Annual Report 2021

Accelerating the Transformation

VM Investments Limited

Transform Your Everyday

Accelerating the Transformation

VM Investments Limited

Our Core

Purpose

01

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

Mission

02

We are a mutual organisation whose purpose is to empower our Members globally to achieve financial well-being through home ownership and innovative investment solutions delivered across multiple channels by an expert and caring team.

Vision

03

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

Core Values

04

Member Focus, Integrity, Teamwork, Innovation and Excellence


VM GROUP
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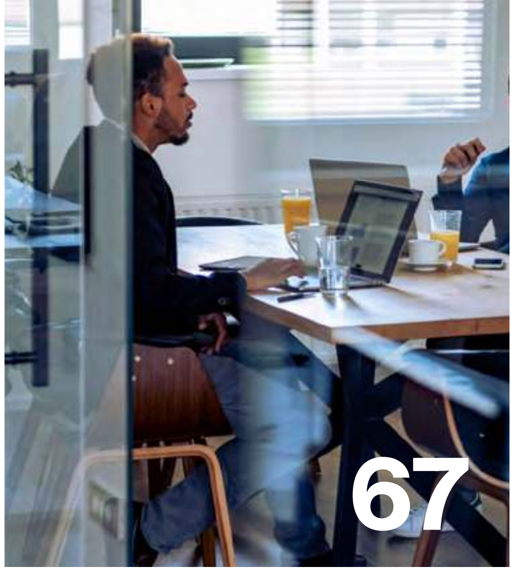
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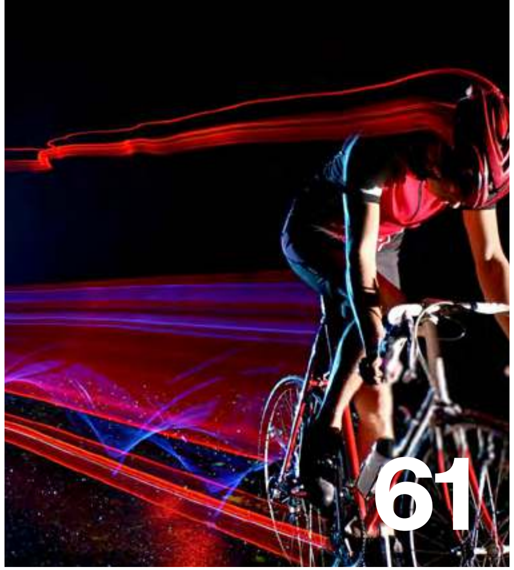
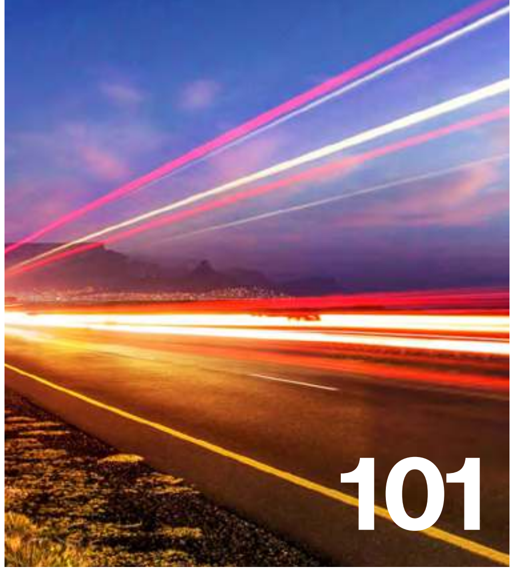




Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of VICTORIA MUTUAL INVESTMENTS LIMITED (the 'Company') will be held by online broadcast from Victoria Mutual Building Society, 73-75 Half-Way Tree Road, Kingston 5, in the parish of Saint Andrew, on Tuesday, May 24, 2022, at 3:00 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, 2021, 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 $0.155 per stock unit, paid on December 10, 2021, be and is hereby ratified and declared as the final dividend for the financial year ended December 31, 2021."

3. **Resolution No. 3 – Retirement of Directors**

   3A) Retirement by Rotation pursuant to Article 108:

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

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

   "**That** Director **Mrs Janice McKenley**, retiring by rotation pursuant to Article 108 of the Articles of Incorporation, who being eligible for re-election, is hereby elected."

   3B) Retirement Pursuant to Article 106:

   "**THAT** Director **Ms Bridget Lewis**, having been appointed effective December 1, 2021, as an addition to the Board since the date of the last Annual General Meeting, and retiring pursuant to Article 106 of the Articles of Incorporation, being eligible for re-election, be and is hereby re-elected."

4. **Resolution No. 4 – Directors' Remuneration**

   "**THAT** the amount of $22,987,000 included in the Audited Accounts of the Company for the year ended December 31, 2021, 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 remuneration to be agreed with the Directors."

DATED this 14th day of March, 2022

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

Victoria Mutual Investments Limited (the Company)

1. The Directors submit herewith the Consolidated Statements of Revenues and Expenses, Comprehensive Income and Financial Position for the year ended December 31, 2021.

2. The Consolidated Statement of Revenue and Expenses reports pre-tax profit for the year of $792,358,000 from which there has been provided $228,221,000 for corporate income tax, leaving a balance of $564,137,000.

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

   An interim dividend of $0.155 per stock unit, paid on **December 10, 2021.**

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

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

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

   Director **Mrs Janice McKenley**, retiring by rotation pursuant to Article 108 of the Articles of Incorporation, who being eligible for re-election, is hereby elected.

   B) Retirement Pursuant to Article 106:

   Director **Ms Bridget Lewis**, having been appointed effective December 1, 2021, as an addition to the Board since the date of the last Annual General Meeting, and retiring pursuant to the Article 106 of the Articles of Incorporation, being eligible for re-election, be and is hereby re-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

Corporate Profile

Victoria Mutual Investments Limited (VMIL) is the wealth-building arm of the iconic 143-year-old VM Group, and consistently and purposefully executes on its mission to transform lives. VMIL's expert and caring team is fully committed to helping its clients to create, grow and sustain wealth.

VMIL is incorporated and domiciled in Jamaica. The business was incorporated in 1984 as the corporate financing arm of the VM Group and is 80% owned by VM Building Society, which is incorporated in Jamaica under the Building Societies Act. Its registered office is located at 8-10 Duke Street, Kingston, Jamaica.

In 2017, 20% of VMIL was offered to Members, clients and the public by way of an Initial Public Offering (IPO) to facilitate corporate lending and investing to support well-run Jamaican businesses. The company raised J$690 million and now trades on the Main Market of the Jamaica Stock Exchange (JSE).

VMIL achieved growth in net profit in 2021, with an out-turn of J$564.14 million, representing growth of 30.11% compared to 2020 and an EPS of $0.38. This was achieved on consolidated revenue of J$2,023.52 million, driven primarily by income from gains on investment activities and strong growth in Assets Under Management which stood at J$34.7 billion as at the end of December.

VMIL has a wholly owned subsidiary — VM Wealth Management Limited (VM Wealth) — which is also incorporated and domiciled in Jamaica. The principal activities of the subsidiary are investment brokering, the provision of financial and investment advisory services, and money market dealing. VMIL offers a wide range of products and services, including margin loans, insurance premium financing, lease financing, underwriting services and corporate loans managed by the financial experts on the VM Wealth Management team.

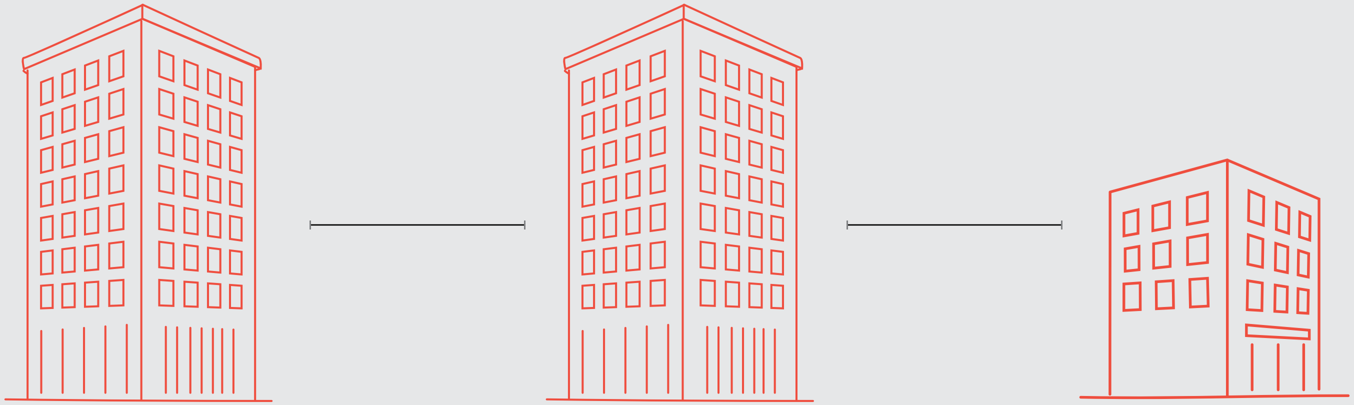
VM Wealth was founded in 1994, and since then has been a member of the JSE and operates as a licensed securities dealer. VM Wealth has earned a trusted name for itself among the top investment managers in Jamaica, due to its strong and consistent performance, spanning many years. The company has played 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. VM Wealth also places strong emphasis on providing financial education as part of its drive to empower more people to achieve financial well-being.

VM Wealth manages over J$32 billion in off-balance sheet assets. This comprises over J$22 billion in Unit Trust Fund invested across 9 portfolios, inclusive of real property, local and overseas equities, and bonds. The Fund has the top-performing real estate portfolio and also has a track record of providing real returns and exceeding the respective benchmarks. The business also provides asset management services through Managed Portfolios, which

currently have approximately J$10 billion in Assets Under Management, and has been able to satisfy clients' needs for diversification and excellent risk-adjusted returns.

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, ensures that VM Wealth consistently delivers what clients require and desire. The dynamic team of Portfolio Managers and Licensed Wealth Advisors aims to consistently exceed clients' expectations and deliver on the organisation's purpose 'to educate and empower our clients to create, grow and sustain their wealth.'

Group Organisational Chart



VM Building Society

VM Investments Limited — 80% (Jamaica)

VM Wealth Management Limited — 100% (Jamaica)

AFFILIATED COMPANY

CARILEND

30% owned by Victoria Mutual Investments Limited

Accelerating the Transformation

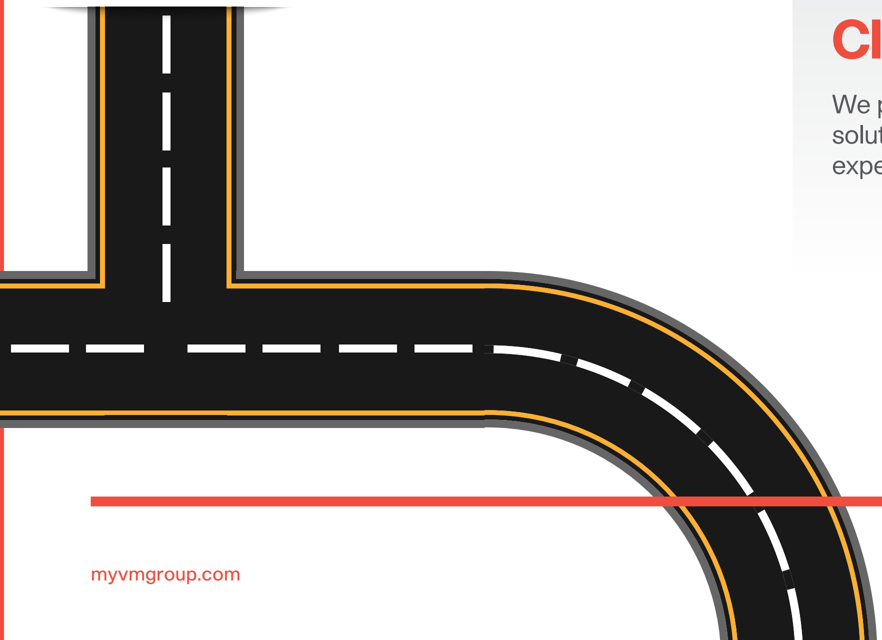
VM Investments
Limited

Strategic Direction

Who We Are and What We Do

Victoria Mutual Investments Limited (VMIL) and its subsidiary, Victoria Mutual Wealth Management (VM Wealth), are committed to combining our knowledge and our expertise of financial tools, products, and services to helping our clients achieve financial well-being. 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. As a leading securities dealer and a formidable player in the stock brokerage and capital market business, VM Wealth has played a critical role in promoting opportunities to investors.



Purpose

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

Client Promise

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

VM Group's Mission, Vision, Strategic Goals and Core Values

We share VM Group's Vision, Mission, Strategic Goals and Core Values. In 2021, VM Group's mission and vision were modified in response to the changing demands of our industry and how the Group now positions its strategies.

VM Group Vision
A leading Caribbean-based, Member-focused organisation transforming lives by advancing the financial well-being of individuals globally.

VM Group Mission
We are a mutual organisation whose purpose is to empower our Members globally to achieve financial well-being through home ownership and innovative investment solutions delivered across multiple channels by an expert and caring team.

VM Group's Strategic Goals

- Strong Integrated Group
- Modern Mutual
- Employer of Choice
- Empowered Members

VM Group Core Values

- Member Focus
- Integrity
- Teamwork
- Innovation
- Excellence

Strategic Direction

CONTINUED

Our 2028 Vision of Success

We remain committed to our 2028 Vision of Success which will be demonstrated by the achievement of the following:

01. **The place to work for high performers.**
02. **Overseas expansion – Caribbean, Central America and Latin America.**
03. **#1 in customer service.**
04. **#1 provider of financial education.**
05. **#1 provider of cutting-edge solutions.**
06. **#1 fund manager.**
07. **JSE Stock of the Decade – Best Corporate Governance and Customer Service.**

To achieve these milestones, we review our strategic goals, objectives, and initiatives each year and we monitor the monthly performance of our strategies using the balanced scorecard.

The Balanced Scorecard

VMIL employs the Balanced Scorecard (BSC) methodology to measure and manage its strategy's performance. Under the BSC framework, VMIL's strategy is broken down into objectives and initiatives which align with the four perspectives of the BSC: Financial, Customer, Internal Processes, and Learning & Growth.

Each unit within VMIL also uses the BSC framework to monitor its performance and ensure coordination with the 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 boost our customer service. At the end of December 2021, we accomplished 71% of all our targets for the year and achieved a Net Promoter Score (NPS) of 36. We are thrilled with this growth as we strive to exceed our customers' expectations and be the pinnacle of service excellence. Given our constraints for 2021, this was a commendable performance, and we are striving to improve in all aspects of our business in 2022.

2021 Strategic Achievements

Last year, we promised that our Strategic Initiatives would be supported by 4 Strategic Pillars – Extended Distribution, Sales Excellence, Service Excellence, and Growth/Regional Expansion. We are pleased to highlight our important achievements for 2021, presented within the context of these pillars.

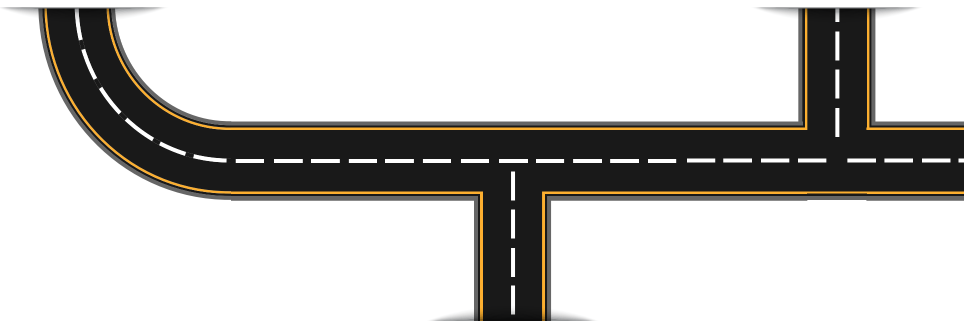
Extended Distribution | Sales Excellence | Service Excellence | Growth/Regional Expansion

EXTENDED DISTRIBUTION

OBJECTIVES	STATUS	BSC IMPACT
Growth in Client Base	We expanded the number of clients by 13.13%, and the number of active clients by 12.5% in 2021.	Financial, Customer
New Products	The Digital Asset Trading Platform will give clients an opportunity to expand their portfolio with secure trading of digital assets, and participate in exclusive stock offerings. In 2021, the platform was built and tested, and now awaits regulatory approval for launch in 2022.	Financial, Customer

SALES EXCELLENCE

OBJECTIVES	STATUS	BSC IMPACT
New Services	We enhanced our Premium Wealth Unit to expand the investment and customer-service needs of our affluent clients — both corporate and retail.	Financial, Customer
Updated Statements	In line with our digital transformation objective and our commitment to client privacy and security, in 2021 we started encrypting client statements sent via email and our Client Management System (CMS).	Customer, Internal Processes



Strategic Direction

CONTINUED

SERVICE EXCELLENCE

OBJECTIVES	STATUS	BSC IMPACT
New/Upgraded Systems	VM Wealth has designed and created the Initial/additional Public Offer (IPO) Platform, 'Wealth IPO Edge', which was launched in October 2021. Our IPO platform is an online self-service portal that allows users to create their account, add their existing Jamaica Central Securities Depository (JCSD) account information, and apply for available IPOs/APOs	Customer, Internal Processes, Learning & Growth
Strengthening of our Enterprise Risk Management (ERM) Programme	We placed greater emphasis on integrating ERM with strategy and performance when we adopted the latest Committees of Sponsoring Organisation of the Treadway Commission (COSO) ERM framework.	Internal Processes

GROWTH/REGIONAL EXPANSION

OBJECTIVES	STATUS	BSC IMPACT
Mergers & Acquisitions	In 2021, we entered into an agreement to acquire a 100% shareholding in Republic Funds (Barbados) Inc. VMIL expects the transaction to close by August 2022 upon approval from regulators in Barbados and Jamaica.	Financial, Learning & Growth
Diaspora Engagement	In 2021, while working within the constraints of the pandemic, we executed on diaspora presentations, online discussions (Wealth Talks), and collaboration with overseas offices, resulting in an increase in our client base.	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, primarily using our online VM Digital University. Training for Team Members (including cross-functional training/job rotations) was mostly done via online platforms.	Learning & Growth

Our 2021–2023 Strategic Objectives

In 2021, we updated our Strategy Map to include the objective of Effective Client Relationship Management to reflect our strategic focus as a key driver of the Customer Perspective:

VMIL 2021 - 2023 STRATEGY MAP

Financial	F1: Profitable Revenue Growth	F2: Increase Capital	F3: Widen Market Scope		
Customer	C1: Grow Active Members & Clients	C2: Improve Customer Experience	C3: Strengthen the VMIL Brand	C4: Build Financial Literacy	
Internal Processes	IP1: Exploit Digital Technologies	IP2: Increase Efficiency	IP3: Impactful Community Service	IP4: Manage Risks	IP5: Integrate SBUs
Learning & Growth	LG1: Engage Team Members	LG2: Manage Investment Portfolios & Carry Out Mergers & Aquisitions	LG3: Innovative Products - Within and Across SBUs		

Strategic Direction

CONTINUED

2022 Strategic Initiatives

In 2022, we will continue to execute on our 2021 initiatives carried forward in line with our 2021-2023 Strategic Objectives.

#	Project/Initiative Name:	Strategic Goal:	Strategic Objective:
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	Digitisation/ 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 IPN – Effective Client Relationship Management
8	Carry out Mergers and Acquisitions	Strong, Integrated Financial Group	LG2 - Manage Investment Portfolios and Carry Out Mergers & Acquisitions

The VM Group Brand Transformation

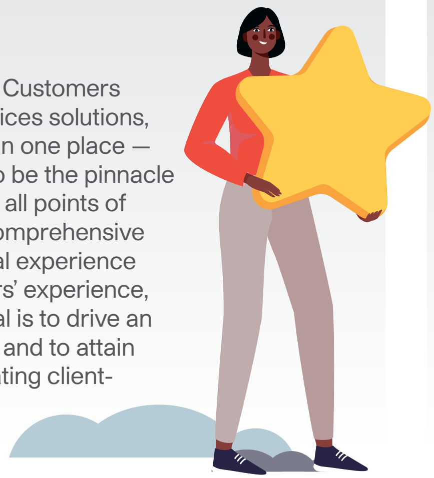
Our Brand Transformation symbolises VM's evolution into an organisation that is energised, competitive, bold, and agile in our service to our clients. However, this new brand is not just a symbol or visual identity. It includes the sum of the experiences that our clients have when interacting with us and our service channels. Therefore, while our image has changed, our relentless focus on enhancing service delivery across the Group remains constant. Our transformation, launched in November 2021, is wholistic and is embodies 8 characteristics:

CHARACTERISTICS		DESCRIPTION
Our Brand Identity		We will be seen as **leaders who are on a mission to help Jamaicans everywhere** to realise their dreams
How Members & the wider population see us		Shifting from an Strategic Business Unit-focused operation to an **integrated group way of thinking; Employer of Choice**
How we see ourselves		We are **Caring Experts** with the experience and capacity to improve the lives of Jamaicans everywhere
Physical Look and Feel of the VM Brand		Our logo, colours, look and feel; we will have a refreshed look!
Our Language: how we engage Members & each other		We speak as a united force, championing the Brand; **when they hear you, they hear VM Group**
How persons will experience our brand		From the way we answer the phone or greet our clients to the way we provide after-sales care. **Caring Experts**
Mindset, Attitude, Behaviours		Every employee at VM Group makes the **inward shift to be owners and champions of the brand**
Communications & Marketing		Energised messaging and its delivery internal and external VM Group. We will communicate our renewed drive to transform lives.

Outwards Change   Inwards Change

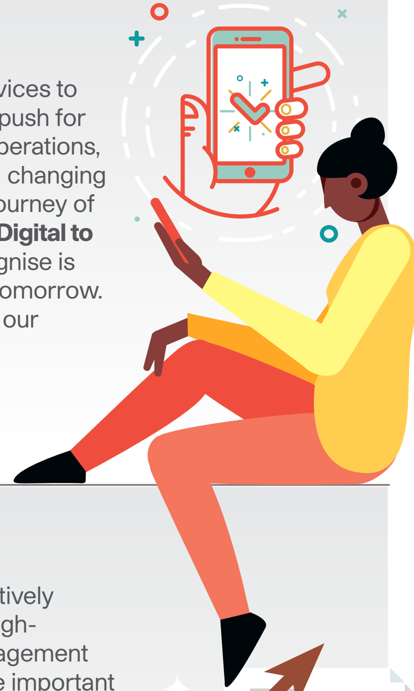
Market Trends

Customer Experience



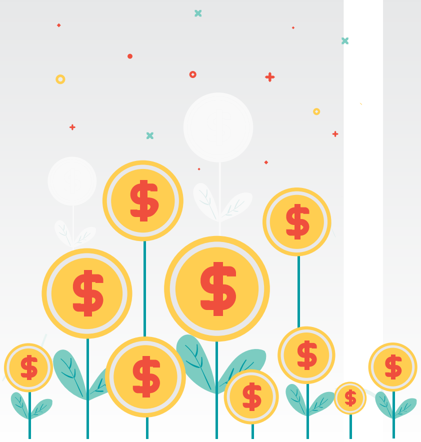
Customer experience is more than customer service. Customers are expecting increasingly personalised financial services solutions, and they want to be able to manage all their finances in one place — conveniently on their devices. VM's service vision is to be the pinnacle of service excellence for our Members and Clients, at all points of contact. Additionally, the Group has embarked on a comprehensive digital transformation that would see customers' digital experience radically improved. At the heart of this is the customers' experience, meeting the customer where they want to be. Our goal is to drive an exceptional client experience at all digital touchpoints and to attain greater efficiency and this fuels our efforts for automating client-facing solutions as well as our internal processes.

Digital Disruption



New technology has energised new products and services to disrupt the way we have done business. The constant push for innovation has been linked to the need to streamline operations, rising regulatory requirements, fierce competition, and changing customer demands. Our key objective on our Digital Journey of transforming our culture is to move VMIL from **'Doing Digital to Being Digital'**. It is a comprehensive shift that we recognise is necessary to remain relevant in the financial world of tomorrow. Our vision of transformation drives the digitalisation of our processes, products, and services.

Sustainability/ESG (Environmental, Social and Governance) investing



Investors are increasingly applying 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 thorough consideration of factors impacting the fundamental value of an investment and, ultimately, the investment choices to be made. VMIL advanced its ESG agenda significantly with the adoption of its Corporate Social Responsibility (CSR), Stakeholder Engagement, and Environmental policies in 2021 and work is far advanced on a comprehensive ESG policy to be adopted by the VM Group in 2022.

Diversity, Equity, & Inclusion

Success is driven by people. An inclusive culture effectively leverages diverse views to create a fair, healthy, and high-performing organisation. It fosters Team Member engagement that leads to innovation. Therefore, adaptability is more important than ever. The principles on which VM was founded are grounded in inclusivity. VM first opened its doors with a mission of empowering economically marginalised Jamaicans to pool their resources to save and acquire homes. This philosophy holds true through VMIL's mission. Diversity is in our DNA and is demonstrated with a high level of gender equity at the senior management level and dedicated efforts to improve gender equity at the Board level.

5-Year Statistical Review

	2017	2018	2019	2020	2021
Balance Sheet ($'000)					
Total Assets	20,068,454	21,610,199	25,327,701	29,723,675	31,243,152
Cash & Cash Equivalents	3,409,989	740,538	1,917,241	1,571,567	684,077
Resale Agreements	3,371,409	4,217,141	3,937,275	7,380,680	4,051,332
Investments Securities	11,683,640	13,241,358	16,718,180	16,526,043	20,665,880
Loan Receivables	441,057	1,376,139	1,876,637	1,789,651	3,482,266
Total Liabilities	17,484,432	18,837,775	21,000,873	25,342,204	27,191,949
Repurchase Agreements	13,164,960	15,454,981	16,999,392	20,312,831	19,649,270
Shareholder Equity	2,584,022	2,772,424	4,326,828	4,381,471	4,051,203
Shareholder Equity Attributable to the owners	2,534,022	2,722,424	4,276,828	4,331,471	4,001,203
Income Statement ($'000)					
Net Interest Income	246,989	250,079	260,381	289,622	390,458
Net Fees & Commission	500,163	838,268	933,128	925,323	832,092
Gains From Investment Activities	193,077	213,879	485,899	593,988	776,154
Consolidated Revenues	966,455	1,306,775	1,682,961	1,875,589	2,023,525
Total Operating Expense	498,630	767,740	881,397	1,240,712	1,197,928
Staff Cost	292,329	349,068	518,023	587,487	648,619
Other Operating Cost	206,301	313,230	459,416	533,906	544,443
Depreciation & Amortisation	11,241	28,888	66,452	72,604	79,018
Taxation	121,523	141,437	188,178	165,283	228,221
Pre-Tax Profit	467,825	539,035	786,227	598,873	792,358
Net Profit	346,302	397,598	598,049	433,590	564,137
Profitability Ratios					
Net Interest Margin	1.44%	1.30%	1.18%	1.11%	1.38%
Net Profit Margin	36%	30%	36%	23%	28%

	2017	2018	2019	2020	2021
Return on Equity	16.49%	14.85%	16.85%	9.96%	13.38%
Return on Assets	1.90%	1.91%	2.55%	1.58%	1.85%
Cost/Income Ratio	51.59%	58.75%	52.37%	66.15%	59.20%
Effective Tax Rate	25.98%	26.24%	23.93%	27.60%	28.80%
Stock Unit Information					
Earnings Per Share	$0.23	$0.27	$0.40	$0.29	$0.38
Closing Share Price as at December 31	$3.24	$3.82	$8.97	$5.90	$6.13
Price to Earnings Ratio	14.03	14.41	22.50	20.41	16.30
Book Value Per Share	$1.72	$1.85	$2.88	$2.92	$2.70
Price to Book Ratio	1.88	2.07	3.11	2.02	2.27
Dividends Per Share	$0.25	$0.14	$0.19	$0.03	$0.16
Dividends Paid ($'000)	$380,867.00	$210,004.00	$285,005.00	$45,001.00	$232,504.00
Dividends Payout Ratio	109.98%	52.82%	47.66%	10.38%	41.21%
Capital Gains	32.24%	17.90%	134.82%	-34.23%	3.90%
Statement of Financial Position Ratios					
Investments Securities as a % of Total Assets	58.22%	61.27%	66.01%	55.60%	66.15%
Repurchase Agreements as a % of Total Liabilities	75.30%	82.04%	80.95%	80.15%	72.26%
Capital to Assets Ratio	12.88%	12.83%	17.08%	14.74%	12.97%
Other Statistics					
JSE Index as at December 31	288,381.97	379,790.86	509,916.44	395,614.93	396,155.61
JSE Index Annual Movement	49.98%	31.70%	34.26%	-22.42%	0.14%
Annual Inflation Rate	5.24%	2.44%	6.22%	5.20%	6.00%
Annual USD Foreign Exchange Rate	$128.36	$129.72	$134.22	$143.27	$151.62
Annual Real GDP Growth	1%	1.09%	0.90%	-10.00%	4.60%
Annual Unemployment Rate	11.64%	9.10%	7.72%	7.61%	8.36%

5-Year Statistical Review

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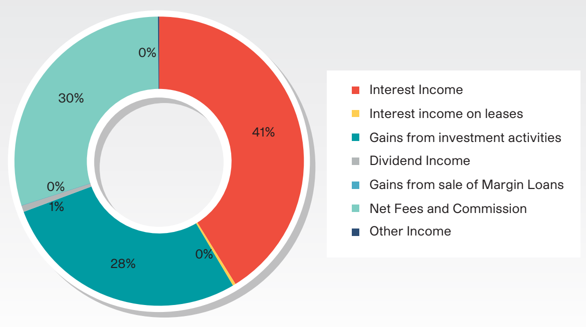
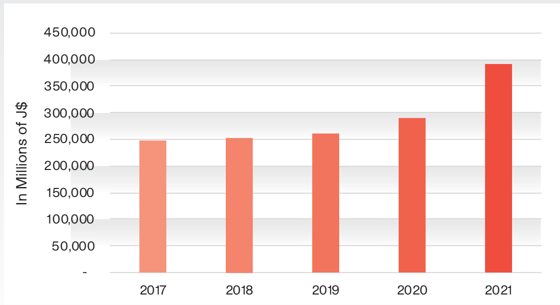
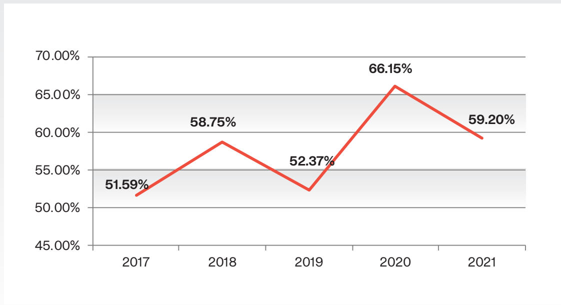
Group Operating Revenue 2021



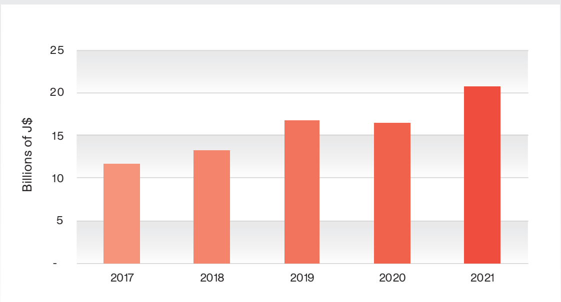
Net Interest Income



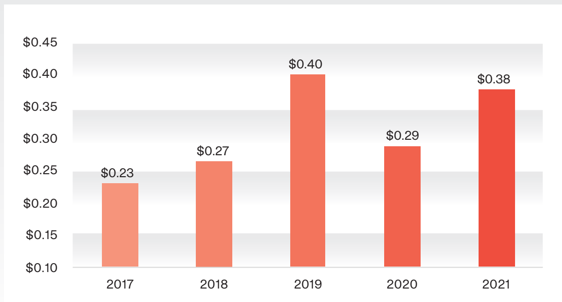
Cost/Income Ratio



Investment Securities



Annual Earnings Per Share



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

2017-2021 Audited Financial Statements
Bank of Jamaica
Jamaica Stock Exchange
Statistical Institute of Jamaica
IMF DataMapper

Accelerating the Transformation

VM Investments
Limited

Chairman's Message

> On behalf of the Board of Directors of Victoria Mutual Investments Limited Group (VMIL), I present the 2021 VMIL Annual Report.

The Directors of VMIL are happy to have supported the Team through the year and are pleased by the success achieved and important progress made. The transformation of the business has been accelerated in a significant way, which is a win for our Shareholders, Clients and Team Members. Our modernisation thrust was boosted by the launch of our WealthIPO Edge platform for processing initial public offerings and additional public offerings, which will significantly improve client experience and operational efficiency. We made strides in empowering clients to execute their trades via our suite of digital platforms, with 84% of trade requests being executed digitally. Our regional footprint continued with our successful negotiation and signed agreement to acquire 100% of Republic Funds (Barbados) Inc from Republic Bank (Barbados) Limited and work is being carried out to further this transaction to conclusion.

Standing Strong

VMIL returned positive financial results, despite the economic volatility that persisted locally and globally. The business achieved strong and meaningful growth when compared to 2020, with a 30% increase in net income, which moved from $434M to $563M.

Revenue grew by 7.89%, and off-balance sheet assets under management grew by 5.75%. This is a commendable performance given negligible returns in local large cap equities and emerging market global bonds. Growth in assets under management was driven by the unit trust portfolio, with the flagship VM Wealth Unit Trust Classic Property Portfolio recording an impressive, best in market return of 10.79%.

Importantly, VMIL's efficiency ratio remained strong at 60%, a result of prudent financial management and effective, strategic cost-containment efforts.

Moving Forward

Of significance also is that VMIL received an investment-grade credit rating from Caribbean Credit Rating Services Limited (CariCris), along with a stable outlook. The CariBBB- rating was based on VMIL's growing presence as a competitive player in the local financial sector. The rating has already allowed the business to raise additional debt capital of $2.9B, funds which have been utilised to accelerate lending, and to improve underwriting capabilities for corporate finance transactions.

Brand Transformation

In November, the VM Group executed a brand transformation, including new logos across businesses, new brand colours, and a new brand tagline – Transform Your Everyday. The brand transformation represents much more than a new public image – it signifies a renewed and reinvigorated drive for excellence in all aspects of business and service delivery. VMIL fully owns its role in the reimagined VM, with a bold commitment to be a transformative force in the lives of our clients and shareholders. A new era has begun for VMIL and the VM Group.

Local & Global Economic Conditions

Jamaica

The pandemic continued to dampen economic activities locally and internationally. However, as the year ended, there were signs that vaccinations and adjustments to the 'new normal' were beginning to take us closer as a global community to the end of the proverbial tunnel.

The Jamaican economy began experiencing its economic rebound in Q2 of 2021, following five consecutive quarters of contraction. The 14.20% year-over-year growth in Q2 was the economy's largest growth rate reported from the Statistical Institute of Jamaica (STATIN) in over 20 years. New variants of the virus emerged during the year, which limited domestic mobility and business activities. Notwithstanding this, growth reports from STATIN indicated that these restrictions did not derail growth in Q3. The economy grew 5.80% compared to Q3 2020 and 0.60% compared to Q2 2021. The tourism sector has been recovering as a result of the increase in international travel and recorded its largest growth rate of 114.60% in Q3.

Following months of speculation from market players and higher-than-anticipated inflation rates, the BOJ tightened its accommodative monetary stance by implementing three separate interest rate hikes. The cumulative 200-basis-point increase brought the policy rate to 2.50% at year-end 2021. Meanwhile, the stock of net international reserves (NIR) has remained resilient, surpassing the 12 weeks of goods and services imports international benchmark each month.

Chairman's Message

CONTINUED

International

Global GDP growth in the first quarter was higher than expected, owing to the adaptation of economic activities to the ongoing pandemic and continued fiscal and monetary support in most countries. Large stimulus packages were given to boost economies, some in the form of direct handouts or one-time payments, particularly to those who were facing unemployment as a result of the pandemic.

The accommodative monetary stance by central banks continued in 2021, with constant interest rates or minute changes in a bid to further improve the access to credit. However, in the second quarter, momentum slowed owing to rising infection rates in several territories, as well as major supply-chain disruptions. While advanced economies continued to provide substantial fiscal support, many developing market economies began cutting fiscal support as their fiscal space tightened because of the persistence of the pandemic.

Effective Execution of Strategy

The ongoing execution of the Board-approved 3-year strategic plan continues to fuel VMIL's transformation. The Board of Directors continued to earnestly assess the operating environment in 2021, with an aim to seamlessly align strategic direction with the evolving environment. VMIL was able to pivot during the ongoing pandemic. The team was able to leverage technological tools to deliver superior service to internal and external clients even in the face of restrictions under the Disaster Risk Management Act (DRMA). This was aided by the forward-thinking implementation of the Group Remote Work and Flexi Work Arrangement Guidelines from as early as 2018. The Board also continued to identify and eliminate any gaps in the corporate governance framework in keeping with international best practices and emerging standards.

Corporate Governance Index

VMIL received a Corporate Governance Index (CGI) rating of 'BB' in the last round of ratings conducted by the Jamaica Stock Exchange (JSE) on listed companies. VMIL has received incrementally improved scores for the past three years as the Board continuously reviews and discusses the rating criteria and is working to ensure progress as opportunities emerge.

Diversity & Inclusion at VMIL

VMIL fosters an environment that promotes and encourages diversity among Team Members, Clients, and those with whom we conduct business. Ensuring that all stakeholders feel respected, valued, and accepted is paramount to the business. Accordingly, to further embed this approach, in 2021, several policies were implemented to provide structured operational guidelines. Additionally, during 2021, important ground-breaking work began to develop the VM Group Diversity Policy. This demonstrates a strong commitment to building and maintaining a diverse and inclusive organisation.

Whistle-blower Policy

During 2021, a Whistle-blower Policy was approved by the Board of Directors. This policy provides Team Members with guidelines for raising legitimate issues or concerns to ensure that they, our Clients, and the organisation are protected. Team Members and other covered persons are encouraged to report any perceived breach of the Code of Business Conduct and Ethics, compliance policies, legislation, and regulations without fear of retaliation.

Stakeholder Engagement

A Stakeholder Engagement Policy has been approved by the Board of Directors. It formally outlines the management strategies and processes governing engagement with stakeholders, including minority shareholders. The Corporate Governance Report outlines the key engagement strategies.

Building and retaining a results-focused Team

VMIL remains committed to the holistic development of Team Members and seeks to constantly develop and maintain a strong talent pool. Team Members are continuously groomed for key roles across the organisation, not only in relation to these programmes but also personal development and wellness. Throughout 2021, Team Members were exposed to a multidimensional programme, including experience-based learning and training courses as well as wellness activities and initiatives aimed at helping to future-proof the workforce.

Mentorship

In 2021, VMIL launched a Mentorship Framework, which is aimed at developing the leadership capacity across VMIL. Under this framework, Members of the Board of Directors provide mentorship to VMIL's senior leadership team. This is supported by a series of developmental workshops and other experiential opportunities. The Mentorship Framework complements other existing engagement and succession-planning programmes such as Managers' participation in the 'Harvard Manage Mentor Programme'.

Engaging Our Community

VMIL placed significant focus on philanthropic activities and on encouraging a culture of volunteerism throughout the organisation. In 2021, VMIL made great strides in formalising a community framework which will guide the way the team interacts with stakeholders. This was approved by the Corporate Governance Committee of the Board and, ultimately, the Board of Directors in April.

Environmental Policies & Practices

Given the importance of sustainable development, reducing our carbon footprint, and the emergency of climate change, the VMIL Board of Directors approved the Environmental Policy in November 2021 to guide the company's operations, investments, and approach to minimising any negative impacts on the environment.

VMIL's commitment to good corporate citizenship has fostered the company's devotion to effectively and efficiently managing the use of natural resources to reduce its environmental impacts and financial costs. Therefore, VMIL is dedicated to investing ethically, and in a socially responsible manner, to maintain a low impact on the environment. We believe that the health of the environment is crucial to the future of the planet. We want to do our part in preserving our natural resources for the sustainability of life itself. Details of the Environmental Policy can be found in the Corporate Governance section.

We appreciate you!

VMIL's Board of Directors is grateful to its results-focused Leaders and Team Members for their outstanding commitment to transforming lives. The significant achievements of the year make it clear that the future holds great things for the organisation.

We also offer 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.

Michael McMorris
Chairman
VMIL

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 also serves as 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 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 24 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 of Victoria Mutual Building Society, Victoria Mutual Wealth Management, and Victoria Mutual Finance Limited (UK).

Mr Courtney Campbell
MBA (Dist), ACIB, BSc, JP
President and CEO
VM Group

Mr Courtney Campbell is President and Chief Executive Officer of the VM Group, a leading Jamaican Financial Group with operations that extend to major financial districts in North America and the United Kingdom. Mr Campbell 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.

Mr Campbell has leveraged the organisation's cultural beliefs and core values to kindle the VM Team's passion for uplifting Jamaicans. In November 2021, VM Group underwent a brand transformation, signifying publicly the reinvigorated spirit and focus of the Group. Courtney 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, Mr Campbell 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 the VM Building Society and all its subsidiaries, as well as associate company, British Caribbean Insurance Company. He is also Chairman of the VM Foundation. 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) and the United Church Mission Enterprise. 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
Chief Executive Officer
VM Investments Ltd.

Rezworth Burchenson is a Senior Vice President and CEO of VM Investments Limited (VMIL) and its subsidiary, VM Wealth Management (VMWM). Rezworth was appointed CEO of VMIL and VMWM in January 2019 after a successful tenure as Deputy CEO of both businesses and CEO of VM Pensions Management Limited. He is a results-focused, purpose-driven leader with an impressive record of success in the financial services industry.

Before joining the VM Group, Mr Burchenson had provided transformative leadership in senior roles, including CEO of Prime Asset Management Ltd and Vice President and General Manager of Pan Caribbean Asset Management Ltd, with principal responsibility for managing Jamaica's largest unit trust (Sigma Unit Trust).

Mr Burchenson is well regarded by his industry peers, his team members and clients, and has received accolades for his contribution to the local financial landscape. In 2012, he was named among the PSOJ's exclusive '50 Under Fifty' in the field of investments and finance.

His contribution to the sector also includes serving on the PSOJ's Economic Policy Committee and as 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).

A Barclays Bank Scholar while at The University of the West Indies, he earned a Bachelor's Degree in Economics (Hons) and an MBA in Banking and Finance (Hons). He also received 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 Burchenson believes strongly in purposeful work and is driven to improve financial inclusion and well-being among Jamaicans at home and abroad.

Ms Bridget Lewis
LLM (Dist), BSc (Hons)

Ms Bridget Lewis, experienced Financial Services Professional and Change Management Consultant, joined the Board of Directors of VMIL on December 1, 2021.

Ms Lewis has accumulated more than 25 years of extensive cross-functional, multi-jurisdictional, financial industry experience, specialising in the development of wealth management strategies for high-net-worth persons and their private companies.

Ms Lewis has held several leadership roles in Wealth Management & Personal Banking with Citi and Scotiabank in Jamaica and Canada, culminating in her position as Director, Global Wealth Management Credit Policy and Process from October 2014 to April 2016.

Since August 2016, Ms Lewis has been Managing Principal Consultant at Cotton Tree Consulting, working with clients to advance business objectives, improve organisational efficiencies, and promote sustainable profitable growth and development.

Ms Lewis is currently providing change management consulting services to the Government of Barbados' Ministry of Innovation, Science and Smart Technology — a role she has held since July 2019. Her primary focus is on creating and implementing change management strategies and plans

Board of Directors

CONTINUED

for the Government's Public Sector Modernization Programme.

In January 2018, Ms Lewis co-founded SheLeadsIT, a social enterprise operating in Switzerland, Canada, and Jamaica with initiatives in the Caribbean, Africa, and Europe. SheLeadsIT focuses on creating opportunities for women and girls to be economically and socially empowered, and to bring about transformational change in their lives and communities. In 2019, she co-founded Caribbean Girls Hack, which engages Caribbean girls and young women in a year-long programme of online skills training workshops, with internships, to create opportunities for them to expand from being consumers of technology to creators of technology.

Mr Devon Barrett
MBA
Group Chief Investment Officer & Head of the Strategic Investments Unit

A strategic and visionary leader, Devon Barrett has been with the VM Group since March 2008. On September 1, 2016, Devon 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 VM Wealth Management (VMWM) 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 VM, 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.

Mr Barrett 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 (Distinction)
BSc (Hons.)
Group Chief Financial Officer

Janice McKenley joined the VM 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 time frames; budget preparation and regulatory reporting, as well as coordination of external audits and risk management.

Janice'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, Janice 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 pastimes include nurturing her orchids in her garden and spending time with her family.

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 of 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 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 Vikram Dhiman
MBA, BSc, CA, CPA

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. He has 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 and has been responsible for creating and managing growth and change with all the companies and businesses that he works with.

Mr Dhiman is a naturalised Jamaican and 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 (Jamaica's largest insurance company), and WIHCON Properties Limited, and a past 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, Lumber Depot 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 and mentors several executives and CEOs.

Mr Dhiman attained a First-Class Bachelor's Degree in Mathematics from Christ Church College, Kanpur, India; is a Fellow Member (not in practice) of the Institute of Chartered Accountants of Jamaica; a past practising member of the Institute of Chartered Accountants of India; has passed the American Institute of Certified Public Accountants examination; and also holds an MBA from INSEAD, Fontainebleau, France. He is married to Aditi and they have two sons, Karan (21) and Aman (15), both of whom have represented Jamaica in taekwondo, squash and golf.

Board of Directors

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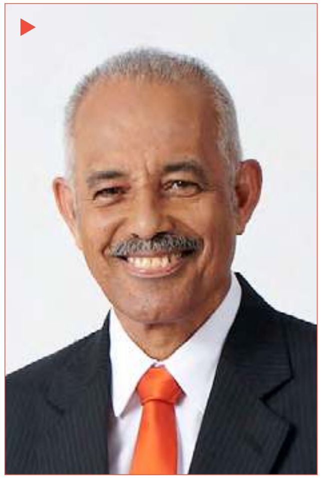


Mr Phillip G. Silvera
FCCA, FCA

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 licensed securities dealer and served as a registered Public Accountant for many years. He currently serves on the boards of Victoria Mutual Investments and Victoria Mutual Wealth Management. He chairs the Audit, Risk and Conduct Review Committees of both companies. Recently, he joined the Board of Kingston Properties Limited, a company listed on the Jamaica Stock Exchange.

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, Securities 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 Immediate Past Federation Councillor and Past President of Soroptimist International (SI) Jamaica, and a former Vice President of SI Caribbean Network of clubs.

Mrs Shirley-Auxilly attained a BSc (Hons) in Management Studies from The University of the West Indies, majoring in Financial Accounting & Finance and an MBA in 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.

Milton J. Samuda
Esq.

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 Limited, Victoria Mutual Investments Limited, CreditInfo Jamaica Limited, Berger Paints Jamaica Limited, OMS Associates Limited, and the Zed-Makeyla Group.

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

A member of the Finance & General Purposes Committee of The University of the West Indies, Mr Samuda is also a member of the Advisory Board of the Spanish-Jamaican Foundation and 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 practise 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.

Environmental Social & Governance (ESG) Report

As a subsidiary of the Victoria Mutual Group, we are guided by its mutuality posture and driven by its purpose to transform lives. At Victoria Mutual Investments Limited, part of our mandate is to model sustainability, environmental, social, and governance (ESG) principles which are the hallmarks of progressive organisations committed to positively shaping the future.

The subject of ESG is multidimensional and spans a range of areas: from matters of the environment such as climate change, pollution, and water management; to social issues covering income inequality and diversity; to governance concerns such as data protection and Directors' performance. These areas provide opportunities and present challenges that can shape future business prospects and long-term business sustainability.

ESG practices reduce the risk of regulatory and legal interventions. A strong value proposition can enable us to achieve greater strategic freedom, easing regulatory pressure. In fact, by integrating our ESG practices, we hope to reduce our risk of adverse regulatory intervention. Additionally, through ESG, by investing capital into more promising and sustainable opportunities, we hope to increase our investor value proposition and avoid investments that may not pay off because of longer-term environmental or sustainability issues.

With a strong ESG proposition, VMIL can attract and retain quality employees, enhance employee motivation, and increase overall productivity. Employee satisfaction will not only increase our productivity but also enhance shareholder returns.

The gains we have made with financial performance, client relationships, process improvement, team engagement, as well as efforts to exploit regional opportunities, position VMIL to influence and advance the discussion around ESG principles and practices, and they should encourage our

stakeholders to include these in their strategic decision-making process.

We believe in leading by example. Accordingly, we are pleased to introduce you to VMIL's first ESG report. This report spans our activities and initiatives implemented in 2021 in the areas of Governance, Stakeholder Engagement, Business Ethics and Environment. As we embark on this ESG journey, we look forward to providing you with annual updates on our efforts to becoming a stronger, more resilient, and environmentally sustainable organisation.

Corporate Governance

Victoria Mutual Investments Limited (VMIL) ensures that our Corporate Governance Standards reflect emerging and best practices and meet and exceed our legal and regulatory requirements. Effective governance starts with the Board of Directors whose members are skilled, knowledgeable, independent, with diverse backgrounds, and the requisite experience to provide strategic direction to the company.

The following principles and practices, by which the Board of Directors are guided, are designed to ensure that VMIL always operates in a sustainable and responsible manner:

- Oversight and an effective relationship with Management to achieve the strategic objectives and sound business practices guided by accountability to shareholders and stakeholders.
- Governance practices are integral to VMIL's performance and long-term sustainability.
- Executing functions with integrity, accountability, and honesty.
- Avoidance of conflicts of interest and an obligation to declare any potential or actual conflicts of interest and obtain guidance; and
- Making timely and accurate disclosures.

As part of its mandate for long-term sustainability of the Company, the Board, in its deliberations, has prioritised:

- Effective management of enterprise risk
- Robust strategic planning and execution
- Strong oversight of the effectiveness of internal controls
- Ensuring equitable treatment of shareholders and other stakeholders
- Effective oversight of communication and public disclosures to ensure clear and timely communication of important decisions and matters
- Effective 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

Corporate Governance

CONTINUED

During the 2021 period, the Board of Directors assessed the operating environment, to align strategic execution, address the evolving operating environment, and to deliver the key targets and results. This was carried out by:

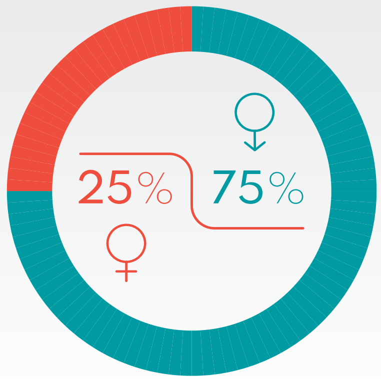
- Approving a strategic plan for the company with established Key Performance Indicators (KPIs) to deliver above benchmarks.
- Effective monitoring of Key Risk Indicators for performance above target.
- Oversight of Financial Reporting to ensure accuracy in reporting to shareholders.

Board Composition

The Board of Directors effectively oversees the operations of VMIL, pulling from diverse skill sets and cumulative years of experience in various industries. At the end of December 2021, there were 12 Directors. Miss Bridget Lewis was newly appointed on December 1, 2021.

The Board and the Board Committees are committed to maximising Board effectiveness, ensuring independence, and applying robust governance standards.

Board Composition



We have made strides in gender equity and equality at the Board level with the appointment of Miss Bridget Lewis, who brings with her a perspective that is cross-functional and multijurisdictional within the financial industry. The Corporate Governance, Nominations and Compensation Committee continues its work to prospect and recruit persons who meet the needs of the Board with regard to required areas of expertise. We also strive to achieve the threshold of 30% female directors in line with the S&P 500.

Board of Directors & Required Areas of Expertise

In keeping with best practice, a majority of the Board Members are non-executive directors.

DIRECTOR	ACADEMIC QUALIFICATIONS
Mr Michael McMorris	BA
Mr Milton Samuda	Esq
Mr Vikram Dhiman	MBA
Mrs Janice McKenley	MBA, FCCA, FCA
Mr Matthew Wright	MPhil, MA, BA
Mr Noel Hann	EFD, FAIA, MCMI
Mr Phillip Silvera	FCCA, FCA
Mrs Sandra Shirley-Auxilly	MBA, PMP
Mr Courtney Campbell	MBA, ACIB, JP
Mr Devon Barrett	MBA
Mr Rezworth Burchenson	MBA
Miss Bridget Lewis (appointed December 1)	LLB, BSc

The Board, during 2021, considered the relevant skills and experience required by Directors and applied them in the identification and appointment of new directors. **They include:**

- Provider of Market Access/Network
- International Business Management
- Digital/Information Technology
- Local Banking and Finance
- Strategic Planning and Management
- Mergers and Acquisitions
- Risk Management
- Entrepreneurship
- Accounting/Auditing
- Local Non-financial Industry Enterprise Management
- Strategic Marketing
- Legal

Director Independence

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

The majority (seventy-five per cent (75%)) of VMIL's Directors are deemed to be independent. An Independent Director can be described as:

- The Director is not and has not been an employee of the VMG (Victoria Mutual Group) for the last three (3) years.
- The Director is free of any interest, position, association, or relationship that might influence or be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board.
- The Director can act in the best interest of VMIL and its shareholders.

All Independent Board Members have full access to the Management Team through the President of the VM Group, the Chief Executive Officer (CEO) of VMIL, and the Corporate Secretary. Accordingly, information required to guide Board decisions and deliberations are readily accessible.

Directors' Compensation

In order to achieve our strategic objectives, we require visionary, experienced, and passionate Directors to provide effective guidance and oversight to management. The Corporate Governance, Nominations and Compensation Committee is responsible for reviewing the compensation philosophy for the Company and approving changes to the compensation structure, where necessary.

VMIL compensates its Directors fairly and responsibly in alignment with its strategy and competitively in line with other listed companies on the JSE's Main Market. For the financial year, a total of $22,987,000 was paid to directors of VMIL, an increase of 23% over last year's figure of $18,639,000. For the company, the amount paid was $13,023,000, an increase of 29% over last year's figure of $10,124,000. The increase in fees resulted from an increased number of meetings as directors are paid a retainer and a per-meeting fee.

Regulatory Compliance

The Group Enterprise Risk Management and Compliance Department ensures adherence to laws, regulations, and best practices. The Group Chief Legal, Compliance and Risk Officer reports to the Board of Directors on changes to the regulatory environment and any related matters.

All compliance-related issues for the year under review have been satisfactorily addressed. The Board actively supports the regulatory framework of VMIL Group and provides adequate oversight to ensure that the financial system is secure, and the interests of clients are protected. This is done by:

- Maintaining frequent and open communication with the regulators;
- Keeping well-informed on regulatory matters and responding to regulatory requests and reporting schedules in a timely manner;

Corporate Governance

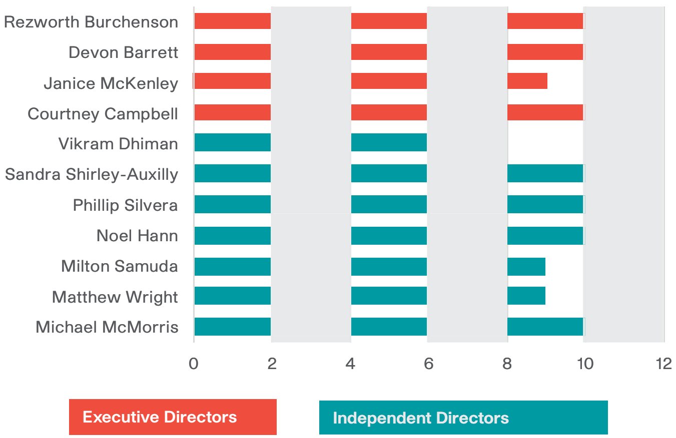
CONTINUED

- Ensuring that all Team Members and Directors are adequately informed on new and existing regulatory guidelines and advisories.

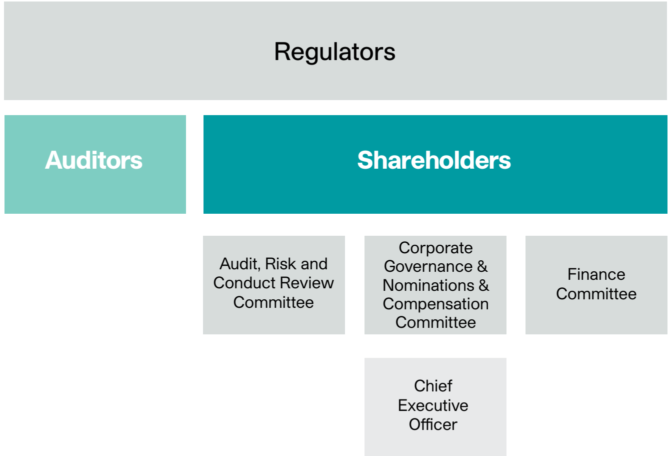
Board Meetings and Attendance

During 2021, the Board held eleven (11) meetings in the execution of its stewardship of the Company, in the supervision of the management of the business and affairs of VMIL, and fulfilled its mandate.

Directors' Meeting Attendance Record



Board Committees' Governance Structure



The Board, as part of its mandate, has established appropriate structures and procedures for all the Board Members to function independently of management, and this includes the establishment of the Board Charter with approved Committee Charters to assist the Board in carrying out its duties and responsibilities.

There are three Board Committees. Each Committee is composed primarily 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 roles, 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 appropriate accounting records; maintenance of an effective system of internal control; as well as oversight of the performance of the external auditors, the internal audit function, and risk management.

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED
Mr Phillip Silvera – Chair	9/9
Mrs Sandra Shirley-Auxilly	9/9
Mr Noel Hann	8/9

MILESTONES

- Committee Charter was updated
- No regulatory correspondence or advisory issued
- Quarterly financial reports and Audited Financials submitted within the required deadlines

Corporate Governance, Nominations and Compensation Committee

This Committee is responsible for periodically assessing the skill 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 of the compensation philosophy and performance management policy.

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED
Mr Milton Samuda – Chair	5/5
Mr Michael McMorris	4/5
Mrs Sandra Shirley-Auxilly	5/5
Mr Noel Hann*	4/5

*To ensure that Committees benefit from the Directors' skills and competencies, Mr Hann was rotated to the Finance Committee effective September 2021.

MILESTONES

- Approved revised Succession Policy
- Training of Directors by McKinsey
- Review of Board Self-Assessment
- Approval of Board Mentorship Framework for Senior Managers
- Approval of Corporate Social Responsibility Framework, Environment Policy and Stakeholder Engagement Policy
- CEO Performance Appraisal completed
- Corporate Governance Training for Board and Senior Management by PricewaterhouseCoopers
- No instances of insider trading

Finance Committee

This Committee is tasked with ensuring effective oversight and review of capital allocation, 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	NUMBER OF MEETINGS ATTENDED
Mr Matthew Wright - Chair	8/10
Mr Michael McMorris	10/10
Mr Noel Hann*	4/10
Mr Phillip Silvera	10/10

* To ensure that committees benefit from Directors' skills and competencies, Mr Hann was rotated to the Finance Committee effective September 2021.

MILESTONES

- Approval of updated Investment Policy.
- Capital adequacy ratios satisfied the regulatory requirements.
- Approval for VMIL to enter into a definitive agreement with Republic Bank (Barbados) Limited to acquire 100% of the issued and authorised common shares in Republic Funds (Barbados) Incorporate (RFI).

Board Evaluation and Performance Improvement

The Board is committed to improving its effectiveness and, to that end, assesses its performance on an annual basis with external input being sought periodically. These measures are considered vital in helping the Board safeguard its independence and efficacy in the discharge of its fiduciary responsibilities.

The Board Evaluation is conducted by an independent consultant to provide the assessment framework and provide Directors with the findings for the evaluation. The Performance Management Framework which is in place is also used to identify gaps and guide performance improvement.

A Board Evaluation Survey was conducted in December 2020 to January 2021. In this survey:

- The skill sets and gaps for the Board were reviewed – 12 key skills were identified in this review.
- Areas for improvement identified were:
  - Board Stewardship with a greater strategic focus – strategy and planning
  - Building on the relationship with Management

How we Govern our Subsidiaries

The Chairpersons of the subsidiary companies are guided by the roles and responsibilities in consultation with the

Corporate Governance

CONTINUED

Chairman of the Main Board and, may from time to time, meet with the CEO regarding the management of the subsidiary company, and matters related to performance of management officers.

Corporate Governance Highlights

Revised Charter

- Responsibilities for Environmental, Social and Governance (ESG) were included.

Corporate Social Responsibility Framework

- In ensuring VMIL is seen to be a good corporate citizen, as mandated in the corporate governance policy, there were 8 Corporate Social Responsibility Activities carried out in 2021.

Environmental Policy

- Newly implemented policy aimed at managing the use of natural resources in the most effective and efficient way to reduce our environmental impacts and financial costs.

Stakeholder Engagement Policy

- Newly implemented policy to guide the implementation of appropriate management strategies and processes that will identify and manage engagement with our Stakeholders.

Scholarship Launch

- VMIL's Scholarship — Maurice C. Robinson Business Management and Economics Scholarship was launched in October 2021.

Annual Board Evaluation

- A Board Evaluation Survey was conducted in December 2020 to January 2021. Areas for improvement identified: Board Stewardship (greater strategic focus), Strategy and Planning and Building on the relationship with Management.

Mentorship Framework

- Mentorship of Management by the Board of Directors began in 2021. Under this framework, leaders have a formal framework to tap into the strategic capacity of the Board to get greater alignment on leading VMIL through the next phase of its development.

Corporate Governance Training

- The training was successfully completed by PricewaterhouseCoopers (PwC) on November 29, 2021, for the Management Team and the Board.

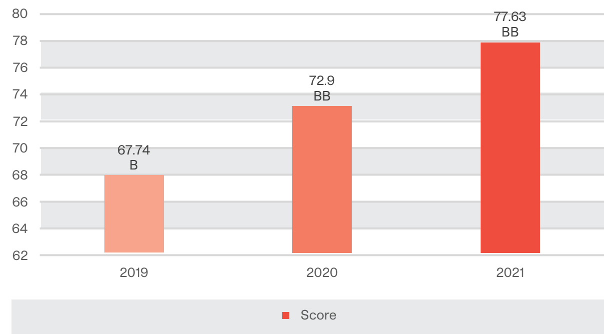
Director Rotation

- To ensure that Committees benefit from Directors' skills and competencies, the Board has decided to rotate directors in the various committees.

CORPORATE GOVERNANCE INDEX

VMIL received a Corporate Governance Index (CGI) rating of 'BB' in the last round of ratings conducted by the Jamaica Stock Exchange (JSE) on listed companies issued in February 17, 2022. VMIL has received incrementally improved scores for the past three years. The Board continuously reviews and discusses the rating criteria and is working to ensure improvement.

Corporate Governance Index Score



Diversity, Equity & Inclusion at VMIL

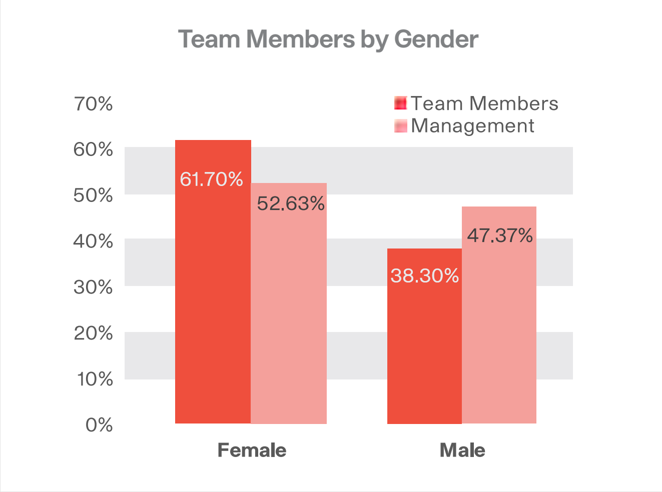
VMIL, as part of the VM Group, fosters an environment that promotes and encourages diversity among our Team Members, Clients, and those with whom we conduct business. Ensuring that all stakeholders feel respected, valued, and accepted is important to us at VMIL. Accordingly, in 2021, as a first step to embedding this approach, several policies were implemented to provide structured operational guidelines.

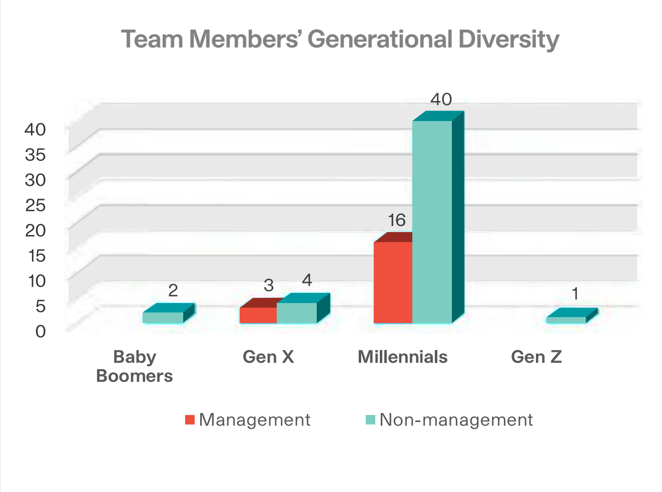
Additionally, the important ground-breaking VM Group Diversity Policy was developed, demonstrating our commitment to building and maintaining a diverse and inclusive organisation.

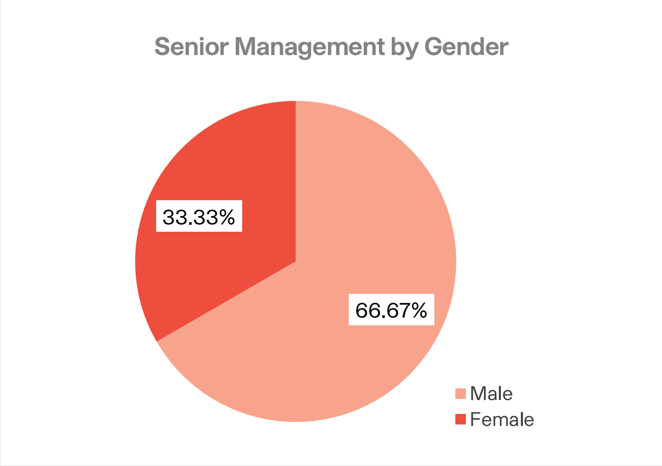
Gender Diversity in Leadership

As of December 31, 2021, our Diversity, Equity and Inclusion achievements were:

- **Chief Legal Officer is a female.**
- **Three members of the VMIL Board are female.**
- **33% of our Senior Managers are female.**







Code of Business Conduct & Ethics

The VMIL Group abides by the Code of Business Conduct & Ethics which mandates ethical and professional standards to which each Team Member must adhere. Guidelines within our Code of Conduct & Ethics policy include:

- Conflict of Interest.
- Fair Dealings.
- Securities Trading.
- Improper Handling of Sensitive Information.
- Misappropriation.
- Protection and Proper Use of Corporate Assets.
- Compliance with Laws, Rules, and Regulations.

Whistle-blower Policy

During 2021, a Whistle-blower Policy was approved. This policy provides Team Members with guidelines for raising legitimate issues or concerns to ensure Team Members and the organisation are protected. Team Members and other covered persons are encouraged to report any perceived breach of the Code of Business Conduct and Ethics, compliance policies, legislation, and regulations without fear of retaliation.

Whistle Blowers PTY Ltd is an independent ethics body providing ethics hotline services to private- and public-sector organisations across 30 countries over six continents. Whistle Blowers PTY Ltd provides multichannel reporting services which are available 24/7 to all Team Members, contractors, and vendors.

Other policies by which we are guided include the Electronic Communication Policy, VM Group Social Media Policy, Information Security Policy, and Personal Relationship Policy.

Stakeholder Engagement

VMIL is deeply committed to stakeholder engagement at all levels, having established meaningful relationships with a broad cross section of local and global institutions and people, including:

- Clients and Potential Clients
- Participants in our Advisory Services
- Stockholders and Potential Stockholders
- Employees and Potential Employees
- Regulators
- Industry Associates
- Players in the local and international financial sector

During the year, a Stakeholder Engagement Policy was implemented, which formally outlines the management strategies and processes governing engagement with our stakeholders.

Engaging our Shareholders

In 2021, we took a more focused approach to engaging our key and minority shareholders. The Stakeholder Engagement Policy was approved by the Board of Directors. Our key engagement strategies are:

- Providing regular updates through press briefings or issuing of releases.
- Making spokespersons accessible.
- Responding promptly to inaccurate reports.
- Doing media interviews.
- Providing thought leadership through various media channels.
- Promptly responding to social media queries.
- Proactively communicating with stakeholders via real-time channels.
- Conducting stakeholders' surveys and convening focus groups and similar fora.

In 2021, we held two (2) quarterly virtual investor meetings virtually at the end of the first (Q1) and third quarters (Q3), to better engage with the investing and analyst communities. This was separate from our regularly staged Annual General Meeting (AGM).

We also staged a quarterly dialogue with financial journalist Kalilah Reynolds to advance our agenda of financial education and to increase our social media currency.

Our series of Wealth Talks webinars continued, as well as our local discussion around the new business normal, with four (4) webinars staged.

In an effort to better communicate with the investing public, we directly email our refreshed quarterly financial statements to our investors.

Stakeholder Engagement

CONTINUED

Throughout 2021, Team Members were exposed to a multidimensional programme that included experience-based learning, training courses, as well as wellness activities and initiatives aimed at helping to future-proof our workforce.

Additional details on our People can be found in the Human Resources Section and Engaging Stakeholders sections of this report.

Leadership

In 2021, VMIL launched its Mentorship Framework, which is aimed at developing the leadership capacity across VMIL. Under this framework, Members of the Board of Directors provide mentorship to VMIL's management team. This is supported by a series of developmental workshops and other experiential opportunities. The Mentorship Framework complements other existing engagement and succession planning programmes such as Senior Managers' participation in the 'Harvard Manage Mentor Programme.'

Additional details on employee and potential employee engagement can be found in the Group Human Resources section of this report.

Clients & Potential Clients

VMIL has established several avenues for engaging with Clients and potential clients, chief among them through the provision of financial education and feedback mechanisms including the recently introduced Complaints Management Portal.

The activities and initiatives developed for our Financial Education programme have empowered our clients and potential clients with the knowledge to create their financial well-being, and an understanding of how the various products and services offered by VMIL can help them achieve their goals. One such programme is the VM Wealth Talks series which has been an effective tool for engaging our clients given their continued significant support with respect to their attendance and feedback.

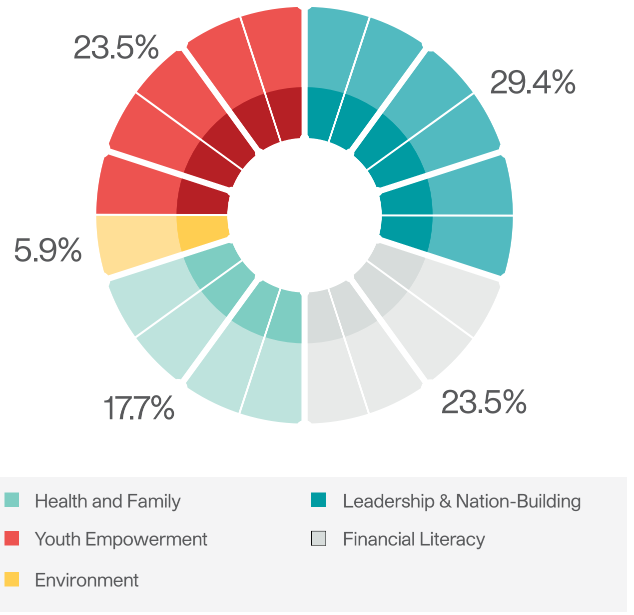
Engaging Our Community

VMIL is dedicated to transforming the lives of our Clients and Members of the wider communities within which we operate. As such, significant focus is given to philanthropic activities and encouraging a culture of volunteerism throughout the organisation. In 2021, VMIL made great strides in formalising a community framework which guides the way we interact with stakeholders. This was approved by the Corporate Governance Committee of the Board and the Board of Directors in April.

Additionally, in 2021, we helped guide introspective collaborations and developed programmes that result in significant and sustainable impact on lives. The community framework identified six pillars of impact and will be the areas on which we will concentrate our community activities. The six pillars are:

1. Health & Family
2. Leadership & Nation-Building
3. Youth Empowerment
4. Financial Literacy
5. Environment
6. Maintaining & Promoting Integrity & Ethics in Business

We continue to sponsor several projects across communities where our clients live and operate. Community-based activities undertaken by VMIL during 2021:



Over $1.7 million was disbursed as part of our community activities to organisations and individuals throughout 2021. Further, over 22,000 lives were positively impacted through our various outreach programmes, which were conducted virtually and in-person, where possible.

Notably, VMIL, in partnership with the VM Foundation and The University of the West Indies Endowment Fund (UWIDEF), launched the VMIL Maurice C. Robinson Business Management and Economics Scholarship for University of the West Indies (UWI) students pursuing a degree in the areas of business, management, data analytics/data science and economics. The scholarship is valued at $500,000 each year for one successful student. The successful candidate for 2021/2022 was Sammarieo Brown, a second-year computer science and statistics major. The scholarship is named in honour of former VM Wealth Management Chairman and accomplished attorney Maurice Robinson.

Environmental Policies & Practices

Given the importance of sustainable development, reducing our carbon footprint, and the emergency of climate change, the VMIL Board of Directors approved the Environmental Policy in November 2021 to guide the company's operations, investments, and approach to minimising any negative impacts on the environment. Commitment to good corporate citizenship has fostered the company's devotion to effectively and efficiently managing the use of natural resources to reduce its environmental impacts and the financial costs. Therefore, VMIL is dedicated to investing ethically, and in a socially responsible manner, to maintain a low impact on the environment. We believe that the health of the environment is crucial to the future of the planet. We want to do our part in preserving our natural resources for the sustainability of life itself.

VMIL's environmental goals are:

1. Develop a culture of volunteerism among employees and other stakeholders.
2. Conserve resources, reduce or eliminate waste, implement conservation techniques (use less energy and water at our facilities), and use resources such as water, energy, and raw materials efficiently and ethically.
3. Reduce reliance on fossil-fuel-based energy sources in favour of renewable energy sources such as wind and solar power.

Within the Environmental Policy, VMIL will address four (4) main elements, going forward, on a phased basis:

1. Climate Change

VMIL recognises that climate change is an urgent risk to the planet as we know it. As such, we will devise strategies to reduce our carbon emissions and our carbon footprint and consider financing projects that will have a positive environmental impact and reduce climate change vulnerability. To that end, VMIL utilises alternative energy solar solutions to power some of our facilities in order to reduce our carbon emissions and dependence on the electrical grid. Additionally, with the implementation of our Hybrid Remote Work and Flexible Work Arrangement Policy and facilitation of a majority of team members working remotely, we have reduced carbon emissions through office commuting on an individual level.

2. Natural Resources

Natural resources such as fossil fuels are available in fixed quantities and are non-renewable. Non-renewable resources are becoming increasingly scarce as population and consumption rise, so it is essential to prioritise conservation. VMIL is committed to future-proofing the next generation by ensuring the conservation of natural resources through the adoption of the usage of renewable forms of natural resources. As such, VMIL is also committed to increasing its substitution of non-renewable resources for renewables such as wind and solar energy.

3. Pollution and waste

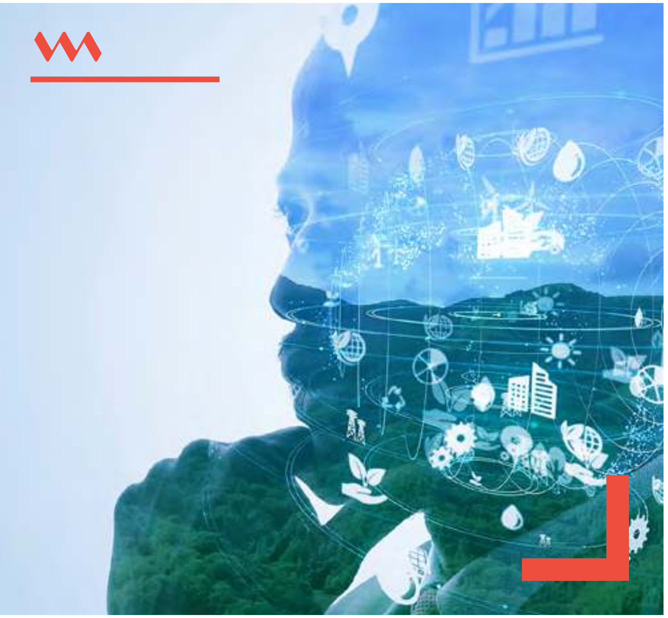
Trash can travel throughout the world's rivers and oceans, accumulating on beaches and within gyres. This debris harms physical habitats, transports chemical pollutants, threatens aquatic life, and interferes with human use of river, marine, and coastal environments. This is particularly detrimental to a country like Jamaica that thrives on its natural resources. As such, VMIL will develop strategies to reduce its contribution to pollution and waste as well as to bring awareness to the problem through initiatives in collaboration with the VM Foundation.

4. Environment opportunity

From a philosophical standpoint, VMIL is continually exploring opportunities in emerging areas. Within the environmental sphere, VMIL will explore opportunities in clean technology, green buildings, sustainable and renewable energy, whether from ethical investment or operational perspectives where we can have a positive impact or reduce a negative footprint.

In line with our environmental goals, VMIL embarked on a mangrove clean-up along the Palisadoes main road in Q2 2021, along with the completion of installation of occupancy sensor lights at our New Kingston location in Q4 2021.

ESG Disclosures



The tables below reflect VMIL's disclosures relating to ESG factors, with reference to our Organisational Profile, Strategy, Ethics, Governance and Reporting Practice which will provide our stakeholders with a central space to identify and assess our approach to building a sustainable organisation.

During the first quarter of 2022, the VM Group will seek to formalise its ESG framework and, in the process, adopt international standards to guide how we report on our journey towards sustainability.

Organisational Profile

Description of ESG Disclosure	Cross-Reference or Answer
Name of organisation	Victoria Mutual Investments Limited
Activities, brands, products, and services	VMIL Annual Report
Location of headquarters	New Kingston, Kingston, Jamaica
Location of operations	VMIL operates in 9 locations in Jamaica
Ownership and legal form	Public Company
Markets served	VMIL Annual Report
Scale of operation	VMIL Annual Report
Information on employees	Stakeholder Engagement
	VMIL Annual Report
External initiatives	Stakeholder Engagement Community
Membership of associations	Stakeholder Engagement

Strategy

Description of ESG Disclosure	Cross-Reference or Answer
VMIL Strategy	Chairman's Report Chief Executive Officer's Report Strategy Section — VMIL Annual Report

Ethics and Integrity

Description of ESG Disclosure	Cross-Reference or Answer
Values, principles, standards, and norms of behaviour	Our Core Values
Mechanisms for advice and concerns about ethics	Code of Business Conduct & Ethics

ESG Disclosures

CONTINUED

Governance

Description of ESG Disclosure	Cross-Reference or Answer
Governance structure	Board of Directors Board Committees VMIL Leadership Team
Delegating Authority	Board of Directors Board Committees VMIL Leadership Team
Executive-level responsibility for economic, environmental, and social topics	Board of Directors Board Committees Senior Leadership
Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement
Composition of the highest governance body and its committees	Board of Directors
Chair of the highest governance body	Board of Directors
Role of highest governance body in setting purpose, values, and strategy	Board of Directors
Collective knowledge of highest governance body	Board of Directors Board Committees VMIL Leadership Team

Reporting Practice

Description of ESG Disclosure	Cross-Reference or Answer
Entities included in the consolidated financial statements	VMIL Audited Financial Report
Defining report content and topic Boundaries	VMIL Annual Report Contents
List of material topics	Governance and Ethics Group Human Resources, Engaging Our People Environment Stakeholder Engagement
Restatements of information	This is VMIL's first ESG report
Reporting period	January 1 - December 31, 2021
Date of most recent report	This is VMIL's first ESG report
Reporting cycle	January 1 - December 31, 2021

Stakeholder Engagement

Description of ESG Disclosure	Cross-Reference or Answer
List of stakeholder groups	Stakeholder Engagement
Identifying and selecting stakeholders	Stakeholder Engagement
Approach to stakeholder engagement	Stakeholder Engagement

Shareholdings

Shareholdings for Top Ten Largest Shareholders for Victoria Mutual Investments Ltd **as at December 31, 2021**

RANK	NAME	TOTAL SHARES HELD AS AT DECEMBER 31, 2021	% OWNERSHIP
1.	The Victoria Mutual Building Society	1,200,020,000	80.00%
2.	PAM – University Hospital Scheme of Pensions	7,560,600	0.50%
3.	Rezworth Burchenson & Valerie Burchenson	6,400,330	0.43%
4.	Sagicor Select Funds Limited (Class B Shares) Financial	6,135,970	0.41%
5.	JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	5,685,039	0.38%
6.	Michael McMorris & Christine McMorris	5,555,667	0.37%
7.	VM Wealth Equity Fund	4,791,347	0.32%
8.	Rickardo Ebanks & Alda Ebanks	4,537,221	0.30%
9.	Geoffrey Forde	4,500,000	0.30%
10.	PAM – Pooled Equity Fund	3,673,648	0.24%

Shareholdings for VMIL Senior Managers / Connected Parties **as at December 31, 2021**

NAME	SHAREHOLDINGS AS AT DECEMBER 31, 2021
Valerie Burchenson/Rezworth Burchenson Rachelle Burchenson/Rezworth Burchenson Rezworth Burchenson/Valerie Burchenson Oswald Burchenson/Rezworth Burchenson	249,952 75,000 6,400,330 212,147 **Combined Holdings: 6,937,429**
Nicole Adamson/Johann Adamson	379,000
Denise Marshall-Miller/Ajani Miller Denise Marshall-Miller/Wayne Miller Denise Marshall-Miller/Azania Miller Denise Marshall-Miller/Akil Parchment	25,000 800,000 25,000 25,000 **Combined Holding: 875,000**
Evette M. Bryan/Shullette Cox	212,000
Tamara Waul-Douglas	0
Davie Stanley Martin/Kimberley Anne Elizabeth Martin	62,000
Jason Bailey	0
Dwight Jackson	0

Shareholdings

CONTINUED

Shareholdings for VMIL Directors/Connected Parties as at December 31, 2021

NAME	SHAREHOLDINGS AS AT DECEMBER 31, 2021
Michael McMorris/Christine McMorris/Easton McMorris	5,555,667
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-Auxilly	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
Bridget Lewis	0

2022 Financial Calendar

EVENT	DATE
Annual Report Release	April 30, 2022
Q1 Earnings Release	May 14, 2022
Annual General Meeting	May 24, 2022
Half-Year Investor Briefing	August 15, 2022
Q2 Earnings Release	August 15, 2022
Dividend Consideration	November 11, 2022
Q3 Earnings Release	November 12, 2022

Accelerating the Transformation

VM Investments
Limited

Our Policies

Corporate Governance Policy

VM Investments Limited ('VMIL') recognises the need to adhere to best practices in corporate governance. Sound corporate governance policies and practices are important to customers, shareholders, and all stakeholders. VMIL is a member of the VM Group and observes the standards established by the Group.

The principles set forth in this policy are geared towards ensuring the ability of the Board of Directors (the 'Board') to effectively supervise the strategic direction and operations of VMIL.

Corporate Social Responsibility Framework

The Framework for Corporate Social Responsibility is guided by VMIL Corporate Governance Policy Principle 15, which states, *inter alia*:

The VM Group is committed to the highest standards of Corporate Social Responsibility. The Board should ensure that VMIL acts ethically and responsibly with honesty, integrity, and in a manner consistent with the legitimate interests and expectations of stakeholders and the broader community.

Environmental Policy

VMIL is committed to good corporate citizenship and, therefore, to managing the use of natural resources in the most effective and efficient manner to reduce its environmental impacts and financial costs. VMIL is also committed to investing ethically and in a socially responsible manner to maintain a low impact on the environment.

In pursuance of this, we have adopted three (3) environmental goals:

Goal 1. Develop a culture of volunteerism among employees and other stakeholders.

Goal 2. Conserve resources, reduce or eliminate waste, implement conservation techniques (use less energy and water at our facilities), and use resources such as water, energy, and raw materials efficiently and ethically.

Goal 3. Reduce reliance on fossil fuel-based energy sources in favour of renewables such as wind and solar power.

Stakeholder Engagement Policy

Communication with stakeholders no longer takes place solely within the bounds of the proxy season. Stakeholders and companies alike benefit from year-round communication. As VMIL operates in a highly competitive market, continuous and effective Stakeholder Engagement is vital to achieving high stakeholder trust and accomplishing business targets. A robust and current Stakeholder Engagement Policy (SEP) is, therefore, a critical component of VMIL's Communications Policy.

VMIL is committed to implementing appropriate management strategies and processes that will identify and manage engagement with its stakeholders.

Dividend Policy

VMIL became a listed entity on the Jamaica Stock Exchange (JSE) in December 2017. At that time, 20% of the ordinary shares were made available to the public. The dividend policy is based on a philosophy that the company should be adequately capitalised and retain sufficient funds to expand and strengthen the business going forward.

The purpose of this policy is to guide the frequency and value of dividend payments to ordinary shareholders. The policy shall accordingly be employed in determining any claim by any shareholder, individual, or institution regarding the dividend payable, subject to any provisions in the Articles of Association.

Business Continuity Plan (BCP)

The purpose of this plan is to assist in ensuring that the time-sensitive business processes performed by VMIL are restored in the most timely fashion in the event of a disaster. The intention of the plan is to complement, not to replace, emergency and security procedures that already exist.

The BCP outlines the responses needed in specific scenarios, and indicates the minimum resources required to ensure the continuity of key business functions in the event of business disruptions. Testing is done to determine the adequacy and effectiveness of contingency planning, and the timeliness of restoration procedures. This is done through regular limited scope testing and annual comprehensive testing. This may be done more frequently if the business determines it is appropriate.

Anti-Money Laundering/Counter-Financing of Terrorism (AML/CFT) Policy

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 guide 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.

The objectives of the policy are:

i. To prevent, detect, and report money-laundering and terrorist-financing activities in the operations.

ii. To ensure with all applicable legislation, regulations, and guidelines issued by the Competent Authorities.

iii. To engender the best practices in the areas of AML and CFT.

iv. To ensure adequate systems are in place to identify and monitor the activities of politically exposed persons (PEPs) and other high-risk clients.

v. 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.

vi. To embed ‘Know Your Customer’ standards as a cornerstone principle which will result in best practices.

vii. To ensure annual independent audit of AML/CFT policies and procedures.

viii. To ensure that VMIL complies with regulatory reporting obligations.

Enterprise Risk Management (ERM) Policy

ERM is defined as an organisation’s competency to manage uncertainty, and more effectively minimise threats and maximise opportunity. The capacity to adapt to change makes VMIL more resilient and better able to evolve in the face of marketplace and resource constraints.

VMIL is cognisant of these challenges and has integrated ERM practices improving decision-making in governance, strategy, objective setting, and day-to-day operations in order to better adapt. This enhances performance by more closely linking strategy, business objective, and risks, providing a clear path to creating, preserving, and realising value for the Group.

The ERM Policy is an essential component in the development and maintenance of sound ERM practices. The purpose of the policy is to establish a formal, systematic, and integrated, principle-based approach to identifying, managing, and monitoring risks across VMIL. It defines the key roles and responsibilities of stakeholders to ensure that significant risks are adequately identified,

Our Policies

CONTINUED

managed, and monitored to create, preserve, and, ultimately, realise value.

Securities Trading Policy

This 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. It intends 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 defines insider trading and price-sensitive information, among others. It outlines restrictions on trading activities for Traders within other VM subsidiaries, along with the consequences for non-compliance. The Policy also contains trade restrictions for Designated Persons and their respective Connected Parties which are controlled and monitored by:

i. Specified 'Blackout Periods' and 'Trading Windows' for the trading of VMIL shares and securities;

ii. Requests for approval and the confirmation of VMIL trading activities by Senior Management;

iii. Semi-annual disclosure of personal trading activities;

iv. Annual certification of trades and securities holdings; and

v. Trade reviews and quarterly reporting to the relevant Board committees.

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:

- Conflicts of Interest.
- Fair Dealings.
- Securities Trading.
- Improper Handling of Sensitive Information.
- Misappropriation.
- Protection and Proper Use of Corporate Assets.
- 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, Team Members, and agents throughout the Group. **Additional general guidelines include:**

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

Remote Work & Flexi-Work Arrangement Guidelines

The Remote and Flexible Work Arrangement Programme was introduced in 2018 as part of the Great Place to Work Initiative and Employer of Choice Strategic Objective. The Remote Work and Flexible Work Arrangement Programme allows Team Members to be scheduled to work remotely or to adjust start and finish times while delivering defined objectives that are measurable and must be delivered at an agreed time.

Remote work allows Team Members to work outside of the traditional office environment. It is based on the concept that work does not need to be done in a specific place to be executed successfully. Team Members may proceed to work remotely if the business requires it or if the request is made by a Team Member for personal reasons.

Electronic Communication Policy

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

The policy dictates:

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

Information Security Policy

The objective for developing and implementing the Information Security Policy is to provide direction in accordance with business requirements and applicable laws and regulations. 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 programmes to all authorised members of staff in accordance with established Service Level Agreements, best information technology (IT) practices, and imposed compliance standards.
3. Integrity and privacy of all data and information systems as intended for business use.

Chief Executive Officer's Report

"Focus on the problem and you'll get lost. Focus on the solution and you'll find a way."

ANONYMOUS

The VM Group's rebranding in 2021 saw VMIL undergoing physical transformation. However, our Mission and Vision of being the leading Caribbean-based, client-focused organisation remained constant. VMIL's commitment to our Vision, despite the ongoing COVID-19 pandemic, contributed to significant wins in 2021. The wins were made possible by our Team Members' adaptability, as well as their consistent and dedicated efforts.

Against the macroeconomic challenges that the domestic economy endured, **our financial performance showed robust growth when compared to 2020, with net income of $564M, a 30.1% increase over the $434M recorded for 2020 and a 7.9% growth in revenues.** The growth in revenue was a result of key business lines recording improved performance, including Asset Management, Bond and Equity Trading, Net Interest Income, and Investment Gains. For the year under review, off-balance sheet assets under management grew by 5.75%. This was a commendable performance given negligible returns in key asset classes such as large cap local equities and emerging market global bonds. The key driver for this performance was the VM Wealth Unit Trust Classic Property Portfolio, which returned a market-leading return of 10.79%.

Our **efficiency ratio continued to be strong at 59%**, highlighting our cost-containment efforts. Our wholly owned subsidiary, VM Wealth Management Ltd (VMWM), continued to surpass the minimum regulatory ratios stipulated by the Financial Services Commission (FSC).

In Q2, VMIL received an investment-grade credit rating from Caribbean Credit Rating Services Limited (CariCris), along with a stable outlook. The CariBBB- rating was based on VMIL's position as a competitive player in the local financial sector, demonstrated by our history of strong financial performance and adequate capitalisation. The rating has since allowed us to raise additional debt capital of $2.9B. These funds have been utilised to accelerate our lending efforts, coupled with improving our underwriting capabilities for corporate finance transactions.

VMIL has begun to realise its Vision of regional expansion set out in 2018. A major win for us came in Q4 2021, with the extension of our footprint in Barbados. VMIL signed a definitive agreement to purchase Republic Funds Incorporated (Barbados). This entity offers three (3) mutual fund offerings in Barbados and aligns with our thrust to grow our asset management business in the Caribbean.

In line with attaining the UN's 17 Sustainable Development Goals (SDG), VMIL has made great strides in sustainable development. Since its origins, VMIL has been moved to make positive impacts on the lives of Jamaicans, both at home and in the diaspora, while preserving our environment. This year, the VMIL team, while continuing to sponsor several projects in the communities in which our clients live and operate, held guided introspective collaborations to develop programmes that could have a significant, yet sustainable, impact on lives. To that end, the VMIL Corporate Social Responsibility (CSR) Framework and the Environmental Policy were approved by the Corporate Governance Nominations and Compensation Committee of the Board and the Board of Directors in 2021.

Through our CSR Framework, **VMIL has been meaningfully impacting the society**, while strengthening the VM brand.

The six (6) CSR pillars of impact identified were:

1. Health & Family
2. Leadership & Nation-Building
3. Youth Empowerment
4. Financial Literacy
5. Environment
6. Maintaining & Promoting Integrity & Ethics in Business

VMIL completed a total of 16 CSR activities in 2021, including our Wealth Talks, financial contributions, visits to homes, the launch of a scholarship programme in collaboration with The University of the West Indies Development & Endowment Fund (UWIDEF), and environmental projects.

Despite several changes in the mode of operation, because of the various surges in COVID-19 cases, customer experience stays at the core of everything we do at VMIL. We are committed to providing best-in-class service to our clients. We accelerated our digitalisation efforts and gave our clients 24/7 access to their accounts through our Client Portal. Our Net Promoter Score (NPS), which measures how much our clients would recommend the VM Wealth Management brand, saw meaningful improvement, moving from a score of 23 in 2020 to 36 in 2021. This improvement was attributed to major enhancements in our speed and efficiency in the processing of transactions and serving our clients.

Chief Executive Officer's Report

CONTINUED

While being customer focused, VMIL also ensured that much attention was placed on the well-being of its employees. COVID-19 brought along many challenges to the mental, physical, and spiritual health of our Team Members, but we supported them through wellness sessions and incentive-based initiatives. Moreover, as the war on talent raged in 2021, we needed to pivot on several initiatives designed to attract, develop, motivate, and retain our top talents. We have strengthened our internal talent pool with more focus on providing experience-based learning for our high-potential Team Members. Our employee retention and recruiting efforts, including Talent Development and Retention and Rewards and Recognition programmes, met our 2021 target of 77% in our 2021 Engagement Survey. Our Human Resource and Engagement Index (HREI) action plans continued to focus on engendering a culture of accountability, diversity, and inclusion.

As we surpass the two-year mark of this ongoing pandemic, VMIL will continue striving to be the leading Caribbean-based provider of financial services in 2022. In line with this goal, VMIL remains committed to:

1. Improving our sales and services framework to increase our local and regional presence.

2. The integration of the Republic Funds business within the VMIL asset management unit.

3. Fostering an environment of high performance, yet a caring culture by leveraging the Great Place to Work Certification and our culture initiatives.

4. Maintaining the VM Wealth Unit Trust Property Portfolio as a market leader, and we intend to further leverageour competencies in this area to create additional products for our clients. We expect to launch innovative products linked to real estate during the next two years.

5. Building on the success of our first agile lab. There are additional technology projects to be executed to create a better service experience for our clients. Additional phases of our Client Management System will be launched to deliver additional functionalities to our valued clients.

Let VMIL transform your everyday, as we embark on another record-breaking year in 2022.

Rez Burchenson

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Chief Executive Officer

2021 Business Highlights

01.

Productivity of our sales team increased by

50%

over the previous year

02.

We have improved our client experience, which is evident in our NPS score, which improved to

36

03.

Significant increase in **diaspora engagement**

04.

Increased media presence with several speaking engagements and many newspaper articles published

05.

Launch of the WealthWise Podcast

06.

Successful delivery of many webinars

07.

Ramp up of **corporate social responsibility** and passage of new policies

08.

The Corporate Finance team arranged up to **J$23.3Bin deals spanning sectors such as Mining, Energy, Manufacturing, Tourism, Entertainment, Distribution and Construction.**

09.

Revised key risk assessments that are tied to the VM Group Strategic Objectives

10.

Formalised Service Level Agreement documents

11.

Investment-grade rating **(CariBBB-)** assigned from regional rating agency, CariCris, in May 2021

REPORT ON 2021

2021 Business Highlights

CONTINUED

Capital Raises in 2021

Some highlights of the disclosed deals executed during the last financial year included:

J$350M raised on behalf of **Blue Emerald Limited,** a company in the energy space needing financing to help with capital expenditure. We were able to assist by structuring a fit-for-purpose facility to help the business get the affordable financing it needed.

We also arranged bridge financing of **J$700M** on behalf of **Kingston Properties Limited** to complete the acquisition of two commercial real estate assets to bolster their portfolio. This bridge financing is expected to be retired by an Additional Public Offering in Financial Year 2022.

Over **J$5.0B** was also raised on behalf of connected businesses within VMIL for varying purposes, including supporting business development and debt refinancing.

Credit Rating (CariBBB-)

VMIL received an investment-grade credit rating from **Caribbean Credit Rating Services Limited (CariCris)**, along with a stable outlook. The rating reflects VMIL's position as a growing player in the Jamaican financial services sector, with strong support from its ultimate parent, VM Building Society (VMBS). Additionally, VMIL has exhibited a history of good financial performance and adequate capitalisation levels. The stable outlook is premised on CariCris' expectation that VMIL will remain profitable and adequately capitalised over the next 12 to 15 months from the date of the rating, May 19, 2021.

Performance Highlights 2021

01.
13.13%
Return on Equity

02.
59.2%
Cost/Income Efficiency Ratio

03.
$78.7B
Assets Under Management

04.
$2.87%
Growth in Assets Under Management

05.
$2.69B
Regulatory Capital

06.
$0.155
Per Share ($233M) – Dividends Paid

07.
14.97%
Capital To Risk-Weighted Assets

08.
10.79%
Return On Classic Property Portfolio

09.
36
Net Promoter Score

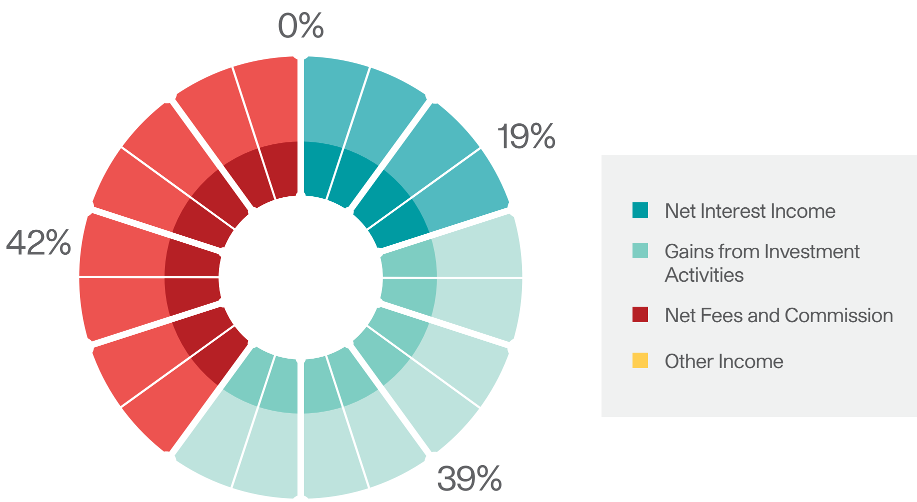
10.
85%
Online Equity Trades Via J-Trader

REPORT ON 2021

VMIL at a Glance

Business Segment Contribution to Revenue:

Group Operating Revenue 2021



9 Branches

Footprint in **2** Countries

13,000+ Active Clients

$31.2B Total Assets on Balance Sheet

$564.14M Net Profit

Accelerating the Transformation

VM Investments Limited

Leadership Team

Mr Rezworth Burchenson
MBA, BSc
Chief Executive Officer

Rezworth Burchenson is a Senior Vice President and CEO of VM Investments Limited (VMIL) and its subsidiary, VM Wealth Management (VMWM). Mr Burchenson was appointed CEO of VMIL and VMWM in January 2019 after a successful tenure as Deputy CEO of both businesses and CEO of VM Pensions Management Limited.

He is a results-focused, purpose-driven leader with an impressive record of success in the financial services industry. Before joining the VM Group, Mr Burchenson provided transformative leadership in senior roles, including CEO of Prime Asset Management Ltd and Vice President and General Manager of Pan Caribbean Asset Management Ltd, with principal responsibility for managing Jamaica's largest unit trust (Sigma Unit Trust).

Mr Burchenson is well regarded by his industry peers, his team members and clients, and has received accolades for his contribution to the local financial landscape. In 2012, he was named among the PSOJ's exclusive '50 Under Fifty' in the field of investments and finance.

His contribution to the sector also includes serving on the PSOJ's Economic Policy Committee and as 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).

A Barclays Bank Scholar while at The University of the West Indies, he earned a Bachelor's Degree in Economics (Hons) and an MBA in Banking and Finance (Hons). He also received 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 Burchenson believes strongly in purposeful work and is driven to improve financial inclusion and wellbeing among Jamaicans at home and abroad.

Mr Dwight Jackson
MSc
Assistant Vice President
Capital Markets

Mr Dwight Jackson joined the VM Wealth Management Limited team in February 2021 as Assistant Vice President, Capital Markets, and will be developing and implementing strategies aimed at growing VMWM's and VMIL's market share locally and regionally.

Mr Jackson has more than 10 years of combined experience in the financial industry spanning investment banking, commercial banking, central banking, risk management, model building and research.

His most recent assignment was in the role of Manager, Origination & Structuring – Investment Banking Unit at NCB Capital Markets. While there, he was instrumental in originating, structuring, arranging, brokering, underwriting, and listing some of the largest IPOs and public offering of shares in Jamaica's history.

Prior to that, Mr Jackson was Quantitative Risk Officer, Group Risk Management Division at NCB, where he managed group-wide credit risk exposure for the Group with assets of just under J$700 billion, stipulating suitable risk limits for credit portfolios and developing frameworks and models to better analyse and manage risk exposures.

Mr Jackson attained a Master of Science Degree in Economics with concentration in Financial Economics and Game Theory from The University of the West Indies, Mona, and a Bachelor of Science Degree with honours from The University of the West Indies. He is also certified in Corporate Finance from Euromoney Learning, London.

When he is not making big moves in the world of finance, Mr Jackson enjoys watching, playing and talking about football. He is also an avid runner and cyclist.

Mr Davie Martin
MBA
Manager
Asset Management

Davie Martin is an alumnis of Kingston College who joined the VM Investments 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. Mr Martin has over 20 years of experience in the financial industry, spanning Wealth Management, Trading and Asset Management.

Mr Martin is an avid sports fan and a long-suffering Arsenal supporter. He also enjoys going to the beach and spending time with his family.

Mr Martin holds a Master of Business Administration with a focus on Banking and Finance from the Mona School of Business and a BSc in Management Studies and Accounting from UWI.

Mrs Evette Bryan
Senior Manager
Treasury

Mrs Evette Bryan joined VM 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. Her promotion to Manager, Treasury and Trading in 2011, was followed by a further advancement in 2019 to her current role as Senior Manager, Treasury, where she practises due diligence in managing not only the portfolio of assets for VMIL/VM Wealth but also, for clients.

Having acquired over 25 years of experience in banking and finance, Mrs Bryan is quite adept at treasury management, trading, portfolio management, collective investment schemes, 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. She was also part of the Fitz Ritson and Associates teaching staff for a few years, imparting knowledge to the investment banking sector on Portfolio Management, Mutual Funds and Financial Management.

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, Enterprise Risk Management, Strategic Financial Management, and Portfolio Management, from the Mona School of Business and Fitz Ritson and Associates.

Mrs Denise Marshall-Miller
MBA, BBA (Hons.)
Senior Manager
Bond and Equity Trading

Mrs Denise Marshall-Miller joined the VM 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 relationship 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, generate trading gains, and growing equity commission while educating the client base on investing.

In January 2022, Mrs Marshall-Miller was promoted to Senior Manager - Bond,Equity and Digital Asset Trading. Alternative investments were added to her portfolio. She is tasked with generating revenue from both traditional and non-traditional investments.

Mrs Marshall-Miller has over 17 years of experience in the Finance Industry and has built a strong record of accomplishment 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 as a Wealth Advisor and quickly accelerated to that of Manager, Markets & Trading Department. 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.

Leadership Team

CONTINUED

Mr Jason Bailey
MSc (Dist)
Manager
Risk and Compliance

Mr Jason Bailey joined the VM Investments Team as Manager, Risk and Compliance in July 2021. His mandate is to foster a strong risk and compliance culture and awareness among team members, to ensure compliance with the guidelines and regulations of the regulatory and statutory agencies and to ensure that internal policies and procedures are being followed.

Mr Bailey has over 5 years of combined experience in Enterprise Risk Management (ERM) and Compliance and has worked as a Compliance Officer, an ERM Officer, and then an ERM Manager at Sagicor Group Jamaica Limited. At Sagicor, Mr Bailey did significant work which led to the implementation of an ERM framework, ERM policy, ERM procedures, and risk appetite statements and tolerance limits across each business unit that were aligned to international best practices. He also worked on several key initiatives including developing and implementing a fraud management portal, establishing service level agreements, and conducting risk assessments to identify key risks as well as risks inherent in new products, projects, and strategic initiatives.

Mr Bailey holds an MSc in Enterprise Risk Management (Distinction) from UWI, a BSc in Mathematics with Actuarial Science Emphasis (Magna Cum Laude) from NCU and an ASc in Computer Information Science (Magna Cum Laude), also from NCU.

Mrs Karlene Waugh
BSc
Assistant Vice President
Business Operations

A results-focused professional with a passion for efficiency and effectiveness, **Mrs Karlene Waugh** holds the post of Assistant Vice President – Business Operations for the VM Building Society. In this capacity, Mrs Waugh plays a pivotal role in the design and alignment of business objectives to products, process & technology, standardisation of business processes, increased automation of process controls and compliance to internal controls throughout the VMBS Branches & Representative Offices.

Mrs Waugh's journey in the financial industry started in 1992 at VMBS in the capacity of Teller at the Half-Way-Tree Branch. She has since progressed through the organisation, serving in various positions through to her current role. These positions include Supervisor – Branch Accounting, Customer Service Representative and Teller, Assistant Manager – Systems and Methods and Assistant Manager – Half-Way-Tree Branch.

With over 20 years of experience in Building Society operations with proven competence in operations, policy & process improvement, Mrs Waugh holds a BSc in Management Studies (Hons) from The University of West Indies (Mona). She also has formal training in Risk Management, Credit Administration, Job Evaluation, Change Management and certification in Applied Project Management administered by Project Management Global Institute, Lean Six Sigma - Green Belt administered by CARICODE & Strategy Consultants, Organization Development (OD) administered by CARICODE & UTech, Caribbean Securities, FX Trading, Brokerage Operations administered by the JSE.

Ms Waugh is on secondment to VM Investments Limited.

Mrs Nicole Adamson
CFA, FRM, CSM, MSc
Manager
Research

Mrs Nicole Adamson has two decades' experience in the financial industry in both the private and public sectors. She joined the team at VM Wealth Management in April 2011 in the capacity of Research Manager and during her tenure has also had responsibility for stockbroking. As manager for research, Mrs Adamson oversees the team of analysts that provides insights into the local and global economies and investment guidance on investments spanning equities, bonds and other non-traditional investments. Under her guidance, 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 VM Building Society in the Strategy Department and at the Ministry of Finance & Planning.

Mrs Adamson is a CFA Charterholder, Financial Risk Manager (FRM) Fellow with the Global Association of Risk Professionals and a Certified ScrumMaster® with the Scrum Alliance. She holds an MSc in Finance, Economics and Econometrics from the Bayes 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, BA
Senior Manager
Sales & Client Relations

Tamara Waul-Douglas joined the VM Investments Team in October 2019 and brings with her more than 20 years' experience in the financial services sector. Since joining the Team, she has transformed not only the sales culture of the company but made significant improvement in the service delivery to the clients. This was achieved through a reorganisation of the Sales and Client Relations Unit and the implementation and improvement of several administrative processes to enhance service delivery.

Prior to joining the VM Investments Team, she was the Loyalty and Client Retention Manager – Payments Unit, at Sagicor Bank Jamaica Limited. Under her leadership she assisted with the launch of 2 new products, MYCASH card and E-Commerce (Retail and B2B). Previous assignments at Sagicor included Branch Manager at the Liguanea, Hope Road, Manor Park and Knutsford Boulevard Branches.

Mrs Waul-Douglas holds an MBA in Human Resource Management from Mona School of Business, a Post-Graduate Diploma in Business Administration (Hons) from MSOB, a Bachelor's Degree in History (Hons) from UWI and completed a certified Harvard Manage Mentor Programme.

She also serves as a mentor at her alma mater, St Andrew High School for Girls, and enjoys reading and interacting with nature.

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 VM Pensions Management Limited (VMPM), most recently in the post of Assistant Manager, responsible for Client Portfolios and Financial Reporting. Prior to that, Ms Wynter 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.

Ms Wynter 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.

Leadership Team

CONTINUED

Ms Keisha Mascoll
BA (Hons)
Senior Manager
Group Marketing (Retail)

Ms Mascoll is VM Group's Results Focused, Customer Obsessed Senior Manager of Group Marketing (Retail). She has developed an enviable reputation as a veritable 'Magic Maker' and 'Creative Conjurer' with a keen eye for detail and formidable skills in strategic brand-building.

An accomplished marketer with over 20 years' experience, Ms Mascoll was promoted to her current role in October 2021, having excelled in her previous role as Group Marketing Manager, a position she held since joining VM in 2008. Before this, Ms Mascoll was Marketing Manager at First Global Financial Services Limited.

She holds a BA in Mass Communications from the University of the West Indies, Mona; a Certificate in Digital Marketing from Columbia Business School; and a Certificate in Project Management which she earned from the Project Management Global Institute.

Mrs Sharon Sterling
MBA
Manager
Marketing

Ms Sterling assumed responsibility for the marketing activities of Victoria Mutual Wealth Management in April 2015. She has 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, Ms 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.

Ms 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.

Management Discussion & Analysis

VM Investments Limited

Management Discussion & Analysis

Introduction

Year two of the COVID-19 pandemic presented various challenges in the form of waves, new variants, and more stringent containment measures, which created disruption and uncertainty for individuals, businesses and countries. Notwithstanding, we remained undaunted, and guided by our core values: Member Focus, Integrity, Teamwork, Innovation, and Excellence. We responded with acumen and dexterity, and were able to deliver a solid financial performance. Therefore, we thank our hardworking Team Members for their dedication, commitment, and stern response whenever called upon and our loyal customers, shareholders and wider stakeholders for their confidence and support that made VMIL successful in 2021.

Economic Overview

Jamaica

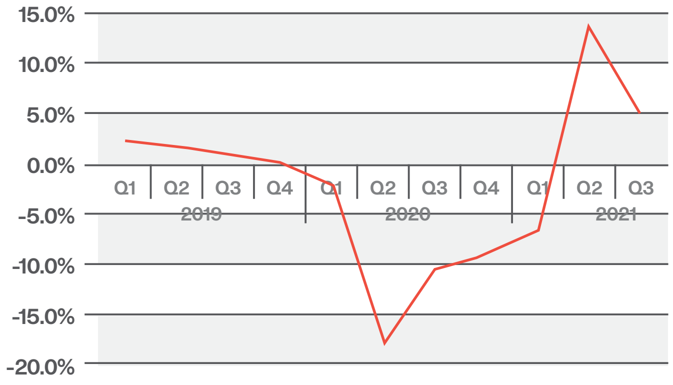
Economic Variable	Dec 2020	Dec 2021	Movement
Real GDP Growth	-8.30%	6.00%	▲
Inflation Rate	5.21%	7.30%	▲
BOJ Overnight Policy Rate	0.50%	2.50%	▲
6-Month Treasury Bill Yield	0.86%	4.33%	▲
JSE Main Market Index Growth Rate	-22.42%	0.14%	▲

The impacts of the coronavirus pandemic dampened economic activities locally and internationally. However, as the year ended, there was less uncertainty because of adjustments to the 'new normal' and increased vaccination take-up. The Jamaican economy began experiencing its economic rebound in Q2 of 2021, following five consecutive quarters of contractions. The 14.20% year-over-year growth in Q2 was the economy's largest growth rate reported by the Statistical Institute of Jamaica (STATIN) in over 20 years.

New variants of the virus emerged during the year which limited domestic mobility and business activities. Notwithstanding this, growth reports from STATIN indicated that these restrictions did not derail growth in Q3. The economy grew 5.80% compared to Q3 2020, and 0.60% compared to Q2 2021. The tourism sector has been recovering as a result of the increase in international travel. The sector recorded the largest growth rate of 114.60% in Q3. The country welcomed its first set of cruise ship passengers in August. The number of passengers was insignificant compared to previous arrivals, but it was a welcome sign of recovery for the sector.

On the other hand, decreases in both alumina and crude bauxite output because of the August 2021 fire at the Jamaica Aluminum Company (JAMALCO) caused the Mining and Quarrying industry to decline 29.70% in Q3, with alumina production falling by 34.80%. The closure of the refinery placed a brief hiatus on a fraction of export earnings, as well as reduced the number of persons employed by the sector. The contraction in the Mining and Quarrying industry lowered growth prospects in Q3. However, the reopening of the refinery in 2022 should see an expansion in the industry and the overall economy.

GDP Growth



The shocks from the COVID-19 pandemic struck only a few months after Jamaica's precautionary Standby Arrangement with the International Monetary Fund (IMF) was successfully concluded. The fiscal buffers and improved fiscal space allowed the government to respond quickly via expansionary fiscal policies. This increased expenditure by the government has increased the country's debt-to-GDP ratio and put pressure on the fiscal accounts. In the fiscal year 2020/2021, the debt-to-GDP ratio increased from 94.80% to 110.10%, while the 1.40% budget surplus-to-GDP ratio in 2019 was reduced to a 3.90% deficit in 2020. According to Moody's Investors Service (Moody's), the easing of restrictions is expected to contribute to an increase in the primary surplus to 6.10% of GDP in fiscal 2021/22, which should aid in reducing Jamaica's debt burden. Jamaica's strong commitment to fiscal consolidation is also expected to support the lowering of the government's debt metrics. Against that background, the rating agency maintained a stable outlook.

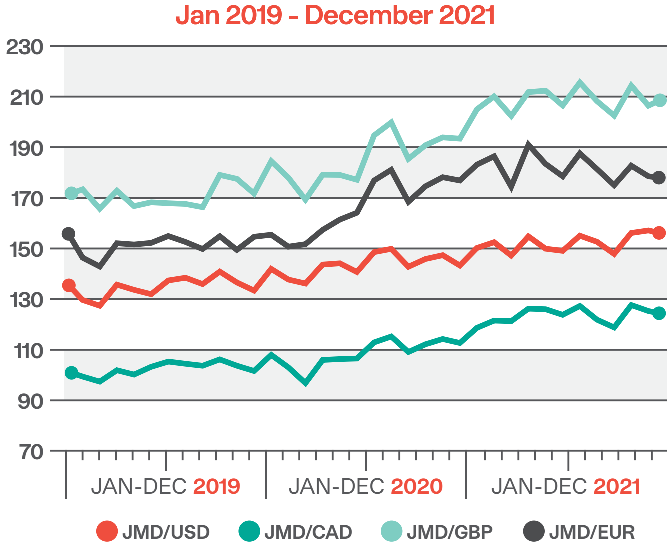
With the initial revenue predictions for the fiscal year 2021/2022 of $672,668.3 million, the minister of finance opted to use the fiscal headroom given by a one-time dividend payment of $33 billion from the Bank of Jamaica (BOJ) to cover any shortages. The government continued to roll out its stimulus packages while increasing revenue allotted to the healthcare sector to acquire vaccines and curtail the virus.

Following months of speculation from market players and higher-than-anticipated inflation rates, the BOJ tightened its accommodative monetary stance by implementing three separate interest rate hikes. The cumulative 200 basis-point increase brought the policy rate to 2.50% at the end of 2021. The decisions were met with mixed reactions, as some regarded, particularly the first increase to be premature and harmful to the economy, while others welcomed the possibility of higher returns. Throughout the year, the Treasury Bill (T-Bill) yields saw steady fluctuations, but following the rate hikes, they jumped markedly. At the end of the year, 91-day, 182-day and 273-day tenor T-Bill rates reached four-year highs of 4.09%, 4.33%, and 3.39%, respectively.

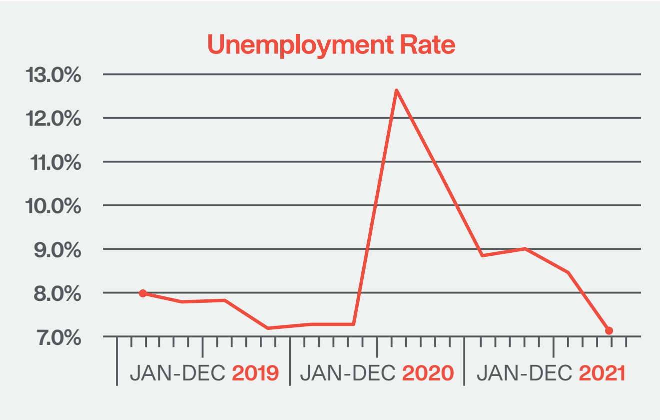
The stock of net international reserves (NIR) has remained resilient, surpassing the 12 weeks of goods and services imports international benchmark each month. The Assessing Reserve Adequacy (ARA) metric was above the IMF's standard of 100%-150% throughout the year and closed 2021 at 154.42%. In August, Jamaica was approved by the IMF to receive a disbursement of 382.9 million in Special Drawing Rights (SDR), or nearly US$520 million, representing 100% of quota. This boosted the NIR to a high of US$3,964.22 million in September. At the end of the year, NIR reached a record high of US$3,999.74 million, a US$103.71-million increase from the previous month.

Remittances remained buoyant throughout the year, aided by an uptick in the inflow of money transfers, likely fuelled by travel restrictions. The performance of remittances surpassed expectations of a pandemic-induced decline having increased by 22.23% to US$3,265.50 million at year end 2021, compared to 2020. The US maintained its position as the largest source of remittance inflows for the country, followed by Canada, the UK, and the Cayman Islands.

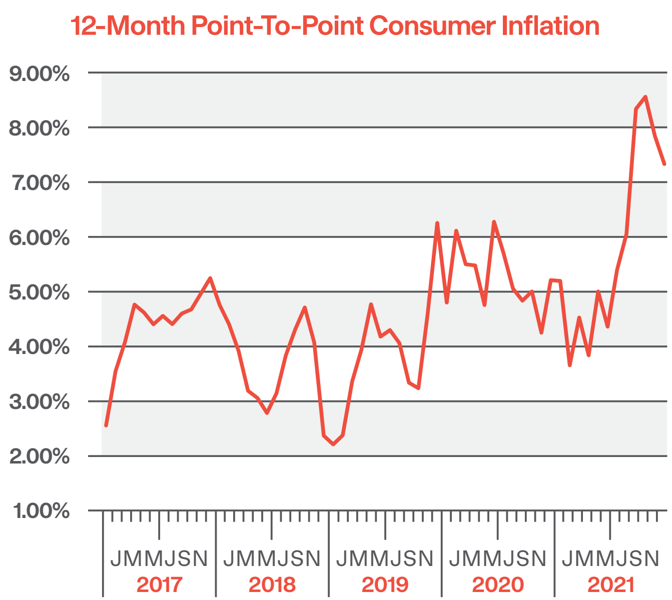
The Jamaican dollar (JMD) experienced two-way movements for the first three quarters. However, the exchange rate was particularly volatile in Q4, depreciating as much as 10.11% year-to-date to $157.07 on November 23. Owing to demand continuously outpacing supply, the BOJ used its foreign exchange intervention & trading tool (B-FXITT) to slow demand. The B-FXITT was used to inject US$415 million on twenty (20) separate occasions, but the interventions were insufficient to meet demand. Ultimately, the JMD depreciated by 8.02% against the US dollar to close 2021 at $155.09.



Consumer and business confidence fluctuated through the year, but the indices remained above the lowest point of 2020. This was an indicator of reduced pessimism since jobs returned to the economy, tourism sector reopened, and businesses were given more freedom to operate. As the economy began recovery efforts, the unemployment rate decreased from a high of 12.60% in July 2020 to a low of 7.10% in October 2021. The most significant growth was in Real Estate and Other Business Services, which had 130,500 individuals employed. With real estate on the rise, there should be several real estate investment opportunities in the upcoming year.



Though not uncommon, the inflation rate breached the BOJ's target on several occasions during the year. For the first seven (7) months of the year, inflation was mainly within the BOJ's target range of 4% to 6%. However, the inflation rate breached the central bank's upper limit in consecutive months from August, reaching a high of 8.59% in October. The BOJ decided to tighten its accommodative stance by implementing three separate rate hikes in a bid to curtail domestic inflation. The pandemic is the primary cause of disruptions in the global supply chains and labour markets, which caused international commodity prices to rise. Because of this, the BOJ adjusted its inflation expectations to an average within the range of 5.50% to 6.50% over the next two years and has indicated that, if necessary, additional rate hikes would be warranted to control inflation expectations and bring inflation back to within the target band on a long-term basis.



Variable	2017	2018	2019	2020	2021E	2022F
GDP Per Capita (US$)	5413.03	5729.75	5781.78	5102.76	5421.64	5697.35
Real GDP Growth (%)	0.70	1.80	1.00	-10.00	4.60	2.70
BOJ Overnight Policy Rate	3.35	1.75	0.50	0.50	2.50	4.50
Total Revenue as a % of GDP	29.59	31.03	30.79	-	-	-
Total Expenditure as a % of GDP	114.21	112.85	114.04	114.17	-	-
Current Account Balance as a % of GDP	-2.70	-1.60	-2.30	-0.10	-1.60	-3.70
Total Government Gross Debt as a % of GDP	101.20	94.40	94.30	107.40	95.80	87.30
Interest payments (% of Revenue)	24.11	20.54	20.24	-	-	-
Inflation Rate (%)	4.40	3.70	3.90	5.20	5.60	6.30
General government net lending/borrowing as a % of GDP	0.50	1.20	0.90	-3.90	0.10	0.80

Sources: Bank of Jamaica, IMF, World Bank Indicators
E- Estimate F- Forecast

Industry Overview – Financial Sector

Following five consecutive quarters of contraction, the Finance and Insurance Services industry experienced an annualised growth rate of 1.78% in Q2 2021. Sound financial institutions aid in fostering economic growth and development and are critical for reducing poverty and increasing inclusive growth. Because of this, local financial institutions have invested heavily in digital and technical projects to increase their efficiency and accessibility to their mainly remote clientele and employees. The financial sector saw a turnaround in 2021, as jobs returned to the economy and industry players were more optimistic and willing to invest.

From the earnings reported by entities in the financial sector, there was a noticeable uptick in operational activities. Lower transaction costs, made possible by the industry's digital transformation, created a hybrid approach to banking and investing, which contributed to the continued reduction in net fees and commissions income at some institutions. Numerous institutions eased their assumptions of the adverse fallout from the pandemic and, subsequently, reduced their expectations of credit losses on their loan portfolios. Despite this, the BOJ reported a gradual increase in non-performing loans, which peaked at an aggregate 3% of total gross loans in September 2021. Commercial banks' loan and advance balances climbed by 6.16% from December 2020 to September 2021, rising from $928.50 billion to $985.67 billion. Individuals and households consistently accounted for the highest fraction of the loans and advances, followed by the distribution sector. Year-to-date, the overall stock of deposits held by commercial banks increased by 10.08%, from $1.26 trillion in December 2020 to $1.38 trillion in September 2021.

At the end of the June 2021 quarter, the regulatory body for the securities industry, the Financial Services Commission (FSC), had forty-six (46) intermediaries registered to operate in Jamaica, with twenty-nine (29) of them being securities dealer businesses. Robust capital markets efficiently channel funds to the most productive purposes, by assisting governments and businesses in raising investment capital and maintaining financial safety nets. Considering this, increased earnings posted by brokerage houses in each quarter were encouraging to the securities industry and the overall economy. After a sizeable contraction in 2020, the JSE Main Market Index grew 0.14% in 2021. Though small, the growth was an indicator of the return of investor confidence. Throughout the year, several entities opened initial public offerings (IPOs) and additional public offerings (APOs), many of which were oversubscribed by the public. Meanwhile, the Financial Index dipped 3.96% in 2021.

Total funds under management by securities dealers increased by 7.86% to $1.42 trillion in comparison to June 2020, and 3.29% versus the 2020 year end. Meanwhile, total assets in the securities industry, which include unit trust funds, had a 5.90% year-to-date increase and a 16.79% year-over-year increase to land at $780.34 billion at the end of Q2 2021. The total assets were supported by a capital base of $131.9 billion, up 3.30% from the previous quarter's $127.7 billion. The prudential ratios of capital to risk-weighted assets and capital to total assets remained above the FSC benchmark at the end of Q2 to land at 22.3% and 16.9%, respectively. For the June 2021 quarter, increases in capital and the prudential ratios of assets underscored the growth in the industry's business operations. The BOJ announced the adoption of the Basel III framework at the end of 2020, which saw financial institutions stepping up their capital bases.

Industry players saw significant increases in net profits, with a 195% year-over-year jump at the end of June 2021, which was primarily owed to a 66.07% climb in total revenue. The growth in total revenues stemmed from a 140.42% increase in non-interest income, inclusive of fees and commission, dividend income, and capital gains. Likewise, total expenses saw a year-over-year increase of 29.76%, mostly attributable to an increase in operational expenses, which accounted for 61% of total expenses in June 2021. On the other hand, total expenses saw a 0.91% quarter-over-quarter decline. The performance of the industry in Q2 led to a 4.50% return on equity, compared to 1.90% in June 2020.

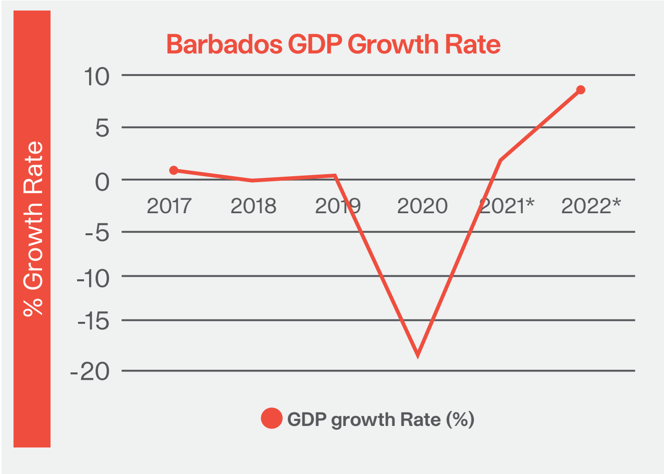
Overseas

Global GDP growth in the first quarter was higher than expected, owing to the adaptation of economic activities to the ongoing pandemic and continued fiscal and monetary support in many countries. Large stimulus packages to boost the economies were given, some in the form of direct disbursements or one-time payments, particularly to those who were facing unemployment due to the pandemic. The accommodative monetary stance by central banks continued in 2021, with constant interest rates or minute changes in a bid to further improve the access to credit. However, in the second quarter, momentum slowed because of rising infections in several territories, as well as major supply-chain disruptions. While advanced economies continued to provide substantial fiscal support, many developing market economies began cutting fiscal support as their fiscal space tightened owing to the persistence of the pandemic.

Recovery efforts aided the estimated 5.50% growth in the global economy in 2021. The growth rate was broadly in line with the IMF's October 2021 outlook, which anticipated a 5.90% expansion, coming from a 3.10% contraction the prior year. The international economy is currently experiencing rising energy and food prices, particularly for oil, metals, and agricultural inputs. The impact of the rise in demand and global shortages, driven, in part, by delays at ports and disruptions in global supply chains, is reflected in elevated price levels. As international price levels continue to soar and more contagious variants emerge, the IMF may reduce its 2022 growth outlook from the current 4.40%.

Barbados Economic Overview

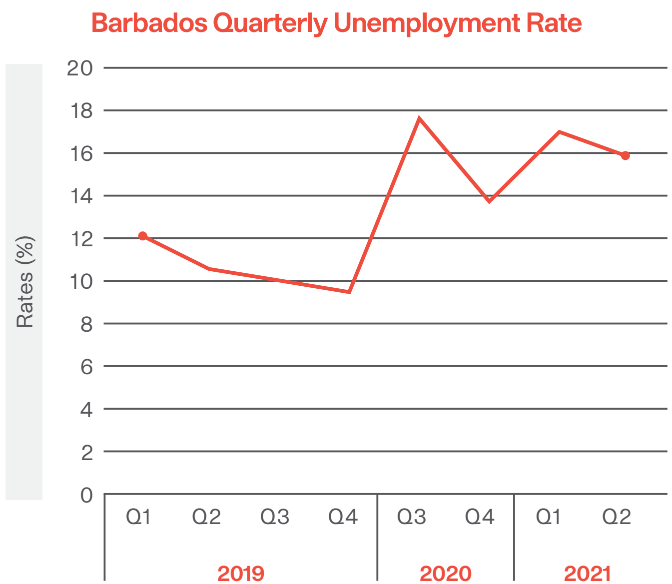
Prior to the onset of the pandemic, Barbados was already experiencing economic contractions as early as 2018. Despite the fallout from the pandemic and significant ashfall in April 2021 from the eruption of La Soufrière Volcano in nearby St Vincent and the Grenadines, economic growth in Q4 2021 was 11.50% in comparison to Q4 2020. Regardless of the ongoing health and economic crises, the economic review for 2021 emphasised the economy's resilience.



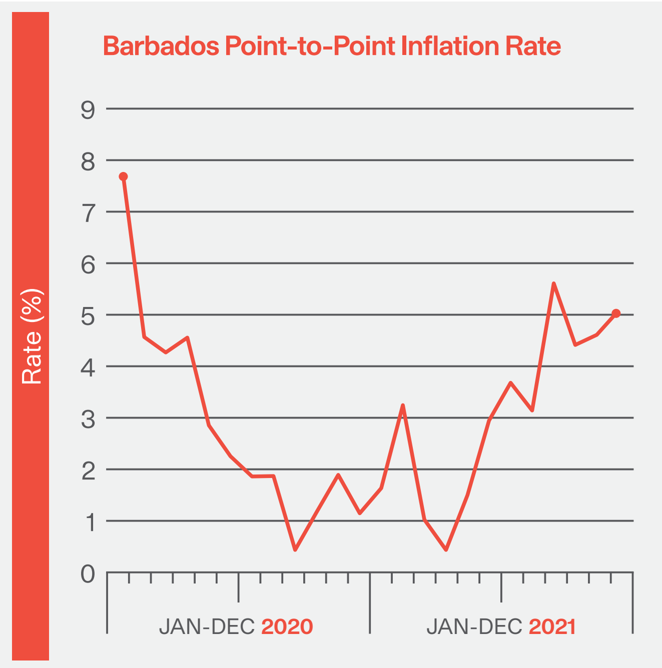
(*) Projections

In Q4, rising tourism and economic activities were aided by vaccinations in key source markets and the relaxation of travel restrictions. Although tourism earnings were well below pre-pandemic levels, the country's international reserves remained above the benchmark of 12 weeks of imports. The gross international reserves held by the Central Bank of Barbados (CBB) stood at US$3,058.80 million at the end of 2021, which was an estimated 40 weeks of imports. The US$398-million increase in reserves was aided by borrowing from multilaterals and a US$261.6-million injection from the IMF SDR allocation.

Barbados' unemployment rate has been at or near double-digit rates for several years. The increase in unemployment, owing to the pandemic, has resulted in added pressure on the National Insurance Scheme (NIS). However, the reopening of the tourism sector contributed to the average unemployment rate falling from 17.90% in 2020 to 12.40% in 2021. The accommodation and food services sector was the largest source of new jobs, although there were also gains in other sectors such as wholesale and retail and the public sector. As jobs return to the economy, Barbados is expected to see a further decline in its unemployment rate.

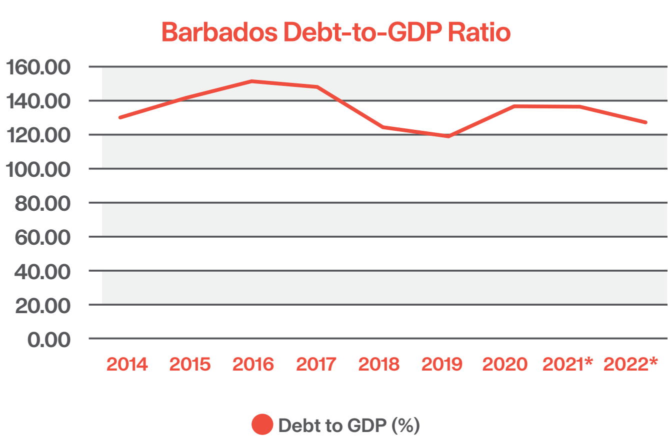


During 2021, the movement in the general price level fluctuated, from a 12-month point-to-point low of 0.56% in April to a high of 5.57% in September. Rising energy and commodity prices, as well as freight costs, drove up import prices and compounded inflationary pressures. As a result, it is expected that the cost of imported goods for final and intermediate consumption will continue to rise, with relief expected by mid-2022. The CBB expects inflation to continue trending upwards until supply disruptions abate globally.



In 2021, the government continued to increase expenditure to keep the economy afloat. Revenues began to recover, although they were still below pre-COVID levels. Taxes on consumption improved from the previous year's fall, resulting in a 3% gain in revenue. During the first half of the current fiscal year (FY2021/22), expenditure continued to rise, resulting in a primary surplus of $36.3 million, down from $152 million in the same period of fiscal year 2020/21. Non-interest spending increased by 15% to cushion the economic and environmental conditions. During H1, the government spent the equivalent of 1.30% of GDP, but expects to spend 3.20% for the entire year.

Like many other developing states, Barbados has a large debt-to-GDP ratio. After the selective default in 2018, international investors' confidence in Barbados rapidly eroded as the country's public debt grew, resulting in its credit rating being further downgraded and access to foreign finance declined. However, the standby arrangement with the IMF has bolstered the economic recovery in Barbados, which has been stable and in full effect. The daily yield on the BARBAD 6.5% (10/01/29) global bond traded in a range of 5.5% to 6.5% from January 2021 to November 2021. Additionally, the July 2021 Moody's credit ratings of Caa1 indicated that the restructuring progress was impactful and not jeopardised by the pandemic.



(*) Projection

Although the CBB did not implement exchange rate policies to combat the impacts of the pandemic, the CBB's discount rate at which it provides overnight lending to banks and deposit-taking non-banks was reduced from 7% to 2%. During 2021, the financial system remained stable. Banks maintained high cash reserves with the CBB, while improving their capital buffers. Interest rates on deposits and loans remained at historic lows, but net interest revenue was lower than in 2020 because of reduced loan levels in the commercial banking sector. Lower loan levels were driven by the conservative stance adopted by foreign-owned banks. On the other hand, non-banking financial institutions (NBFI), such as Carilend Limited, experienced increased loan levels.

Banks were able to increase their profitability as measured by the return on average assets by lowering provisioning costs. Nevertheless, the credit risk connected with the pandemic remained significant for deposit-taking institutions. In the third quarter of 2021, the loan delinquency ratio was 7.50%, down from the previous quarter owing to a decrease in non-performing loans. Deposits increased by 4.80% as both domestic and foreign currency deposits improved. The household sector, which accounted for 48.10% of domestic currency growth, was the key driver of domestic deposits

Barbados is expected to continue to recover and GDP is expected to have grown by 1% to 2% in 2021, and to increase by 7% to 9% in 2022, according to the CBB. Because of the impacts of newly discovered and more infectious variants of the coronavirus and the slower-than-expected vaccine roll-out, induced, in part, by vaccination reluctance, the downside risks to these estimates remain high. Nonetheless, the return of regular business hours improved productivity, reduced downtime associated with testing and contact tracing, job creation mainly in the tourism sector, and normalisation of educational services are all potential upsides to the estimates.

Latin America and the Caribbean (LAC)

Like in other regions, the effects of the pandemic continued to stall full economic recovery in the LAC region. In 2021, the economic rebound in LAC was aided by generally favourable political and social conditions, elevated demand, and relaxed lockdown measures.

Despite a significant fall in trade in services, particularly tourism, international merchandise trade remained relatively strong. The continued operation of capital markets across the region was also encouraging to the economy, as investments slowly increased. Fiscal expenditure continued in the region to cushion the adverse impacts of the pandemic. Government spending was supported by the injection of foreign loans, which increased debt-to-GDP across the region. The additional expenditure was geared towards improving healthcare systems, offering cash transfers to households, and keeping businesses afloat.

The LAC region is one of the world's most vulnerable. Natural disasters struck the LAC in 2021, ranging from earthquakes to floods to volcanic eruptions that wrecked numerous towns, and hurricanes that hit primarily the Caribbean. Despite the ongoing economic and environmental shocks, the recovery efforts continued. In Q1, the economies picked up momentum, but the surge in COVID-19 Delta cases slowed economic growth in Q2 in many countries. Jobs also returned to the economies, mainly in the tourism sectors, as the region welcomed increased travellers. After a 6.70% contraction in 2020, real GDP growth in the region averaged 6.20% in 2021.

United States Overview

The US Federal Reserve (Fed) kept the Fed Funds Rate unchanged throughout the year at 0% - 0.25%, but coming out of its meeting in November, it announced the official commencement of its tapering programme. The Federal Open Market Committee (FOMC) began reducing monthly net asset purchases by $10 billion for Treasury securities and $5 billion for agency mortgage-backed securities in November 2021. The Fed ceased its purchases in March 2022. As the year progressed, the US inflation rate began to breach the 2% target. The point-to-point inflation rate reached an almost 40-year peak of 7.00% in December. The disruptions in supply chains and bottlenecks at major ports were the main contributors to the uptick in inflation. The upward trend in inflation raised speculation of an increase being implemented before the asset buy-back programme comes to an end.

The yield on the US 10-year Treasury yield, which started the year at 0.93%, climbed to 1.44% in December 2021. The growth in the yield highlighted the inflationary pressure, rather than the influence of interest rate movements. The major US stock indices also saw impressive gains throughout the year. The indices dipped with each surge in COVID-19 cases, but the S&P 500 (SPX), the Dow Jones Industrial Average (DJI), and the Nasdaq Composite (NASDAQ) all jumped 26.90%, 18.70%, and 21.40%, respectively, in 2021.

Jobs also returned to the economy. The unemployment rate inched closer to the pre-pandemic rate each month. In September, the Federal Pandemic Unemployment Compensation programme was terminated, and there was still a 20-basis point reduction in the unemployment rate in October. In November, the number of new hires fell, indicating the reduced business confidence and growth outlook. Nonetheless, the US unemployment rate continued to inch downwards to 3.90% in December.

Economic Outlook

The IMF's January 2022 edition of the World Economic Outlook estimates the rate of global economic growth at 4.40% for 2022, followed by 3.80% in 2023. The recovery efforts by governments and businesses are expected to continue in the upcoming year. Increased vaccination roll-outs are also expected, along with increased COVID-19 vaccination mandates by governments and corporations. The uncertainty around the virus looms, but individuals are better equipped to coexist with it. The supermutated variants, Omicron and its descendant, BA. 2, remain the immediate health and economic threat as the year begins.

Another significant threat to the economy is high commodity prices. The disruptions in supply chains and disequilibrium in the labour markets have not yet been resolved, thus increasing the inflationary outlook for 2022. To curtail inflation, central banks across the globe are expected to tighten their accommodative stances by increasing their interest rates. The hikes in interest rates should ease demand and relieve the bottlenecks at major ports, which could see inflation falling by mid-2022. The ongoing conflict in the Ukraine, however, complicates the situation, particularly as it relates to oil prices, which have climbed to over US$100 per barrel, a situation last experienced in 2014.

Fiscal support is expected to continue, but with a smaller magnitude, as governments should begin rebuilding their fiscal space and focusing on containing and reducing their debt-to-GDP ratios. Fiscal underpinning should primarily continue for vulnerable groups, which were made worse off by the ongoing pandemic.

As the pandemic continues to disrupt Jamaica's major trading partners, its impact on the economy remains highly uncertain and poses downside economic risks to the macroeconomic targets. The local economy is expected to see improvements in 2022, as government revenue should increase and the need for fiscal support should decline. The expansion of the Real Estate, Construction, and Tourism industries should continue to see more jobs being added to the domestic economy. Additionally, the easing of lockdown measures should continue in 2022, which should allow for more ramping up of economic activities. The main downside risk is the spread of the Omicron variant and any new variants of the virus which may emerge. Another wave could halt the recovery of the local tourism sector and reduce merchandise trade with major trading partners. Despite this risk, the country's stock of NIR is anticipated to remain robust and within the ARA benchmark of 100%-150%. Buoyant remittance inflows and tourism earnings are expected to be the main buffers to NIR in 2022.

The BOJ is projecting inflation to average 5.5% to 6.5% over the next two years. The soaring inflation rate may see further increases in the BOJ's policy rate, thus increasing lending rates at deposit-taking institutions (DTI). The BOJ is expected to use its policy rate and other tools at its disposal to push inflation back into the targeted 4% to 6% range.

The local capital markets are expected to grow as pessimism among consumers and businesses and risk aversion abate. With growth in investment, the Jamaican government is being urged to continue investing in areas that will foster increased competitiveness and employment and lessen the country's environmental footprint. Transitioning to renewable energy, sustainable transportation, and infrastructure to bridge the digital divide are all key areas of development that can push the economic recovery and help the Jamaican economy achieve its growth potential.

Risk Management Practices

Enterprise Risk Management

Risk Process

The scope and nature of VM Investments Limited's business operations expose the business to risks as it pursues its strategic objectives and initiatives. Enterprise Risk Management (ERM) at VM Investments Limited is an interactive and iterative process that is aligned to international best practice standards and continues to evolve as new and emerging risk exposures that either represent a threat to the achievement of strategic objectives, or an opportunity to gain a competitive advantage are identified and managed.

While risks are proactively identified and managed at VMIL, they are also communicated throughout the tiers of the organisation to ensure that an optimal balance between risk and return is achieved; to maximise value and minimise potential adverse effects on VMIL's performance, brand, and team engagement. This is supported by innovative risk solutions and methodologies to ensure that risks are adequately managed, throughout the three lines of accountability.

Risk Governance

At VMIL, the Board of Directors has ultimate oversight and responsibility for risks and has a fiduciary responsibility to its stakeholders. 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. While the Board has responsibility for risk management, and VMIL's alignment with established risk appetite statements and tolerance limits, the Board is supported by the:

- **VM Group Finance and Risk Management Committee**
- **VM Group Audit Committee**
- **VM Group Corporate Governance and Nominations Committee**
- **VMIL Corporate Governance and Nominations and Compensation Committee**
- **VMIL Finance Committee**
- **VMIL Audit, Risk and Conduct Review Committee**

Risk Management Framework

As VMIL continues to manoeuvre the COVID pandemic, despite the heightened risk, the ERM Framework continues to be robust and facilitative of growth. Risk management is an integral part of good internal control and corporate governance. The Board is responsible for ensuring that an effective framework is in place, and for promoting a risk-aware culture that makes certain that all key risks are adequately managed.

To safeguard and protect VMIL's reputation, the Board and management provide 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.

Risk assessments are conducted monthly and are designed to identify events that have the potential to cause strategic objectives and initiatives to deviate from what is expected.

Risk Management Practices

Governance & Culture

1. Exercises Board Risk Oversight
2. Establishes Operating Structures
3. Defines Desired Culture
4. Demonstrates Commitment to Core Values
5. Attracts, Develops. and Retains Capable Individuals

Strategy & Objective-Setting

6. Analyses Business Context
7. Defines Risk Appetite
8. Evaluates Alternative Strategies
9. Formulates Business Objectives

Performance

10. Identifies Risk
11. Assesses Severity of Risk
12. Prioritises Risks
13. Implements Risk Responses
14. Develops Portfolio View

Review and Revision

15. Assesses Substantial Change
16. Reviews Risk and Performance
17. Pursues improvement in Enterprise Risk Management

Information, Communication, & Reporting

18. Leverages Information and Technology
19. Communicates Risk Information
20. Reports on Risk Culture, and Performance

The **ERM Framework** at **VMIL** consists of five interrelated components and twenty related principles, which represent the fundamental concepts associated with each component.

Governance and Culture

Governance and culture together form a basis for all other components of Enterprise Risk Management. Governance sets VMIL's tone, reinforcing the importance of ERM, and establishing oversight responsibilities for it.

Strategy and Objective-Setting

ERM is integrated into VMIL's strategic plan through the process of setting strategy and business objectives. With an understanding of business context, VMIL gains insight into internal and external factors and their effect on risk. VMIL sets its risk appetite in conjunction with strategy-setting. The business objectives allow strategy to be put into practice and shape VMIL's day-to-day operations and priorities.

Performance

VMIL identifies and assesses risks that may affect the achievement of strategy and business objectives by utilising approaches that are either qualitative, quantitative, or a combination of both. Risks are prioritised according to their severity with consideration for established risk appetites. VMIL then selects risk responses and monitors performance for change. In this way, VMIL develops a portfolio view of the amount of risk it has assumed in the pursuit of its strategy and organisation-level business objectives.

Review and Revision

By reviewing ERM capabilities and practices, and performance relative to its targets, VMIL considers how well the ERM capabilities and practices have increased value over time and will continue to drive value considering substantial changes.

Information, Communication, And Reporting

Communication is the continual, iterative process of obtaining information and sharing it throughout VMIL. Management uses relevant information from both internal and external sources to support ERM. VMIL leverages information systems to capture, process, and manage data and information. By using information that applies to all components, management reports on risk, culture, and performance.

Three Lines of Defence

1. First Line: Core Business

Management is responsible for identifying and managing the performance and risks resulting from practices and systems for which it is accountable. The first line is also responsible for the risks inherent to the strategy and business objectives. As the principal owners of risk, management sets business objectives, establishes acceptable variation in performance, trains personnel, and reinforces risk responses. In short, the first line implements and carries out the day-to-day tasks to manage performance and risks taken to achieve strategy and business objectives.

2. Second Line: Support Functions

Support functions (also referred to as business-enabling functions) include management and personnel responsible for overseeing performance and enterprise risk management. They provide guidance on performance and ERM requirements and evaluate adherence to defined standards. Each of these functions has some degree of independence from the first line, and they challenge the first line to manage performance and take prudent risks to achieve strategy and business objectives. These organisational functions or operating units support the organisation through specialised skills, such as technical risk management expertise, finance, product/service quality management, technology, compliance, legal, human resources, and others. As management functions, they may intervene directly in modifying and supporting the first line in appropriate risk response.

3. Third Line: Assurance Functions

Internal audit provides the last line of defence by performing audits or reviews of ERM practices, identifying issues and improvement opportunities, making recommendations, and keeping the board and senior leaders up to date on matters requiring resolution. Two factors distinguish the last line of defence from the others: the high level of independence and objectivity (enabled by direct reporting to the board), and the authority to evaluate and make recommendations to management on the design and operating effectiveness of the organisation overall.

Risk Culture

Risks are inherent in everyday activities; therefore, VMIL establishes and communicates its risk appetite, and its risk tolerance limits for appropriate risk taking to occur. Thus, VMIL can make informed risk decisions, innovate, and be competitive. In pursuit of its strategic objectives and initiatives, VMIL utilises systems and the expertise of subject matter experts to determine an appropriate balance between expected return and potential associated risks.

The Board has created an environment for Team Members where integrity, teamwork, innovation, excellence, accountability, and Client interests are at the core of VMIL's values and practices. This strong risk culture drives how Team Members approach their work, and it also guides decision making.

Risk Appetite

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.

Key Risks

Financial Risk – is an umbrella term for multiple types of risks, including credit risk, market risk, and liquidity risk. It also results from a lack of robust credit management practices; inadequate assessment of financial strategies; or lack of effective cash flows and cost management needed to: (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 because 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 rates, and equity prices and will affect the value of the holding in the financial instrument.

b. **Liquidity Risk** – 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 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 for Managing Counterparty Credit Risk. In addition, VMIL limits exposure to particular counterparties, investment types and investment sizes in accordance with the Investment Policy guidelines and the Framework for Managing Counterparty Credit Risk.

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 initiatives 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.

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 organisational 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 systems.

Compliance Risk – The risk of exposure to legal penalties, financial forfeiture, and material loss VMIL 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 aim to ensure that it delivers fair customer outcomes and meets prudential requirements. VMIL's risk and compliance function is responsible for identifying regulatory developments and assisting Team Members in understanding the required regulatory changes, within requisite time scales.

Emerging Risks

Pandemic – New coronavirus variants and the inability to vaccinate enough people may prolong COVID-19 and hamper recovery efforts and economic growth.

Succession – The ability to attract, retain, and develop key talent in a tightening market where the best and brightest workers engender innovative cultures fit for purpose in the digital age which was fast-tracked by the COVID-19 pandemic where a new normal of working remotely was thrust upon the world.

The economy – The economic impact, including matters surrounding inflation, continues to represent significant challenges. Uncertainties associated with central bank policies around interest rates, the effects of slow-to-recover supply chains on the economic rebound from pandemic lows, and the restricting effects of coronavirus variants on the economy, escalating fuel, food, and other costs.

Cyber threats – The transition of many things to virtually may have inadvertently created unknown security weaknesses as cybercriminals and others evolve new attack strategies.

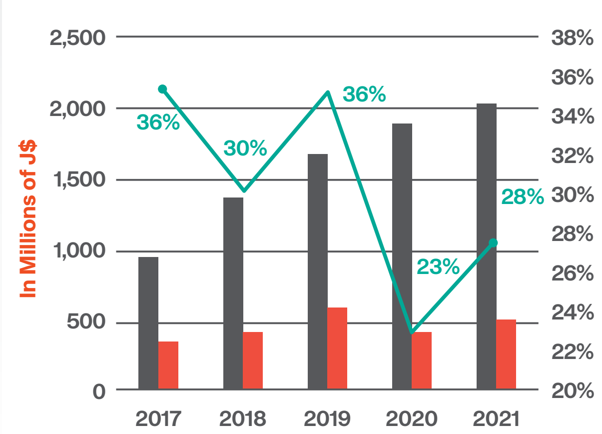
Group Financial Performance

Financial Performance

Group Operating Results

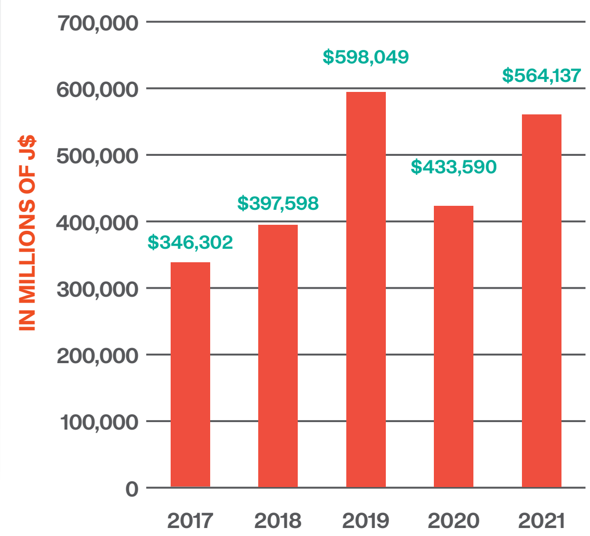
Despite the continued economic and social fallout from the COVID-19 pandemic, VMIL made significant advances in 2021, posting growth results for profit before and after tax, profit margin, as well as revenue. Increased innovation, as well as customer and employee focus and engagement, contributed to the Group's financial performance.

Historical Profitability



VMIL generated Group profit before tax of $792.36 million in 2021, a 32.31%, or $193.49-million, improvement compared to 2020. This was mainly from the operations of VMIL and its major subsidiary, VM Wealth Management. Our net profit after tax jumped 30.11%, increasing by $130.55 million to land at $564.14 million and we saw an improvement in our tax efficiency in 2021. Earnings per share came in at $0.38, compared to $0.29 reported in 2020. Notably, VMIL reversed the 27.50% decline in net profit experienced in 2020, when we were negatively impacted by the onset of the pandemic.

Net Profit/(Loss)

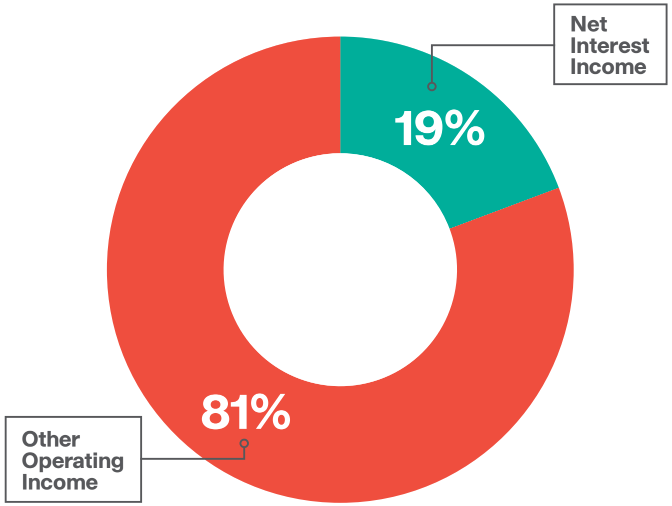


Operating Revenue

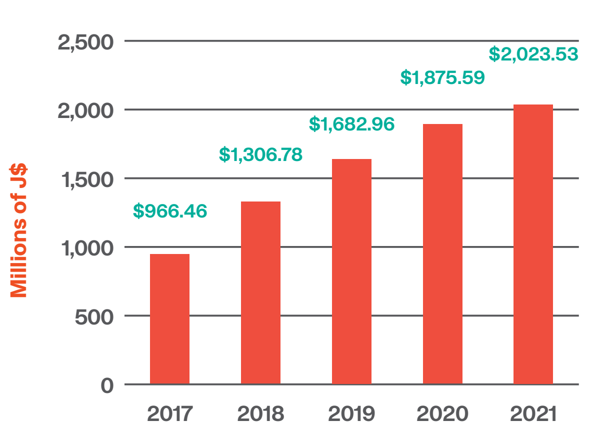
The main revenue-generating lines of business continued to be net fees and commissions and gains from investment activities, with supporting revenue earners, including dividend income and other income.

Earnings from net operating revenue of $2.02 billion for 2021 were a 7.89%, or $147.94-million, increase over the $1.88 billion recorded in the previous year. Our net operating revenue mainly consisted of Other Operating Income and Net Interest Income, which both increased during the 2021 financial year.

Composition of Net Operating Income



Revenues - CAGR of 20.29%

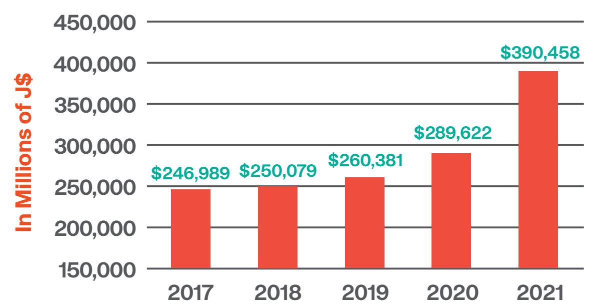


Net Interest Income

After four years of steady improvements in Net Interest Income, we grew this line item by nearly 35% in 2021. When compared to 2020, our Net Interest Income increased by 34.82%, or $100.84 million, totalling $390.46 million for the financial year ended December 31, 2021. Despite interest expense increasing 17.52%, or $114.41 million, the 22.84%, or $215.25-million, increase in earnings from interest-bearing assets, including financial leases, was sufficient to grow Net Interest Income in 2021.

Our interest expenses summed to $767.41 million, while interest-bearing assets, comprising cash, investment securities, short-term resale agreements, finance lease and loans, totalled $29.04 billion as at December 2021, compared to $27.38 billion for the prior period, growing 6.07%, or $1.66 billion.

Net Interest Income



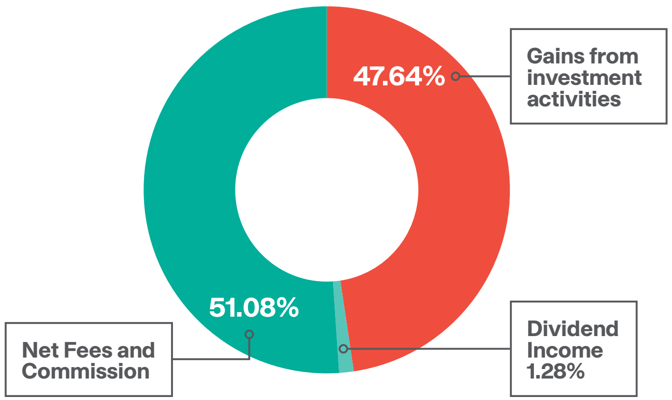
Other Operating Revenue

The Group's other operating income experienced a marginal 2.97%, or $47.10-million, increase over 2020 to come in at $1.63 billion. Other operating income comprises Fixed Income Trading gains, Equity Trading Commissions, Asset Management Fee, Investment Gains and Corporate Advisory Services Fee income. The main driver of the almost 3% increase was the significant 761.14% growth in dividend income, along with the 30.67% increase in gains from investment activities. On the downside, a 10.08% decline in net fees and commissions contributed to the marginal growth in our operating revenue. The decline in net fees and commissions continued to highlight the negative impacts of the pandemic on investors' confidence.

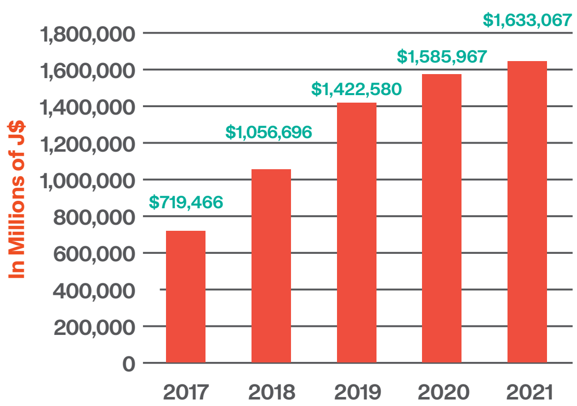
Group Financial Performance

CONTINUED

Composition of Other Operating Revenue



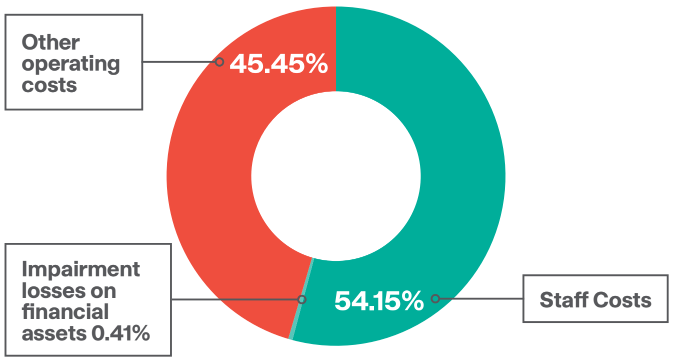
Other Operating Revenue



Operating Expenses

In 2021, the Group's operating expenses declined 3.45%, or $42.78 million, to $1.20 billion. Although over 80% of the staff worked remotely, staff costs continued to be the major cost component, accounting for 54.15% of expenses. Total staff costs increased by 10.41% or $61.13 million in 2021, as the Group continued to invest heavily in human resources — a key underpinning of our strategic direction.

Composition of Other Operating Expenses



As the uncertainty around the pandemic slowly abated and markets began demonstrating signs of recovery, VMIL made smaller provisions for Expected Credit Losses (ECL). The Group's ECL declined 95.92%, or $114.45 million, to $4.87 million, relative to $119.32 million in 2020. During the financial year, our communication and courier costs more than doubled those of the previous period, jumping from $6.05 million to $13.00 million.

Other operating expenses accounted for 45.45% of total expenses and marginally increased by 1.97%, or $10.54 million, 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.**
- **Software maintenance and IT expenses.**
- **Rent, maintenance, and utility.**

Efficiency Ratio

The efficiency ratio measures operating efficiency and is calculated by taking non-interest expenses as a percentage of total revenue. A lower ratio indicates a more efficient business operation. The efficiency ratio of 59.2% in 2021 represented an improvement compared to the ratio of 66.15% in 2020.

Accelerating the Transformation

VM Investments
Limited

Group Financial Position Performance

CONTINUED

Assets

Total assets of $31.2 billion, as at December 31, 2021, represented an increase of 5.1%, or $1.5 billion, over 2020. The increase was driven primarily by growth in our investment securities portfolio which climbed by 25.1%, or $4.13 billion, year-over-year. Other areas of asset growth came from an increase in our property, plant and equipment (+$719 million), as well as an increase in our loan portfolio (+$1.7 billion). The growth in loans receivable was attributable to forward momentum of our margin loans outstanding, which increased by 87% over the previous year as a result of various special promotional offerings extended to our clients during the year. Corporate loans outstanding also surged to $1.58 billion, representing a 98% increase. Investment securities and loans are two leading sources of revenue for financial institutions. Return on average assets also improved to 1.85% in 2021 when compared to 1.58% in 2020.

Off-Balance Sheet Funds Under Management (FUM)

The Group acts as agent and earns fees for managing clients' funds on a non-recourse basis under management agreements. As at December 31, 2021, these funds amounted to $34,709,443,000 (2020: $32,823,912,000). Despite stock market volatility and diminished overall investor sentiments, the 5.74% or $1,885,531,000 growth in our off-balance sheet assets resulted from increased unit trust investments by our clients. Our consistent client engagement and the performance of our unit trust portfolios were the primary drivers of the improvement of our FUM. Additionally, at December 31, 2021, there were custodial arrangements for assets totalling $13,956,379,000 (2020: $12,743,221,000).

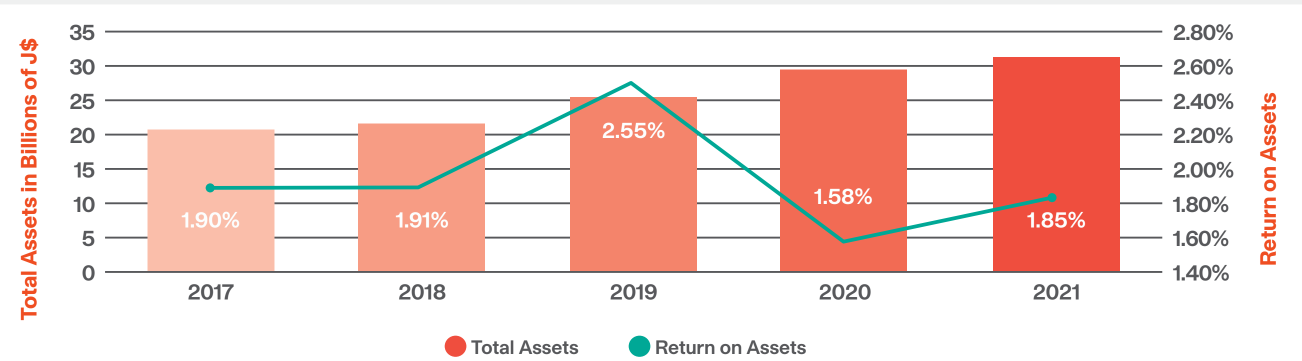
Growth in our off-balance sheet business is a core strategic objective of the Group, which will have focused attention in the coming financial year. We will continue to seek innovative channels and products geared towards creating value for our clients.

Asset Management

Amid the pandemic-driven market volatility throughout 2021, we remained committed to intensive market research, as well as constant and detailed communication with our clients. These efforts increased our unit trust market share in 2021 and boosted our clients' trust in our operations. At the end of 2021, the unit trust market share of our wholly owned subsidiary, VM Wealth Management, increased 65 basis points over December 2020, to account for 6.56% of the industry. Likewise, our income from asset management fees increased 6.45% from $314.61 million in 2020 to $334.89 million in 2021.

Our unit trust portfolios provide our clients with a diverse investment portfolio, while also providing portfolio management without the burden of arduous market research by our clients. As at December 2021, our Global Equity Growth (USD) portfolio had the highest 12-month return among our nine (9) unit trust funds of 12.43%, followed by our Classic Property (JMD) fund with 10.79%. The Classic Property fund also had the largest real estate fund 12-month return, when compared to our industry competitors.

Total Assets



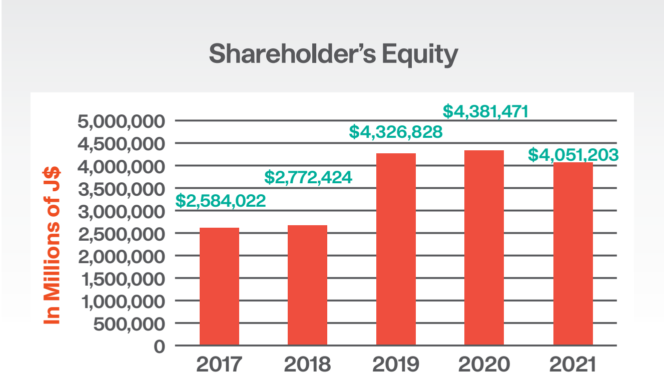
Asset Management Outlook For 2022

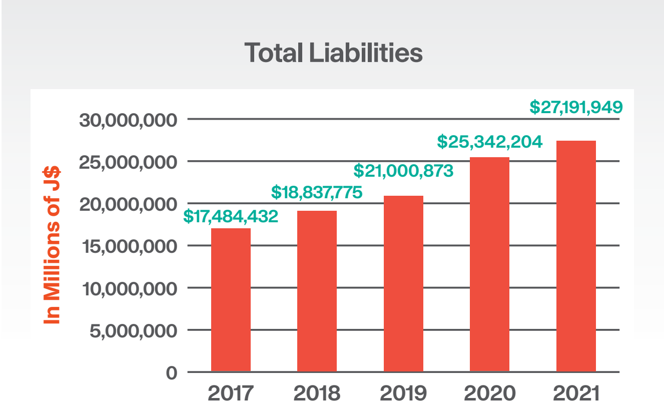
As we enter another year of the ongoing pandemic, along with brewing tensions in Europe, economic volatility is expected to be prolonged. Nonetheless, we will continue to rally all our efforts to supporting, engaging, and informing our clients, while fostering their financial goals. The quality of our asset management team is consistently being upskilled to face the uncertain economic environment and meet our clients' goals. We will accelerate our digital presence to effectively communicate changes in our clients' portfolios, as well as upcoming investment opportunities.

The expected economic rebound and the easing of COVID-19 restrictions globally should improve the performances of the stock, bonds, and real estate markets and contribute to increased returns across our funds. The anticipated rebound and recovery will also create additional investment opportunities for new and existing clients. Therefore, our unit trust funds will continue providing diverse and liquid investment options in 2022 for both our risk-averse and risk-neutral clients.

Liabilities & Shareholders' Equity

In the 2021 financial year, VMIL's funding base expanded considerably. Specifically, Total Liabilities increased year-over-year by 7.3% or $1.8 billion, primarily owing to additional borrowing (+$2.4 billion) accessed through the issuance of bonds by the company. Aggregated borrowings as at December 31, 2021, comprised three fixed-rate unsecured bonds. Higher loan and interest payable as a result of the additional borrowing also contributed to growth in total liabilities. Shareholders' equity declined year-over-year by 7.5% or $330.3 million ending at $4.05 billion as at December 2021. The out-turn in shareholder equity hinged on a $669-million decrease in investment revaluation reserve. However, this was balanced by an improvement in Retained Earnings (+$331 million) on the heels of strong Net Earnings.



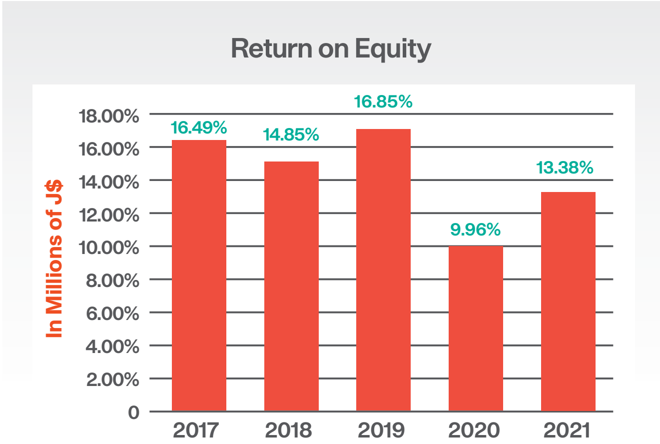


Capital Management

As at December 31, 2021, our risk-based capital adequacy ratio was 14.97%, 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 December 31, 2021, was $2.69 billion.

Return on Equity (ROE)

ROE increased from 9.96% in 2020 to 13.38% in 2021. The increase in the return was because net profit grew by 30.1%, driven by stronger Net Interest Income (NII) and other operating revenue, and lower impairment on financial assets.



Liquidity and Funding

As at December 31, 2021, the Group's liquidity resources included cash and cash equivalents totalling $684M. In addition, $3.69B of the Group's investments in resale agreements were short-term, that is, due to mature within three (3) months of the year end.

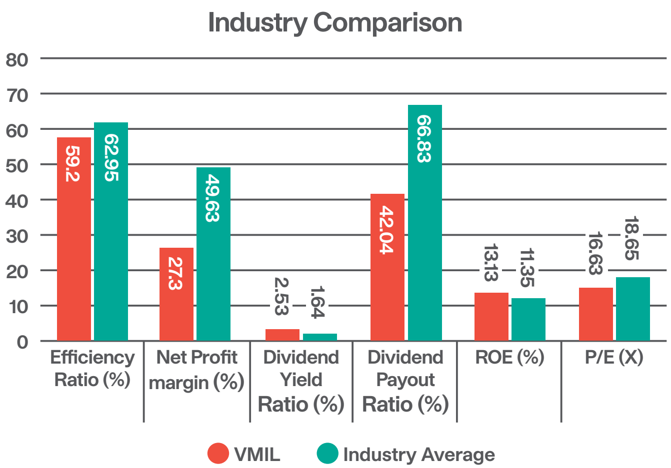
The key measure used for monitoring liquidity risk is the 90-day liquidity gap ratio. In computing the ratio, the numerator is calculated by subtracting the total assets maturing in 90 days from the total liabilities maturing in 90 days. The denominator is total liabilities. The 90-day liquidity gap at the end of the year was 47.65% (2020: 56.96%), demonstrating the Group's consistent ability to meet short-term obligations as they fall due.

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 or 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.

Dividends

On November 12, 2021 (2020: February 28, 2020), the Board of Directors declared an interim dividend of $0.155 (2020: $0.40) 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 November 26, 2021 (2020: March 10, 2020).

Competitive Analysis



VMIL generally performed above the industry trend throughout 2021. The data showed that VMIL executed business operations more efficiently than other industry participants in 2021, with a 59.20% efficiency ratio versus an average of 62.95% for our competitors. On the other hand, the industry's net profit margin 49.63% outperformed VMIL's 27.30%. Our modest performance was owing to VMIL generating lower net fees and commissions relative to our peers, once again highlighting the impact of the pandemic on our clients. Additionally, as the Jamaican dollar displayed elevated levels of volatility in 2021, there was a 73.84% decline in VMIL's net foreign exchange translation gains, which contributed to reduced revenue.

In 2021, VMIL paid a higher percentage of our share price as dividends to shareholders, landing at 2.53%, relative to select competitors who averaged 1.64%. Along with exhibiting strong annual financial performance, a higher dividend yield ratio may be an added incentive to our current and future investors.

Registering a 13.13% Return of Equity, compared to the industry average of 11.35%, VMIL is above the industry's average of generating income from the available equity. Meanwhile, VMIL has a marginally lower price-to-earnings (P/E) ratio of 16.63, compared to 18.65 of our peers. Therefore, when compared to our peers, VMIL has performed well in 2021, while indicating where there is room for growth and improvement.

Our Expansion Journey

2021	Rebrand to VM Investments Limited
2021	Definitive agreement to acquire RFI
2019	Carilend acquisition
2017	VMIL lists on the JSE
1994	VMBS launches Alpha Financial Services, later rebranded as Victoria Mutual Wealth Management

Digital Access Points

- Wealth IPO Edge
- VM Wealth Client Access Online
- JSE JTrader

Sales Effectiveness

The Group Sales Effectiveness Unit was established in February 2020 to operationalise the functions of the Centre of Excellence for Sales (COES) which started in August 2017. The Unit supports VMIL and is responsible for:

- **Driving and optimising the productivity and output of each salesperson**
- **Designing, maintaining, and refining the sales architecture or infrastructure**
- **Providing resources such as reports, tools, automation, content and information**
- **Building sales competence, coaching and development**
- **Supporting the sales team and sales leaders and collaborating with other support areas to achieve their sales objectives**

Our Expansion Journey

CONTINUED

Since 2017, significant work has been done on building a strong sales culture and creating the drivers to achieve the strategic imperative of being a Strong, Integrated Financial Group. Focus has been on the following areas:

- **The establishment of a robust sales architecture and sales culture**
- **Enhanced sales management**
- **Capacity building**
- **Rewards and recognition**
- **Integrated selling and referrals**
- **Automation and process improvement**
- **Embedding service in sales**

For 2022, we will continue to:

- **Build a Strong, Integrated Selling and Referral Framework through more aggressive and proactive upselling and cross-selling initiatives.**
- **Change from transactional to relationship selling and build strong relationships with customers through deliberate customer segmentation and appropriate service models.**
- **Create a highly competent and expert sales team by identifying and closing competence gaps to ensure we have a team that can effectively sell and cross-sell.**
- **Optimise the sales process through improved automation and digitisation, including the introduction of a Sales Leads Management System across the Group.**
- **Leverage data analytics to create business development listings and campaigns and use this in designing bundled products and cross-selling campaigns.**
- **Improve sales organisation.**
- **Establish a Sales Mobility Ladder for career pathing in sales.**

Sales

For 2021, the market was reserved because of the pandemic and continued uncertainty in the economy. Clients were hesitant to have face-to-face interactions, and we pivoted to virtual meetings and presentations. We saw an increase in activity in the local and US stock markets with the roll-out of the COVID-19 vaccine. In driving our top-performing unit trust product, as well as margin loans, the sales team shifted their focus to targeting professionals.

We implemented several initiatives to drive revenue for 2021.

Unit Trust Bonus Units Campaign

Monthly Unit Trust Branch Bonanza Blitz

Conversion Of Repo Balances To Unit Trust Accounts

Margin Loan Campaign (Reduced Interest Rate / Fees)

Sales Unit Trust Stretch Target Campaign

Unit Trust Referrals Campaign

Through these initiatives we were able to:

Exceed our targets.

Onboard 1,500+ new clients.

Increase the productivity of our sales team by 50%.

Increase earnings from diaspora activities.

As we embark on 'Transforming your Everyday', we are committed to increasing wealth for our clients. We will be focusing on the following for 2022:

Diaspora Initiative: Continue engaging overseas clients to benefit from our VMWM products.

Independent Agents Initiative: Enter contractual arrangements with independent agents to refer products on our behalf in return for commissioned payments to increase our reach and revenue.

Standing Order Initiative: To drive an increase in standing-order setups for unit trust accounts to increase subscription inflows.

Build-out of the Western Region: To better reach and serve the VMWM client base in Montego Bay; Ocho Rios; Savanna-la-Mar.

Customer Experience

Customer Experience is at the core of everything we do at VMIL. We are always seeking to provide best-in-class service for all our clients. In 2020, we started pivoting away from face-to-face interactions and achieved 85% of online transaction activities in 2021. We have given our clients 24/7 access to their accounts through our Client Portal. There have also been major improvements in our speed and efficiency in the processing of transactions and the servicing of our clients' accounts. We are proud to highlight our achievements in our major Service Level Agreement (SLA):

- **97% of all transaction requests were processed within the SLA.**
- **98% of all margin loans were processed within the SLA.**
- **96% of all client queries were resolved within the SLA.**
- **98% of all complaints were resolved within the SLA.**

Our Net Promoter Score (NPS), which measures how readily our clients would recommend the VM Wealth brand, saw meaningful improvement, moving from a score of 23 in 2020 to 36 in 2021. Much of the advances made in the NPS can be attributed to the launch of our Premium Wealth Unit in 2020 with focus on high net worth and corporate clients. Our clients also experienced major improvements in responsiveness and communication. To that end, we saw several client commendations, including:

"This is to inform you of the excellent service provided to me by Mr Trace Gayle. I thought it fit to write to you because we're in a time where customer service is not at its best in Jamaica, and we complain all the time. Last year, I did some investments with four financial institutions, and I can see the marked difference between VM Wealth and the other top institutions. Mr. Gayle is always very professional and provided expert advice based on my risk tolerance to guide me and now I am in a real good place."

We are committed to transforming your everyday, and as we look forward to a promising 2022, our continued aim is to work at improving the overall client experience at every touchpoint. We will be concentrating on the following:

- **Phase 2 of our Customer Experience framework with a focus on technology and processes**
- **Increased client engagement which will now include rewarding our loyal clients**
- **Continued enhancement and promotion of our digital capabilities through:**
  - Transaction Migration
  - JTrader Pro
  - Client Portal

Our Expansion Journey

CONTINUED

Digital Channels at the Core of Customer Experience

VMIL is delivering on its purpose of advancing the financial well-being and transforming the lives of our clients through our drive for greater innovation; in alignment with our strategic objective shared with our parent, VMBS, of becoming a modern mutual. Our Digital Transformation Programme is aimed at significantly improving customer experience, operational efficiency and productivity while empowering our clients through the implementation of self-service tools and portals.

VMIL has established an integrated approach for our digital channels and touchpoints via our newly rebranded website that allows clients to access all our channels from a central space. Our objective is to increase the number of product and service offerings available on our digital channels and provide the most modern and convenient options for transacting business with us.

The COVID-19 pandemic had a positive impact on our journey of continuous improvement to our digital channels and capabilities. We were able to accelerate our Wealth Online Client Management Programme, where we successfully launched the VM Wealth Client Portal and Wealth IPO Edge in November 2020 and September 2021, respectively.

Client Portal

The VM Wealth Client Portal provides our clients with 24/7 access to their personal accounts at their leisure; enables the viewing of their investment portfolio; allows clients to initiate transaction requests; and creates investment goals and access to view and retrieve statements. We will be enhancing the functionalities in three (3) additional phased releases scheduled to be concluded in 2023.

Wealth IPO Edge

This online self-service platform empowers our clients and potential investors to apply for IPOs/APOs and:

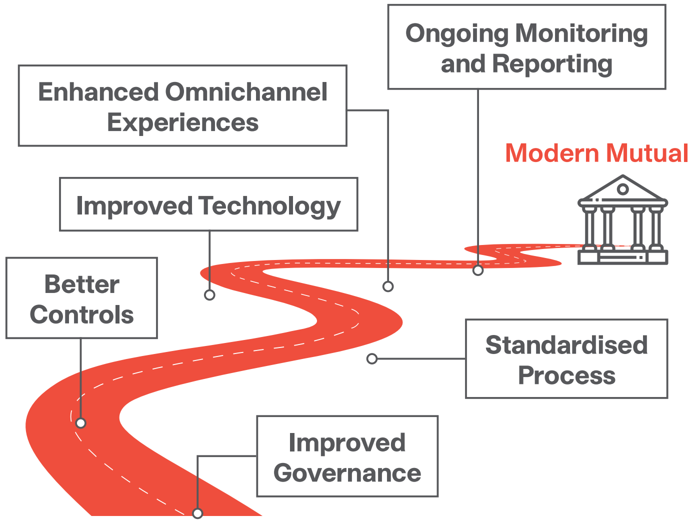
- **Register JCSD account & add joint holders.**
- **Fund IPO applications using various methods.**
- **Track the status of their application.**

Our clients will begin to experience added convenience and ease of access to new investment opportunities remotely. Potential investors do not need to have any prior engagement or user credentials to access this platform.

Equity Trading Online

We have partnered with the Jamaica Stock Exchange whose JTraderPro platform, under the VM Wealth brokerage, facilitates the autonomous execution of stock trades. Our clients have access to real-time market activities, benefit from reduced commission fees on trades, and trade from anywhere at their own convenience. We have also partnered with interactive Brokers to provide online US equities trading services for our clients.

Operations



As part of our Continuous Improvement Programme, in 2020, VMIL carried out a comprehensive process review of its operations to identify areas for improved operational efficiencies and digitisation. We also set out a series of road maps in keeping with our Vision of Operational Process Transformation and Optimisation. Our plans set out to:

- **Deliver more customer self-service channels.**
- **Automate routine activities and embed controls where needed.**
- **Simplify and streamline operating policies and practices.**
- **Strengthen the level of control of our operations.**
- **Embed a culture of operational improvements within our business.**

Some of the operational improvements of 2021 were:

- **Optimising our Equity Order System to facilitate the automated generation of contract notes.**
- **Enhancing client statement generation with rebranding and improvements in security features and increasing the number of electronic statements that can be dispatched at any given time.**
- **Introducing self-service tools such as a Customer Management System and an IPO application launched in Q1 and Q4, respectively.**
- **Simplifying the processes of our leads and referral software.**
- **Streamlining operational processes for improved accuracy of our management and securities reporting.**

Compared to our operational performance last year, VMIL has:

- **Significantly improved its rate of initiatives completion by 130% with the introduction of the Continuous Improvement Programme.**
- **Improved controls for key processes, including the new customer account opening process, the process of receipting of customer trades and investments.**
- **Improved adherence to service level standards. Current SLAs target is 85%. Operations are now trending at 95%.**

Our plans for 2022 include:

- **Upgrading our core investment system and our client portals.**
- **Introducing several automated solutions, including, but not limited to, an online financial system for our Wealth Clients, a mobile financial system, and a loan application. We also plan to introduce a customer relationship management system that allows us to better align our products to our customers' needs.**
- **Further integrating our systems to provide timely and accurate management and regulatory reporting.**
- **Further strengthening the level of internal controls at VMIL, ensuring it is operating at Sigma 3 and above.**

Group Information Security

Information/cybersecurity remains a top concern for business leaders locally and internationally. The effect of the pandemic on business operations dictates that the shift towards digital-based operations must continue in earnest and in many instances be accelerated.

Financial institutions continue to be in the firing line of entities/individuals who seek to take advantage of the digital push and compromise personal and financial information, as well as commit fraudulent transactions.

The year 2021 saw a continuation of the record number of reported information/cybersecurity breaches on a global scale. The year also saw a strong resurgence of ransomware being used as the primary attack vector. Several companies suffered wide-scale disruption in their services, costing millions of dollars in lost revenue and recovery costs.

VMIL understands the information/cybersecurity risks of the environment in which it operates. We mitigate these risks, including the threat of ransomware, 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/cybersecurity as an important management issue with the full support of the Board and Executive Leadership as we seek to respond to today's increasingly sophisticated and diverse cyber attacks and

Our Expansion Journey

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provide a secure environment for our Members and Team Members.

Challenges

COVID-19 also presented challenges for information security. With over half the workforce operating remotely for most of the year, the organisation faced the challenge to secure assets and data that were suddenly placed in an untrusted zone.

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 emails per month.

Like many other financial institutions, the VM Group faced the challenge of attackers attempting to compromise its systems. In 2021, over 2.6 million attempts to compromise its systems were detected. None on these attempts was successful.

Some Additional Key Safeguards We Undertookin 2021

The Information/Cybersecurity Programme of Works already in progress from 2020 continued in 2021.

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

- **Removal of outdated and unpatched systems and applications.**
- **Implementation of Comprehensive Information/ Cybersecurity Threat and Incident Monitoring.**
- **Upgrading of Virtual Private Network (VPN) systems.**
- **Implementation of frequent testing and compliance reviews (including vulnerability and penetration testing).**
- **Periodic risk assessment and reviews.**
- **Remote access using multifactor authentication for Team Members.**
- **Implementation of Multifactor Authentication for Microsoft 365 (formerly Office365) for Team Members.**
- **Enhancement of email encryption.**
- **Implementation of Privilege Account Management Systems.**
- **Implementation of phishing simulation exercises.**
- **Encrypted data transmission.**

Training and sensitisation of our Team Members continued to be a significant area of focus to mitigate against information security threats. Training in 2021 focused around:

- **Data privacy and protection.**
- **Identifying and protecting against phishing emails.**
- **Protecting against ransomware.**

The year 2021 also saw the return of weekly information/ cybersecurity tips, easily digestible content on a variety of topics, best practices, or updates/information on current happenings in the global cyber world. These tips were used to complement the formal training that Team Members are required to undergo periodically.

Plans for 2022

The programme of works will continue its implementation into 2022. The major milestone scheduled is the implementation and operationalising of the Data Protection Act 2020. The implementation of new and modern technologies, as well as upgrades to existing systems and applications, will continue to further improve the security of our customers' and Team Members' information.

The VMIL Group remains committed to providing as secure as is possible an environment in which customers can safely transact business and Team Members can confidently deliver customer-enhancing services.

Systems Upgraded/Implemented/ Enhanced

Systems	Completed
JCSD Number Change	Q1
Contract Note Encryption	Q2
Member Statement – Email Distribution Upgrade	Q2
IPO EDGE Platform Launch	Q3
Opics Automatic Price Upload	Q3
Member Statement – Rebranding	Q4
Client Portal (CMS) – Rebranding	Q4
New Regulatory and Management Reports	2021

Our Digital Transformation Journey

In 2021, VMIL worked assiduously in transforming our operations to digital. This focus influenced our planning and execution of initiatives. In the past year, our goal of driving an exceptional client experience at all digital touchpoints and to attain greater efficiency fuelled our efforts for automating client-facing solutions as well as our internal processes. Our digital culture is a precursor to excellence in service delivery, so we advanced our digital education and training programme for our Team Members.

Enhancing the Digital Experience of our Clients

Our vision of transformation drives the digitalisation of our processes, products and services. During the year, our strategic objective of 'Digitalising our Value Chains' was the focus of the completed internal processes. This saw us assessing key processes that impacted service delivery and seeking digital solutions for enhancing those processes. These internal processes are largely part of our established Continuous Improvement Programme (CIP), led by a cross-functional team dedicated to enhancing VM Wealth's processes.

We remained focused on the projects and initiatives within our Customer Experience Transformation Programme (CETP), which is intended to transform the way our clients experience us at our digital touchpoints, with heavy focus on promoting self-service options. With the success of our initial minimum viable product (MVP), we continued building out and scaling our abilities to provide solutions in an agile and consistent way to our clients. In the upcoming year, the fruit of that work will be realised as we will be launching additional features on our VM Wealth Client Management Portal. Additional enhancements for our clients included our Equity Order System, which provided automated generation of contract notes; and IPO Edge, which gives our clients the ability to submit, fund, and track IPO applications.

Enhancing the Digital Capabilities of our People and the Organisation

In 2021, to meet our key objective of transforming our culture and moving VMIL from 'Doing Digital to Being Digital', our Team Members were trained and upskilled to be proficient to meet the needs of our digital organisation and services. We extended the course offerings within our groupwide digital capability development programme, VM Digital U, and certified over 88% of our Team Members in digital courses across the domains of Agile, Design Thinking, and Data Analytics. We also offered advanced courses on specific tools for the Group's digital collaboration platform.

As we move on from 2021, we celebrate a 100% Digital Strategy implementation rate, and we anticipate even more in 2022. As we work to digitalise our value chains and enhance our services, we will continue to develop our digital talent pool.

In the upcoming year, prospective clients will receive a fully online onboarding experience as we roll out our omnichannel solution. We will also be integrating and leveraging our online banking capabilities to extend self-service options to our clients. These will include, but are not limited to, retrieving account statements, initiating unit trust subscriptions and redemptions, and margin loan payments.

Our Expansion Journey

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Paving the way to a digitally transformed VMIL will enhance our Clients' experience at our digital touchpoints.

Risk & Compliance

The Risk and Compliance team continued to support VMIL by providing guidance and support on regulatory and best practice requirements throughout 2021. The team reviewed and updated all policies within the year as well as conducted risk and compliance awareness sessions.

In 2021, there were new and amended regulatory requirements such as Retail Repo Mismatch Ratio, Basel III preparation, Large Exposure and preparation for Common Reporting Standard (CRS). We were also faced with new and emerging risks such as:

- **More stringent requirements for shorter-term assets.**
- **Tightening internal processes.**
- **Enhanced monitoring of client activities.**

In 2022, we will have:

- **Greater utilisation of data modelling and dashboards.**
- **Strengthening of the risk and compliance culture.**
- **Embracing Risk and Compliance Champions across departments.**
- **Analytical skills building.**

Research

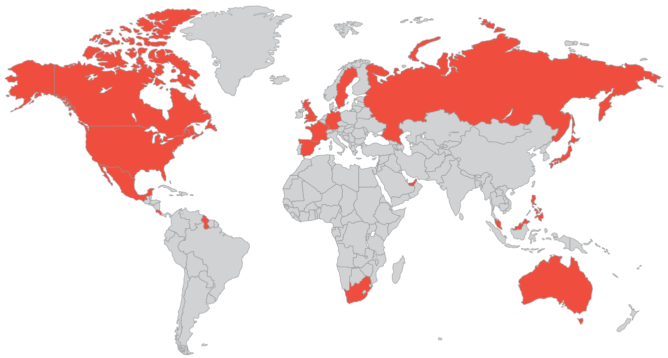
During 2021, we continued to build the research team and the skill sets of the Team Members to better provide insights to inform our Clients and support them in their decision-making process. Having adopted the three-statement modelling methodology for forecasting and valuing equities in 2020, we continued to entrench the discipline within the team by supplementing the course material with direct coaching and mentoring to ensure consistent implementation of the principles.

In keeping with the VM Group Hybrid Remote Flexible Work Arrangement Policy, in August, we were able to welcome our first Team Member outside of the corporate office who is based in, and works remotely from, Montego Bay.

The team had a greater presence in the media this year, having several articles published in the major newspapers as well as via the VM Wealth LinkedIn page and through the monthly Insight newsletter disseminated to clients. Team Members were also guests on radio programmes and participated in the Wealth Talks webinars as well as on IG Live via the VM Fete initiative.

The WealthWise Podcast was launched on July 28, with eight (8) episodes airing for the first season. It was hosted on all the major podcast platforms and listenership exceeded expectations, garnering in excess of 3,300 downloads in several countries worldwide.

Diversity in our Listener Reach



VMWM's market share of equity trading increased from 4.3% at the end of 2020 to 5.45% by the end of 2021. Meanwhile, our unit trust market share improved from 5.91% in December 2020 to 6.45% in December 2021, and the individual portfolios performed creditably in a challenging market, beating their benchmarks in many cases.

We were able to track our survey questions, statements, and answers. At the end of 2021, 77% of respondents agreed with this statement: "The VM experience is special because VMBS takes care to empower me with knowledge that is relevant for my financial well-being."

In our quest to build a pipeline of talent, we will launch our Analyst Internship programme in the summer of 2022.

Customer and Brand Support

In 2021, we intensified our drive to promote the VMIL brand and expand our reach to the marketplace to ensure that our target audience benefits from our financial education efforts. This year we:

- **Launched our first VM Podcast, WealthWise, with over 3,354 downloads in the first season.**
- **Hosted our first local cryptocurrency webinar and podcast with over 2,000 views.**
- **Launched our WealthWise Video Series to expose more persons to education about investing principles and products. Viewership ranged from 6,000 to 41,000.**
- **Launched our retail campaign that improved engagement with the brand via all measurable channels – Up to 50K views in 2021 vs under 6K in previous years.**
- **Generated leads of 5,500+ in 2021 vs 3,200 in 2020.**
- **Increased the open rates for key publications by approximately 10%.**
- **Increased media visibility via publication of thought leadership content as well as independent media pickup quarterly.**
- **Revamped our VM Wealth Management and VMIL websites to enable analytics and greater use of the sites as a strong part of our thought leadership delivery strategy.**
- **Conducted a survey to gauge our brand awareness (40% unaided recognition of investments as a service available via VM, 60% internal brand awareness).**
- **Quarterly highlights of VMIL's performance via the press and through digital channels.**

All this was in execution of our Retail Customer & Brand Strategy, the tenets of which included:

1. Building awareness around our products and services via a dedicated awareness campaign.
2. Leveraging of Group brand positioning 'Strong Integrated Group' to support the VMIL brand.
3. Brand building of the team and through strategic partnerships.
4. Activities geared towards educating the financial public.
5. Promotions to support a deliberate digital migration for client access to products and services.

In 2022, we will continue to execute on this strategy and will focus on:

1. A structured framework for building awareness around transactions.
2. Enhanced/innovative publishing of VMIL quarterly performance via digital channels.
3. Diaspora/regional engagement for webinars and other digital engagements.
4. Webinars to include issues of importance to the stability/development of Jamaica.
5. Enhanced publication of CSR activities.
6. Growth & pipeline building.
7. Monthly engagement of corporate and other stakeholders islandwide.
8. Engagement with trade and other stakeholder organisations.

Our Expansion Journey

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Overview of Business Lines

Treasury Unit

At the end of 2020, we reconfigured our Repo Edge Product. A new product was simultaneously created for existing repos below the new benchmarks that featured a minimum tenure of 180 days. The aim was to drive efficiency around the product. We also reprioritised our maturity profile of our holdings and focused on capital adequacy.

For the first three quarters of 2021, bond trading was active for both the global and local markets, with the initial favourable introduction of vaccines and a return to some sense of normality was anticipated. Particularly in the first half of the year, the active market was reflected in an active proprietary portfolio.

By the end of the second quarter, it was quickly realised that vaccine hesitancy would spill over to impact the anticipated return to normality. With new variants of COVID-19 becoming the norm, supply-chain problems developed and fed into raw material shortages, and then to inflation. This inflation commenced on a global scale and soon became evident in local markets. The BOJ responded on the first day of the last quarter to missed inflation targets in the third quarter. The eventual interest rate hike, the first of three for the last quarter of the year, resulted in the loss of value for the House bond book as yield pressure increased and prices declined. As a result, trading petered out for the remainder of the year.

The impacts on the business of the events of the last quarter of 2021 were as follows:

1. Greater focus on risk management versus capitalising on active trading opportunities.
2. Fewer opportunities to realise trading gains.
3. The increase in interest rates resulted in a rise in market rates for investment products such as our repo product. With the cost of the repo book increasing, there was an inevitable narrowing of spreads, which we expect to carry over into 2022.

With the BOJ indicating that increasing interest rates is the tool of choice to combat inflation, Jamaican-dollar market liquidity declined as there emerged a reluctance to commit funds for investment periods longer than a week. The shortage of funds on tenures resulted in an increased cost of sourcing, further impacting interest income.

Main Initiatives for 2022

For 2022, the main initiative for Fixed-Income Treasury will be digitisation or going paperless. The target areas are our cash-flow records, our payment requests, and deal tickets for transactions done. This initiative is both cost saving as well as efficiency driven.

Bond and Equity Trading Unit

The Fixed-Income market was volatile in 2021. This environment impacted trading negatively, as the traditional credits had low activity and global supply challenges influenced interest rate hikes which resulted in bond prices falling. Owing to inflation concerns, most investors sat on the sidelines holding cash. Locally, the spike in inflation, along with limited supply of consumable items, resulted in depreciation of the Jamaican currency. By the second half of the year, the BOJ began tightening monetary policy, resulting in investors not wanting longer-dated and fixed-rate securities. The local stock market's Main Market performed poorly for 2021. While most of the companies released good performances, the volume traded remained thin.

Nevertheless, the Trading Unit pursued initiatives to enhance the trading experience and made significant progress in implementing its Digital Asset Trading initiative in 2021. An application to the Financial Services Commission (FSC) was submitted for approval to offer the product via the Jamaica Stock Exchange (JSE) when launched.

The Unit also broadened its reach in the Caribbean by onboarding new counterparties from the region and establishing several other relationships.

For 2022, we plan to:

- **Launch Digital Asset Trading.**
- **Expand trading of US Equities (IPOs and secondary markets).**
- **Offer structured products to retail investors within the region.**
- **Explore the need for alternative investments.**

Asset Management Unit

For the year under review, off-balance sheet assets under management grew by 5.75%. This was a commendable performance given negative returns in key asset classes, namely: local Main Market listed equities, down 1.82%, and emerging market global bonds, down 1.43%. The key performance driver for this performance was the VM Wealth Unit Trust Classic Property Portfolio, which returned a market-leading 10.79%.

During the year, the Property Portfolio completed the remodelling and rental of our two Parkington Plaza properties and refinanced a one-year bond facility, which is earmarked for the acquisition of a large commercial facility expected to be completed in the first quarter of 2022. These and other projects in the pipeline portend well for an even better year in 2022.

Corporate Finance Unit

The VM Wealth Capital Markets team has contributed significantly to the development of our local capital market over the last two (2) decades.

In this time, we have enabled access to capital for many of Jamaica's Medium, Small and Micro Enterprises (MSMEs). Today, some are listed on the Jamaica Stock Exchange Junior Market, while others have accessed loans and/or raised capital from local investors.

Moreover, since 2017, we have arranged, brokered, listed and/or participated in over 120 total capital raises, totalling approximately J$90.0 billion on behalf of local and regional corporates This spans IPOs, APOs, rights issue, commercial loans, lease financing, and private equity.

YEAR	DEAL VOLUME (J$)
2017	19,047,479,987
2018	19,849,551,290
2019	16,805,892,107
2020	16,637,974,269
2021	17,636,295,032

With consumers and businesses becoming better at living with COVID-19, going forward, we expect to help our local businesses gain access to capital to recover stronger from the pandemic. For companies that view the capital market as currently inaccessible, our commitment to providing access to capital means that they can take advantage of one of our other corporate financing products, which include commercial loans, lease financing, or invoice factoring (receivables or payables financing).

VM Wealth purposefully empowers clients, including through private investments in corporates, with access to capital and sound, thoughtful financial education.

In 2021, the Corporate Finance Unit (CFU) achieved milestones in strengthening of our internal processes and learning and growth that positively impacted our customer experience and financial results. These milestones were evident in:

- **The team arranging up to J$17.6B, touching over 20 unique businesses in deals spanning sectors such as Mining, Energy, Manufacturing, Tourism, Entertainment, Distribution and Construction. These transactions approximated to aggregate interest and fee income of J$522.5M.**
- **The launch of our new IPO platform for the processing of IPO applications. The self-service portal will facilitate straight-through processing and electronic submissions to the Jamaica Central Securities Depository (JCSD). It is intended to eliminate the need for**

Our Expansion Journey

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paper applications over time. The objective is to deliver an entirely digital process that will enhance our sales initiatives and provide convenience to our customers.

- **Updating and establishing new policy guidelines to guide how we do business and strengthen our internal governance structure.**
- **Reviewing Human Resource requirements. New Team Members were onboarded with specialised skill sets and competencies aimed at improving the services offered by CFU.**

For 2022, CFU will be executing on our mandate brought forward from 2021, that is, (i) the launch of the Loan Software, (ii) streamlining our procedures, (iii) regional expansion, and (iv) investing in our human capital to build skill sets and competencies needed to execute on strategic objectives. These will be achieved while remaining customer obsessed and results focused.

Carilend

Carilend is the FinTech company that has revolutionised borrowing and lending in the Caribbean by 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, signalling a new way of borrowing and lending in the Caribbean.

Carilend uses advanced technology systems to digitise and automate the borrowing and investing process to give consumers a convenient, easy, and fast experience. One example of this innovation is where Carilend has made the whole process of applying for a loan a 15-minute, simple process, from any device (even on your phone), including uploading your supporting documents. Other areas include automating the Know Your Customer (KYC) processes and having a proprietary credit scorecard working on an automated credit decision engine to speed up customer loan approvals.

The year 2021 was a period of growth for Carilend as its operations in Barbados and Jamaica continued to delight thousands of consumers in each country. During 2021, Carilend powered past B$50,000,000 of loans in Barbados and did not stop there, with over B$66,000,000 of loans now advanced to over 3,300 borrowers.

In August 2020, during the pandemic, Carilend successfully launched its Jamaican operations offering the co-branded 'VM e-Loan powered by Carilend'. Over 15,000 Jamaicans have already registered to do business with Carilend and over J$350,000,000 of loans have already been approved for Jamaicans.

Over 850 lenders with investments ranging from B$25 to B$2,500,000+ have invested in peer-to-peer loans via Carilend in Barbados. Carilend now has over 19,000 registered users in Barbados and has received over 12,000 completed loan applications so far. All loan applications are processed within one working day. Carilend reports average returns for lenders of 8.33% on their current investments. This high return has led to more than $4,500,000 in interest paid to lenders.

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 Mr Young, the 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.

Carilend is planning to expand its footprint in 2022 into Trinidad and Tobago.

Accelerating the Transformation

VM Investments Limited

Group Human Resources

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Our People

VMIL has remained a strong and resilient organisation despite the impact of the pandemic on our overall workplace and workforce strategy. We remain on track to achieve our Strategic Goal of Employer of Choice. This is being done through our Talent Management and Employee Engagement Programmes. Our Talent Management Programme (TMP) is aimed at attracting, developing, motivating, and retaining top talent for the future. In 2021, several innovative initiatives were introduced to future-proof our workforce.

Talent Management

We were required to pivot on several initiatives designed to attract, develop, motivate, and retain top talent. We have strengthened our internal talent pool with focus on providing experience-based learning for our high-potential Team Members.

As at December 2021, VMWM/VMIL accounted for forty (40) Team Members, with thirty-four (34), or 84%, high potential being retained. Our Formal Learning Programmes offered were aligned with the 2021 Business Plan with specialised training for Team Members in sales and credit with general Digital and Financial Education Training Programmes for all Team Members. Under the Financial Education initiative, Team Members were provided with training on VM Group's products and services, as well as having a needs-based sales conversation. Other programmes that were offered included Career Development Planning, HR Policies, Retirement Planning, and New Hire Orientation. Our Talent Development Programmes are designed to strengthen leadership capabilities as well as to build expertise for critical areas of the business, including sales, relationship building, credit, digital capabilities, and financial education. These form part of our transformation programme as we prepare the organisation for the future of work.

We look forward to aligning Team Members with their professional development, their career development plans, and succession planning.

Employee Engagement

Aligned with our Strategic Goal of Employer of Choice, and our Employee Engagement Initiative, we designed a Great Place to Work Agenda for the VM Group. This included our participation in the Great Place to Work Institute Certification and Ranking of the Best Workplace in Central America & the Caribbean. We were successful in this process and were certified 'Great Place to Work'. The certification will run from September 2021 to August 2022.

Having achieved the Great Place to Work Certification, our focus will be on diversity, work-life balance, Team Member well-being, productivity, and performance. We will continue to utilise feedback from our HREI Action Plan to improve our HREI Score while we work with the Great Place to Work to introduce the Employee Net Promoter Score (eNPS) in 2023.

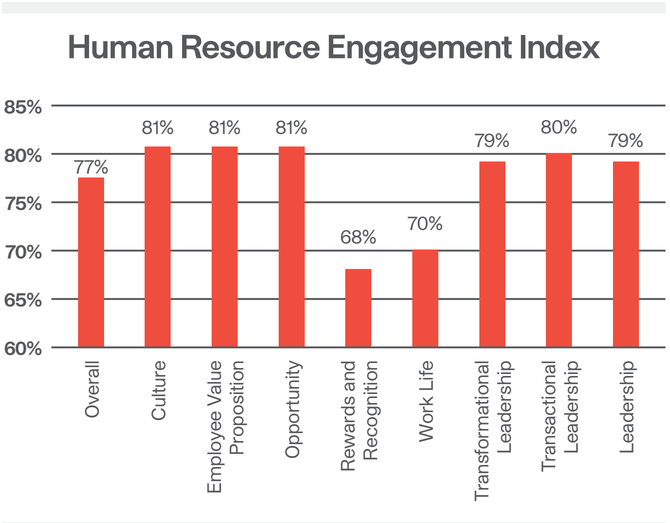
Vaccination Drive

The VM Group supports and encourages the safety and well-being of all Team Members, Members and Clients during the COVID-19 pandemic. As part of our strategy to increase vaccination rates and accessibility, we hosted a vaccination blitz in September 2021 which saw nearly 500 Team Members and members/clients being vaccinated.

Group HR, in partnership with VMWM/VMIL, continued to engage Team Members digitally in keeping with the new normal. We will continue to innovate our engagement and wellness strategies to drive greater engagement and improvement in the overall physical and mental health and well-being of our Team Members.

Human Resource Engagement Index (HREI) Survey and Results

VMIL scored 77% in the 2021 Engagement Survey, in line with the score of the previous year. For the six key drivers of engagement, VMIL scored 81% for Culture, 81% for Employee Value Proposition, 81% for Opportunity, 68% for Rewards & Recognition, 70% for Work Life, 79% for Transformational Leadership, 80% for Transactional Leadership, and Leadership with a score of 79%.



The HREI action plans continue to focus on engendering a culture of accountability and diversity and inclusion.

Total Rewards

Our Total Rewards Programme will continue to be aligned to our Employee Value Proposition Initiatives and Team Member Experience. We will continue the Total Rewards Framework as part of the talent acquisition and retention programme with a focus on specific initiatives that foster integrated selling and greater Team Member productivity. Other initiatives such as Employee Share Option Plan, Digital incentives and cafeteria-style benefits will be explored in 2022 to 2023.

Educational Support

As an Employer of Choice and in keeping with the Great Place to Work Agenda, the VM Group is focused on transforming the lives of our Team Members through the provision of programmes and policies designed to support their professional growth and development. VMIL recognises the significant benefits to be achieved by having a qualified and highly skilled workforce and building a high-performance learning culture.

The Educational Support Policy reinforced our Employee Value Proposition (EVP) philosophy and promotes the Talent Management Programme, both of which promote career development and succession planning through academic advancement and personal growth of our Team Members.

The Educational Support Policy aims to: provide support to eligible Team Members to achieve higher education, including, but not limited to, bachelor's and master's degrees, specialised certification, skills development, and training, including the Chartered Financial Analyst (CFA®) programme.

Group Human Resources

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Employees of the Quarter

The Employee of the Quarter Programme recognises the outstanding qualities and contributions of employees towards VM Wealth's goals and mission. As VMIL milestones, we celebrate results from Team Members that diligently and creatively carry out their responsibilities daily. As a result, it is particularly important that we identify and celebrate our top performers who embody 100% of our cultural beliefs.

Q1.

Shanee-Leigh Greaves
Client Relations Officer
VMWM

Q2.

Jovaughn Vanriel
Corporate Finance Officer
VMWM

Q3.

Shantel Pryce
Client Relations Officer
VMWM

Employee of the Year 2021

Q4.

Tonesha Grant
Client Relations Officer
VMWM

For the period January to March 2021, our Employee of the Quarter was **Shanee-Leigh Greaves**. Whether serving in her role or providing support to others, she has consistently brought a high level of organisation and efficiency to her work. With a reputation of being knowledgeable and highly competent, Shanee-Leigh ensures efficiency and responsiveness - a go-to person on all matters relating to her role.

For the period April to June 2021, our Employee of the Quarter was **Jovaughn Vanriel**. An initiative taker capable of tackling problems with excellence, Jovaughn is regarded as a high-potential employee who exemplifies VM Excel and Results Focused.

For the period August to September 2021, our Employee of the Quarter was **Shantel Pryce**. She excels in people-centred professionalism, going above and beyond expectations in her tasks, as well as assisting others, bringing value to her team and the wider VM Wealth.

For the period October to December 2021, our Employee of the Quarter was **Tonesha Grant**. She is an experienced investment banker and communicator who is customer-obsessed, driven, and dedicated to ensuring the success of the organisation.

VM Modern Movers

The 'Modern Movers' is a group of vibrant millennial Team Members, whose main purpose is to boost employee engagement. Our mission is to create innovative and dynamic activities aimed at promoting a social, collaborative, and engaging workplace. The Group intends to build a strong relationship between employees and the workplace, which would in turn build brand recognition and increase employee satisfaction and productivity.

Overview of the Engagement Activities Achieved

1. **Feel Good Fridays** – The team was engaged bi-monthly where they were asked to share recognition of, or feedback to, a Team Member or Members that displayed VM's Cultural Beliefs.

2. **Festive Fridays** – Another biweekly event where Team Members were given trivia questions and prizes were awarded to the winners.

3. **Movie Night** – The VMWM Team enjoyed a lyme and a movie at a makeshift 'movie theatre' set up in the parking lot.

4. **Treasure Hunt** – This event was a virtual event and Team Members had to find items around their households. The winner was awarded a prize.

5. **Palisadoes/UWI/Portmore Hill (Morning Run)** – As the VM Team promotes wellness and fitness, the team was invited to various spots for a morning or evening walk/run.

6. **Valentine's Day Special** – The team was treated to a token that showed care and compassion.

7. **Hotel Trip** – The team was invited to spend an overnight weekend to just relax and unwind at a hotel. The event was well supported.

8. **Games Night** – Several virtual games were held to keep the team engaged.

2021 Pictorial Highlights

CARLA DUNBAR MINISTRIES A Suzannie Chambers, Assistant Manager, Treasury and Rev. Dr. Carla Dunbar with Domonique White on a motored wheelchair donated through the Carla Dunbar Ministries 'Love Gives' Charity. **DAVID HUNT** B Nicole Adamson, Manager, Research, handing over cheque for $200,000 to the David 'Wagga' Hunt Memorial Scholarship Chairman, Arnold 'Dullu' McDonald. **GARLAND HALL CHILDREN'S HOME** C Team members and members of the Garland Hall Children's Home relax in the playground. **GARLAND HALL CHILDREN'S HOME** D From left: Hanorene Brown, Brittany Bravo, Kerrian Pyke, Tenisha Brown, Mrs. Sydia Smith, Manager of the orphanage, Nicole Adamson. **WEALTHWISE PODCAST** E Host Daniele Clarke and Ryan Reid of FirstRock, talk real estate on the set of the new podcast WealthWise. F Host Daniele Clarke and Able-Don Foote, Attorney, after Episode 2 of the new podcast WealthWise where they discussed estate planning. G Host Daniele Clarke and Davie Martin, Manager, Asset Management, are deeply engaged in discussion on the set of the WealthWise podcast. H Hostess Extraordinaire, Daniele Clarke, Assistant Manager, Client Relations.

PALISADOES MANGROVE CLEANUP I J Members of VMWM partnered with 876 Volunteers to clean up a section of the Palisadoes strip. **NEGRIL EDUCATION ENVIRONMENT TRUST (NEET)** K Cleopatra Beharie, Assistant Manager, Sales, hands over cheque for $100,000 to beneficiaries of the Negril Education Environment Trust (NEET.). L Cleopatra Beharie, Assistant Manager, Sales, planting a tree as part of the beautification at NEET. **2021 POST-BUDGET REVIEW WEBINAR** M Moderator, Emily Crooks, introduces the panel at our 2021 Post-Budget Review webinar from left to right: Lloyd Distant, President of the Jamaica Chamber of Commerce, Prof Denzil Wilks, Pro Vice Chancellor, UWI, Glen Lawrence, CEO Couples Resorts, Dwight Jackson, AVP Capital Markets, VMWM.
VMIL SCHOLARSHIP LAUNCH N From left, Rezworth Burchenson, CEO, VMWM/VMIL, Mrs Carla Seaga, Executive Director, University of the West Indies Development and Endowment Fund (UWIDEF), Janet Sharp, daughter of former chairman of VMWM, Maurice Robinson, and Michael McMorris, Chairman, VMWM/VMIL, review the commemorative UWIDEF magazine at the occasion of the launch of the VMIL Maurice C. Robinson Business Management and Economic Scholarship. **WEALTHTALKS** O Daren McGregor, Assistant Manager, Research, explains to host Kalilah Reynolds how the crypto market works. P Denise Marshall-Miller, Manager, Bond & Stock Trading, Trace Gayle, Wealth Advisor, and Randy Rowe talk stocks.

Financial Statements

December 31, 2021

VM Investments
Limited

Independent Auditors' Report

To the Members of Victoria Mutual Investments 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 114 to 203 which comprise the group's and company's statements of financial position as at December 31, 2021, the group's and company's income statements, statements of 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, 2021, 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.

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.

Key Audit Matters (continued)

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 COVID-19 pandemic has resulted in volatility of prices in various markets, the uncertainty of which has increased estimation risk for prices used in determining fair values. This could result in estimated fair values that are materially different from actual transaction values. *[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 or prices by comparing to independent pricing sources. • Assessing the reasonableness of significant assumptions used by management. • Involving our own valuation specialists to determine or obtain yields or 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.

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 involves high estimation uncertainty and requires management to make significant judgement and estimates about the elements considered in calculating the ECL. 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 and company'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 and company's control over the determination of expected credit losses. • Updating our 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 management specialists to evaluate the appropriateness of the group's and company's impairment methodologies, including the SICR criteria used and independently assessing the assumptions for probability of default, loss given default and exposure at default.

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 management specialists to evaluate the appropriateness of the group's and company's methodology for determining the economic scenarios used and the probability weightings applied to them in determining the forward looking indicators. • 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.

Key Audit Matters (continued)

3. Impairment of investment in associate (continued)

The key audit matter (continued)	How the matter was addressed in our audit (continued)
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.

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.

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 113, 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.

Chartered Accountants
Kingston, Jamaica

March 1, 2022

Appendix to
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 or 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.

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, 2021

	Notes	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
ASSETS					
Cash and cash equivalents	4	684,077	1,571,567	114,443	80,343
Resale agreements	5	4,051,332	7,380,680	692,631	79,997
Investment securities	6	20,665,880	16,526,043	2,382,399	1,060,327
Interest in subsidiary		-	-	109,500	109,500
Interest in associate	7	21,399	56,949	21,399	56,949
Net investments in finance lease	17(b)	155,836	110,832	155,836	110,832
Loans receivable	8	3,482,266	1,789,651	3,482,266	1,789,651
Accounts receivable:					
Customers		227,080	716,005	-	-
Brokers		-	5,217	-	-
Other	9	460,942	1,061,981	65,181	782,042
Income tax recoverable		69,704	44,548	69,706	44,548
Deferred tax asset	10	333,359	44,083	-	13,345
Property, plant and equipment	11	908,198	189,187	745,701	-
Intangible asset – computer software	12	183,079	226,932	-	-
TOTAL ASSETS		31,243,152	29,723,675	7,839,062	4,127,534
LIABILITIES AND EQUITY					
Liabilities:					
Due to ultimate parent society	29(c)	216,040	197,988	122,137	130,579
Due to subsidiary company	29(c)	-	-	415,592	13,551
Borrowings	16	5,521,964	3,042,641	5,469,255	3,035,836
Accounts payable:					
Customers		719,915	1,149,953	-	-
Brokers		20,414	-	-	-
Others	13	899,967	470,154	540,853	82,515
Lease liabilities	17(a)	76,650	85,978	-	-
Repurchase agreements	14	19,649,270	20,312,831	197,758	-
Income tax payable		55,029	43,459	42,573	38,487
Deferred tax liability	10(a)		-	19,318	-
Employee benefit obligation	15(b)(i)	32,700	39,200	-	-
TOTAL LIABILITIES		27,191,949	25,342,204	6,807,486	3,300,968

	Notes	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
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)	488,333	1,157,234	-	-
Other reserve	19(b)	11,267	4,267	-	-
Retained earnings		2,769,716	2,438,083	299,689	94,679
Equity attributable to owners of the company		4,001,203	4,331,471	1,031,576	826,566
Non-controlling interest	20	50,000	50,000	-	-
TOTAL EQUITY		4,051,203	4,381,471	1,031,576	826,566
TOTAL EQUITY AND LIABILITIES		31,243,152	29,723,675	7,839,062	4,127,534

The financial statements on pages 114 to 203 were approved for issue by the Board of Directors on February 28, 2022 and signed on its behalf by:

______________________ Chairman
Michael McMorris

______________________ Chief Executive Officer
Rezworth Burchenson

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

Income Statements
Year ended December 31, 2021

	Notes	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Interest income calculated using the effective interest method	21	1,148,813	939,259	331,617	293,329
Other interest income:					
Interest income for finance leases	21	9,050	3,356	9,050	3,356
Interest expense	21	(767,405)	(652,993)	(198,117)	(163,524)
Net interest income		390,458	289,622	142,550	133,161
Gains/(losses) from investment activities	22	776,154	593,988	194,619	(3,917)
Gains from sale of margin loans	8	-	45,226	-	45,226
Dividend income		20,874	2,424	257,962	46,852
Net fees and commissions	23	832,092	925,323	67,931	16,539
Other income		3,947	19,006	15,615	17,007
Other operating revenue		1,633,067	1,585,967	536,127	121,707
Net interest income and other operating revenue		2,023,525	1,875,589	678,677	254,868
Operating expenses					
Staff costs	24	(648,619)	(587,487)	-	-
Impairment losses on financial assets	27(b)	(4,866)	(119,319)	(1,487)	(66,892)
Other operating costs	25	(544,443)	(533,906)	(134,592)	(105,966)
		(1,197,928)	(1,240,712)	(136,079)	(172,858)
Share of loss in associate	7	(33,239)	(36,004)	(33,239)	(36,004)
Profit before income tax		792,358	598,873	509,359	46,006
Income tax charge	26	(228,221)	(165,283)	(71,845)	(22,187)
Profit for the year attributable to shareholders of the company		564,137	433,590	437,514	23,819
Earnings per share (expressed as ¢ per share)	32	38¢	29¢		

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

Statement of Comprehensive Income
Year ended December 31, 2021

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
		$'000	$'000	$'000	$'000
Profit for the year		564,137	433,590	437,514	23,819
Other comprehensive income (OCI):					
Items that will never be classified to profit or loss:					
Net losses on investment in equity instruments designated at fair value through OCI		(163,200)	(385,050)	-	-
Remeasurement of employee benefit obligation	15(b)(i)	10,500	(2,200)	-	-
Deferred tax on remeasurement of employee benefit obligation	10	(3,500)	733	-	-
		7,000	(1,467)	-	-
		(156,200)	(386,517)	-	-
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		(758,551)	78,857	-	-
Deferred tax on change in fair value of investment securities measured at fair value through OCI	10	252,850	(26,286)	-	-
		(505,701)	52,571	-	-
Total other comprehensive loss net of tax		(661,901)	(333,946)	-	-
Total comprehensive (loss)/income for the year attributable to shareholders of the company		(97,764)	99,644	437,514	23,819

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

Group Statement of Changes in Equity

Year ended December 31, 2021

	Attributable to the owners of the company							
	Share capital [Note (18)]	Share premium	Investment revaluation reserve [Note 19(a)]	Other reserve [Note 19(b)]	Retained earnings	Total	Non-controlling interest (Note 20)	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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
Transactions with shareholders: Dividends (note 30)	-	-	-	-	(232,504)	(232,504)	-	(232,504)
Comprehensive income:								
Profit for the year	-	-	-	-	564,137	564,137	-	564,137
Other comprehensive income:								
Change in fair value of investment securities, net of deferred tax	-	-	(505,701)	-	-	(505,701)	-	(505,701)
Change in fair value of equities at FVOCI	-	-	(163,200)	-	-	(163,200)	-	(163,200)
Remeasurement of employee benefit obligation, net of deferred tax	-	-	-	7,000	-	7,000	-	7,000
Total other comprehensive loss	-	-	(668,901)	7,000	-	(661,901)	-	(661,901)
Total comprehensive loss for the year	-	-	(668,901)	7,000	564,137	(97,764)	-	(97,764)
Balances at December 31, 2021	707,887	24,000	488,333	11,267	2,769,716	4,001,203	50,000	4,051,203

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

Company Statement of Changes in Equity

Year ended December 31, 2021

	Share capital [Note (18)]	Share premium	Retained earnings	Total
	$'000	$'000	$'000	$'000
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**
Transactions with shareholders: Dividends (note 30)	-	-	(232,504)	(232,504)
Comprehensive income:				
Profit for the year, being total comprehensive income for the year	-	-	437,514	437,514
Balances at December 31, 2021	**707,887**	**24,000**	**299,689**	**1,031,576**

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

Statement of Cashflows

Year ended December 31, 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Cash flows from operating activities:					
Profit for the year		564,137	433,590	437,514	23,819
Adjustments for:					
Depreciation	11	28,707	22,393	-	-
Amortisation of intangible asset	12	50,312	50,211	-	-
Share of loss in associate	7	33,239	36,004	33,239	36,004
Impairment losses on financial assets	27(b)	4,866	119,319	1,487	66,892
Change in employee benefit obligation	15(b)(ii)	4,200	2,800	-	-
Amortisation of transaction costs		6,679		21,291	-
Unrealised exchange losses/(gains) on foreign currency balances		5,703	(21,526)	2,311	(6,958)
(Gains)/ losses from investment activities		(776,154)	(593,988)	(194,619)	3,917
Gains from sale of margin loans		-	(45,226)	-	(45,226)
Interest income	21	(1,157,863)	(942,615)	(340,667)	(296,685)
Dividend income		(20,874)	(2,424)	(257,962)	(46,852)
Interest expense	21	759,227	644,777	198,117	163,524
Interest expense on lease liabilities	17(a)	8,178	8,216	-	-
Income tax charge	26	228,221	165,283	71,845	22,187
		(261,422)	(123,186)	(27,444)	(79,378)
Changes in operating assets and liabilities:					
Due to ultimate parent society		18,052	81,249	(8,442)	100,704
Due from subsidiary		-	-	402,041	(81,042)
Loans receivable		(1,674,754)	(678,326)	(1,674,754)	(678,326)
Resale agreements		3,042,646	(3,367,843)	(612,640)	(80,000)
Accounts receivable		1,191,466	(618,852)	760,097	7,081
Accounts payable		(39,518)	225,999	419,700	30,995
Repurchase agreements		(679,538)	3,061,956	197,758	-
Income tax recoverable		-	(201,552)	-	(20,774)
		1,596,932	(1,620,555)	(543,684)	(800,740)
Interest received		1,330,763	1,099,844	290,789	292,083
Interest paid		(723,327)	(626,933)	(159,481)	(157,651)
Income tax paid		(281,736)	-	(60,254)	-
Net cash provided by/(used in) operating activities		1,922,632	(1,147,644)	(472,630)	(666,308)

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

Statement of Cashflows CONTINUED

Year ended December 31, 2021

	Notes	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Net cash provided by/(used in) operating activities		1,922,632	(1,147,644)	(472,630)	(666,308)
Cash flows from investing activities:					
Acquisition of property, plant and equipment	11	(747,718)	(98,574)	(745,701)	-
Acquisition of intangible asset	12	(6,459)	(3,957)	-	-
Net investment in finance leases		(45,946)	(82,351)	(45,946)	(82,351)
Investment in cumulative preference share		(117,633)	(95,653)	(117,633)	(95,653)
Investment securities (purchased)/sold, net		(4,158,133)	486,974	(1,021,576)	170,878
Dividends received		20,874	2,424	257,962	46,852
Net cash (used in)/ provided by investing activities		(5,055,015)	208,863	(1,672,894)	39,726
Cash flow from financing activities:					
Proceeds from loan		2,472,643	625,211	2,412,128	625,211
Payment of lease liabilities	17(a)	(9,328)	(7,918)	-	-
Dividends paid	30	(232,504)	(45,001)	(232,504)	(45,001)
Net cash provided by financing activities		2,230,811	572,292	2,179,624	580,210
Net cash (used in)/ provided by operating, investing and financing activities carried forward		(901,572)	(366,489)	34,100	(46,372)
Net (decrease)/increase in cash and cash equivalents		(901,572)	(366,489)	34,100	(46,372)
Cash and cash equivalents at beginning of year		1,571,567	1,917,241	80,343	126,715
Effect of exchange rate fluctuations on cash and cash equivalents		14,082	20,815	-	-
Cash and cash equivalents at end of year	4	684,077	1,571,567	114,443	80,343

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

1. <u>Identification</u>

Victoria Mutual Investments Limited ("the company") is incorporated and domiciled in Jamaica. The company is an 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, gains from investment activities, fees and commission and dividend income.

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

The company holds a 30% interest in Carilend Caribbean Holdings Limited (Carilend), a company incorporated in Barbados that facilitates peer-to-peer lending. This investment is accounted for under the equity method as an associated company in the consolidated financial statements. No goodwill was identified as part of the transaction.

2. <u>Basis of preparation</u>

(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 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.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets*

  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.

- 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.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to *IAS 1 Presentation of Financial Statements* (continued),

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

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The group is assessing the impact that the amendment will have on its financial statements.

- Amendments to *IAS 1 Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

  The group is assessing the impact that the amendment will have 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)

- Amendments to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both:

  - selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and

  - choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The group is assessing the impact that the amendment will have 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).

(c) Functional and presentation currency

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

2. Basis of preparation (continued)

(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.

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. <u>Basis of preparation (continued)</u>

(d) Use of estimates and judgements (continued)

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

(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).

(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, lease liabilities 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.

(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.

3. Significant Accounting policies (continued)

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

(ii) Classification and subsequent remeasurement (continued)

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)

The classification requirements for debt and equity instruments are described below (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 re-measurement (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.

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

3. Significant Accounting policies (continued)

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

(iii) Derecognition (continued)

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.

(4) Accounts receivable

Accounts receivable are measured at amortised cost less impairment losses.

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)

(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)

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 associate

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 associate is accounted for using the equity method for the group and company.

It is 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 and company's share of losses exceeds its interest in an associate, the group's and company's carrying amount is reduced to Nil and recognition of further losses is discontinued, except to the extent that the group and company has incurred legal or constructive obligations or made payments on behalf of an associate. If the associate subsequently reports profits, the group and company resumes recognising their share of those profits only after their 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

Land is measured at historical cost. All other items of property, plant and equipment are measured at historical 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.

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.

3. Significant Accounting policies (continued)

(d) Property, plant and equipment (continued)

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
Buildings	40 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.

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.

3. Significant Accounting policies (continued)

(g) Income tax (continued)

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.

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

The group recognises a rightofuse asset and a lease liability at the lease commencement date. The rightofuse 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 rightofuse 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 rightofuse asset reflects that the group will exercise a purchase option. In that case the rightofuse 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 rightofuse asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. Significant Accounting policies (continued)

(i) Leases (continued)

(a) As a lessee (continued)

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 rightofuse asset, or is recorded in profit or loss if the carrying amount of the rightofuse asset has been reduced to zero.

The group presents rightofuse 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.

3. Significant Accounting policies (continued)

(i) Leases (continued)

(b) As a lessor (continued)

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.

(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.

3. Significant accounting policies (continued)

(j) Interest (continued)

(iii) Calculation of interest income and expense

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.

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	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Bank accounts	667,673	1,555,963	114,443	80,343
Accounts with brokers	16,404	15,604	-	-
	684,077	1,571,567	114,443	80,343

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	
	2021	2020
	$'000	$'000
Denominated in Jamaica dollars	580,000	3,520,000
Denominated in United States dollars [US$22,556,560 (2020: US$ 27,247,259)]	3,471,908	3,861,182
	4,051,908	7,381,182
Less allowance for expected credit losses [note 27(b)(iv)(d)]	(576)	(502)
	4,051,332	7,380,680

	Company	
	2021	2020
	$'000	$'000
Denominated in Jamaica dollars	-	80,000
Denominated in United States dollars [US$ 4,500,000 (2020: US$ Nil)]	692,640	-
Less allowance for expected credit losses [note 27(b)(iv)(d)]	(9)	(3)
	692,631	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, 2021, securities that the group and company held under repurchase arrangements had a fair value of $7,569,772,000 (2020: $9,037,995,000) and $2,444,971,000 (2020: $92,190,000), respectively.

6. Investment securities

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Investment securities at fair value through profit or loss:				
Quoted equities	574,655	340,948	573,090	80,701
Convertible preference shares	266,069	159,422	266,069	159,422
	840,724	500,370	839,159	240,123
Amortised cost:				
Deferred shares	410,647	410,647	410,647	410,647
Corporate bonds	1,159,902	424,665	1,159,902	424,665
	1,570,549	835,312	1,570,549	835,312
At fair value through other comprehensive income				
Unquoted equities	12,748	8,008	4,617	4,251
Quoted equities	873,120	1,036,320	-	-
	885,868	1,044,328	4,617	4,251
Government of Jamaica securities:				
Treasury bills	-	145,686	-	-
Benchmark investment notes	6,775,020	5,808,900	-	-
US$ bonds [US$47,366,084 (2020: US$46,822,690)]	7,290,587	6,635,197	-	-
	14,065,607	12,589,783	-	-
Bank of Jamaica securities:				
J$ Certificates of deposit	455,983	-	-	-
Foreign government securities:				
US$ bonds [US$4,498,253 (2020: US$5,636,515)]	692,373	798,745	-	-
Other public sector securities [US$2,942,369 (2020: US$2,586,000)]	452,889	366,459	-	-
Corporate bonds [US$4,200,269 (2020: US$ $2,895,975)]	646,505	410,405	-	-
J$ Corporate bond	1,087,308	-	-	-
	1,733,813	410,405	-	-
	18,286,533	15,209,720	-	4,251
	20,697,806	16,545,402	2,414,325	1,079,686
Less allowance for impairment on instruments at amortised cost [note 27(b)(iv)(d)]	(31,926)	(19,359)	(31,926)	(19,359)
	20,665,880	16,526,043	2,382,399	1,060,327
Allowance for impairment on investments at FVOCI [note 27(b)(iv)(d)]	101,729	97,311	-	-

6. Investment securities (continued)

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

	Group					
	2021					
	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Investment securities at fair value through profit or loss:						
Quoted equities	-	-	-	-	574,655	574,655
Convertible preference shares	-	-	-	-	266,069	266,069
At amortised cost:						
Deferred shares	-	-	410,647	-	-	410,647
Corporate bonds	-	-	1,099,515	60,387	-	1,159,902
At FVOCI:						
Unquoted equities	-	-	-	-	12,748	12,748
Quoted equities	-	-	-	-	873,120	873,120
J$ Certificate of Deposit	209,867	-	246,116		-	455,983
Benchmark investment notes	-	-	3,030,128	3,744,892	-	6,775,020
US$ bonds	866,091	-	772,120	5,652,376	-	7,290,587
Foreign government securities	-	-	157,768	534,605	-	692,373
Other public sector securities	-	-	414,222	38,667	-	452,889
Corporate bonds	-	204,931	882,399	646,483	-	1,733,813
	1,075,958	204,931	7,012,915	10,677,410	1,726,592	20,697,806

6. Investment securities (continued)

	Group					
	2020					
	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	$'000	$'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

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 (2020: $32,000,000) have been pledged as collateral against possible overdrafts and uncleared effects at one of the subsidiary company's bankers.

6. Investment securities (continued)

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

	Company			
	2021			
	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	-	-	573,090	573,090
Convertible preference shares	-	-	266,069	266,069
At amortised cost:				
Deferred shares	410,647	-	-	410,647
Corporate bonds	1,099,515	60,387	-	1,159,902
At FVOCI:	-	-	4,617	4,617
Unquoted equities	1,510,162	60,387	843,776	2,414,325

	Company			
	2020			
	1 to 5years	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

7. Investment in associate

	Group and Company	
	2021	2020
	$,000	$,000
Carrying amount of interest in associate: Carilend Caribbean Holdings Ltd.	21,399	56,949

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, 2021 adjusted for fair value adjustments.

	Group and Company	
	2021	2020
	$'000	$'000
Percentage ownership interest	30%	30%
Assets	841,407	690,141
Liabilities	(1,364,936)	(1,058,775)
Net liabilities (100%)	(523,529)	(368,634)
Company's share of net liabilities	(157,059)	(110,590)
Fair value adjustment	178,458	167,539
Carrying amount of investment	21,399	56,949
Revenue	148,008	76,797
Loss from continuing operations	110,796	120,013
Share of loss from continuing operations	33,239	36,004

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 exceeds 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	
	2021	2020
	$'000	$'000
Margin loans	1,929,003	1,027,680
Corporate loans	1,580,877	799,835
Insurance premium financing	29,562	31,340
	3,539,442	1,858,855
Less allowance for impairment on instruments at amortised cost [note 27(b)(iv)(d)]	(57,176)	(69,204)
	3,482,266	1,789,651

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	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Interest receivable	331,583	263,334	57,728	14,493
Withholding tax and GCT recoverable, net	61,198	16,356	5,234	-
Proceeds from sale from margin loan (note 8)	-	753,596	-	753,596
Other receivables and prepaid expenses	68,161	28,695	2,219	13,953
	460,942	1,061,981	65,181	782,042

10. Deferred tax asset/(liability)

	Group			
	2021			
	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	29,817	-	(6,200)	23,617
Investment securities	58,782	252,850	31,575	343,207
Interest receivable	(82,882)	-	(16,942)	(99,824)
Dividend receivable	(185)	-	(353)	(538)
Interest payable	41,082	-	11,473	52,555
Accrued vacation leave	1,174	-	(347)	827
Employee benefit obligation	13,833	(3,500)	(2,167)	8,166
Finance leases	(2,044)	-	871	(1,173)
Lease liabilities	2,977	-	658	3,635
Unrealised foreign exchange losses	(18,471)	-	21,358	2,887
	44,083	249,350	39,926	333,359

	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)

	Company				
	Balance at December 31, 2019	Recognised in income (note 27)	Balance at December 31, 2020	Recognised in income (note 26)	Balance at December 31, 2021
	$'000	$'000	$'000	$'000	$'000
Interest receivable	-	(3,379)	(3,379)	(6,688)	(10,067)
Investment securities	(18,085)	35,340	17,255	(32,736)	(15,481)
Finance lease	15,086	(17,130)	(2,044)	871	(1,173)
Interest payable	45	1,468	1,513	9,659	11,172
Tax losses	-	-	-	(3 ,769)	(3,769)
	(2,954)	16,299	13,345	(32,663)	(19,318)

11. Property, plant and equipment

	Group				
	Leasehold property	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
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
Additions	745,701	769	1,248	-	747,718
December 31, 2021	844,976	36,819	111,710	30,600	1,024,105
Depreciation:					
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
Charge for the year	11,303	4,553	10,753	2,098	28,707
December 31, 2021	33,532	21,995	33,802	26,578	115,907
Net book values:					
December 31, 2021	811,444	14,824	77,908	4,022	908,198
December 31, 2020	77,046	18,608	87,413	6,120	189,187

11. Property, plant and equipment (continued)

	Company
	Freehold land and building
	$'000
Cost:	
Additions	745,701
December 31, 2021	745,701
Net book values:	
December 31, 2021	745,701

12. Intangible asset - computer software

	Group
	$'000
Cost:	
December 31, 2019	396,556
Additions	3,957
December 31, 2020	400,513
Additions	6,459
December 31, 2021	406,972
Amortisation:	
December 31, 2019	123,370
Charge for the year	50,211
December 31, 2020	173,581
Charge for the year	50,312
December 31, 2021	223,893
Netbook values	
December 31, 2021	183,079
December 31, 2020	226,932

13. Accounts payable - other

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Payable to unit trust funds	271,315	-	271,315	-
Interest payable	168,842	124,763	44,688	6,052
Other payables and accrued expenses	459,810	345,391	224,850	76,463
	899,967	470,154	540,853	82,515

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 2021 $'000	Group 2020 $'000
Denominated in Jamaica dollars	6,684,222	7,584,376
Denominated in United States dollars [US$84,232,321 (2020: US$90,385,595)]	12,965,048	12,728,455
	19,649,270	20,312,831

	Company 2021 $'000	Company 2020 $'000
Denominated in Jamaica dollars	60,000	-
Denominated in United States dollars [(US$895,000) (2020:Nil)]	137,758	-
	197,758	-

At December 31, 2021, 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 $15,158,755,000 (2020 $13,194,000,000) for the group and $207,654,000 (2020:$Nil) for the company.

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, 2021, indicated that it is adequately funded. The group’s contribution to the plans for the year amounted to $7,683,000 (2020: $4,608,000) as set out in note 24.

(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.

	2021	2020
	$’000	$’000
Balance at beginning of year	39,000	34,200
Interest cost	3,800	2,600
Current service cost	1,000	800
Benefits paid	(600)	(600)
Experience adjustments and actuarial gains recognised in OCI	(10,500)	2,200
Net debit/(credit) in profit or loss and OCI	(6,300)	5,000
Balance at end of year	32,700	39,200

15. Employee benefit obligation (continued)

(b) Medical obligation (continued)

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

	2021	2020
	$'000	$'000
Current service cost	1,000	800
Interest on obligation	3,800	2,600
Benefits paid	(600)	(600)
	4,200	2,800

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

	2021	2020
	%	%
Discount rate	8.00	9.00
Medical premiums growth	7.00	8.00

(iv) As at December 31, 2021, the weighted average duration of the employee benefit obligation was 22 years (2020:19 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

	2021		2020	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
	$'000	$'000	$'000	$'000
Discount rate	29,900	35,800	35,600	31,000
Assumed medical cost trend rate	35,800	29,000	43,400	37,000

16. Borrowings

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Fixed and variable unsecured bond (i)	3,227,490	1,631,994	3,174,781	1,625,189
Fixed rate credit linked note (ii)	410,647	410,647	410,647	410,647
Variable rate unsecured bond (iii)	1,000,000	1,000,000	1,000,000	1,000,000
Other loans (iv)	883,827	-	883,827	-
	5,521,964	3,042,641	5,469,255	3,035,836

(i) This comprises three fixed rate unsecured bond issued by the company. The first bond was issued in October of 2020 valuing $196,000,000 less the associated transactional cost and attracted an interest rate of 5.5% with a maturity date of February 28, 2022. The remaining two bonds issued in 2021 are as follows, less their transactional costs:

$2,295,185,971 fixed rate 5.5% with a maturity date of January 16, 2023

$730,585,841 fixed rate 5.5% with a maturity date of April 30, 2023

(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.

(iv) This comprises of three loans, two loans from Development Bank of Jamaica received in October 2021, totalling $652,946,800 and attracting an interest rate of 5.75%. The loans are broken down as follows:

$550,000,000 with a maturity period of 5 years with an initial two-year principal payment moratorium.

$102,946,800 with a maturity period of 2 years requiring interest only month payments and principal payment due upon maturity.

The third loan of USD$1,500,000 is a syndicated Ultimate Investment Holdings loan and attracts an interest rate of 10% per annum for three years. Interest payments are due monthly while the principal is due upon maturity.

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.

17. Leases (continued)

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	
	2021	2020
	$'000	$'000
Balance at January 1	99,275	99,275
Depreciation at January 1	22,229	10,926
Depreciation charge for the year	11,303	11,303
	33,532	22,229
Balance at December 31	65,743	77,046

(ii) *Lease liabilities:*

Undiscounted cashflows of lease liabilities

	Group	
	2021	2020
	$'000	$'000
Less than one year	17,506	17,506
One to five years	69,163	70,025
More than five years	15,521	32,165
	102,190	119,696
Less future interest charges	(25,540)	(33,718)
Carrying amount of lease liabilities	76,650	85,978
Current	9,662	9,328
Non-current	66,988	76,650
	76,650	85,978

17. Leases (continued)

(a) Leases as lessee (continued)

(iii) *Amounts recognised in profit or loss*

	Group	
	2021	2020
	$'000	$'000
Interest on lease liabilities (note 21)	8,178	8,216

(iv) *Amounts recognised in statement of cash flows*

	Group	
	2021	2020
	$'000	$'000
Total cash outflow for leases	9,328	7,918

(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.

(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 $9,050,000 (2020: $3,356,000) see note 21.

The allowance for impairment on finance leases receivable was $3,577,000 (2020: $2,638,000).

17. Leases (continued)

(b) Leases as lessor (continued)

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	
	2021	**2020**
	$'000	**$'000**
Gross investment in finance leases, receivable:		
2021	-	31,730
2022	37,785	31,435
2023	38,377	27,418
2024	39,179	21,932
2025	37,136	16,449
2026	14,911	-
	167,388	128,964
Unearned finance income	(11,552)	(18,132)
Net investment in finance leases	155,836	110,832

18. Share capital

	2021	**2020**
	$'000	**$'000**
Authorised:		
5,000,000,000 (2020: 5,000,000,000) ordinary shares at no par value		
Issued and fully paid:		
1,500,025,000 (2020 1,500,025,000) ordinary shares	713,262	713,262
Less: share issuance costs	(5,375)	(5,375)
	707,887	707,887

18. Share capital (continued)

(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 (2018: $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.

19. 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 (2020: 50,000,000).

21. Net interest income

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Interest income calculated using the effective interest method:				
Investment securities at FVOCI	706,772	549,268	-	-
Investment securities at amortised cost	126,640	85,158	126,640	85,158
Resale agreements at amortised cost	110,735	97,664	1,815	2,044
Other	204,666	207,169	203,162	206,127
	1,148,813	939,259	331,617	293,329
Interest income on finance leases	9,050	3,356	9,050	3,356
	1,157,863	942,615	340,667	296,685
Interest expense:				
Repurchase agreements	(563,004)	(481,253)	(1,894)	-
Loans and borrowings	(196,223)	(163,524)	(196,223)	(163,524)
	(759,227)	(644,777)	(198,117)	(163,524)
Lease liabilities	(8,178)	(8,216)	-	-
	(767,405)	(652,993)	(198,117)	(163,524)
Net interest income	390,458	289,622	142,550	133,161

22. Gains/(losses) from investment activities

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Fixed income securities	571,870	558,203	26,300	13,750
Equities	171,492	(51,122)	167,366	8,705
Unit trust funds	1,004	(34,596)	953	(26,372)
Net foreign exchange translation gains	31,788	121,503	-	-
	776,154	593,988	194,619	(3,917)

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	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Brokerage activities	53,551	29,915	-	-
Corporate advisory services	304,196	499,383	-	-
Portfolio management fees - unit trust funds	334,892	314,612	-	-
Portfolio management services -other	65,169	62,706	-	-
Commitment fees on loans	67,931	16,539	67,931	16,539
Other	6,353	2,168	-	-
	832,092	925,323	67,931	16,539

24. Staff costs

	Group	
	2021	2020
	$'000	$'000
Salaries and wages	561,620	513,763
Statutory payroll contributions	36,926	33,902
Pension plan contributions [note 15(a)]	7,683	4,608
Post-employment medical benefit [note 15(b)(ii)]	4,200	2,800
Allowances and other benefits	38,190	32,414
	648,619	587,487

25. Other operating costs

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Advertising and public relations	35,862	35,689	2,880	5,128
Asset tax	60,396	52,123	-	-
Audit fees – current	36,054	22,536	11,534	5,959
Bank charges	8,458	10,148	379	425
Communication and courier	13,004	6,053	-	-
Depreciation and amortisation	79,018	72,604	-	-
Directors' fees	22,987	18,639	13,023	10,124
Financial Services Commission fees	13,350	10,335	-	-
Irrecoverable GCT	11,882	14,009	-	-
JCSD charges	4,307	4,541	4,307	4,541
Legal and other professional fees	23,033	79,388	32,962	25,673
Outsourced services	56,717	56,711	-	-
Postage and telegraph	2,750	1,164	-	-
Rent, maintenance and utilities	39,658	35,972	-	-
Software maintenance and IT expenses	68,293	74,693	-	-
Stationery and office supplies	2,843	5,787	-	1,939
Trustee fees – retail repurchase agreements	6,684	5,937	-	-
Management fees	-	-	63,694	49,208
Other expenses	59,147	27,577	5,813	2,969
	544,443	533,906	134,592	105,966

26. Income tax

(a) The charge for income tax is computed at statutory tax rate of 33⅓% (2020: 33⅓%) of the profit for the year for the subsidiary company and 25% (2020: 25%) for the company, as adjusted for tax purposes, and is made up as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
(i) Current income tax				
Current year	246,789	240,858	39,182	38,486
(ii) Deferred income tax (note 10)				
Origination and reversal of temporary differences	(18,568)	(75,575)	32,663	(16,299)
Total income tax charge	228,221	165,283	71,845	22,187

(b) The effective tax rate for 2021 was 28.80% (2020: 27.60%) for the group and 14.10% (2020: 48.23%) for the company of pre-tax profits. The actual tax charge differs from the theoretical tax charge for the year, as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Profit before income tax	792,358	598,873	509,359	46,006
Tax calculated at a rate of:				
25%	127,340	11,502	127,340	11,502
33⅓%	193,661	201,891	-	-
Adjusted for the effects of:				
Depreciation, amortisation and capital allowances	8,467	1,764	(7,306)	12,106
Income not subject to tax	(183,088)	(134,039)	(58,297)	(39,379)
Expenses/ (income) not deductible for tax purposes	81,841	84,165	10,108	37,958
Actual tax charge	228,221	165,283	71,845	22,187

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.

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.

27. Financial instruments-risk management (continued)

(a) Introduction and overview (continued)

Impact of Covid 19 (continued)

(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 group 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.

(i) Management of credit risk

Credit risk is the single largest risk for the group's business; management therefore carefully manages its exposure to credit risk. Credit risk management and control is delegated to the group's Finance Committees. The Committees are 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 group 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 group 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.

27. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

The group manages the credit risk on items exposed to such risk as follows (continued):

- 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 group 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.

(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.

27. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(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 2021 Stage 1 12-month ECL	Group 2021 Total
	$'000	$'000
Credit grade		
Investment Grade	453,872	453,872
Non-investment Grade	16,425,937	16,425,937
	16,879,809	16,879,809
Loss allowance [note 27(b)(iv)(d)]	(101,729)	(101,729)

	Group 2020 Stage 1 12-month ECL	Group 2020 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)

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			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Credit grade				
Non-Investment grade	8,988,737	286,454	25,208	9,300,399
Loss allowance [note 27(b)(iv)(d)]	(58,338)	(9,795)	(25,122)	(93,255)
	8,930,399	276,659	86	9,207,144

	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

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			
	2021			
	Stage 1 Lifetime ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Credit grade				
Non-Investment grade	5,629,469	286,454	-	5,915,923
Default	-	-	25,208	25,208
Loss allowance [note 27(b)(iv)(d)]	(57,771)	(9,795)	(25,122)	(92,688)
	5,571,698	276,659	86	5,848,443

	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

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 group.
- 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 group 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 group 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).

The key judgements and assumptions adopted by the group 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 group 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 group's historical experience and third party policies including forward-looking information.

The group 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 group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The group use internal rating models tailored to the various categories of counterparty.

27. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below (continued):

(a) *Significant increase in credit risk*

Credit risk grades (continued):

The group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The group 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 group 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.

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 group 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 group 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.

27. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below (continued):

(a) *Significant increase in credit risk*

Determining whether credit risk has been increased significantly (continued):

In assessing whether a borrower is in default, the group 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.

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 group 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 group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

27. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(b) *Incorporation of forward-looking information (continued)*

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.

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.

27. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(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 2021 Stage 1 12-month ECL $'000
Balance as at January 1, 2021	97,311
Adjustment to fair value reserve	1,113
Net financial assets originated or purchased	46,494
Financial assets derecognised during the year	(16,969)
Foreign exchange adjustment	5,922
Changes in models/assumptions used in ECL calculation	(32,142)
Net remeasurement of loss allowance	3,305
	4,418
Balance as at December 31, 2021	101,729

	Group 2020 Stage 1 12-month ECL $'000
Balance as at January 1, 2020	45,317
Net financial assets originated or purchased	37,423
Financial assets derecognised during the year	(12,509)
Changes in models/assumptions used in ECL calculation	26,673
Foreign exchange adjustment	407
Net remeasurement of loss allowance	51,994
Balance as at December 31, 2020	97,311

27. Financial instruments-risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(d) Loss allowance (continued)

Debt securities, finance lease, loan receivable and resale agreement at amortised cost:

	Group 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance as at January 1, 2021	26,682	39,846	25,175	91,703
Transfer from stage 1 to stage 2	(497)	497	-	-
Transfer from stage 2 to stage 1	2,653	(2,653)	-	-
New financial assets originated/purchased	40,236	9,380	-	49,616
Financial assets derecognisedduring the year	(1,403)	(37,004)	-	(38,407)
Changes to inputs used in ECL calculation	(9,333)	(271)	(53)	(9,657)
Net remeasurement of loss allowance	31,656	(30,051)	(53)	1,552
Balance as at December 31, 2021	58,338	9,795	25,122	93,255

	Group 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance as at January 1, 2020	21,627	2,751	-	24,378
Transfer from 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)	(2,751)	-	(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 (continued)

Debt securities at amortised cost:

	Company 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance as at January 1, 2021	26,180	39,846	25,175	91,201
Transfer from stage 1 to stage 2	(497)	497	-	-
Transfer from stage 2 to stage 1	2,653	(2,653)	-	-
Net financial assets originated/purchased	39,660	9,380	-	49,040
Financial assets derecognised during the year	(892)	(37,004)	-	(37,896)
Changes in inputs used in ECL calculations	(9,333)	(271)	(53)	(9,657)
Net remeasurement of loss allowance	31,591	(30,051)	(53)	1,487
Balance as at December 31, 2021	57,771	9,795	25,122	92,688

	Company 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 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

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.

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% (2020: 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.

27. Financial instruments-risk management (continued)

(c) Liquidity risk (continued)

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.

	Group				
	2021				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Borrowings	255,624	176,883	4,471,398	4,903,905	5,521,964
Accounts payable	1,640,296	-	-	1,640,296	1,640,296
Repurchase agreements, including interest	14,984,017	4,793,265	189,052	19,966,334	19,649,270
Lease liabilities	4,377	13,130	84,684	102,191	76,650
Due to ultimate parent society	216,040	-	-	216,040	216,040
	17,100,354	4,983,278	4,745,134	26,828,766	27,104,220

	Group				
	2020				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to ultimate parent society	197,988	-	-	197,988	197,988
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
Lease liabilities	4,377	13,130	102,190	119,697	85,978
Repurchase agreements, including interest	16,395,663	4,229,888	-	20,625,551	20,312,831
	18,741,996	5,258,950	1,784,133	25,785,079	25,259,545

27. Financial instruments-risk management (continued)

(c) Liquidity risk (continued)

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 (continued).

	Company				
	2021				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to ultimate parent society	122,137	-	-	122,137	122,137
Due to subsidiary	415,592	-	-	415,592	415,592
Borrowings	270,767	245,376	5,481,790	5,997,933	5,469,255
Accounts payables and accruals	540,853	-	-	540,853	540,853
Repurchase agreements including interest	199,121	-	-	199,121	197,758
	1,548,470	245,377	5,481,790	7,275,636	6,745,595

	Company				
	2020				
	Within 3 months	3 to 12 months	Over 12 months	Contractual cash flows	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Due to ultimate 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)

(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:

- Active monitoring of our portfolio of assets;
- Disposing of securities deemed most volatile based on historical trading patterns, especially those most susceptible to the negative implications of the pandemic; and
- Disposing of select long dated securities to reduce portfolio duration.
- Foreign currency risk

(i) 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.

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.

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

At the reporting date, the group's exposure to foreign currency risk was as follows, in nominal amounts:

	Group		Company	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Foreign currency assets:				
Cash and cash equivalents	3,392	7,586	362	105
Cumulative preference share	1,729	1,125	1,729	1,125
Resale agreements	23,433	27,228	-	-
Investment securities	59,041	57,978	1,000	100
Loans receivable	-	100	-	9
Accounts receivable	7,186	5,860	294	-
	95,781	99,877	3,385	1,339
Foreign currency liabilities:				
Borrowing	1,500	-	1,500	-
Accounts payable	2,760	2,983	380	66
Repurchase agreements	88,732	90,386	895	-
	92,992	93,369	2,775	66
Net foreign currency assets	2,789	6,508	610	1,273

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:

	2021	2020
United States dollar	153.9200	141.7090

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements:

A 2% strengthening (2020: 2%) and a 8% weakening (2020: 6%) of the Jamaica dollar against the United States dollar at December 31, 2021 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 2020.

	Group			
	2021		2020	
	% Change in Currency Rate	Effect on Profit	% Change in Currency Rate	Effect on Profit
	%	$'000	%	$'000
Currency:				
US$	2% Revaluation	555,551	2% Revaluation	(18,445)
US$	8% Devaluation	598,480	8% Devaluation	55,335

	Company			
	2021		2020	
	% Change in Currency Rate	Effect on Profit	% Change in Currency Rate	Effect on Profit
	%	$'000	%	$'000
Currency:				
US$	2% Revaluation	435,636	2% Revaluation	(3,608)
US$	8% Devaluation	445,027	6% Devaluation	10,824

(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.

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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.

	Group				
	2021				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	700	-	-	683,377	684,077
Resale agreements	3,697,988	353,344	-	-	4,051,332
Loans receivables	190,689	425,364	2,866,213	-	3,482,266
Investment securities	3,096,188	1,333,047	14,787,100	1,449,545	20,665,880
Accounts receivable	-	-	-	688,022	688,022
Net investment in finance leases	9,755	28,531	117,550	-	155,836
Total financial assets	**6,995,320**	**2,140,286**	**17,770,863**	**2,820,944**	**29,727,413**
Lease liabilities	-	-	-	76,650	76,650
Repurchase agreements	14,921,853	4,727,417	-	-	19,649,270
Borrowings	196,000	-	5,325,964	-	5,521,964
Due to ultimate parent society	-	-	-	216,040	216,040
Accounts payables	-	-	-	1,640,296	1,640,296
Total financial liabilities	**15,117,853**	**4,727,417**	**5,325,964**	**1,932,986**	**27,104,220**
Total interest sensitivity gap*	**(8,122,533)**	**(2,587,131)**	**12,444,899**	**887,958**	**2,623,193**
Cumulative gap	**(8,122,533)**	**(10,709,664)**	**1,735,235**	**2,623,193**	**-**

* The total gap relates to financial instruments recognised in the statement of financial position as there are no unrecognised financial instruments.

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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 (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
Investment securities	2,352,180	-	12,788,584	1,385,279	16,526,043
Net investment in finance leases	5,779	20,261	84,792	-	110,832
Loans receivables	105,760	296,946	1,386,945	-	1,789,651
Accounts receivable	-	-	-	1,783,203	1,783,203
Total financial assets	**9,452,453**	**713,866**	**14,260,321**	**4,735,336**	**29,161,976**
Due to ultimate parent society	-	-	-	197,988	197,988
Borrowings	498,908	932,111	1,611,622	-	3,042,641
Accounts payables	-	-	-	1,620,107	1,620,107
Lease liabilities	-	-	-	85,978	85,978
Repurchase agreements	16,195,762	4,117,069	-	-	20,312,831
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**	-

* The total gap relates to financial instruments recognised in the statement of financial position as there are no unrecognised financial instruments.

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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 (continued).

	Company				
	2021				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	-	-	-	114,443	114,443
Investment securities	-	882,000	933,669	566,730	2,382,399
Net investment in finance leases	9,755	28,531	117,550	-	155,836
Resale agreements	692,631	-	-	-	692,631
Loans receivable	190,689	425,364	2,866,213	-	3,482,266
Other receivables	-	-	-	65,181	65,181
Total financial assets	**893,075**	**1,335,895**	**3,917,432**	**746,354**	**6,892,756**
Borrowings	196,000	-	5,273,255	-	5,469,255
Accounts payable	-	-	-	540,853	540,853
Repurchase agreement	197,758	-	-	-	197,758
Due to ultimate parent society	-	-	-	122,137	122,137
Due to subsidiary company	-	-	-	415,592	415,592
Total financial liabilities	**393,758**	**-**	**5,273,255**	**1,078,582**	**6,745,595**
Total interest sensitivity gap*	**499,317**	**1,335,895**	**(1,355,823)**	**(332,228)**	**147,161**
Cumulative gap	**499,317**	**1,835,212**	**479,389**	**147,161**	**(-)**

* The total gap relates to financial instruments recognised in the statement of financial position as there are no unrecognised financial instruments.

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

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 (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
Resale agreements	79,997	-	-	-	79,997
Investment securities	-	-	975,373	84,954	1,060,327
Net investment in finance leases	5,779	20,261	84,792	-	110,832
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**
Due to ultimate parent society	-	-	-	130,579	130,579
Due to subsidiary company	-	-	-	13,551	13,551
Borrowings	498,908	932,111	1,604,817	-	3,035,836
Accounts payable	-	-	-	82,515	82,515
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**	**-**

* The total gap relates to financial instruments recognised in the statement of financial position as there are no unrecognised financial instruments.

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Average effective yields by the earlier of contractual re-pricing and maturity dates are as follows:

	Group			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
December 31, 2021:	%	%	%	%
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	2.00	3.47	5.59	5.39
US$ Investment securities	11.63	-	7.27	7.29
J$ Margin loans	9.02	9.20	8.61	8.94
US$ Margin loans	-	-	-	-
Net investment in finance leases	7.75	7.75	7.75	7.75
Liabilities				
Borrowings	5.43	5.41	5.41	5.42
J$ Repurchase agreements	3.38	4.31	-	3.57
US$ Repurchase agreements	2.94	4.06	-	3.21%

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Average effective yields by the earlier of contractual re-pricing and maturity dates are as follows (continued)

	Group			
	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$ 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

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Average effective yields by the earlier of contractual re-pricing and maturity dates are as follows (continued)

	Company			
	Within 3 months	3 to 12 months	Over 12 months	Overall average
December 31, 2021:	%	%	%	%
Assets				
J$ Cash and cash equivalents	0.05	-	-	0.05
US$ Cash and cash equivalents	0.30	-	-	0.30
J$ Margin loans	9.02	9.20	8.61	8.94
US$ Margin loans	-	-	-	-
US$ resale agreements	2.18			2.18
J$ Investments	-	7.50	7.20	7.35
US$ Investments	-	-	3.75	3.75
Net investment in finance leases	7.75	7.75	7.75	7.75
Liabilities				
J$ Repurchase agreements	2.20	-	-	2.00
US$ Repurchased agreement	3.00	-	-	3.00
Borrowings	5.43	5.41	5.41	5.42

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Average effective yields by the earlier of contractual re-pricing 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

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 2020.

	2021	2020
J$ interest rates	Increase by 300 bps	Increase by 100 bps
	Decrease by 50 bps	Decrease by 100 bps
US$ interest rates	Increase by 100 bps	Increase by 100 bps
	Decrease by 100 bps	Decrease by 100 bps

27. Financial instruments-risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity to interest rate movements (continued)

2021			2020		
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	(23,499)	(1,522,797)	+100/+100	(30,786)	(1,475,836)
-100/-100	89,751	865,353	-100/-100	30,786	(278,330)

(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 $1,397,774,000 (2020: $1,296,567,000). An increase or decrease of 10% (2020: 10%) in share prices would result in an increase or an equal decrease, respectively, in profit of $56,417,000(2020: $26,025,000) and an increase or equal decrease in other comprehensive income of $43,656,000 (2020: $103,632,000).

(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.

27. Financial instruments-risk management (continued)

(e) Capital management (continued)

The subsidiary company's regulatory capital position as at the reporting date was as follows:

	2021 $'000	2020 $'000
Tier 1 Capital	2,632,234	2,459,708
Tier 2 Capital	61,267	54,267
Total regulatory capital	2,693,501	2,531,975
Risk-Weighted Assets:		
On statement of financial position	17,588,349	15,861,924
Foreign exchange exposure	112,591	742
	17,700,940	15,862,666
Operational risk-weighted assets	289,168	290,264
	17,990,108	16,152,930

Capital adequacy ratios:

	FSC Benchmark	2021	2020
Tier 1 Capital/Total regulatory capital	Greater than 50%	97.72%	97.84%
Total regulatory capital/risk-weighted assets	Minimum 10%	14.97%	15.56%
Actual capital base /total assets	Greater than 6%	12.81%	14.24%

The capital position is sensitive to changes in market conditions. This sensitivity is due primarily to changes in the value of assets and liabilities resulting from changes in interest rates.

There was no change in the way the subsidiary company managed its capital during the financial year.

The Jamaica Stock Exchange ("JSE") monitors the capital requirements of the subsidiary as a member dealer.

27. Financial instruments-risk management (continued)

(e) Capital management (continued)

The subsidiary company's capital position as at the reporting date was as follows:

	2021	2020
	$'000	$'000
Net Free Capital	2,072,859	2,862,733
Minimum Capital Requirements	(1,085,418)	(1,110,941)
Excess of Net Free Capital	987,441	1,715,792
Total Liabilities	21,657,407	22,114,429

	JSE Benchmark	2021	2020
Net Free Capital/Total Liabilities	Greater than 5%	9.57%	12.78%

Throughout the year, the subsidiary company met all the requirements of the FSC and JSE relating to capital adequacy.

28. Financial instruments - fair values

(a) Definition and measurement of fair values

The group's accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the group using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments.

Where a quoted market price is not available, fair value is computed using alternative techniques making use of available input data; the group uses observable data as far as possible. Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable.

28. Financial instruments - fair values (continued)

(a) Definition and measurement of fair values (continued)

Fair value hierarchy: The different levels in the hierarchy have been defined as follows:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The techniques used to estimate fair values, together with the inputs used, are describe below. The use of assumptions and estimates means that the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(b) Valuation techniques for investment securities classified as Levels 2 and 3 as well as any significant unobservable inputs used.

The following table shows the valuation techniques used in measuring the fair value of investment securities.

Type	Valuation techniques
J$ denominated securities issued or guaranteed by the Government of Jamaica and Bank of Jamaica.	• Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids); • Using this yield, determine price using accepted formula; and • Apply price to estimate fair value.
US$ denominated Government of Jamaica securities, Foreign government securities, public sector securities, deferred shares and corporate bonds.	• Obtain bid price provided by a recognised broker/dealer, namely, Oppenheimer; and • Apply price to estimate fair value.
Units in unit trust funds	• Obtain prices quoted by unit trust managers; and • Apply price to estimate fair value.
Convertible preference shares	• Fair value determined by discounting the future expected cashflows using the weighted average cost of capital (WACC) of 9.4%.

28. Financial instruments - fair values (continued)

(b) Valuation techniques for investment securities classified as Levels 2 and 3 as well as any significant unobservable inputs used (continued).

Level 3 fair values

In respect of Level 3 instruments, the Group recognised in the profit or loss, total losses of $10,987,000 (2020: gains of $10,584,000) as a result of the effects of fair value and foreign exchange rate movements.

Sensitivity to significant unobservable inputs movements:

For the fair values of Level 3 instruments, a 1% increase or decrease of the WACC would have decreased or increased profits by $9,421,000.

(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							
	2021							
	Carrying amount				Fair value*			
	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	873,120	574,655	-	1,447,775	1,447,775	-	-	1,447,775
Convertible preference shares	-	266,069	-	266,069	-	-	266,069	266,069
Government of Jamaica securities	14,065,607	-	-	14,065,607	-	14,065,607	-	14,065,607
Bank of Jamaica securities	455,983	-	-	7,455,983	-	455,983	-	455,983
Foreign government securities	692,373	-	-	692,373	-	692,373	-	692,373
Other public sector securities	452,889	-	-	452,889	-	452,889	-	452,889
Deferred shares	-	-	410,647	410,647	-	410,647	-	410,647
Corporate bonds	1,733,813	-	1,159,902	2,893,715	-	2,893,715	-	2,893,715
	18,273,785	840,724	1,570,549	20,685,058	1,447,775	18,971,214	266,069	20,685,058

* The group and company do not disclose the fair values of cash and cash equivalents, unquoted equities, certificates of deposit, resale agreements, accounts receivable, accounts payable and repurchase agreements because the carrying amounts of these financial instruments are a reasonable approximation of fair values and are all considered to be within the level two fair value hierarchy.

28. Financial instruments - fair values (continued)

(c) Accounting classifications and fair values (continued):

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy (continued).

	Group							
	2020							
	Carrying amount				Fair value*			
	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	1,036,320	340,948	-	1,377,268	1,377,268	-	-	1,377,268
Convertible preference shares	-	159,422	-	159,422	-	-	159,422	159,422
Government of Jamaica securities	12,589,783	-	-	12,589,783	-	12,589,783	-	12,589,783
Foreign government securities	798,745	-	-	798,745	-	798,745	-	798,745
Other public sector securities	366,459	-	-	366,459	-	366,459	-	366,459
Deferred shares	-	-	410,647	410,647	-	431,033	-	431,033
Corporate bonds	-	-	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						
	2021						
	Carrying amount			Fair value*			
	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	573,090	-	573,090	573,090	-	-	573,090
Convertible preference shares	266,069	-	266,069	-	-	266,069	266,069
Deferred shares	-	410,647	410,647	-	410,647	-	410,647
Corporate bonds	-	1,159,902	1,159,902	-	1,159,902	-	1,159,902
	839,159	1,570,549	2,409,708	573,090	1,570,549	266,069	2,409,708

28. Financial instruments - fair values (continued)

(c) Accounting classifications and fair values (continued):

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy (continued).

	Company						
	2020						
	Carrying amount			Fair value*			
	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	80,701	-	80,701	80,701	-	-	80,701
Convertible preference shares	159,422	-	159,422	-	-	159,422	159,422
Deferred shares	-	410,647	410,647	-	431,033	-	431,033
Corporate bonds	-	424,665	424,665	-	486,569	-	486,569
	240,123	835,312	1,075,435	80,701	,917,602	159,422	1,157,725

* The group and company do not disclose the fair values of cash and cash equivalents, unquoted equities, certificates of deposit, resale agreements, accounts receivable, accounts payable and repurchase agreements because the carrying amounts of these financial instruments are a reasonable approximation of fair values and are all considered to be within the level two fair value hierarchy.

29. Related party transactions and balances

(a) Definition of related party

A related party is a person or entity that is related to the group.

(i) A person or a close member of that person's family is related to the group if that person:

(1) has control or joint control over the group;

(2) has significant influence over the group; or

(3) is a member of the key management personnel of the group or of a parent of the group.

29. Related party transactions and balances (continued)

(a) Definition of related party (continued)

(ii) An entity is related to the group if any of the following conditions applies:

(1) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an entity of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(6) The entity is controlled, or jointly controlled, by a person identified in (a)(i) above.

(7) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity or any member of a group of which it is a part providing key management services to the group or to the parent of the group;

A related party transaction is a transfer of resources, services or obligations between the group and related parties, regardless of whether a price is charged.

(b) Identity of related parties

The group has a related party relationship with its ultimate parent society, fellow subsidiaries, associate of ultimate parent society, key management personnel, including directors and the pension plan.

29. Related party transactions and balances (continued)

(c) The statement of financial position includes balances, arising in the ordinary course of business, with related parties, as follows:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Cash and cash equivalents:				
Ultimate parent society	34,755	47,097	3,106	21,801
Resales agreement:				
Subsidiary	-	-	692,640	-
Ultimate parent society	300,000	-	-	-
Repurchase agreements:				
Ultimate parent society	1,011,150	2,066,749	-	-
Subsidiary	-	-	197,758	-
Associate of ultimate parent society	152,317	104,862	-	-
Key management personnel, excluding directors	45,899	41,478	-	-
Investment securities:				
Ultimate parent society	410,647	2,210,647	410,647	410,647
Unit trust funds	-	-	-	-
Associate	-	159,422	-	159,422
Accounts receivable:				
Ultimate parent society	4,077	7,842	-	-
Subsidiary	-	-	39	80,000
Fellow subsidiary	182	7,943	-	-
Unit trust funds	-	1,154,053	-	753,596
Loans receivable:				
Directors	6,761	2,008	6,761	2,008
Unit trust funds	-	359,814	-	359,814
Due to ultimate parent society	216,040	197,988	122,137	130,579
Due to subsidiary company	-	-	415,592	13,551
Accounts payable – other:				
Associate of ultimate parent society	695	116	-	-
Fellow subsidiaries	1,542	-	-	-
Unit trust funds	27,315	4,086	271,315	4,086
Key management personnel, excluding directors	141	91	-	-

29. Related party transactions and balances (continued)

(d) The income statement includes the following income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Interest and dividend income:				
Ultimate parent society	57,703	39,018	26,744	26,765
Subsidiary - interest	-	-	1,815	2,113
- dividend	-	-	252,080	46,000
Unit trust funds	35,367	35,367	14,612	-
Associate company	21,244	12,648	21,244	12,648
Directors	188	539	188	539
Management fee income:				
Unit trust funds	334,892	314,612	-	-
Fellow subsidiary	5,681	-	-	-
Commission expense:				
Subsidiary	-	-	14,612	11,331
Operating expenses:				
Subsidiary	-	-	5,132	49,208
Ultimate parent society	222,049	211,203	63,694	-
Interest expense:				
Ultimate parent society	40,835	72,035	4,961	-
Fellow subsidiaries		148	-	-
Associate of ultimate parent society	6,701	2,645	-	-
Key management personnel,excluding directors	869	620	-	-
Dividend expense:				
Ultimate parent society	186,003	36,001	186,003	36,001
Directors' fees (note 25)	22,987	18,639	13,023	10,124
Short-term employee benefits:				
Key management personnel, excluding directors	46,952	64,051	-	-

30. Dividends

On November 12, 2021 (2020: February 28, 2020) the Board of Directors declared an interim dividend of $0.155 (2020: $0.03) per ordinary stock unit of the paid up capital stock of 1,500,025,000 (2020: 1,500,025,000) ordinary stock units, paid to the shareholders on record as at November 26, 2021 (2020: March 10, 2020).

31. Managed funds and custodial arrangements

The group acts as agent and earns fees for managing clients' funds on a non-recourse basis under management agreements. The group has no legal or equitable right or interest in these funds and, accordingly, they have been excluded from the financial statements. At December 31, 2021, these funds amounted to $34,709,442,000 (2020: $32,823,912,000).

Additionally, at December 31, 2021, there were custodial arrangements for assets totalling $12,743,221,000 (2020: $13,956,379,000).

32. Earnings per share

The calculation of basic earnings per share is calculated by dividing the profit for the year attributable to owners of the company of $564,137,000 (2020: $433,590,000), by a weighted average number of ordinary shares held during the year.

	2021	2020
Number of ordinary shares at December 31	1,500,025,000	1,500,025,000
Basic earnings per share (cents)	38¢	29¢

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
Cleopatra Beharie
Wealth Advisor
Tel: 876 553 11967
Newlin Street, Ocho Rios, St. Ann
tawana.brown@myvmgroup.com

Montego Bay Branch
Cleopatra Beharie
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
Cleopatra Beharie
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

Bridget Lewis

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

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Limited

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