Non- investment grade	13,161,953	335,629	13,497,582
	13,835,121	335,629	14,170,750
Loss allowance [note 27(b)(iv)(d)]	(45,317)	-	(45,317)

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iii. Maximum exposure to credit risk and credit quality analysis (continued)

Resale agreements, loans receivable and debt securities at amortised cost:

	Group			
	2020			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	9,612,565	551,075	25,175	10,188,815
Loss allowance [note 27(b)(iv)(d)]	(26,682)	(39,846)	(25,175)	(91,703)
	9,585,883	511,229	-	10,097,112

	Group			
	2019			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investmentgrade	6,642,907	24,245	-	6,667,152
Loss allowance [note 27(b)(iv)(d)]	(21,627)	(2,751)	-	(24,378)
	6,621,280	21,494	-	6,642,774

Resale agreements, loans receivable and debit securities at amortised cost:

	Company			
	2020			
	Stage 1 Lifetime ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Credit grade				
Non-Investment grade	2,311,384	551,075	25,175	2,887,634
Loss allowance [note 27(b)(iv)(d)]	(26,180)	(39,846)	(25,175)	(91,201)
	2,285,204	511,229	-	2,796,433

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iv. Impairment (continued)

c. Measurement of the expected credit loss (ECL)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

d. Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Debt securities at FVOCI:

	Group	
	2020	
	Stage 1	
	12-month ECL	Total
	$'000	$'000
Balance as at January 1, 2020	45,317	45,317
Net financial assets originated or purchased	37,423	37,423
Financial assets derecognised during the year	(12,509)	(12,509)
Changes in models/assumptions used in ECL calculation	26,673	26,673
Foreign exchange adjustment	407	407
Net remeasurement of loss allowance	51,994	53,148
Balance as at December 31, 2020	97,311	97,311

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iii. Maximum exposure to credit risk and credit quality analysis (continued)

Resale agreements, loans receivable and debit securities at amortised cost (continued):

	Company		
	2019		
	Stage 1 Lifetime ECL	**Stage 2** Lifetime ECL	**Total**
	$'000	**$'000**	**$'000**
Credit grade			
Non-Investment grade	2,716,699	24,245	2,740,944
Loss allowance [note 28(b)(iv)(d)]	(21,627)	(2,751)	(24,378)
	2,695,072	21,494	2,716,566

iv. Impairment

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to below for a description of how the company determines when a significant increase in credit risk has occurred.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Please see below which includes an explanation of how the company has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iv. Impairment (continued)

The key judgements and assumptions adopted by the company in addressing the requirements of the standard are discussed below:

a. Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and third party policies including forward-looking information.

The company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The company use internal rating models tailored to the various categories of counterparty.

The company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The company use internal rating models tailored to the various categories of counterparty.

Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

Determining whether credit risk has been increased significantly:

The company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iv. Impairment (continued)

d. Loss allowance (cotinued)

Debt securities, finance lease, loan receivable and resale agreement at amortised cost (continued):

	2019		
	Stage 1	**Stage 2**	**Total**
	12-month ECL	Lifetime ECL	
	$'000	$'000	$'000
Balance as at January 1, 2019	5,877	-	5,877
New financial assets originated/purchased	13,938	2,751	16,689
Financial assets derecognised during the year	(38)	-	(38)
Changes to inputs used in ECL calculation	1,850	-	1,850
Net remeasurement of loss allowance	15,750	2,751	18,501
Balance as at December 31, 2019	21,627	2,751	24,378

Debt securities at amortised cost:

	Company			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	Total
	$'000	$'000	$'000	$'000
Balance as at January 1, 2020	21,558	2,751	-	24,309
Transfer from Stage 1 to stage 2	(4,943)	4,943	-	-
Net financial assets originated/purchased	5,717	2,653	-	8,370
Financial assets derecognised during the year	(204)	(2,751)	-	(2,955)
Changes in inputs used in ECL calculations	4,052	32,250	25,175	61,477
Net remeasurement of loss allowance	4,622	37,095	25,175	66,892
Balance as at December 31, 2020	26,180	39,846	25,175	91,201

	2019		
	Stage 1	**Stage 2**	
	12-month ECL	**Lifetime ECL**	Total
	$'000	$'000	$'000
Balance as at January 1, 2019	5,839	-	5,839
Net financial assets originated/purchased	13,869	2,751	16,620
Changes in inputs used in ECL calculations	1,850	-	1,850
Net remeasurement of loss allowance	15,719	2,751	18,470
Balance as at December 31, 2019	21,558	2,751	24,309

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iv. Impairment (continued)

The key judgements and assumptions adopted by the company in addressing the requirements of the standard are discussed below (continued):

a. Significant increase in credit risk (continued)

Credit risk is deemed to increase significantly where the probability of default on a security or a loan has moved by six (6) basis points.

As a backstop, the company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the company determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

In assessing whether a borrower is in default, the company considers indicators that are:
- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

b. Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are provided by the group’s Finance team on an annual basis and provide the best and worst estimate view of the economy.

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iv. Impairment (continued)

b. Incorporation of forward-looking information (continued)

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and compared historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the company considers other possible scenarios and scenario weightings. The group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

c. Measurement of the expected credit loss (ECL)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

27. Financial instruments-risk management (continued)

c. Liquidity risk (continued)

	Group				
	2020				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Borrowings	523,861	1,015,932	1,681,943	3,221,736	3,042,641
Accounts payable	1,620,107	-	-	1,620,107	1,620,107
Repurchase agreements, including interest	16,395,663	4,229,888	-	20,625,551	20,312,831
Lease liabilities	4,377	13,130	102,190	119,697	85,978
Due to ultimate parent society	197,988	-	-	197,988	197,988
	18,741,996	5,258,950	1,784,133	25,785,079	25,259,545

	Group				
	2019				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Borrowings	25,758	618,056	2,228,395	2,872,209	2,410,625
Accounts payable	1,340,081	-	-	1,340,081	1,340,081
Repurchase agreements, including interest	7,741,026	9,465,626	-	17,206,652	16,999,392
Lease liabilities	4,012	12,122	119,696	138,830	93,897
Due to ultimate parent society	116,739	-	-	116,739	116,739
	9,227,616	10,095,804	2,348,091	21,256,511	20,960,734

	Company				
	2020				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to parent society	130,579	-	-	130,579	130,579
Due to subsidiary	13,551	-	-	13,551	13,551
Borrowings	523,861	1,015,932	1,681,943	3,221,736	3,035,836
Accounts payables and accruals	82,515	-	-	82,515	82,515
	750,506	1,015,932	1,681,943	3,448,381	3,262,481

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iv. Impairment (continued)

c. Measurement of the expected credit loss (ECL)

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

d. Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Debt securities at FVOCI:

	Group	
	2020	
	Stage 1	
	12-month ECL	Total
	$'000	$'000
Balance as at January 1, 2020	45,317	45,317
Net financial assets originated or purchased	37,423	37,423
Financial assets derecognised during the year	(12,509)	(12,509)
Changes in models/assumptions used in ECL calculation	26,673	26,673
Foreign exchange adjustment	407	407
Net remeasurement of loss allowance	51,994	53,148
Balance as at December 31, 2020	97,311	97,311

27. Financial instruments-risk management (continued)

c. Liquidity risk (continued)

	Company				
	2019				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to parent society	29,875	-	-	29,875	29,875
Due to subsidiary	94,593	-	-	94,593	94,593
Borrowings	25,758	618,056	2,228,395	2,872,209	2,410,625
Accounts payables and accruals	45,648	-	-	45,648	45,648
	195,874	618,056	2,228,395	3,042,325	2,580,741

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market.

These arise mainly from changes in interest rate, foreign currency rates and equity prices and will affect the Group's income or the value of its holdings of financial instruments.

Market risk is monitored by the Investment Management Committee which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

The COVID-19 pandemic has caused significant market volatility which has increased the VM Group's market risk. The downgrading of credit ratings and or outlooks for investment securities has resulted in increased funding and liquidity risk.

The Group's market risk management process, includes:

i. Active monitoring of our portfolio of assets;
ii. Disposing of securities deemed most volatile based on historical trading patterns, especially those most susceptible to the negative implications of the pandemic; and
iii. Disposing of select long dated securities to reduce portfolio duration.

i. Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar.

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iv. Impairment (continued)

d. Loss allowance (continued)

Debt securities at FVOCI (continued):

	2019		
	Stage 1	**Stage 3**	
	12-month ECL	Lifetime ECL	Total
	$'000	$'000	$'000
Balance as at January 1, 2019	29,487	130,373	159,860
Net financial assets originated or purchased	16,000	-	16,000
Financial assets derecognised during the year	(6,722)	(130,373)	(137,095)
Changes in models/assumptions used in ECL calculation	6,199	-	6,199
Foreign exchange adjustment	353	-	353
Net remeasurement of loss allowance	15,830	(130,373)	(114,543)
Balance as at December 31, 2019	45,317	-	45,317

Debt securities, finance lease, loan receivable and resale agreement at amortised cost:

	Group			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
	$'000	$'000	$'000	$'000
Balance as at January 1, 2020	21,627	2,751	-	24,378
Stage 1 to stage 2	(4,943)	4,943	-	-
New financial assets originated/purchased	6,219	2,653	-	8,872
Financial assets derecognised during the year	(273)	(2,571)	-	(3,024)
Changes to inputs used in ECL calculation	4,052	32,250	25,175	61,477
Net remeasurement of loss allowance	5,055	37,095	25,175	67,325
Balance as at December 31, 2020	26,682	39,846	25,175	91,703

27. Financial instruments-risk management (continued)

b. Credit risk (continued)

iv. Impairment (continued)

d. Loss allowance (cotinued)

Debt securities, finance lease, loan receivable and resale agreement at amortised cost (continued):

	2019		
	Stage 1	**Stage 2**	**Total**
	12-month ECL	Lifetime ECL	
	$'000	$'000	$'000
Balance as at January 1, 2019	5,877	-	5,877
New financial assets originated/purchased	13,938	2,751	16,689
Financial assets derecognised during the year	(38)	-	(38)
Changes to inputs used in ECL calculation	1,850	-	1,850
Net remeasurement of loss allowance	15,750	2,751	18,501
Balance as at December 31, 2019	21,627	2,751	24,378

Debt securities at amortised cost:

	Company			
	2020			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	Total
	$'000	$'000	$'000	$'000
Balance as at January 1, 2020	21,558	2,751	-	24,309
Transfer from Stage 1 to stage 2	(4,943)	4,943	-	-
Net financial assets originated/purchased	5,717	2,653	-	8,370
Financial assets derecognised during the year	(204)	(2,751)	-	(2,955)
Changes in inputs used in ECL calculations	4,052	32,250	25,175	61,477
Net remeasurement of loss allowance	4,622	37,095	25,175	66,892
Balance as at December 31, 2020	26,180	39,846	25,175	91,201

	2019		
	Stage 1	**Stage 2**	
	12-month ECL	**Lifetime ECL**	Total
	$'000	$'000	$'000
Balance as at January 1, 2019	5,839	-	5,839
Net financial assets originated/purchased	13,869	2,751	16,620
Changes in inputs used in ECL calculations	1,850	-	1,850
Net remeasurement of loss allowance	15,719	2,751	18,470
Balance as at December 31, 2019	21,558	2,751	24,309

27. Financial instruments-risk management (continued)

c. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. Prudent liquidity risk management procedures which the Group applies include maintaining sufficient cash and marketable securities, and monitoring future cash flows and liquidity on a daily basis.

Due to the impact of the COVID-19 pandemic, which has resulted in customers withdrawing funds at a higher rate, the Group has implemented a Liquidity Risk Response Strategy (including stress testing scenarios) on entities within the VM Group with portfolios that possess the largest liquidity risk implications.

The Group's liquidity management process, as monitored by the Asset and Liability Committee, includes:

i. Monitoring future cash flows and liquidity on a daily basis. This incorporates collateral which could be used to secure funding if required;
ii. Maintaining a portfolio of highly marketable and diverse assets that can readily be liquidated as protection against any unforeseen interruption to cash flows;
iii. Optimising cash returns on investment;
iv. Monitoring liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and
v. Maintaining cash reserves well above the Regulatory requirement towards absorbing any additional shocks.
vi. Managing the concentration and profile of debt maturities. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The group also manages this risk by keeping a pre-determined portion of its financial assets in liquid form. The key measure used for monitoring liquidity risk is the ninety-day liquidity gap ratio. In computing the ratio, the numerator is calculated by subtracting the total assets maturing within ninety days from the total liabilities which fall due in ninety days. The denominator is total liabilities. The ninety-day liquidity gap ratio at the end of the year was 47.65% (2019: 56.96%).

During the year there was no change to the nature of liquidity risk to which the group is exposed, or to the manner in which it measures and manages the risk.

The following table presents the undiscounted cash flows payable on the group's financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

27. Financial instruments-risk management (continued)

c. Liquidity risk (continued)

	Group				
	2020				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Borrowings	523,861	1,015,932	1,681,943	3,221,736	3,042,641
Accounts payable	1,620,107	-	-	1,620,107	1,620,107
Repurchase agreements, including interest	16,395,663	4,229,888	-	20,625,551	20,312,831
Lease liabilities	4,377	13,130	102,190	119,697	85,978
Due to ultimate parent society	197,988	-	-	197,988	197,988
	18,741,996	5,258,950	1,784,133	25,785,079	25,259,545

	Group				
	2019				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Borrowings	25,758	618,056	2,228,395	2,872,209	2,410,625
Accounts payable	1,340,081	-	-	1,340,081	1,340,081
Repurchase agreements, including interest	7,741,026	9,465,626	-	17,206,652	16,999,392
Lease liabilities	4,012	12,122	119,696	138,830	93,897
Due to ultimate parent society	116,739	-	-	116,739	116,739
	9,227,616	10,095,804	2,348,091	21,256,511	20,960,734

	Company				
	2020				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to parent society	130,579	-	-	130,579	130,579
Due to subsidiary	13,551	-	-	13,551	13,551
Borrowings	523,861	1,015,932	1,681,943	3,221,736	3,035,836
Accounts payables and accruals	82,515	-	-	82,515	82,515
	750,506	1,015,932	1,681,943	3,448,381	3,262,481

27. Financial instruments-risk management (continued)

c. Liquidity risk (continued)

	Company				
	2019				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to parent society	29,875	-	-	29,875	29,875
Due to subsidiary	94,593	-	-	94,593	94,593
Borrowings	25,758	618,056	2,228,395	2,872,209	2,410,625
Accounts payables and accruals	45,648	-	-	45,648	45,648
	195,874	618,056	2,228,395	3,042,325	2,580,741

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market.

These arise mainly from changes in interest rate, foreign currency rates and equity prices and will affect the Group's income or the value of its holdings of financial instruments.

Market risk is monitored by the Investment Management Committee which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

The COVID-19 pandemic has caused significant market volatility which has increased the VM Group's market risk. The downgrading of credit ratings and or outlooks for investment securities has resulted in increased funding and liquidity risk.

The Group's market risk management process, includes:

i. Active monitoring of our portfolio of assets;
ii. Disposing of securities deemed most volatile based on historical trading patterns, especially those most susceptible to the negative implications of the pandemic; and
iii. Disposing of select long dated securities to reduce portfolio duration.

i. Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar.

27. Financial instruments-risk management (continued)

d. Market risk (continued)

i. Foreign currency risk (continued)

The main currency giving rise to this risk is the United States dollar (US$). The group ensures that this risk is kept to an acceptable level by matching foreign currency assets with foreign currency liabilities, to the extent practicable. The net foreign currency exposure is kept to an acceptable level by buying or selling currencies at spot rates when necessary to address short-term imbalances. Foreign exchange gains and losses from these activities are included in other income.

At the reporting date, the group's exposure to foreign currency risk was as follows, in nominal amounts:

	Group		Company	
	2020	2019	2020	2019
	US$'000	US$'000	US$'000	US$'000
Foreign currency assets:				
Cash and cash equivalents	7,586	6,713	105	68
Cumulative preference share	1,125	450	1,125	450
Resale agreements	27,228	19,325	-	-
Investment securities	57,978	53,568	100	-
Loans receivable	100	131	9	131
Accounts receivable	5,860	8,809	-	-
	99,877	88,996	1,339	649
Foreign currency liabilities:				
Accounts payable	2,983	9,464	66	1
Repurchase agreements	90,386	76,420	-	-
	93,369	85,884	66	1
Net foreign currency assets	6,508	3,112	1,273	648

Foreign exchange rates

The group uses the average of Bank of Jamaica's buying and selling rates [see note 3(c)]. The rates as at the reporting date were as follows:

	2020	2019
United States dollar	141.7090	131.1769

Sensitivity to foreign exchange rate movements:

A 2% strengthening (2019: 4%) and a 6% weakening (2019: 6%) of the Jamaica dollar against the United States dollar at December 31, 2020 would have increased/(decreased) profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis as for 2019.

27. Financial instruments-risk management (continued)

d. Market risk (continued)

i. Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements (continued):

	Group			
	2020		2019	
	% Change in Currency Rate	Effect on Profit	% Change in Currency Rate	Effect on Profit
	%	$'000	%	$'000
Currency:				
US$	2% Revaluation	(18,445)	4% Revaluation	(16,329)
US$	6% Devaluation	55,335	6% Devaluation	24,493

	Company			
	2020		2019	
	% Change in Currency Rate	Effect on Profit	% Change in Currency Rate	Effect on Profit
	%	$'000	%	$'000
Currency:				
US$	2% Revaluation	(3,608)	4% Devaluation	(3,399)
US$	6% Devaluation	10,824	6% Devaluation	5,099

ii. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The group manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, where possible and to the extent judged appropriate, the maturity profile of its financial assets is matched by that of its financial liabilities; where gaps are deliberately arranged, management expects that its monitoring will, on a timely basis, identify the need to take appropriate action to close a gap if it becomes necessary.

The following table summarises the carrying amounts of assets, liabilities and equity to arrive at the group's interest rate gap based on the earlier of contractual repricing and maturity dates.

27. Financial instruments-risk management (continued)

d. Market risk (continued)

v. Interest rate risk (continued)

	Group				
	2020				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	4,713	-	-	1,566,854	1,571,567
Resale agreements	6,984,021	396,659	-	-	7,380,680
Loans receivables	105,760	296,946	1,386,945	-	1,789,651
Investment securities	2,352,180	-	12,788,584	1,385,279	16,526,043
Accounts receivable	-	-	-	1,783,203	1,783,203
Net investment in finance leases	5,779	20,261	84,792	-	110,832
Total financial assets	**9,452,453**	**713,866**	**14,260,321**	**4,735,336**	**29,161,976**
Lease liabilities	-	-	-	85,978	85,978
Repurchase agreements	16,195,762	4,117,069	-	-	20,312,831
Borrowings	498,908	932,111	1,611,622	-	3,042,641
Due to ultimate parent society	-	-	-	197,988	197,988
Accounts payables	-	-	-	1,620,107	1,620,107
Total financial liabilities	**16,694,670**	**5,049,180**	**1,611,622**	**1,904,073**	**25,259,545**
Total interest sensitivity gap*	**(7,242,217)**	**(4,335,314)**	**12,648,699**	**2,831,263**	**3,902,431**
Cumulative gap	**(7,242,217)**	**(11,577,531)**	**1,071,168**	**3,902,431**	**-**

	Group				
	2019				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	18,905	-	-	1,898,336	1,917,241
Resale agreements	3,562,113	375,162	-	-	3,937,275
Loans receivables	42,575	257,874	1,576,188	-	1,876,637
Investment securities	227,623	2,227,393	12,037,932	2,225,232	16,718,180
Accounts receivable	-	-	-	330,325	330,325
Net investment in finance leases	-	-	30,688	-	30,688
Total financial assets	**3,851,216**	**2,860,429**	**13,644,808**	**4,453,893**	**24,810,346**
Borrowings	-	500,000	1,910,625	-	2,410,625
Accounts payable	-	-	-	1,340,081	1,340,081
Lease liabilities	-	-	93,897	-	93,897
Due to ultimate parent sociey	-	-	-	116,739	116,739
Repurchase agreements	7,647,112	9,352,280	-	-	16,999,392
Total financial liabilities	**7,647,112**	**9,852,280**	**2,004,522**	**1,456,820**	**20,960,734**
Total interest sensitivity gap*	**(3,795,896)**	**(6,991,851)**	**11,640,286**	**2,997,073**	**3,849,612**
Cumulative gap	**(3,795,896)**	**(10,787,747)**	**852,539**	**3,849,612**	**-**

27. Financial instruments-risk management (continued)

d. Market risk (continued)

v. Interest rate risk (continued)

	Company				
	2020				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	80,343	80,343
Investment securities	-	-	975,373	84,954	1,060,327
Net investment in finance leases	5,779	20,261	84,792	-	110,832
Resale agreements	79,997	-	-	-	79,997
Loans receivable	99,981	276,685	1,412,985	-	1,789,651
Other receivables	-	-	-	782,042	782,042
Total financial assets	**185,757**	**296,946**	**2,473,150**	**947,339**	**3,903,192**
Borrowings	498,908	932,111	1,604,817	-	3,035,836
Accounts payable	-	-	-	82,515	82,515
Due to ultimate parent society	-	-	-	130,579	130,579
Due to subsidiary company	-	-	-	13,551	13,551
Total financial liabilities	**498,908**	**932,111**	**1,604,817**	**226,645**	**3,262,481**
Total interest sensitivity gap*	**(313,151)**	**(635,165)**	**868,333**	**720,694**	**640,711**
Cumulative gap	**(313,151)**	**(948,316)**	**(79,983)**	**640,711**	**-**

	Company				
	2019				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	126,715	126,715
Investment securities	-	-	881,362	256,990	1,138,352
Net investment in finance lease	2,785	5,568	22,335	-	30,688
Resale agreements	-	-	-	-	-
Loans receivable	39,790	252,306	1,584,541	-	1,876,637
Other receivables	-	-	-	35,011	35,011
Total financial assets	**42,575**	**257,874**	**2,488,238**	**418,716**	**3,207,403**
Borrowings	-	500,000	1,910,625	-	2,410,625
Accounts payable	-	-	-	**45,648**	45,648
Due to ultimate parent society	-	-	-	29,875	29,875
Due to subsidiary company	-	-	-	94,593	94,593
Total financial liabilities	**-**	**500,000**	**1,910,625**	**170,116**	**2,580,741**
Total interest sensitivity gap*	**42,575**	**(242,126)**	**577,613**	**248,600**	**626,662**
Cumulative gap	**42,575**	**(199,551)**	**378,062**	**626,662**	**-**

27. Financial instruments-risk management (continued)

d. Market risk (continued)

v. Interest rate risk (continued)

* The total gap relates to financial instruments recognised in the statement of financial position as there are no unrecognised financial instruments.

Average effective yields by the earlier of contractual re-pricing and maturity dates are as follows:

	Group			
	Within 3 months	3 to 12months	Over 12 months	Overall average
December 31, 2020:	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.05	-	-	0.05
US$ Cash and cash equivalents	0.30	-	-	0.30
J$ Resale agreements	2.48	-	-	2.48
US$ Resale agreements	2.37	-	-	2.37
J$ Investment securities	1.35	-	7.01	4.51
US$ Investment securities	6.50	-	7.69	7.69
J$ Margin loans	9.69	8.81	9.66	9.72
US$ Margin loans	8.25	-	7.65	7.95
Net investment in finance leases	8.25	8.25	8.25	8.25
Liabilities				
Borrowings	5.00	5.50	5.12	5.21
J$ Repurchase agreements	2.38	3.12	-	2.51
US$ Repurchase agreements	2.55	3.50	-	2.76

	Group			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
December 31, 2019:	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.05	-	-	0.05
US$ Cash and cash equivalents	0.10	-	-	0.10
J$ Resale agreements	2.69	-	-	2.69
US$ Resale agreements	2.54	2.45	-	2.52
J$ Investment securities	2.29	1.99	3.95	3.32
US$ Investment securities	4.50	4.10	7.68	7.46
J$ Margin loans	9.69	8.81	9.66	9.72
US$ Margin loans	8.25	-	7.65	7.95
Net investment in finance leases	8.75	8.75	8.75	8.75
Liabilities				
Borrowings	-	5	6.58	5.79
J$ Repurchase agreements	2.49	3.79	-	2.63
US$ Repurchase agreements	2.05	2.70	-	2.25

27. Financial instruments-risk management (continued)

d. Market risk (continued)

v. Interest rate risk (continued)

Average effective yields by the earlier of contractual repricing and maturity dates are as follows (continued):

	Company			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
December 31, 2020:	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.05	-	-	0.05
US$ Cash and cash equivalents	0.30	-	-	0.30
J$ Margin loans	9.65	8.25	8.57	8.82
US$ Margin loans	8.50	8.00	7.95	8.15
US$ resale agreements	1.80	-	-	1.80
J$ Investments	-	-	7.90	-
Net investment in finance leases	8.25	8.25	8.25	8.25
Liabilities				
Borrowings	5.00	5.50	5.12	5.21

	Company			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
December 31, 2019:	%	%	%	%
Assets				
J$ Cash and cash equivalents	**0.05**	**-**	**-**	**0.05**
US$ Cash and cash equivalents	**0.10**	**-**	**-**	**0.10**
J$ Margin loans	**9.69**	**8.81**	**9.66**	**9.72**
US$ Margin loans	**8.25**	**-**	**7.65**	**7.95**
J$ Investments	**-**	**-**	**7.75**	**7.75**
Net investment in finance leases	**8.75**	**8.75**	**8.75**	**8.75**
Liabilities				
Borrowings	-	5	6.58	5.79

Sensitivity to interest rate movements

The following shows the sensitivity to interest rate movements at the reporting date on the group's profit and equity. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as for 2019.

28. Financial instruments - fair values

c. Accounting classifications and fair values:

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy.

		Group							
		2020							
		Carrying amount				Fair value*			
	Note	FVOCI	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Quoted equities	6	1,036,320	340,948	-	1,377,268	1,377,268	-	-	1,377,268
Convertible preference shares	6	-	159,422	-	159,422	-	-	159,422	159,422
Government of Jamaica securities	6	12,589,783	-	-	12,589,783	-	12,589,783	-	12,589,783
Foreign government securities	6	798,745	-	-	798,745	-	798,745	-	798,745
Other public sector securities	6	366,459	-	-	366,459	-	366,459	-	366,459
Deferred shares	6	-	-	410,647	410,647	-	431,033	-	431,033
Corporate bonds	6	-	-	424,665	424,665	-	486,569	-	486,569
		14,791,307	500,370	835,312	16,126,989	1,377,268	14,672,589	159,422	16,209,279

		Company						
		2020						
		Carrying amount			Fair value*			
	Note	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Quoted equities	6	80,701	-	80,701	80,701	-	-	80,701
Convertible preference shares	6	159,422	-	159,422	-	-	159,422	159,422
Deferred shares	6	-	410,647	410,647	-	431,033	-	431,033
Corporate bonds	6	-	424,665	424,665	-	486,569	-	486,569
		240,123	835,312	1,075,435	80, 01	917,602	159,422	1,157,725

27. Financial instruments-risk management (continued)

d. Market risk (continued)

v. Interest rate risk (continued)

Sensitivity to interest rate movements (continued)

	2020	2019
J$ interest rates	Increase by 100 bps	Increase by 100 bps
	Decrease by 100 bps	Decrease by 100 bps
US$ interest rates	Increase by 100 bps	Increase by 100 bps
	Decrease by 100 bps	Decrease by 100 bps

2020			2019		
Change in basis points	**Effect on profit**	**Effect on equity**	**Change in basis points**	**Effect on profit**	**Effect on equity**
JMD / USD	**$'000**	**$'000**	**JMD / USD**	**$'000**	**$'000**
+100/+100	(30,786)	(1,475,836)	+100/+100	(86,044)	(614,682)
-100/-100	30,786	(278,330)	-100/-100	84,044	366,869

iii. Equity price risk

Equity price risk arises from equity securities held by the group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the group's investment strategy is to maximise investment returns while managing risk.

The group's equity securities that are listed on the Jamaica Stock Exchange total $1,296,567,000 (2019: $1,818,526,000). An increase or decrease of 10% (2019: 10%) in share prices would result in an increase or an equal decrease, respectively, in profit of $26,025,000 (2019: $39,715,600) and an increase or equal decrease in other comprehensive income of $103,632,000 (2019: $142,137,000).

e. Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns to its shareholders and benefits for other stakeholders, to maintain a strong capital base to support the development of its business and to comply with the capital requirements set by the regulators of the subsidiary company.

The Financial Services Commission ("FSC") stipulates and monitors capital requirements for the non-deposit-taking financial services sector. The FSC requires that the subsidiary company maintains a capital base of which at least 50% is to be of Tier 1 capital. In addition, the FSC employs certain ratios to test capital adequacy and solvency.

Corporate Data

Registered Office
6-10 Duke Street
Kingston

Corporate Office
73-75 HWT Road
Kingston 10

PLACE OF BUSINESS

Head Office
53 Knutsford Boulevard
Kingston 5

Mandeville Branch
Javone Mckenzie
Wealth Advisor
Tel: 876 877 5540
Shop # 3 Manchester Shopping Centre,
Mandeville, Manchester
javone.mckenzie@myvmgroup.com

Portmore Branch
Stephen Bravo
Wealth Advisor
Tel: 876 423 5371
Lot 1, Sea Grape Close, Portmore
St. Catherine
stephen.bravo@myvmgroup.com

Ocho Rios Branch
TawanaTownsend
Wealth Advisor
Tel: 876 553 11967
Newlin Street, Ocho Rios, St. Ann
tawana.brown@myvmgroup.com

Montego Bay Branch
Imani Spence
Wealth Advisor
Tel: 876 394 4604
Unit 33, Fairview Shopping Complex
Bogue Estate, Montego Bay
imani.spence@myvmgroup.com

Duke Street Branch
Trace Gayle
Wealth Advisor
Tel: 876 552 7128
8-10 Duke Street, Kingston
trace.gayle@myvmgroup.com

Liguanea / U-Tech Branch
Emerson Johnson
Wealth Advisor
Tel: 876 878 0490
Liguanea: 115 Old Hope Road, Kgn. 6
UTech: 237 Old Hope Rd. Kgn. 6
emerson.johnson@myvmgroup.com

Savanna la Mar Branch
Shereka McGhie
Wealth Advisor
Tel: 876 565 2855
Liguanea: 115 Old Hope Road, Kgn. 6
UTech: 237 Old Hope Rd. Kgn. 6
emerson.johnson@myvmgroup.com

New Kingston Branch
Tudie Nanco
Wealth Advisor
Tel: 876 877 9985
tudie.nanco@myvmgroup.com
Leslie Walker
Wealth Advisor
Tel: 876 279 9365
leslie.walker@myvmgroup.com
53 Knutsford Boulevard, Kgn. 5

Premium Wealth Unit
Jodie -Ann Bennett
Wealth Advisor
Tel: 876 577 7311
53 Knutsford Boulevard, Kgn. 5
jodie-ann.bennett@myvmgroup.com

CHAIRMAN

Michael A. McMorris

DIRECTORS

Courtney Campbell

Janice McKenley

Sandra Shirley-Auxilly

Devon Barrett

Phillip Silvera

Noel Hann

Milton Samuda

Matthew Wright

Vikram Dhiman

Rezworth Burchenson

Company Secretary

Keri-Gaye Brown

AUDITOR

KPMG
P.O Box 76
6-10 Duke Street
Kingston

Attention Mr. Chadrick Lindsay - Manager

BANKER

National Commercial Bank
Jamaica Limited
32 Trafalgar Road
Kingston 5

ATTORNEY

Messrs Patterson, Mair, Hamilton
Temple Court
85 Hope Road
Kingston 6

Notes ▷▷

Victoria Mutual Investments LIMITED

vminvestments.vmbs.com

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